

## COR increases while investment yield slips

ICICIGI's 2QFY20 saw an NWP decline of 2.1% YoY to Rs 21.7bn, increase in COR (calc.) to 103.7% (+184bps YoY) as expenses increased while claims ratio declined, and lower investment yields of ~8.4% (-121/-111bps YoY/QoQ).

### HIGHLIGHTS OF THE QUARTER

- Driven by 25.1% YoY (64.5% of NEP) motor (mainly TP), NEP increased to Rs 23.6bn (+6.1/5.0% YoY/QoQ).
- CORs:** Cal. CORs increased to 103.7% (+184/256bps YoY/QoQ) as both commission and expense ratios increased on account of increased payouts on motor. COR ex. CAT was 101.6% (+88/119bps YoY/QoQ).
- Claims ratio** declined to 74.6% (-580/-91bps YoY/QoQ)- driven by lower loss ratios in motor TP, which in turn was driven by change in mix towards PVs and 2Ws, and reduction of CVs by 1,000bps YoY. Claim ratios reduced across segments except for motor OD, which saw +1,210/360bps YoY/QoQ increase to 71.8%. High pricing in motor TP continues to subsidize the OD as companies continue to offer high discounts.
- Motor:** Management expects market driven price rationalization in OD pricing but is not sure of timing. ICICIGI has priced the long term OD business competitively and expects loss ratios to increase

### FINANCIAL SUMMARY

(Rs mn)	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)	FY18	FY19	FY20E	FY21E	FY22E
Premium (NEP)	23,569	22,220	6.1	22,449	5.0	69,117	83,753	90,952	103,021	115,744
Operating profit	4,610	4,490	2.7	4,752	(3.0)	12,281	16,241	19,131	23,415	27,623
OP margin (%)	19.6	20.2	-65bps	21.2	-161bps	17.8	19.4	21.0	22.7	23.9
APAT	3,457	2,931	17.9	3,098	11.6	8,618	10,493	13,969	17,141	20,257
AEPS	7.6	6.4	17.9	6.8	11.6	19.0	23.1	30.7	37.7	44.5
P/E (x)						65.6	54.0	40.5	33.0	27.9
P/B (x)						11.1	10.1	8.6	7.1	6.0
ROE (%)						17.8	19.2	22.6	23.3	23.0

Source: Company, HDFC sec Inst Research estimates

further. Renewal rates for OD only policies have been better in Sep-19 at 54-55% vs. ~49-50% a year ago.

- Advance premium on motor policies is Rs 22.7bn +21.7% QoQ. Proportion of PVs buying (3+3) increased to ~10% (vs. 3% YoY), while proportion of 2Ws buying (5+5) dropped to ~24% vs. ~33% YoY.
- Investment leverage was lower at ~4.1x (vs. 4.2x QoQ) and investment yield declined to 8.4% (-121/-111bps YoY/QoQ) as co had booked gains in 1QFY20 and re-invested proceeds at lower rates.
- Opex: ICICIGI is investing in distribution and has added Standard Chartered Bank as a partner. Co has added 2,000 employees to build scale across channels.

**Near term outlook:** We expect stock price to stagnate.

### STANCE

ICICIGI is best positioned to benefit from changing regulations in motor which will drive down both claims and tariffs. However, we expect high competitive intensity and lower motor TP tariffs (de-tariffication/price reduction) to restrict underwriting margins and investment profits. Accordingly, we rate ICICIGI a SELL with a TP of Rs 1,060 (Sep-21E P/E of 26x and a P/ABV of 5.6x).

INDUSTRY	GENERAL INSURANCE
<b>CMP (as on 18 Oct 2019)</b>	<b>Rs 1,244</b>
<b>Target Price</b>	<b>Rs 1,060</b>
Nifty	11,662
Sensex	39,298

### KEY STOCK DATA

Bloomberg	ICICIGI IN
No. of Shares (mn)	454
MCap (Rs bn) / (\$ mn)	565/7,942
6m avg traded value (Rs mn)	1,689

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 1,285/757		
	3M	6M	12M
Absolute (%)	14.1	13.6	56.7
Relative (%)	13.1	13.2	43.7

### SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	55.9	55.9
FIs & Local MFs	6.0	10.9
FPIs	18.5	20.8
Public & Others	19.6	12.5
Pledged Shares	Nil	Nil

