

Retail Equity Research

ICICI Lombard General Insurance Co Ltd

BUY

General Insurance

BSE CODE: 540716

NSE CODE: ICICIGI

Bloomberg CODE: ICICIGI:IN

SENSEX: 48,601

12M Investment period

Rating as per Large cap

CMP Rs. 1,368

TARGET Rs. 1,591

RETURN 16% ↑

(Closing: 01-02-21)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Decent performance in Q3FY21

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) rose 9.3% YoY, positively impacted by P&C segment (25.7% YoY) and Motor segment (14.3% YoY).
- PAT grew 6.6% YoY to Rs. 314cr owing to capital gains of Rs. 108cr (vs Rs. 17cr in Q3FY20) and lower claims incurred (-2.3% YoY).
- Though we may see increase its sales and promotional expenses owing to pressure from competition, we expect the margins to improve from current levels. Hence, we upgrade our rating to BUY on the stock with a rolled forward target price of Rs. 1,591 based on 7x FY23E BVPS.

GDPI improves from recovery in motor insurance

During Q3FY21, company reported a gradual increase in GDPI at Rs. 4,034cr (+9.3% YoY), while ex-crop GDPI grew 9.9% YoY to Rs. 4,033cr. Motor segment GDPI increased at 14.3% YoY to Rs. 2,396cr due to the recovery in sales of motor vehicles. Property & Casualty (P&C) segment climbed 25.7% YoY to Rs. 948cr owing to the increase in market share in fire, engineering and marine insurances. The worst hit segment was Health, Travel & PA declining 16.0% YoY to Rs. 689cr. However over the upcoming quarters, we expect vaccine to catalyse the economic activities in travel and hospitality. Net premium earned rose 6.3% YoY to Rs. 2,611cr; 39% of which comes from P&C segment. Management has been cautious with Motor insurances, maintaining loss ratio at 63.6% for 9MFY21. Loss ratio for Health and P&C in 9MFY21 were 77.3% and 66.4%, respectively (vs. 69.6% and 57.8%, respectively, in 9MFY20)

Bottom-line boosted by capital gains

Combined ratio was 99.1% (-140bps YoY) for 9MFY21, while excluding impact of cyclone and flood losses it was 97.7% (-180bps YoY). OpEx+Commission ratio dropped to 32.4% for Q3FY21 (vs 33.9% in Q2FY21). PAT grew 6.6% YoY to Rs. 314cr owing to capital gains of Rs. 108cr (vs Rs. 17cr in Q3FY20) and lower claims incurred (-2.3% YoY). For Q3FY21, the ROAE of 17.6% (vs. 20.3% in Q3FY20) includes the upfront expense of acquisition cost. Solvency ratio rose to 2.8x as on Dec 31, 2020 (vs. 2.2x in Dec 2019), against the regulatory requirement of 1.5x.

Key concall highlights

- Net impact of cyclone and flood losses of Rs. 0.32bn for Q3FY21.
- For the industry, COVID-19 claims till now are Rs. 7.68 lacs of which ~39,000 were reported with ICICI Lombard. The company hopes that the decline in non-COVID claims might keep loss ratio in check.
- The discontinuation of long-term motor package policy by IRDAI effective from 1st Aug 2020, should positively impact the already strained segment.
- Concerning the Bharti AXA deal, the company is awaiting approval from NCLT for the amalgamation.

Outlook & Valuation

The company has managed to hold profitability this quarter mainly from capital gains. Though its sales and promotional expenses are expected to go up, we expect it to have a meaningful and positive impact on its topline as well as on margins. Also the recent hike in FDI limit up to 74%, may help unlock further value in the near-to-medium term in this stock. Hence, with a cautiously optimistic outlook, we upgrade our rating to BUY on the stock with a rolled forward target price of Rs. 1,591 based on 7x FY23E BVPS.

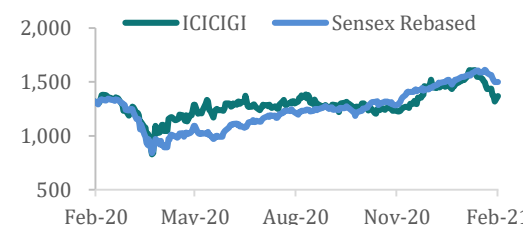
Company Data

Market Cap (cr)	Rs. 60,020
Outstanding Shares (cr)	45.4
Free Float	48.0%
Dividend Yield	0.5%
52 week high	Rs. 1,625
52 week low	Rs. 806
6m average volume (lacs)	0.6
Beta	0.5
Face value	Rs. 10

