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Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USD\$)	664.2 / 8.1
52-Week Range (INR)	1383 / 1049
1, 6, 12 Rel. Per (%)	3/4/-15
12M Avg Val (INR M)	879

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
NEP	148.2	168.0	196.7
U/W Profit	-8.9	-9.4	-8.2
PBT	21.1	26.3	31.9
PAT	17.3	19.7	23.9
EPS (INR/share)	35.2	40.1	48.8
EPS Growth (%)	36.0	14.0	21.5
BVPS (INR/share)	211.6	237.8	270.3

Ratios (%)

Claims	72.4	71.7	71.2
Commission	3.0	12.0	12.0
Expense	29.1	19.2	18.4
Combined	104.5	103.0	101.6
RoE	17.7	17.9	19.2

Valuations

P/E (x)	38.3	33.6	27.6
P/BV (x)	6.4	5.7	5.0

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	48.0	48.0	48.0
DII	17.4	16.8	13.7
FII	22.9	23.4	26.9
Others	11.8	11.8	11.3

FII Includes depository receipts

CMP: INR1,352 TP: INR1,550 (+15%) Buy

Total expense ratio improves; claims ratio higher than estimates

- **Gross domestic premium** income grew 20% YoY and 24% QoQ in 1QFY24 to INR66b, better than our estimate.
- **NEP** was in line with our estimate at INR37.3b, up 12% YoY and 4% QoQ. NEP for Health business grew 32% YoY, led by 36% growth in Group Health. The Motor segment grew 3% and Marine grew 10% YoY. NEP in Crop was higher by 145% YoY, while the Fire segment was down 13% YoY.
- **Claims ratio** came in at 74.1% vs. 74.2% QoQ. The loss ratio for the Motor segment declined YoY, but it increased for all other segments. The claims ratio was higher than our expectation.
- **Total expense ratio** stood at 29.7% vs. 29.9% in 4QFY23 (our est. of 29.1%).
- **Combined ratio** was at 103.8% vs. 104.2% in 4QFY23 and 104.1% in 1QFY23. Excluding the INR0.35b impact of the cyclone, the combined ratio was at 102.9% in 1QFY24, broadly in line with our estimate of 102.5%.
- **Underwriting loss** stood at INR3.2b vs. a loss of INR2.5b in 4QFY23 and higher than our estimate of a INR1.9b underwriting loss.
- **Investment income** was weaker than expectations in both policyholders and shareholders' accounts.
- **PAT** came in at INR3.9b (18% miss), up 12% YoY and down 11% QoQ.
- **Solvency ratio** stood at 2.53 vs. 2.51 in 4QFY23.
- The management continues to guide for better performance, and hence we keep our estimates unchanged for FY24/FY25. We retain our BUY rating with a TP of INR1,550 (32x FY25E).

Lower investment income impacts profitability

- Total GWP grew 20% YoY to INR66b in 1QFY24 and NEP grew 12% YoY to INR39b, with the NEP-to-GWP ratio at 59% vs. 63% in 1QFY23. NEP was broadly in line with our estimate.
- NEP for Health/Motor/Marine/Crop businesses grew 32%/3%/10%/145%, whereas it declined 13% YoY for the Fire segment.
- Total investment income (shareholders + policyholders) declined 51% QoQ but increased 23% YoY to INR8.4b (~6% lower than our estimate).

Higher-than-expected loss ratio; excluding the cyclone impact, combined ratio broadly in line

- ICICIGI reported a loss ratio of 74.1% in 1QFY24 vs. our expectation of 71%. On YoY basis, the loss ratio for the Motor segment declined, whereas it increased for all other segments.
- On the sequential basis, the commission ratio seems to have increased sharply on account of regularization of EOM, as appropriation was seen from sales promotion expenses to commission costs (1QFY24 reported commission ratio stood at 12.5% vs. 2.3% in 4QFY23). However, the total expense ratio declined 20bp QoQ and 240bp YoY to 29.7%, better than our estimate of 31.5%.