Source : BSE

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### 5 Quarters at a glance

(Rs mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
<b>Net premium written (NWP)</b>	<b>22,130</b>	<b>25,969</b>	<b>24,610</b>	<b>23,850</b>	<b>21,666</b>	<b>(2.1)</b>	<b>(9.2)</b>
<b>Net premiums earned (NEP)</b>	<b>22,220</b>	<b>21,110</b>	<b>21,975</b>	<b>22,449</b>	<b>23,569</b>	<b>6.1</b>	<b>5.0</b>
Claims Incurred (net)	17,855	15,289	15,747	16,941	17,571	(1.6)	3.7
Commission (net)	264	921	632	547	619	134.5	13.1
Operating expenses	4,316	5,186	5,852	5,410	5,467	26.7	1.1
Other expenses	185	203	431	173	235	27.1	35.8
<b>Underwriting profit/(loss)</b>	<b>(400)</b>	<b>(489)</b>	<b>(686)</b>	<b>(622)</b>	<b>(322)</b>	<b>NM</b>	<b>NM</b>
Investment Income	4,704	4,005	4,329	5,461	5,012	6.6	(8.2)
Provisions	(186)	21	219	87	80	NM	(7.7)
<b>Operating profits</b>	<b>4,490</b>	<b>3,496</b>	<b>3,423</b>	<b>4,752</b>	<b>4,610</b>	<b>2.7</b>	<b>(3.0)</b>
Other income	-	111	32	1	1	NM	20.0
<b>PBT</b>	<b>4,490</b>	<b>3,607</b>	<b>3,455</b>	<b>4,753</b>	<b>4,610</b>	<b>2.7</b>	<b>(3.0)</b>
Tax	1,559	1,215	1,178	1,655	1,154	(26.0)	(30.3)
<b>APAT</b>	<b>2,931</b>	<b>2,391</b>	<b>2,277</b>	<b>3,098</b>	<b>3,457</b>	<b>17.9</b>	<b>11.6</b>
<b>Extraordinary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(378)</b>	<b>NM</b>	<b>NM</b>
<b>RPAT</b>	<b>2,931</b>	<b>2,391</b>	<b>2,277</b>	<b>3,098</b>	<b>3,079</b>	<b>5.0</b>	<b>(0.6)</b>
Basic EPS	6.4	5.3	5.0	6.8	7.8	<b>21.3</b>	<b>14.8</b>
Tax Rate (%)	34.7	33.7	34.1	34.8	26.0	-872bps	-881bps
Claims ratio	80.4	72.4	71.7	75.5	74.6	-580bps	-91bps
Commission ratio	1.2	3.5	2.6	2.3	2.9	166bps	56bps
Expenses ratio	20.3	20.8	25.5	23.4	26.3	598bps	291bps
<b>Combined ratio</b>	<b>101.9</b>	<b>96.7</b>	<b>99.8</b>	<b>101.2</b>	<b>103.7</b>	<b>184bps</b>	<b>256bps</b>
<b>Combined ratio (ex-CAT)</b>	<b>100.8</b>	<b>96.7</b>	<b>99.8</b>	<b>100.5</b>	<b>101.6</b>	<b>88bps</b>	<b>119bps</b>
<b>Combined ratio (IRDAI)</b>	<b>101.1</b>	<b>95.9</b>	<b>98.0</b>	<b>100.4</b>	<b>102.6</b>	<b>159bps</b>	<b>220bps</b>

Note: We include other expenses in operating expenses for calculation of opex ratio. Hence our opex and combined ratios will differ marginally from the company reported numbers.

Source: Company, HDFC sec Inst Research

*We have built in an improvement in underwriting profits in 2HFY20.*

### APAT grew 12.5% YoY in 1HFY20

(Rs mn)	1HFY20	1HFY19	YoY (%)	FY20E	1HFY20/FY20E (%)
<b>Net premium written (NWP)</b>	<b>45,516</b>	<b>44,806</b>	<b>1.6</b>	<b>103,590</b>	<b>43.9</b>
<b>Net premiums earned (NEP)</b>	<b>46,018</b>	<b>40,669</b>	<b>13.2</b>	<b>90,952</b>	<b>50.6</b>
Claims Incurred (net)	34,512	32,046	7.7	67,587	51.1
Commission (net)	1,166	676	72.3	1,845	63.2
Operating expenses	10,877	8,860	22.8	22,503	48.3
Premium deficiency	0	0	-	0	NM
Other expenses	408	378	8.0	884	46.1
<b>Underwriting profit/(loss)</b>	<b>(944)</b>	<b>(1,291)</b>	<b>(26.8)</b>	<b>(1,467)</b>	<b>64.4</b>
Investment Income	10,474	10,035	4.4	20,798	50.4
Provisions (Other than taxation)	167	(178)	(193.8)	200	83.7
<b>Operating profits</b>	<b>9,362</b>	<b>8,922</b>	<b>4.9</b>	<b>19,131</b>	<b>48.9</b>
Other income	1	0	450.0	146	0.8
<b>PBT</b>	<b>9,363</b>	<b>8,923</b>	<b>4.9</b>	<b>18,877</b>	<b>49.6</b>
Tax	2,808	3,099	(9.4)	4,908	57.2
<b>APAT</b>	<b>6,555</b>	<b>5,824</b>	<b>12.5</b>	<b>13,969</b>	<b>46.9</b>
Extraordinary	(378)	0	-	(843)	44.8
<b>RPAT</b>	<b>6,177</b>	<b>5,824</b>	<b>6.1</b>	<b>13,126</b>	<b>47.1</b>

Source: Company, HDFC sec Inst Research

**Motor/health premiums grew a 25.4/2.3% YoY.**

**Motor continues to gain share within the mix; its share stands at 64.5% (+996bps).**

**Health business: Group health business sourced through NBFCs has slowed while new retail indemnity business has grown 64.7% YoY.**

