

ICICI Lombard

Estimate change 

TP change 

Rating change 

Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USD\$b)	812.3 / 9.7
52-Week Range (INR)	1740 / 1055
1, 6, 12 Rel. Per (%)	-1/11/27
12M Avg Val (INR M)	1023

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
NEP	168.7	192.2	223.2
U/W Profit	-9.8	-9.1	-9.2
PBT	25.6	33.0	39.0
PAT	19.2	24.8	29.3
EPS (INR/share)	38.9	50.3	59.4
EPS Growth (%)	11.0	29.1	18.1
BVPS (INR/share)	242.8	276.8	319.9

Ratios (%)

Claims	70.8	70.0	69.7
Commission	17.0	16.5	16.6
Expense	15.5	15.6	15.2
Combined	103.3	102.2	101.5
RoE	17.2	19.4	19.9

Valuations

P/E (x)	42.3	32.8	27.8
P/BV (x)	6.8	6.0	5.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	47.9	48.0	48.0
DII	18.0	18.6	16.8
FII	23.0	22.4	23.4
Others	11.0	11.1	11.8

FII includes depository receipts

CMP: INR1,649

TP: INR2,100 (+27%)

Buy

Strong show; better guidance for combined ratio

- ICICI Lombard's (ICICIGI) NEP came in line with our estimate at INR44b (up 17% YoY) in 4QFY24. Total investment income was in line with our expectations (3% beat on policyholders account and 5% miss on shareholders account).
- The claims ratio came in at 68.6% vs. 70.0% 3QFY24 (our est. 70.9%). The combined ratio stood at 102.2% vs. 103.6% in 3QFY24 (our est. ~104.3).
- PAT grew 19% YoY to INR5.2b in 4Q, beating our estimate by 17%. For FY24, PAT came in at INR19.2b vs. INR16b in FY23 (20% growth YoY).
- The company has improved its combined ratio guidance to 101.5% as the exit rate for FY25 vs. 102 earlier.
- Management is upbeat about continued gains in market share in the motor segment and retail health segment. With favourable regulatory moves industry trends would be supportive. With FY24-26 PAT CAGR at 25%, RoE reaching 20% in FY26 and combined ratio expected to improve to 101.5% in FY26, we maintain BUY with a target of INR2,100 (35x FY26 EPS).

Investment income came in line

- **Gross domestic premium** income grew 17% YoY in 4QFY24 to INR63b, in line with our estimates.
- NEP was broadly in line with our estimate at INR44b, up 17% YoY. NEP for Health business grew 36% YoY, led by 40% growth in group health and 22% growth in retail health. Motor segment was up 7% YoY, and Marine segment grew 26% YoY. NEP in Crop jumped 245% YoY, while it fell 14% YoY in Fire.
- **Underwriting loss** stood at INR2.3b vs. a loss of INR2.8b in 3QFY24.
- **Total investment income** was in line with our expectations (3% beat on policyholders account and 5% miss on shareholders account).

Claims ratio broadly in line

- **Claims ratio** came in at 68.6% vs. 70.0% in 3QFY24 (our est. 70.9%). The loss ratio for the Motor OD segment declined to 58.4% from 69.4% in 4QFY23 and for the Motor TP, it declined to 73.4% from 86.5% in 4QFY23.
- Combined ratio stood at 102.2% vs. 103.6% in 3QFY24 and 104.2% in 4QFY23 (our est. 104.3%). Excluding the impact of CAT losses of INR1.37b, the combined ratio stood at 102.2% in FY24.
- On a sequential basis, **commission ratio** increased to 19.9% in 4QFY24 from 18% in 3QFY24 (our est. 17.8%).
- **Expense ratio** declined to 13.7% from 15.5% in 3QFY24 (our est. 15.6%).
- **Solvency ratio** was 2.62 vs. 2.57 in 3QFY24.

Highlights from the management commentary

- By FY25 end, the combined ratio would be 101.5% vs. 102% guided earlier.
- The loss ratio in the OD segment is expected to range around 60-65% and in the TP segment, it is expected to range around 65-70%.

