

February 7, 2025

**RESULT REPORT Q3 FY25** | Sector: Insurance (Life)

# Life Insurance Corporation

**Upgraded after 2Q, LIC continues to enhance margin but growth performance disappointing**

## Our view – Only Non-Par basket grows, driven by ULIP business

**VNB margin** - Calculated VNB margin improved on sequential basis as LIC redesigns products, adjusts commission and continues to enhance product mix: The VNB margin for 3QFY25 was 19.4%, down -65bps YoY but up 149 bps QoQ. The VNB margin for 9MFY25 was 17.1% compared with 16.6% in 9MFY24, up 50bps YoY. Change of product design and change in product mix were the key factors that led to the 50 bps expansion in VNB margin on YoY basis. Mix of business has been an important factor with rising share of Non-Par business having a positive impact. The decline in risk free rate has had a negative impact of 210 bps on margin, whereas product mix has had a positive 240 bps impact. With regard to product design, there has been a revision of premium rates on some products but not where the company already had a good margin. Apart from changes to product design, commission rates have also been re-aligned.

**APE growth** - Growth performance was weak in a worsening of performance compared with 2Q: Total APE has de-grown -24.4% YoY and -39.6% QoQ to Rs 99.5bn in 3QFY25. Individual Non-Par segment was the only broad segment to grow at 18% YoY, driven by ULIP, which nearly tripled YoY, up 198.5%. Group business APE de-grew -18.5% YoY for the quarter whereas Par continued its downward trend, lower by -38.2% YoY. In 2Q, total APE has grown 25.7% YoY and 42.4% QoQ to Rs 164.65bn, which could be regarded as a somewhat high base but, overall, growth performance was disappointing.

We maintain a recently assigned BUY rating with a revised price target of Rs 1000: We value LIC at 0.6x FY26 P/EV for an FY25E/26E/27E RoEV profile of 11.1/11.4/11.6%. We had upgraded LIC in our [2QFY25 result report](#) but had placed it below MFS and SBIL in our pecking order for the life insurance space.

**(See Comprehensive con call takeaways on page 2 for significant incremental colour.)**

## Other Highlights (See “Our View” above for elaboration and insight)

- **VNB growth:** VNB de-grew -34.5%/-26.9% QoQ/YoY to Rs. 19.26bn, sequentially driven lower by decrease in total APE.
- **Expense control:** Expense ratio fell by -10/-206bps QoQ/YoY to 13.5%, where QoQ the opex ratio was down -23bps and comm. ratio was up 13bps.
- **Persistency:** 37<sup>th</sup> month ratio fell -14/-18bps QoQ/YoY to 67.1% whereas 61<sup>st</sup> month ratio rose/fell 38/-56bps QoQ/YoY to 61.8%

## Exhibit 1: Result table – Standalone Financials

Rs mn	Q3 FY25	Q3 FY24	% yoy	Q2 FY25	% qoq
NBP	424,293	547,914	-22.6%	581,374	-27.0%
Renewal premium	645,859	624,312	3.5%	619,100	4.3%
Income from investments	943,357	952,669	-1.0%	1,089,724	-13.4%
APAT	110,565	94,444	17.1%	76,209	45.1%
Expense ratio	13.5%	15.5%	-206bps	13.6%	-10bps
37th mo. Persistency*	67.1%	67.3%	-18bps	67.2%	-14bps
Total APE	99,500	131,630	-24.4%	164,650	-39.6%
Ind APE	64,490	88,650	-27.3%	114,160	-43.5%
VNB	19,260	26,340	-26.9%	29,410	-34.5%
VNB Margin	19.4%	20.0%	-65bps	17.9%	149bps

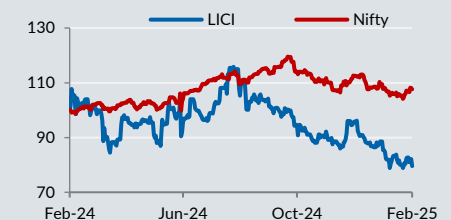
Source: Company, YES Sec-Research, \*Regular Premium Basis

Recommendation	: BUY
Current price	: Rs 816
Target price	: Rs 1000
Potential return	: +23%

## Stock data (as on February 7, 2025)

Nifty	23,560
52 Week h/l (Rs)	1222 / 805
Market cap (Rs/USD mn)	5242158 / 59922
Outstanding Shares (mn)	6,325
6m Avg t/o (Rs mn):	2,353
Div yield (%):	1.2
Bloomberg code:	LICI IN
NSE code:	LICI

