

Life Insurance Corporation

Estimate change 

TP change 

Rating change 

CMP: INR1,081 TP: INR1,270 (+18%)

Buy

Bloomberg	LICI IN
Equity Shares (m)	6325
M.Cap.(INRb)/(USDb)	6836.4 / 82.3
52-Week Range (INR)	1175 / 530
1, 6, 12 Rel. Per (%)	29/57/55
12M Avg Val (INR M)	1768

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Premiums	4,611	4,926	5,310
Surplus / Deficit	299.8	342.7	413.4
Sh. PAT	370.0	388.1	425.5
NBP gr- unwt'd (%)	(15.0)	10.0	10.0
NBP gr - APE (%)	(7.0)	14.2	10.0
Premium gr (%)	(2.7)	6.8	7.8
VNB margin (%)	17.0	18.5	19.0
Op RoEV (%)	11.1	10.7	10.7
Total AUMs (INR t)	50.3	57.2	65.7
VNB (INR b)	94.0	114.8	129.7
EV per share	1,108	1,248	1,402

Valuations

P/EV (x)	1.0	0.9	0.8
P/EVOP (x)	10.8	9.3	8.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	45.2	45.2	45.2
DII	21.8	21.8	22.9
FII	21.6	21.0	19.1
Others	11.4	12.6	12.7

FII Includes depository receipts

Healthy improvement in VNB margin

New product launches support growth in the non-par segment

- Life Insurance Corporation (LIC)'s PAT for 9MFY24 was INR269b (3QFY24 at INR94b). PAT for 9MFY24 was not comparable to 9MFY23, as the last year's PAT included an amount of INR45b (net of tax) pertaining to the accretions on available solvency margin, which was transferred from the non-par fund to the shareholders account.
- Net premium grew 5% YoY to INR1.17t in 3QFY24. Market share in premium dropped to 58.9% in 9MFY24 from 68.4% in 9MFY23.
- VNB (net) grew 46% YoY to INR26.34b in 3QFY24, whereas in 9MFY24 VNB (net) grew 8.4% YoY to INR59.4b. This led to a growth in the VNB margin (net) to 20% in 3QFY24 and 16.6% in 9MFY24. The change in product mix led to an improvement in margins.
- Net margin in the Individual Par segment came in at 10.3% for 9MFY24 vs. 11% in 9MFY23. For the Non-Par segment, net margins improved to 63.8% vs. 63.6% in 9MFY23. In the group segment, net margin declined to 12.3% vs. 14.3% in 9MFY23.
- We have raised our VNB estimates to factor in the increase in VNB margins. We have also raised our EV estimates due to better-than-expected equity market returns. **Reiterate BUY with a TP of INR1,270 (based on 0.8x FY26E EV).**

APE share of non-par segment improves

- In 3QFY24, LIC's renewal/single premium rose 4%/10% YoY to INR624b/ INR464b, whereas its first year premium declined 13% YoY to INR84.3b. For 9MFY24, the total individual premium/total group premium came in at INR2.09t/ INR1.13t.
- On the distribution front, the share of agency channels stood at 95.3% in 3QFY24. On a YoY basis, the share of banca channel improved to 4.2% in 3QFY24 from 3.7% in 3QFY23.
- For 9MFY24, the 13th/25th/61st month persistency came in at 78%/ 71.9%/62.4%.
- AUM increased to INR49.7t as of 3QFY24 from INR44.3t in 3QFY23, reporting an increase of 12% YoY and 5% QoQ.
- In 9MFY24, the share of PAR/ULIP/term products on APE basis moderated YoY to 56.4%/2.0%/0.4%. The share of individual savings/annuity/group segment on APE basis increased YoY to 4.0%/2.8%/34.3%.

Highlights from the management commentary

- New product launches introduced in 9MFY24 were: LIC's Group Post-Retirement Medical Benefit, LIC's Dhan Vriddhi, LIC's Jeevan Kiran and LIC's Jeevan Utsav (collected premium of more than INR10b). These products are highly competitive and are gaining traction. LIC believes that the VNB margin is sustainable.

