

ICICI Lombard

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USDb)	667.6 / 8
52-Week Range (INR)	1423 / 1049
1, 6, 12 Rel. Per (%)	1/9/6
12M Avg Val (INR M)	813

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
NEP	148.2	167.3	195.9
U/W Profit	-8.9	-9.5	-8.1
PBT	21.1	27.2	33.3
PAT	17.3	20.4	25.0
EPS (INR/share)	35.2	41.5	50.9
EPS Growth (%)	36.0	18.0	22.5
BVPS (INR/share)	211.6	239.2	273.9
Ratios (%)			
Claims	72.4	71.7	70.8
Commission	3.0	14.8	14.7
Expense	29.1	16.6	16.0
Combined	104.5	103.1	101.5
RoE	17.7	18.4	19.8
Valuations			
P/E (x)	38.3	32.5	26.5
P/BV (x)	6.4	5.6	4.9

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	48.0	48.0	48.0
DII	18.3	17.4	15.4
FII	22.0	22.9	25.0
Others	11.7	11.8	11.6

FII Includes depository receipts

CMP: INR1,359 TP: INR1,600 (+18%) Buy

Combined ratio in line; reports a PAT beat of 27%

- ICICI Lombard (ICICIGI)'s NEP came in 5% higher than our estimates at INR43b. It grew 12% YoY and 11% QoQ. Investment income from policyholders' accounts came in 8.6% higher than our estimates at INR 7.4b in 2QFY24.
- Hence, higher-than-expected total income and in-line operating expenses led to lower-than-anticipated underwriting loss (INR1.4b loss vs. our estimate of INR 2.4b loss).
- The claims ratio came in at 70.7% vs. 74.1% QoQ. On YoY basis, loss ratios for motor OD and motor TP segments have declined sharply. Claims ratio for the quarter was better than our expectations.
- ICICIGI's **PAT** grew 48% QoQ but declined 2% YoY to INR5.8b. PAT came in 27% higher than our estimates. For 1HFY24, NEP/PAT came in at INR129b/ INR 9.7b resulting in a YoY growth of 19%/3%.
- Management maintained its guidance of a high-teen growth in premium as well as combined ratio of 102% by FY25. We marginally raise our investment income estimates, leading to an EPS increase of 3.5%/4.4% for FY24/FY25. **Reiterate BUY with a TP of INR1,600 (premised on 32x FY25E).**

Higher-than-expected total income results in a PAT beat

- **Gross domestic premium** income grew 18% YoY in 2QFY24 to INR63b. This was broadly in line with our estimates.
- ICICIGI's NEP came in 5% higher than our estimates at INR43b. It grew 12% YoY and 11% QoQ. NEP for Health business grew 29% YoY – led by 32% YoY group health growth and retail health growth of 19%. The Motor segment grew 3% YoY and Marine rose 18% YoY. NEP in crop increased 33% YoY, while the same in fire declined 3% YoY.
- **Underwriting loss** was at INR1.4b vs. a loss of INR3.2b in 1QFY24; the loss was lower than our estimates of INR2.4b.
- **Investment income** was better than our expectations in policyholders' accounts (8.6% beat), whereas in shareholders' account investment income was in line.
- ICICIGI's **PAT** grew 48% QoQ but declined 2% YoY to INR5.8b. PAT came in 27% higher than our estimates.

Claims ratio better than expected, combined ratio broadly in line

- **Claims ratio** came in at 70.7% vs. 74.1% QoQ. On YoY basis, loss ratios for the motor segment declined. Claims ratio was better than our expectations. On YoY basis, loss ratio for the Motor TP segment declined to 60.0% from 66.6%, whereas the loss ratio for the Motor OD segment declined to 64.1% from 74.3%.
- **Total expense ratio** came in at 33.2% vs. 29.7% in 1QFY24 (our expectation at 31.0%).
- **Combined ratio** was at 103.9% vs. 103.8% in 1QFY24 and 105.1% in 2QFY23 (our expectation at 104%).