## Stock performance



	1M	3M	1Y
Absolute return	-6.9%	-12.2%	-21.9%

## Shareholding pattern (As of Sep'24 end)

Promoter	96.5%
FII+DII	1.3%
Others	2.2%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1000	1200

## Financial Summary

Rs mn	FY25E	FY26E	FY27E
APE	611,372	695,253	789,741
% yoy	7.3%	13.7%	13.6%
VNB	104,439	137,726	167,635
VNB Margin	17.1%	19.8%	21.2%
PAT	615,877	691,543	773,544
% yoy	51.4%	12.3%	11.9%
EPS (Rs)	97.4	109.3	122.3
EVPS (Rs)	1,274.7	1,416.8	1,577.4
RoEV	11.1%	11.4%	11.6%
P/EV (x)	0.6	0.5	0.5
P/VNB (x)	43.9	33.3	27.3

## Δ in earnings estimates

Rs	FY25E	FY26E	FY27E
VNBPS (New)	16.5	21.8	26.5
VNBPS (Old)	20.4	24.3	29.1
% change	-18.9%	-10.5%	-9.0%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### VNB and VNB margin

- **VNB**
  - The VNB for 9MFY25 stood at Rs 64.77 bn as against Rs. 59.38bn in 9MFY24, up 9.08% YoY.
- **VNB Margin**
  - The VNB margin for 9MFY25 amounts to 17.1% compared with 16.6% in 9MFY24, up 50bps YoY.
  - **Evolution of VNB margin**
    - Change of product design and change in product mix are the key factors that led to the 50 bps expansion in VNB margin on YoY basis to 17.1%.
    - Mix of business has been important factor with rising share of Non-Par business having a positive impact.
    - The decline in risk free rate has had a negative impact of 210 bps on margin, whereas product mix has had a positive 240 bps impact.
    - There was a small positive impact due to operating assumption changes, mainly mortality assumption.
    - **More on changes in product design**
      - The company has made critical changes to its products which ensured that margin was protected despite risk free rate going down.
      - On Par products, apart from being compliant with new surrender norms, there was also a focus on profitability.
      - **Changes in premium rates**
        - There has been a revision of premium rates on some other products but not where the company already had a good margin.
        - The premium rates have been changed only moderately with an intention to protect margin rather than to enhance it.
      - **Changes with focus on Persistency**
        - The company has revised ticket sizes to a level where better persistency outcomes are seen.
        - The age band to which the products were being provided was also revisited.
        - The company also controlled the mode of payment where persistency experience was not good.
        - The company has not enhanced its persistency assumptions due to the various changes made.
    - **Commission rates**
      - Apart from changes to product design, commission rates have also been re-aligned.
  - **General guidance**
    - Management is looking forward to further improvement in margin but margin improvement alone will not drive VNB growth.
  - **Non-Par margin**
    - Non-Par margin has declined YoY due to higher share of ULIP business.
    - Also, there was a decline in Annuity margin due to decline in risk free rate.

### Revenue / Premium Aspects

- **Key APE growth figures**
  - Total APE has grown 6.1% YoY to Rs 379.75bn in 9MFY25.

(Con call takeaways continue on the next page)

- For 9MFY25, 64.81% of the APE was accounted by Individual business and 35.19% was accounted by Group business.
- The Individual APE for 9MFY25 was up by 4.72% YoY to Rs. 246.19bn whereas the Group business has grown 8.76% YoY to Rs 133.63bn.
- The Individual Non-par APE for 9MFY25 was up by 106.52% YoY to Rs. 68.13bn.
- **Product mix aspects**
  - Within Individual business, the share of Par was 72.32% and Non-Par was 27.68% for 9MFY25.
  - The share of Non-par within individual business for 9MFY25 has improved by 1364bps YoY.
- **LIC's Market Share**
  - First Year Premium Income – 57.42% in 9MFY25 as against 58.90% in 9MFY24.
  - Individual business – 37.21% in 9MFY25.
  - Group business – 71.70% in 9MFY25.
- **Product growth**
  - **Non-Par guaranteed business**
    - **Hedging approach**
      - The company has started using FRA (forward rate agreements) to hedge interest rate risk from this month.
      - The company will also look to utilise forward contracts for g-secs that were announced today by the RBI.
  - **Group business**
    - While the company has been heavily focused on the Group fund business, it has recently shifted some focus to doing risk business and Rs 20bn premium has come from this.
    - Within Group, annuity business can be relatively better margin but overall, group is volume-driven business that drives VNB more than VNB margin.
  - **Product launches**
    - Post the implementation of IRDA insurance regulation act 2024, effective from October 2024, LIC has launched 38 products.
    - The break-up of 38 products launched is 24 individual products, 8 group products, 5 individual riders and 1 group rider.