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- LIC will focus more on alternate channels, considering its current share of less than 1%. The banca channel has witnessed a strong growth, and that is expected to continue.
- Margins in the Par segment have declined slightly. The movement in risk-free rates has also impacted this decline. LIC has repriced the annuity products twice this year, which has impacted its VNB margin.

Valuation and view

LIC has the levers in place to maintain its industry-leading position and ramp-up growth in the highly profitable product segments (mainly Protection, Non-PAR, and Savings Annuity). However, changing gears for such a vast organization require a superior and well-thought-out execution plan. We expect LIC to deliver a 6% CAGR in APE over FY23-26, thus enabling a 12% VNB CAGR. However, we expect operating RoEV to remain modest at 10.7% in FY26, given its lower margin profile than private peers and a large EV base. Considering the gradual recovery in margin and diversification in the business mix, we have raised our VNB estimates to factor in the increase in VNB margins. We have also raised our EV estimates owing to better than expected equity market returns. **Reiterate BUY with a TP of INR1,270 (based on 0.8x FY26E EV).**

Quarterly performance

Policy holder's A/c (INRb)	(INR b)							
	FY23				FY24			FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
First year premium	74.3	91.2	97.2	128.1	68.1	99.9	84.3	375.3
Growth (%)	46%	11%	11%	-12%	-8%	9%	-13%	-4%
Renewal premium	502.6	561.6	601.9	760.1	536.4	596.4	624.3	2,563.5
Growth (%)	9%	2%	6%	7%	7%	6%	4%	6%
Single premium	408.0	669.0	421.2	431.4	380.6	378.5	463.6	1,678.8
Growth (%)	34%	62%	31%	-26%	-7%	-43%	10%	-13%
Net premium income	983.5	1,321.0	1,117.9	1,317.6	983.6	1,074.0	1,170.2	4,610.7
Growth (%)	20%	27%	15%	-8%	0%	-19%	5%	-3%
PAT	6.8	159.5	63.3	134.3	95.4	79.3	94.4	370.0
Growth (%)	NM	NM	NM	NM	NM	NM	49%	
Key metrics (INRb)								
New business APE	102.7	149.6	123.2	191.4	106.4	119.9	131.6	543.1
Growth (%)	NA	NA	NA	NA	4%	-20%	7%	-7%
VNB	14.0	22.8	18.0	37.0	14.6	18.5	26.3	94.0
Growth (%)	NA	NA	NA	NA	4%	-19%	46%	3%
AUM (INRt)	41.0	42.9	44.3	44.0	46.1	47.4	49.7	50.3
Growth (%)	8%	NA	11%	8%	12%	10%	12%	14%
Key Ratios (%)								
VNB Margins (%)	13.6	15.2	14.6	19.4	13.7	15.4	20.0	17.0
Solvency ratio (%)	188.5	188.0	185.0	187.0	189.0	190.0	193.0	242.4

Quarterly snapshot

(INR b)