**Property (fire) pricing is adequate and ICICIGI has decided to retain an extra 10%.**

### Product mix

NEP (Rs mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
Motor	12,113	12,869	13,660	14,856	15,196	25.4	2.3
Health (Corporate)	3,655	3,454	3,414	3,682	3,963	8.4	7.6
Health (Retail)	1,441	1,668	1,689	1,686	1,757	21.9	4.2
Health (Government)	99	(1)	(83)	(1)	-	(100.0)	(100.0)
Crop	2,861	1,041	1,247	(10)	124	(95.7)	(1,303.9)
Marine	593	681	578	584	639	7.7	9.4
Fire	458	394	441	477	619	35.1	29.8
Miscellaneous (Corporate)	999	1,003	393	1,030	1,090	9.1	5.8
Miscellaneous (Retail)	1	1	635	145	182	20,111.1	25.7
<b>Total</b>	<b>22,220</b>	<b>21,110</b>	<b>21,975</b>	<b>22,449</b>	<b>23,569</b>	<b>6.1</b>	<b>5.0</b>

(%)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (bps)	QoQ (bps)
Motor	54.5	61.0	62.2	66.2	64.5	996	(171)
Health (Corporate)	16.4	16.4	15.5	16.4	16.8	37	41
Health (Retail)	6.5	7.9	7.7	7.5	7.5	97	(6)
Health (Government)	0.4	(0.0)	(0.4)	(0.0)	-	(44)	-
Crop	12.9	4.9	5.7	(0.0)	0.5	(1,235)	57
Marine	2.7	3.2	2.6	2.6	2.7	4	11
Fire	2.1	1.9	2.0	2.1	2.6	56	50
Miscellaneous (Corporate)	4.5	4.7	1.8	4.6	4.6	13	4
Miscellaneous (Retail)	0.0	0.0	2.9	0.6	0.8	77	13
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

Source: Company, HDFC sec Inst Research

**Underwriting losses widened in motor due to material jump in OD loss ratios (+1210bps YoY).**

**Deterioration in motor OD claim ratio is much ahead of our expectation.**

**Other than motor OD, loss ratios narrowed in all lines.**

**Improvement in loss ratios of motor TP was significantly ahead of expectations and remains a key monitorable.**

### Underwriting profits

(Rs mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
Motor	310	(903)	(1,555)	(942)	(1,021)	NM	NM
Health (Retail)	809	762	676	349	43	(94.7)	(87.8)
Health (Corporate)	(484)	(22)	(12)	265	436	NM	64.3
Health (Government)	44	(13)	(73)	(2)	36	(17.5)	NM
Crop	(598)	(397)	216	(13)	(80)	NM	NM
Marine	(327)	6	(65)	(17)	45	NM	NM
Fire	18	156	(61)	(76)	(14)	NM	NM
Miscellaneous (Retail)	1	1	162	25	116	23,020.0	356.9
Miscellaneous (Group, Corporate)	13	126	457	(40)	352	2,546.6	NM
<b>Total</b>	<b>(215)</b>	<b>(286)</b>	<b>(255)</b>	<b>(449)</b>	<b>(88)</b>	<b>NM</b>	<b>NM</b>

### Claims Ratio (%)

Motor OD	59.7	53	61.5	68.2	71.8	1210bps	360bps
Motor TP	90.5	91.7	90.5	90.9	86.4	-410bps	-450bps
Health	76.4	90.4	79.2	76.2	71	-540bps	-520bps
Crop	117.1	116.3	69.6	110.7	111.6	-550bps	90bps
Fire	84.6	58.5	83.1	87.6	75.6	-900bps	-1200bps
Marine	117.8	65.1	74.1	58.8	65.5	-5230bps	670bps
Engineering	45.4	34.1	26.0	58.0	26.0	-1940bps	-3200bps
Other	58.4	44.5	32.4	63.5	38.1	-2030bps	-2540bps
<b>Total</b>	<b>80.4</b>	<b>72.4</b>	<b>71.7</b>	<b>75.5</b>	<b>74.6</b>	<b>-580bps</b>	<b>-90bps</b>

Source: Company, HDFC sec Inst Research

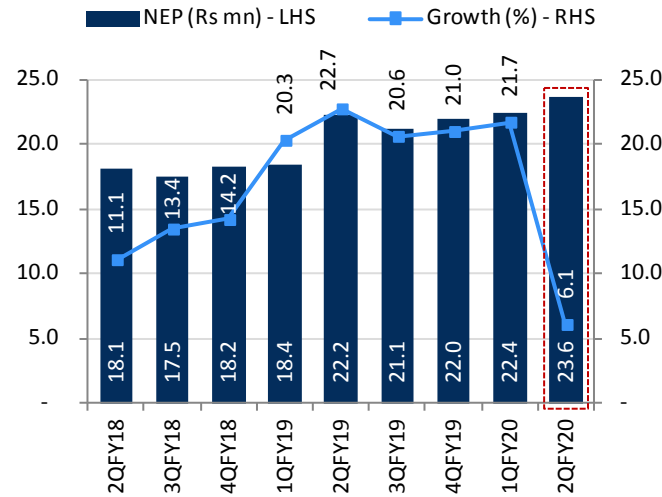
*ICICIGI wrote substantial crop business in 2Q-4QFY19, hence NEP growth will continue to remain weak in subsequent quarters due to base effect.*