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- On a sequential basis, the **commission ratio** increased to 17.4% in 2QFY24 from 12.5% in 1QFY24 (our expectation of 12.0%).
- **Expense ratio** declined to 15.8% from 17.2% in 1QFY24 (vs. our expectation of 19.0%). The sequential decline is on account of a decline in sales promotion expenses. However, the total expense ratio increased 350bp QoQ and 90bp YoY to 33.2% vs. our estimate of 31.0%.
- **Solvency ratio** was at 2.59 vs. 2.53 in 1QFY24.

Highlights from the management commentary

- Competition in the motor segment remained at elevated levels, and the company will continue to have a calibrated approach in the segment. About 70% of the Motor premium was from the OEM segment. Agency channel will be a focus area for the management.
- ICICIGI invested on the retail side, which resulted in better growth than the industry. Growth in group segments will be calibrated as there has been a heightened competitive pressure in the industry to meet the EOM norms.
- Ex-cat losses, the combined ratio was at 102.7% in 1HFY24 vs. 104.2% in 1HFY23. For 2QFY24, the ratio was at 102.8% vs. 104.3% in 2QFY23.
- Management was confident of a high-teen growth in FY24E and the combined ratio reaching 102% by end of FY25.

Valuation and view: Marginal increase in estimates; retain BUY

The combined ratio was broadly in line with our estimate. Going ahead, growth in the Motor segment is likely to be back-ended, with the company waiting for the rationalization of pricing in the OD segment. In the Health segment, the benefits of price hikes and improving the efficiency of the agency channel should translate into better profitability. Scale benefits, a favorable product mix (higher share of retail health) and improvements in efficiencies across channels should help improve the combined ratio and RoE over the next couple of years. Management maintained its guidance of high-teen growth in premium and combined ratio (of 102%) by FY25. We marginally raise our investment income estimates, leading to an EPS increase of 3.5%/4.4% for FY24/FY25. **Retain BUY with a TP of INR1,600 (based on 32x FY25E).**

Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	Act vs. Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Gross premium	55,298	53,026	55,997	53,397	66,221	62,723	64,943	60,646	2,10,251	2,45,242	64,269	-2.4
Net written premium	36,233	37,059	41,630	40,473	44,676	42,401	48,707	45,484	1,55,395	1,81,269	43,359	-2.2
Net earned premium	34,682	38,366	37,921	37,260	38,873	43,061	42,862	42,532	1,48,229	1,67,328	40,975	5.1
Investment Income	5,101	6,625	5,700	15,296	6,507	7,431	7,789	8,011	32,721	29,739	6,846	8.6
Total Income	39,783	44,990	43,620	52,556	45,380	50,492	50,652	50,543	1,80,949	1,97,067	47,820	5.6
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	12.2	16.1	-3.8	12.2	306.1	6.3	
Incurred claims	24,999	27,933	26,663	27,662	28,815	30,451	30,089	30,632	1,07,256	1,19,988	29,911	1.8
Net commission	782	1,282	1,744	914	5,564	7,371	7,160	6,673	4,722	26,768	5,203	41.7
Opex	10,834	10,673	12,448	11,193	7,689	6,698	8,280	7,452	45,148	30,119	8,238	-18.7
Total Operating Expenses	36,615	39,888	40,855	39,768	42,068	44,521	45,530	44,756	1,57,126	1,76,875	43,353	2.7
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	11.6	11.4	12.5	9.6	299.7	8.7	
Underwriting profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,460	-2,667	-2,224	-8,898	-9,546	-2,378	N.A
Operating profit	3,168	5,102	2,765	12,788	3,312	5,972	5,122	5,787	23,823	20,193	4,468	33.7
Shareholder's P/L												
Transfer from Policyholder's	3,168	5,102	2,765	12,788	3,312	5,972	5,122	5,787	23,823	20,193	4,468	33.7
Investment income	1,711	2,055	2,081	1,910	1,856	2,219	2,400	2,917	7,757	9,390	2,200	0.8
Total Income	4,879	7,157	4,846	14,698	5,168	8,190	7,522	8,704	31,579	29,583	6,668	22.8
Provisions other than taxation	30	890	9	-89	-182	410	400	381	838	938	400	2.5
Other expenses	198	171	185	9,062	150	144	200	200	9,616	1,442	200	-28.2
Total Expenses	228	1,060	193	8,973	-32	554	600	581	10,454	2,381	600	-7.7
PBT	4,651	6,097	4,653	5,725	5,200	7,637	6,922	8,123	21,125	27,202	6,068	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	25.3	48.8	41.9	25.5	352.2	-0.5	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	3,144	1,731	1,910	5,115	8,080	2,797	12.4
Adj Net Profit	3,490	4,625	3,525	4,370	3,904	4,493	5,192	6,213	16,011	19,121	3,271	37.4
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	-2.9	47.3	42.2	26.0	323.8	-29.3	
Rep Net Profit	3,490	5,905	3,525	4,370	3,904	5,773	5,192	5,535	17,291	20,401	4,551	26.9
Key Parameters (%)												
NEP Mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4	3.8			4.4	4.1		
Marine	3.0	2.8	2.9	3.2	3.0	2.9			3.0	3.0		
Health including (PA)	28.8	27.8	29.6	30.4	33.9	32.1			28.0	29.6		
Motor	58.7	55.1	56.5	56.4	54.1	50.4			56.6	55.2		
Others	5.1	9.9	6.6	5.6	5.7	10.8			8.0	8.0		
Claims ratio	72.1	72.8	70.3	74.2	74.1	70.7	70.2	72.0	72.4	71.7	73.0	-2.3
Commission ratio	2.2	3.5	4.2	2.3	12.5	17.4	14.7	14.7	3.0	14.8	12.0	5.4
Expense ratio	29.9	28.8	29.9	27.7	17.2	15.8	17.0	16.4	29.1	16.6	19.0	-3.2
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.9	101.9	103.1	104.5	103.1	104.0	-0.1



