

**CMP: Rs 1,207**

**Stock Info**

NSE	ICICIGI
Bloomberg	ICICIGI IN
Sector	Insurance
Face Value (Rs)	10
Equity Capital (Rs Cr)	454
Market Cap (Rs Cr)	54,343
52w H/L (Rs)	1,285 / 736

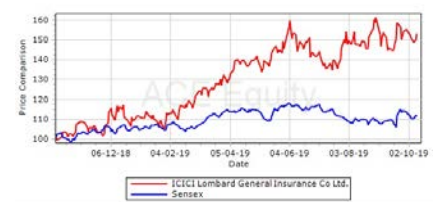
**Shareholding Pattern**

	%
<b>(As on June, 2019)</b>	
Promoters	55.9
FII	20.8
DII	10.9
Public & Others	12.4

Source: Ace Equity, Arihant Research

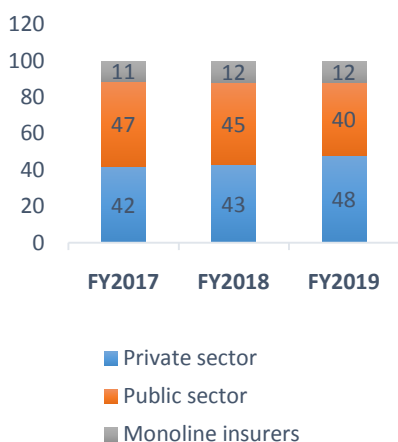
Stock Performance (%)	3m	6m	12m
ICICIGI	13.0	9.9	53.3
SENSEX	-1.8	-1.2	12.1

**ICICIGI v/s SENSEX**



Source: ACE Equity, Arihant Research

**MARKET SHARE OF INDUSTRY PLAYERS (%)**



Source: Company, Arihant Research

**ICICI Lombard General Insurance Company Ltd (ICICI GI) is a private sector non-life insurer. The Company's segments include Fire, Engineering, Marine Cargo, Marine Hull, Motor own damage, Motor third party, Workmen's Compensation, Public/Product Liability, Personal Accident, Aviation, Health, Credit Insurance, Crop/Weather Insurance and Others.**

**Performance Highlights:**

- GDPI (Gross Direct Premium Income) rose by 17.2% to Rs 14,488 cr while PAT grew by 21.7% to Rs 1,049 cr in FY19.
- Combined Ratio, which is a measure of profitability from core operations, improved from 100.2% in FY18 to 98.5% in FY19. The combined ratio is calculated by taking the sum of incurred losses and expenses and then dividing them by the earned premium.
- ROE improved from 20.8% in FY18 to 21.3% in FY19.
- Solvency Ratio was recorded at 2.24(x) in FY19, which is higher than the minimum regulatory requirement of 1.50(x).

**Key Extracts from Annual Report:**

- ICICI GI is the 4th largest non-life insurer and the largest private sector non-life insurer based on GDPI as on FY19.
- The non-life insurance industry registered a growth of 12.9% YoY in FY19. The industry has grown at a CAGR of ~17.7% over the period of FY11-18.
- The industry growth is driven by Motor third party, Retail health and Crop/Weather insurance segments. Motor third party, Retail health and Crop/Weather grew by ~15.4%, 15.7% and 11.7% respectively in FY19 on YoY basis.
- In FY19, the company has issued 2.65 cr (on GDPI basis) policies and gross direct premium income was Rs 14,488 cr, translating into a market share of 8.5% among all non-life insurers and 15.6% among private player in non-life insurance.
- As of March 31, 2019, ICICI GI had Rs 22,231 cr in total investment assets with investment leverage (net of borrowings) of 4.09(x) (vs. New India Assurance: 1.9x). Investment leverage is the ratio of total investment assets (net of borrowings) to net worth.
- The GST rate on third-party motor insurance premium for goods carrying vehicles was moderated from 18% to 12%, effective from Jan 1, 2019. The reduction in tax rate is expected to lower the cost of insurance, thereby making it more affordable and hence is a positive change for the General Insurance Industry.

**Management Outlook:**

The company has maintained its strong capital position with the solvency ratio well above the minimum regulatory requirement. The company will remain its focus on underwriting profitable segments. The core strategy of the company for the ensuing fiscals will be to strive for increase in ROE without compromising on profitability and sustaining combined ratio at optimal levels.

**Risk & Concern:**

Management has developed a risk universe consisting of 29 enterprise wide risk areas, broadly categorised into 5 distinct groups of Credit Risk, Market Risk, Underwriting Risk, and Operational Risk. As per IRDAI guidelines, non-life insurers in India are not allowed to discount their reserves. Management tests their reserves regularly based on claim experience, claim inflation and other factors.

**Valuation:** ICICI GI has a leadership position among private sector (15.6% market share among Private players) non-life insurers across the segments (motor, health and personal accident, crop/weather, fire, engineering and marine). It has strong distribution network with the better underwriting practices.

**At CMP of Rs 1207, it is trading at 7.2(x) P/BV to its FY21 Bloomberg consensus estimates.**

**Key Highlights:**

Particulars (in cr)	FY18	FY19	% Change
Gross Written Premium	12600	14789	17%
Gross Direct Premium Income (GDPI)	12357	14488	17%
GDPI Growth (%)	15.2	17.2	
Combined Ratio (%)	100.2	98.5	
Profit after Tax	862	1049	22%
Return on Average Equity (%)	20.8	21.3	
Solvency Ratio (x)	2.05	2.24	-
Book Value per Share	100	117	17%
Basic Earnings per Share	19.0	23.1	22%

**Summarised Revenue Account:**

Particulars (in Cr.)	FY18	FY19	%Change
Premium earned (net) (NEP)	6912	8375	21%
Income from investments (net)	1127	1336	19%
Other income	28	41	46%
<b>Total (A)</b>	<b>8067</b>	<b>9752</b>	<b>21%</b>
Claims Incurred (net)	5315	6308	19%
Commission paid (net)	-284	223	-179%
Operating expenses related to insurance business	2112	1990	-6%
<b>Total (B)</b>	<b>7143</b>	<b>8521</b>	<b>19%</b>
<b>Operating Profit/ (Loss) C = (A-B)</b>	<b>924</b>	<b>1231</b>	<b>33%</b>

**Summarised Profit and Loss Account:**

Particulars (in Cr.)	FY17	FY18	FY19
Operating profit/(loss)	707.0	924.0	1231.0
Income from investments (net)	309.0	406.0	460.0
Other income	2.0	8.0	14.0
<b>Total (A)</b>	<b>1018.0</b>	<b>1338.0</b>	<b>1705.0</b>
<b>% Growth</b>	-	<b>31%</b>	<b>27%</b>
Provision (other than taxation)	9.0	68.0	-41.0
Other expenses	99.0	74.0	148.0*
<b>Total (B)</b>	<b>108.0</b>	<b>142.0</b>	<b>107.0</b>
Profit before tax	910.0	1196.0	1598.0
Provision for taxation	208.0	334.0	549.0
<b>PAT</b>	<b>702.0</b>	<b>862.0</b>	<b>1049.0</b>
<b>% Growth</b>	-	<b>23%</b>	<b>22%</b>

\* Expenses were higher on account of bad debts written, loss on sale of fixed assets and penalty.

**Technical outlook:**

**ICI Lombard = 1,207**  
**Stock with Growth and Price Momentum**



**Technical View:** The stock is showing solid accumulation pattern which suggests that at current price or even lower to 1120, one should accumulate the stock for a target of 1300-1450-1600 levels in 12 to 15 months.

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