

Retail Equity Research

ICICI Lombard General Insurance Co. Ltd.

BUY

Insurance

BSE CODE: 540716

NSE CODE: ICICIGI

Bloomberg CODE: ICICIGI:IN

SENSEX: 81,741

12 Months Investment Period Rating as per Mid Cap

CMP Rs. 2,013 TARGET Rs. 2,331 RETURN 16% ↑
(Closing: 31-07-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Exceptional performance: outpacing industry growth

ICICI Lombard General Insurance (ICICI'LGI) is a private general insurance company that offers various insurance products, including travel, home, health, and motor insurance.

- In Q1FY25, Gross direct premium income (GDPI) grew 20.4% YoY to Rs. 7,688cr, driven by strong growth in motor and health segments. Net premium earned rose 15.9% YoY to Rs 4,504cr.
- GDPI market share improved to 10.6% in Q1FY25 vs 8.6% in Q4FY24.
- ICICI'LGI demonstrated strong operating performance this quarter and gained market share. Introduction of new products and the upcoming festive season are expected to drive its performance. Hence, we maintain our positive outlook and retain our BUY rating on the stock, with a target price of Rs. 2,331 based on 7.1x FY26E BVPS.

Preferred segments drove premium income

In Q1FY25, ICICI'LGI's GDPI grew 20.4% YoY to Rs. 7,688cr vs the industry's 13.3% YoY growth, driven by stronger contribution from the preferred segments. The motor segment rose 26.3% YoY, outpacing the industry's 12% YoY growth and securing a leading industry position, due to robust expansion in the existing business and an increased share of Motor Own Damage (OD) in the overall product mix. The health segment experienced strong growth, rising 28.5% YoY vs the industry's 16.6% YoY growth. Shifting consumer preference towards better servicing capabilities, influenced by changes in pricing sentiment, drove growth in the health segment. Additionally, the launch of a new health insurance solution boosted retail health business growth in Q1FY25 and is expected to continue driving growth. Pricing pressures remained a significant challenge for the fire segment and would require close monitoring.

PAT remained elevated with controlled loss ratio and Opex

In Q1FY25, operating profit grew 51.4% YoY to Rs. 501cr, supported by a 15.9% YoY rise in net premium earned, a 31.3% YoY increase in investment income mixed with lower other expenses (-23.2% YoY). However, this growth was offset by a 15.7% YoY increase in incurred claims to Rs. 3,334cr. The loss ratio declined to 74% in Q1FY25 vs. 74.1% in Q1FY24, due to lower loss ratios from motor and crop segments, but was offset by a higher loss ratio from the health and crop segments. As a result, the combined ratio declined to 102.3% in Q1FY25 vs 103.8% in Q1FY24. Profit after tax (PAT) grew 48.7% YoY to Rs. 580cr.

Key concall highlights

- In Q1FY25, long-term insurance products were introduced for private car and two-wheeler segments, in line with the operational guidelines of the Master Circular. It is expected that these new offers would further improve performance.
- In Q1FY25, 69.9% of agency and direct-motor claims were serviced through the Preferred Partner Network (PPN), up from 56.3% a year ago.
- ICICI Lombard has recently launched a new health insurance product called 'Elevate'. This innovative product uses AI to provide personalised solutions for active lifestyles and medical emergencies.

Outlook and valuation

In Q1FY25, ICICI'LGI's product mix seemed well-positioned to cater to the industry requirement. Its enhanced market share showcases the demand for and acceptance of products by customers. The higher loss ratio for some segments was attributed to seasonality and is expected to a decline in the near future, leading to profitable growth. Hence, we maintain our positive outlook and retain our BUY rating on the stock, with a target price of Rs. 2,331 based on 7.1x FY26E BVPS.