Highlights from the management commentary

Industry

- New private car and CV sales continued to be strong, while 2w sales were positive but remained below historical high levels.
- Motor segment's combined ratio improved to 120.1% in 1QFY24 from 124.1% in 1QFY23.
- ICICIGI grew 17% vs. industry growth of 12% in terms of GDPI and saw market share improvement across most of the segments.
- IRDAI will closely monitor the expense ratio.

Motor segment

- Competition in the motor segment remained at elevated levels, and the company will continue to have a calibrated approach in the segment.
- About 70% of the Motor premium was from the OEM segment. Agency channel will be a focus area for the management. Management said that the company has invested in the OEM channel to create a great franchise; however, it will continue investing in the agency channel.

- Loss ratio in Motor TP segment will be flattish on YoY basis for FY24, while for Motor OD, management is comfortable in the range of 65-70%.
- The retention rate in the renewal of five-year TP policies for 2Ws was in the 15-20% range.

Health

- Retail health for ICICI Lombard was in line with the industry; agency channel saw 21% growth in the retail health business
- ICICIGI invested on the retail side, which resulted in better growth than the industry. Growth in group segments will be calibrated as there has been a heightened competitive pressure in the industry to meet the EOM norms.
- ICICIGI has launched a product along with IPRU Life to leverage the strong distribution channels of both entities. Training will be imparted to agents and the management is upbeat on the outlook for this product.
- Loss ratio in corporate book was at 102% vs. 93% last year and in retail health, the ratio was at 66.6% vs. 64.2% last year. Management expects loss ratios to normalize in the segment over the next couple of quarters. Claim incidences were higher during the quarter.

Distribution

- There were 6.9m+ ILTakeCare user downloads vs. 4.6m at the end of FY23. About 99.1% of the policies were issued electronically vs. 96.7% in FY23.
- Agency count has reached 122,461 vs. 117,149 in 1QFY24.
- Digital one team registered a growth 26% YoY with a premium of INR3.66b, contributing to 6% of overall premium.

