

We recently met Sanjeev Mantri (MD and CEO) and the senior management team of ICICI Lombard for an update on the company's strategy and the overall developments in the General Insurance sector. Key views: 1) Profitable growth remains core to the company's strategy – 'Growth and Profitability' with an equal attention to both. 2) The company is always open to evaluating all the product and distribution opportunities, but the final call is taken based on the strategic fit into its profitable growth and prudent risk management approach. 3) The host of regulatory reforms, including Risk-Based Capital and National Health Claims Exchange, are deep structural reforms and are very positive for the sector's long-term growth. 4) The combination of low GI penetration, stronger economic growth, and structural reforms should drive over 15% premium growth for the industry over the medium term and ICICIGI should report 1-2ppts higher growth if the market discipline is stable.

**ICICI Lombard: Financial Snapshot (Standalone)**

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross written premium	1,85,624	2,17,718	2,57,530	2,95,902	3,40,723
Net earned premium	1,30,321	1,48,229	1,80,567	2,09,506	2,35,031
Adj. PAT	12,710	17,291	21,861	26,437	30,341
Adj. EPS (Rs)	25.9	35.2	44.5	53.8	61.8
BVPS (INR)	185.6	211.6	244.1	282.9	324.7
Adj. EPS growth (%)	(20.0)	35.9	26.4	20.9	14.8
BVPS growth (%)	13.4	14.0	15.4	15.9	14.8
NEP growth (%)	30.1	13.7	21.8	16.0	12.2
Combined ratio (%)	108.8	104.5	103.1	101.9	100.8
RoE (%)	14.5	17.2	18.7	19.3	19.2
P/Float (x)	1.8	1.6	1.4	1.2	1.1
P/E (x)	55.9	41.2	32.6	26.9	23.5
P/B (x)	7.8	6.8	5.9	5.1	4.4

Source: Company, Emkay Research

**It's always Growth and Profitability; market share does matter**

The company will continue to pursue its stated strategy of 'profitable growth' and management gives equal attention to the growth and profitability aspects. Market share in its focused business segments of Motor, Health, and Commercial Lines is of key importance, and it would like to maintain or improve its market share as long as it does not have to dilute its brand or ignore the underlying risks. Openness to new ideas remains at the heart of the company's work culture and it explores all opportunities in terms of product or distribution but accepts the idea only if that fits into the profitable growth strategy and does not go against its prudent risk management and brand-conscious approach.

**Regulatory reforms preparing the sector for long-term growth**

The general insurance sector is currently witnessing a host of regulatory reforms, including Risk-Based Capital (RBC) Solvency, Expense of Management (EOM) Regulations, Ind-AS, National Health Claims Exchange (NHCE), and Bima Sugam. Some of these reforms and initiatives are visionary steps and are likely to address the sector's deep-rooted challenges and enable the sector to be ready for long-term growth in a country where the combination of under-insurance and sustained high economic growth offers a long runway for growth. Given multiple tailwinds, the general insurance industry should grow above 15% over the medium to long term, even if there are some turbulences in a few segments. Rising affluence, sustained increases in healthcare cost, and growing risk from natural catastrophes mean that general insurance penetration should continue to rise.

**Combined ratio guidance unchanged**

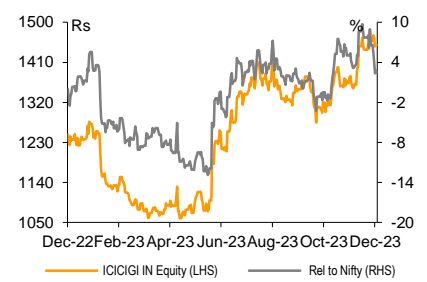
The company has grown at 16.2% YoY in 8MFY24 vs. 15.4% growth for multiline insurers. Growth in Motor-ex-CV, Health, and Commercial lines continue to be robust and growth in Motor CV shall improve once there is clarity from the Supreme Court on the applicability of six months' claim intimation window in Motor TP policies. In the health segment, there has been some minor increase in claims frequency; however, with multiple proactive measures, the company has been able to keep its claims inflation lower than that of the industry. The company's sizeable proactive investments in tech and digital infrastructure have started to deliver results in terms of customer acquisition, pricing, underwriting, claims processing, and turnaround times. Overall, the company reiterates its 102% combined ratio guidance for FY25 and expects premium growth to be 1-2ppts higher than that of the industry if competitive intensity stays stable.

