

Good performance; maintain REDUCE on valuation

General Insurance ▶ Result Update ▶ July 21, 2024

TARGET PRICE (Rs): 1,800

ICICIGI delivered a healthy performance for Q1FY25, with CoR at 102.3% (Emkay est. 102.8%); better than estimated investment income resulted in PAT of Rs5.8bn (+49% YoY) vs. our estimate of Rs4.5bn. The management remains optimistic on the overall growth trajectory, and continues to balance profitability. During the quarter, the old-vehicle vertical led to growth in motor, and strong growth in group health, with seasonality of commercial lines led to materially lower OpEx ratio (13.3% in Q1FY25 vs 17.2% in Q1FY24). The new Retail Health product, 'Elevate' is expected to drive further growth in the retail Health segment. To factor in the Q1 developments, we increase our GWP estimates by 3-5%, while building in a slightly improving CoR (~0.2ppt) for FY25-27E, leading to 2-7% increase in FY25-27E EPS. ICICIGI shares have outperformed the broader markets during the past few months, resulting in the stock currently trading at 31.4x FY26 P/E. Given the high valuations, we reiterate our REDUCE rating, revising up Jun-25E TP to Rs1,800/sh from Rs1,650/sh earlier.

ICICI Lombard: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross written premium	217,718	255,942	299,902	345,708	396,214
Net earned premium	148,229	168,665	203,927	237,482	273,328
Adj. PAT	17,291	19,186	24,829	29,573	33,021
Adj. EPS (Rs)	35.2	39.0	50.4	60.0	67.0
BVPS (INR)	211.6	242.8	278.1	318.2	345.2
Adj. EPS growth (%)	35.9	10.8	29.1	19.1	11.7
BVPS growth (%)	14.0	14.7	14.6	14.4	8.5
NEP growth (%)	13.7	13.8	20.9	16.5	15.1
Combined ratio (%)	104.5	103.3	101.8	101.1	100.5
RoE (%)	17.2	16.3	17.9	18.7	18.8
P/Float (x)	2.1	1.9	1.6	1.5	1.3
P/E (x)	53.6	48.5	37.4	31.4	28.2
P/B (x)	8.9	7.8	6.8	5.9	5.5

Source: Company, Emkay Research

Better Underwriting performance and Investment income drive PAT beat

For Q1FY25, ICICIGI delivered robust GWP growth of 19.8% YoY, at a minor 1.7% miss to our estimates. While the Claims ratio stood at 74% as against our estimate of 72.8%, the Claims incurred at Rs33.4bn grew 15.7% YoY. Driven by high growth in the Old Motor Vehicle and Group Health segment, the expense ratio (including commission) came in at 28.3% as against our estimate of 30%. Driven by an improvement in expense ratio, the combined ratio at 102.3% came in better than our estimate of 102.8%. Resultantly, better than estimated underwriting performance and investment income resulted in strong 49% YoY growth in PAT to Rs5.8bn vs. our estimate of Rs4.5bn.

Motor and Health remain the focus segments

The management remains confident of the continued growth trajectory, which is likely to be driven by the Motor and Health segment. The company saw slow growth in new-vehicle sales during the quarter, but the festive season in coming quarters is likely to drive growth in such sales. Though the company maintains a balanced portfolio in the motor segment, the old-vehicle segment saw a strong 33% growth in Q1FY25 which resulted in improvement in OpEx. ICICIGI recently launched its flagship Retail Health product—Elevate—which includes various industry-first features. The management expects strong growth in the Retail Health segment which is likely to be driven by the product launch and will thus aid in improving the Health mix and overall Health claims ratios. Further, the management indicated its concern regarding high claims frequency in the health segment across the industry.

