

**ICICI Lombard General Insurance Company Limited**  
**(Subscribe)**

**Analyst:**

Vaibhav Joshi

Rohit Rai

**15 September 2017**

# IPO details

Key Data	
Issue Opens	15-Sep-17
Issue Closes	19-Sep-17
Equity Shares Offered (in Cr.)	8.62
QIB	Up to 50%
NIB	Min 15%
Retail	Min 35%
Face Value (₹)	10
Price Band (₹)	651-661
Max. Issue Size (₹ Cr)	5,701
Lot Size (Eq. Shares)	22 and multiple thereof

Valuation	@ ₹ 651 per share	@ ₹ 661 per share
Market Cap (Rs. Mn)	295520	300060
Net Debt (Rs. Mn)	4850	4850
Enterprise Value (Rs. Mn)	298430	302969
EV/ EBIT	34	34
P/B	8	8
P/E	46	47

Source: Red Herring Prospectus, Destimoney Research

	Pre Issue		Post Issue <sup>^</sup>	
	# Cr Shares	% Holding	# Cr Shares	% Holding
Promoters	453.9	100.0%	367.7	81.0%
Offer For Sale			86.2	19.0%
<b>Total</b>	<b>453.9</b>	<b>100.00%</b>	<b>453.9</b>	<b>100.0%</b>

## Object of Issue

- To achieve the benefits of listing the Equity Shares of the Company on the Stock Exchanges
- Enhance the "ICICI Lombard" brand name and provide liquidity to the existing shareholders.

## Recommendation

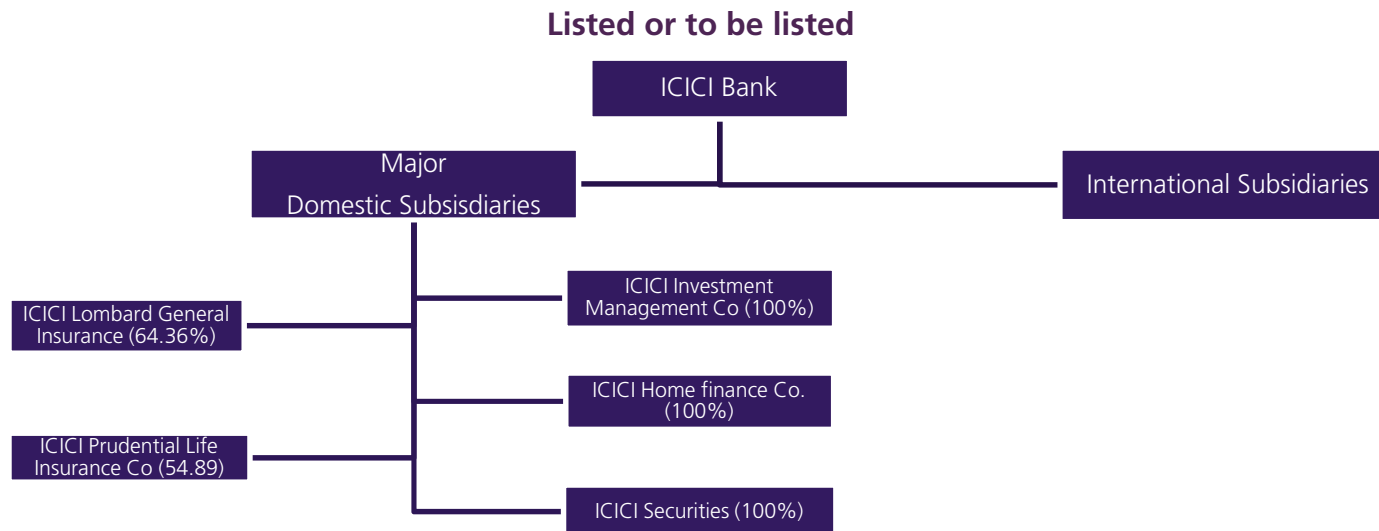
- With total investment assets of Rs. 16,446 crore and the widest customer base, ICICI Lombard is undoubtedly the leader in its segment. 10%+ yield on investment, market leadership in high growth segment of Motor Insurance and Health Insurance and well defined business strategies boost the confidence in the business.
- On valuation front, there is no listed peer in the segment. However, the asking premium of 47x P/E and 8.0x P/B appears to be aggressively valued. The closest peer, ICICI prudential life insurance, trades at 36x P/E. Even though the maiden entry in the new segment and the strong branding is alluring, we remain cautious on the valuation and recommend to **SUBSCRIBE** only from longer term perspective.

## Largest private-sector non-life insurer in India

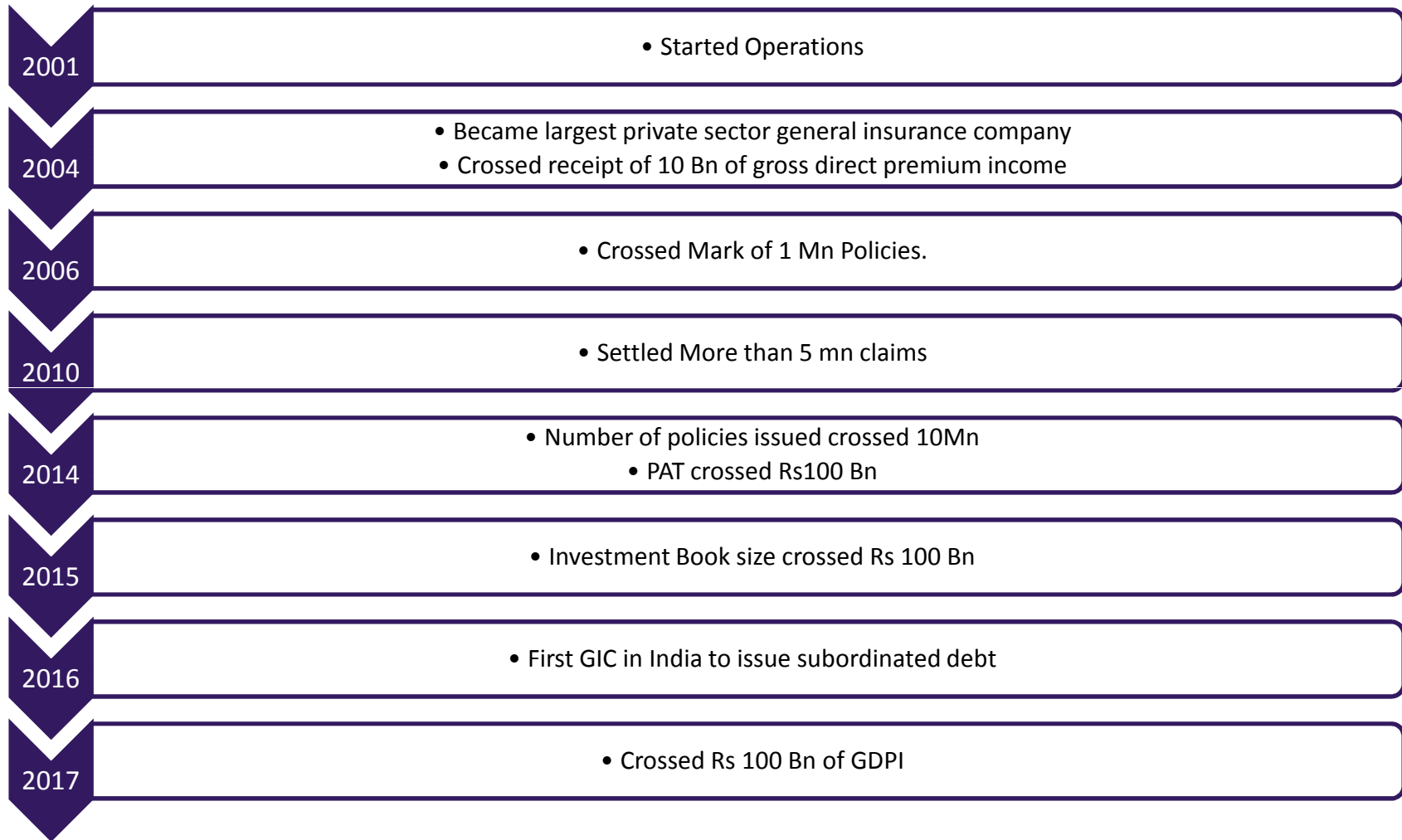
- ❑ Incorporated in 2000, ICICI Lombard General Insurance Company Ltd founded as a joint venture with ICICI Bank Limited, is engaged in providing various general insurance products and services in India. They mainly offers fire, engineering, hull, aviation, motor, casualty, health, travel, energy, personal accident, marine, liability, home, rural, and credit insurance products and services.
- ❑ 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.
- ❑ As of March 31, 2017, it had the largest total investment assets among the private-sector non-life insurers in India, according to the CRISIL Report. As of June 30, 2017, it had Rs.164.46 billion in total investment assets with an investment leverage, net of borrowings of 4.07x as at June 30, 2017.
- ❑ In fiscal 2017, it issued approximately 17.7 million policies and its 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.
- ❑ While its number of policies grew at a cumulative annual growth rate of 13.1% between fiscal 2015 and fiscal 2017, its employee productivity, measured in terms of gross direct premium income per employee, increased from Rs.11.4 million in fiscal 2015 to Rs.16.6 million in fiscal 2017, representing a cumulative annual growth rate of 20.7%.
- ❑ India holds significant growth potential because of its under-penetration and low insurance density compared with other economies. India continues to be under-penetrated with a non-life insurance penetration of 0.8% of the gross domestic product, compared with a global average of 2.8% of the gross domestic product in the year ended December 31, 2016. Further, the non-life insurance density in India remained low at US\$13.2 in the year ended December 31,2016 compared with a global average of US\$285.3.
- ❑ With total investment assets of Rs. 16,446 crore and the widest customer base, ICICI Lombard is undoubtedly the leader in its segment. 10%+ yield on investment, market leadership in high growth segment of Motor Insurance and Health Insurance and well defined business strategies boost the confidence in the business.
- ❑ On valuation front, there is no listed peer in the segment. However, the asking premium of 47x P/E and 8.0x P/B appears to be aggressively valued. The closest peer, ICICI prudential life insurance, trades at 36x P/E. Even though the maiden entry in the new segment and the strong branding is alluring, we remain cautious on the valuation and recommend to **SUBSCRIBE only from longer term perspective.**