	FY23				FY24		Change (%)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net premium income	983.5	1,321.0	1,117.9	1,317.6	983.6	1,074.0	1,170.2	5	9
First year premium	74.3	91.2	97.2	128.1	68.1	99.9	84.3	-13	-16
Renewal premium	502.6	561.6	601.9	760.1	536.4	596.4	624.3	4	5
Single premium	408.0	669.0	421.2	431.4	380.6	378.5	463.6	10	23
Investment income	695.7	841.0	848.7	678.5	903.1	939.4	952.7	12	1
Total income (A)	1,688.8	2,222.2	1,968.9	2,001.9	1,887.5	2,015.9	2,124.5	8	5
Commission paid	50.3	58.1	63.2	84.3	51.2	60.8	65.2	3	7
First year premium	20.7	24.1	25.8	37.3	19.7	24.8	25.2	-2	2
Renewal premium	25.9	28.8	31.7	38.7	27.2	30.8	33.0	4	7
Single premium	0.9	1.2	1.4	1.7	0.8	1.3	1.2	-12	-6
Operating expense	93.4	183.1	74.8	130.1	75.5	124.4	116.7	56	-6
Total commission & Opex	143.7	241.2	138.0	214.4	126.6	185.1	181.9	32	-2
Benefits paid	686.6	842.7	784.6	1,111.9	748.4	833.6	955.0	22	15
Change in actuarial liability	779.4	958.2	978.7	717.6	963.0	913.4	889.9	-9	-3
Total Expenses (B)	1,638.5	2,018.4	1,865.2	1,927.3	1,812.6	1,932.6	2,026.4	9	5
PBT	50.3	203.7	103.7	74.6	74.9	83.3	98.0	-5	18
Tax	14.0	54.0	-25.2	9.5	13.1	10.7	13.3	-153	24
Surplus/(Deficit)	36.2	149.7	128.8	65.0	61.8	72.5	84.7	-34	17
Shareholder A/c									
Trf from Policyholder a/c	13.6	150.4	61.0	134.2	90.1	72.2	84.4	38	17
Investment Income	1.5	1.5	2.8	5.7	6.3	8.8	10.6	277	20
Total income	15.0	151.9	63.8	139.9	96.4	81.0	95.0	49	17
PBT	7.0	159.7	63.6	134.2	96.3	80.2	95.0	49	19
Tax	0.2	0.2	0.2	-0.1	0.9	0.9	0.5	149	-40
PAT	6.8	159.5	63.3	134.3	95.4	79.3	94.4	49	19
Total APE (calculated)	115.1	158.1	139.4	171.3	106.2	137.7	130.7	-6	-5
Key Ratios (%)									
Operating ratios									
Commission (unwtd)	5.1	4.4	5.6	6.4	5.2	5.7	5.6	-8	-9
Opex (unwtd)	9.5	13.9	6.7	9.9	7.7	11.6	10.0	328	-161
Total Cost	14.6	18.2	12	16.2	12.9	17.2	15.5	320	-171
Solvency ratio	189	188	185	187	189	190	193	800	300
Profitability ratios									
VNB margins	13.6	15.2	14.6	19.4	13.7	15.4	20.0	539	461
Persistency ratios									
13th Month	75.8	77.6	77.6	77.1	75.1	78.5	78.0	39	-49
25th Month	67.8	73.8	71.3	69.93	70.9	72.0	71.9	60	-6
37th Month	64.3	67.9	68.3	70.1	64.3	70.2	67.3	-103	-288
49th Month	60.8	64.7	64.7	63.5	61.6	64.6	64.9	22	35
61st Month	59.0	62.8	62.7	61.80	59.3	62.8	62.4	-33	-37
Key Metrics (INR b)									
VNB	14.0	22.8	18.0	37.0	14.6	18.5	26.3	46	43
EV	NA	5,442.9	NA	5,822.4	N.A	6,626.1	NA	N.A	N.A
AUM	41,020.4	42,937.8	44,349	43,970	46,110.7	47,433.9	49,664	12	5

Note: a) Persistency ratios are on a cumulative basis for six, nine, and 12 months



