

Price: 428

Recommendation: Buy

Industry: General Insurance

Sector: Financial Services

Report Date: 03-Apr-2025

The General Insurance Corporation of India (GIC) is enhancing its market position through strategic initiatives and disciplined underwriting. Recent improvements include a combined ratio of 107.83% and a gross premium income of INR 9,967.71 crores. GIC is expanding into cyber insurance and surety bonds, focusing on risk diversification and health business. With a solvency ratio of 3.52, GIC is poised for growth in domestic and international markets, targeting mid-teen growth rates.

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	10.5	Sales Growth	0.72 %	Sales Growth	-7.94 %
PEG Ratio	0.35	PAT Growth	2.93 %	Sales Growth QYoY	0.42 %
EV/EBITDA	5.59	EPS Growth	10.27 %	PAT Growth	-12.9 %
P/B	1.34	Dividend Yield	2.34	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	75125 Cr
RoIC	16.8 %	Public	2.10 %	Enterprise value	50394 Cr
		No of Shares	175 Cr	Cash Equivalents	24731 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

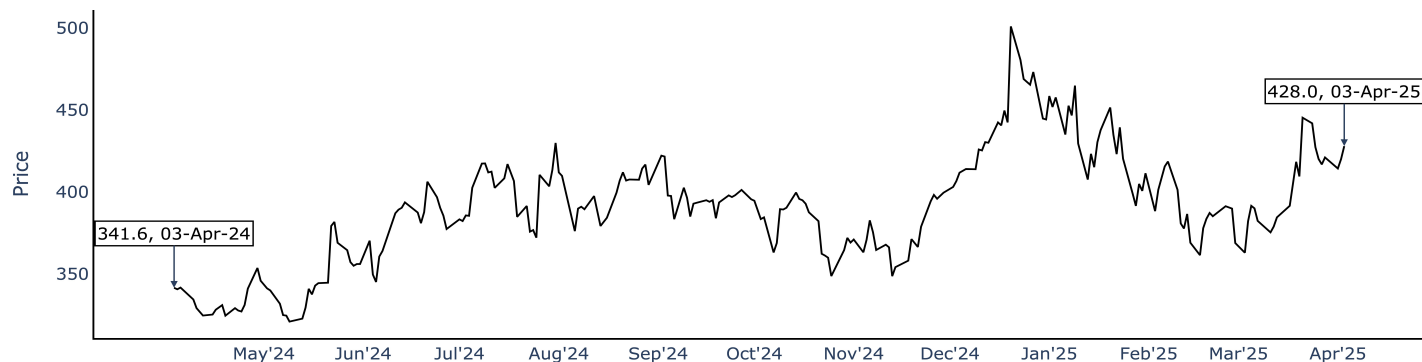
In the recent earnings call, the General Insurance Corporation of India (GIC) outlined several strategic initiatives and business strategies aimed at enhancing its market position and financial performance. The company emphasized its focus on disciplined underwriting and risk diversification, which has led to tangible results this quarter. A key highlight was the improvement in the combined ratio to 107.83%, reflecting a disciplined underwriting approach and prudent risk management. The company has been optimizing portfolio quality by exiting underperforming segments and increasing focus on business lines that align with its risk appetite and profitability targets. The gross premium income for Q3 FY '25 stood at INR 9,967.71 crores, marking a significant increase from the previous year. The incurred claims ratio also showed improvement, declining to 87.8% from 103.1% in the previous year.

GIC is actively pursuing growth in emerging areas such as cyber insurance and surety bonds, which are seen as promising sectors due to increasing demand and regulatory support. The company is also focusing on diversifying its portfolio to mitigate risks associated with catastrophic events. This diversification strategy includes a shift towards the Health Business, which is distinct from the Catastrophe business. The company is optimistic about sustaining its growth momentum, driven by strategic initiatives and a commitment to achieving long-term underwriting profitability. The solvency ratio has improved to 3.52, well above the regulatory requirement, indicating strong financial health.

Looking ahead, GIC is poised for future growth and scaling, with a focus on both domestic and international markets. The domestic market is expected to offer significant opportunities due to the Indian economy's robust performance and regulatory initiatives aimed at increasing insurance penetration. The international business is also expected to grow, supported by an improved credit rating and strategic partnerships. The company is targeting a mid-teen growth rate in the coming years, driven by a combination of market expansion and strategic diversification. The management has expressed confidence in achieving double-digit growth, contingent on favorable market conditions and strategic execution.