# ICICI Lombard's journey

- ❑ The company was formed as a joint venture between ICICI Bank (then known as ICICI Limited), Fairfax, Lombard Canada Ltd., Lombard General Insurance Company of Canada, Lombard Insurance Company and Zenith Insurance Company for operating the general insurance business in all regions in India and for providing general insurance products and related services with ICICI Bank and Fairfax holding 74% and 26% stake in the company respectively.
- ❑ In 2015 , ICICI Bank sold additional 9% stake to Fairfax. On June 16, 2017, Oben General Insurance Limited, an entity in which Fairfax has invested, obtained an in principle approval from IRDAI to form an insurance company in India subject to terms and conditions mentioned in the approval letter. One of the conditions mentioned therein required Fairfax to reduce its equity holding in ICICI Lombard to below 10%.
- ❑ In July 2017 fairfax transferred 10.6% stake to a certain PE fund , it also transferred 1.59% stake to another financial investor. The shareholding of ICICI Bank and Fairfax as at the date of the prospectus stood at 62.95% and 21.92% respectively. As per the offer ICICI Bank and Fairfax propose to sell 31,761,478 Equity Shares and 54,485,709 Equity Shares constituting 7.00% and 12.01% of the issued and paid-up capital, to the public. Therefore immediately following the offer ICICI Bank and Fairfax will hold 55.95% and 9.91% of the issued and paid up capital respectively.

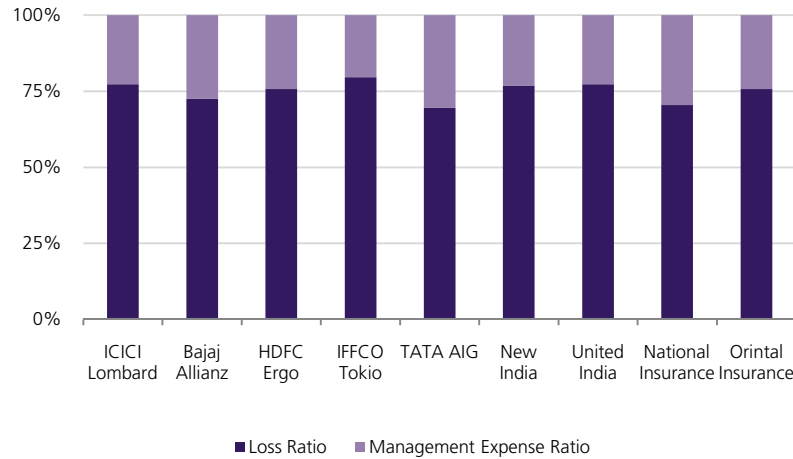


# Major Milestones



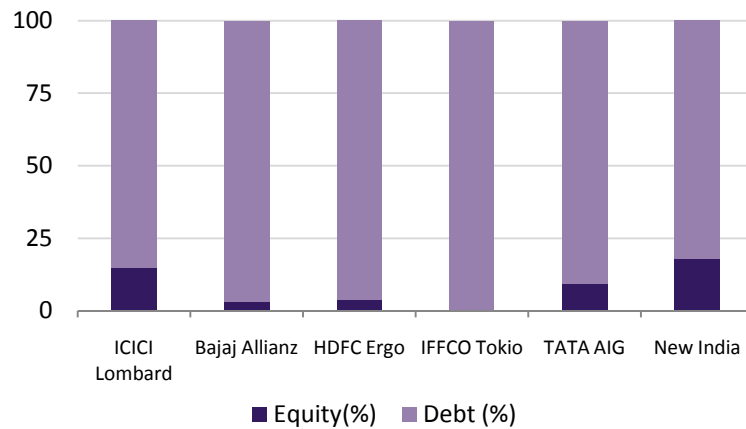
# ICICI Lombard Financials

## Loss ratio and Mgt Exp ratio

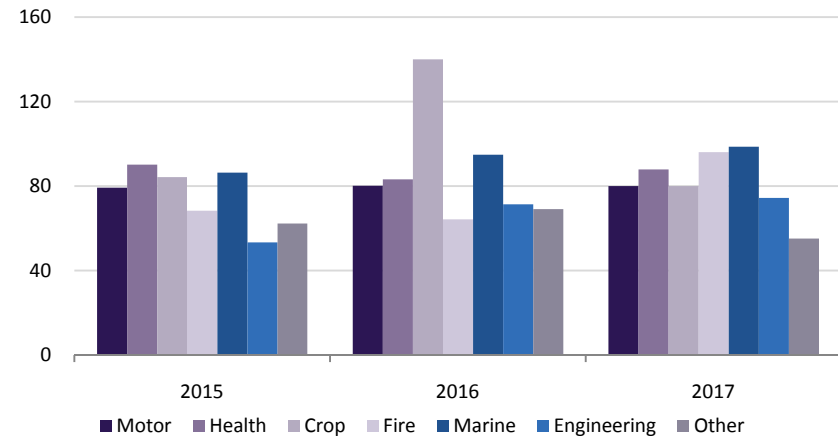


- The Company has been experiencing a strong growth in Premium earned over FY13-17 at CAGR 11.3%. Over the same period the company has been experiencing growth in claims incurred at ~10%. The company also has a robust risk assessment procedure and a prudent provisioning policy in place. The company has the highest reserve to premium ratios in the non life insurance space as a result of which the company has one of the lowest loss ratios in the industry.
- The company has a dynamic investment strategy in place which has delivered annualised returns of ~30% vis-a-vis ~16% return by the benchmark indices. The number of policies issued by the company has been growing at ~13% CAGR over FY15-17 due to its enhanced presence in India whereby it covers 618 out of 716 districts. The company has continuously delivered one of the best RoEs in the industry which stood at 20.3% in the 2017 Fiscal and 19.3% average over 3 years. Due to its investment and provisioning policies the company also has one of the highest solvency ratios which stood at 210.3%. The company also has one of the lowest claims reported per policy.