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- Overall, the combined ratio for the industry was 112.2% in 9MFY24 vs. 116.2% in 9MFY23. For the Motor segment, the combined ratio was 118.2% in 9MFY24 vs. 121.9% in 9MFY23. Compared to 1HFY24, there was a 300bp improvement in 3QFY24 to 115.9%. This reflects some rationality in pricing in the industry.

Valuation and view: Retain BUY

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 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 ICICIGI improve its combined ratio and RoE over the next couple of years. The management continues to guide for better performance and also expects improvement in the combined ratio by FY25. We maintain a BUY rating on the stock with a TP of INR2,100 (35x FY26E EPS).

Quarterly Performance												(INR m)
Y/E March	FY23				FY24				FY23	FY24	4Q	Act v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		FY24E	Est. (%)	
Gross premium	55,298	53,026	55,997	53,397	66,221	62,723	64,366	62,631	2,10,251	2,55,942	61,819	1.3
Net written premium	36,233	37,059	41,630	40,473	44,676	42,401	46,907	47,672	1,55,395	1,81,656	45,051	5.8
Net earned premium	34,682	38,366	37,921	37,260	38,873	43,061	43,048	43,683	1,48,229	1,68,665	42,103	3.8
Investment income + Trf from SH A/C	5,101	6,625	5,700	15,296	6,507	7,431	6,983	7,935	32,721	28,856	7,696	3.1
Total Income	39,783	44,990	43,620	52,556	45,380	50,492	50,031	51,617	1,80,949	1,97,521	49,799	3.7
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	12.2	14.7	-1.8	12.2	9.2	-5.2	
Incurred claims	24,999	27,933	26,663	27,662	28,815	30,451	30,141	29,987	1,07,256	1,19,395	29,851	0.5
Net commission	782	1,282	1,744	914	5,564	7,371	8,457	9,499	4,722	30,890	8,010	18.6
Opex	10,834	10,673	12,448	11,193	7,689	6,698	7,274	6,516	45,148	28,177	7,044	-7.5
Total operating expenses	36,615	39,888	40,855	39,768	42,068	44,521	45,871	46,002	1,57,126	1,78,462	44,905	2.4
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	11.6	12.3	15.7	9.6	13.6	12.9	
Underwriting Profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,460	-2,823	-2,319	-8,898	-9,797	-2,802	N.A
Operating profit	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,616	23,823	19,059	4,894	14.7
Shareholder's P/L												
Transfer from policyholder's	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,616	23,823	19,059	4,894	14.7
Investment income	1,711	2,055	2,081	1,910	1,856	2,219	2,088	2,337	7,757	8,500	2,457	-4.9
Total Income	4,879	7,157	4,846	14,698	5,168	8,190	6,248	7,953	31,579	27,559	7,351	8.2
Provisions other than taxation	30	890	9	-89	-182	410	371	800	838	1,399	381	109.9
Other expenses	198	171	185	9,062	150	144	140	175	9,616	608	200	-12.5
Total Expenses	228	1,060	193	8,973	-32	554	511	975	10,454	2,007	581	67.8
PBT	4,651	6,097	4,653	5,725	5,200	7,637	5,737	6,978	21,125	25,552	6,770	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	25.3	23.3	21.9	25.5	21.0	18.3	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	1,864	1,423	1,783	5,115	6,365.9	1,549	15.1
Adj. Net Profit	3,490	4,625	3,525	4,370	3,904	5,773	4,315	5,195	16,011	19,186	5,221	-0.5
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	24.8	22.4	18.9	26.0	19.8	19.5	
Rep Net Profit	3,490	5,905	3,525	4,370	3,904	5,773	4,315	5,195	17,291	20,466	4,453	16.7
Key Parameters (%)												
NEP mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4	3.8	3.4	4.0	4.4	4.0		
Marine	3.0	2.8	2.9	3.2	3.0	2.9	3.1	3.4	3.0	2.9		
Health including (PA)	28.8	27.8	29.6	30.4	33.9	32.1	35.9	35.3	28.0	30.6		
Motor	58.7	55.1	56.5	56.4	54.1	50.4	50.8	51.3	56.6	53.8		
Others	5.1	9.9	6.6	5.6	5.7	10.8	6.8	6.0	8.0	8.8		
Claims ratio	72.1	72.8	70.3	74.2	74.1	70.7	70.0	68.6	72.4	70.8	70.9	-2.3
Commission ratio	2.2	3.5	4.2	2.3	12.5	17.4	18.0	19.9	3.0	17.0	17.8	2.1
Expense ratio	29.9	28.8	29.9	27.7	17.2	15.8	15.5	13.7	29.1	15.5	15.6	-2.0
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.9	103.6	102.2	104.5	103.3	104.3	-2.1
Solvency	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.9	3.0	0.0	