*We remain watchful of motor premium growth post the initial spur in sales after implementation of MVA w.e.f. Sep-19.*

*We expect company to post lower underwriting losses in 2HFY20.*

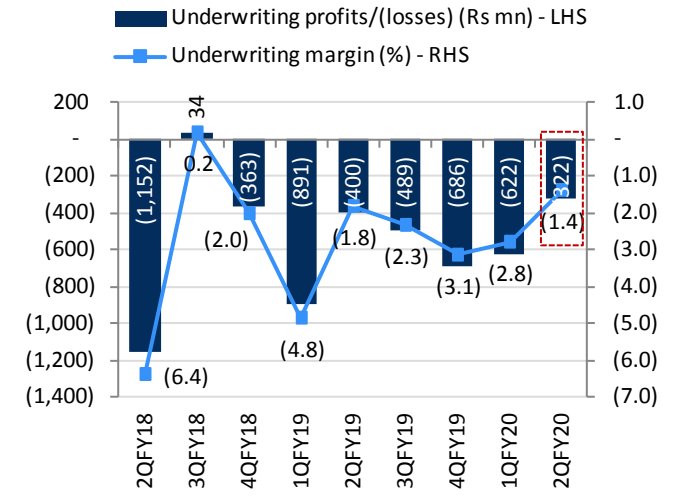
*Solvency ratio remains strong.*

**NEP growth has tapered due to run down on crop**



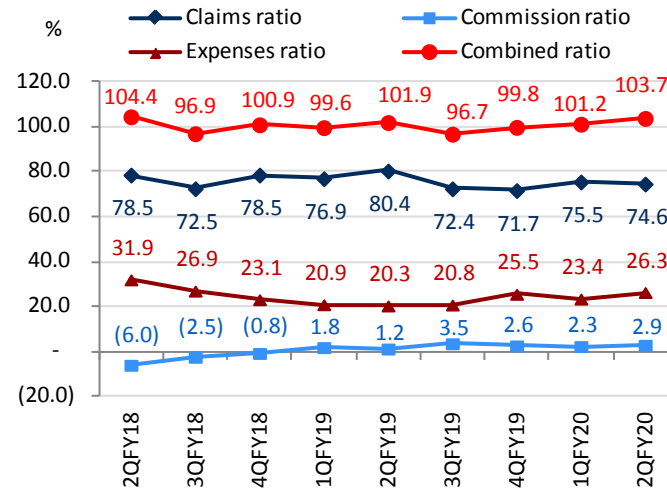
Source: Company, HDFC sec Inst Research

**Underwriting losses narrowed in 2QFY20**



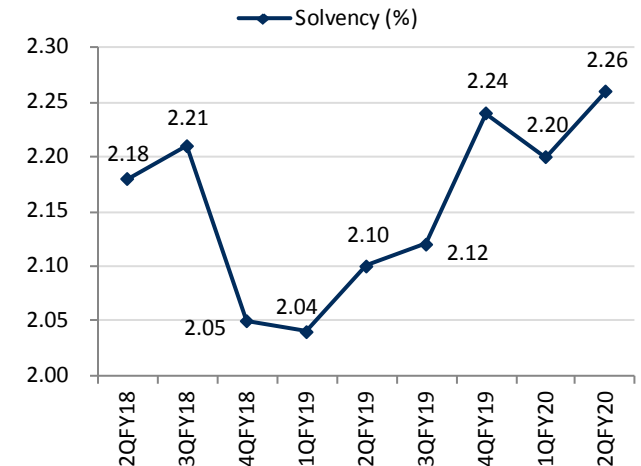
Source: Company, HDFC sec Inst Research  
We include other expenses (shareholders a/c) in calculation of underwriting profits.

**Combined ratios inched up in 2QFY20**



Source: Company, HDFC sec Inst Research  
We include other expenses for calculation of opex ratio.