## Investment Allocation



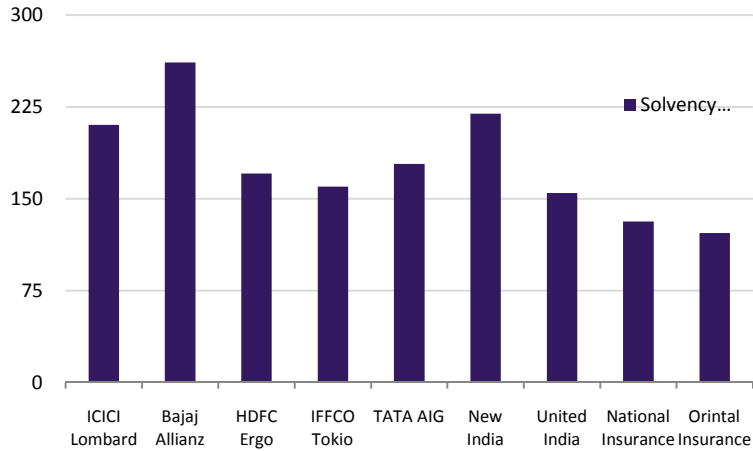
## Segmental loss ratio (%)



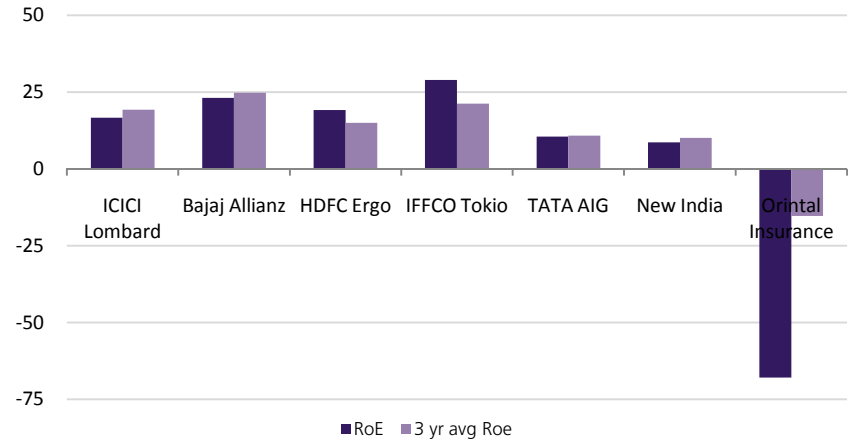
Source: Red Herring Prospectus

# Peer comparison

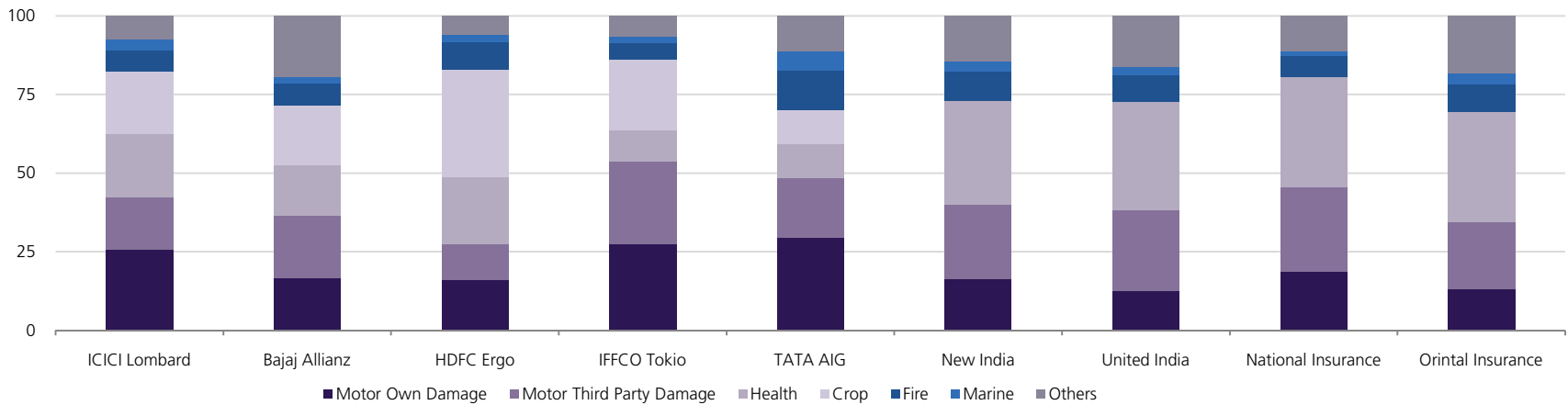
### Solvency ratio (%)



### ROE (%)



### Product Mix



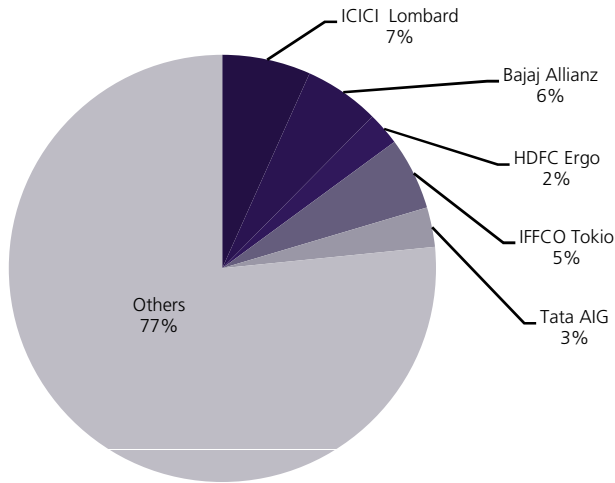
## Future Strategies and Objectives of ICICI Lombard

- ❑ **Consistent market leadership and demonstrated growth:** Largest private-sector non-life insurer in India, by GDP in fiscal 2017. became the first private-sector non-life insurer in India to reach ₹ 100.00 billion in GDP in fiscal 2017. Continue to grow faster than the industry, with GDP growing at CAGR of 26.7% from fiscal 2015 to fiscal 2017, as compared to CAGR of 22.8% for the Indian non-life insurance industry in the same period. As a result, its market share, by GDP, increased from 7.9% in fiscal 2015 to 8.4% in fiscal 2017.
- ❑ **Diverse product line with multi-channel distribution network:** It has a diversified composition of insurance products with motor, health and personal accident, crop/weather, fire, marine, and engineering insurance contributing 42.3%, 18.9%, 20.1%, 6.9%, 3.2% and 2.1%, respectively, of our GDP in fiscal 2017.
- ❑ **Delivering excellence in customer value:** Its customer-centric approach to delivering value focuses on providing convenience and superior claims settlement. It paid 92.2% of motor own damage insurance claims in fiscal 2017 within 30 days, as compared to an Indian non-life private-sector average of 81.9%. It also paid 99.3% of health insurance claims in fiscal 2017 within 30 days, as compared to an Indian non-life private-sector average of 85.2%.
- ❑ **Robust risk selection and management framework:** Its conservative reserving philosophy is exemplified by the ratio of its reserves (as at March 31, 2017) to net earned premium (for the period from fiscal 2013 to 2017) of 64.9%, as compared to the Indian non-life private-sector average of 50.6% for the same date and period.
- ❑ **Strong investment returns on a diversified portfolio:** It has achieved an annualised total portfolio return (including unrealised gains) of 18.0%, 8.8% and 13.0%, and an annualised realised return of 10.4%, 10.3% and 10.0% for fiscal 2015, 2016 and 2017, respectively. Since fiscal 2004, its listed equity portfolio has returned an annualised total return of 30.8%, as compared to an annualised return of 17.5% on the benchmark S&P NIFTY index.
- ❑ **Superior operating and financial performance:** strong capital position with a solvency ratio of 2.10x as at March 31, 2017 compared to the IRDAI-prescribed control level of 1.50x, and an Indian non-life private-sector average of 1.96x. Our combined ratio has been generally stable, improving from 104.9% in fiscal 2015 to 104.1% in fiscal 2017. During the same time period, our loss ratio improved from 81.4% to 80.6%. Delivering annual returns to shareholders and return on equity has exceeded 15.5% for each fiscal year since fiscal 2015. Its profit after tax and return on equity were ₹ 6.22 billion and 16.7%, respectively in fiscal 2017. It paid out 18.0%, 32.0% and 30.4% of its profit after taxes in the form of dividends (including dividend distribution tax) in fiscal 2015, 2016 and 2017, respectively.