Target Price – 12M	Sep-24
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	13.8
CMP (08-Dec-23) (Rs)	1,449.4

Stock Data	Ticker
52-week High (Rs)	1,492
52-week Low (Rs)	1,049
Shares outstanding (mn)	491.7
Market-cap (Rs bn)	713
Market-cap (USD mn)	8,546
Net-debt, FY24E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	756.4
ADTV-3M (USD mn)	9.1
Free float (%)	-
Nifty-50	20,969
INR/USD	83.4
<b>Shareholding, Sep-23</b>	
Promoters (%)	48.0
FPIs/MFs (%)	22.4/18.6

**Price Performance**

(%)	1M	3M	12M
Absolute	6.0	7.4	16.0
Rel. to Nifty	(1.8)	1.6	3.0

**1-Year share price trend (Rs)****Avinash Singh**

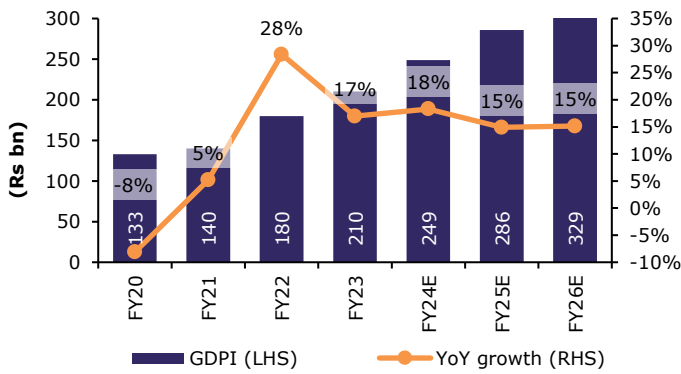
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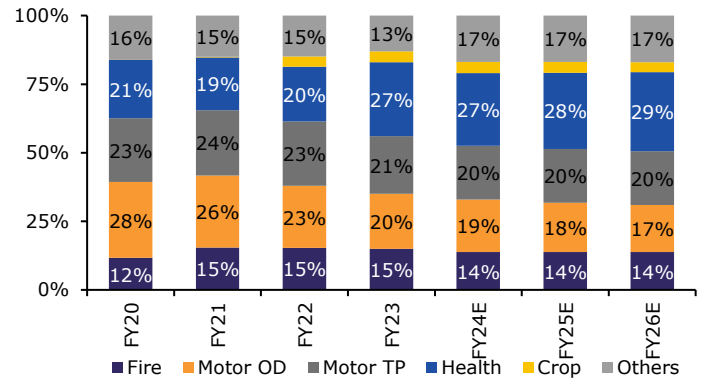
# Story in Charts

