



**ICICI Lombard General Insurance Company (ICICIGI) has reported a stable set of numbers for the quarter ended September 2021.** (Merged figures are presented first time in current quarter, hence prior years are not comparable, though QoQ figures has been restated).

- **GWP came in at INR 45.08 Bn** Vs +5.7% QoQ / +38.5% YoY
- **NEP came in at INR 32.5 Bn** Vs +3.1% QoQ / +32% YoY
- **Operating profit came in at INR 4.57 Bn** Vs +9.5% QoQ / +744% YoY
- **PAT came in at INR 4.47 Bn**, +130% QoQ / +7.4% YoY
- **EPS stood at INR 9.11** vs INR 3.96 QoQ / INR 9.15 YoY

#### Highlights of the Quarter

- The company's combined ratio declined by 1820bps QoQ to 105.3% as claim ratio moderated to 69.8% (vs 89.4% in Q1FY22). Furthermore, ICICI GIC also saw moderation in underwriting losses to Rs 1.07 Bn vs Rs 6.25 Bn in Q1FY22, supported by reversal of Rs 0.67 Bn on health claim provisions. Considering the recent claim intimation trends, the company has revised its Covid claim estimate to Rs 5.61 Bn for H1 FY22 (from Rs 6.02 Bn in Q1FY22).
- On aspects of Bharti Axa merger, management expects revenue synergies to play out over the next 18-24 months on the back of greater geographical reach and products, while Cost synergies will play out over the next 9 months.
- Solvency ratio stood at 2.49x in Q1FY22 as against 2.61x QoQ and higher than the minimum regulatory requirement of 1.50x. Investment leverage (net of borrowings) stood at 4.27x in Q1FY22 from 4.34x QoQ. As of Sep 2021, the company had total unrealized gain of Rs 18.8 Bn including Rs 9.08 Bn of unrealized gain on equity portfolio.

#### Outlook and valuation

With strong capitalization, sound investment quality and prudent risk management practices, we expect that ICICIGI to deliver strong performance, including higher profitability & better solvency in foreseeable future. We expect ICICIGI to moderate its combined ratio to 99-100% over medium term (as synergies and economies of scale come into effect), while higher proportion of unrealized gains (Rs 18.82 Bn) should continue to support investment yield and PAT in near term. At CMP the stock trades at 51x its FY22E EPS & 36x its FY23E EPS. We value ICICIGI at FY23E P/EPS multiple of 38x to arrive at target price of Rs 1600/ share and assign a Hold rating on the stock.

#### Financial Summary

Y/E Mar (Rs Bn)	FY19	FY20	FY21E	FY22E	FY23E
Gross direct premium income	145	133	140	189	222
Adjusted net profit	10	12	15	14	21
Net worth	53	61	74	94	110
BVPS (Rs)	117	135	164	191	224
EPS (Rs)	23	26	32	30	42
P/BV (x)	13	11	9	8	7
P/E (x)	65	57	46	51	36
Combined Ratio	98.8	100.4	99.8	105.1	100.6
RoE (%)	21	21	22	17	20

Source: Dalal & Broacha Research, Company

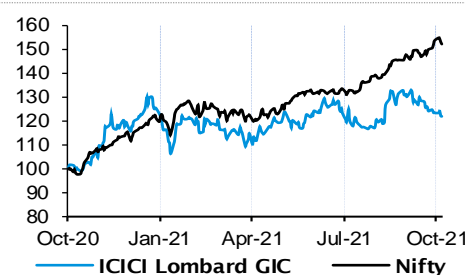
Rating	TP (Rs)	Up/Dn (%)
Hold	1600	7

#### Market data

Current price	Rs	1499
Market Cap (Rs.Bn)	(Rs Bn)	735
Market Cap (US\$ Mn)	(US\$ Mn)	9816
Face Value	Rs	10
52 Weeks High/Low	Rs	1674/1212
Average Daily Volume	('000)	902
BSE Code		540716
Bloomberg		ICICIGI:IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	48.1	51.9
FII	27.7	29.8
DII	10.5	11.7
Others	13.7	6.7
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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### Health segment