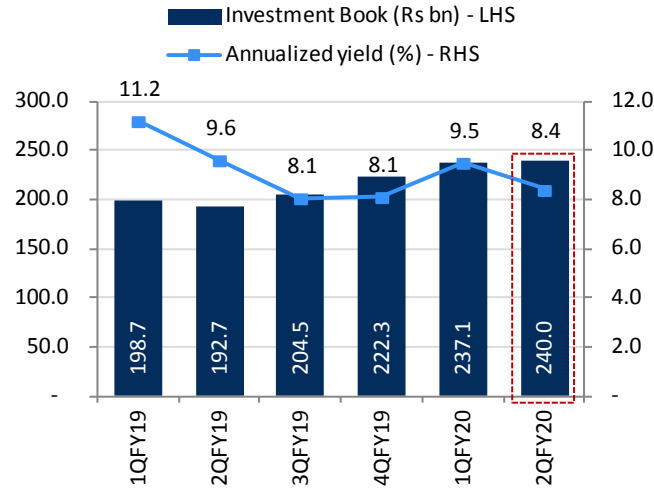
**Solvency continues to remain strong**



Source: Company, HDFC sec Inst Research

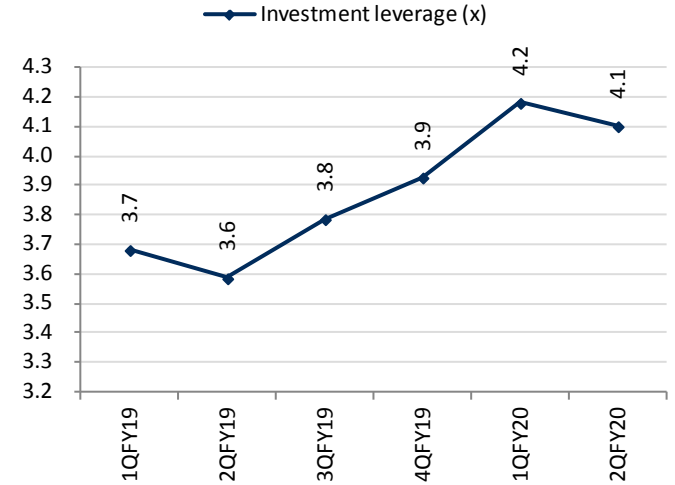
**Investment book growth was fell short of expectations at 24.5/1.2% YoY/QoQ to Rs 240bn, despite good jump in advance premium.**

**Investment yields declined in 2QFY20**



Source: Company, HDFC sec Inst Research

**Investment leverage declined marginally**



Source: Company, HDFC sec Inst Research  
We include FV reserve in net worth.

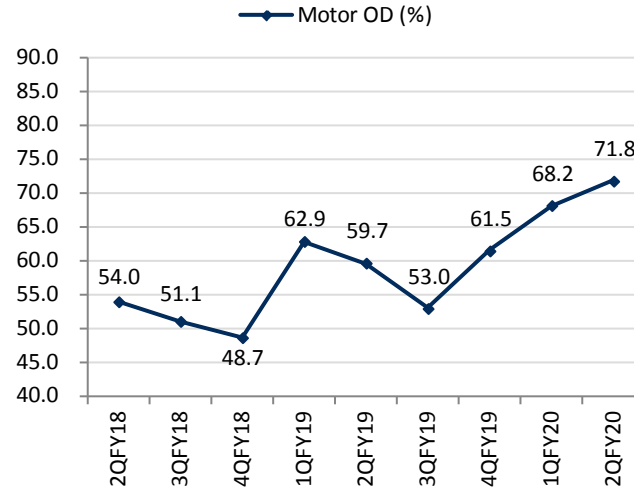
**Motor OD loss ratios deteriorated 1210bps YoY in 2QFY20. We suspect OD losses will remain elevated for near future.**