Exhibit 1: Changes in estimates

Y/E March	New estimates		Old estimates		Change	
	2025E	2026E	2025E	2026E	2025E	2026E
NEP	192.2	223.2	193.2	224.3	-0.5	-0.5
U/W Profit	-9.1	-9.2	-10.3	-10.0	-11.7	-8.2
PBT	33.0	39.0	31.8	38.1	3.7	2.3
PAT	24.8	29.3	23.9	28.6	3.7	2.3
EPS (INR/share)	50.3	59.4	48.5	58.1	3.7	2.3
EPS Growth (%)	29.1	18.1	24.5	19.8		
BVPS (INR/share)	276.8	319.9	275.0	316.8		
Ratios (%)						
Claims	70.0	69.7	70.8	70.2	-0.8	-0.5
Commission Expense	16.5	16.6	16.5	16.6	-	-
Combined	102.2	101.5	102.9	102.0	-0.8	-0.5
RoE	19.4	19.9	18.7	19.6	0.6	0.3

**Highlights from the management commentary****Industry**

- Overall, the combined ratio for the industry was 112.2% in 9MFY24 vs. 116.2% in 9MFY23. For the Motor segment, the combined ratio stood at 118.2% in 9MFY24 vs. 121.9% in 9MFY23. As compared to 1HFY24, there was a 300bp improvement in 3QFY24 to 115.9%. This reflects some rationality in pricing in the industry.
- During the year, ICICIGI gained market shares across segments such as fire, marine Cargo, engineering and liability.
- The industry is expected to see positive momentum ahead as the government is putting in more efforts on infrastructure development.

Motor Segment

- There has been a drastic shift in customer preferences, from entry-level cars to SUVs in the last two years i.e. from 37% to 49%.
- New private car segment grew 23% in 4Q and 28% in FY24. New two-wheeler segment growth was 11% in 4Q and 13% in FY24. The growth in both segments was better than in the industry.
- In the new CV segment, ICICIGI saw a decline of 2.1% in Q4 and 1.9% in FY24. The performance was weaker than industry trends.
- ICICIGI was able to service 70% of agency and direct claims through its preferred partner network, up from 54% in Q4FY23.
- For FY25, the company expects mid-single digit growth in private car sales and 8-10% growth in the two-wheeler segment. CV sales are expected to grow in double digits due to strong demand from infra sector.
- The price hike for Motor TP has not been announced yet.
- The loss ratio in the OD segment is expected to range around 60%-65% and in the TP segment, it is expected to range around 65%-70%.
- ICICIGI's share in OEM dealerships has increased to 65% currently from 50-55% at the time of listing.

Health

- Retail agency manager count has increased to 1,600 and is expected to rise further.
- The agency channel for retail health remains in focus as it has a lot of potential. The retail health agency vertical grew by 22.8% in FY24.
- The loss ratio in the retail health segment is expected to range around 65-70%. The loss ratio in the book was at 78.9% in FY24 vs. 77.3% in FY23.
- In group health, the loss ratio improved to 88.1% in 4QFY24 from 93.2% in 4QFY23. For FY24, it was at 93.7% vs. 95.2% in FY23.
- In retail health, the loss ratio was 64.6% in 4QFY24 vs. 61% in 4QFY23. For FY24, it was 65.4% vs. 64.1% in FY23.