- The corporate Health / Employer employee health insurance continued to grow however, unlike previous quarters, the growth in retail health for the quarter was moderated due to base effect.
- In last few months, the company has increased pricing on its corporate health portfolio by 15- 20%. Despite the same, ICICIGIC are able to retain over 90% of its corporate customer accounts.
- Retail Health continues to be a key focus area for the Company and expect it to grow in times to come.
- While the incidence of Covid claims went down, the non-Covid health claim frequency in Q2 FY22 saw a sharp increase as compared with Q2 FY2021. This can be primarily attributed to increase of medical acute cases such as dengue, acute respiratory diseases or on account of deferred elective surgeries.

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### Motor segment

- Motor insurance saw moderate growth as the new motor vehicle sales were impacted due to chip shortages and weak demand sentiment in the TW segment.
- Motor OD claims frequency in Q2FY22 reached pre-covid levels. Lower claims ratio in the motor OD (down 230 bps QoQ at 62.8%), was due to some benefit of lower claim frequency of previous quarters is opted in current quarter.
- Higher claims ratio in motor TP segment (up 250 bps QoQ) was adversely impacted by increased vehicular movement and absence of any tariff hikes for the past two years.
- Going forward ICICIGI would continue to maintain cautious approach in certain sub segments, which will put downwards pressure on growth momentum

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## Financials

Results Summary (Rs mn)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	% YoY	% QoQ
<b>Policyholders' Account</b>							
Gross premium written	32,545	41,117	35,599	42,671	45,085	38.5	5.7
New premium written	24,922	32,089	27,648	28,083	30,528	22.5	8.7
<b>Premium Earned (Net)</b>	<b>24,625</b>	<b>26,114</b>	<b>26,162</b>	<b>31,521</b>	<b>32,503</b>	<b>32.0</b>	<b>3.1</b>
Income from investments (net)	4,086	4,419	4,198	6,685	5,518	35.0	-17.5
Other income	123	56	4,534	106	61	-50.3	-42.5
<b>Total income</b>	<b>28,834</b>	<b>30,589</b>	<b>34,894</b>	<b>38,312</b>	<b>38,082</b>	<b>32.1</b>	<b>-0.6</b>
Commission	1,651	2,244	1,098	1,276	1,435	-13.1	12.5
Operating expenses relating to insurance business	6,470	8,020	7,228	8,303	9,375	44.9	12.9
Incurred claims	16,538	17,205	18,749	28,192	22,699	37.3	-19.5
<b>Total expenses</b>	<b>24,659</b>	<b>27,468</b>	<b>27,075</b>	<b>37,771</b>	<b>33,510</b>	<b>35.9</b>	<b>-11.3</b>
Underwriting profit/ (loss)	-34	-1,354	-913	-6,249	-1,007	2863	-84
<b>Operating profit/ (loss)</b>	<b>4,175</b>	<b>3,121</b>	<b>7,819</b>	<b>542</b>	<b>4,571</b>	<b>9.5</b>	<b>744</b>
<b>Shareholders' Account</b>							
<b>Income in shareholder's account</b>	<b>5,412</b>	<b>4,521</b>	<b>9,207</b>	<b>2,562</b>	<b>6,313</b>	<b>16.6</b>	<b>146.4</b>
<b>Total Expenses</b>	<b>-134</b>	<b>338</b>	<b>4,706</b>	<b>-20</b>	<b>374</b>	<b>-379.4</b>	<b>-1950.5</b>
<b>Profit before taxes</b>	<b>5,546</b>	<b>4,182</b>	<b>4,501</b>	<b>2,583</b>	<b>5,939</b>	<b>7.1</b>	<b>130.0</b>
Provision for taxes	1,388	1,047	1,044	640	1,472	6.0	130.1
<b>Profit after tax</b>	<b>4,157</b>	<b>3,135</b>	<b>3,457</b>	<b>1,943</b>	<b>4,467</b>	<b>7.4</b>	<b>129.9</b>
<b>Analytical ratios (reported)</b>							
Solvency ratio	2.7	2.8	2.9	2.6	2.5	-25 bps	-12 bps
Expense ratio	30.2	29.4	29.8	27.8	29.0	-120 bps	120 bps
Net retention ratio	76.6	78.0	77.7	65.8	67.7	-890 bps	190 bps
Combined ratio	99.7	97.9	101.8	123.5	105.3	560 bps	-1820 bps