Others

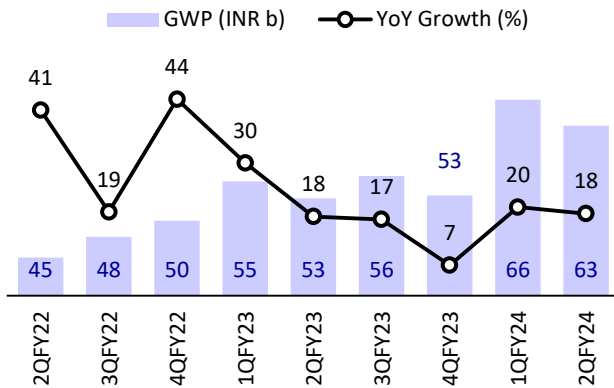
- There has been no change in the philosophy for crop business, and contribution will be around 5% for the full year as previously guided. Most of the crop business is underwritten in the 80-110 models.

Financials

- Ex-cat losses, the combined ratio was at 102.7% in 1HFY24 vs. 104.2% in 1HFY23. For 2QFY24, the ratio was at 102.8% vs. 104.3% in 2QFY23.
- Management was confident of a high-teen growth in FY24E and the combined ratio reaching 102% by end of FY25.
- Duration of the investment book was at 5.23 years, which has increased from 4.99 years at the beginning of the year, driving investment yields. Unrealized gains on equity book increased.