Distribution

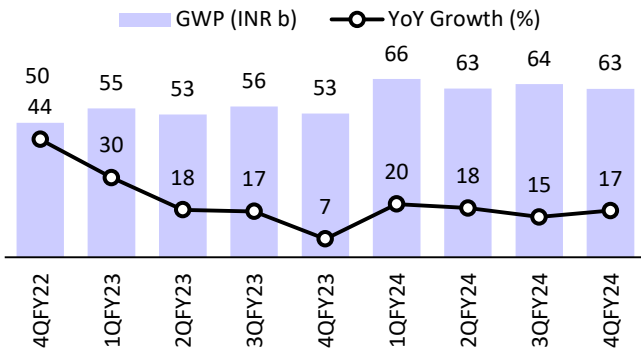
- Bankassurance and key relationship grew 16.7% in 4Q and 20.2% in FY24. Within the ICICI group, distribution grew by 39.4% in Q4 and 22.5% in FY24. During the year, 80 new banca partners were added.
- The digital initiative for the alliance partners contributes around 6-7% of total revenues and grew ~20% YoY.
- 9.3m+ ILTakeCare user downloads vs. 4.6m at the end of FY23. 99.3% of the policies were issued electronically vs. 96.7% in FY23.

Financials

- By FY25 end, the combined ratio is expected to be 101.5% vs. 102% guided earlier.
- ICICI Bank has increased its stake in the company to more than 50%, making ICICIGI a subsidiary company.
- IFRS adoption for FY25-26 is still in progress. The company is still waiting for guidelines and standards to be introduced and implemented.
- The synergies from “One IL, One Team” cannot be quantified, but overall contributed to performance improvement and cost reduction.
- About 29.5% of customer acquisition was done digitally.
- The tie-up with Policybazar would help in creating customer value proposition.
- The yield to maturity stood at ~7.4%, and its sustainability depends on the cycle rate ahead. Reductions are expected, but the company is well placed to adapt.
- The return on realized book has improved to ~7.98% in FY24 from ~7.5% in FY23; expects to maintain at 7-7.5%.