## Persistence

- **Persistence ratios, on premium basis for 9MFY25 Vs 9MFY24**
  - 13<sup>th</sup> Month – 76.66% Vs 78.0%
  - 61<sup>st</sup> Month – 61.84%. Vs 62.4%

## Channel aspects

- **Channel mix with regards to Individual NBP for 9MFY25**
  - Agency – 94.68%
  - Banca – 3.43%
  - Alternate – 1.30%
  - Digital – 0.59%
- **Banca channel**
  - The Individual NBP sourced via Banca and alternate channels was at Rs 20.04bn for 9MFY25, up by 31.06% YoY.
- **Agency channel**
  - LIC has 1.42mn agents as of December 2024.
  - Market share of the company on no. of agents is 47.4% as of December 2025 against 49.67% in December 2024.

(Con call takeaways continue on the next page)

- **Open architecture for agents**
  - LIC has made its position very clear that it is not a good idea for them.
  - It would not be straightforward to allow captive agents to work for others especially when LIC gives their agents so many benefits.
- **Digital Channel**
  - LIC has completed 0.97mn policies via the ANANDA App in 9MFY25 as against 0.79mn in 9MFY24.
  - The number of agents activated on Ananda App are 0.22mn in 9MFY25.

## Accounting Expense and Profitability

- The expense of management ratio was at 12.97% in 9MFY25 vs 15.28% in 9MFY24.
- Net profit for 9MFY25 was at Rs 291.38bn, up by 8.27% YoY.

## Claims experience

- The total individual maturity claims were 13.97mn in 9MFY25, up 5.8% YoY.
- The total individual death claims were 0.62mn in 9MFY25, up 4.02% YoY.
- Total death claims paid was Rs 175.88bn in 9MFY25, up 7.98% YoY.
- Total maturity claims paid was Rs 1,477.39bn in 9MFY25, up 13.45% YoY.

## Solvency

- The Solvency Ratio as of December 2024 improved to 2.02x as against 1.93x as of December 2023.

## AUM and Yield

- **AUM**
  - Asset under Management of the Company was Rs. 54,776.51 bn as of December 2024, up by 10.29% YoY
- **Yield**
  - The Yield on Investments on policyholders funds excluding unrealized gains was 8.82% for 9MFY25 as against 9.14% for 9MFY24.

## Exhibit 2: Other Business Parameters

Rs mn	Q3FY25	Q3FY24	% yoy	Q2FY25	% qoq
<b>APE Mix, Rs mn</b>					
APE - Individual Business	64,490	88,650	-27.3%	114,160	-43.5%
Indi Par APE	44,140	71,400	-38.2%	82,530	-46.5%
Indi Non-Par APE	20,350	17,240	18.0%	31,630	-35.7%
APE - Group Business	35,010	42,980	-18.5%	50,490	-30.7%
<b>Total APE</b>	<b>99,500</b>	<b>131,630</b>	<b>-24.4%</b>	<b>164,650</b>	<b>-39.6%</b>
<b>APE Mix (% Proportion)</b>					
APE - Individual Business	65%	67%	-253bps	69%	-452bps
Indi Par APE	44%	54%	-988bps	50%	-576bps
Indi Non-Par APE	20%	13%	736bps	19%	124bps
APE - Group Business	35%	33%	253bps	31%	452bps
<b>Distribution mix-Indi. NBP</b>					
Agency	120,246	128,646	-7%	167,684	-28%
Banca & alt. channels	7,964	6,049	32%	7,758	3%
Digital	820	229	258%	1,018	-19%
<b>Total</b>	<b>129,030</b>	<b>134,925</b>	<b>-4%</b>	<b>176,460</b>	<b>-27%</b>
<b>Distribution mix-Indi. NBP (% Proportion)</b>					
Agency	93.2%	95.3%	-215bps	95.0%	-183bps
Banca & alt. channels	6.2%	4.5%	169bps	4.4%	178bps
Digital	0.6%	0.2%	47bps	0.6%	6bps
<b>Persistency*</b>					
13th Month	76.7%	78.0%	-134bps	77.6%	-96bps
61st Month	61.8%	62.4%	-56bps	61.5%	38bps
<b>Expense ratio</b>					
Commission ratio	5.6%	5.6%	1bps	5.5%	13bps
Opex ratio	7.9%	10.0%	-207bps	8.1%	-23bps
<b>Solvency</b>					
Solvency ratio	202%	193%	900bps	198%	400bps