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Highlights from the management commentary

- The discontinuation of IIB rates affected the loss ratio for the Commercial segment; thus, the Fire segment saw a higher loss ratio in 1QFY24. The Fire segment saw rate pressure (~5-7% decline); however, inherent growth remained intact. Industry growth will continue to be strong.
- On a YoY basis, GDPI mix for 2W increased but declined for commercial vehicles, as there is no revision in base premium for Motor TP for FY24. EOM would rationalize expenses for the Motor OD segment. There was a continuous improvement in Motor OD on account of better sourcing and claims management using data analytics.
- Investments have been made to accelerate growth in Health distribution. Pricing accretion has been seen in Group Health.

Valuation and view: No change in estimates; retain BUY

Excluding the INR0.35b impact of the cyclone, the combined ratio was broadly in line with our estimate. Going ahead, growth in the Motor segment is likely to be back-ended, with the company waiting for the rationalization of pricing in the OD segment. In the Health segment, the benefits of price hikes and improving efficiency of the agency channel should translate into better profitability. Synergy benefits from the Bharti AXA merger (technology related), scale benefits, and improvement in mix in the Health business (higher share of retail health) should help to improve the combined ratio and RoE over the next couple of years. The management continues to guide for better performance, and hence we keep our estimates unchanged for FY24/FY25. We retain BUY with a TP of INR1,550 (32x FY25E).

Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	1QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Gross premium	55,298	53,026	55,997	53,397	66,221	64,269	72,196	67,075	2,10,251	2,45,242	57,125	15.9
Net written premium	36,233	37,059	41,630	40,473	44,676	43,359	48,707	45,253	1,55,395	1,81,996	42,393	5.4
Net earned premium	34,682	38,366	37,921	37,260	38,873	40,975	42,862	45,338	1,48,229	1,68,048	39,426	-1.4
Investment Income	5,101	6,625	5,700	15,296	6,507	6,846	7,509	7,773	32,721	28,635	6,854	-5.1
Total Income	39,783	44,990	43,620	52,556	45,380	47,820	50,371	53,111	1,80,949	1,96,683	46,279	-1.9
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	6.3	15.5	1.1	12.2	305.3	16.3	
Incurred claims	24,999	27,933	26,663	27,662	28,815	29,502	30,432	31,807	1,07,256	1,20,556	27,992	2.9
Net commission	782	1,282	1,744	914	5,564	5,203	5,796	5,355	4,722	21,918	1,484	275.0
Opex	10,834	10,673	12,448	11,193	7,689	8,238	9,741	9,262	45,148	34,931	11,870	-35.2
Total Operating Expenses	36,615	39,888	40,855	39,768	42,068	42,943	45,970	46,424	1,57,126	1,77,405	41,346	1.7
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	7.7	12.5	16.7	9.6	300.9	12.9	
Underwriting profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,969	-3,108	-1,086	-8,898	-9,357	-1,920	66.4
Operating profit	3,168	5,102	2,765	12,788	3,312	4,877	4,401	6,688	23,823	19,278	4,933	-32.9
Shareholder's P/L												
Transfer from Policyholder's	3,168	5,102	2,765	12,788	3,312	4,877	4,401	6,688	23,823	19,278	4,933	-32.9
Investment income	1,711	2,055	2,081	1,910	1,855	2,200	2,400	2,935	7,757	9,390	2,000	-7.2
Total Income	4,879	7,157	4,846	14,698	5,167	7,077	6,801	9,622	31,579	28,668	6,933	-25.5
Provisions other than taxation	30	890	9	-89	-182	400	400	381	838	938	400	NA
Other expenses	198	171	185	9,062	150	200	200	200	9,616	1,442	200	-25.2
Total Expenses	228	1,060	193	8,973	-32	600	600	581	10,454	2,381	600	NA
PBT	4,651	6,097	4,653	5,725	5,199	6,477	6,201	9,041	21,125	26,288	6,333	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	6.2	33.3	57.9	25.5	337.0	36.2	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	2,899	1,550	2,106	5,115	7,852	1,583	-18.1
Adj Net Profit	3,490	4,625	3,525	4,370	3,903	3,578	4,651	6,936	16,011	18,436	4,750	-17.8
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	-22.6	31.9	58.7	26.0	308.6	36.1	
Rep Net Profit	3,490	5,905	3,525	4,370	3,903	4,858	4,651	6,304	17,291	19,716	4,750	-17.8
Key Parameters (%)												
NEP Mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4				4.4	4.3		
Marine	3.0	2.8	2.9	3.2	3.0				3.0	3.0		
Health including (PA)	28.8	27.8	29.6	30.4	33.9				28.0	29.5		
Motor	58.7	55.1	56.5	56.4	54.1				56.6	55.2		
Others	5.1	9.9	6.6	5.6	5.7				8.0	8.0		
Claims ratio	72.1	72.8	70.3	74.2	74.1	72.0	71.0	70.2	72.4	71.7	71.0	3.1
Commission ratio	2.2	3.5	4.2	2.3	12.5	12.0	11.9	11.8	3.0	12.0	3.5	9.0
Expense ratio	29.9	28.8	29.9	27.7	17.2	19.0	20.0	20.5	29.1	19.2	28.0	-10.8
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.0	102.9	102.5	104.5	103.0	102.5	1.3



