

## HOLD

<b>CMP (Rs)</b>	<b>606</b>
<b>Target Price (Rs)</b>	<b>646</b>
<b>Potential Upside</b>	<b>6.6%</b>
<b>Sensex</b>	65,493
<b>Nifty</b>	19,618

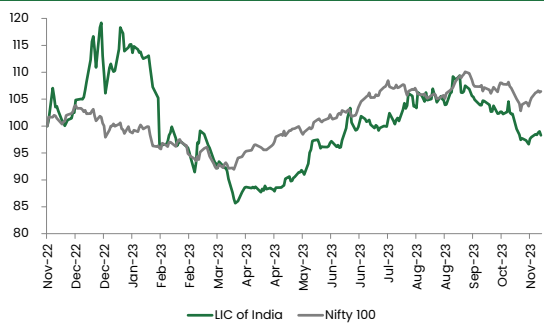
### Key Stock data

<b>BSE Code</b>	543526
<b>NSE Code</b>	LICI
<b>Bloomberg</b>	LICI:IN
<b>Shares o/s, Cr (FV 10)</b>	632.5
<b>Market Cap (Rs Cr)</b>	385,034
<b>3M Avg Volume</b>	951,468
<b>52 week H/L</b>	754/530

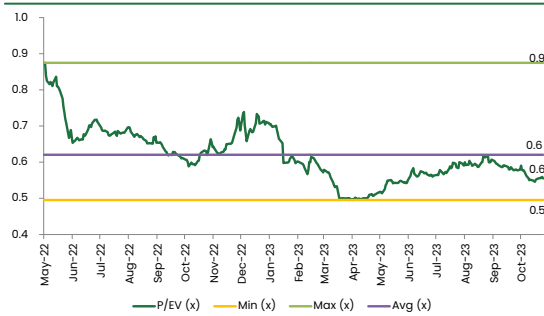
### Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
<b>Promoter</b>	96.5	96.5	96.5
<b>FII</b>	0.1	0.1	0.1
<b>DII</b>	0.9	0.8	0.8
<b>Public</b>	2.5	2.6	2.6

### 1 year relative price performance



### 1 year P/EV Forward (x)



### Research Analyst

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## Premium income continues to slide, however, margins improved

Q2FY24 Result Update | Sector: Insurance | November 15, 2023

**Decline in net premium income:** LIC of India net premium income in Q2FY24 saw a decline of 18.7% YoY to Rs 1.07 Lakhs Cr which was led by single premium decline of 43.4% YoY of 37,955 Cr. Annualized Premium Equivalent (APE) declined by 12.5% YoY to Rs 13,095 Cr mainly due to decline in group premium which declined by 35% YoY. New Business Premium (NBP) too posted de-growth of 36% YoY led by decline of group business premium of 45% YoY to Rs 35,387 Cr.

**Individual business stable:** Individual business remained relatively stable as compared to group business as the individual new business premium increased by 8% YoY. On APE basis, individual APE grew by 6% YoY to Rs 8,688 Cr reflecting that the individual business is relatively stable. Group business on new business premium de-grew by 45% YoY to Rs 35,387 Cr while on APE basis it declined by 35% YoY to Rs 4,407 Cr. The group business is cyclical in nature and it is expected that the group business will see revival in the H2FY24.

**Gradual shift in product mix:** The product mix of the public insurer continues to have par products as the major component. In the APE mix, Par products constituted 89% of the overall mix. The shift in product mix is slow and there needs a ramp-up towards creating a balanced product mix. The non-par margins remain high, hence, a shift in the product mix will also contribute to improvement in margin. Management indicated that the agents selling non-par products increased by 3-4% YoY.

**Agency continue to dominate and persistency stable:** The agency channel continues to be the core strength of LIC as it forms 96% of the new business premium. The bancassurance channel declined by 38bps YoY to 3.5% and direct channel improved by 10bps YoY to 0.2%. The direct and online channels is seeing traction in term products. Persistency saw an improvement mainly due to slight increase in the non-par product mix. The 13th month persistency improved by 67bps YoY to 71.2%, however, the 61st month persistency declined marginally by 66bps YoY to 55.2% due to micro insurance products introduced earlier. The company expects overall persistency to improve on the back of shift to new product and improvement in existing product term.