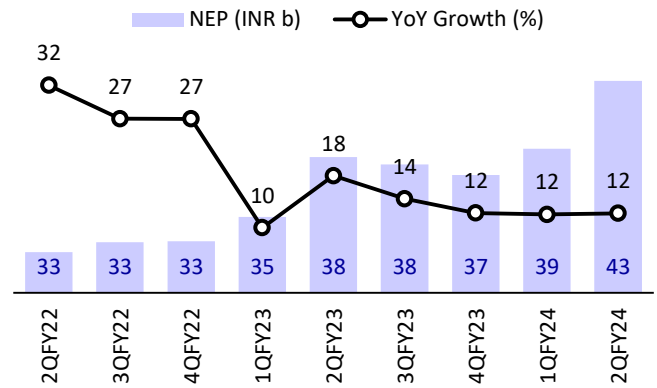
Key exhibits

Exhibit 1: GWP up 18% YoY at INR63b



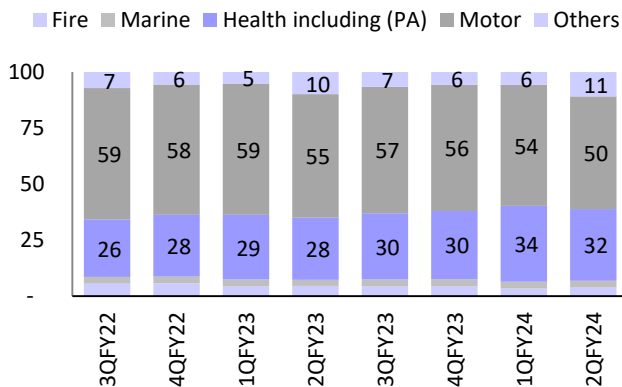
Source: MOFSL, Company

Exhibit 2: NEP growth maintained at 12% YoY



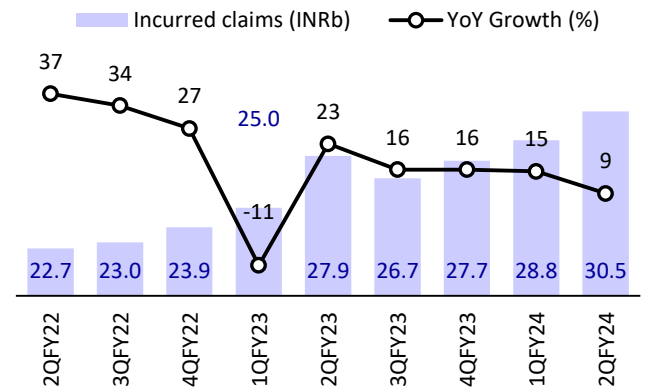
Source: MOFSL, Company

Exhibit 3: Increase of Health segment in product mix



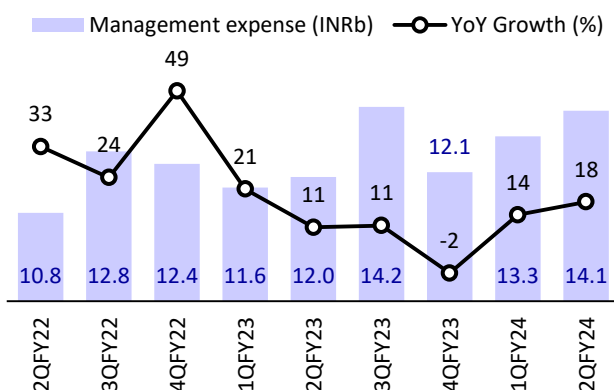
Source: MOFSL, Company

Exhibit 4: Incurred claims increased sequentially



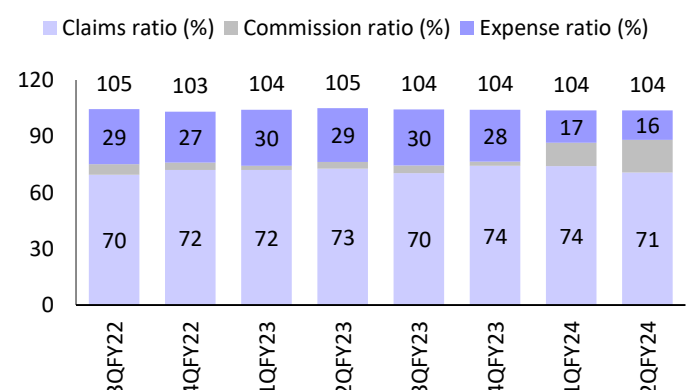
Source: MOFSL, Company

Exhibit 5: Total expense rose sequentially to INR14.1b

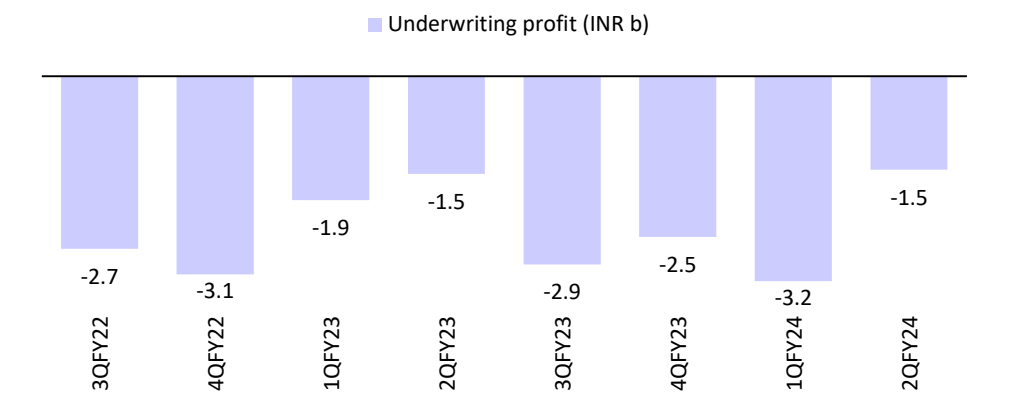


Source: MOFSL, Company

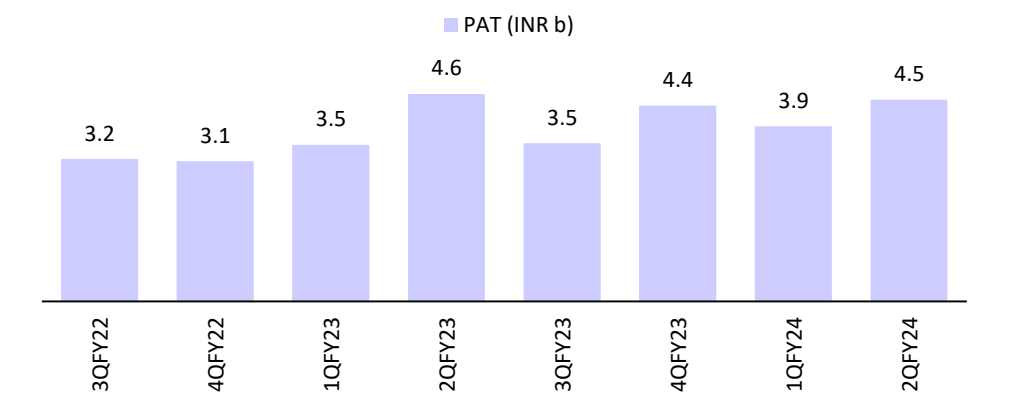
Exhibit 6: Claims ratio declined QoQ; whereas commission ratio increased QoQ



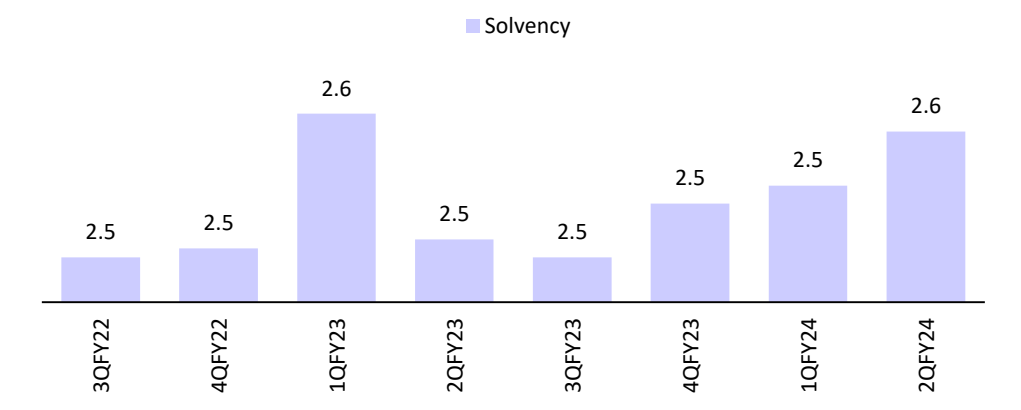
Source: MOFSL, Company

Exhibit 7: Trend in underwriting profit (INR b)

Source: MOFSL, Company

Exhibit 8: Trend in PAT (INR b)

Note: PAT for 2QFY23 is adjusted for tax reversal of INR1.3b, Source: MOFSL, Company

Exhibit 9: Solvency remained healthy

Source: MOFSL, Company

Financials and valuations

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
