

Retail Equity Research

ICICI Lombard General Insurance Co Ltd

Hold

Insurance

BSE CODE: 540716

NSE CODE: ICICIGI

Bloomberg CODE: ICICIGI:IN

SENSEX: 37,883

12M Investment period

Rating as per Large cap

CMP Rs. 1,141 TARGET Rs. 1,230 RETURN 8% ↑
(Closing: 26-07-19)

KEY CHANGES:

TARGET ↔

RATING ↔

EARNINGS ↔

Slow start to the year but fundamentals intact

ICICI Lombard General Insurance is a private general insurance company, listed on 27th Sept 2017. The company offers various insurances covering travel, home, health and motor segments.

- In Q1FY20, Gross Direct Premium Income (GDPI) declined 7.6% YoY primarily impacted by weaker Crop segment. However, Net premium grew 21.7% YoY supported by robust growth in the Motor Premium segment (+26.8% YoY).
- The combined ratio worsened to 100.4% compared with 98.8% in Q1FY19. Excluding the adverse impact of cyclone Fani, the combined ratio was at 99.7%.
- The number of individual agents (including POS) rose 50.4% YoY to 38,581.
- We rate the stock a Hold with a target price of Rs. 1,230 based on 7.5x FY21E BVPS.

Solid growth of Net premium earned, despite drop in GDPI

The Company witnessed weak GDPI in Q1FY20 (-7.6% YoY to Rs. 3,487cr) on account of lower contribution from Crop segment. However, excluding the Crop segment, GDPI rose 17.7% YoY to Rs. 3,488cr (vs. Rs. 2,964cr in Q1FY19). By segment, Motor OD and Motor TP total GDPI grew 14.1% YoY and contributed 43% to overall GDPI (where, private cars, two-wheelers and commercial vehicles accounted for 55.4%, 27.3% and 17.3%, respectively). Health & personal accident segment rose 12.5% YoY and contributed 26% to GDPI. Net premium earned grew 21.7% YoY to Rs. 2,245cr, with major contribution from Motor segment at 66.2% (+26.8% YoY), followed by Health (including personal accident) contributing 23.9% (+21.6% YoY).

Profitability remains challenging

In Q1FY20, the combined ratio deteriorated to 100.4% (vs. 98.8% in Q1FY19), owing to long-term motor policies and the adverse impact of Fani. Excluding the Fani impact, the combined ratio was 99.7%. ROAE slipped marginally to 23.0% from 24.7% in Q1FY19. Solvency ratio also declined slightly to 2.20x (vs. 2.24x previous quarter). Overall PAT increased 7.1% YoY to Rs. 310cr for the reported quarter.

Key concall highlights

- The company considers the introduction of standalone annual own damage cover effective 1st Sept, 2019 as a potential opportunity to gain customers by leveraging their wide network.
- Management intends to focus on expanding the distribution network in tier 3 and 4 cities for retail business.
- The number of individual agents (including POS) rose 50.4% YoY to 38,581.

Outlook & Valuation

We believe the growth in GDPI is healthy, excluding the Crop segment which has more than 100% loss ratio. The focus on increased penetration in tier 3 and 4 cities will help grow retail businesses such as SME & Agency channel and Health indemnity. Hence, we value the stock at 7.5x FY21E BVPS and rate it a HOLD with a target price of Rs. 1,230.

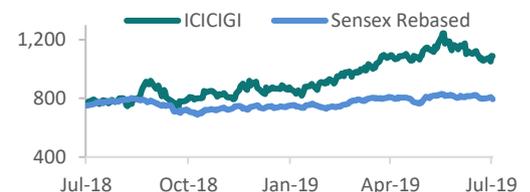
Company Data

Market Cap (cr)	Rs. 51,847
Outstanding Shares (cr)	45.4
Free Float	20.0%
Dividend Yield	0.5%
52 week high	Rs. 1,265
52 week low	Rs. 703
6m average volume (cr)	0.1
Beta	1.5
Face value	Rs. 10

Shareholding %	Q3FY19	Q4FY19	Q1FY20
Promoters	55.9	55.9	55.9
FIIIs	12.2	13.2	18.5
MFs/Insti	8.4	8.0	6.0
Public	6.1	5.5	5.5
Others	17.4	17.4	14.1
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.5%	22.7%	35.7%
Absolute Sensex	-2.8%	4.5%	4.2%
Relative Return*	-0.7%	18.2%	31.5%

*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Net Premium	8,375	9,202	10,233
Growth (%)	21.2	9.9	11.2
Total Income	9,752	10,818	12,138
Net Profit	1,049	1,177	1,424
Growth (%)	21.8	12.2	20.9
EPS (Rs.)	23.1	25.9	31.3
Growth (%)	21.4	12.2	20.9
BV (Rs.)	116.9	137.8	164.1
RoE	19.7	18.8	19.1
P/E	44.8	40.9	33.8
P/BV	8.8	7.7	6.4
Solvency (%)	224	220	215

