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India | Equity Research | Q4FY24 results review

ICICI Lombard General Insurance Company

General Insurance

Near 20% underlying PAT growth in FY24 and upgraded COR outlook reiterate the improving business cycle; ICICIGI well placed to accrue benefits from the same

ICICI Lombard's (ICICIGI) Q4FY24 result print has been positive from the perspective of continued improvement in actual performance as well as outlook in all-important volume-profitability balance. This has been a developing trend over FY24 (also for the industry) and ICICIGI is likely to benefit from the same in FY25/26E. Numerically, this is evident from 17% YoY GWP growth and 115bps COR improvement in FY24, leading to ~20% like-to-like PAT growth in FY24 and improved guidance of COR for FY25. Key strategic decision ahead may be to best optimise this growth profitability balance in order to improve business strength. Key risk: High competitive intensity impacting profitability.

Maintain BUY; TP of INR 1,901, based on 35x FY26E EPS of INR 54.3

Key elements of our forecast include: 1) 17.8%/17.0% GDPI growth in FY25/26E. 2) Gradual improvement in COR from 104.5% in FY23 to 103.3% in FY24, 102.4% in FY25E and 102.0% in FY26E. 3) Investment leverage at an average of 4.16x levels. 4) Investment yields of ~8.1%/8.5% in FY25E/ FY26E, respectively. This leads to an earnings CAGR of 18.1% between FY24-26E and RoE improvement from 17.2% in FY24 to 20.4% between FY25-26E. The revision in TP from INR 1,767 to INR 1,901 is due to better COR growth outlook.

Management outlook remains buoyant on growth as well as profitability

Management upgraded COR outlook at 101.5% by FY25 exit. Key positive growth drivers include: (1) Slew of regulatory reforms (de-notification of all tariffs except Motor TP, Bima Sugam, Rural, Social Sector, and Motor Third Party Obligations Regulations), that augur well for industry as well as ICICIGI, (2) government's focus on infrastructure development provides lots of opportunities for multiple line of businesses and (3) continued traction in key segments of motor (higher SUV share, rural demand driven 2W growth) and health.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
NEP (INR mn)	1,48,228	1,68,665	2,07,815	2,43,547
PAT (INR mn)	17,291	19,186	22,795	26,755
EPS (INR)	35.2	38.9	46.3	54.3
% Chg YoY	36.0	10.6	18.8	17.4
PER (X)	46.8	42.3	35.6	30.4
P/BV (x)	7.8	6.8	6.6	5.8
Combined Ratio (%)	104.5	103.3	102.4	102.0
Return on Inv(%)	9.9	8.1	8.1	8.5
RoE (%)	17.7	17.2	18.8	20.4

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Market Data

Market Cap (INR)	812bn
Market Cap (USD)	9,715mn
Bloomberg Code	ICICIGI IN
Reuters Code	ICIL BO
52-week Range (INR)	1,740 /1,055
Free Float (%)	52.0
ADTV-3M (mn) (USD)	19.0

Price Performance (%)	3m	6m	12m
Absolute	20.0	23.3	51.6
Relative to Sensex	20.2	13.0	30.8

Previous Reports

18-01-24: [Q3FY24 results review](#)

19-10-23: [Q2FY24 results review](#)

Growth vs loss ratio balance improving for ICICIGI's motor segment

This can be illustrated by the overall loss ratio in motor trending from 72.4% in FY23 to 65.2% in FY24. The company maintains its guidance of 65-70% loss ratio in motor TP and 60-65% in motor OD. Volume performance has improved, as is evident from the trends and management commentary.