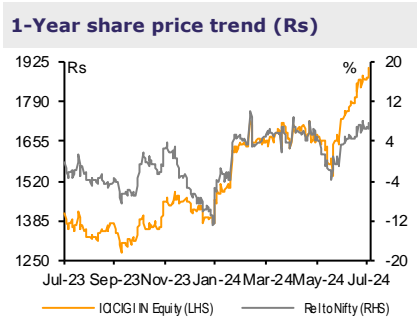
We reiterate REDUCE with revised Jun-25E TP of Rs1,800/sh

To account for the developments during Q1FY25, we have tweaked our FY25-27 estimates resulting in 3-5% increase in GWP and a slight 0.2-0.3ppts improvement in CoR. Resultantly, our PAT estimates increase by 2-7% over FY25-27. The stock has outperformed the broader markets during the past few months resulting in the stock currently trading at FY26E P/E of 31.4x. Given the high valuations, we reiterate our REDUCE on the stock, with revised Jun-25E TP of Rs1,800/sh from Rs1,650 earlier.

Target Price – 12M	Jun-25
Change in TP (%)	9.1
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(4.6)
CMP (19-Jul-24) (Rs)	1,887.0

Stock Data	Ticker
52-week High (Rs)	1,916
52-week Low (Rs)	1,266
Shares outstanding (mn)	493.3
Market-cap (Rs bn)	931
Market-cap (US\$ mn)	11,126
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,757.8
ADTV-3M (US\$ mn)	21.0
Free float (%)	-
Nifty-50	24,531
INR/US\$	83.7
Shareholding, Jun-24	
Promoters (%)	51.8
FPIs/MFs (%)	23.9/17.3

Price Performance			
(%)	1M	3M	12M
Absolute	7.2	11.7	38.1
Rel. to Nifty	2.8	0.8	11.6



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Exhibit 1: ICICIGI – Q4FY24/FY24 Financial Performance

Income Statement (Rs mn)	1QFY25	1QFY24	%YoY	1QFY25E	%Var	4QFY24	%QoQ
Gross direct premium	76,876	63,870	20.4	77,461	-0.8	60,741	26.6
Gross written premium	79,311	66,221	19.8	80,657	-1.7	62,631	26.6
Net written premium	53,605	44,676	20.0	54,847	-2.3	47,672	12.4
Net Earned premium	45,039	38,873	15.9	46,685	-3.5	43,683	3.1
Underwriting result	-3,466	-3,195	8.5	-3,756	-7.7	-2,319	49.4
Investment & other income- PH account	8,481	6,507	30.3	8,073	5.1	7,935	6.9
Operating profit	5,015	3,312	51.4	4,317	16.2	5,616	-10.7
Profit before tax	7,740	5,200	48.8	6,229	24.2	6,978	10.9
Profit after Tax	5,804	3,904	48.7	4,547	27.6	5,195	11.7

Key ratios (%)	1QFY25	1QFY24	YoY (ppts)	1QFY25E	Var (ppts)	4QFY24	QoQ (ppts)
Claims ratio	74.0	74.1	-0.1ppts	72.8	1.2ppts	68.6	5.4ppts
Commission ratio	15.0	12.5	2.6ppts	16.0	-1.0ppts	19.9	-4.9ppts
OpEx ratio	13.3	17.2	-3.9ppts	14.0	-0.7ppts	13.7	-0.4ppts
Combined ratio	102.3	103.8	-1.5ppts	102.8	-0.5ppts	102.2	0.1ppts
RoE	19.1	14.7	4.4ppts	14.9	4.2ppts	17.8	1.3ppts
Retention ratio	72.0	67.5	4.5ppts	68.0	4.0ppts	72.0	0.0ppts
Solvency ratio	256.0	253.0	3.0ppts	0.0	256.0ppts	262.0	-6.0ppts
Investment leverage (x)	4.14	4.16	0.0ppts	4.12	0.0ppts	4.09	0.1ppts

Balance Sheet (Rs mn)	1QFY25	1QFY24	%YoY	1QFY25E	%Var	4QFY24	%QoQ
Net worth	123,117	107,881	14.1	124,145	-0.8	119,598	2.9
Fair value account	14,286	6,684	113.7	5,000	185.7	9,896	44
Investments	510,044	449,053	13.6	511,480	-0.3	489,072	4.3