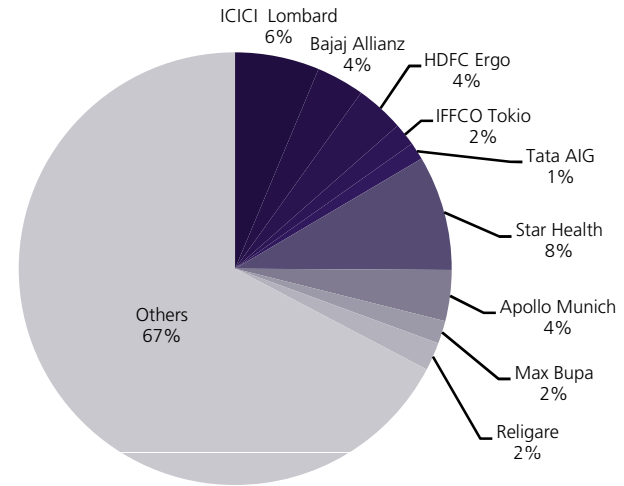


# Market Diversification

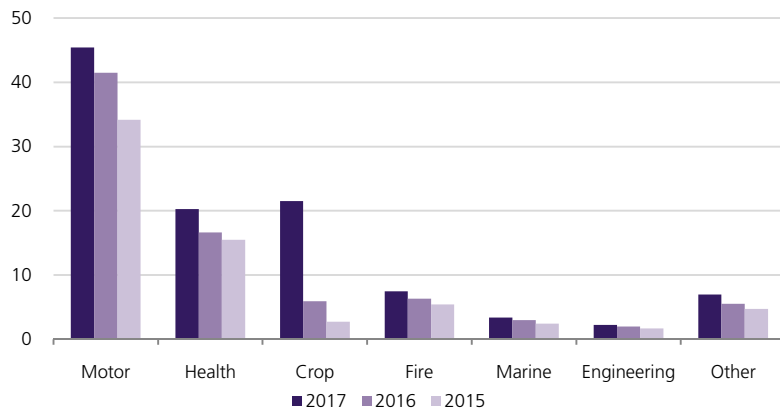
Motor insurance market share



Health Insurance Market Share

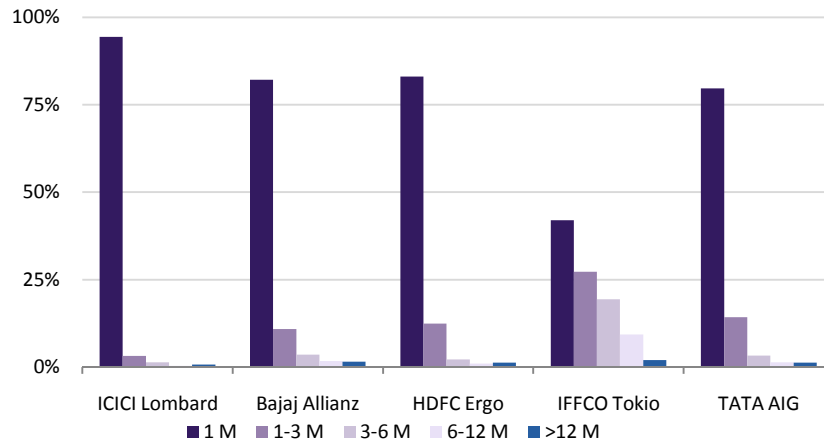


Segmental contribution to GDPi in Rs Bn



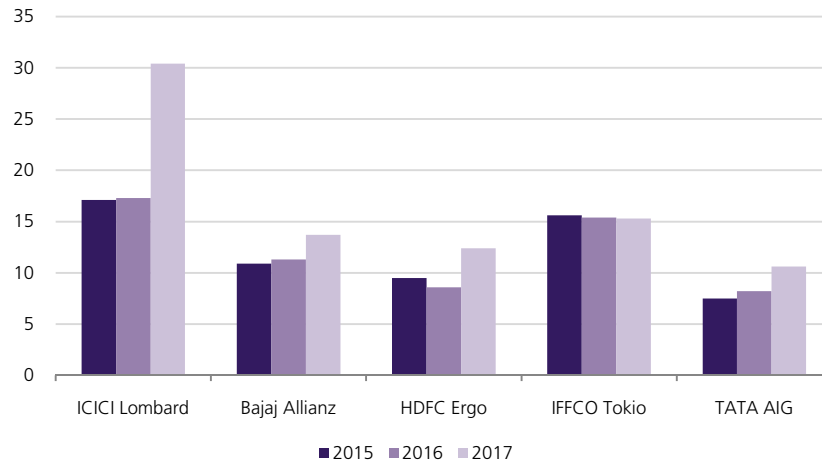
- Market Share:** The company enjoys a market share of ~8% in the entire non life insurers and 18% among all private non life insurers. The market share of the company in the Motor Insurance business stands at 6.7% which is the highest among all private insurers. The company also enjoys a healthy market share of 6.3% which again is highest among all private non life insurers.
- Diversified Product and customer Mix:** The company has a highly diversified product mix and due to that the company is highly successful in meeting its customer requirements. The company was previously corporate focussed but now has diversified its portfolio of customers. Currently Retail, Corporate and Govt customers contribute 60.4% , 17.5% and 22% respectively

### Turnaround Time in months



☐ **Increasingly customer focussed:** The company is increasingly customer focussed and has taken several measures over the years to ensure customer satisfaction. The company has moved its customer resolution unit in house instead of outsourcing and since this move in 2015 the company's first call resolution rate has increased from 67.8% to 85.3%.. The company also has the highest turnaround times for claims. Within the first month the company is able to resolve ~95% of its claims followed by HDFC Ergo which resolves only ~83% of its claims within the first month

### IBNR to Reserve ratio

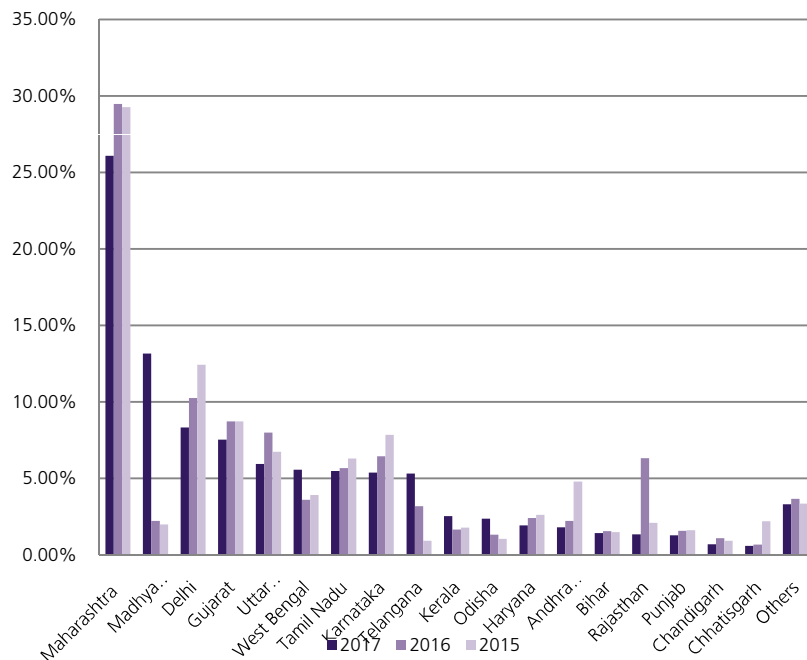


☐ **Prudent Provisioning**..The average reserve to premium ratio for '13-'17 stood at 64.9% while the industry average stood at 50.6% for the same period. While there is no standard method of determining adequacy of reserves as there exist several methods to calculate risk, a comparison of the IBNR/ Net Premium and Total Reserves/Net Premium ratio would reflect upon the comparative safety of thee company. IBNR (Incurred but not reported) is the amount owed by an insurer to all valid claimants who have a loss that is covered under its scheme but have not reported it. Due to its nature its a forecast rather than an actual figure.