- Overall GDPI ex-crop grew 18.1% for ICICIGI in FY24 vs 17% in FY23.
- The company clocked 12.3% volume growth in FY24 in motor vs industry's 12.9% volume growth.
- In the commercial line of business, during Q4FY24, the company grew at 11.3%, as against industry growth of 11%. For FY24, the company grew 14.7%, which was higher than 10.0% industry growth.
- Bancassurance and key relationship groups grew at 16.7% in Q4 and 20.2% in FY24. The company will continue to deep-mine its existing relationships by creating new value streams, while at the same time, may focus on acquiring new relationships. Within this ICICI Group, distribution grew 39.4% in Q4 and 22.5% in FY24. ICICIGI added 80 banca partnerships during the year.
- ICICIGI's motor GDPI mix has gained favour in private car segment while CV mix has declined. PV/2W/CV mix as of FY24 stood at 51.4%/26.7%/21.9% vs 49.9%/27.8%/22.3% in FY23, respectively.
- New car segment has started outperforming which has been the traditional forte for ICICIGI. Growth in new private car segment was ~23% in Q4FY24 and ~28% in FY24. New 2W growth in FY24 was ~13% YoY, which was higher than SIAM's volume growth of 12.3% YoY. As rural demands pick up, management expects this trend to continue in 2W. In new CV segment, company grew 2.1%/1.9% YoY in Q4FY24/FY24, while SIAM volume growth was 0.1%/14.4% YoY in Q4FY24/FY24, respectively.
- For FY25, company expects mid-single digit growth in private car sales, while 2W segment may deliver 8–10% YoY growth. CV sales are likely to grow in double digits, in line with the previous year on account of demand from infra sector.
- The company also continues to improve efficiencies in motor claims, as motor TP price hikes for FY25 have not been done. In Q4FY24, it was able to service 70% of its agency and direct claims through its Preferred Partner Network (PPN), up from 54% in Q4FY23.

Project Orion- key enabler for the vision of One IL One Team

After transitioning to cloud, ICICIGI continues to make significant investments in modernisation of technology platforms. Additionally, its core business and technology transformation project, 'Project Orion', is also underway.

Project Orion would entail three pivotal pillars:

- Reimagining processes with a digital-first approach,
- Modernising technology by shifting away from legacy systems, and
- Enhancing stakeholder experience through superior engagement models.

The company has started this transformation journey with some preferred line of businesses and is witnessing the initiatives shaping up positively. It believes Project Orion will be a key enabler for the vision of One IL One Team.

Health GDPI grew strong YoY; traction continues in IL Take Care

In FY24, retail health agency vertical grew 22.8% YoY while total health (including travel and PA) for FY24 stood at INR 71.2bn (up 27.3% YoY). The retail health business grew in line with the industry at 20% in FY24.

To create a sustainable portfolio, the company is focusing on preferred geographies and higher sum insured. While the management would have liked to grow faster, it will continue to focus on preferred segments and new product launches in coming quarters. Agents (including point of sale or PoS) count, was 128,411 as on Mar'24, from 125,088 as on Dec'23.

Group health's loss ratio improved from 93.2% in Q4FY23 to 88.1% in Q4FY24 while FY23/24 group health loss ratios were 95.6%/93.7%. Retail indemnity loss ratios increased from 61% in Q4FY23 to 64.6% in Q4FY24 while FY23/24 number stood at 64.1%/65.4%, respectively.

ICICIGI's one-stop-solution app for all insurance and wellness needs, 'IL Take Care', surpassed ~9.3mn user downloads till date. It maintains growth momentum with ~0.8mn user downloads for the quarter. In Q4FY24, ICICIGI sourced premium over INR 1.1bn and INR 3.7bn for FY24 via the app, registering 3.2x YoY increase.

Realised absolute returns for FY24 stood at 7.98%; investment leverage remains low which can improve basis TP growth

Investment portfolio mix for FY24 constituted 41.3%/42.0%/11.4% of corporate bonds/govt. sec/equity. As of Mar'24, unrealised gain stood at INR 12.17bn. Unrealised gain on its equity portfolio stood at INR 9.38bn; unrealised loss on its other-than-equity portfolio stood at INR 2.79bn. Investment leverage for FY24 stood at 4.09x. Advance premium as on Mar'24 stood at INR 33.3bn vs INR 33bn as on Dec'23. Solvency ratio stood at 2.62x as of Mar'24.

Exhibit 1: Q4FY24 result review – P&L

Profit & Loss Statement (INR mn)	Q4FY24	Q4FY23	Q3FY24	YoY Growth (%)	QoQ Growth (%)
Gross Direct Premium Income (GDPI)	60,730	49,770	62,310	22.0	(2.5)
Add: Reinsurance Accepted	1,901	3,628	2,056	(47.6)	(7.5)
Gross Written Premium (GWP)	62,631	53,397	64,366	17.3	(2.7)
Less: Reinsurance ceded	14,960	12,925	17,459	15.7	(14.3)
Net Written Premium (NWP)	47,672	40,473	46,907	17.8	1.6
Less: Adjustment for unexpired risk reserve	-3,989	-3,213	-3,859		
Net Earned Premium (NEP)	43,683	37,260	43,048	17.2	1.5
Incurred Claims (Net)	29,987	27,662	30,141	8.4	(0.5)
Commission expense	9,499	914	8,457	939.7	12.3
Operating expenses related to Insurance	6,516	11,192	7,274	(41.8)	(10.4)
Underwriting profit/losses	-2,319	-2,507	-2,824		
Total Investment Income (Policyholder)	7,935	15,296	6,983	(48.1)	13.6
Operating Profit/Loss	5,616	12,788	4,160	(56.1)	35.0
Total Investment Income (Shareholder)	2,337	1,910	2,088	22.4	11.9
Other expenses (including provisions)	975	8,974	511		
PBT	6,978	5,725	5,737	21.9	21.6
Tax	1,783	1,356	1,423	31.5	25.3
PAT	5,195	4,369	4,315	18.9	20.4
EPS (INR)	10.5	8.9	8.8	18.5	20.3