**Outlook & Valuation:** LIC premium income continued to slide during the quarter mainly led by decline in group insurance business while the individual business remained stable. There is a gradual shift in the product mix with an effort to make the product mix more balanced. The margin continues to see improvement as the non-par component increases. We estimate APE/VNB to grow at 11.7%/25% CAGR of FY23-25E and continue to maintain **Hold** on LIC with a target price of **Rs 646** valuing the company at 0.6x of the FY25E embedded value.

### Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net premium income	429,501	475,957	503,991	548,962
Total income	430,117	476,633	512,744	569,961
Surplus/deficit	18,236	41,617	27,553	28,733
APE	50,390	56,682	63,240	70,709
VNB	7,619	9,156	11,273	14,256
Embedded Value (EV)	541,492	582,243	633,504	695,556
EV per share (Rs)	856	921	1,002	1,100
P/EV (x)	0.7	0.7	0.6	0.6

Source : RBL Research

**Con-call highlights:** 1) The company is seeing increased competition in group business leading to decline in the premium. 2) PAT for HIFY24 includes Rs 138 Bn relating to accretions on the available solvency margin transferred from non par fund to shareholders account. 3) Regarding market share, LIC continues to be the market leader with overall market share of 58.5%. In HIFY24, it has a market share of 40.4% in the individual business and 70.3% in the group business. 4) During HIFY24, it sold 80.6 Mn policies in the individual segment as against 83.6 Mn policies in HIFY23. 5) Employee costs increased during the quarter due to increase in provisions for pension. 6) The group fund business is cyclical and the management is trying to recover the growth and increase market share in the segment.

#### Policyholders account - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y %	Q1FY24	Q-o-Q %
First year premium	10,032	9,176	9.3	6,849	46.5
Renewal premium	59,961	56,515	6.1	53,918	11.2
Single premium	37,955	67,022	(43.4)	38,149	(0.5)
<b>Total premium</b>	<b>107,947</b>	<b>132,712</b>	<b>(18.7)</b>	<b>98,916</b>	<b>9.1</b>
<b>Net premium income</b>	<b>107,877</b>	<b>132,632</b>	<b>(18.7)</b>	<b>98,755</b>	<b>9.2</b>
Income from investments	94,267	84,306	11.8	90,768	3.9
Other income	252	6,799	(96.3)	81	209.8
Transfer of funds from shareholders a/c	0	-787	-	1	(77.6)
<b>Total</b>	<b>202,395</b>	<b>222,949</b>	<b>(9.2)</b>	<b>189,606</b>	<b>6.7</b>
First year premium	2,493	2,425	2.8	1,983	25.7
Renewal premium	3,091	2,896	6.7	2,739	12.8
Single premium	133	123	7.7	81	63.3
<b>Total commission</b>	<b>5,717</b>	<b>5,445</b>	<b>5.0</b>	<b>4,803</b>	<b>19.0</b>
<b>Net commission</b>	<b>6,088</b>	<b>5,844</b>	<b>4.2</b>	<b>5,159</b>	<b>18.0</b>
Expenses of management	18,568	24,205	(23.3)	12,743	45.7
Provisions and GST charges	27	-2,310	-	-2,544	-
Provision for taxes	1,084	5,425	(80.0)	1,363	(20.5)
<b>Benefits paid</b>	<b>83,934</b>	<b>84,703</b>	<b>(0.9)</b>	<b>75,363</b>	<b>11.4</b>
Change in actuarial liability	91,423	96,088	(4.9)	96,412	(5.2)
<b>Total</b>	<b>195,036</b>	<b>208,110</b>	<b>(6.3)</b>	<b>183,336</b>	<b>6.4</b>
<b>Surplus/deficit</b>	<b>7,359</b>	<b>14,839</b>	<b>(50.4)</b>	<b>6,269</b>	<b>17.4</b>

Source : RBL Research

Net premium income declined by 19% YoY mainly due to decline in single premium income by 43% YoY