GDPI	1,23,568	1,44,882	1,33,128	1,40,031	1,79,769	2,10,251	2,45,242	2,86,668
Change (%)	15.2	17.2	-8.1	5.2	28.4	17.0	16.6	16.9
NWP	78,447	95,385	96,407	1,06,850	1,34,896	1,55,395	1,81,269	2,12,782
NEP	69,117	83,753	94,036	1,00,140	1,30,321	1,48,229	1,67,328	1,95,898
Change (%)	12.1	21.2	12.3	6.5	30.1	13.7	12.9	17.1
Net claims	53,147	63,081	68,515	68,708	97,819	1,07,256	1,19,988	1,38,755
Net commission	-2,839	2,229	3,639	6,009	6,339	4,722	26,768	31,240
Expenses	21,118	20,139	22,931	27,342	39,201	45,148	30,119	33,991
Underwriting Profit/(Loss)	-2,309	-1,696	-1,049	-1,919	-13,038	-8,898	-9,546	-8,088
Investment income (PH)	11,546	14,011	16,492	21,474	30,978	32,721	29,739	33,322
Operating profit	9,237	12,315	15,443	19,555	17,940	23,823	20,193	25,234
Investment income (SH)	4,140	4,743	4,800	5,170	7,061	7,757	9,390	10,746
Expenses	1,415	1,073	3,272	5,185	8,166	10,454	2,381	2,654
PBT	11,962	15,985	16,971	19,540	16,835	21,125	27,202	33,326
Tax	3,345	5,492	5,031	4,809	4,125	3,835	6,800	8,332
Tax rate (%)	28.0	34.4	29.6	24.6	24.5	18.2	25.0	25.0
PAT	8,618	10,493	11,940	14,731	12,710	17,291	20,401	24,995
Change (%)	30.8	21.8	13.8	23.4	-13.7	36.0	18.0	22.5

