

HSIE Results Daily

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Results Reviews

- **ICICI Lombard General Insurance:** ICICI Lombard (ICICIGI) reported strong growth in NEP (+20%) while reported PAT declined -2% YoY in the quarter, although combined ratio (COR) was at 102.5%. Although the earnings were in line with our estimates, the COR was better than our expectations. ICICIGI continued to strengthen its market position, clocking market share gains across all major lines of business to 8.7% (FY24: 8.6%). We revise our FY26-27E earnings estimates by 5/6% and pencil in COR at 102.1%/100.9% for FY26E/27E; while we expect FY26E earnings growth to be modest (+6% YoY), we believe the quality of earnings is likely to be superior. We maintain BUY with a TP of INR2,215 (32.5x Mar-27E EPS) on the back of sustained dominance in core businesses (motor and commercial lines), likely tailwinds from easing competitive pressures on account of growing EOM compliance by peers and build-out of capabilities in the retail health segment.
- **ICICI Prudential Life:** ICICI Prudential Life (IPRU) clocked FY25 APE growth (15% YoY) and VNB growth (+6% YoY), missing our estimates. The VNB margins continued to shrink further to 22.8% (-185bps YoY) on the back of a ULIP-heavy mix and a tough Q4FY25. We believe IPRU's re-engineered business strategy, which prioritises headline growth over product mix, will drive VNB growth trajectory without any expansion in VNB/APE margins, going forward. We hack our FY26E/FY27E APE growth forecasts (~16%); however, due to its inferior product mix and changing actuarial assumptions, we reduce our FY26E/FY27E VNB margin estimates to 22.8%. We expect APE/VNB to clock 14% CAGR over FY25-27E and retain our ADD rating with a reduced target price of INR665 (1.6x Mar-27E EV).

HSIE Research Team

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ICICI Lombard General Insurance

Operating dominance continues

ICICI Lombard (ICICIGI) reported strong growth in NEP (+20%) while reported PAT declined -2% YoY in the quarter, although combined ratio (COR) was at 102.5%. Although the earnings were in line with our estimates, the COR was better than our expectations. ICICIGI continued to strengthen its market position, clocking market share gains across all major lines of business to 8.7% (FY24: 8.6%). We revise our FY26-27E earnings estimates by 5/6% and pencil in COR at 102.1%/100.9% for FY26E/27E; while we expect FY26E earnings growth to be modest (+6% YoY), we believe the quality of earnings is likely to be superior. We maintain BUY with a TP of INR2,215 (32.5x Mar-27E EPS) on the back of sustained dominance in core businesses (motor and commercial lines), likely tailwinds from easing competitive pressures on account of growing EOM compliance by peers and build-out of capabilities in the retail health segment.

- **Q4FY25 - lower earnings but superior in quality:** As expected, Q4FY25 earnings witnessed a YoY decline, primarily on account of negligible capital gains at INR0.06bn (Q4FY24: INR1.6bn). However, on a full-year basis, capital gains clocked in at a significant INR8.02bn (FY24: INR5.51bn), registering a 1.5X increase. Additionally, as we mentioned earlier, significant reserve release (INR9.2bn) cushioned FY25 earnings resulting from FY19, FY20 and FY21 Motor TP book (originated during the pandemic), which saw no major loss development during the initial years, reflecting in super-normal reserve releases during the current year.
- **FY26 - flat on earnings but superior on quality:** Despite multiple headwinds (higher competitive intensity in the cash cow commercial lines business; weak automobile sales and a muted investment cycle), we build modest earnings growth trajectory for FY26E on account of likely normalisation in capital gains and reserve releases. We maintain BUY with a TP of INR2,215 (35.2x Mar-27E EPS).

Financial summary

(INR bn)	Q4FY25	Q4FY24	YoY%	Q3FY25	FY24	FY25	FY26E	FY27E
Net written premium	54.8	47.7	15.0	50.8	181.7	207.6	224.8	254.7
Net earned premium	52.3	43.7	19.6	50.5	168.7	198.0	220.0	251.6
COR (%) IRDAI	102.5	102.3	20bps	102.7	103.3	102.8	102.1	100.9
PAT	5.1	5.2	(1.9)	7.2	19.2	25.1	26.8	33.7
ROE (%)	13.8	16.3	-242bps	19.8	16.3	18.0	16.6	18.1

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY26E			FY27E		
	Revised	Old	Change %	Revised	Old	Change %
Net written premium	224.8	224.8	0.0	254.7	254.7	0.0
Net earned premium	220.0	220.0	0.0	251.6	251.7	(0.0)
COR (%) IRDAI	102.1	102.2	-7bps	100.9	101.0	-13bps
PAT	26.8	25.5	5.1	33.7	31.8	6.0
ROE (%)	16.6	16.8	-18bps	18.1	18.4	-32bps

Source: Company, HSIE Research

BUY

CMP (as on 15 Apr 2025) INR 1,821

Target Price INR 2,215

NIFTY 23,329

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,210	INR 2,215
EPS%	FY25E +5%	FY26E +6%

KEY STOCK DATA

Bloomberg code	ICICIGI IN
No. of Shares (mn)	496
MCap (INR bn) / (\$ mn)	903/10,534
6m avg traded value (INR mn)	1,245
52 Week high / low	INR 2,302/1,477