Highlights from the management commentary

Business

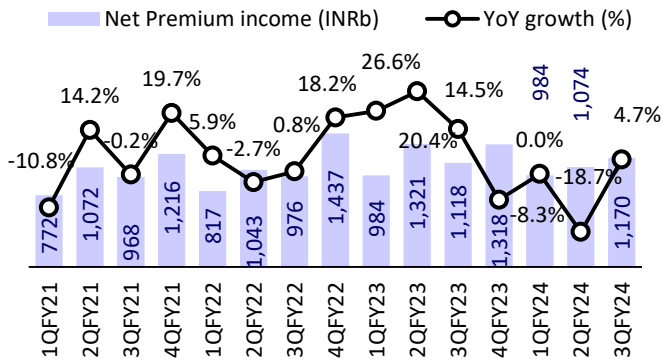
- The total premium income for 9MFY24 was INR3.2t as compared to INR3.4t for 9MFY23. The Total Individual Business Premium for 9MFY24 increased to INR2.09t from INR2t for 9MFY23. The Group Business total premium income for 9MFY24 was INR1.13t vs. INR1.41t for 9MFY23.
- PAT for 9MFY24 was not comparable to 9MFY23, as the last year's PAT included an amount of INR45b (net of tax) pertaining to the accretions on available solvency margin, which was transferred from the non-par fund to the shareholders account.
- In terms of market share measured by First Year Premium Income FYPI (as per IRDAI), LIC continues to be the market leader in Indian life insurance business with an overall market share of 58.9%. For 9MFY24, LIC had a market share of 38.7 % in Individual business and 72.2% in the group business.
- For 9MFY24, the expense ratio stood at 15.28%. The Solvency Ratio for 9MFY24 improved to 193% as against 185% for 9MFY23.
- The yield on investments on policyholders funds excluding unrealized gains was 9.14% for 9MFY24 8.58% for 9MFY23.
- LIC will focus more on alternate channels, considering its current share of less than 1%. The banca channel has witnessed a strong growth, and that is expected to continue.

APE & VNB

- On APE, the total premium was INR357b for 9MFY24. Of this, 65.67% (INR235b) was for the Individual Business and 34.33% (INR123b) for the Group Business.
- Within the Individual Business, the share of Par products on APE basis was 85.96% (INR202b) and balance 14.04% (INR32.9b) was due to Non Par products.
- The Non-Par APE has increased to INR33b for 9MFY24 from INR22b for 9MFY23, registering a growth of 49%. Therefore, the Non-Par share of Individual APE, which was 9.45% for 9MFY23, has grown to 14% for 9MFY24.
- VNB for 9MFY24 was INR59.4b vs. INR54.8b for the 9MFY23, registering a growth of 8.4%. The net VNB margin for 9MFY24 was 16.6 % vs. 14.6% for 9MFY23. The change in product mix led to improvement in margins.
- New product launches introduced in 9MFY24 - LIC's Group Post-Retirement Medical Benefit, LIC's Dhan Vriddhi, LIC's Jeevan Kiran and LIC's Jeevan Utsav (collected premium of more than INR10b). These products are highly competitive and are gaining traction. LIC believes that VNB margins are sustainable.
- Margins in Par segment have declined marginally. The movement in risk free rates have also impacted this decline. Directionally, the focus is more towards non-par segment.
- LIC has repriced the annuity products twice this year, which has impacted its VNB margin.
- In the protection segment, LIC has revised its pricing and thus margins have improved. Loss ratios in group segment have declined and thus profitability has improved.
- The decline in the fund-based business led to a decline in the group segment. The profitable segments, such as annuity and GTL, are growing in line with expectations.