Source: Dalal & Broacha Research, Company

## Financial Summary

(Rs mn)

(Year-end March)	FY20	FY21	FY22E	FY23E	(Year-end March)	FY20	FY21	FY22E	FY23E
Gross direct premium income	1,33,128	1,40,031	1,89,338	2,22,087	Operating profit/(Loss)	15,440	19,554	18,849	27,334
Net Earned Premium	94,035	1,00,140	1,29,707	1,55,311	- Fire Insurance business	951	2,376	2,502	2,442
Operating profit/(loss)	15,440	19,554	18,849	27,334	- Marine Insurance business	355	-99	-71	-81
Profit before tax	16,968	19,540	19,378	27,543	- Misc. Insurance business	14,134	17,278	16,418	24,973
Profit after tax	11,937	14,731	14,495	20,602	Income from Investments	4,644	5,046	6,679	7,739
Pre-exceptional EPS (Rs)	26	32	30	42	Other income - misc income	156	124	124	124
BVPS (Rs)	135	164	191	224	<b>Total Income</b>	20,240	24,725	25,652	35,197
Dividend payout (%)	16	15	20	22	Total Expenses	3,272	5,185	6,274	7,654
ROE	21	21	16	19	<b>Profit Before Tax</b>	16,968	19,540	19,378	27,543
ROE (w/o Fair value change)	21	22	17	20	Tax	5,031	4,809	4,883	6,941
P/B	11.1	9.2	7.8	6.7	<b>Profit After Tax</b>	11,937	14,731	14,495	20,602
P/E	57	46	51	36					

(Year-end March)	FY20	FY21	FY22E	FY23E	(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Shareholders' Funds</b>					<b>Growth Ratios (%)</b>				
Share capital	4,545	4,546	4,905	4,905	Gross Direct Premium Income	-8	5	35	17
Reserve and surplus	56,798	69,809	89,027	1,05,097	Net Premium Income	12	6	30	20
Fair Value change	-4,286	6,805	9,080	9,080	Operating Expenses	11	7	37	14
Borrowings	4,850	4,850	2,550	2,550	PAT	14	23	-2	42
<b>Total</b>	<b>61,906</b>	<b>86,010</b>	<b>1,05,563</b>	<b>1,21,632</b>	EPS	14	23	-9	42
<b>Application of funds</b>					<b>Profitability Ratios (%)</b>				
<b>Investments</b>					Commission To NEP	3.9	6.0	5.6	5.5
Shareholders'	58,596	74,357	94,040	1,13,977	Opex to NEP	24.4	27.3	28.7	26.1
Policyholders'	2,04,672	2,34,565	3,02,278	3,52,197	Combined Ratio	100.4	99.8	105.1	100.6
<b>Fixed assets</b>					<b>Balance Sheet Ratios (%)</b>				
Deferred tax asset	3,063	3,499	3,939	3,939	ROE	20.8	21.7	17.2	20.2
<b>Current assets</b>					Investment Leverage	4.2	4.1	4.2	4.2
Cash and bank balances	326	2,276	1,101	862					
Advances and other assets	96,998	72,013	1,11,547	1,16,857					
<b>Sub-Total (A)</b>	<b>97,325</b>	<b>74,290</b>	<b>1,12,648</b>	<b>1,17,718</b>					
Current liabilities	2,49,798	2,40,995	3,25,662	3,84,252					
Provisions	58,717	65,974	70,847	87,931					
<b>Sub-Total (B)</b>	<b>3,08,515</b>	<b>3,06,968</b>	<b>3,96,509</b>	<b>4,72,183</b>					
<b>Total</b>	<b>61,906</b>	<b>86,010</b>	<b>1,22,489</b>	<b>1,21,632</b>					

Source: Dalal &amp; Broacha Research, Company

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