**Geographic Advantage:** The company has a diversified geographic risk and due to its extensive distribution channel the company is present in 618 out of 716 districts in India. The diversified geographic risk would ensure, in case of a calamity that the company is not overly exposed to a specific part of the country. The company has partnered with vehicle manufacturers who are licensed to sell insurance. So increasing vehicle sales would benefit the company as motor insurance is compulsory. The company also has 48 corporate agents which include banks and other financial and non financial entities including all branches of ICICI Bank.

### Increasingly diversifying Geographical Exposure

Regional % Contribution to Income



### Effect of recent natural calamities on the company

	Location	Total Econ Loss (in Rs Bn)	Loss by non life insurers (Rs in Bn)	Loss by ICICI Lombard (Rs in Bn)	% loss by non life insurers
<b>Flood</b>					
<b>Nov-15</b>	<b>Tamil Nadu</b>	144.95	49.4	3.16	6.40%
<b>Sep-14</b>	<b>J&amp;K</b>	388.05	15.6	0.42	2.69%
<b>Sep-14</b>	<b>Assam , Bihar ,Meghalaya, UP and WB</b>	393.3	15.6		
<b>Jun-13</b>	<b>Uttarakhand</b>	73.45	33.8	0.51	1.51%
<b>Cyclone</b>					
<b>Oct-14</b>	<b>Odisha and AP</b>	461.5	41.6	1.03	2.48%
<b>Oct-13</b>	<b>Odisha</b>	292.5	6.5	0.21	3.23%

# Future Strategies and Objectives of ICICI Lombard

## ***The company aims to :-***

### **❑ Leverage its market position by**

- Leveraging the competitive advantage provided by its scale and data sets .
- Expanding customer base while maintaining profitability and prudent risk management.
- Expand offerings.
- Leverage brand image to reach broader customer base.
- Capitalise on broad network of distribution partners including ICICI Bank.

### **❑ Capture new market Opportunities.**

- To benefit from new Govt schemes due to its first mover advantage. E.G. when the PMFBY programme became operational the company increased its GDP from crop/ weather insurance from Rs 5.93 Bn in 2016 to Rs 21.51 Bn in 2017.
- Already set up a dedicated sales team for capturing untapped potential in smaller towns and rural areas due to its low penetration.
- By using the data sets it has accumulated over the years.

### **❑ Further improve operating and financial performance**

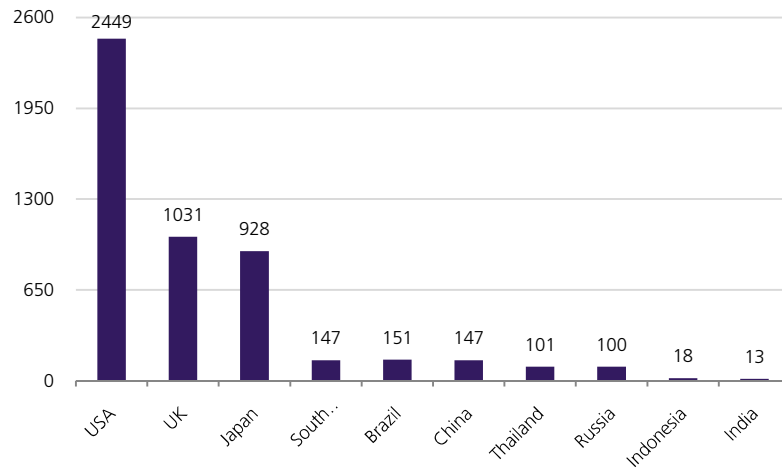
- Enhance the use of a predictive ultimate loss ratio model to enable the sales force to improve the quality of risk that they select; 70
- Further increase the use of data analytics to improve pricing, risk selection and claims management processes;
- Reducing net expense ratio by continuing to eliminate, standardise and automate internal processes.

### **❑ Continue Investing in technology and innovation**

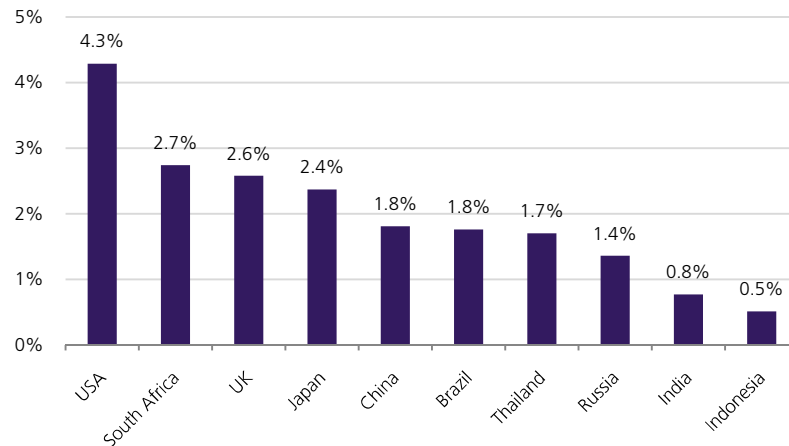
- Migrating entire individual agency network to end to end digital platform
- Increase the share of policies sold without any human intervention by further investing in digital technology and chatbots.
- Continue work with start-ups in the healthcare , agriculture and logistics area to create a dynamic risk management ecosystem and new business opportunities.
- Increase utilisation of Artificial Intelligence and machine learning to improve risk management and operational efficiencies.

# Industry Analysis

**Insurance density (premium per capita in USD) as of 2016**

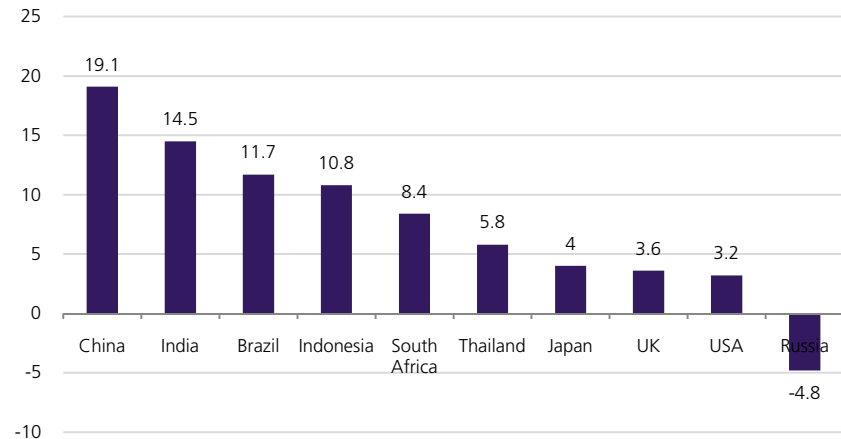


**Insurance Penetration (Premium as % of GDP) as of 2016**



- ❑ The Indian Non Life Insurance area is particularly underpenetrated. The non life insurance premium to GDP of India is ~0.8% vis-a-vis a global average of 2.8%. The non life insurance density is at \$13.2 of premium paid per person vs a developed country average of \$285.3 per person.
- ❑ The size of the Non life insurance industry in India is ~1.28 Tn on a Gross direct premium income (GDPI) basis and grew at a CAGR of 17.4% between 2001-2017. India is the the 15<sup>th</sup> largest market in the world and 4<sup>th</sup> largest in asia behind China, Japan and South Korea. For its size and growth profile the non life insurance market in india is particularly underpenetrated.

