

Retail Equity Research

ICICI Lombard General Insurance Co Ltd

HOLD

General Insurance

BSE CODE: 540716

NSE CODE: ICICIGI

Bloomberg CODE: ICICIGI:IN

SENSEX: 57,357

12 Months Investment period Rating as per Large cap
CMP Rs. 1,328 TARGET Rs. 1,412 RETURN 6% ↑
(Closing: 26-04-22)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Moderate performance; Outlook unchanged

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.

- Gross direct premium income (GDPI) increased by 34.2% YoY to Rs. 4,666cr, largely driven Health, Travel and PA segment (+49.3%).
- Net premium earned grew 26.8% YoY, owing to Fire segment (+47.2%) and Marine Segment (+42.2%). However, PAT declined by 9.2% YoY, mainly because of higher claims (+27.4% YoY) and other operating expenses (+49.1%).
- Higher expenses continue to curb the profitability of the company. However, company's strong distribution network and increasing employee base should help improve company's performance in the long term. Hence, we maintain our HOLD rating on the stock with a revised target price of Rs. 1,412 based on 5.8x FY24E BVPS.

Healthy growth in all premium accounts

In Q4FY22, ICICI Lombard's Gross Direct Premium Income (GDPI) rose 34.2% YoY to Rs. 4,666cr, (vs. 11.1% industry growth) mainly driven by growth in largely driven Health, Travel and PA segment (+49.3% to Rs. 1,100cr). Motor-TP segment also registered significant growth, at 42.3% YoY to Rs. 1,312cr while Motor segment's GDPI rose 31.7% YoY to Rs. 2,465cr. To harness the potential of these segments, it has been expanding distribution network to increase penetration in Tier 3 and Tier 4 cities. Net premium earnings grew 26.8% YoY to Rs. 3,318cr, supported by robust growth in Fire and Marine segment (+47.2% YoY and +42.2% YoY respectively). Also, net premiums for Health including PA segment witnessed strong growth of 39.7% YoY.

Strong operating metrics but profit declines

The company registered combined ratio of 103.2% in Q4FY22, an increase as compared to 101.8% in Q4FY21 mainly due to decrease in premium numbers. PAT decreased to Rs. 1,271cr (down 9.2% YoY) due to higher non-operating expense which increased 62.4% YoY in Q4FY22. As a result, ROAE also declined to 14.7% for Q4FY22 (a decline against 21.7% in Q4FY21) and solvency ratio stood at 2.46x as on March 31, 2022 (vs. 2.45x as on December 31, 2022), comfortably higher than the regulatory requirement of 1.5x.

Key concall highlights

- The successful integration of the business of Bharti AXA will result in an annualized synergy benefit of Rs. 2 billion, of which Rs. 0.7 billion has been realized in FY2022.
- ILTakeCare app has surpassed 1.3 million downloads with successful submission of over 1,30,000 claims and over 70,000 tele-consultation requests
- The proposed final dividend for FY2022 is Rs. 5 per share.

Outlook and Valuation

Company has faced higher underwriting losses and higher claims due to the pandemic. The management has said that the higher expenses which led to decline in profits were due to current accounting norms which require upfronting of sourcing costs. Having said that, company's strong distribution network, continuous focus on digitalization, increasing employee base and healthy solvency ratio is expected to offset the current strains in the profitability of the company. Hence, with a cautious outlook, we maintain our HOLD rating on the stock with a revised target price of Rs. 1,412 based on 5.8x FY24E BVPS.

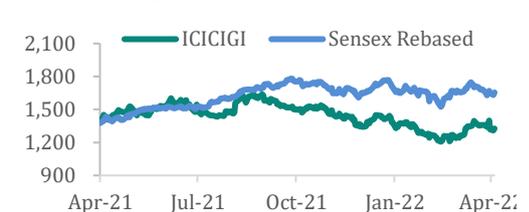
Company Data

Market Cap (cr)	Rs. 65,178
Outstanding Shares (cr)	48.7
Free Float	52.0%
Dividend Yield	0.6%
52 week high	Rs. 1,674
52 week low	Rs. 1,192
6m average volume (lac)	0.2
Beta	0.5
Face value	Rs. 10

