

ICICI Lombard General Insurance Company Ltd
11th Sep, 2017
Rating:

Issue Summary:

Price Band (Rs)	Rs.651 – Rs.661
Face Value (Rs)	10
Market Lot	22 shares
Opens	15 th Sep, 2017
Closes	19 th Sep, 2017
Issue Size (Rs)	5700.94 Cr
Listing	NSE & BSE

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

ICICI bank shareholders reservation portion upto 4,312,359 shares out of 81,934,828 Equity Shares.

Book Running Lead Managers:

➤ DSP Merrill Lynch Ltd.
➤ ICICI Securities Ltd.
➤ IIFL Holdings Ltd.
➤ CLSA India Pvt Ltd.
➤ Edelweiss Financial Services Ltd.
➤ JM Financial Institutional Securities Ltd.

Registrar

➤ Karvy Computershare Pvt Ltd.

Company & Business Profile

Incorporated in 2000, ICICI Lombard General Insurance Company Ltd founded as a joint venture with ICICI Bank Limited, India's largest private-sector bank in terms of consolidated total assets with an asset base of Rs 9.9 trillion at March 31, 2017, and Fairfax Financial Holdings Limited, a Canadian based holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management with US\$43.38 billion of total assets at December 31, 2016. ICICI Lombard General Insurance Company Ltd is engaged in providing various general insurance products and services in India. They mainly offer fire, engineering, hull, aviation, motor, casualty, health, travel, energy, personal accident, marine, liability, home, rural, and credit insurance products and services.

They also provide reinsurance, insurance claims management, and investment management services. They were the largest private sector non life insurer in India based on gross direct premium income in fiscal 2017. They offer comprehensive and well diversified range of products including motor, health, crop/weather, fire, personal accident, marine, engineering and liability insurance through multiple distribution channels.

They provide services to conglomerates, small and medium enterprises, state and central governments or government-owned enterprises, rural customers, and individual customers through various channels, such as agents, brokers, bancassurance, telesales, direct alliances and online platforms.

In fiscal 2017, the company issued approximately 17.7 million policies and their gross direct premium income was Rs 107.25 billion, translating into a market share, on a gross direct premium income basis, of 8.4% among all non-life insurers in India and 18.0% among private-sector non-life insurers in India.

Objects of the Issue

- The objects of the offer are to achieve the benefits of listing the equity shares on NSE and for the sale of equity shares by the selling shareholders.
- Further, the company expects that listing of the equity shares will enhance its visibility and brand image and provide liquidity to its existing shareholders.
- The company will not receive any proceeds of the offer and all the proceeds of the offer will go to the selling shareholders in the proportion of the equity shares offered by them.

Investment Positives

1. Consistent market leadership and demonstrated growth faster than the industry.
2. Diverse product line with multi-channel distribution network. Largest direct sales force in general insurance sector.
3. Caters to 618 districts out of 716 districts across India through 249 branches and 20,775 individual agents. Partnerships with 5 scheduled banks and tie-ups with 19 other bank partners. Access to 6,211 branches.
4. Robust risk selection and management framework.
5. Focus on investments in technology and innovation. Leveraging digitization for smooth and quick integration with new partners and improving productivity of existing partners. One of the first players to introduce web based issuance of policies.

Concern

The Offer comprises of an offer for sale by the selling shareholders. Accordingly, the proceeds from this Offer will be remitted to the Selling Shareholders and ICICI Lombard will not receive any proceeds from the Offer.

Outlook

India is one of the few emerging economies, with a large non-life market. Non-life gross direct premiums grew at a CAGR of 17% from FY01 to FY17. However, market remains significantly underpenetrated. Private non-life insurer industry grew at a CAGR of 22.7%. However, ICICI Lombard grew at a CAGR of 26.7%.

Valuation

The issue has been offered in a price band of Rs 651-661 per equity share. At the upper price band of Rs 661 the stock is available at P/BV of 8(x) and P/E of 46(x) based on FY 17 EPS. Based on qualitative pointers and management quality we have “4 star” rating for the issue.

There is no listed company to compare similar business (non life insurance), but a listed life insurance companies like ICICI Pru Life which is currently trading at 9.7(x) P/BV (This cannot be used as comparison metrics).

Financials (Rs in millions)

Particulars	For the year ended				
	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Premium Earned	61577.8	48263.4	42340.5	43522.5	40123
Operating Profit	6670.1	4819.6	5584	4128.2	3026.5
PBT	8801.2	7084	7047.3	5334.4	3513.7
PAT	6418.2	5053.4	5853.2	5200.7	3527.8
EPS(Rs) Basic	14.32	11.3	13.14	11.7	8.08
EPS(Rs) Diluted	14.25	11.23	13.04	11.57	7.98
Net CF from op. activities	16277.9	5114.5	-978.8	5948.7	9841.8

Source: Ace Equity, Arihant Research

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