Source: I-Sec research, Company data

Exhibit 2: Q4FY24 – balance sheet

Balance Sheet (INR mn)	Q4FY24	Q4FY23	Q3FY24	YoY Growth (%)	QoQ Growth (%)
Share Capital	4,927	4,911	4,923	0.3	0.1
Reserves & Surplus	1,14,671	99,011	1,09,084	15.8	5.1
Shareholders' Funds	1,19,598	1,03,923	1,14,007	15.1	4.9
Share Application Money	7	5	0		
Fair Value Change Account	9,896	2,133	11,975		
Borrowings	350	350	350		
Total Sources of Funds	1,29,850	1,06,411	1,26,332	22.0	2.8
Investments	4,89,072	4,31,804	4,68,675	13.3	4.4
Fixed Assets	7,009	5,640	6,130	24.3	14.3
Deferred tax Assets	2,926	2,653	3,908	10.3	(25.1)
Current Assets (Incl Cash)	1,34,076	1,10,765	1,37,660	21.0	(2.6)
Claims Outstanding including IBNR & IBNER	3,00,884	2,69,166	2,97,658	11.8	1.1
Provision for unexpired risk reserve	1,00,188	87,197	96,199	14.9	4.1
Other Liabilities	1,02,161	88,089	96,184	16.0	6.2
Net Current Assets	-3,69,157	-3,33,687	-3,52,381	10.6	4.8
Total Application of Funds	1,29,850	1,06,411	1,26,332	22.0	2.8

Source: I-Sec research, Company data

Exhibit 3: Key ratios in Q4FY24

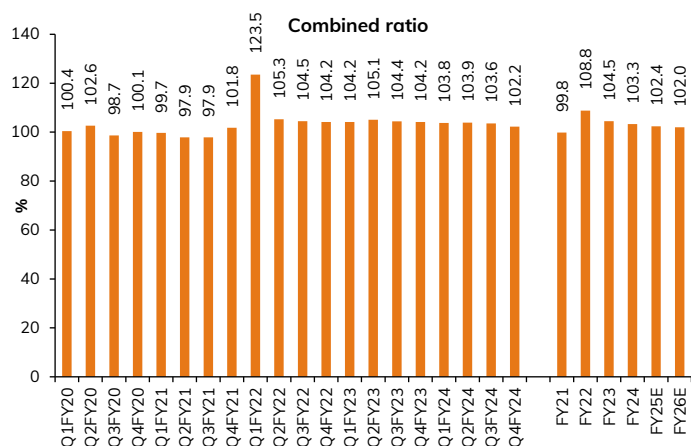
Key Ratios	Q4FY24	Q4FY23	Q3FY24	YoY Growth (%)	QoQ Growth (%)
Loss ratio (%)	68.6	74.2	70.0	-559 bps	-137 bps
Expense Ratio (%)	33.6	29.9	33.5	368 bps	6 bps
Combined Ratio (%)	102.2	104.2	103.6	-191 bps	-131 bps
Loss Ratio segment wise (%)					
Fire	41.0	50.3	68.2	-930 bps	-2720 bps
Motor OD	58.4	69.4	64.9	-1100 bps	-650 bps
Motor TP	73.4	86.5	61.6	-1310 bps	1180 bps
Health	75.4	75.5	79.2	-10 bps	-380 bps
Crop	46.9	(196.8)	99.0	24370 bps	-5210 bps
Total	68.6	74.2	70.0	-560 bps	-140 bps
RoE (%)	17.8	17.2	15.3	59 bps	246 bps