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	48.1	48.1	48.0
FII's	27.7	28.1	26.9
MFs/Insti	10.5	13.5	13.7
Public	4.9	2.1	2.3
Others	8.8	8.2	9.1
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	-1.2 %	-11.7%	-8.5%
Absolute Sensex	-0.9%	-6.5 %	18.5%
Relative Return*	-0.3%	-5.2%	-27.1%

*over- or underperformance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Net Premium	13,032	15,275	18,007
Growth (%)	30.1	17.2	17.9
Total Income	16,130	18,477	21,320
Profit Before Tax	1,684	2,303	2,572
Growth (%)	(13.8)	36.8	11.7
Net Profit	1,271	1,739	1,942
Growth (%)	(13.7)	36.8	11.7
EPS (Rs)	25.8	35.3	39.4
Growth (%)	(20.0)	36.8	11.7
BV (Rs)	185.1	212.6	243.4
RoE	14.0	16.6	16.2
P/E	51.5	37.6	33.7
P/BV	7.2	6.2	5.5
Solvency (%)	246.0	219.6	215.1

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
Premium Earned (Net)	3,318	2,616	26.8	3,312	0.2	13,032	10,014	30.1
Inc. from Invt. (net)	538	420	28.2	532	1.2	2,291	1,664	37.6
Other income	780	453	72.1	10	7,678.6	807	483	67.0
Total Op. Income	4,636	3,489	32.9	3,854	20.3	16,130	12,161	32.6
Opt. Exp. Rel. Ins.	1,077	723	49.1	1,075	0.2	3,920	2,734	43.4
Incurred Claims	2,389	1,875	27.4	2,304	3.7	9,782	6,871	42.4
Others	160	110	45.8	203	(21.0)	634	601	5.5
Total Op. Expenses	3,627	2,708	34.0	3,581	1.3	14,336	10,206	40.5
Operating Profit	1,010	782	29.1	273	269.7	1,794	1,955	(8.3)
Non-op. income	165	139	18.8	165	(0.0)	706	517	36.6
Non-op. expense	764	471	62.4	17	4,363.3	817	519	57.5
PBT	410	450	(8.8)	421	(2.5)	1,684	1,954	(13.8)
Tax	97	104	(7.4)	105	(7.7)	413	481	(14.2)
Reported PAT	314	346	(9.2)	316	(0.8)	1,271	1,473	(13.7)
Adj EPS (Rs.)	7.6	7.6	0.0	6.4	17.5	25.8	32.3	(20.0)

Segment break-up of GDPI and Premiums Earned

(in Rs. cr)	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
GDPI	4,666	3,478	34.2	4,698	(0.7)	17,977	14,003	28.4
Motor	2,465	1,872	31.7	2,569	(4.0)	8,280	7,020	17.9
<i>Own Damage</i>	<i>1,153</i>	<i>950</i>	<i>21.4</i>	<i>1,251</i>	<i>(7.8)</i>	<i>4,068</i>	<i>3,685</i>	<i>10.4</i>
<i>Third Party</i>	<i>1,312</i>	<i>922</i>	<i>42.3</i>	<i>1,318</i>	<i>(0.5)</i>	<i>4,212</i>	<i>3,335</i>	<i>26.3</i>
Health, Travel & PA	1,100	737	49.3	892	23.3	4,007	3,021	32.6
Property & Casualty	1,090	868	25.6	1,165	(6.4)	5,024	3,929	27.9
Crop	11	1	1,000.0	72	n.m.	666	33	1,918.2
Premium Earned (Net)	3,318	2,616	26.8	3,312	0.2	13,032	10,014	30.1
Motor	1,929	1,621	19.0	1,942	(0.7)	7,853	6,172	27.2
Health, Travel & PA	914	654	39.7	852	7.3	3,355	2,562	31.0
Property & Casualty	469	341	37.6	452	3.7	1,706	1,273	34.0
Crop	6	0	n.m.	66	(91.4)	118	7	n.m.