Shareholding %	Q1FY21	Q2FY21	Q3FY21
Promoters	51.9	51.9	51.9
FII's	26.6	27.1	28.4
MFs/Insti	14.0	13.6	12.5
Public	5.8	5.9	5.2
Others	1.7	1.5	2.0
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	10.7%	5.2%	3.8%
Absolute Sensex	16.8%	23.1%	13.7%
Relative Return*	-6.1%	-17.9%	-9.9%

*over- or underperformance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Net Premium	9,749	11,056	12,610
Growth (%)	3.7	13.4	14.1
Total Income	11,473	13,041	14,907
Profit Before Tax	1,974	2,409	2,862
Growth (%)	16.4	22.0	18.8
Net Profit	1,481	1,806	2,147
Growth (%)	24.0	22.0	18.8
EPS (Rs)	32.5	39.6	47.1
Growth (%)	24.0	22.0	18.8
BV (Rs)	159.9	190.7	227.3
RoE	20.3	20.8	20.7
P/E	40.6	33.2	4.8
P/EV	8.2	6.9	1.0
Solvency (%)	245.6	240.6	235.6

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q3FY21	Q3FY20	YoY Growth %	Q2FY21	QoQ Growth %	9MFY21	9MFY20	YoY Growth %
Premium Earned (Net)	2,611	2,456	6.3	2,463	6.0	7,398	7,058	4.8
Inc. from Invt. (net)	442	336	31.4	409	8.2	1,244	1,124	10.7
Other income	5.6	6.4	(11.9)	12	(54.4)	30	20	49.8
Total Op. Income	3,059	2,799	9.3	2,883	6.1	8,202	8,672	(5.4)
Opt. Exp. Rel. Ins.	802	641	25.2	647	23.9	2,011	1,728	16.4
Incurred Claims	1,720	1,760	(2.3)	1,654	4.0	4,996	5,212	(4.1)
Others	224	77	191.2	165	35.9	491	194	153.7
Total Op. Expenses	2,747	2,478	10.8	2,466	11.4	7,134	7,498	(4.9)
Operating Profit	312	321	(2.7)	417	(25.2)	1,174	1,068	9.9
Non-op. income	140	116	20.7	124	13.1	378	362	4.4
Non-op. expense	34	47	(27.7)	(13)	n.m.	48	104	(54.1)
PBT	418	390	7.3	555	(24.6)	1,504	1,326	13.4
Tax	105	96	9.3	139	(24.6)	376	414	(9.2)
Reported PAT	314	294	6.6	416	(24.6)	1,127	912	23.6
Adj EPS (Rs.)	6.9	6.5	6.5	9.1	(24.7)	24.7	20.0	23.6

Segment break-up of GDPI and Premiums Earned

(in Rs. cr)	Q3FY21	Q3FY20	YoY Growth %	FY21E	YoY Growth %	FY22E	YoY Growth %
GDPI	4,034	3,692	9.3	13,599	2.2	15,206	11.8
Motor	2,396	2,097	14.3	6,470	(4.7)	7,427	14.8
Own Damage	1,277	1,143	11.7	3,402	(7.8)	3,991	17.3
Third Party	1,119	954	17.3	3,068	(1.0)	3,436	12.0
Health, Travel & PA	689	820	(16.0)	3,382	1.5	3,855	14.0
Property & Casualty	948	754	25.7	3,743	17.6	3,924	4.8
Crop	1	21	n.m.	3	n.m.	0	n.m.
Premium Earned (Net)	2,611	2,456	6.3	9,749	3.7	11,056	13.4
Motor	1,589	1,583	0.4	6,212	1.5	6,833	10.0
Health, Travel & PA	0	0	n.m.	0	n.m.	0	n.m.
Property & Casualty	1,022	868	17.7	3,537	7.8	4,223	19.4
Crop	0	5	n.m.	0	n.m.	0	n.m.