Surplus/(deficit) from policyholders account during the quarter declined by 50% YoY

## Shareholders account - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Transfer from policyholders a/c</b>	<b>7,309.6</b>	<b>14,925.7</b>	<b>(51.0)</b>	<b>9,080</b>	<b>(19.5)</b>
Investment income	889	155	474.9	640	39.0
Other income	37	34	6.1	35	5.8
Expenses other than insurance business	19	12	55.5	16	15.5
<b>Transfer of funds to policyholders a/c</b>	<b>0</b>	<b>(787)</b>	<b>-</b>	<b>1</b>	<b>(77.6)</b>
Provision for diminution in value of investments	89	8	954.6	4	2,361.3
Profit/(loss) before tax	8,128	15,882	(48.8)	9,734	(16.5)
Provisions for tax	97	28	253.1	99	(1.2)
<b>Profit after tax and extraordinary items</b>	<b>8,030</b>	<b>15,854</b>	<b>(49.3)</b>	<b>9,635</b>	<b>(16.7)</b>

Source : RBL Research

## Business parameters - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Annualized premium equivalent (APE)</b>	<b>13,095</b>	<b>14,958</b>	<b>(12.5)</b>	<b>9,532</b>	<b>37.4</b>
Individual new business premium	14,722	13,597	8.3	10,462	40.7
<b>Group business premium</b>	<b>35,387</b>	<b>64,373</b>	<b>(45.0)</b>	<b>35,590</b>	<b>(0.6)</b>
<b>Value of new business (VNB)</b>	<b>2,002</b>	<b>2,280</b>	<b>(12.2)</b>	<b>1,302</b>	<b>53.8</b>
Assets Under Management (AuM)	4,743,389	4,293,778	10.5	4,611,067	2.9
<b>VNB margin (%)</b>	<b>15.3</b>	<b>14.6</b>	<b>69bps</b>	<b>13.7</b>	<b>159bps</b>
<b>APE - Product mix</b>					
Individual Par	7,721	7,378	4.6	5,342	44.5
Individual Non Par	967	815	18.7	608	59.0
<b>Total individual</b>	<b>8,688</b>	<b>8,193</b>	<b>6.0</b>	<b>5,950</b>	<b>46.0</b>
Group	4,407	6,766	(34.9)	3,582	23.0

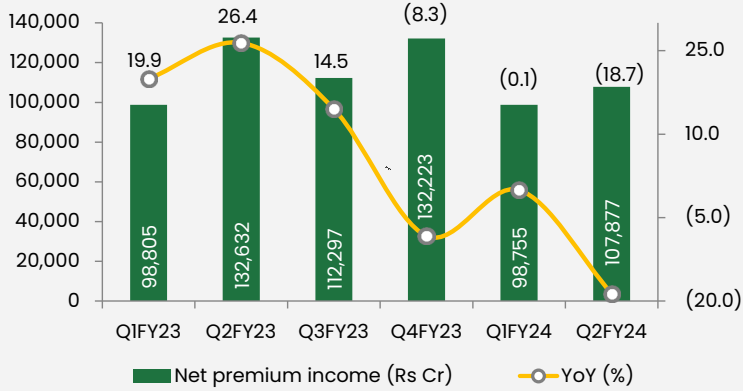
Source : RBL Research

APE/VNB declined by 12.5%/12.2% YoY led by decline in group business premium

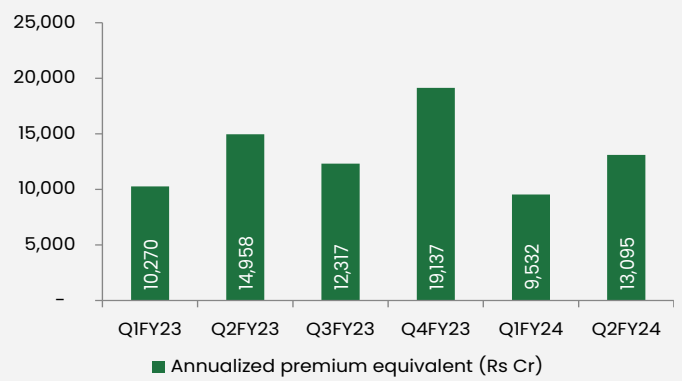
Individual business in APE mix increased by 6% YoY while group business declined by 35% YoY