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Premium Earned (Net)	2,245	1,845	21.7	2,197	2.2
Inc. from Invt. (net)	410	384	6.8	313	30.9
Other income	9	16	(40.3)	9	1.7
Total Income	2,664	2,244	18.7	2,520	5.7
Opt. Exp. Rel. Ins.	541	454	19.1	585	(7.5)
Incurred Claims	1,694	1,419	19.4	1,575	7.6
Others	55	41	32.6	63	(13.4)
Total Expenses	2,290	1,915	19.6	2,223	3.0
PBT	475	443	7.2	346	37.6
Tax	165	154	7.5	118	40.5
Reported PAT	310	289	7.1	228	36.0
Adj EPS (Rs.)	6.8	6.4	6.8	5.0	36.5



PROFIT & LOSS

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Premium Earned	6,164	6,912	8,375	9,202	10,233
Inc. from Invt.	1,001	1,127	1,336	1,578	1,870
Other income	45	28	41	38	35
Total Income	7,210	8,066	9,752	10,818	12,138
% change	-	11.9	20.9	10.9	12.2
Opt. Exp. Rel. Ins.	1,982	2,112	1,990	2,207	2,477
Incurred Claims	4,954	5,315	6,308	6,998	7,851
Others	-434	-284	223	247	277
Total Expenses	6,502	7,143	8,521	9,452	10,605
PBT	1,598	1,793	2,034	2,705	3,145
% change	-	12.2	13.4	33.0	16.3
Tax	208	334	549	616	610
Tax Rate (%)	13.0	18.6	27.0	22.8	19.4
Reported PAT	702	862	1,049	1,177	1,424
Adj*	-	-	-	-	-
Adj PAT	702	862	1,049	1,177	1,424
% change	-	22.8	21.8	12.2	20.9
No. of shares (cr)	45	45	46	46	46
Adj EPS (Rs.)	15.6	19.0	23.1	25.9	31.3
% change	-	21.9	21.4	12.2	20.9
DPS (Rs.)	3.5	1.5	5.0	5.0	5.0

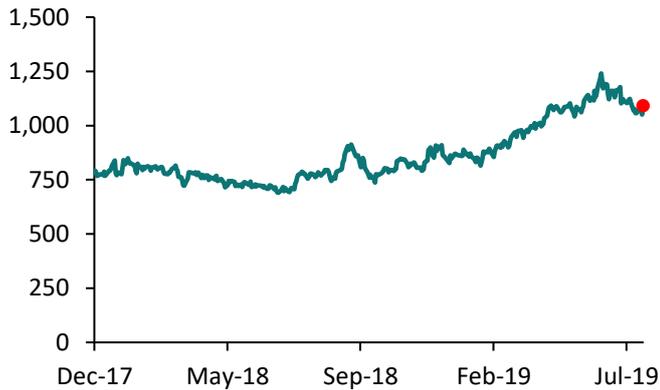
BALANCE SHEET

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Invt. - Shareholders	3,983	4,728	5,343	6,038	6,823
Invt. - Policyholders	10,968	13,464	16,888	21,182	26,567
Fixed assets	383	406	465	533	611
Deferred tax assets	87	211	301	301	301
Net Current assets	(10,532)	(13,050)	(16,853)	(21,112)	(25,948)
Total	4,889	5,760	6,144	6,942	8,354
Share Capital	451	454	454	454	454
Reserves & Surplus	3,274	4,087	4,866	5,816	7,013
Fair Value Change	677	734	338	186	402
Shareholders' Fund	175	186	80	80	80
Policy Liabilities	503	548	259	106	322
Borrowings	485	485	485	485	485
Total	4,889	5,760	6,144	6,942	8,354
BVPS (Rs.)	82.7	100.1	116.9	137.8	164.1
% Change	-	21.0	16.8	17.9	19.1

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Valuation					
P/E (x)	50.4	41.8	44.8	40.9	33.8
P/BV (x)	9.5	7.9	8.8	7.7	6.4
Div. Yield (%)	0.4	0.2	0.5	0.5	0.5
Per Share (Rs.)					
EPS	15.6	19.0	23.1	25.9	31.3
DPS	3.5	1.5	5.0	5.0	5.0
BVPS	82.7	100.1	116.9	137.8	164.1
Earnings (%)					
RoE	18.8	19.0	19.7	18.8	19.1
Expenses (% of premium)					
Commission	(7.0)	(4.1)	2.7	2.7	2.7
Operating Expenses	32.2	30.6	23.8	24.0	24.2
Total Expenses	25.1	26.4	26.4	26.7	26.9
Solvency (%)					
Solvency	210	205	224	220	215

Recommendation Summary



Source: Bloomberg, Geojit research

Dates	Rating	Target
29-Jul-19	Hold	1,230

Investment Rating Criteria

Large Cap Stocks;

Buy	-	Upside is above 10%.
Hold	-	Upside is between 0% - 10%.
Reduce	-	Downside is more than 0%.
Neutral	-	Not Applicable

Mid Cap and Small Cap;

Buy	-	Upside is above 15%.
Accumulate	-	Upside is between 10% - 15%.
Hold	-	Upside is between 0% - 10%.
Reduce/Sell	-	Downside is more than 0%.
Neutral	-	Not Applicable

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, Abijith T Cherian, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: GEOJIT's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company and is in receipt of compensation from the subject company." (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Abijith T Cherian, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