Highlights from the management commentary

Business & Financials

- ICICIGI accreted market share across Fire, Engineering, Liability and Health.
- GDPI stood at INR63.8b, up 18.9% vs. industry growth of 17.9%. Excluding Crop, GDPI grew 19.2% vs. industry growth of 17.4% in 1QFY24.
- PBT grew 11.8% to INR5.2b in 1QFY24 vs. INR4.7b in 1QFY23.
- The discontinuation of IIB rates affected the loss ratio for the Commercial segment; thus, the Fire segment saw a higher loss ratio in 1QFY24. The Fire segment saw rate pressure (~5-7% decline); however, inherent growth remained intact. Industry growth will continue to be strong.
- The combined ratio stood at 103.8% in 1QFY24 vs. 104.1% in 1QFY23. Excluding the INR0.35b impact of the cyclone, the combined ratio was 102.9% in 1QFY24.
- The company has started receiving claims related to floods in north India, but based on past experience, claims do not seem to have any material impact.

Motor Segment

- On a YoY basis, GDPI mix for 2W increased but declined for commercial vehicles as there is no revision in base premium for Motor TP for FY24.
- With no price hikes in Motor TP, some part of the Motor TP portfolio has become unviable.
- EOM would rationalize expenses for the Motor OD segment. There is a continuous improvement in Motor OD on account of better sourcing and claims management using data analytics.
- Growth in new private cars has come back on a relatively better claims ratio. The company expects better growth in the coming quarters.

Health Segment

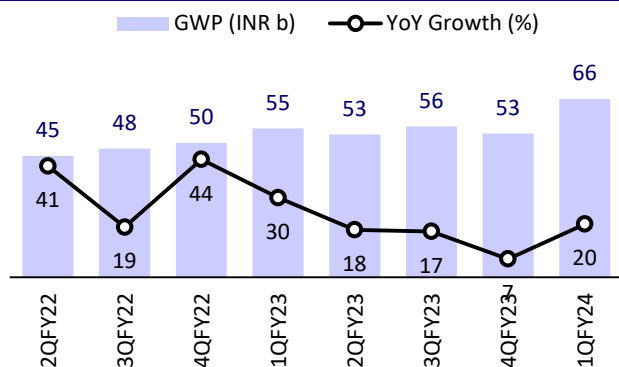
- The segment grew 40.4% YoY vs. industry growth of 20.7%.
- Investments made toward accelerating growth in areas of distribution. Retail Health grew 25.6% for 1QFY24.
- The company increased prices in Retail Health Indemnity renewal book of ~19% in Feb'23.
- Bancassurance and Key Relationship Groups grew 27.3% in 1QFY24.
- The loss ratio for the employer-employee Group Health segment is expected to be in the range of 95-100%. For the SME business, it runs at 90-95%. Overall loss ratios are expected to be in the range of ~95%.
- Pricing accretion has been seen in Group Health.