**Improvement in motor TP loss ratio was ahead of our expectations.**

**Improvement was lead by change in vehicle mix.**

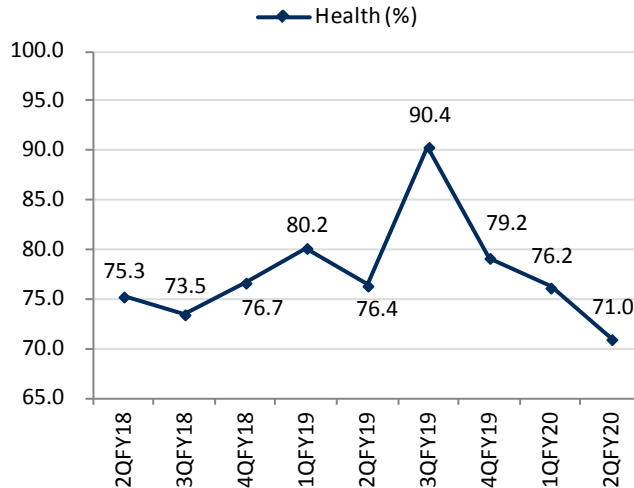
## Claims ratios across segments

### OD loss ratios deteriorating



Source: Company, HDFC sec Inst Research

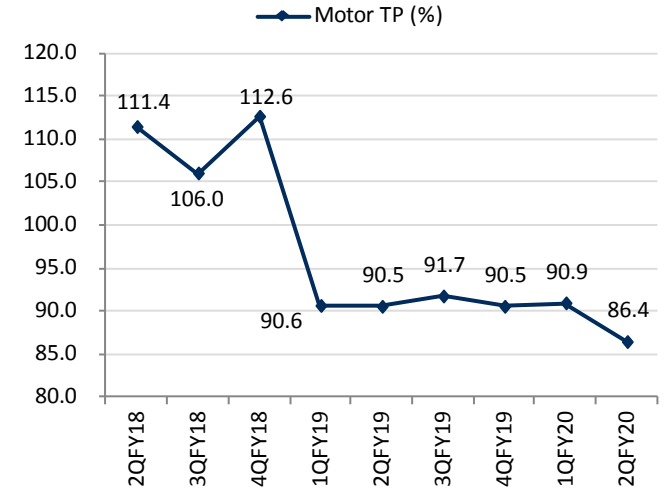
### Loss ratios trend downwards



Source: Company, HDFC sec Inst Research

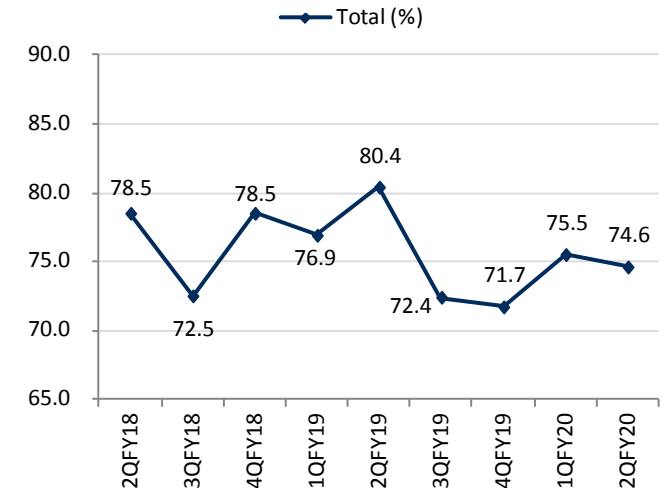
Note: Company has included PA in health for claims ratio reporting in 2QFY20.

### TP loss ratios improved 410bps YoY



Source: Company, HDFC sec Inst Research

### Reduction largely due to improving mix



Source: Company, HDFC sec Inst Research



**Change in estimates lead to minor increase in APAT by 0.6/2.6/2.8% for FY20/21/22E.**

Premium growth in FY20E is expected to remain low due to run down of the crop business.

### Change in estimates

Rs mn	FY20E			FY21E			FY22E		
	Revised	Old	Change (%)	Revised	Old	Change (%)	Revised	Old	Change (%)
Net written premium	103,590	104,519	(0.9)	117,069	118,400	(1.1)	131,230	132,912	(1.3)
Net earned premium	90,952	91,767	(0.9)	103,021	104,192	(1.1)	115,744	117,228	(1.3)
COR (%)	98.3	99.7	-139bps	97.5	99.5	-197bps	97.4	98.6	-129bps
COR (%) IRDAI	97.4	99.1	-162bps	97.3	99.5	-219bps	97.2	98.7	-150bps
Underwriting profits*	(1,467)	(2,909)	NM	(565)	(2,841)	NM	(398)	(2,128)	NM
APAT	13,969	13,891	0.6	17,141	16,711	2.6	20,257	19,709	2.8
Investment book	264,909	275,210	(3.7)	320,269	331,882	(3.5)	368,219	378,115	(2.6)
ROE (%)	22.6	22.5	11bps	23.3	22.8	51bps	23.0	22.6	47bps

Source: Company, HDFC sec Inst Research

\*We include management expenses in operating expenses to calculate underwriting profits.

### Assumptions

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Net earned premium	69.1	83.8	91.0	103.0	115.7
Premium growth (%)	12.1	21.2	8.6	13.3	12.4
<b>Product mix (%)</b>					
Fire	2.1	1.9	2.6	2.5	2.5
Marine	2.8	2.8	3.0	2.9	2.9
Motor OD	33.3	32.4	31.9	30.4	29.3
Motor TP	26.7	27.7	31.9	33.2	34.3
Health	16.1	18.0	20.3	21.1	21.8
PA	3.4	3.8	3.5	3.4	3.3
Crop	7.9	6.8	0.6	0.5	0.5
Others	7.7	6.6	6.3	5.8	5.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Premium growth (%)</b>					
Fire	16.5	9.6	50.0	10.0	10.0
Marine	1.9	20.9	14.0	12.0	10.0
Motor OD	16.6	18.0	7.0	8.0	8.0
Motor TP	17.5	26.0	25.0	18.0	16.0
Health	(3.5)	35.5	22.0	18.0	16.0
PA	30.1	34.8	-	10.0	10.0
Crop	7.6	4.3	(91.0)	8.0	8.0
Others	14.9	2.7	4.0	5.0	5.0
<b>Total</b>	<b>12.1</b>	<b>21.2</b>	<b>8.6</b>	<b>13.3</b>	<b>12.4</b>
<b>Combined ratio (%)*</b>	<b>100.6</b>	<b>99.6</b>	<b>98.3</b>	<b>97.5</b>	<b>97.4</b>

Source: Company, HDFC sec Inst Research

\*We include other expenses for calculation of combined ratio.