While the company's performance and strategic direction are commendable, there are areas for potential improvement. The international business, although showing signs of recovery, still faces challenges with a combined ratio above 100%. The company aims to bring this down through strategic adjustments and improved risk management. Additionally, the investment income has been lower than expected, primarily due to market volatility affecting the sale of securities. Addressing these challenges will be crucial for sustaining long-term growth and profitability. Overall, GIC's strategic initiatives and market positioning provide a solid foundation for future success, with opportunities for further optimization and growth.

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	90804.78	36.06	16.96%	0.22%	18.62%	4.39%	67.89%
ICICI Pru Life	81776.27	83.97	8.07%	-81.97%	-82.84%	29.45%	43.18%
General Insuranc	75124.60	10.49	13.83%	-7.94%	0.42%	-12.87%	6.81%
Life Insurance	515709.37	11.98	63.45%	-11.85%	-4.81%	42.55%	16.69%
New India Assura	26951.11	27.27	1.19%	-0.77%	-5.83%	288.53%	-51.70%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating a need for strategic initiatives to boost sales. The quarterly revenue also decreased, suggesting potential seasonal impacts or market challenges. A focus on diversifying revenue streams could help stabilize and grow future earnings.
Profit & Loss	Operating profit and PAT have shown resilience with slight growth, reflecting effective cost management. However, quarterly figures indicate a decline, highlighting potential short-term challenges. Maintaining profitability will require strategic cost controls and revenue enhancement strategies.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 18.8% and a net profit margin of 14.4%. These figures suggest efficient operations and cost management. Continued focus on margin improvement can enhance overall financial health.
Valuation Matrix	The valuation metrics indicate a relatively attractive investment opportunity, with a trailing P/E of 10.5 and a PEG ratio of 0.35. These suggest the stock is undervalued relative to its growth potential. Investors may find this appealing for long-term gains.
Growth (YoY)	Year-over-year growth metrics show modest improvements, with sales and PAT growth indicating steady performance. EPS growth of 10.27% is particularly strong, suggesting effective earnings management. Continued focus on growth initiatives is essential for sustained performance.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal challenges, with declines in sales and PAT. This suggests potential short-term market or operational issues. Addressing these through strategic adjustments will be crucial for reversing the negative trend and achieving growth.
Capital Allocation	The company demonstrates strong capital allocation efficiency, with high RoE and RoCE figures. This indicates effective use of capital to generate returns. Maintaining this efficiency will be key to supporting future growth and shareholder value.
Holdings	The promoter holding is significantly high at 82.4%, indicating strong confidence in the company's prospects. Institutional holdings are moderate, suggesting potential for increased institutional interest. Enhancing public and institutional engagement could support stock liquidity.
Leverage	The company has no debt, reflecting a strong balance sheet and financial stability. This provides flexibility for future investments and growth initiatives without the burden of interest obligations. Maintaining this leverage position will support long-term financial health.

Analyst viewpoint: The General Insurance Corporation of India (GIC) presents a robust case for short to mid-term investment with its strategic initiatives and solid financial fundamentals. Key highlights from the recent quarterly data show a disciplined approach with a quarterly gross premium income of INR 9,967.71 crores, marking a significant year-over-year increase and an improvement in the combined ratio to 107.83%, indicative of sound underwriting practices. The company has maintained a trailing P/E of 10.5 and a PEG ratio of 0.35, suggesting undervaluation relative to growth potential. GIC's steadfast commitment to bolstering its risk diversification efforts through expansions into cyber insurance and surety bonds, coupled with a robust solvency ratio of 3.52, positions it well for continued growth in domestic and international markets. These strategic efforts, combined with an attractive valuation, underscore the company's potential to deliver worthwhile returns in the foreseeable future.

In the peer landscape, GIC stands out with competitive capital allocation metrics, including a RoE of 13.8% and RoCE of 16.8%, underscoring its operational efficiencies and effective management of resources. Despite minor QoQ declines in sales and PAT, which reflect broader market challenges, the company's strategic focus on emerging sectors and improved portfolio quality offers a clear path for enhanced profitability and resilience. However, it is prudent to note that while international business performance shows promising recovery signs, further enhancements are needed to bring combined ratios below 100% consistently. Addressing these areas alongside strategic risk management will be critical in sustaining long-term growth and further strengthening GIC's market stature.

Please read detailed disclosure on next page.