**Exhibit 1: We expect ICICIGI to post 18% GDPI growth in FY24E**



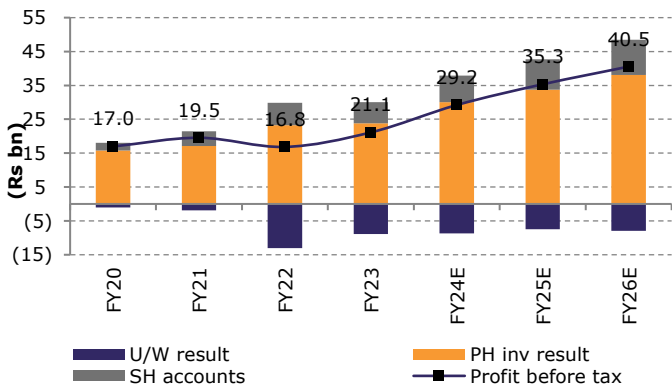
Source: Company, Emkay Research

**Exhibit 2: Health to remain a major contributor to the GDPI mix**



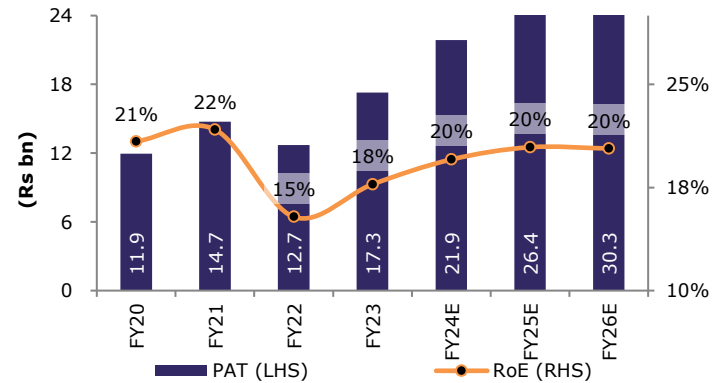
Source: Company, Emkay Research

**Exhibit 3: We expect ICICIGI to report PBT of Rs29.2bn by FY24E**



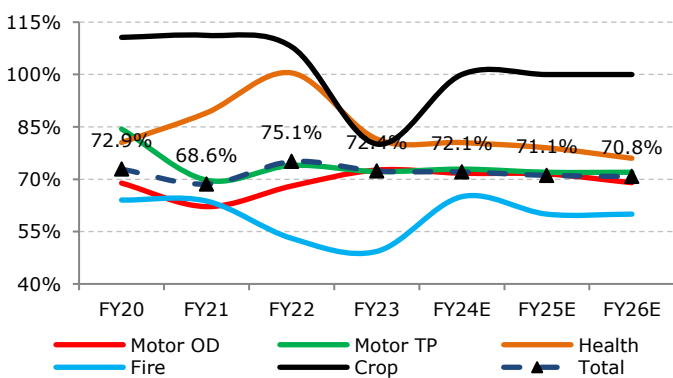
Source: Company, Emkay Research

**Exhibit 4: ICICIGI's PAT is expected to grow to Rs21.9bn in FY24E**



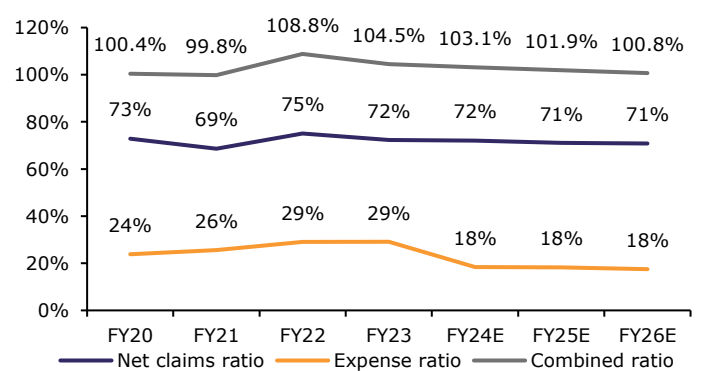
Source: Company, Emkay Research

**Exhibit 5: ICICIGI is expected to report a Net Claims Ratio of 72.1% during FY24E**



Source: Company, Emkay Research

**Exhibit 6: We expect ICICIGI to deliver a Combined Ratio of 103% during FY24E**



Source: Company, Emkay Research

## ICICI Lombard: Standalone Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
GDPI	1,79,769	2,10,251	2,48,697	2,85,753	3,29,037
Gross written premium	1,85,624	2,17,718	2,57,530	2,95,902	3,40,723
Net written premium	1,34,896	1,55,395	1,90,584	2,20,943	2,55,487
<b>Net earned premium</b>	<b>1,30,321</b>	<b>1,48,229</b>	<b>1,80,567</b>	<b>2,09,506</b>	<b>2,35,031</b>
Net incurred claims	97,819	1,07,257	1,30,146	1,48,942	1,66,355
Net commission	6,339	4,722	24,038	27,773	31,891
Operating expense	39,201	45,148	35,068	40,212	44,710
<b>Total expense</b>	<b>1,43,359</b>	<b>1,57,126</b>	<b>1,89,251</b>	<b>2,16,927</b>	<b>2,42,955</b>
<b>Underwriting profit</b>	<b>(13,038)</b>	<b>(8,898)</b>	<b>(8,684)</b>	<b>(7,421)</b>	<b>(7,925)</b>
Investment income	22,908	23,212	29,454	33,137	37,458
Other income	373	602	602	602	602
<b>Operating profit</b>	<b>10,243</b>	<b>14,916</b>	<b>21,371</b>	<b>26,318</b>	<b>30,134</b>
<b>Shareholder results</b>	<b>6,592</b>	<b>6,210</b>	<b>7,843</b>	<b>9,012</b>	<b>10,412</b>
<b>PBT</b>	<b>16,835</b>	<b>21,125</b>	<b>29,214</b>	<b>35,330</b>	<b>40,546</b>
Extraordinary items	0	0	0	0	0
Tax expense	4,125	3,835	7,353	8,893	10,205
<b>Reported PAT</b>	<b>12,710</b>	<b>17,291</b>	<b>21,861</b>	<b>26,437</b>	<b>30,341</b>
PAT growth (%)	(13.7)	36.0	26.4	20.9	14.8
<b>Adjusted PAT</b>	<b>12,710</b>	<b>17,291</b>	<b>21,861</b>	<b>26,437</b>	<b>30,341</b>
<b>Diluted EPS (Rs)</b>	<b>25.8</b>	<b>35.2</b>	<b>44.4</b>	<b>53.7</b>	<b>61.7</b>
Diluted EPS growth (%)	(20.1)	36.2	26.3	20.9	14.8
<b>DPS (Rs)</b>	<b>8.0</b>	<b>9.5</b>	<b>12.0</b>	<b>15.0</b>	<b>20.0</b>
<b>Dividend payout (%)</b>	<b>30.9</b>	<b>27.0</b>	<b>27.0</b>	<b>27.9</b>	<b>32.4</b>
Effective tax rate (%)	25	18	25	25	25
Shares outstanding (mn)	490.9	491.1	491.1	491.1	491.1