*Adj. ROE is healthy at 24%.*

### Du-pont

%	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Claims	80.4	72.4	71.7	75.5	74.6
Commission	1.2	4.4	2.9	2.4	2.6
Opex	20.3	25.5	28.6	24.9	24.2
<b>Underwriting margin</b>	<b>(1.8)</b>	<b>(2.3)</b>	<b>(3.1)</b>	<b>(2.8)</b>	<b>(1.4)</b>
Investment income (net of provisions)	22.0	18.9	18.7	23.9	20.9
<b>EBIT</b>	<b>20.2</b>	<b>16.6</b>	<b>15.6</b>	<b>21.2</b>	<b>19.6</b>
Interest	-	(0.5)	(0.1)	(0.0)	(0.0)
<b>PBT</b>	<b>20.2</b>	<b>17.1</b>	<b>15.7</b>	<b>21.2</b>	<b>19.6</b>
Tax	7.0	5.8	5.4	7.4	4.9
<b>APAT (%)</b>	<b>13.2</b>	<b>11.3</b>	<b>10.4</b>	<b>13.8</b>	<b>14.7</b>
Extraordinary	-	-	-	-	(1.6)
<b>RPAT (%)</b>	<b>13.2</b>	<b>11.3</b>	<b>10.4</b>	<b>13.8</b>	<b>13.1</b>
Asset turnover (x)	1.5	1.4	1.5	1.5	1.5
Assets/Shareholders equity (x)	1.1	1.1	1.1	1.1	1.1
<b>Adj ROE (%)</b>	<b>21.8</b>	<b>17.8</b>	<b>16.5</b>	<b>21.9</b>	<b>24.0</b>
<b>Reported ROE (%)</b>	<b>21.8</b>	<b>17.8</b>	<b>16.5</b>	<b>21.9</b>	<b>21.4</b>

Source: HDFC sec Inst Research

**Income statement**

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net earned premiums</b>	<b>69,117</b>	<b>83,753</b>	<b>90,952</b>	<b>103,021</b>	<b>115,744</b>
<b>Growth (%)</b>	<b>12.1%</b>	<b>21.2%</b>	<b>8.6%</b>	<b>13.3%</b>	<b>12.4%</b>
Claims incurred	53,147	63,081	67,587	77,254	86,845
Commission (net)	(2,840)	2,229	1,845	2,184	2,324
Operating expenses	21,455	20,976	22,987	24,148	26,974
<b>Underwriting profit/(loss)</b>	<b>(2,645)</b>	<b>(2,533)</b>	<b>(1,467)</b>	<b>(565)</b>	<b>(398)</b>
Investment Income	15,605	18,369	20,798	24,190	28,241
Provisions (Other than taxation)	679	(405)	200	210	221
<b>Operating profit</b>	<b>12,281</b>	<b>16,241</b>	<b>19,131</b>	<b>23,415</b>	<b>27,623</b>
<b>Operating profit margin (%)</b>	<b>17.8</b>	<b>19.4</b>	<b>21.0</b>	<b>22.7</b>	<b>23.9</b>
Interest expense	400	400	400	400	400
Other income	82	143	146	149	152
<b>PBT</b>	<b>11,962</b>	<b>15,984</b>	<b>18,877</b>	<b>23,164</b>	<b>27,375</b>
Tax	3,345	5,492	4,908	6,023	7,117
<b>APAT</b>	<b>8,618</b>	<b>10,493</b>	<b>13,969</b>	<b>17,141</b>	<b>20,257</b>
<b>APAT Growth (%)</b>	<b>22.8%</b>	<b>21.8%</b>	<b>33.1%</b>	<b>22.7%</b>	<b>18.2%</b>
<b>RPAT</b>	<b>8,618</b>	<b>10,493</b>	<b>13,126</b>	<b>17,141</b>	<b>20,257</b>
<b>RPAT Growth (%)</b>	<b>22.8%</b>	<b>21.8%</b>	<b>25.1%</b>	<b>30.6%</b>	<b>18.2%</b>
<b>AEPS</b>	<b>19.0</b>	<b>23.1</b>	<b>30.7</b>	<b>37.7</b>	<b>44.5</b>
<b>EPS Growth (%)</b>	<b>21.9%</b>	<b>21.6%</b>	<b>33.1%</b>	<b>22.7%</b>	<b>18.2%</b>