Claims Ratio (%)	1QFY25	1QFY24	%YoY	1QFY25E	4QFY24	ppts QoQ
Motor- OD	64.3	67.0	-2.7		58.4	5.9ppts
Motor - TP	69.3	72.4	-3.1		73.4	-4.1ppts
Health	83.6	78.4	5.2		75.4	8.2ppts
Crop	109.0	102.1	6.9		46.9	62.1ppts
Fire	78.5	85.2	-6.7		41.0	37.5ppts
Marine	78.4	76.7	1.7		67.2	11.2ppts
Engineering	53.3	98.6	-45.3		23.1	30.2ppts
Other	76.2	72.3	3.9		88.7	-12.5ppts
Total	74.0	74.1	-0.1		68.6	5.4ppts

Source: Company, Emkay Research

Exhibit 2: Changes in Estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	Revised	%Change	Old	Revised	%Change	Old	Revised	%Change
GWP	291,509	299,902	2.9	333,969	345,708	3.5	378,386	396,214	4.7
U/W Result	-7,787	-7,500	-3.7	-7,460	-7,124	-4.5	-8,820	-8,130	-7.8
Op. Profit	24,527	24,936	1.7	28,462	30,014	5.5	30,999	33,401	7.7
PAT	24,440	24,829	1.6	28,208	29,573	4.8	30,919	33,022	6.8
Combined Ratio (%)	102.0	101.8	-0.2ppts	101.3	101.1	-0.2ppts	100.8	100.5	-0.3ppts
RoE (%)	19.1	19.3	0.3ppts	19.3	20.1	0.8ppts	19.3	20.2	1.0ppts

Source: Company, Emkay Research

Exhibit 3: ICICIGI – Economic Value-Added Method Valuation

Parameter (Rs mn)	Value
Cost of Equity	12.0%
FY24-FY29E Earnings CAGR	18%
FY29E-FY39E Earnings CAGR	15%
Terminal growth	7.5%
FY25 Net worth (Rs mn)	137,037
FY26-FY39 discounted residual earnings (Rs mn)	239,125
Terminal Value (Rs mn)	463,110
FY24 Fair value gains (Rs mn) - post tax	7,422
Fair Value (Rs mn)	851,552
No. of Shares (mn)	491
Mar-25 Fair value per share (Rs)	1,734
Jun-25E Target price (Rs/sh)	1,800

Source: Company, Emkay Research

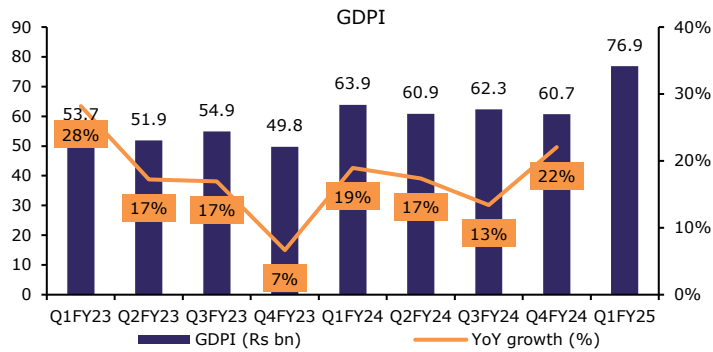
Exhibit 4: ICICIGI – Implied Valuation Multiples

Valuation multiple at current price	Rs1,887/sh
FY26E P/E	31.4x
FY26E P/B	5.9x
FY26E RoE	20.1%
Valuation multiple at target price	Rs1,800/sh
FY26E P/E	30.0x
FY26E P/B	5.6x
FY26E RoE	20.1%

