Analyst: Raj Bardhan Kumar Singh **Vol: - IPO/2017/09/14/1.0** **14th September 2017**

ICICI LOMBARD GENERAL INSAURANCE COMPANY LIMITED

ICICI Lombard were the largest private-sector non-life insurer in India based on gross direct premium income in fiscal 2017, a position they have maintained since fiscal 2004 after being one of the first few private-sector companies to commence operations in the sector in fiscal 2001. They offer their customers a 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 were founded as a joint venture between ICICI Bank Limited, India's largest private-sector bank in terms of consolidated total assets with an asset base of 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.

In fiscal 2017, They have issued 17.7 million policies and gross direct premium income was 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. The key distribution channels are direct sales, individual agents, bank partners, other corporate agents, brokers, and digital, through which they provide service to individual, corporate and government customers. Distribution network enables us to reach customers in 618 out of 716 districts across India.

As of March 31, 2017, They had Rs 150.79 billion in total investment assets. Company have the largest total investment assets among the private-sector non-life insurers in India, with an investment leverage, net of borrowings of 3.92x as at March 31, 2017. ICICI Lombard investment policy is designed with the objective of capital preservation and achieving superior total returns within identified risk parameters. The annualised total portfolio return (including unrealised gains) for fiscal 2017 was 13.0%. Listed equities made up 16.1% of our total investment assets, by carrying value, as of March 31, 2017. Since fiscal 2004, their 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. During the same time period, equity portfolio outperformed the S&P NIFTY index in all but one fiscal year.

They take a holistic approach to risk management, which includes a data-driven risk selection framework, conservative reserving and quality reinsurance, also work with their customers to proactively analyse and mitigate risks, which benefits both the business and the customers by reducing losses and the amount of claims.

They have an established track record of delivering annual returns to shareholders and return on equity has exceeded 15.5% for each fiscal year since fiscal 2015. Profit after tax and the return on equity were Rs 6.22 billion and 16.7%, respectively in fiscal 2017. They have a strong capital position with a solvency ratio of 2.10x as of fiscal 2017 compared to the IRDAI-prescribed control level of 1.50x. They have paid cumulative dividends (exclusive of dividend distribution tax) of ₹ 3.80 billion since fiscal 2015

They distribute their products through:

- 48 corporate agents as at March 31, 2017, including our Promoter – ICICI Bank – which gives them access to its 4,850 branches.
- to customers of over 80% of the motor vehicle manufacturers (MVMs), by vehicle sales, in India in fiscal 2017, including Maruti Suzuki India Limited (Maruti)
- 20,383 individual agents as at March 31, 2017
- Company's digital platform, through which they issued 1.6 million policies in fiscal 2017
- Using a strong direct sales channel, which contributed 43.2% of our GDPI in fiscal 2017.

Price Band	**Rs. 651-661 per Equity Share**
Issues Open	**Friday, Sep 15, 2017**
Issue Close	**Tuesday, Sep 19, 2017**
Issue Type	**100% Book Built Issue IPO**
Bid Lot	**22 Equity share and multiple thereafter**
Maximum Bid amount for Retail	**Rs, 2 Lacs**
Total Issue size	**5700 Cr (86,247,187 Equity shares of Rs. 10)**
Reservation of ICICI Bank	**43.12 Lakh Share**
QIB*	**50% of the Net offer**
NIB*	**15% of the Net offer**
Retail Individual Bidders	**35% of the Net offer**
Post Issue Market Cap	**30000 Cr**
Pre-Issue Promoters Holding	**62.92%**
Post-Issue Promoter Holding	**52.92**
Mode of Payment	**ASBA Mandatory (No cheque will be accepted)**
Book Running Lead Managers	**DSP Merrill Lynch Limited, ICICI Securities Limited, IIFL Holding Limited, CLSA India Private Limited, Edelweiss Financial Services Limited, JM Financial Institutional Securities Limited**
Face Value	**Rs. 10 per Equity Share**
Listing At	**NSE, BSE**
Registrar	**Karvy Computershare Private Limited**