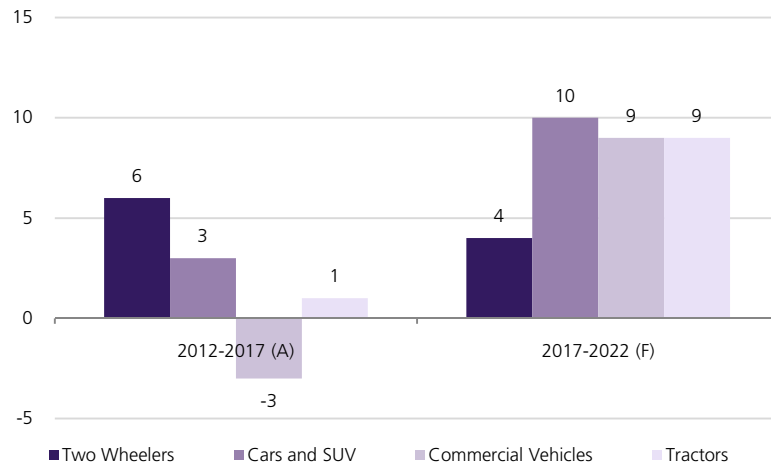
**Non-Life Insurance Premium Growth (%) from 2011 to 2016 (Local Currency Terms)**



Source: Red Herring Prospectus

# Industry Prospects and Potential

## Growth rate(%) in motor insurance



## Motor Insurance.

An improvement in motor sales will augur well for the industry as all these vehicles will have to be mandatorily be insured. New Motor Insurance is distributed through manufacturers holding insurance agency licenses. Partnerships with such aforesaid firms will result in greater policy sales. The revision in Motor Vehicles Bill 2016 would present new opportunities as the following revisions are mulled over.

Providing a cap on insurers' liability as the central government is empowered to fix the premium and corresponding liability of the insurer in consultation with IRDAI

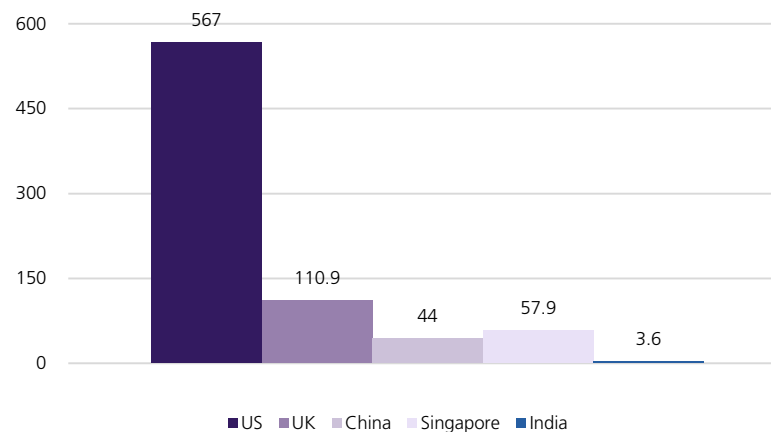
Presenting victims with an opportunity for quick settlement of claims resulting in reduction of litigation costs

Increasing fines for various driving violations which are expected to promote safer driving

Enabling the IRDAI to allow insurers to offer restricted compensation covers for lower premium plans

Time limit for filing of claims stipulated at six months.

## 2016 Health insurance penetration (USD)

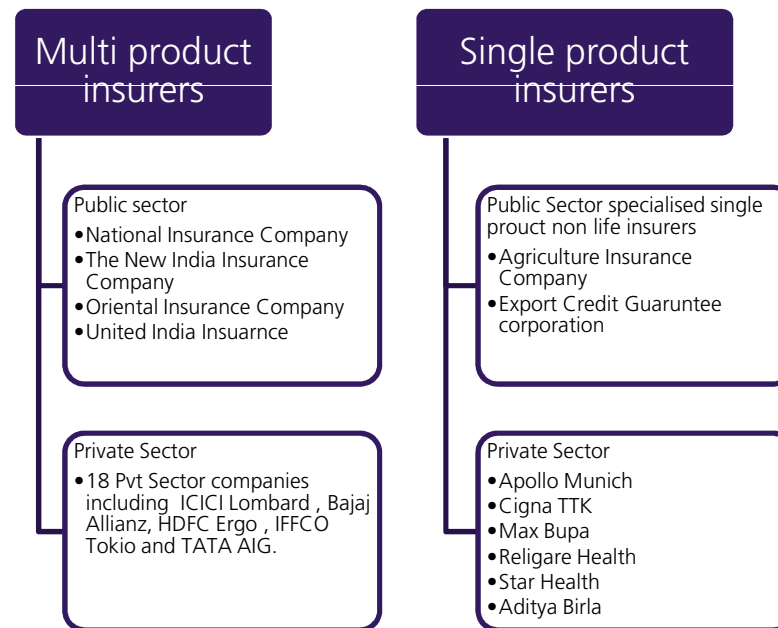


## Health and Personal Accident Insurance

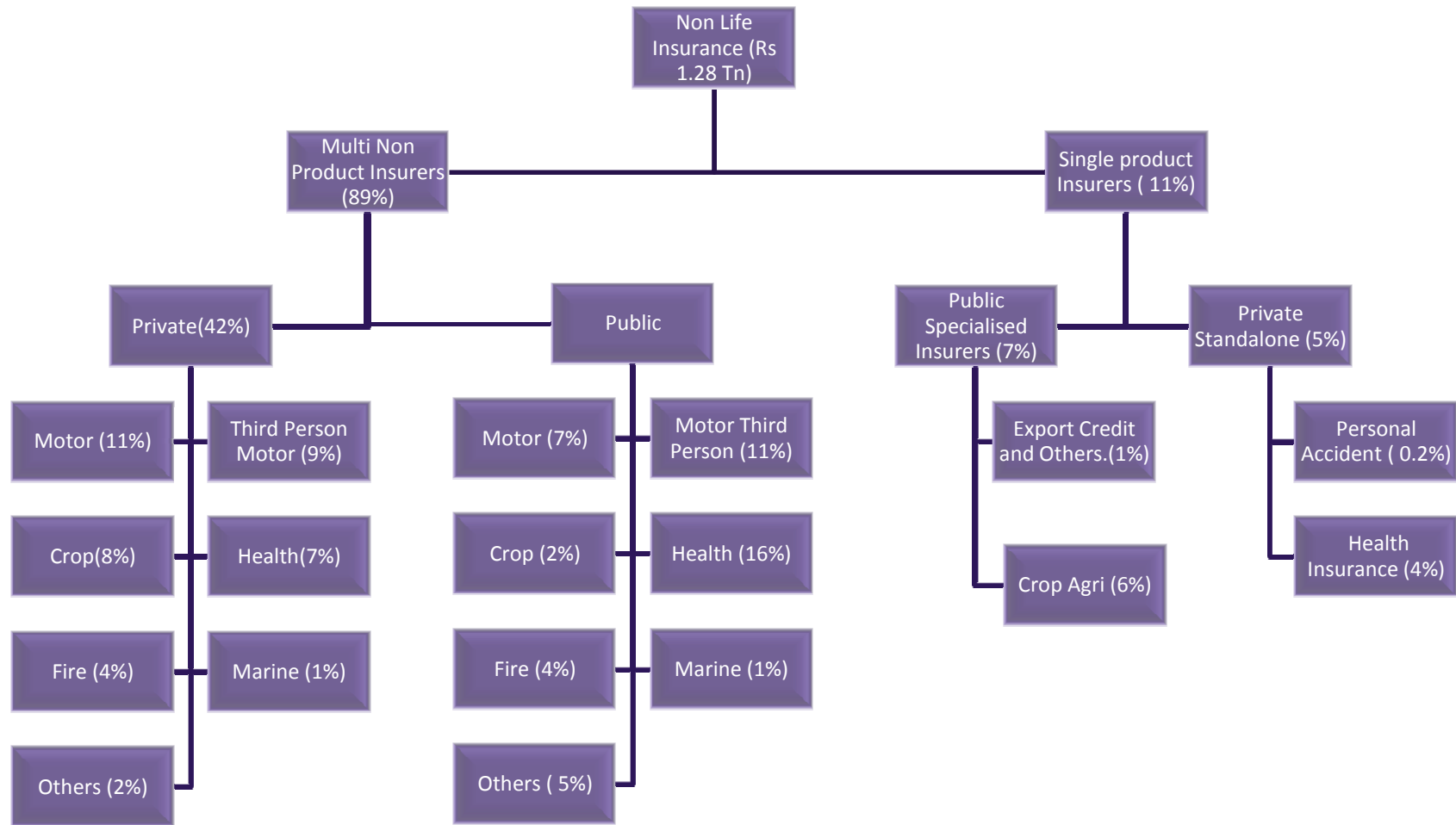
Health Insurance in India is still estimated to be at an early stage. The penetration of health insurance in India is estimated to be at \$ 3.6 for 2016 which is very low compared to other developing countries in Asia. Only 27% of India's population has health insurance of some form as of fiscal 2016 and only 20% of which is insured by retail insurers, the rest being covered under government schemes such as the s Central Government Health Scheme (CGHS) and Employee State Insurance Scheme (ESIS). The Industry Health and Personal Accident Gross direct premium income grew at CAGR 23.6% from FY 15-17