Digital

- ICICIGI moved entirely to cloud in FY22. As of Jun'23, downloads for ILTakeCare App stood at 5.6m. (4.6m as of Mar'23). Though the share of ILTakeCare App in GDP is not material (~1% of GWP), but growth is ~4x YoY. There is a potential to up-sell and cross-sell Health and Motor insurance products.
- The digital channel accounts for ~4.9% of the total business.
- About 57% cashless authorization is done through AI (61.9% in Mar'23). Around 99.4% of policies are issued electronically (96.7% in FY23).

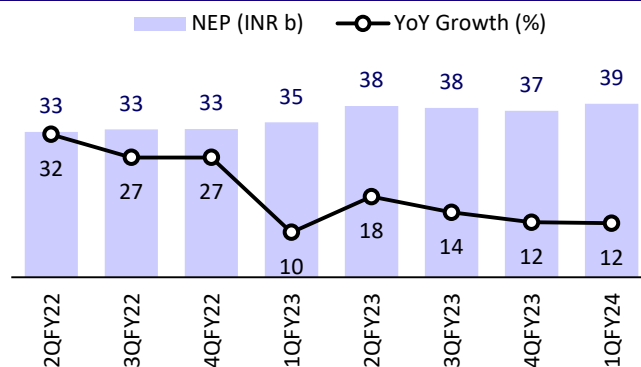
Key exhibits

Exhibit 1: GWP up 20% YoY at INR66b