Story in charts

Net premium income declined by 19% YoY

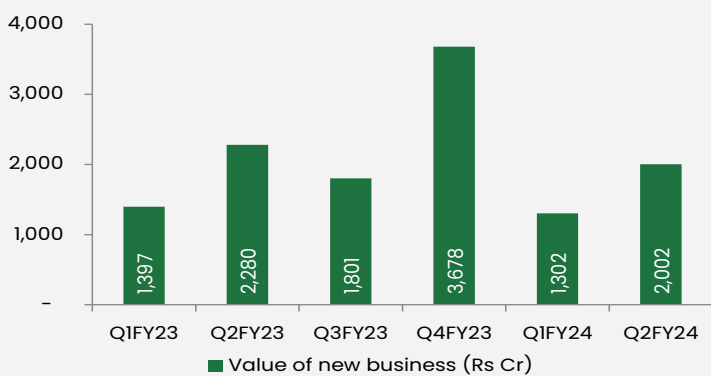


APE declined by 12.5% YoY due to decline in group business

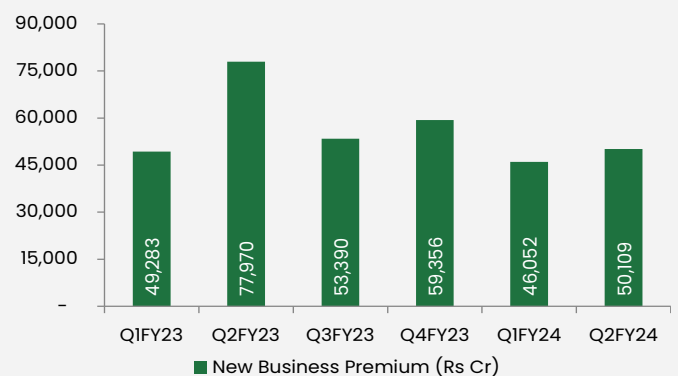


Source : RBL Research

VoNB declined by 12.2% YoY as margins remained flat

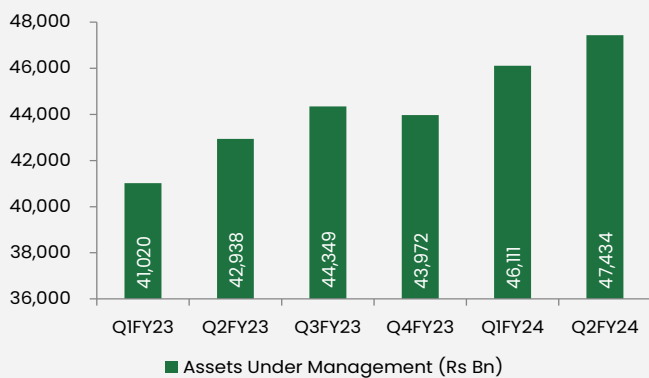


New Business Premium declined by 45% YoY in Q2FY24

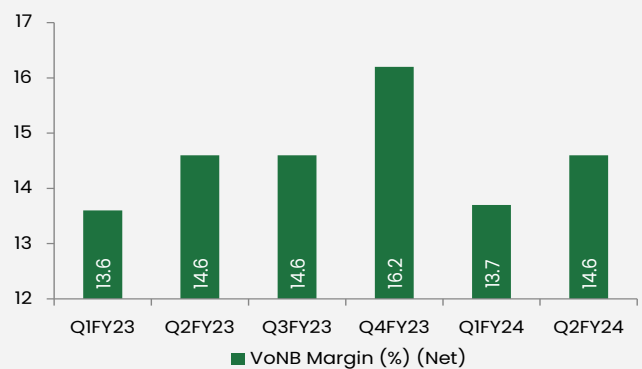


Source : RBL Research

AuM increased by 10.5% YoY in Q2FY24

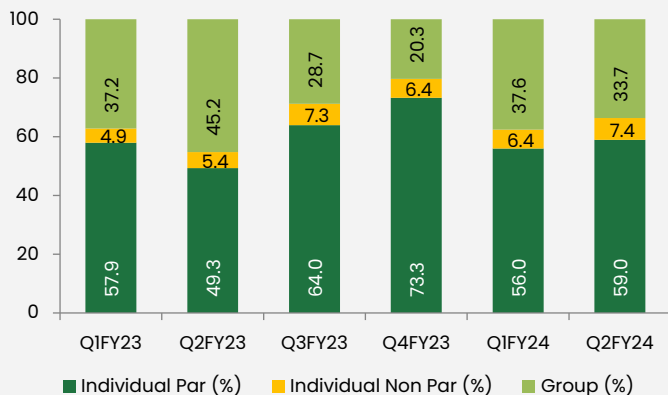


VoNB margin remained stable on YoY basis

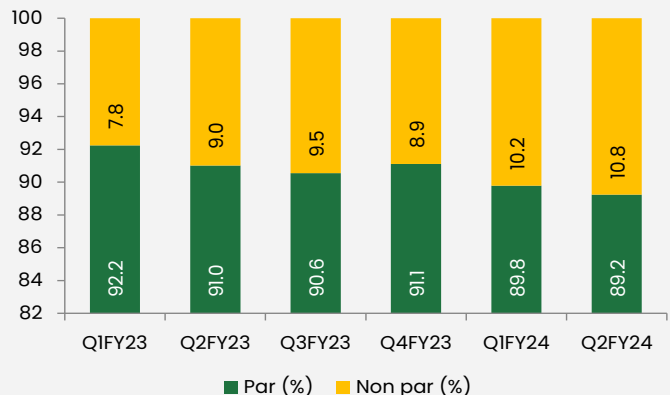


Source : RBL Research

Gradual increase in individual non-par segment



Increasing share of non-par products in APE mix



Source : RBL Research

## Technical account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
First year premium	36,879	39,269	42,018	46,304
Renewal premium	230,425	243,870	258,503	279,600
Single premium	162,813	193,493	212,224	244,057
<b>Total premium</b>	<b>430,117</b>	<b>476,633</b>	<b>512,744</b>	<b>569,961</b>
Net premium income	429,501	475,957	503,991	548,962
<b>Income from investments</b>	<b>294,106</b>	<b>307,488</b>	<b>393,585</b>	<b>456,559</b>