Competitive Strengths:

- Consistent market leadership and demonstrated growth
- Delivering excellence in customer value
- Robust risk selection and management framework
- Focus on investments in technology and innovation
- Strong investment returns on a diversified portfolio
- Superior operating and financial performance
- Experienced senior management team and enabling work culture

Company Strategies

- Leverage and enhance market leadership
- Enhance product offerings and distribution channels
- Capture new market opportunities
- Further improve operating and financial performance
- Continue to invest in technology and innovation

Company Promoters:

Promoter of the company is ICICI Bank.

Objects of the Issue:

The objects of the Offer are

- To achieve the benefits of listing the Equity Shares of the Company on the Stock Exchanges and
- To carry out the sale of up to 86,247,187 Equity Shares by the Selling Shareholders. The listing of the Equity Shares will enhance the "ICICI Lombard" brand name and provide liquidity to the existing shareholders.

1. The Offer for Sale

Company will not receive any proceeds from the Offer for Sale.

Risks Relating to Business:

Internal Risk Factor

- It's Business, financial condition, results of operations and prospects may be materially and adversely affected if they are not able to maintain their market position, sustain growth, develop new products or target new markets.
- Any termination of, or any adverse change to, the ability to attract or retain their agents, both corporate and individual, and key sales employees, could have a material adverse effect on the business, financial condition, results of operations and prospects.
- Lombard rely on selected types of insurance for most of GDPI and profitability. Any constraint in selling these products due to future regulatory changes restricting or limiting the sale or marketing of these products, changes in customer preference, or if they are unable to maintain the right portfolio mix of profitable products, could have a material adverse effect on the business, financial condition, results of operations and prospects
- Some of the company Directors, Promoter and certain Group Companies are involved in certain legal and other proceedings.

- A significant portion of the business comes from working with the government which subjects us to risks which could result in litigation, penalties and sanctions including early termination, suspension and removal from the approved panel of insurers.
- There are certain risks related to the crop/weather insurance offering that could have a material adverse effect on business, financial condition, results of operations and prospects.
- Company loss reserves are based on estimates as to future claims liabilities and if they prove inadequate, it could lead to further reserve additions and materially adversely affect results of operations
- The actuarial valuations in respect of IBNR and IBNER are not required to be audited and if such valuation is incorrect, it could have an adverse effect on the financial condition.
- Catastrophic events, including natural disasters, could materially increase their liabilities for claims by policyholders, result in losses in investment portfolios, and have a material adverse effect on the business, financial condition and results of operations..
- They are exposed to significant market risk, including changes in interest rates or adverse movements in the equity markets in India that could impair the value of the investment portfolio and have a material adverse effect on business, financial condition and results of operations.
- Credit risks in the day-to-day operations, including in the reinsurance contracts, may expose them to significant losses.
- Credit risks related to the investments may expose to significant losses.
- They rely on relationship with ICICI Bank, and dependence on ICICI Bank leaves them vulnerable to changes in relationship. Additionally, ICICI Bank, being Promoter, may not be able to meet additional capital requirements which may adversely impact the business.
- If They are unable to establish and maintain an effective internal controls and compliance system, their business and reputation could be materially and adversely affected.
- If they are unable to meet solvency ratio requirements, they could be subject to regulatory actions and could be forced to stop transacting any new business or change their business strategy or slow down the growth as well.
- Any change to the existing regulation or non-compliance with respect to rural and social sector obligations may adversely affect the result of the operations.