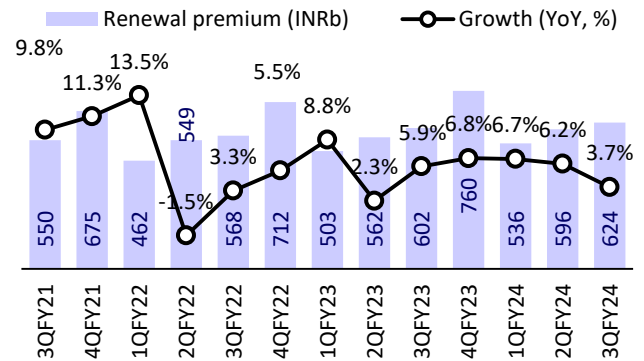
Key exhibits

Exhibit 1: Net premium income grew 5% YoY



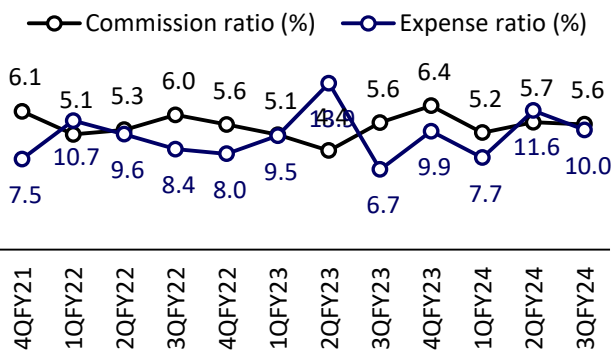
Source: MOFSL, Company

Exhibit 2: Renewal book grew 4% YoY



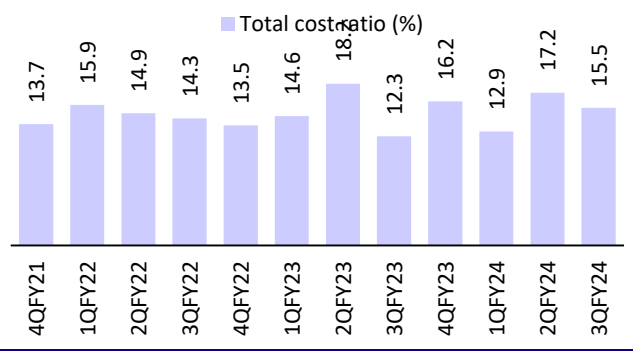
Source: MOFSL, Company

Exhibit 3: Trend in the Expense and Commission ratio



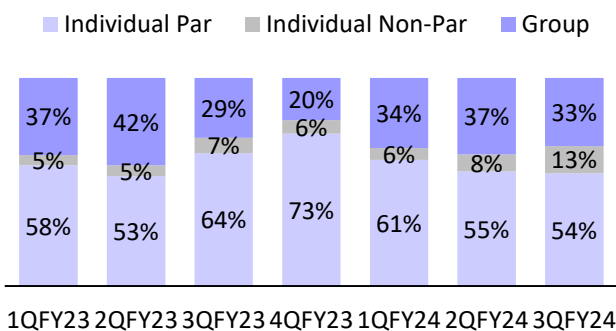
Source: MOFSL, Company

Exhibit 4: Total cost ratio increased YoY to 15.5%



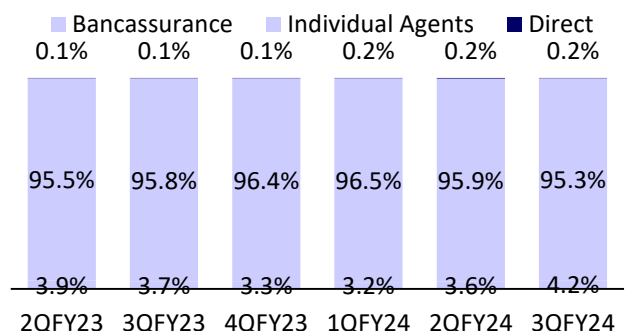
Source: MOFSL, Company

Exhibit 5: Individual non-par grew to 13% of total APE in 3QFY24



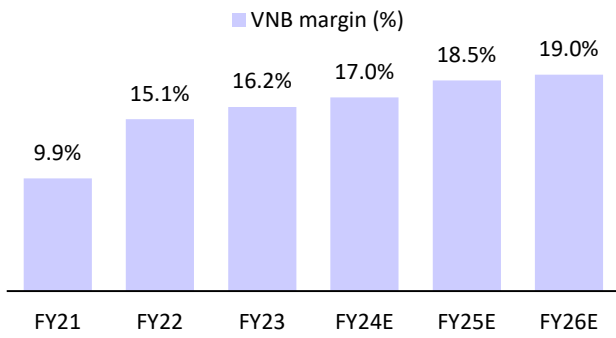
Source: MOFSL, Company

Exhibit 6: Share of banca grew QoQ to 4.2% in 3QFY24



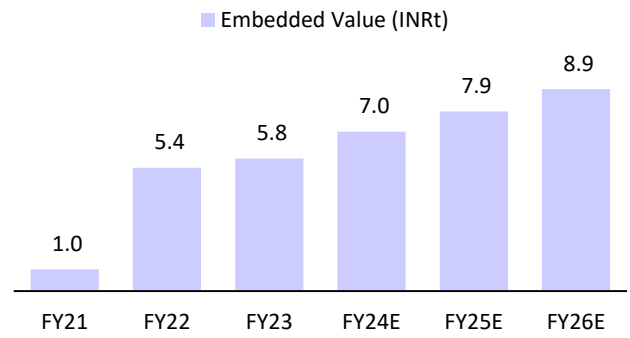
Source: MOFSL, Company

Exhibit 7: VNB margin is expected to improve to 19% by FY26E



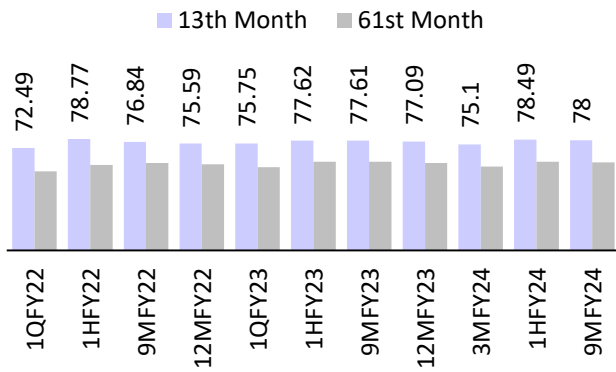
Source: MOFSL, Company

Exhibit 8: We expect EV to see a 12.5% CAGR over FY24-26



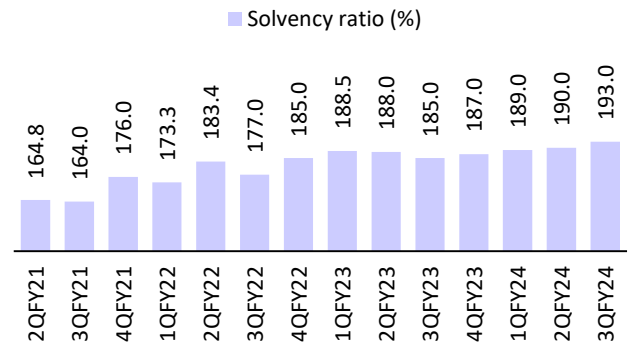
Source: MOFSL, Company

Exhibit 9: Persistency ratios across cohorts



Source: MOFSL, Company

Exhibit 10: Solvency ratio improves to 193% in 3QFY24



Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross Premiums	3,828	4,059	4,280	4,747	4,618	4,934	5,318
Reinsurance Ceded	(3)	(5)	(6)	(7)	(7)	(7)	(8)