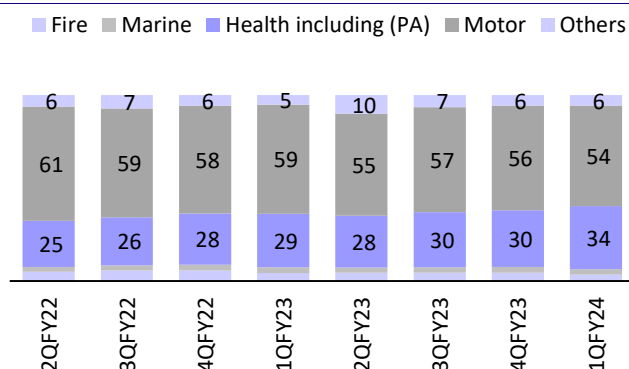
Source: MOFSL, Company

Exhibit 2: NEP growth maintained at 12%



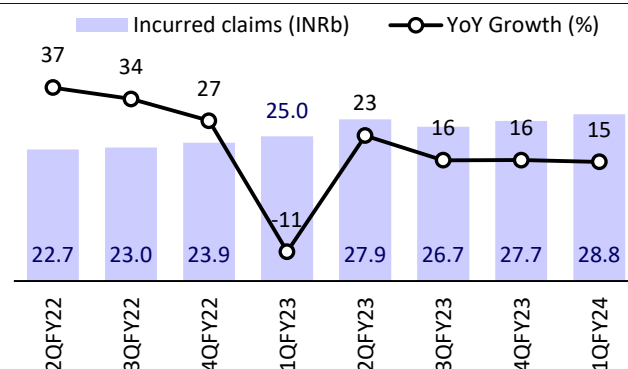
Source: MOFSL, Company

Exhibit 3: Increase of Health segment in product mix



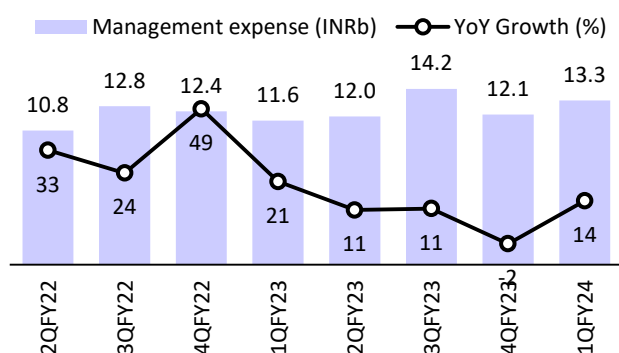
Source: MOFSL, Company

Exhibit 4: Incurred claims increased sequentially



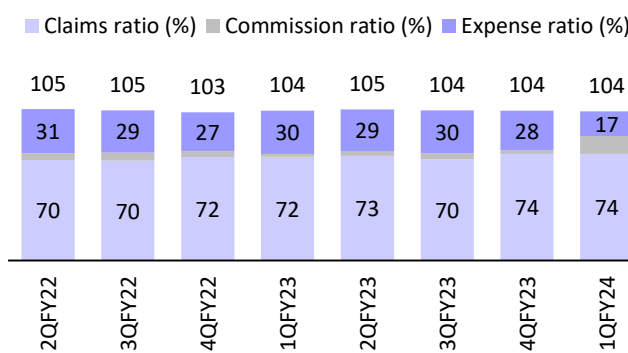
Source: MOFSL, Company

Exhibit 5: Total expense rises, owing to sequential increase in employee costs & other expenses

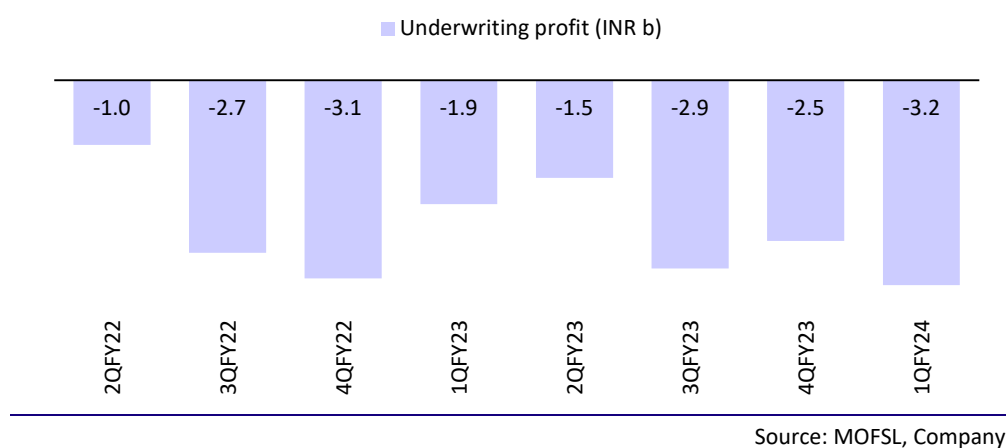
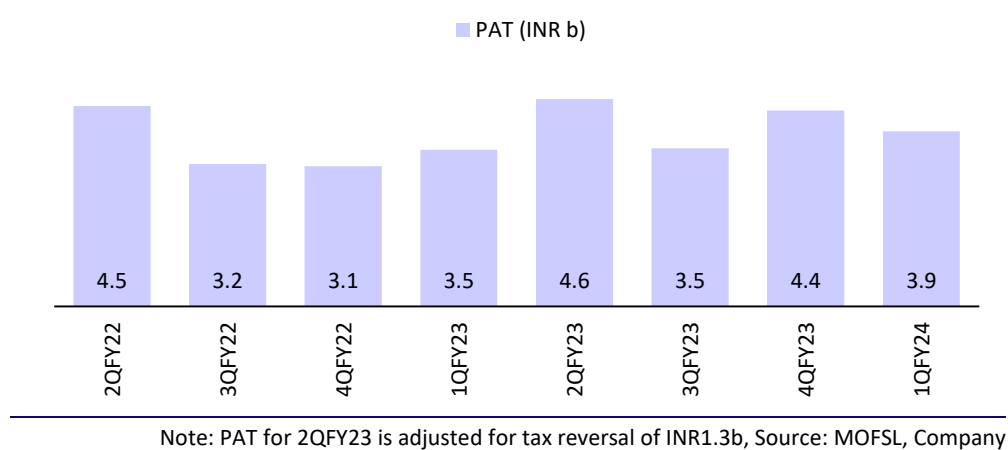
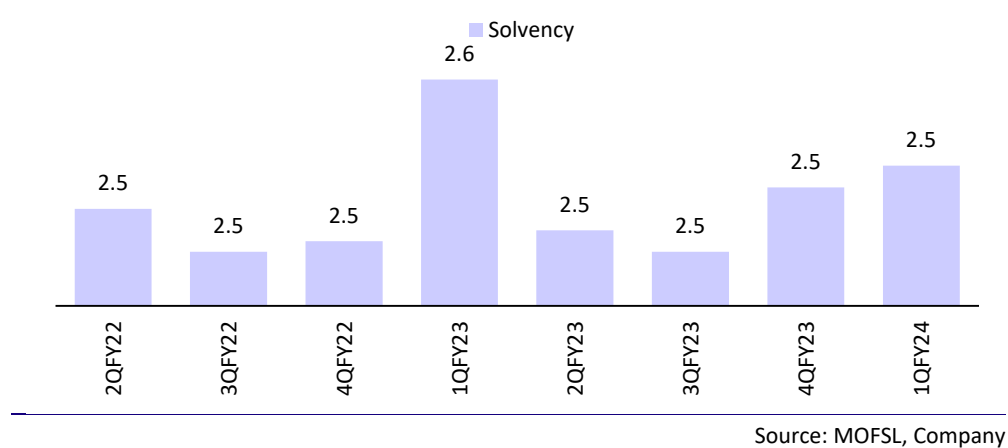