Source: I-Sec research, Company data

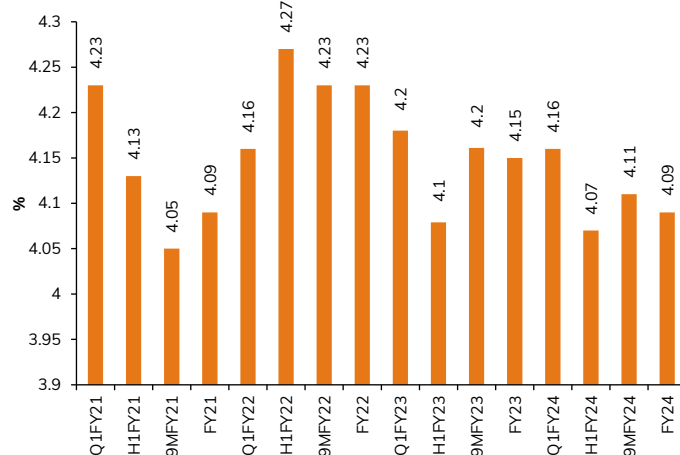
Exhibit 4: GDPI growth trend

INR mn	Q4FY24	Q4FY23	Q3FY24	YoY Growth (%)	QoQ Growth (%)
Fire	8,502	7,381	7,476	15.2	13.7
Marine	1,822	598	1,869	204.7	(2.5)
Motor	27,425	22,201	29,291	23.5	(6.4)
-Motor-OD	13,409	11,947	13,710	12.2	(2.2)
-Motor-TP	14,016	10,254	15,581	36.7	(10.0)
Health & PA	17,612	14,957	16,823	17.7	4.7
Others	5,369	4,633	6,851	15.9	(21.6)
Total GDPI	60,730	49,770	62,310	22.0	(2.5)

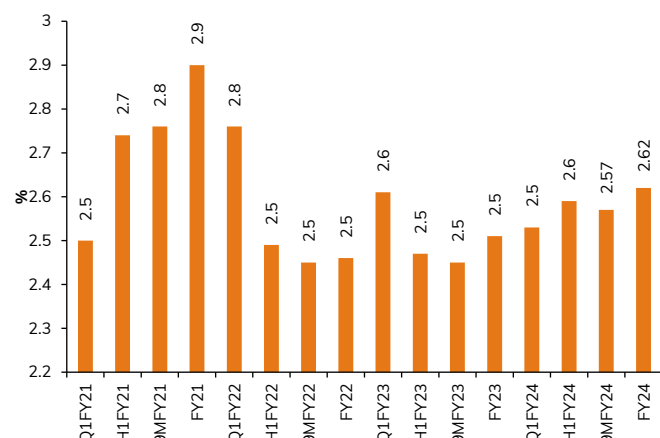
Source: I-Sec research, Company data

Exhibit 5: Combined ratio remained stable in Q4FY24


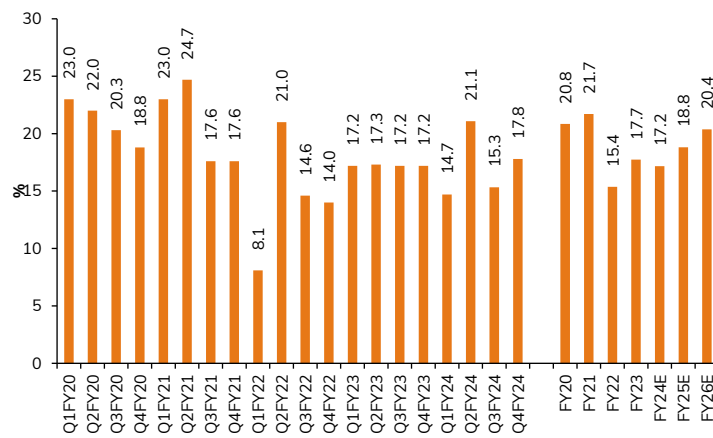
Source: I-Sec research, Company data

Exhibit 6: Investment leverage to follow growth/profitability cycle


Source: I-Sec research, Company data

Exhibit 7: Solvency ratio stood at 2.62x


Source: I-Sec research, Company data

Exhibit 8: RoE likely to improve to 20% in FY26E


Source: I-Sec research, Company data

Exhibit 9: Shareholding pattern

%	Sep'23	Dec'23	Apr'24
Promoters	48.0	47.9	51.3
Institutional investors	40.6	41.1	39.1
MFs and others	15.5	15.2	13.4
FIs/Banks	0.5	0.7	0.7
Insurance	2.2	1.7	1.5
FIIIs	22.4	23.5	23.5
Others	11.4	11.0	9.6