Net Premiums	3,825	4,054	4,274	4,740	4,611	4,926	5,310
Income from Investments	2,428	2,855	2,929	3,064	3,534	3,797	4,180
Other Income	203	128	8	77	11	12	14
Total income (A)	6,456	7,037	7,211	7,881	8,156	8,736	9,503
Commission	215	224	237	256	264	290	313
Operating expenses	344	352	384	481	452	475	506
Total commission and opex	560	575	621	737	716	765	819
Benefits Paid (Net)	2,572	2,907	3,575	3,426	3,644	3,896	4,202
Change in reserves	2,875	3,216	2,973	3,434	3,492	3,735	4,061
Prov for doubtful debts (inc other exp)	245	73	(94)	(148)	(50)	(50)	(50)
Total expenses (B)	6,251	6,771	7,074	7,448	7,802	8,345	9,032
(A) - (B)	205	266	137	432	354	391	471
Tax (incl GST)	109	93	80	54	54	48	58
Surplus / Deficit	96	173	57	379	300	343	413
Shareholder's a/c (INR b)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Transfer from technical a/c	27	30	122	360	360	377	413
Income From Investments	0	0	2	11	13	14	15
Total Income	27	30	124	372	372	391	428
Other expenses	0	0	0	0	0	0	0
Contribution to technical a/c	0	0	83	3	3	3	4
Total Expenses	0	0	83	7	3	3	4
PBT	27	30	41	365	369	387	425
Tax	0	0	0	1	1	1	1
PAT	27	30	40	364	370	388	426
Growth	3%	10%	36%	800%	2%	5%	10%
Premium (INR b) and growth (%)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
NBP - unweighted	1,783	1,844	1,989	2,321	2,054	2,259	2,485