Source: MOFSL, Company

Exhibit 6: Claims ratio remained elevated; total expense ratio declined QoQ



Source: MOFSL, Company

Exhibit 7: Trend in underwriting profit (INR b)**Exhibit 8: Trend in PAT (INR b)****Exhibit 9: Solvency remains healthy**

Financials and valuations

Income Statement

	(INR m)							
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
GDPI	1,23,568	1,44,882	1,33,128	1,40,031	1,79,769	2,10,251	2,45,242	2,86,668
Change (%)	15.2	17.2	-8.1	5.2	28.4	17.0	16.6	16.9
NWP	78,447	95,385	96,407	1,06,850	1,34,896	1,55,395	1,81,996	2,13,608
NEP	69,117	83,753	94,036	1,00,140	1,30,321	1,48,229	1,68,048	1,96,716
Change (%)	12.1	21.2	12.3	6.5	30.1	13.7	13.4	17.1
Net claims	53,147	63,081	68,515	68,708	97,819	1,07,256	1,20,556	1,40,081
Net commission	-2,839	2,229	3,639	6,009	6,339	4,722	21,918	25,580
Expenses	21,118	20,139	22,931	27,342	39,201	45,148	34,931	39,267
Underwriting Profit/(Loss)	-2,309	-1,696	-1,049	-1,919	-13,038	-8,898	-9,357	-8,212
Investment income (PH)	11,546	14,011	16,492	21,474	30,978	32,721	28,635	32,095
Operating profit	9,237	12,315	15,443	19,555	17,940	23,823	19,278	23,883
Investment income (SH)	4,140	4,743	4,800	5,170	7,061	7,757	9,390	10,702
Expenses	1,415	1,073	3,272	5,185	8,166	10,454	2,381	2,654
PBT	11,962	15,985	16,971	19,540	16,835	21,125	26,288	31,931
Tax	3,345	5,492	5,031	4,809	4,125	3,835	6,572	7,983
Tax rate (%)	28.0	34.4	29.6	24.6	24.5	18.2	25.0	25.0
PAT	8,618	10,493	11,940	14,731	12,710	17,291	19,716	23,948
Change (%)	30.8	21.8	13.8	23.4	-13.7	36.0	14.0	21.5