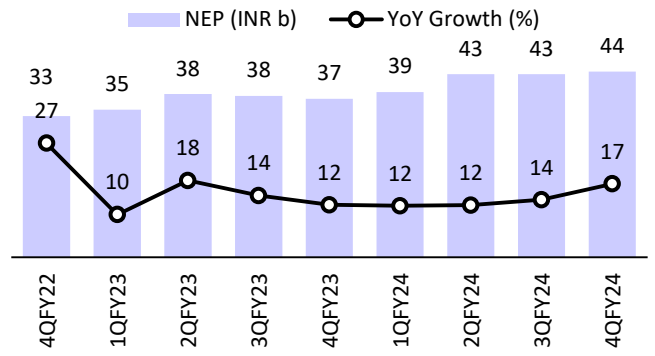
Key exhibits

Exhibit 2: GWP up 17% YoY at INR63b



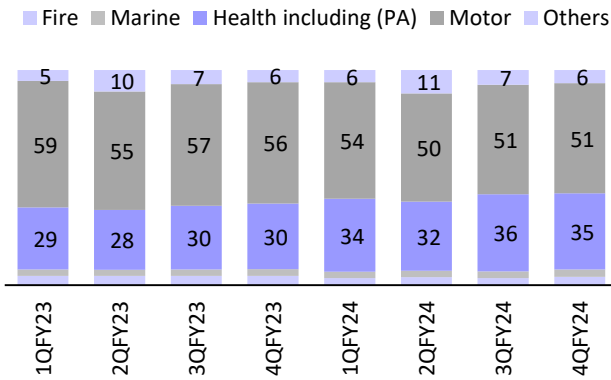
Source: MOFSL, Company

Exhibit 3: NEP growth improved to 17% YoY



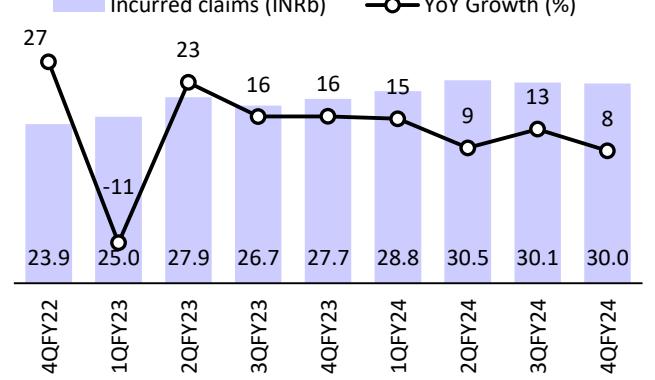
Source: MOFSL, Company

Exhibit 4: Product mix % segment-wise



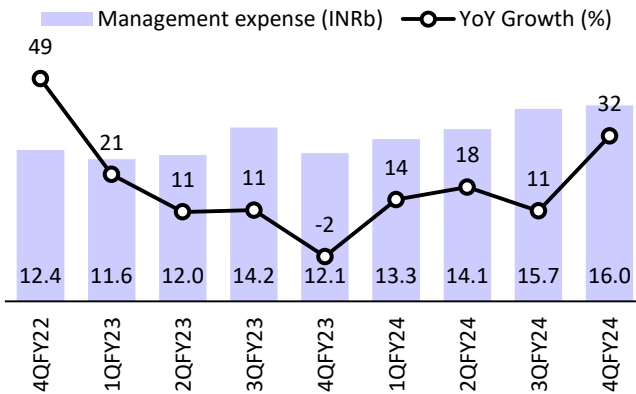
Source: MOFSL, Company

Exhibit 5: Incurred claims were flat QoQ



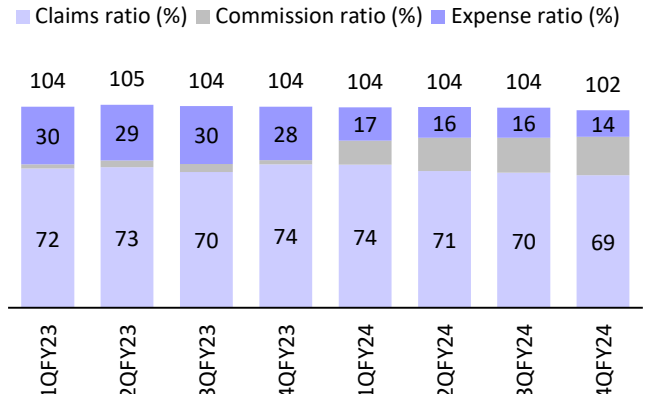
Source: MOFSL, Company

Exhibit 6: Total expense rose sequentially to INR16b



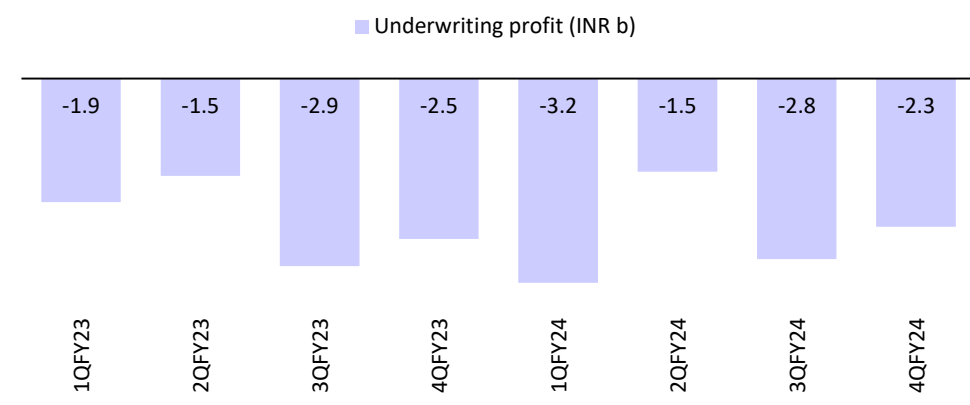
Source: MOFSL, Company

Exhibit 7: Claims ratio declined QoQ; commission ratio increased QoQ



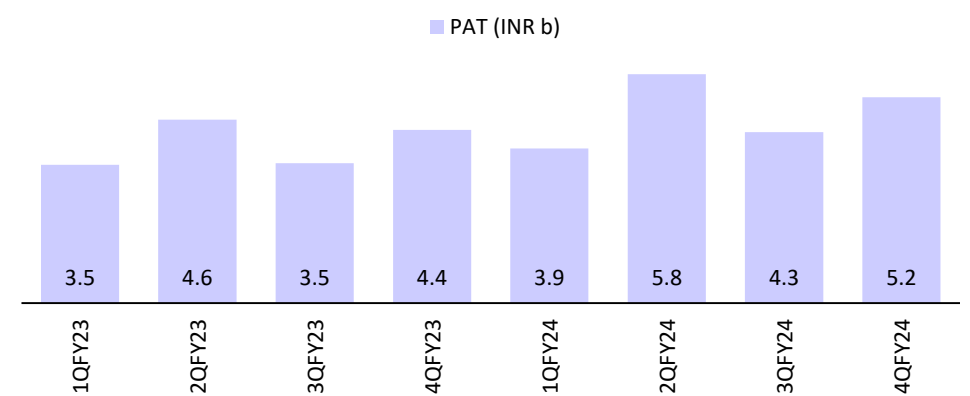
Source: MOFSL, Company

Exhibit 8: Trend in underwriting profit (INR b)



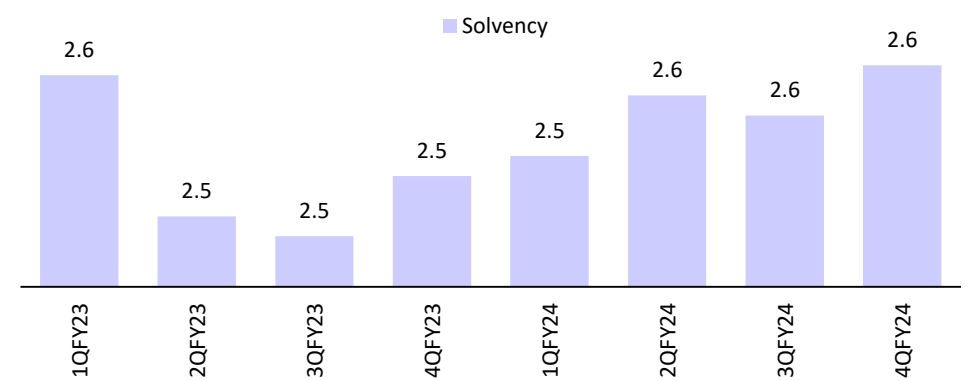
Source: MOFSL, Company

Exhibit 9: Trend in PAT (INR b)



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

Exhibit 10: Solvency remained healthy



Source: MOFSL, Company

Financials and valuations

Income Statement