# Market Structure

- ❑ As of March 31, 2017, there were a total of 30 companies in the Indian non-life insurance sector, beside these 30 companies, the state owned General Insurance Corporation of India (GIC) operates as the main Indian reinsurer The Regulator has also allowed foreign reinsurers to set up branch offices in India which shall lead to an increase in the reinsurance capacity thereby increasing the market depth
- ❑ **Recent Product Innovations** Non-life insurers have been continuously innovating with new product offerings and services in response to market needs. In fiscal 2017, 165 products were cumulatively introduced across insurers, compared with 101 products in fiscal 2016. Recent products launched include long term health insurance, long term two wheeler insurance, cyber liability, crop insurance through the PMFBY and railway accident insurance. Certain add-on products such as engine protect, road assistance, zero depreciation, return to invoice have also been introduced in recent times by non-life insurers. For example, in fiscal 2016, ICICI Lombard was the first private sector insurer to have launched a long-term two wheeler insurance product, under which owners could renew the policy for up to three years at one instance, eliminating the hassle of annual renewals



# Market Structure





# Consolidated Summary Financials

## Income Statement

Particulars (Rs. Mn)	June' FY17	FY17	FY16	FY15	FY14
<b>Operating profit</b>					
Fire	341	996	1,104	448	622
Marine	(73)	(150)	(284)	(294)	(250)
Miscellaneous Insurance	1,649	5,824	4,000	5,430	3,757
<b>Total</b>	<b>1,917</b>	<b>6,670</b>	<b>4,820</b>	<b>5,584</b>	<b>4,128</b>
Interest, Dividend & Rent – Gross	658	2,205	1,605	1,470	1,121
Income from Investment	560	942	673	349	239
Other Income	0	20	144	21	75
Provisions	(1)	51	10	220	125
Other Expenses	129	984	184	157	104
<b>Profit Before Tax</b>	<b>3,008</b>	<b>8,801</b>	<b>7,048</b>	<b>7,047</b>	<b>5,334</b>
Tax Expenses	864	2,383	1,995	1,194	134
<b>Profit After Tax</b>	<b>2,143</b>	<b>6,418</b>	<b>5,053</b>	<b>5,853</b>	<b>5,201</b>
<b>Appropriations</b>					
Interim dividends paid during the period	339	1,571	1,342	891	-
Dividend distribution tax	69	320	273	165	-
Balance of Profit / (Loss) brought forward from last year	17,070	12,543	9,104	4,307	(894)
<b>Balance carried forward to balance sheet</b>	<b>18,805</b>	<b>17,070</b>	<b>12,543</b>	<b>9,104</b>	<b>4,307</b>

	FY15	FY16	FY17	Q1FY17	Q1FY18
Premiums earned (net)	42,341	48,263	61,578	13,931.10	15,338
Loss Ratio(%)	81.40%	81.60%	80.60%	82.80%	78.10%
Net Expense Ratio(%)	23.50%	25.50%	23.50%	21.00%	24.30%
Combined Ratio(%)	104.90%	107.10%	104.10%	103.70%	102.40%
Solvency Ratio(x)	1.95x	1.82x	2.10x	1.78x	2.13x
Return on Equity(%)	20.30%	15.60%	17.20%	15.50%	21.90%

Source: Red Herring Prospectus

## Revenue Statement

Particulars	June' FY17	FY17	FY16	FY15	FY14
1. Premiums earned (net)	15,338	61,578	48,263	42,341	43,523
2. Profit on sale/ redemption of investments	1,638	3,292	2,797	2,020	1,748
Less : Loss on sale/ redemption of Investment	(50)	(322)	(93)	(266)	(530)
3. Others -					
Foreign exchange gain/ (loss)	(12)	(71)	(19)	(9)	17
Investment income from pool (Terrorism)	59	245	242	218	179
Miscellaneous Income	1	94	260	106	19
4. Interest, Dividend & Rent Gross	1,845	6,989	6,592	6,038	5,329
<b>Total (A)</b>	<b>18,819</b>	<b>71,805</b>	<b>58,043</b>	<b>50,448</b>	<b>50,284</b>
1. Claims Incurred (net)	11,975	49,656	39,391	34,456	36,289
2. Commission (net)	(1,037)	(4,341)	(3,280)	(3,463)	(2,291)
3. Operating expenses related to insurance business	5,964	19,820	17,112	13,871	12,158
4. Premium deficiency	-	-	-	-	-
<b>Total (B)</b>	<b>16,902</b>	<b>65,135</b>	<b>53,223</b>	<b>44,864</b>	<b>46,156</b>
<b>Operating Profit /(Loss) C=(A - B)</b>	<b>1,917</b>	<b>6,670</b>	<b>4,820</b>	<b>5,584</b>	<b>4,128</b>
<b>APPROPRIATIONS</b>					
Transfer to Shareholders' Account	1,917	6,670	4,820	5,584	4,128
Transfer to Catastrophe Reserve	-	-	-	-	-
Transfer to Other Reserves	-	-	-	-	-
<b>Total (C)</b>	<b>1,917</b>	<b>6,670</b>	<b>4,820</b>	<b>5,584</b>	<b>4,128</b>

# Consolidated Summary Financials

## Balance Sheet

₹ mn	June'FY17	FY17	FY16	FY15	FY14
<b>Liabilities</b>					
Share capital	4,529	4,512	4,475	4,466	4,451
Reserves and surplus	34,665	32,739	27,879	24,387	19,483
Share application money-pending allotment	12	13	-	2	3
Shareholders funds	1,815	1,745	605	687	183
Policyholders funds	5,410	5,027	2,485	2,872	952
Borrowings	4,850	4,850	-	-	-
<b>Total</b>	<b>51,281</b>	<b>48,886</b>	<b>35,445</b>	<b>32,414</b>	<b>25,071</b>
<b>Application of funds</b>					
Investments -Shareholders	42,310	39,826	23,886	20,888	15,081
Investments -Policyholders	122,154	110,963	91,739	81,110	77,819
Loans	-	-	-	-	-
Fixed assets	3,781	3,827	3,832	3,897	3,895
Deferred tax asset	1,041	873	1,239	969	351
Current assets	-	-	-	-	-
Cash and bank	1,266	1,940	1,948	1,417	1,620
Advances and other assets	79,524	76,077	48,498	38,177	48,672
<b>Sub-Total (A)</b>	<b>80,790</b>	<b>78,017</b>	<b>50,446</b>	<b>39,594</b>	<b>50,292</b>
Current liabilities	158,368	149,136	104,598	89,118	99,340
Provisions	40,428	35,485	31,100	24,925	23,026
<b>Sub-Total (B)</b>	<b>198,795</b>	<b>184,621</b>	<b>135,697</b>	<b>114,043</b>	<b>122,366</b>
<b>Net current assets (C)=(A - B)</b>	<b>(118,006)</b>	<b>106,603)</b>	<b>(85,251)</b>	<b>(74,449)</b>	<b>(72,075)</b>
Miscellaneous expenditure	-	-	-	-	-
Debit balance in profit and loss account	-	-	-	-	-
<b>Total</b>	<b>51,281</b>	<b>48,886</b>	<b>35,445</b>	<b>32,414</b>	<b>25,071</b>