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.8)	(13.3)	11.8
Relative (%)	(3.8)	(7.1)	7.3

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	51.7	51.6
FIs & Local MFs	16.7	17.3
FPIs	24.8	24.4
Public & Others	6.9	6.7
Pledged Shares	Nil	Nil

Source : BSE

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ICICI Prudential Life

A fresh disappointment every quarter

ICICI Prudential Life (IPRU) clocked FY25 APE growth (15% YoY) and VNB growth (+6% YoY), missing our estimates. The VNB margins continued to shrink further to 22.8% (-185bps YoY) on the back of a ULIP-heavy mix and a tough Q4FY25. We believe IPRU's re-engineered business strategy, which prioritises headline growth over product mix, will drive VNB growth trajectory without any expansion in VNB/APE margins, going forward. We hack our FY26E/FY27E APE growth forecasts (~16%); however, due to its inferior product mix and changing actuarial assumptions, we reduce our FY26E/FY27E VNB margin estimates to 22.8%. We expect APE/VNB to clock 14% CAGR over FY25-27E and retain our ADD rating with a reduced target price of INR665 (1.6x Mar-27E EV).

- **Another quarter to forget:** IPRU continues to re-calibrate its product strategy every quarter, with focus on serving the end customer needs. We believe IPRU is struggling to find a right bouquet of products which can source business consistently under each of the business segments. After an impressive APE growth during 9MFY25 (~27%), growth for the quarter collapsed to -3%, driven by sharper de-growth in retail lines (-8%).
- **IPRU VNB margins likely to remain under pressure:** Given the "growth at any cost" mindset, we believe IPRU is unlikely to see any material VNB margin expansion from FY25-FY27E. IPRU, once one of the most profitable franchises due to its focus on a balanced retail product mix, is now highly tilted towards easy-to-sell ULIPs (FY25: 58%; FY24: 51%). Further, term business VNB margins have deteriorated significantly from 75% to 54% due to adverse experience in group term business during the year. Without interventions to drive a more profitable product mix, we believe VNB margins are unlikely to witness any meaningful expansion.
- **Maintain ADD:** Our forecasts build a similar product mix as FY25; further, we opine that growth is likely to remain under pressure and the franchise is unlikely to see any VNB margin improvement in FY26E-27E (~22.8%). We retain ADD with a reduced target price of INR665 (1.6x Mar-27E EV).

Financial summary

Particulars	FY24	FY25	%Change	FY26-E	FY27-E
NB	186.8	232.3	24.4	265.6	296.4
APE	90.5	104.1	15.0	118.6	135.0
VNB	22.3	23.7	6.4	27.0	30.8
VNB Margin	24.6%	22.8%	-185bps	22.8%	22.8%
EV	423.3	482.0	13.6	541.5	609.0
P/EV(X)	1.9	1.7		1.5	1.3
P/VNB(X)	36.8	34.6		30.4	26.6
ROEV%	14.1	13.7		12.5	12.6

Source: Company, HSIE Research

Change in estimates:

(INR bn)	FY26E			FY27E		
	Old	New	% Δ	Old	New	% Δ
APE	133.2	118.6	-11.0	154.0	135.0	-12.4
VNB	31.0	27.0	-12.8	36.0	30.8	-14.3
VNB Margin (%)	23.2%	22.8%	-47bps	23.4%	22.8%	-52bps
EV	562.5	541.5	-3.7	636.5	609.0	-4.3

Source: Company, HSIE Research

ADD

CMP (as on 15 Apr 2025)	INR 566
Target Price	INR 665
NIFTY	23,329

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR735	INR665
VNB	FY26E	FY27E
	-13%	-14%

KEY STOCK DATA

Bloomberg code	IPRU IN
No. of Shares (mn)	1,445
MCap (INR bn) / (\$ mn)	820/9,557
6m avg traded value (INR mn)	780
52 Week high / low	INR 797/515

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.4)	(22.7)	(8.0)
Relative (%)	(10.4)	(16.5)	(12.5)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	73.1	73.0
FIs & Local MFs	9.3	9.5
FPIs	13.0	12.8
Public & Others	4.7	4.8
Pledged Shares	Nil	Nil

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

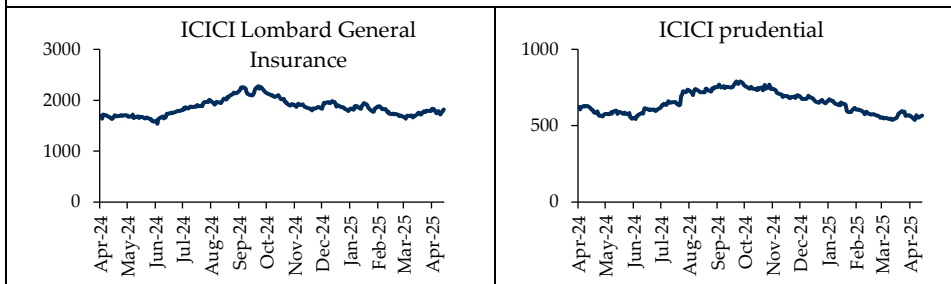
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	ICICI Lombard General Insurance, ICICI Prudential Life	PGDM	NO
Shobhit Sharma	ICICI Lombard General Insurance, ICICI Prudential Life	CA	NO

1 Yr Price movement

Disclosure:

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