Balance sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Equity Share Capital	4,539	4,543	4,543	4,546	4,909	4,911	4,911	4,911
Reserves & Surplus	40,872	48,662	56,797	69,809	86,188	99,016	1,12,576	1,29,595
Net Worth	45,412	53,205	61,340	74,355	91,097	1,03,928	1,17,488	1,34,506
FV change - Shareholders	1,857	799	-948	1,630	831	512	537	564
FV change - Policyholders	5,481	2,585	-3,338	5,174	2,762	1,621	1,702	1,787
Borrowings	4,850	4,850	4,850	4,850	2,550	350	350	350
Claims Outstanding	1,59,160	1,64,256	1,80,074	1,82,845	2,49,752	2,69,166	3,11,161	3,59,725
Other liabilities	80,736	1,08,331	1,28,440	1,24,123	1,61,492	1,75,286	1,99,717	2,28,350
Total Liabilities	2,97,497	3,34,026	3,70,418	3,92,977	5,08,483	5,50,862	6,30,955	7,25,284
Investments (PH)	1,34,643	1,68,877	2,04,671	2,34,565	2,98,684	3,33,221	3,72,208	4,17,852
Investments (SH)	47,284	53,431	58,595	74,356	89,179	98,583	1,11,259	1,27,580
Net Fixed Assets	4,060	4,652	6,765	6,268	5,775	5,640	5,740	5,840
Def Tax Assets	2,114	3,013	3,063	3,498	3,456	2,653	2,388	2,149
Current Assets	1,03,478	1,00,037	96,998	72,013	1,08,463	1,08,734	1,19,607	1,31,568
Cash & Bank	5,918	4,016	326	2,277	2,926	2,031	19,754	40,296
Total Assets	2,97,497	3,34,026	3,70,418	3,92,977	5,08,483	5,50,862	6,30,955	7,25,284

E: MOFSL Estimates

Financials and valuations

Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
GWP growth	15.2	17.2	-8.1	5.2	28.4	17.0	16.6	16.9
NWP growth	19.0	21.6	1.1	10.8	26.2	15.2	16.6	17.4
NEP growth	12.1	21.2	12.3	6.5	30.1	13.7	12.9	17.1
Claim ratio	76.9	75.3	72.9	68.6	75.1	72.4	71.7	70.8
Commission ratio	-3.6	2.3	3.8	5.6	4.7	3.0	14.8	14.7
Expense ratio	26.9	21.1	23.8	25.6	29.1	29.1	16.6	16.0
Combined ratio	100.2	98.8	100.4	99.8	108.8	104.5	103.1	101.5
Profitability Ratios (%)								
RoE	20.8	21.3	20.8	21.7	15.4	17.7	18.4	19.8
Valuations								
BVPS (INR)	92.5	108.3	124.9	151.4	185.5	211.6	239.2	273.9
Change (%)	21.9	17.2	15.3	21.2	22.5	14.1	13.0	14.5
Price-BV (x)	14.6	12.5	10.8	8.9	7.3	6.4	5.6	4.9
EPS (INR)	17.5	21.4	24.3	30.0	25.9	35.2	41.5	50.9
Change (%)	30.8	21.8	13.8	23.4	-13.7	36.0	18.0	22.5
Price-Earnings (x)	76.9	63.2	55.5	45.0	52.2	38.3	32.5	26.5

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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