General Insurance Corporation of India

ISIN :INE481Y01014 | NSE :GICRE

Price: 423
Recommendation: Buy
Industry: General Insurance
Sector: Financial Services
Report Date: 02-Apr-2025

General Insurance Corporation of India (GIC) is focused on growth and resilience through strategic initiatives. The company emphasizes disciplined underwriting and risk diversification, with a shift towards the Health sector and emerging areas like cyber and surety bonds. GIC's financial performance shows a rise in gross premium income and improved solvency. Despite challenges, GIC's proactive risk management and diversification position it for sustainable growth and profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	46318 Cr	Operating Profit(Year)	8699 Cr	Operating Profit Margin	18.8 %
Previous Year	46402 Cr	Operating Profit(Quarter)	1903 Cr	EBITDA Margin	17.01 %
Current Quarter	11167 Cr	PAT (Year)	6497 Cr	Net Profit Margin	14.4 %
Previous Quarter	12130 Cr	PAT (Quarter)	1621 Cr	EPS	40.8
Revenue (QYoY)	11120 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	10.3	Sales Growth	0.72 %	Sales Growth	-7.94 %
PEG Ratio	0.34	PAT Growth	2.93 %	Sales Growth QYoY	0.42 %
EV/EBITDA	5.48	EPS Growth	10.27 %	PAT Growth	-12.9 %
P/B	1.31	Dividend Yield	2.39	PAT Growth QYoY	6.79 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	13.8 %	Promoter	82.4 %	Debt/Equity	0.00
RoA	3.87 %	FII	1.80 %	Debt	0.00 Cr
RoCE	16.8 %	DII	13.7 %	Market Cap	74141 Cr
RoIC	16.8 %	Public	2.10 %	Enterprise value	49410 Cr
		No of Shares	175 Cr	Cash Equivalents	24731 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

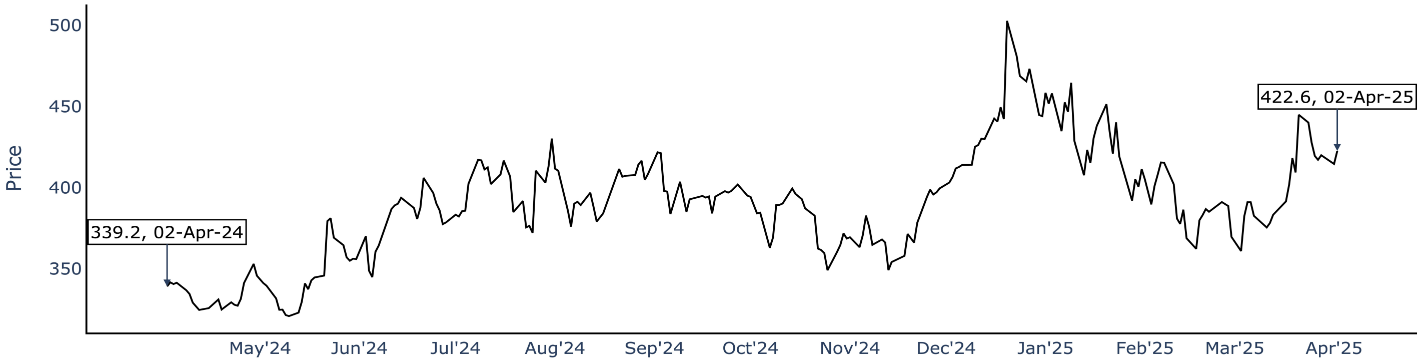
The recent conference call of the General Insurance Corporation of India (GIC) highlighted several strategic initiatives and business strategies aimed at enhancing the company's growth and resilience. The management emphasized their focus on disciplined underwriting and risk diversification, which has led to tangible results despite external challenges such as climate change. A key highlight was the company's shift towards writing more business in the Health sector, which is distinct from the Catastrophe business. This strategic move is part of their broader initiative to diversify their portfolio across different classes, including emerging areas like cyber and surety bonds. The company's combined ratio for the quarter improved to 107.83%, reflecting their disciplined approach and prudent risk management.

In terms of financial performance, GIC reported a gross premium income of INR 9,967.71 crores for Q3 FY '25, up from INR 8,778.26 crores in the same quarter the previous year. The incurred claims ratio also saw a significant decline to 87.8% from 103.1% in Q3 FY '24. The adjusted combined ratio, which includes policyholders' investment income, stood at 89.12% for the nine months of FY '25, compared to 92.37% in the previous year. The company's solvency ratio improved to 3.52, well above the regulatory requirement of 1.5. These figures underscore GIC's commitment to optimizing portfolio quality and exiting underperforming segments, aligning with their risk appetite and profitability targets.