Source: Company, YES Sec – Research, \*Regular Premium Basis

## Exhibit 3: Quarterly Actuals Vs Estimates

Q3 FY25 (Rs. mn)	Actuals	Estimates	Diff, %
New Business Premium	424,293	444,039	(4.4)
Total APE	99,500	120,358	(17.3)
VNB	19,260	22,218	(13.3)

Source: Company, YES Sec – Research

## Exhibit 4: Product Mix on APE basis

Particulars	Q3FY25	Q3FY24	% yoy	Q2FY25	% qoq
<b>APE Mix, Rs mn</b>					
Individual Par	44,140	71,400	-38.2%	82,530	-46.5%
Individual Non Par	20,350	17,240	18.0%	31,630	-35.7%
Individual Saving	8,720	10,680	-18.4%	15,010	-41.9%
Protection	500	450	11.1%	610	-18.0%
Annuity	3,110	3,420	-9.1%	5,580	-44.3%
ULIP	8,030	2,690	198.5%	10,410	-22.9%
Group Business	35,010	42,980	-18.5%	50,490	-30.7%
<b>Total APE</b>	<b>99,500</b>	<b>131,630</b>	<b>-24.4%</b>	<b>164,650</b>	<b>-39.6%</b>
<b>APE Mix, %</b>					
Individual Par	44.4	54.2	-988bps	50.1	-576bps
Individual Non Par	20.5	13.1	735bps	19.2	124bps
Individual Saving	8.8	8.1	65bps	9.1	-35bps
Protection	0.5	0.3	16bps	0.4	13bps
Annuity	3.1	2.6	53bps	3.4	-26bps
ULIP	8.1	2.0	603bps	6.3	175bps
Group Business	35.2	32.7	253bps	30.7	452bps

Source: Company, YES Sec – Research

## ANNUAL FINANCIALS (STANDALONE)

### Exhibit 5: Policyholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Policyholders account</b>					
Net premium	4,740,046	4,750,696	5,140,254	5,616,232	6,175,333
Income from investments	3,063,901	3,639,439	4,437,931	4,790,408	5,192,253
Other income	76,485	146,484	161,132	177,245	194,970
From shareholders a/c	1,301	449	494	543	598
<b>Total income</b>	<b>7,881,734</b>	<b>8,537,068</b>	<b>9,739,811</b>	<b>10,584,428</b>	<b>11,563,153</b>
Commission	255,804	259,591	267,293	292,044	321,117
Operating Expenses	481,456	481,217	452,342	494,228	543,429
Benefits paid	3,425,768	3,888,093	3,471,279	3,793,014	4,170,891
Change in valuation of liability	3,433,828	3,530,361	4,763,387	5,158,628	5,613,422
Others	(147,371)	(27,851)	101,221	112,206	124,470
Provision for Tax	52,429	58,252	94,750	103,524	113,830
<b>Surplus/(Deficit)</b>	<b>379,822</b>	<b>347,405</b>	<b>589,538</b>	<b>630,784</b>	<b>675,993</b>
Transfer to shareholders A/C	359,077	374,554	560,061	599,245	642,194

Source: Company, YES Sec – Research

### Exhibit 6: Shareholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from Policyholders' account	359,077	374,554	560,061	599,245	642,194
Income from Investments	11,508	36,946	62,614	99,858	139,741
<b>Total A</b>	<b>370,585</b>	<b>411,501</b>	<b>622,675</b>	<b>699,103</b>	<b>781,935</b>
Expenses (apart from insurance)	4,716	3,180	2,709	2,980	3,278
Contribution to Policyholders' Acc	1,301	449	494	543	598
Others	0	0	0	0	0
<b>Total B</b>	<b>6,017</b>	<b>3,629</b>	<b>3,203</b>	<b>3,523</b>	<b>3,876</b>
Profit/(Loss) before tax	364,568	407,872	619,472	695,579	778,059
Provision for Taxation	594	1,114	3,595	4,036	4,515
<b>Profit/(Loss) after tax</b>	<b>363,974</b>	<b>406,758</b>	<b>615,877</b>	<b>691,543</b>	<b>773,544</b>