	(INR m)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
GDPI	1,33,128	1,40,031	1,79,769	2,10,251	2,55,942	2,84,497	3,30,331
Change (%)	-8.1	5.2	28.4	17.0	21.7	11.2	16.1
NWP	96,407	1,06,850	1,34,896	1,55,395	1,81,656	2,07,697	2,41,848
NEP	94,036	1,00,140	1,30,321	1,48,229	1,68,665	1,92,217	2,23,205
Change (%)	12.3	6.5	30.1	13.7	13.8	14.0	16.1
Net claims	68,515	68,708	97,819	1,07,256	1,19,395	1,34,638	1,55,503
Net commission	3,639	6,009	6,339	4,722	30,890	34,266	40,181
Expenses	22,931	27,342	39,201	45,148	28,177	32,416	36,725
Underwriting Profit/(Loss)	-1,049	-1,919	-13,038	-8,898	-9,797	-9,103	-9,203
Investment income (PH)	16,492	21,474	30,978	32,721	28,856	33,299	37,399
Operating profit	15,443	19,555	17,940	23,823	19,059	24,196	28,196
Investment income (SH)	4,800	5,170	7,061	7,757	8,500	11,007	13,170
Expenses	3,272	5,185	8,166	10,454	2,007	2,180	2,362
PBT	16,971	19,540	16,835	21,125	25,552	33,022	39,004
Tax	5,031	4,809	4,125	3,835	6,366	8,255	9,751
Tax rate (%)	29.6	24.6	24.5	18.2	24.9	25.0	25.0
PAT	11,940	14,731	12,710	17,291	19,186	24,766	29,253
Change (%)	13.8	23.4	-13.7	36.0	11.0	29.1	18.1