Source: Company, Emkay Research

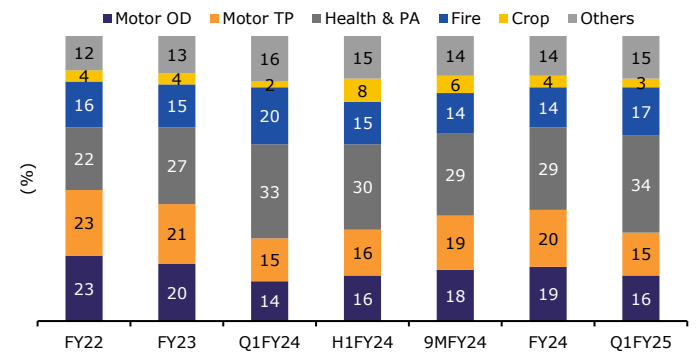
Story in charts

Exhibit 5: ICICIGI reported a robust 22% growth in GDPI during Q1FY25



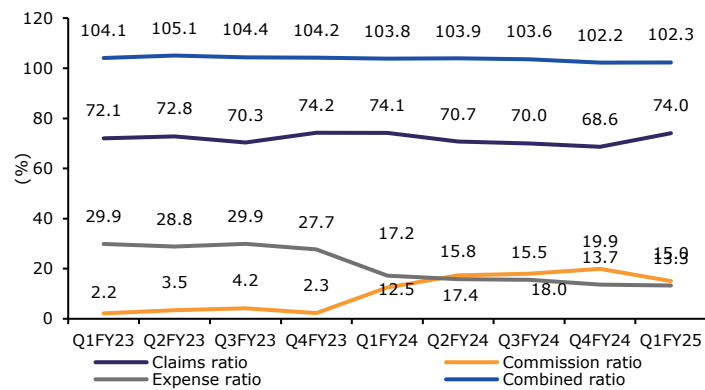
Source: Company, Emkay Research

Exhibit 6: Share of the Health segment in the GDPI mix inches up, to 34%



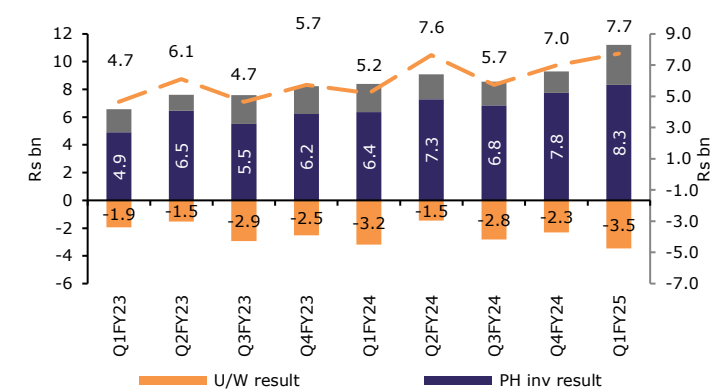
Source: Company, Emkay Research

Exhibit 7: Combined Ratio improves to 102.3% during Q1FY25



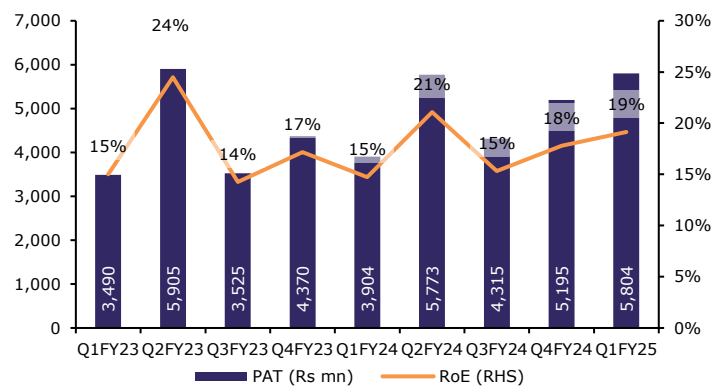
Source: Company, Emkay Research

Exhibit 8: ICICIGI reports PBT of Rs7.7bn during Q1FY25



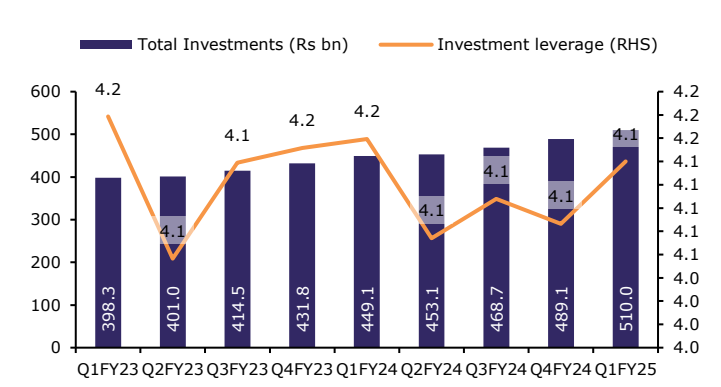
Source: Company, Emkay Research

Exhibit 9: PAT grows to Rs5.8bn during Q1FY25



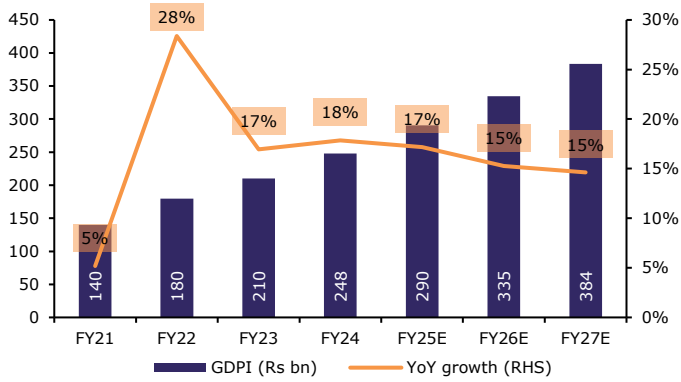
Source: Company, Emkay Research

Exhibit 10: Total investments increase to Rs510bn, as of Q1FY25



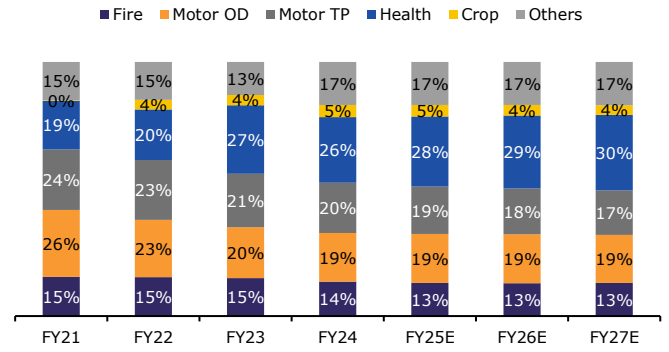
Source: Company, Emkay Research

Exhibit 11: We expect ICICIGI to deliver 17% GDP growth during FY25E



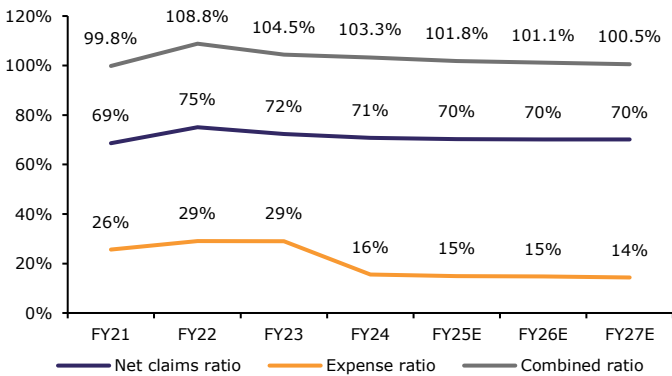
Source: Company, Emkay Research

Exhibit 12: Health to remain a major contributor to the GDP mix



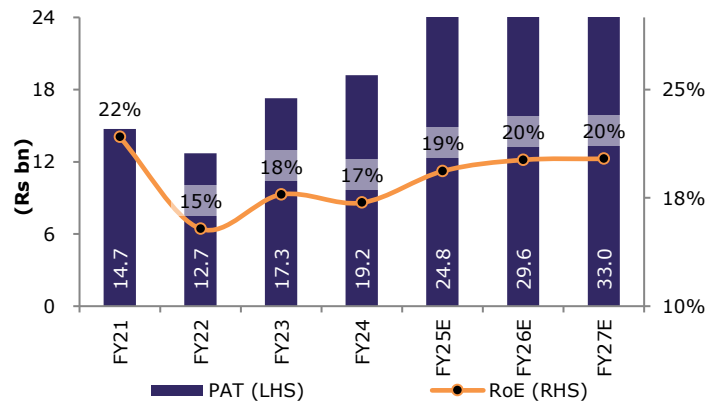
Source: Company, Emkay Research

Exhibit 13: We expect ICICIGI to report 101.8% Combined Ratio in FY25E



Source: Company, Emkay Research

Exhibit 14: ICICIGI's PAT is expected to grow to Rs33bn by FY27E



Source: Company, Emkay Research

Earnings Conference Call Highlights

- The regulatory environment is becoming more cohesive and is expected to benefit the policyholders fostering further growth for the industry.