Source: Company, YES Sec – Research

## Exhibit 7: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' Funds:					
Share Capital	63,250	63,250	63,250	63,250	63,250
Reserve and surplus	394,920	757,401	1,352,194	2,022,654	2,775,115
Credit/(Debit) Fair Value Ch. Acct.	(1,477)	(1,269)	(1,269)	(1,269)	(1,269)
Policyholders' Funds					
Policy Liabilities	40,512,485	43,953,253	48,585,887	53,548,386	58,867,614
Provision for Linked Liabilities	261,592	348,761	479,514	675,643	969,836
Fair Value change	3,482,803	6,926,821	6,926,821	6,926,821	6,926,821
Insurance Reserve	156,781	155,941	155,941	155,941	155,941
Fund For Discontinued Policies	1,772	4,079	4,894	5,873	7,048
Funds for future appropriation	39,187	12,147	41,624	73,163	106,963
<b>Sources of Funds</b>	<b>44,911,314</b>	<b>52,220,383</b>	<b>57,608,856</b>	<b>63,470,462</b>	<b>69,871,319</b>
Investments - Shareholders	293,635	637,440	1,151,521	1,701,569	2,291,041
Investments Policyholders	41,891,778	48,765,124	52,416,895	56,532,479	61,151,371
Assets Held to Cover Linked Liab.	263,095	352,578	486,802	688,139	990,143
Loans	1,155,624	1,202,583	1,322,841	1,455,125	1,600,638
Fixed Assets	38,196	40,570	43,570	46,570	49,570
Net Current Assets	1,268,986	1,222,088	2,187,226	3,046,580	3,788,557
Misc. Expenditure	0	0	0	0	0
<b>Application of funds</b>	<b>44,911,314</b>	<b>52,220,383</b>	<b>57,608,856</b>	<b>63,470,462</b>	<b>69,871,319</b>

Source: Company, YES Sec – Research

## Exhibit 8: Embedded Value Walk

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Opening EV</b>	<b>5,414,920</b>	<b>5,822,430</b>	<b>7,273,440</b>	<b>8,062,320</b>	<b>8,961,008</b>
Bifurcation impact	0	0	0	0	0
Unwind of Discount	415,770	521,980	618,242	685,297	761,686
Value of New Business	91,560	95,830	104,439	137,726	167,635
Operating Assumption Changes	20,600	48,290	0	0	0
Operating Experience Variance	60,900	3,680	87,281	96,748	107,532
<b>EV Operating Profit (EVOP)</b>	<b>588,830</b>	<b>669,780</b>	<b>809,963</b>	<b>919,771</b>	<b>1,036,853</b>
Economic Variance	(171,830)	954,640	0	0	0
EV Profit	417,000	1,624,420	809,963	919,771	1,036,853
Future Charge to Sh. Fund	0	(129,140)	0	0	0
Net Capital Inflow / Outflow	(9,490)	(44,270)	(21,083)	(21,083)	(21,083)
<b>Closing EV</b>	<b>5,822,430</b>	<b>7,273,440</b>	<b>8,062,320</b>	<b>8,961,008</b>	<b>9,976,777</b>

Source: Company, YES Sec – Research

## Exhibit 9: Sum of the Parts (SOTP) - Subsidiaries

Subsidiary	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
LIC Housing Finance	317,799	BV	313,948	1.0	45.2%	143,772	22.7
IDBI Bank	854,601	BV	534,315	1.6	49.2%	420,805	66.5
LIC MF	31,761	AUM	317,607	10%	45.0%	14,292	2.3
<b>Value of Subsidiaries</b>						<b>578,870</b>	<b>91.5</b>

Source: Company, YES Sec – Research



## Exhibit 10: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Annual Premium Equivalent	611,372	695,253	789,741	702,635	801,110	915,908	(13.0)	(13.2)	(13.8)
Value of new business	104,439	137,726	167,635	128,831	153,803	184,236	(18.9)	(10.5)	(9.0)
Embedded Value	8,062,320	8,961,008	9,976,777	8,086,711	9,003,841	10,040,366	(0.3)	(0.5)	(0.6)