Looking ahead, GIC is optimistic about sustaining its growth momentum, driven by strategic initiatives and a commitment to long-term underwriting profitability. The company plans to continue focusing on emerging areas and diversifying its portfolio to mitigate risks associated with catastrophic events. The management also highlighted the potential for growth in the international market, particularly following the recent upgrade in their credit rating. This is expected to enhance their ability to write more business and improve their combined ratios in the international segment.

While the company's performance and strategic direction are promising, there are areas for improvement. The international business, although showing improvement, still has a combined ratio above 100%, indicating room for further optimization. Additionally, the company faces challenges in maintaining growth in the face of potential catastrophic events and market volatility. However, GIC's proactive approach to risk management and diversification, coupled with a strong financial foundation, positions it well for future growth and scaling opportunities. The focus on emerging sectors and disciplined underwriting practices are expected to drive sustainable growth and profitability in the coming years.

GICRE Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
ICICI Lombard	90680.75	35.95	16.96%	0.22%	18.62%	4.39%	67.89%
ICICI Pru Life	81660.69	83.84	8.07%	-81.97%	-82.84%	29.45%	43.18%
General Insuranc	74140.94	10.27	13.83%	-7.94%	0.42%	-12.87%	6.81%
Life Insurance	512799.15	11.90	63.45%	-11.85%	-4.81%	42.55%	16.69%
Go Digit General	26633.88	73.61	7.08%	9.04%	6.60%	32.47%	176.46%

Aspect	Commentary
Revenue	The company's revenue remained stable with a slight decrease from the previous year. The quarterly revenue also showed a decline, indicating potential challenges in maintaining sales momentum. This could be due to market conditions or competitive pressures, requiring strategic adjustments to boost future revenue streams.
Profit & Loss	Operating profit and PAT showed resilience with year-on-year growth, reflecting effective cost management and operational efficiency. However, quarterly figures indicate a decline, suggesting potential seasonal impacts or market fluctuations affecting short-term profitability.
Profitability Matrix	The company maintains strong profitability metrics with healthy operating and net profit margins. The EPS growth indicates shareholder value enhancement, while the EBITDA margin suggests efficient operational management, supporting long-term financial stability.
Valuation Matrix	The valuation metrics suggest the company is attractively priced with a low P/E ratio and a favorable PEG ratio, indicating potential undervaluation. The EV/EBITDA and P/B ratios further support a positive investment outlook, appealing to value-focused investors.
Growth (YoY)	Year-on-year growth metrics show modest sales growth and robust EPS growth, highlighting effective strategic initiatives. The PAT growth underscores profitability improvements, while the dividend yield reflects shareholder returns, enhancing investor confidence.
Growth (QoQ)	Quarterly growth metrics reveal a decline in sales and PAT, indicating short-term challenges. However, the QYoY figures show resilience, suggesting underlying strength in the business model. Addressing quarterly volatility could stabilize future growth trajectories.
Capital Allocation	The company demonstrates prudent capital allocation with strong RoE, RoA, and RoCE figures, indicating efficient use of resources. The RoIC aligns with strategic investments, supporting sustainable growth and value creation for stakeholders.
Holdings	The high promoter holding reflects confidence in the company's prospects, while institutional holdings indicate market trust. The public holding remains low, suggesting limited retail investor participation, which could be an area for future engagement.
Leverage	The company maintains a debt-free position, enhancing financial flexibility and reducing risk. The strong market cap and cash equivalents further bolster its financial health, positioning it well for strategic investments and growth opportunities.

Analyst viewpoint: The General Insurance Corporation of India (GIC) presents a promising investment opportunity, highlighted by its strategic focus on growth and disciplined risk management. The company's proactive approach in shifting towards the Health sector and diversification into cyber and surety bonds reflects a well-crafted strategy for sustainable growth. Recent financials show resilience, with a notable improvement in gross premium income and a commendable solvency ratio of 3.52. Although there was a minor decline in quarter-on-quarter sales and PAT, the year-on-year figures demonstrate a robust performance. Valuation metrics such as a low trailing P/E of 10.3 and a PEG ratio of 0.34 suggest that the company is attractively priced, appealing to both growth and value investors. GIC's capital allocation remains efficient, as evidenced by a strong ROCE and debt-free position, which enhances its capability for strategic investments.

Moreover, GIC stands out competitively in the insurance sector, with a prudent emphasis on disciplined underwriting practices that have improved the combined ratio to 107.83% this quarter. The management's recent concall underscored the potential for international expansion, fueled by an upgraded credit rating. While the international segment's combined ratio demands further optimization, the overall strategy bodes well for capturing future growth. Investors may want to keep a close watch on market volatility and catastrophic risks, which remain overarching themes in the industry. However, with a focus on emerging sectors and consistent improvement in financial metrics, GIC is well-positioned for near to mid-term growth, making it an attractive buy for those looking to capitalize on its strategic advancements.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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