- The management expects the growth trajectory to continue going forward led by favorable macros.
- The management stated that in the coming festive season, Motor growth should do well. The old car book grew at 33% during the quarter. CoR for the industry in the Motor segment seems to be reducing.
- The management remains prudent in terms of reserving. It will be comfortable with the loss ratio of 60-65% in Motor OD and 65-70% in the Motor TP segments. The management believes the company would stay in the guided loss ratio band.
- Regarding the recent changes in the Motor Vehicle Act, the management mentioned that on a sequential basis, the company has seen faster claims intimation which augers well for the industry as well; however, these are still early days.
- The company introduced new product 'Elevate' in the Retail Health segment. The product is being well received by customers and the distribution partner, on account of various industry-first features. With the growth of this product, the management expects the retail health contribution in the overall Health segment mix to inch up.
- Configuration of the motor portfolio toward old vehicles has helped improve the OpEx. Further, some of the Group health business and a minor amount of the crop business have also contributed to the improvement in OpEx. Relative efficiency and productivity improvement resulted in lower OpEx costs. The management endeavors to keep the overall expense ratio in the 30% range.
- The company had taken some guardrails and focused on strengthening its distribution channel, during the aggressive phase of the markets. Recently, the management has seen pricing discipline coming back in the corporate health segment.
- In the retail health segment, the management remains focused on maintaining a ~70% loss ratio. It believes the company has fairly priced the risk features in the new health product.
- In the Health segment, the increased loss ratio was on account of relative increase in frequency of claims which is also witnessed at the industry level. The launch of the new product the mix of the health segment should also result in better loss ratios.
- Growth of Old vehicles has exceeded the new vehicles growth. Agency and other channels like broking have done well. The management will continue to capture opportunities in the Motor segment.
- Other players who were considerably aggressive in pricing in the Motor segment have now resorted to pricing discipline. ICICIGI has started leveraging its Preferred Garage network which helps in improving motor profitability.
- On an overall basis, the company's performance will largely be guided by the combined ratio and, with the right levers, the management sees the company exiting the year with CoR of 101.5% in Q4FY25.
- The company has expanded the entry age of customers in the health segment. The endeavor is to create a more unique and customized health insurance solution.
- Corporate health segment loss ratio should remain at around 90%.