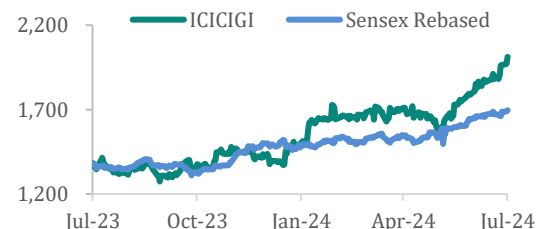
Company Data

Market Cap (cr)	Rs. 99,311
Outstanding Shares (cr)	49.3
Free Float	49.0%
Dividend Yield	0.5%
52 week high	Rs. 2,032
52 week low	Rs. 1,266
6m average volume (lacs)	10.2
Beta	0.6
Face value	Rs. 10

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	47.9	51.3	51.8
FII's	23.0	23.1	23.9
MFs/Insti	18.0	16.1	17.3
Public	10.9	9.4	6.9
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	17.7%	34.4%	45.7%
Absolute Sensex	9.7%	13.9%	22.9%
Relative Return*	8.0%	20.5%	22.8%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Net Premium	16,866	19,621	22,860
Growth (%)	13.8	16.3	16.5
Total Income	19,760	22,855	26,242
Profit Before Tax	2,555	3,235	3,953
Growth (%)	21.0	26.6	22.2
Net Profit	1,919	2,459	3,004
Growth (%)	11.0	28.1	22.2
EPS (Rs)	38.8	49.7	60.7
Growth (%)	10.3	28.1	22.2
BV (Rs)	241.7	279.5	328.3
RoE	16.0	17.8	18.5
P/E	43.5	40.5	33.1
P/EV	7.0	7.2	6.1
Solvency (%)	262.0	268.1	274.3

Quarterly Financials (Standalone)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Premium Earned (Net)	4,504	3,887	15.9	4,368	3.1
Income from Invt. (net)	845	643	31.3	790	7.0
Other income	4	10	(64.7)	7	(53.0)
Total operating Income	5,352	4,540	17.9	5,165	3.6
Opt. Exp. Rel. Ins.	712	771	(7.7)	655	8.6
Incurred Claims	3,334	2,882	15.7	2,999	11.2
Others	804	556	44.6	950	(15.3)
Total operating Expenses	4,850	4,209	15.2	4,604	5.4
Operating Profit	501	331	51.4	562	(10.7)
Non-operating income	253	186	36.3	234	8.2
Non-operating expense	(20)	(3)	N.A.	97	N.A.
PBT	774	520	48.8	698	10.9
Tax	194	130	49.3	178	8.6
Reported PAT	580	390	48.7	520	11.7
Adj EPS (Rs)	11.7	7.9	46.9	10.5	11.4

Segment break-up of GDPI and Premiums Earned

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
GDPI	7,688	6,387	20.4	6,073	26.6
Motor	2,369	1,875	26.3	2,779	(14.8)
<i>Own Damage</i>	1,203	920	30.8	1,353	(11.1)
<i>Third Party</i>	1,166	955	22.1	1,426	(18.2)
Health, Travel & PA	2,583	2,073	24.6	1,798	43.7
Property & Casualty	2,508	2,286	9.7	1,489	68.4
Crop	228	153	49.0	7	3,157.1
Premium Earned (Net)	4,504	3,887	15.9	4,368	3.1
Motor	2,356	2,103	12.0	2,241	5.1
Health, Travel & PA	1,618	1,317	22.8	1,543	4.8
Property & Casualty	500	448	11.6	557	(10.3)
Crop	30	20	55.0	28	10.8

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Premium Earned (Net)	19,564	22,787	19,621	22,860	0.3	0.3
Profit before tax	3,206	3,918	3,235	3,953	0.9	0.9
Net Profit	2,436	2,977	2,459	3,004	0.9	0.9
EPS (Rs)	49.2	60.2	49.7	60.7	0.9	0.9