External Risk Factor

- Financial difficulty and other problems in certain financial institutions in India could have a material adverse effect on the business, results of operations and financial condition.
- They may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect business.
- Business is substantially affected by prevailing economic, political and other prevailing conditions in India.
- Significant differences exist between Indian GAAP and other reporting standards, such as US GAAP and IFRS, which may be material to investors' assessments of the financial condition.
- If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect the financial statements for the current and future years, which may have a material adverse effect on financial position, business and results of operations.
- Public companies in India, including them, are required to compute income tax under the ICDS. The transition to ICDS in India is very recent and they may be negatively affected by this transition.
- Investors may have difficulty enforcing foreign judgements against them or the management.
- Any adverse change in India's sovereign credit rating by an international rating agency could adversely affect business and results of operations..
- There are restrictions on transfers under the Insurance Act and the relevant IRDAI regulations.
- Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

- Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.
- Third-party industry and statistical data in this Draft Red Herring Prospectus may be incomplete or unreliable
- Foreign investors are subject to foreign investment restrictions under Indian laws that may limit their ability to attract foreign investors, which may have a material adverse impact on the market price of the Equity Shares.
- Rights of shareholders of companies under Indian law may be more limited than under the laws of other jurisdictions.

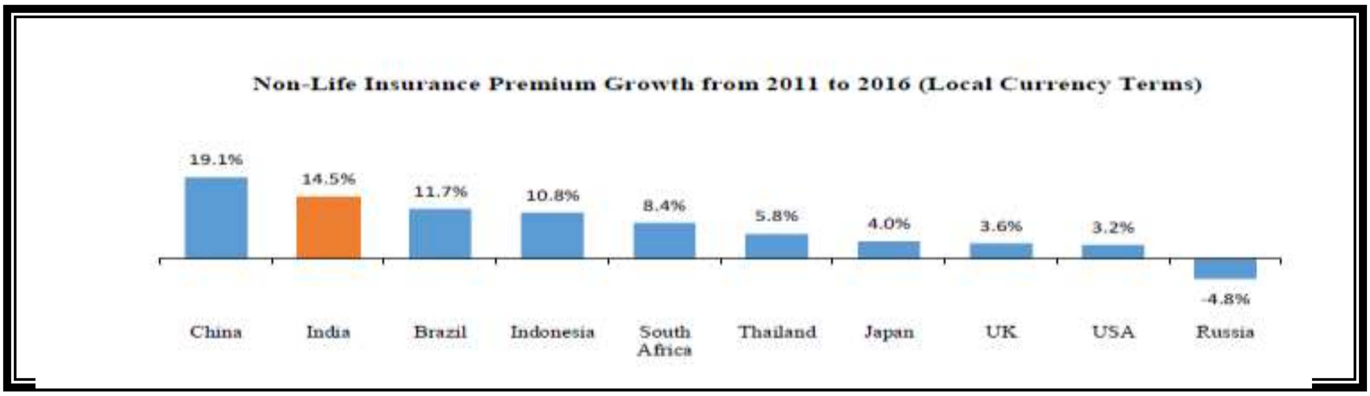
Industry Overview

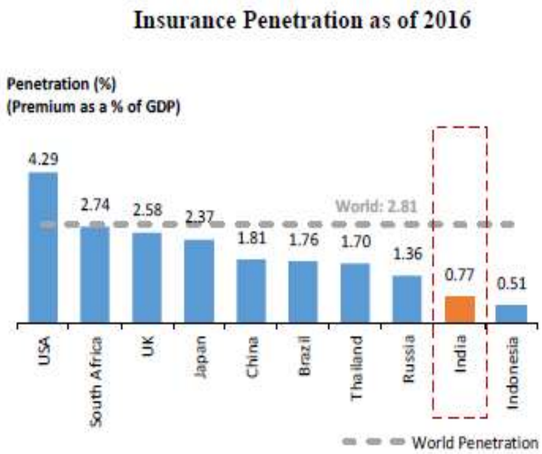
The Indian non-life insurance sector offers different products such as motor, health, crop, fire, marine, liability, travel, aviation and home insurance aimed at meeting different protection needs of retail customers, government as well as corporate customers. The industry operates under a "cash before cover" model under which insurers are not required to assume underwriting risk until premiums are received except in the case of government sponsored schemes such as mass health and crop insurance. Most Indian non-life insurance contracts are annual except certain product offerings in a few segments such as home, health, personal accident, crop insurance and travel insurance. Indian non-life insurers also do not discount reserves including IBNR / IBNER which are determined using actuarial methods.