Source: Bloomberg

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Gross Direct Premium Income (GDPI)	2,10,251	2,47,760	2,91,800	3,41,537
Add: Reinsurance Accepted	8,367	8,182	8,420	9,871
Gross Written Premium (GWP)	2,18,618	2,55,942	3,00,220	3,51,408
Less: Reinsurance ceded	63,223	74,286	81,825	93,304
Net Written Premium (NWP)	1,55,395	1,81,656	2,18,395	2,58,105
Less: Adjustment for unexpired risk reserve	7,167	12,991	10,580	14,557
Net Earned Premium (NEP)	1,48,228	1,68,665	2,07,815	2,43,547
Incurred Claims (Net)	1,07,256	1,19,395	1,46,435	1,72,305
Commission expense	4,722	30,890	37,127	43,878
Operating expenses related to Insurance	45,148	28,177	32,586	36,721
Underwriting profit/losses	(8,898)	(9,797)	(8,333)	(9,356)
Total Investment Income (Policyholder)	32,722	28,856	31,204	36,082
Operating Profit/Loss	23,824	19,059	22,871	26,726
Total Investment Income (Shareholder)	7,757	8,500	9,192	10,629
Other expenses (including provisions)	10,455	2,007	1,600	1,600
PBT	21,126	25,552	30,463	35,754
Tax	3,835	6,366	7,667	8,999
PAT	17,291	19,186	22,795	26,755

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Share Capital	4,911	4,927	4,927	4,927
Reserves & Surplus	99,011	1,14,671	1,17,911	1,34,917
Shareholders' Funds	1,03,923	1,19,598	1,22,838	1,39,844
Share Application Money	5	7	-	-
Fair Value Change Account	2,133	9,896	10,245	11,886
Borrowings	350	350	350	350
Total Sources of Funds	1,06,411	1,29,850	1,33,433	1,52,079
Investments	4,31,804	4,89,072	5,06,463	5,88,076
Fixed Assets	5,640	7,009	7,219	8,125
Deferred tax Assets	2,653	2,926	2,985	3,231
Current Assets (Inc. Cash)	1,10,765	1,34,076	1,39,472	1,63,323
Claims Outstanding including IBNR & IBNER	2,69,166	3,03,878	3,13,573	3,70,307
Provision for unexpired risk reserve	87,197	1,00,188	1,08,171	1,29,409
Other liabilities	88,089	99,166	1,00,961	1,10,959
Total Application of funds	1,06,411	1,29,850	1,33,433	1,52,079

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Growth ratios (%)				
GDPI Growth	17.0	17.8	17.8	17.0
GWP Growth	17.8	17.1	17.3	17.1
NWP Growth	15.2	16.9	20.2	18.2
NEP Growth	13.7	13.8	23.2	17.2
Shareholders' funds growth	14.1	15.1	2.7	13.8
Investment growth	11.3	13.3	3.6	16.1
PBT growth	25.5	21.0	19.2	17.4
PAT growth	36.0	11.0	18.8	17.4
Profitability Ratios				
Loss ratio (%)	72.4	70.8	70.5	70.7
Operational expenses ratio (%)	29.1	15.5	14.9	14.2
Commission Ratio (%)	3.0	17.0	17.0	17.0
Combined Ratio (%)	104.5	103.3	102.4	102.0
Analytical Ratios				
Net Retention Ratio (%)	71.1	71.0	72.7	73.4
GDPI to Net Worth ratio (x)	2.0	2.1	2.4	2.4
Operating profit ratio (%)	13.8	9.9	10.0	10.0
Capital Structure				
Investment Leverage (net of borrowings)	4.2	4.1	4.1	4.2
Return ratios				
RoAE (%)	17.7	17.2	18.8	20.4
RoAE (%) - including fair value change	15.8	22.9	17.6	19.9
Payout Ratio (%)	28.4	41.1	25.9	14.7
Return on avg Investments (%)	9.9	8.1	8.1	8.5
Valuation Ratios				
Basic EPS	35.2	38.9	46.3	54.3
Diluted EPS	35.2	38.9	46.3	54.3
Price to Earnings	46.8	42.3	35.6	30.4
Book Value/share (INR)	211.6	242.7	249.3	283.8
Price to Book	7.8	6.8	6.6	5.8
DPS	10.0	11.0	12.0	13.0

Source Company data, I-Sec research

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