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Operating metrics (%)</b>					
Retention ratio	72.7	71.4	74.0	74.7	75.0
Incurred claims ratio	75.1	72.4	72.1	71.1	70.8
Net commission ratio	4.7	3.0	12.6	12.6	12.5
Opex ratio	29.1	29.1	18.4	18.2	17.5
<b>Combined ratio</b>	<b>108.8</b>	<b>104.5</b>	<b>103.1</b>	<b>101.9</b>	<b>100.8</b>
RSM-to-NWP	24.5	23.4	23.5	23.5	23.5
Solvency ratio	246.6	251.0	241.0	244.6	245.7
<b>Claims ratio (%)</b>					
Motor TP	68.1	72.6	71.7	71.5	69.0
Motor OD	74.0	72.2	72.9	72.0	72.0
Health	100.5	81.5	80.5	79.0	76.0
Fire	53.1	49.3	65.0	60.0	60.0
Crop	107.9	80.1	100.0	100.0	100.0
Others	54.2	58.7	51.3	50.4	55.9
<b>GWP mix (%)</b>					
Motor TP	22.6	19.7	19.2	18.0	17.2
Motor OD	23.4	21.1	19.6	19.6	19.6
Health	20.0	23.8	26.5	27.7	28.9
Fire	15.3	14.5	13.7	13.8	13.7
Crop	3.7	4.2	4.1	4.0	3.6
Others	14.9	16.7	16.9	16.9	17.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	4,909	4,911	4,911	4,911	4,911
Reserves & surplus	86,188	99,012	1,14,979	1,34,049	1,54,567
<b>Net worth</b>	<b>91,097</b>	<b>1,03,923</b>	<b>1,19,890</b>	<b>1,38,960</b>	<b>1,59,478</b>
Fair value gains	3,593	2,133	7,500	8,250	9,075
Borrowings	2,550	350	350	350	350
<b>Total liabilities &amp; equity</b>	<b>97,240</b>	<b>1,06,406</b>	<b>1,27,740</b>	<b>1,47,560</b>	<b>1,68,903</b>
Policyholder investments	2,98,684	3,33,221	3,88,756	4,47,034	5,13,420
Shareholder investments	89,179	98,583	1,15,013	1,32,255	1,51,896
Other assets	9,231	8,289	8,293	8,293	8,293
Cash & bank balances	2,926	2,031	2,031	2,031	2,031
Other current assets	1,08,463	1,08,734	1,45,195	1,68,695	1,96,523
Claims outstanding	2,49,752	2,69,166	3,21,913	3,69,877	4,25,904
Unearned premium	80,030	87,197	1,23,880	1,43,613	1,66,066
Other current liab.	80,916	87,421	1,04,553	1,20,131	1,38,327
Provisions	80,575	87,865	1,05,083	1,20,740	1,39,029
<b>Net current assets</b>	<b>(2,99,854)</b>	<b>(3,33,687)</b>	<b>(3,84,322)</b>	<b>(4,40,022)</b>	<b>(5,04,706)</b>
<b>Total assets</b>	<b>97,240</b>	<b>1,06,406</b>	<b>1,27,740</b>	<b>1,47,560</b>	<b>1,68,903</b>
BVPS (Rs)	185.6	211.6	244.1	282.9	324.7
Investment leverage (x)	4.2	4.2	4.2	4.2	4.2
Net investment yield (%)	8.6	7.4	8.1	7.9	7.8
PH investment yield (%)	8.6	7.3	8.2	7.9	7.8
SH investment yield (%)	8.6	7.8	7.9	7.8	7.8
NWP/Networth (x)	1.5	1.5	1.6	1.6	1.6
Required Solvency [RSM]	32,992	36,303	44,787	51,922	60,039
Available Solvency [ASM]	81,361	91,187	1,07,955	1,27,025	1,47,543