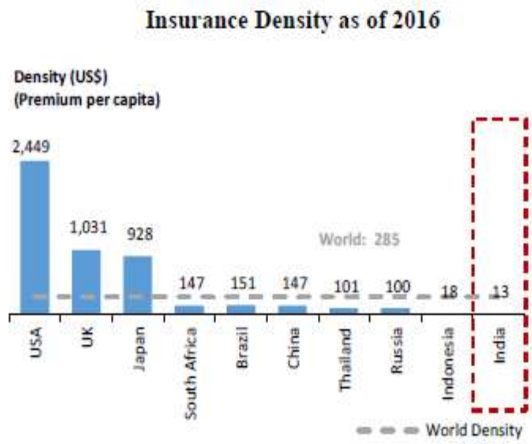
The Indian non-life insurance sector has been regulated by the Insurance Regulatory and Development Authority of India (IRDAI). IRDAI was constituted as an autonomous body to regulate and develop the insurance industry in 1999 and received statutory status in April 2000. The IRDAI regulates the insurance sector in all states in India, and any regulatory changes or product approvals are enforced uniformly across the country.

The size of the Indian non-life insurance sector was Rs.1.28 trillion on a GDPI basis as of 31st March 2017. Indian non-life insurance sector GDPI grew at a CAGR of 17.4% between fiscal 2001 and fiscal 2017. According to Swiss Re, India was fifteenth largest market in the world and the fourth largest market in Asia in 2016, behind China, Japan and South Korea. India was also amongst the fastest growing non-life insurance markets over 2011-2016, growing at 14.5% (as per Swiss Re). Despite its size and growth profile, India continues to be an underpenetrated market with a non-life insurance penetration of 0.77% in 2016, as compared to 1.81% in China, 1.70% in Thailand, 1.67% in Singapore and 1.62% in Malaysia and a global average of 2.81% in 2016. At US$13.2 in 2016, insurance density also remains significantly lower as compared to other developed and emerging market economies.

The following charts set forth a comparison of growth rates of non-life insurance, penetration and density across select countries







As of March 31, 2017, there were a total of 30 companies in the Indian non-life insurance sector, which can be classified as follows:

Multi-Product Insurers:

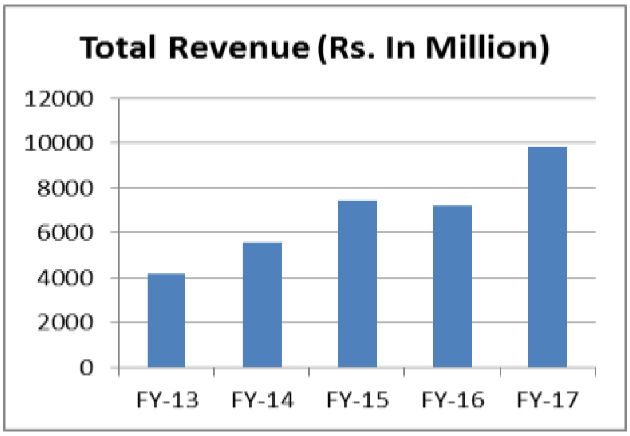
- Four public sector companies offering multiple products – National Insurance Company, The New India Assurance, Oriental Insurance Company and United India Insurance
- 18 private sector companies offering multiple products – including ICICI Lombard, Bajaj Allianz, HDFC Ergo, IFFCO Tokio and Tata AIG