Balance sheet

	(INR m)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Equity Share Capital	4,543	4,546	4,909	4,911	4,927	4,927	4,927
Reserves & Surplus	56,797	69,809	86,188	99,016	1,14,678	1,31,436	1,52,688
Net Worth	61,340	74,355	91,097	1,03,928	1,19,605	1,36,363	1,57,615
FV change - Shareholders	-948	1,630	831	512	2,445	2,567	2,696
FV change - Policyholders	-3,338	5,174	2,762	1,621	7,450	7,823	8,214
Borrowings	4,850	4,850	2,550	350	350	350	350
Claims Outstanding	1,80,074	1,82,845	2,49,752	2,69,166	3,09,541	3,56,664	4,11,090
Other liabilities	1,28,440	1,24,123	1,61,492	1,75,286	1,93,692	2,20,310	2,51,426
Total Liabilities	3,70,418	3,92,977	5,08,483	5,50,862	6,33,083	7,24,077	8,31,390
Investments (PH)	2,04,671	2,34,565	2,98,684	3,33,221	3,73,204	4,18,770	4,71,683
Investments (SH)	58,595	74,356	89,179	98,583	1,15,869	1,36,310	1,62,728
Net Fixed Assets	6,765	6,268	5,775	5,640	7,009	7,109	7,209
Def Tax Assets	3,063	3,498	3,456	2,653	2,926	2,634	2,370
Current Assets	96,998	72,013	1,08,463	1,08,734	1,30,730	1,43,803	1,58,183
Cash & Bank	326	2,277	2,926	2,031	3,346	15,452	29,218
Total Assets	3,70,418	3,92,977	5,08,483	5,50,862	6,33,083	7,24,077	8,31,390
E: MOFSL Estimates	-	-	-	-	-	-	-

Financials and valuations

Ratios

Y/E March	2020	2021	2022	2023	2024	2025E	2026E
GWP growth	-8.1	5.2	28.4	17.0	21.7	11.2	16.1
NWP growth	1.1	10.8	26.2	15.2	16.9	14.3	16.4
NEP growth	12.3	6.5	30.1	13.7	13.8	14.0	16.1
Claim ratio	72.9	68.6	75.1	72.4	70.8	70.0	69.7
Commission ratio	3.8	5.6	4.7	3.0	17.0	16.5	16.6
Expense ratio	23.8	25.6	29.1	29.1	15.5	15.6	15.2
Combined ratio	100.4	99.8	108.8	104.5	103.3	102.2	101.5

Profitability Ratios (%)

RoE	20.8	21.7	15.4	17.7	17.2	19.4	19.9
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Valuations

	2020	2021	2022	2023	2024	2025E	2026E
BVPS (INR)	124.5	150.9	184.9	210.9	242.8	276.8	319.9
Change (%)	15.3	21.2	22.5	14.1	15.1	14.0	15.6
Price-BV (x)	13.2	10.9	8.9	7.8	6.8	6.0	5.2
EPS (INR)	24.2	29.9	25.8	35.1	38.9	50.3	59.4
Change (%)	13.8	23.4	-13.7	36.0	11.0	29.1	18.1
Price-Earnings (x)	68.0	55.2	63.9	47.0	42.3	32.8	27.8

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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
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