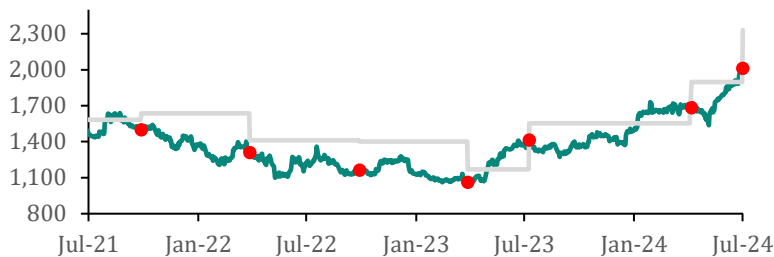
PROFIT & LOSS
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Premium Earned	13,032	14,823	16,866	19,621	22,860	Invt. - Shareholders	29,868	33,322	37,320	38,440	39,593
Inc. from Invt.	2,291	2,321	2,860	3,108	3,242	Invt. - Policyholders	8,918	9,858	11,587	12,977	14,535
Other income	807	951	33	125	141	Fixed assets	577	564	701	708	694
Total Op. Income	16,130	18,095	19,760	22,855	26,242	Deferred tax assets	346	265	293	300	270
% change	32.6	12.2	9.2	15.7	14.8	Net Current assets	(29,985)	(33,369)	(36,916)	(37,870)	(38,293)
Opt. Exp. Rel. Ins.	3,920	4,515	2,826	3,200	3,412	Total	9,724	10,641	12,985	14,555	16,799
Incurred Claims	9,782	10,726	11,939	13,690	15,745	Share Capital	491	491	493	493	493
Others	634	472	3,089	3,428	3,936	Reserves & Surplus	8,619	9,901	11,467	13,334	15,747
Total Op. Exp.	14,336	15,713	17,854	20,318	23,093	Fair Value Change	359	214	990	713	543
Operating Profit	1,794	2,382	1,906	2,537	3,149	Shareholders' Fund	83	51	245	165	165
Non-op. income	706	776	850	1,020	1,173	Policy Liabilities	276	162	745	548	378
Non-op. expense	817	1,045	201	322	370	Borrowings	255	35	35	15	15
PBT	1,684	2,113	2,555	3,235	3,953	Total	9,724	10,641	12,985	14,555	16,799
% change	(13.8)	25.5	21.0	26.6	22.2	BVPS (Rs.)	185.1	211.3	241.7	279.5	328.3
Tax	413	383	637	776	949	% Change	13.6	14.2	14.4	15.6	17.5
Tax Rate (%)	24.5	18.2	24.9	24.0	24.0						
Reported PAT	1,271	1,729	1,919	2,459	3,004						
Adj*											
Adj PAT	1,271	1,729	1,919	2,459	3,004						
% change	(13.7)	36.0	11.0	28.1	22.2						
No. of shares (cr)	49	49	49	49	49						
Adj EPS (Rs.)	25.8	35.2	38.8	49.7	60.7						
% change	(20.0)	36.2	10.3	28.1	22.2						
DPS (Rs.)	8.0	9.5	10.5	12.0	12.0						

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Valuation					
P/E (x)	51.5	30.4	43.5	40.5	33.1
P/BV (x)	7.2	5.1	7.0	7.2	6.1
Div. Yield (%)	0.6	0.9	0.6	0.6	0.6
Per Share (Rs.)					
EPS	25.8	35.2	38.8	49.7	60.7
DPS	8.0	9.5	10.5	12.0	12.0
BVPS	185.1	211.3	241.7	279.5	328.3
Earnings (%)					
RoE	14.0	16.6	16.0	17.8	18.5
Expenses (%)					
Loss Ratio	75.1	72.8	70.8	69.8	68.9
Combined Ratio	108.8	104.5	103.3	101.2	100.5
Solvency (%)					
Solvency	246	251	262	268	274

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
2-Feb-21	BUY	1,591
28-Jul-21	HOLD	1,582
27-Oct-21	HOLD	1,636
27-Apr-22	HOLD	1,412
28-Oct-22	BUY	1,400
27-Apr-23	HOLD	1,169
8-Aug-23	BUY	1,553
6-May-24	BUY	1,898
1-Aug-24	BUY	2,331

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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