Source: Company, HDFC sec Inst Research

**Balance sheet**

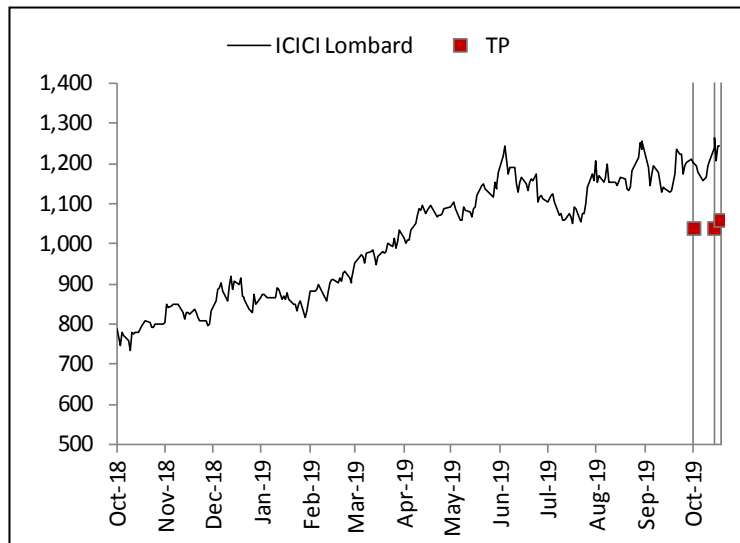
(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	4,539	4,543	4,543	4,543	4,543
Reserves	40,872	48,662	59,272	72,292	87,678
<b>Total Shareholders Funds</b>	<b>45,412</b>	<b>53,205</b>	<b>63,815</b>	<b>76,835</b>	<b>92,221</b>
<b>Fair Value Change Account</b>	<b>7,339</b>	<b>3,384</b>	<b>2,976</b>	<b>3,221</b>	<b>3,506</b>
Long-term Debt	4,850	4,850	4,850	4,850	4,850
Short-term Debt	-	-	-	-	-
<b>Total Debt</b>	<b>4,850</b>	<b>4,850</b>	<b>4,850</b>	<b>4,850</b>	<b>4,850</b>
Net Deferred Tax Liability	(2,114)	(3,013)	(3,163)	(3,479)	(3,827)
<b>TOTAL SOURCES OF FUNDS</b>	<b>55,486</b>	<b>58,426</b>	<b>68,478</b>	<b>81,426</b>	<b>96,750</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>4,060</b>	<b>4,652</b>	<b>4,937</b>	<b>5,164</b>	<b>5,293</b>
Investments	181,927	222,308	264,909	320,269	368,219
<b>Total Non-current Assets</b>					
Cash & Equivalents	5,918	4,017	4,093	4,430	4,861
Advances and Other assets	103,478	100,037	103,278	107,134	122,125
<b>Total Current Assets</b>	<b>109,396</b>	<b>104,053</b>	<b>107,371</b>	<b>111,564</b>	<b>126,986</b>
Current Liabilities	195,112	216,228	239,693	272,423	305,059
Provisions	44,784	56,359	69,047	83,148	98,689
<b>Total Current Liabilities</b>	<b>239,896</b>	<b>272,587</b>	<b>308,739</b>	<b>355,571</b>	<b>403,747</b>
<b>Net Current Assets</b>	<b>(130,500)</b>	<b>(168,534)</b>	<b>(201,368)</b>	<b>(244,007)</b>	<b>(276,761)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>55,486</b>	<b>58,426</b>	<b>68,478</b>	<b>81,426</b>	<b>96,750</b>

Source: Company, HDFC sec Inst Research

## Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
Claims ratio	76.9	75.3	74.3	75.0	75.0
Commission ratio	(3.6)	2.3	1.8	1.9	1.8
Expenses ratio	27.3	22.0	22.2	20.6	20.6
Combined ratio	100.6	99.6	98.3	97.5	97.4
Underwriting profit	(3.8)	(3.0)	(1.6)	(0.5)	(0.3)
Investment yield	9.8	7.1	8.4	8.4	8.3
Investment Income /NEP	21.6	22.4	22.6	23.3	24.2
EBIT	17.8	19.4	21.0	22.7	23.9
PAT	12.5	12.5	15.4	16.6	17.5
ROE	17.8	19.2	22.6	23.3	23.0
Adjusted ROE	19.5	14.6	22.5	23.9	23.5
Core RoCE	17.9	19.5	22.7	23.4	23.2
RoCE	16.7	18.1	21.4	22.3	22.2
<b>EFFICIENCY</b>					
Tax Rate (%)	28.0	34.4	26.0	26.0	26.0
Asset Turnover (x)	1.3	1.4	1.4	1.3	1.2
Claims os/NEP (x)	1.28	1.23	1.22	1.23	1.23
Technical reserves/NEP (x)	2.9	2.6	2.7	2.8	2.8
Investment leverage (x)	3.8	4.1	4.3	4.4	4.2
NWC (ex-cash) (days)	(720)	(752)	(825)	(880)	(888)
Debt/EBIT (x)	0.4	0.3	0.3	0.2	0.2
Net D/E	(0.0)	0.0	0.0	0.0	(0.0)
Interest Coverage	30.7	40.6	47.8	58.5	69.0
<b>PER SHARE DATA</b>					
AEPS (Rs/sh)	19.0	23.1	30.7	37.7	44.5
DPS (Rs/sh)	1.5	5.0	6.1	7.5	8.9
BV (Rs/sh)	112.0	122.6	145.3	174.4	208.7
<b>VALUATION</b>					
P/E	65.6	54.0	40.5	33.0	27.9
P/ABV	11.1	10.1	8.6	7.1	6.0
Dividend Yield (%)	0.1	0.4	0.5	0.6	0.7

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
1-Oct-19	1,203	SELL	1,040
14-Oct-19	1,207	SELL	1,040
21-Oct-19	1,244	SELL	1,060

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- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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