Other income	810	7,659	9,344	11,587
Transfer of funds from shareholders a/c	8,327	130	149	167
<b>Total</b>	<b>732,743</b>	<b>791,234</b>	<b>907,069</b>	<b>1,017,275</b>
Commission				
First year premium	9,781	10,832	11,765	13,150
Renewal premium	11,922	12,571	13,959	16,496
Single premium	503	526	637	879
Rewards	1,100	1,767	2,051	2,280
<b>Net commission</b>	<b>23,306</b>	<b>25,705</b>	<b>28,421</b>	<b>32,816</b>
Employees remuneration	30,347	40,135	48,563	60,218
Other operating expenses	8,674	8,155	8,481	8,905
<b>Expenses of management</b>	<b>62,326</b>	<b>73,994</b>	<b>85,465</b>	<b>101,939</b>
Provisions	(9,367)	(14,677)	3,934	6,306
GST charge on linked charges	91	109	206	409
Provision for taxes	7,973	5,382	6,014	6,675
Benefits paid	359,514	345,751	378,944	419,415
Change in actuarial liability	298,168	343,242	409,372	458,496
<b>Total</b>	<b>718,704</b>	<b>753,802</b>	<b>883,934</b>	<b>993,240</b>
<b>Surplus/deficit</b>	<b>14,039</b>	<b>37,433</b>	<b>23,135</b>	<b>24,035</b>
Share of profit in associates	4,203	4,182	4,417	4,697
Add/(less) minority interest	(6)	2	1	1
<b>Surplus/deficit after taxes</b>	<b>18,236</b>	<b>41,617</b>	<b>27,553</b>	<b>28,733</b>