Change in Estimates

Year / Rs. cr	Old estimates		New estimates			Change %	
	FY21E	FY22E	FY21E	FY22E	FY23E	FY21E	FY22E
Premium Earned (Net)	9,923	11,263	9,749	11,056	12,610	(1.8)	(1.8)
Profit before tax	1,879	2,172	1,974	2,409	2,862	5.1	10.9
Net Profit	1,409	1,629	1,481	1,806	2,147	5.1	10.9
EPS (Rs)	30.9	35.7	32.5	39.6	47.1	5.1	11.0



PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Premium Earned	8,375	9,404	9,749	11,056	12,610
Inc. from Invt.	1,336	1,543	1,620	1,883	2,196
Other income	66	107	104	102	101
Total Op. Income	9,776	11,053	11,473	13,041	14,907
% change	21.2	13.1	3.8	13.7	14.3
Opt. Exp. Rel. Ins.	2,014	2,293	2,352	2,347	2,683
Incurred Claims	6,308	6,852	6,999	7,955	8,944
Others	223	364	378	429	491
Total Op. Exp.	8,310	9,157	9,296	10,332	11,647
Operating Profit	9,766	8,587	11,462	5,907	7,408
Non-op. income	474	480	565	621	670
Non-op. expense	107	327	335	522	596
PBT	1,598	1,697	1,974	2,409	2,862
% change	33.6	6.2	16.4	22.0	18.8
Tax	549	503	494	602	716
Tax Rate (%)	34.4	29.7	25.0	25.0	25.0
Reported PAT	1,049	1,194	1,481	1,806	2,147
Adj*	-	-			
Adj PAT	1,049	1,194	1,481	1,806	2,147
% change	21.8	13.8	24.0	22.0	18.8
No. of shares (cr)	46	46	46	46	46
Adj EPS (Rs.)	23.1	26.2	32.5	39.6	47.1
% change	21.4	13.6	24.0	22.0	18.8
DPS (Rs.)	5.0	7.0	7.2	8.8	10.5

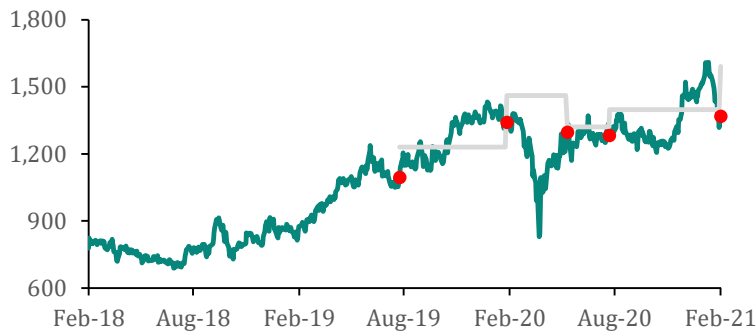
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Invt. - Shareholders	16,888	20,467	24,805	30,063	36,435
Invt. - Policyholders	5,343	5,860	6,426	7,047	7,728
Fixed assets	465	677	984	1,431	2,081
Deferred tax assets	301	306	380	386	391
Net Current assets	(16,853)	(21,119)	(25,567)	(30,592)	(36,311)
Total	6,144	6,191	7,028	8,335	10,324
Share Capital	454	454	454	454	454
Reserves & Surplus	4,866	5,680	6,832	8,237	9,907
Fair Value Change	338	(429)	(743)	(841)	(523)
Shareholders' Fund	80	(95)	(95)	(95)	(95)
Policy Liabilities	259	(334)	(649)	(746)	(428)
Borrowings	485	485	485	485	485
Total	6,144	6,191	7,028	8,335	10,324
BVPS (Rs.)	116.9	134.6	159.9	190.7	227.3
% Change	16.8	15.1	18.8	19.3	19.2

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Valuation					
P/E (x)	44.8	41.1	40.6	33.2	4.8
P/BV (x)	8.8	8.0	8.2	6.9	1.0
Div. Yield (%)	0.5	0.7	0.5	0.7	4.6
Per Share (Rs.)					
EPS	23.1	26.2	32.5	39.6	47.1
DPS	5.0	7.0	7.2	8.8	10.5
BVPS	116.9	134.6	159.9	190.7	227.3
Earnings (%)					
RoE	19.7	19.5	20.3	20.8	20.7
Expenses (%)					
Loss Ratio	75.3	72.9	71.8	72.0	70.9
Combined Ratio	98.8	100.4	98.7	99.2	96.2
Solvency (%)					
Solvency	224	217	246	241	236

Recommendation Summary



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

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			

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: The analyst has no investment opinion on the stock.

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.

General Disclosures and Disclaimers

CERTIFICATION

I, Cyril Charly, 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 except what mentioned in clause 'd'; (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) However, GEOJIT has received compensation for products or services other than investment banking or merchant banking or brokerage services from subject company. GEOJIT is a Corporate Agent, engaged in the distribution of insurance products and has derived commissions for the distribution services it has rendered to 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, Cyril Charly, 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, Padiyattom, 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