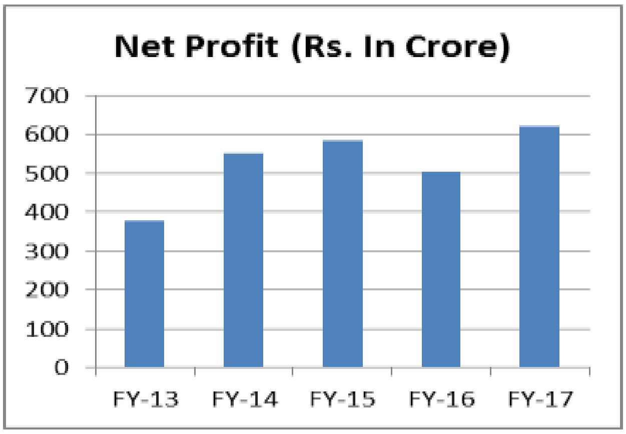
Single Product Insurers

- Two public sector specialized single product line non-life insurance companies – Agriculture Insurance Company (AIC), and Export Credit Guarantee Corporation (ECGC)
- Six standalone private health insurance companies – Apollo Munich, Cigna TTK, Max Bupa, Religare Health, Star Health, and Aditya Birla

Besides 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

Graphical Representation of Performance





Restated Summary statement of Balance Sheet

RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in million)

Particulars	At March 31, 2017	At March 31, 2016	At March 31, 2015	At March 31, 2014	At March 31, 2013
Sources of funds					
Share capital	4,511.5	4,475.4	4,465.9	4,450.6	4,370.2
Reserves and Surplus	32,741.4	28,078.9	24,598.9	19,689.8	14,216.4
Share application money-pending allotment	12.8	-	2.0	3.0	1,004.4
Fair value change account					
Shareholders funds	1,745.3	605.2	687.4	182.8	120.0
Policyholders funds	5,027.1	2,485.0	2,872.2	951.8	579.5
Borrowings	4,850.0	-	-	-	-
Total	**48,888.1**	**35,644.5**	**32,626.4**	**25,278.0**	**20,290.5**
Application of funds					
Investments - Shareholders	39,826.4	23,886.1	20,887.6	15,080.8	12,889.0
Investments - Policyholders	110,962.6	91,739.1	81,109.6	77,819.1	65,110.6
Loans	-	-	-	-	-
Fixed assets	3,826.7	3,831.5	3,896.6	3,894.9	4,004.3
Deferred tax asset	872.3	1,435.3	1,178.2	558.1	377.7
Current assets					
Cash and bank balances	1,940.4	1,948.0	1,416.9	1,619.7	2,696.2
Advances and other assets	76,080.4	48,501.8	38,180.4	48,671.8	41,183.1
Sub-Total (A)	**78,020.8**	**50,449.8**	**39,597.3**	**50,291.5**	**43,879.3**
Current liabilities	149,135.8	104,597.7	89,118.0	99,340.3	85,413.2
Provisions	35,484.9	31,099.6	24,924.9	23,026.1	21,558.0
Sub-Total (B)	**184,620.7**	**135,697.3**	**114,042.9**	**122,366.4**	**106,971.2**
Net current assets (C)=(A - B)	**(106,599.9)**	**(85,247.5)**	**(74,445.6)**	**(72,074.9)**	**(63,091.9)**
Miscellaneous expenditure (to the extent not written off or adjusted)	-	-	-	-	-
Debit balance in profit and loss account	-	-	-	-	1,000.8
Total	**48,888.1**	**35,644.5**	**32,626.4**	**25,278.0**	**20,290.5**

(₹ in million)