NBP - wrp	700	490	529	584	543	620	682
Renewal premium	2,011	2,189	2,291	2,426	2,564	2,674	2,832
Total premium - unweighted	3,794	4,033	4,280	4,747	4,618	4,934	5,318
NBP growth - unweighted	25.3%	3.5%	7.9%	16.6%	-15.0%	10.0%	10.0%
NBP growth - wrp	65.0%	-30.0%	8.0%	10.4%	-7.0%	14.2%	10.0%
Renewal premium growth	3.0%	8.8%	4.7%	5.9%	5.7%	4.3%	5.9%
Premium growth - unweighted	12.4%	6.3%	6.1%	10.9%	-2.7%	6.8%	7.8%
Premium mix (%)	FY20	FY21	FY22E	FY23	FY24E	FY25E	FY26E
New business - un weighted							
- Individual mix	28.9%	30.6%	27.6%	31.5%	32.0%	32.5%	32.5%
- Group mix	71.1%	69.4%	72.4%	68.5%	68.0%	67.5%	67.5%
New business mix - WRP							
- Participating	42.6%	57.3%	56.1%	55.1%	53.4%	52.7%	52.7%
- Non-participating	57.3%	42.3%	43.4%	44.4%	45.9%	46.6%	46.6%
- ULIPs	0.1%	0.4%	0.5%	0.5%	0.7%	0.7%	0.7%
Total premium mix - un weighted							
- Participating	60.1%	60.7%	59.7%	57.4%	60.1%	59.1%	58.3%
- Non-participating	39.7%	39.0%	39.8%	41.9%	39.1%	40.2%	40.9%
- ULIPs	0.2%	0.3%	0.5%	0.8%	0.7%	0.7%	0.7%
Indi premium sourcing mix (%)	FY20	FY21	FY22E	FY23	FY24E	FY25E	FY26E
Individual agents	94.7%	93.8%	96.2%	96.4%	93.8%	92.1%	92.1%
Corporate agents-Banks	2.8%	3.1%	2.6%	3.3%	4.0%	4.4%	4.4%
Direct business	1.9%	2.2%	0.3%	0.1%	3.1%	3.4%	3.4%
Others	0.6%	0.9%	0.8%	0.1%	-0.9%	0.1%	0.1%