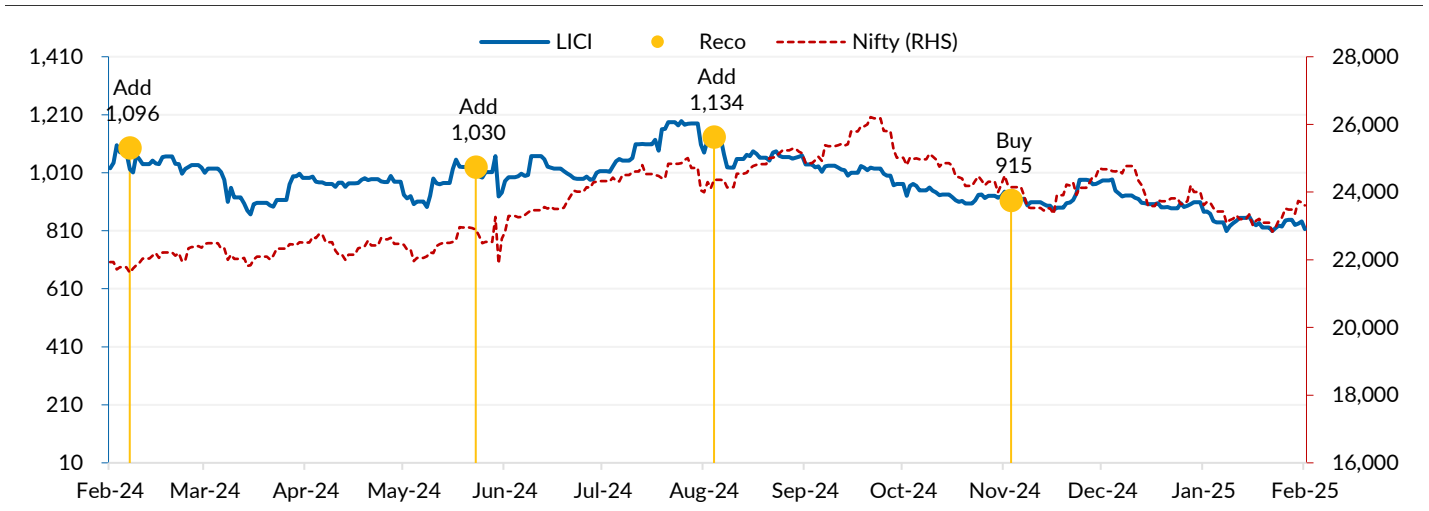
Source: Company, YES Sec – Research

## Exhibit 11: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth (%) - P&amp;L</b>					
New business premium	16.6%	-4.0%	12.4%	13.7%	13.6%
Renewal premium	5.9%	4.3%	4.6%	5.1%	6.2%
Net premium	10.9%	0.2%	8.2%	9.3%	10.0%
PAT	800.2%	11.8%	51.4%	12.3%	11.9%
VNB	20.2%	4.7%	9.0%	31.9%	21.7%
<b>Growth (%) - Balance Sheet</b>					
Total AUM	8.1%	17.2%	8.6%	9.0%	9.4%
Total Assets	8.0%	16.3%	10.3%	10.2%	10.1%
Embedded value	7.5%	24.9%	10.8%	11.1%	11.3%
<b>Profitability ratios (%)</b>					
VNB Margin	16.2%	16.8%	17.1%	19.8%	21.2%
<b>Expense metrics (%)</b>					
Commission ratio	5.4%	5.5%	5.2%	5.2%	5.2%
Opex ratio	10.2%	10.1%	8.8%	8.8%	8.8%
Expense ratio	15.6%	15.6%	14.0%	14.0%	14.0%
<b>Persistence (%)</b>					
Conservation Ratio	91.3%	89.8%	90.6%	90.6%	90.6%
<b>Return ratios (%)</b>					
RoEV	10.9%	11.5%	11.1%	11.4%	11.6%
ROE	79.4%	49.6%	43.5%	33.2%	27.3%
RoA	0.8%	0.8%	1.1%	1.1%	1.2%
<b>Solvency</b>					
Solvency Ratio	187%	198%	190%	185%	185%
<b>Underwriting</b>					
Claims ratio	72.3%	81.8%	67.5%	67.5%	67.5%
Claims / AUM	8.1%	7.8%	6.4%	6.4%	6.5%
<b>Per share data (Rs)</b>					
EPS	57.5	64.3	97.4	109.3	122.3
VNBPS	14.5	15.2	16.5	21.8	26.5
BVPS	72.4	129.7	223.8	329.8	448.8
EVPS	920.5	1150.0	1274.7	1416.8	1577.4
<b>Valuation (x)</b>					
P/E	12.6	11.3	7.4	6.6	5.9
P/VNB	50.0	47.8	43.9	33.3	27.3
P/BV	10.0	5.6	3.2	2.2	1.6
P/EV	0.8	0.6	0.6	0.5	0.5

Source: Company, YES Sec – Research

## Recommendation Tracker



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