Particulars	For the year ended				
	2016-17	2015-16	2014-15	2013-14	2012-13
1. Operating profit/(loss)					
(a) Fire Insurance	996.0	1,104.0	448.2	621.9	394.5
(b) Marine Insurance	(150.0)	(284.1)	(293.8)	(250.4)	3.5
(c) Miscellaneous Insurance	5,824.1	3,999.7	5,429.6	3,756.7	2,628.5
2. Income from investments					
(a) Interest, Dividend & Rent – Gross	2,204.7	1,605.3	1,470.3	1,121.4	999.6
(b) Profit on sale/ redemption of investments	1,042.8	695.7	412.8	340.7	151.1
Less : Loss on sale/ redemption of investments	(101.2)	(22.6)	(63.6)	(101.9)	(38.6)
3. Other income					
(a) Interest income on tax refund	17.2	138.9	17.8	49.8	9.2
(b) Profit on sale/ discard of fixed assets	2.9	5.3	2.1	1.5	14.3
(c) Recovery of bad debts written off	-	-	1.0	23.4	-
Total (A)	**9,836.5**	**7,242.2**	**7,424.4**	**5,563.1**	**4,162.1**
4. Provisions (Other than taxation)					
(a) For diminution in the value of investments	-	-	141.6	85.3	21.1
(b) For doubtful debts	90.8	45.3	64.2	162.2	304.1
(c) For future recoverable under reinsurance contracts	(39.4)	(35.4)	10.7	(122.4)	235.3
(d) Others	-	-	-	-	-
5. Other expenses					
(a) Expenses other than those related to Insurance Business					
(i) Employees' remuneration and other expenses	22.5	15.6	14.3	10.1	9.7
(ii) Managerial remuneration	77.6	66.9	81.7	41.3	16.1
(iii) Directors' fees	4.0	1.9	1.9	0.6	0.7
(iv) CSR Expenditure	125.2	97.1	27.8	-	-
(v) Charges on issuance of Non-convertible Debentures	21.3	-	-	-	-
(vi) Interest on Non-convertible Debentures	270.8	-	-	-	-
(vii) Expense related to Investment property	9.5	-	-	-	-
(viii) Operating expenses borne by shareholders	427.9	-	-	-	-
(b) Bad debts written off	-	-	1.8	27.0	37.9
(c) Loss on sale/discard of fixed assets	25.1	1.8	24.7	24.1	23.5
(d) Penalty	-	1.0	5.0	0.5	-
Total (B)	**1,035.3**	**194.2**	**373.7**	**228.7**	**648.4**
Profit before tax	**8,801.2**	**7,048.0**	**7,050.7**	**5,334.4**	**3,513.7**
Provision for taxation:					
(a) Current tax /MAT payable	2,017.2	2,264.4	2,217.2	892.8	582.0
Less: MAT credit entitlement	-	-	-	(892.8)	(582.0)
(b) Excess Tax Provision written back	-	-	(404.6)	-	-
(c) Deferred tax (Income)/ Expense	563.0	(257.1)	(620.1)	(180.4)	(287.3)
Profit after tax	**6,221.0**	**5,040.7**	**5,858.2**	**5,514.8**	**3,801.0**
Appropriations					
(a) Interim dividends paid during the period	1,571.0	1,341.7	891.2	-	-
(b) Proposed final dividend	-	-	-	-	-
(c) Dividend distribution tax	319.8	273.1	164.8	-	-
(d) Transfer to General Reserves	-	-	-	-	-
Balance of Profit / (Loss) brought forward from last year	12,742.1	9,316.2	4,514.0	(1,000.8)	(4,801.8)
Balance carried forward to Balance sheet	**17,072.3**	**12,742.1**	**9,316.2**	**4,514.0**	**(1,000.8)**
Basic earnings per share of ₹ 10 face value	₹13.88	₹11.28	₹13.16	₹12.40	₹8.70
Diluted earnings per share of ₹ 10 face value	₹13.81	₹11.20	₹13.05	₹12.27	₹8.59

Management:

Name of board members	**Designation**
Chanda Deepak kochhar	**Non-Executive Chairman & Nominee Director**
Ved Prakash Chaturvedi	**Independent Director**
Uday Madhav Chitale	**Independent Director**
Lalita Dileep Gupte	**Independent Director**
Kannan Narayanan Srinivasa	**Nominee Director**
Suresh Muthukrishna Kumar	**Independent Director**
Ashvin Dhirajlal Parekh	**Independent Director**
Bhargav Dasgupta	**Managing Director & Chief Executive**
Alok kumar Agarwal	**Executive Director**
Sanjeev Radheyshyam Mantri	**Executive Director**

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