Source : RBL Research

## Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share capital	6,325	6,325	6,325	6,325
Reserves and surplus	5,013	39,908	64,679	90,878
Minority Interest (shareholders)	120	117	117	117
<b>Sub-total</b>	<b>11,459</b>	<b>46,350</b>	<b>71,121</b>	<b>97,320</b>
Borrowings	1	-	-	-
Credit/(debit) fair value change account	400,274	348,298	389,877	434,810
Policy liabilities	3,727,885	4,068,735	4,482,233	4,954,583
Minority interest (policyholders)	(1)	2	2	2
Discontinued due to non payment of premium	66	163	179	192
Others	16	14	14	14
Insurance reserves	17,093	25,208	27,770	30,696
Provision for linked liabilities	23,909	26,179	28,839	31,879
<b>Sub-total</b>	<b>4,169,243</b>	<b>4,468,598</b>	<b>4,928,915</b>	<b>5,452,176</b>
Funds for future appropriations	1,834	3,919	4,322	4,781
<b>Total liabilities and shareholders equity</b>	<b>4,182,536</b>	<b>4,518,867</b>	<b>5,004,358</b>	<b>5,554,277</b>
Shareholders	5,229	28,177	29,836	32,499
Policyholders	3,911,423	4,205,474	4,694,638	5,221,922
Assets held to cover linked liabilities	23,959	26,326	29,388	32,689
Loans	111,034	117,005	117,093	120,987
Fixed assets	3,571	3,837	4,273	4,684
Cash and bank balances	23,959	45,499	34,084	44,431
Advances and other assets	154,120	152,174	156,691	161,342
<b>Current assets</b>	<b>198,844</b>	<b>197,673</b>	<b>190,775</b>	<b>205,774</b>
Current liabilities	56,574	44,678	46,699	49,331
Provisions	14,948	14,946	14,946	14,946
<b>Current liabilities</b>	<b>71,523</b>	<b>59,624</b>	<b>61,646</b>	<b>64,277</b>
<b>Net current assets</b>	<b>127,321</b>	<b>138,048</b>	<b>129,130</b>	<b>141,497</b>
<b>Total assets</b>	<b>4,182,536</b>	<b>4,518,867</b>	<b>5,004,358</b>	<b>5,554,277</b>

Source : RBL Research

**Shareholders account - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Transfer from policyholders a/c</b>	<b>12,202</b>	<b>35,439</b>	<b>23,463</b>	<b>24,468</b>
Investment income	207	1,182	1,478	1,921
Other income	111	131	151	169
Expenses other than insurance business	27	54	70	92
Transfer of funds to policyholders a/c	8,327	130	89	94
Provisions	-	488	-	-
<b>Profit/(loss) before tax</b>	<b>4,165</b>	<b>36,081</b>	<b>24,933</b>	<b>26,371</b>
Provisions for tax	40	84	58	62
<b>Profit/(loss) after tax</b>	<b>4,125</b>	<b>35,997</b>	<b>24,875</b>	<b>26,310</b>

Source : RBL Research

**EV movement - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Opening IEV</b>	<b>95,605</b>	<b>541,492</b>	<b>582,243</b>	<b>633,504</b>
Bifurcation impact	<b>374,172</b>			
<b>VoNB</b>	<b>7,619</b>	<b>9,156</b>	<b>11,273</b>	<b>14,256</b>
Unwinding	22,719	41,577	42,150	42,605
Operating experience variance	30,684	6,090	4,307	5,261
Change in operating assumptions	(5,243)	2,060	3,572	4,430
Economic assumption change and variance	15936	(17,183)	(9,020)	(3,389)
Dividend paid		(949)	(1,020)	(1,110)
<b>Closing IEV</b>	<b>541,492</b>	<b>582,243</b>	<b>633,504</b>	<b>695,556</b>

Source : RBL Research

**Key Ratios - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Annualized premium equivalent (APE)	50,390	56,682	63,240	70,709
YoY (%)	19.5	12.5	11.6	11.8
Value of new business (VNB)	7,619	9,156	11,273	14,256
YoY (%)	82.8	20.2	23.1	26.5
VNB margin (%)	15.1	16.2	17.8	20.2

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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