Source: Company, Emkay Research

Valuation & Key Metrics					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/B (x)	7.8	6.8	5.9	5.1	4.5
P/E (x)	55.9	41.2	32.6	26.9	23.5
P/Float (x)	1.8	1.6	1.4	1.2	1.1
P/GWP (x)	3.8	3.3	2.8	2.4	2.1
Dividend yield (%)	0.6	0.7	0.8	1.0	1.4
<b>Dupont-RoE split (%)</b>					
NEP/avg assets	37.4	36.2	38.6	38.7	37.8
Net incurred claims	28.1	26.2	27.8	27.5	26.7
Commission + Opex	13.1	12.2	12.6	12.6	12.3
<b>Underwriting profit</b>	<b>(3.7)</b>	<b>(2.2)</b>	<b>(1.9)</b>	<b>(1.4)</b>	<b>(1.3)</b>
PH investment income	6.6	5.7	6.3	6.1	6.0
<b>Operating profit</b>	<b>2.9</b>	<b>3.6</b>	<b>4.6</b>	<b>4.9</b>	<b>4.8</b>
Shareholder results	1.9	1.5	1.7	1.7	1.7
Tax expense	1.2	0.9	1.6	1.6	1.6
<b>RoA</b>	<b>3.6</b>	<b>4.2</b>	<b>4.7</b>	<b>4.9</b>	<b>4.9</b>
Leverage ratio (x)	3.9	3.9	4.1	4.2	4.1
<b>RoE</b>	<b>14.5</b>	<b>17.2</b>	<b>18.7</b>	<b>19.3</b>	<b>19.2</b>
<b>Growth rates (%)</b>					
GDPI	28.4	17.0	18.3	14.9	15.1
Gross written premium	29.6	17.3	18.3	14.9	15.1
Net written premium	26.2	15.2	22.6	15.9	15.6
Net earned premium	30.1	13.7	21.8	16.0	12.2
Claims incurred	42.4	9.6	21.3	14.4	11.7
Operating profit	(32.6)	45.6	43.3	23.1	14.5

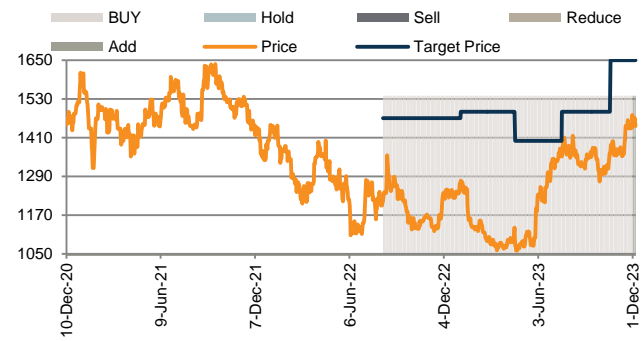
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Nov-23	1,480	1,650	Add	Avinash Singh
19-Oct-23	1,372	1,650	Buy	Avinash Singh
18-Oct-23	1,359	1,490	Buy	Avinash Singh
05-Oct-23	1,297	1,490	Buy	Avinash Singh
04-Oct-23	1,303	1,490	Buy	Avinash Singh
18-Jul-23	1,352	1,490	Buy	Avinash Singh
09-Jul-23	1,338	1,400	Buy	Avinash Singh
19-Apr-23	1,076	1,400	Buy	Avinash Singh
03-Apr-23	1,080	1,490	Buy	Avinash Singh
29-Mar-23	1,073	1,490	Buy	Avinash Singh
06-Feb-23	1,134	1,490	Buy	Avinash Singh
18-Jan-23	1,200	1,490	Buy	Avinash Singh
17-Jan-23	1,249	1,490	Buy	Avinash Singh
05-Jan-23	1,277	1,490	Buy	Avinash Singh
03-Jan-23	1,268	1,470	Buy	Avinash Singh
19-Oct-22	1,138	1,470	Buy	Avinash Singh
29-Sep-22	1,166	1,470	Buy	Avinash Singh
22-Sep-22	1,195	1,470	Buy	Avinash Singh
05-Sep-22	1,262	1,470	Buy	Avinash Singh
24-Aug-22	1,244	1,470	Buy	Avinash Singh
09-Aug-22	1,214	1,470	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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