Financials and valuations

Balance Sheet	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sources of Fund							
Share Capital	1.0	1.0	63.2	63.2	63.2	63.2	63.2
Reserves And Surplus	8.9	67.1	40.4	394.9	752.4	1,125.8	1,536.7
Shareholders' Fund	11.0	69.8	104.1	456.7	813.8	1,186.9	1,597.5
Policy Liabilities	31,028.2	34,207.3	37,100.4	40,512.5	45,277.4	51,873.3	59,481.6
Prov. for Linked Liab.	325.4	329.6	238.9	261.6	422.1	434.8	447.9
Funds For Future App.	0.8	0.5	19.2	41.0	53.0	68.6	88.8
Current liabilities & prov.	856.6	831.2	712.4	593.8	653.2	718.5	790.4
Total	34,998.3	38,295.2	42,305.9	45,505.1	51,227.3	58,584.7	67,026.2
Application of Funds							
Shareholders' invt	4.0	4.3	64.1	293.6	352.4	422.8	507.4
Policyholders' invt	29,579.1	34,984.4	38,956.9	41,891.8	47,570.5	54,587.6	62,650.8
Assets to cover linked liab.	321.7	329.7	239.4	263.1	-	-	-
Loans	2,374.3	1,087.6	1,098.8	1,155.6	1,213.4	1,274.1	1,337.8
Current assets	2,573.5	1,854.4	1,911.2	1,862.8	2,049.1	2,254.0	2,479.4
Total	34,998.3	38,295.2	42,305.9	45,505.1	51,227.3	58,584.7	67,026.2
Operating ratios (%)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Investment yield	8.1%	8.1%	7.5%	7.0%	7.4%	6.9%	6.6%
Commissions / GWP	5.6%	5.5%	5.5%	5.4%	5.7%	5.9%	5.9%
- first year premiums	16.8%	26.4%	26.6%	27.6%	28.5%	28.5%	0.0%
- renewal premiums	5.1%	5.2%	5.2%	5.2%	5.2%	5.2%	0.0%
- single premiums	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.0%
Operating expenses / GWP	9.0%	8.7%	9.0%	10.1%	9.8%	9.6%	9.5%
Total expense ratio	14.6%	14.2%	14.5%	15.2%	15.4%	15.4%	9.5%
Claims / NWP	66.8%	71.2%	82.7%	71.6%	78.2%	78.1%	78.1%
Solvency ratio	155%	176%	185%	187%	242%	270%	331%
Persistency ratios (%)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
13th Month	72.0%	78.8%	75.6%	77.0%	79.0%	79.0%	79.0%
25th Month	67.0%	70.0%	73.5%	74.3%	74.8%	74.8%	74.8%
37th Month	63.0%	66.9%	66.6%	67.3%	68.1%	68.1%	68.1%
49th Month	58.0%	63.1%	63.9%	64.7%	65.2%	65.2%	65.2%
61st Month	54.0%	58.8%	61.0%	61.4%	61.8%	61.8%	61.8%
Profitability ratios (%)	FY20	FY21	FY22E	FY23	FY24E	FY25E	FY26E
VNB margin (%)	0.0%	9.9%	15.1%	16.2%	17.0%	18.5%	19.0%
RoE (%)	NM	73.6%	46.5%	129.8%	58.2%	38.8%	30.6%
Operating ROEV	NM	36.9%	NM	10.9%	11.1%	10.7%	10.7%
RoEV (%)	NM	NM	NM	7.5%	20.3%	12.6%	12.4%
Valuation & key data	FY20	FY21	FY22E	FY23	FY24E	FY25E	FY26E
Total AUMs (INRb)	30,744	36,762	40,850	43,970	50,319	57,211	65,685
- of which equity AUMs (%)	0%	21%	21%	20%	21%	22%	22%
Dividend %	-2700%	-15%	0%	0%	18%	21%	21%
Dividend payout ratio (%)	100%	1%	0%	0%	3%	4%	3%
EPS, INR	4.3	4.7	6.4	57.5	58.5	61.4	67.3
VNB (INRb)	-	41.67	76.19	91.61	94.0	114.8	129.7
Embedded Value (INRb)	-	956.1	5,414.9	5,822.5	7,006.8	7,891.2	8,868.6
EV per share (INR)	-	151.2	856.1	920.6	1,107.8	1,247.6	1,402.1
VIF as % of EV	NM	93%	98%	21%	29%	32%	35%
P/VIF (%)	NM	7.8	1.3	5.8	3.4	2.7	2.2
P/AUM (%)	23%	19%	17%	16%	14%	12%	11%
P/EV (x)	NM	7.3	1.3	1.2	1.0	0.9	0.8
P/EPS (x)	257.9	235.0	172.9	19.2	18.9	18.0	16.4
P/EVOP (x)	NM	40.7	12.5	11.9	10.8	9.3	8.3

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