ICICI Lombard: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
GDPI	210,251	247,761	290,316	334,658	383,550
Gross written premium	217,718	255,942	299,902	345,708	396,214
Net written premium	155,395	181,656	216,103	251,718	295,295
Net earned premium	148,229	168,665	203,927	237,482	273,328
Net incurred claims	107,257	119,395	143,297	166,473	191,614
Net commission	4,722	30,890	35,907	41,026	47,494
Operating expense	45,148	28,177	32,224	37,107	42,349
Total expense	157,126	178,462	211,427	244,606	281,457
Underwriting profit	(8,898)	(9,797)	(7,500)	(7,124)	(8,130)
Investment income	23,212	27,761	31,436	35,938	40,330
Other income	602	1,096	1,000	1,200	1,200
Operating profit	14,916	19,059	24,936	30,014	33,401
Shareholder results	6,210	6,493	8,244	9,506	10,728
PBT	21,125	25,552	33,181	39,520	44,128
Extraordinary items	0	0	0	0	0
Tax expense	3,835	6,366	8,352	9,947	11,107
Reported PAT	17,291	19,186	24,829	29,573	33,021
PAT growth (%)	36.0	11.0	29.4	19.1	11.7
Adjusted PAT	17,291	19,186	24,829	29,573	33,021
Diluted EPS (Rs)	35.2	38.8	50.1	59.7	66.6
Diluted EPS growth (%)	36.2	10.3	29.2	19.1	11.7
DPS (Rs)	9.5	9.9	15.0	20.0	40.0
Dividend payout (%)	27.0	25.3	29.8	33.3	59.7
Effective tax rate (%)	18	25	25	25	25
Shares outstanding (mn)	491.1	492.7	492.7	492.7	492.7

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating metrics (%)					
Retention ratio	71.4	71.0	72.1	72.8	74.5
Incurred claims ratio	72.4	70.8	70.3	70.1	70.1
Net commission ratio	3.0	17.0	16.6	16.3	16.1
Opex ratio	29.1	15.5	14.9	14.7	14.3
Combined ratio	104.5	103.3	101.8	101.1	100.5
RSM-to-NWP	23.4	23.1	23.1	23.1	23.1
Solvency ratio	251.0	262.0	255.5	253.2	235.3
Claims ratio (%)					
Motor TP	72.6	63.5	65.0	64.8	64.5
Motor OD	72.2	66.8	67.5	67.0	66.5
Health	81.5	81.4	80.5	79.5	79.0
Fire	49.3	62.2	60.0	62.0	61.0
Crop	80.1	88.4	100.0	100.0	100.0
Others	58.7	66.5	55.4	56.3	58.1
GWP mix (%)					
Motor TP	19.7	19.1	19.3	19.2	18.9
Motor OD	21.1	19.8	18.7	18.0	17.5
Health	23.8	25.8	27.6	28.7	29.8
Fire	14.5	13.6	13.0	13.0	13.0
Crop	4.2	4.7	4.5	4.1	3.8
Others	16.7	16.9	16.9	17.0	17.0
Total	100.0	19.1	100.0	100.0	100.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	4,911	4,927	4,927	4,927	4,927
Reserves & surplus	99,016	114,678	132,110	151,829	165,143
Net worth	103,928	119,605	137,037	156,755	170,070
Fair value gains	2,133	9,896	10,885	11,974	13,171
Borrowings	350	350	350	350	350
Total liabilities & equity	106,411	129,850	148,272	169,079	183,590
Policyholder investments	333,221	373,204	432,674	488,598	545,274
Shareholder investments	98,583	115,869	134,332	151,695	169,291
Other assets	8,293	9,935	9,935	9,935	0
Cash & bank balances	2,031	3,346	3,346	3,346	3,346
Other current assets	108,734	130,730	188,795	219,685	249,679
Claims outstanding	269,166	303,878	374,877	425,220	479,419
Unearned premium	87,197	100,188	129,662	151,031	177,177
Other current liab.	87,421	98,474	121,482	137,796	155,359
Provisions	87,865	100,881	124,451	141,163	159,156
Net current assets	(333,687)	(369,157)	(428,670)	(481,149)	(540,910)
Total assets	106,411	129,850	148,272	169,079	183,590
BVPS (Rs)	211.6	242.8	278.1	318.2	345.2
Investment leverage (x)	4.2	4.1	4.1	4.1	4.2
Net investment yield (%)	7.4	7.9	7.7	7.7	7.7
PH investment yield (%)	7.3	7.9	7.8	7.8	7.8
SH investment yield (%)	7.8	7.9	7.5	7.5	7.5
NWP/Networth (x)	1.5	1.5	1.6	1.6	1.7
Required Solvency [RSM]	36,303	42,042	50,014	58,257	68,342
Available Solvency [ASM]	91,187	110,342	127,781	147,500	160,814