Balance sheet

	(INR m)							
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Equity Share Capital	4,539	4,543	4,543	4,546	4,909	4,911	4,911	4,911
Reserves & Surplus	40,872	48,662	56,797	69,809	86,188	99,016	1,11,891	1,27,863
Net Worth	45,412	53,205	61,340	74,355	91,097	1,03,928	1,16,802	1,32,774
FV change - Shareholders	1,857	799	-948	1,630	831	512	537	564
FV change - Policyholders	5,481	2,585	-3,338	5,174	2,762	1,621	1,702	1,787
Borrowings	4,850	4,850	4,850	4,850	2,550	350	350	350
Claims Outstanding	1,59,160	1,64,256	1,80,074	1,82,845	2,49,752	2,69,166	3,11,360	3,60,389
Other liabilities	80,736	1,08,331	1,28,440	1,24,123	1,61,492	1,75,286	1,99,724	2,28,365
Total Liabilities	2,97,497	3,34,026	3,70,418	3,92,977	5,08,483	5,50,862	6,30,475	7,24,230
Investments (PH)	1,34,643	1,68,877	2,04,671	2,34,565	2,98,684	3,33,221	3,72,375	4,18,210
Investments (SH)	47,284	53,431	58,595	74,356	89,179	98,583	1,11,259	1,27,031
Net Fixed Assets	4,060	4,652	6,765	6,268	5,775	5,640	5,740	5,840
Def Tax Assets	2,114	3,013	3,063	3,498	3,456	2,653	2,388	2,149
Current Assets	1,03,478	1,00,037	96,998	72,013	1,08,463	1,08,734	1,19,607	1,31,568
Cash & Bank	5,918	4,016	326	2,277	2,926	2,031	19,106	39,432
Total Assets	2,97,497	3,34,026	3,70,418	3,92,977	5,08,483	5,50,862	6,30,475	7,24,230

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
GWP growth	15.2	17.2	-8.1	5.2	28.4	17.0	16.6	16.9
NWP growth	19.0	21.6	1.1	10.8	26.2	15.2	17.1	17.4
NEP growth	12.1	21.2	12.3	6.5	30.1	13.7	13.4	17.1
Claim ratio	76.9	75.3	72.9	68.6	75.1	72.4	71.7	71.2
Commission ratio	-3.6	2.3	3.8	5.6	4.7	3.0	12.0	12.0
Expense ratio	26.9	21.1	23.8	25.6	29.1	29.1	19.2	18.4
Combined ratio	100.2	98.8	100.4	99.8	108.8	104.5	103.0	101.6

Profitability Ratios (%)

RoE	20.8	21.3	20.8	21.7	15.4	17.7	17.9	19.2
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Valuations	2018	2019	2020	2021	2022	2023E	2024E	2025E
BVPS (INR)	92.5	108.3	124.9	151.4	185.5	211.6	237.8	270.3
Change (%)	21.9	17.2	15.3	21.2	22.5	14.1	12.4	13.7
Price-BV (x)	14.6	12.4	10.8	8.9	7.3	6.4	5.7	5.0
EPS (INR)	17.5	21.4	24.3	30.0	25.9	35.2	40.1	48.8
Change (%)	30.8	21.8	13.8	23.4	-13.7	36.0	14.0	21.5
Price-Earnings (x)	76.8	63.1	55.4	44.9	52.1	38.3	33.6	27.6

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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