Source: Red Herring Prospectus

## Major Shareholders of ICICI Lombard

Name of the Shareholder	No. of Equity Shares	Percentage(%)
ICICI Bank	28,56,05,284	64.36%
FAL	9,94,64,479	22.42%
Red Bloom Investment	4,08,89,791	9.21%
Tamarind Capital	72,11,596	1.63%
IIFL Special opportunity fund	40,76,135	0.92%
IIFL Special opportunity fund 2	27,17,424	0.61%
IIFL Special opportunity fund 3	14,02,200	0.32%
IVF Trustee Company	9,70,509	0.22%
Sandeep Bakshi	9,41,250	0.21%
Alok Kumar Agarwal	4,55,000	0.10%
<b>TOTAL</b>	<b>44,37,33,668</b>	<b>100.00%</b>

# Key Risks

- ❑ **Asset Allocation:** While the company's return on financial investments has been very high it has done so on the back of high allocation to equities. In the past excessive equity allocation has proven to be dangerous for insurers like Aviva and RSA in the aftermath of the dot com crash. Currently the company's equity allocation stands at 12% which is very high in comparison to its peers.
- ❑ **Over reliance on certain business segments:** While the company's share of income from various segments has diversified over the previous years it is still overly reliant upon certain segments such as motor, crop and health accounting for 42.3% , 20.1% and 15.5% respectively .The company is overly exposed to any kind of regulatory or consumer preference change in these verticals. The company's profits are also ,as a result , reliant upon these verticals and therefore any change in the market environment for these products will materially impact the company's GDPI (Gross Direct Premium Income) and profitability.
- ❑ **Significant Reliance on Government contracts:** A significant amount of the company's GDPI is resulting from state and central government contract and programmes wrt crop/weather , mass health , accident insurance and other insurance in the public benefit field. Working with the government would result in heightened scrutiny on its operation and any malpractice could result in not being awarded such contracts in the future. Working with the government also entails certain other impediments including and not limited to
  - Delayed and non payment of obligations by the Central and state government due to funding issues
  - Changes in government policies
  - Investigation by law enforcement agencies in case of allegations of misconduct or malpractice.
  - Complaints and other legal proceedings filed by beneficiaries
  - Restriction in future bidding.
- ❑ **Reserve Adequacy:** While the company ample reserves in comparison to its competitors there is no way of measuring the adequacy of these reserves . There are many methods of determining risk exposure of the company and thereby adequacy of reserves. These reserves are not subject to audit actuarial or otherwise.

# Destimoney Securities Private Limited

6th Floor, " A " Wing , Tech-Web Centre, New Link Road, Oshiwara , Near Behram Baug, Jogeshwari (West), Mumbai - 400102

## Disclaimer:

Destimoney Securities Private Limited (hereinafter referred to as "Destimoney") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. Destimoney is also registered as a Depository Participant with CDSL. Destimoney is in the process of making an application with SEBI for registering it as a Research Entity in terms of SEBI (Research Analyst) Regulations, 2014. Destimoney or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market and no material disciplinary action has been taken by SEBI/other regulatory authorities impacting Destimoney's Equity Research Analysis. Destimoney or its associates/analyst including its relatives do not hold any actual/beneficial ownership of more than 1% in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Destimoney or its associates/analyst including its relatives may hold financial interest in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Destimoney or its associates/analysts or his/her relative does not receive any compensation or other benefits from the subject company/ies mentioned in this research report (hereinafter referred to as "Report") or from a third party in connection with preparation of the report. Accordingly, Destimoney or its associates/analyst or his/her relative does not have any other material conflict of interest at the time of publication of the Report.

Research analyst/s engaged in preparation of the Report, has not received any compensation / managed or co-managed public offering of securities of the subject company/ies / has not received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation or other benefits from the subject company/ies or third party in connection with the Report of the subject company/ies during the past twelve months / has not served as an officer, director or employee of subject Company/ies and is not engaged in market making activity of the subject Company/ies.

Destimoney or its associates are engaged in various financial services business, thus, it might have, received any compensation / managed or co-managed public offering of securities of the subject company/ies / received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / received compensation or other benefits from the subject company/ies or third party in connection with the Report of subject company/ies during the past twelve months engaged in market making activity for the subject company/ies.

In the preparation of the material contained in the Report, Destimoney has used information that is publicly available, as also data developed in-house. Some of the material used in the document may have been obtained from members/persons other than Destimoney and which may have been made available to Destimoney. Information gathered & material used in the Report is believed to be from reliable sources. Destimoney has not independently verified all the information and opinions given in this material/document/Report. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, authenticity, completeness or fairness of the information and opinions contained in this material/document/Report. For data reference to any third party in this material no such party will assume any liability for the same.

Destimoney group companies provides finance related product services like distribution of financial products and as such is a provider of many services like loans, mutual funds, tax & trust planning etc. mentioned in this brochure. And hence, Destimoney do not warranty / guarantee about performance of any products and customer servicing w.r.t third party products per se.

Third party products are subject to code of conduct to be adhered to by the representatives of Destimoney and Destimoney is not responsible for the losses, whether actual or notional incurred by any investor. Services assured and expected may vary from actual service and Destimoney does not guarantee about the quality of services. Investments in securities and commodities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the Investments/Schemes/product would be achieved. Past performances are only indicative and returns are not assured and guaranteed by Destimoney group companies. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The recipient alone shall be fully responsible, and/or liable for any decision taken on the basis of this material/document/Report. Destimoney does not in any way through this material solicit or offer for purchase or sale of any financial services, commodities, products dealt in this material/document/Report. Destimoney/its affiliates/associates/directors shall not be in any way responsible for any loss or damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, and consequential, as also any loss of profit that may arise to any person/entity from or in connection with the use of information contained in this material/document/Report. All recipients of this material/document/Report before dealing and/or transacting in any of the products advised, opined or referred to in this material shall make their own investigation, seek appropriate professional advice and make their own independent decision. Noting contained in this material/document/Report should be construed as investment or financial advice. Clients are advised to assess their risk profile/ appetite before acting on any information contained in this material/document/Report. Investors should also refer to risk tag and compare it with its own risk appetite before taking any investment decision.

Reports on technical and derivative analysis are based on studying charts of a stock's price movement, outstanding positions and trading volume as opposed to focussing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. The opinions expressed in the Report are our current opinions as of the date of this report and may be subject to change from time to time without notice. Destimoney or any persons connected with it do not accept any liability arising from use of this material/document/Report.

Information/ opinion conveyed through this material/document/Report are strictly meant for the registered Clients of Destimoney group of Companies of the respective segments. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Destimoney or its affiliates to any registration requirement within such jurisdiction or country. This information does not constitute an offer to sell or a solicitation of an offer to buy any financial products to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. No part of this material may be duplicated in whole or in part in any form and / or redistributed without the prior written consent of Destimoney. This material/document/Report is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on directly or indirectly.

A graph of daily closing prices of securities available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp>, [www.bseindia.com](http://www.bseindia.com) and <http://economicstimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" period in the price chart). Recipients of the Report shall always independently verify reliability and suitability of the Report and opinions before investing. For Company details, please visit our website [www.destimoney.com](http://www.destimoney.com) For research related query, write to us at [research@destimoney.com](mailto:research@destimoney.com)