Source: Company, Emkay Research

Valuation & Key Metrics					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/B (x)	8.9	7.8	6.8	5.9	5.5
P/E (x)	53.6	48.5	37.4	31.4	28.2
P/Float (x)	2.1	1.9	1.6	1.5	1.3
P/GWP (x)	4.3	3.6	3.1	2.7	2.3
Dividend yield (%)	0.5	0.5	0.8	1.1	2.1
Dupont-RoE split (%)					
NEP/avg assets	36.2	36.6	38.6	39.3	40.3
Net incurred claims	26.2	25.9	27.1	27.6	28.3
Commission + Opex	12.2	12.8	12.9	12.9	13.3
Underwriting profit	(2.2)	(2.1)	(1.4)	(1.2)	(1.2)
PH investment income	5.7	6.0	6.0	6.0	6.0
Operating profit	3.6	4.1	4.7	5.0	4.9
Shareholder results	1.5	1.4	1.6	1.6	1.6
Tax expense	0.9	1.4	1.6	1.6	1.6
RoA	4.2	4.2	4.7	4.9	4.9
Leverage ratio (x)	3.9	4.1	4.2	4.1	4.2
RoE	17.2	16.3	17.9	18.7	18.8
Growth rates (%)					
GDPI	17.0	17.8	17.2	15.3	14.6
Gross written premium	17.3	17.6	17.2	15.3	14.6
Net written premium	15.2	16.9	19.0	16.5	17.3
Net earned premium	13.7	13.8	20.9	16.5	15.1
Claims incurred	9.6	11.3	20.0	16.2	15.1
Operating profit	45.6	27.8	30.8	20.4	11.3

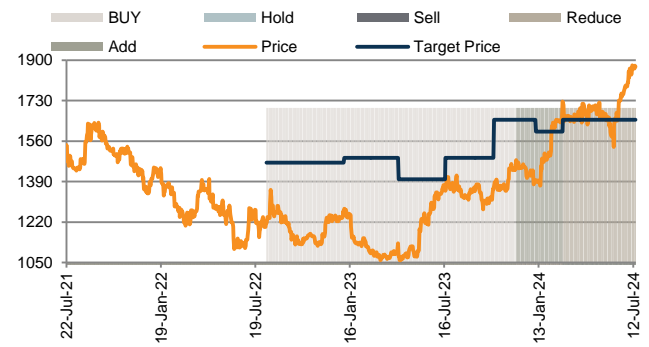
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Apr-24	1,710	1,650	Reduce	Avinash Singh
03-Apr-24	1,693	1,650	Reduce	Avinash Singh
30-Mar-24	1,685	1,650	Reduce	Avinash Singh
06-Mar-24	1,656	1,650	Reduce	Avinash Singh
28-Feb-24	1,724	1,650	Reduce	Avinash Singh
17-Jan-24	1,454	1,600	Add	Avinash Singh
17-Jan-24	1,454	1,600	Add	Avinash Singh
07-Jan-24	1,396	1,600	Add	Avinash Singh
12-Dec-23	1,455	1,650	Add	Avinash Singh
08-Dec-23	1,449	1,650	Add	Avinash Singh
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: Company, Bloomberg, Emkay Research

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