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Premium Earned (Net)	15,614	-	15,275	18,007	(2.2)	-
Profit before tax	2,591	-	2,303	2,572	(11.1)	-
Net Profit	1,953	-	1,739	1,942	(11.0)	-
EPS (Rs)	42.8	-	35.3	39.4	(17.4)	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Premium Earned	9,404	10,014	13,032	15,275	18,007
Inc. from Invt.	1,543	1,664	2,291	2,377	2,468
Other income	107	483	807	826	845
Total Op. Income	11,05	12,161	16,130	18,477	21,320
% change	13.1	10.0	32.6	14.6	15.4
Opt. Exp. Rel. Ins.	2,293	2,734	3,920	4,619	5,330
Incurred Claims	6,852	6,871	9,782	10,162	12,046
Others	364	601	634	924	1,066
Total Op. Exp.	9,509	10,206	14,336	15,706	18,442
Operating Profit	1,544	1,955	1,794	2,772	2,878
Non-op. income	480	517	706	981	1,366
Non-op. expense	327	519	817	1,449	1,672
PBT	1,697	1,954	1,684	2,303	2,572
% change	6.2	15.1	(13.8)	36.8	11.7
Tax	503	481	413	564	630
Tax Rate (%)	29.7	24.6	24.5	24.5	24.5
Reported PAT	1,194	1,473	1,271	1,739	1,942
Adj*					
Adj PAT	1,194	1,473	1,271	1,739	1,942
% change	13.8	23.4	(13.7)	36.8	11.7
No. of shares (cr)	46	46	49	49	49
Adj EPS (Rs.)	26.2	32.3	25.8	35.3	39.4
% change	13.6	23.2	(20.0)	36.8	11.7
DPS (Rs.)	7.0	8.0	8.0	7.8	8.7

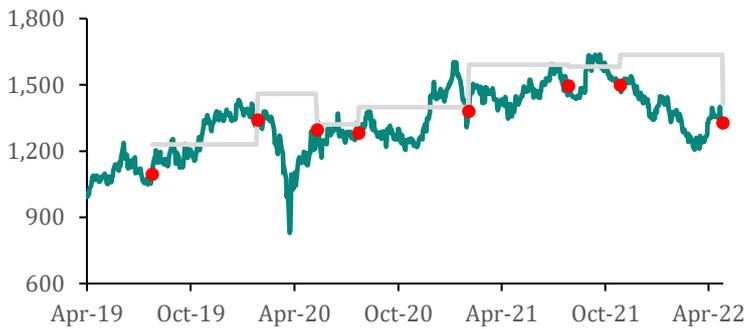
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Invt. - Shareholders	20,467	23,457	29,868	38,033	48,429
Invt. - Policyholders	5,860	7,436	8,918	10,701	12,842
Fixed assets	677	627	577	532	490
Deferred tax assets	306	350	346	391	395
Net Current assets	(21,119)	(23,268)	(29,985)	(38,499)	(49,183)
Total	6,191	8,601	9,724	11,158	12,973
Share Capital	454	455	491	491	491
Reserves & Surplus	5,680	6,981	8,619	9,975	11,489
Fair Value Change	(429)	681	359	437	737
Shareholders' Fund	(95)	163	83	83	83
Policy Liabilities	(334)	517	276	354	654
Borrowings	485	485	255	255	255
Total	6,191	8,601	9,724	11,158	12,973
BVPS (Rs.)	134.6	162.9	185.1	212.6	243.4
% Change	15.1	21.0	13.6	14.9	14.5

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Valuation					
P/E (x)	41.1	44.3	51.5	37.6	33.7
P/BV (x)	8.0	8.8	7.2	6.2	5.5
Div. Yield (%)	0.7	0.6	0.6	0.6	0.7
Per Share (Rs.)					
EPS	26.2	32.3	25.8	35.3	39.4
DPS	7.0	8.0	8.0	7.8	8.7
BVPS	134.6	162.9	185.1	212.6	243.4
Earnings (%)					
RoE	19.5	19.8	14.0	16.6	16.2
Expenses (%)					
Loss Ratio	72.9	68.6	75.1	66.5	66.9
Combined Ratio	100.4	96.2	102.6	99.4	98.8
Solvency (%)					
Solvency	217	290	246	220	215

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
29-Jul-19	HOLD	1,230
27-Jan-20	HOLD	1,460
11-May-20	HOLD	1,321
23-Jul-20	HOLD	1,398
2-Feb-21	BUY	1,591
28-Jul-21	HOLD	1,582
27-Oct-21	HOLD	1,636
27-Apr-22	HOLD	1,412

Source: Bloomberg, Geojit research

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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Geojit 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.

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