

**Growth in Premiums along with margin improvement**

Q3FY24 Result Update | Sector: Insurance | February 09, 2024

**ACCUMULATE**

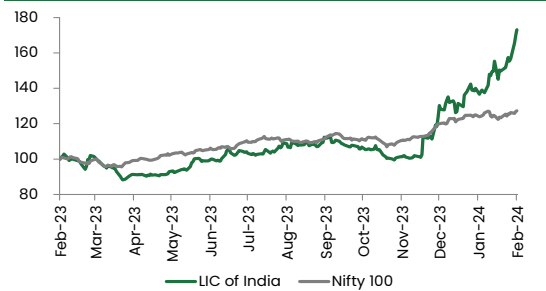
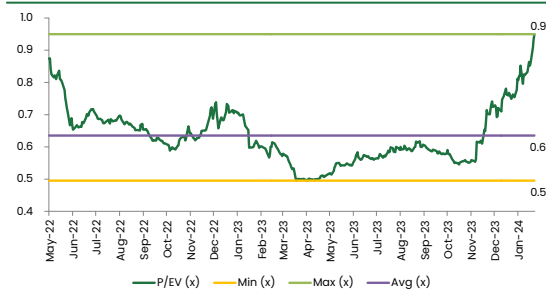
<b>CMP (Rs)</b>	<b>1,081</b>
<b>Target Price (Rs)</b>	<b>1,232</b>
<b>Potential Upside</b>	<b>14.0%</b>
<b>Sensex</b>	71,596
<b>Nifty</b>	21,783

**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>	683,637
<b>3M Avg Volume</b>	5,196,607
<b>52 week H/L</b>	1,175/530

**Shareholding Pattern**

(%)	Jun-23	Sep-23	Dec-23
<b>Promoter</b>	96.5	96.5	96.5
<b>FII</b>	0.1	0.1	0.1
<b>DII</b>	0.8	0.8	1.0
<b>Public</b>	2.6	2.6	2.4

**1 year relative price performance**

**1 year forward P/EV (x)**

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**Healthy growth in premium income:** LIC of India net premium income in Q3FY24 was Rs 1.2 Lakhs Cr, up by 8.9% QoQ/4.6% YoY. The single digit growth in net premium income was driven by single premium growth of 22.4% YoY/9.9% QoQ, however, first year premium declined by 15.6% QoQ/13.3% YoY. Similarly APE reported growth 0.5% QoQ/6.9% YoY to Rs 13,163 Cr while new business premium increased by 10.9% QoQ/4.1% YoY to Rs 55,575 Cr which was led by group business premium growth of 18.9% QoQ/7.6% YoY.

**VNB growth and margin expansion:** Value of new business (VNB) during the quarter increased by 31.6% QoQ/46.3% YoY to Rs 2,634 Cr. VNB margin expanded by 541bps QoQ/YoY to 20%. The growth in VNB was mainly due to the growth in non-par policies which gained traction during the quarter. VNB from non-par products increased by 49.6% YoY in 9MFY24 to Rs 2,106 Cr along with margin expansion of 20bps YoY to 63.8%. VNB from individual business reported growth of 11.6% YoY along while margin expanded by 180bps. The management remains confident to maintain the VNB margin above 20% consistently going forward which shall aid the VNB growth.

**Growth in non-par products:** During the quarter, LIC saw an uptick in the non-participating products. In the overall APE mix, individual non-par saw a growth of 78.3% QoQ/92% YoY while par products de-grew by 7.5% QoQ/9.4% YoY. The non-par product has increased by 571.3bps QoQ/580.7bps YoY to 13.1% of the overall APE mix. The management remains optimistic of the growth of non-par products in estimates and expects non-par proportion to be 15% in the overall APE mix.

**Diversification of distribution channels:** The company continues to have an agency dominated product mix. During the period 9MFY24, agency contribution was 95.9%. During the 9MFY24, its agency force increased by 51,000 agents. The company aims to increase its bancassurance channel by collaborating with bank for distribution of its products while it also aims to increase its digital footprint by tech.

**Guidance going forward:** The management remain optimistic of the business growth going forward as the insurance company aims to grow its APE in double digits on a high base of last year. The company aims to increase its margin by increasing portion of non-par products in the overall product mix and maintaining margin of more than 20%. It shall continue to launch product which will benefit the customers, be competitive in the market and benefit the shareholders.

**Valuation and outlook:** LIC posted results above expectation in terms of policy growth and margins. The company managed to increase the portion of non-par products which aided the margin. The company's recently launched product remained competitive in the market while it continued to maintain leadership position in both group and individual business. We expect its APE/VNB to grow at 9.4%/16.5% CAGR over FY23-26E and revise our rating to **Accumulate** (from Hold) along with target price revision to **Rs 1,232** valuing the company at 1x of its FY26E embedded value.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net premium income	475,957	490,576	526,147	568,305
Total income	476,633	499,310	546,984	602,527
Surplus/deficit	41,617	35,598	34,003	39,405
APE	56,682	61,517	67,855	74,647
VNB	9,156	11,273	12,416	13,900
Embedded Value (EV)	582,243	633,504	693,716	764,241
EV per share (Rs)	921	1,002	1,097	1,208
P/EV (x)	1.2	1.1	1.0	0.9

Source : RBL Research

**Concall highlights:** 1) The company launched new product which was in line with the strategy of increasing its non-par products. 2) During 9MFY24, it sold 1.25 Cr policies. 3) Its total agency network as on 9MFY24 was 13.7 Lakhs as compared to 13.2 Lakhs in 9MFY23. 4) The company is able to launch products which are competitive in market and meet customer expectations. 5) The management remains confident that the margin will improve going ahead and shall be competitive in the market. Along with it growth in margin can also be sustained. 6) The company is taking efforts to increase banking and alternate channel for growth. It will increase in digital channel wherein a policyholder shall be able to connect directly with the company. 7) Its product "Jeevan Utsav" continues to do well and more than Rs 1,000 Cr were collected with the product. 8) Its non-par product pipeline remains healthy with launch of product such as "LIC Index Plus", "Jeevan Dhara". 9) Par insurance business remained muted due to its cyclical nature of products. 10) The company remains cautious with regards to the risk management, its ensured optimum risk measures are taken with appropriate cash management tools.

Net premium income increased by 8.9% QoQ/4.6% YoY in Q3FY24

Net commission increased by 7.5% QoQ/3.1% YoY in Q3FY24

Policyholder's surplus/(deficit) declined on a YoY basis by 33.9%, however, increased by 15.8% QoQ

**Policyholders account - consolidated**

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
First year premium	8,469	9,765	(13.3)	10,032	(15.6)
Renewal premium	62,719	60,497	3.7	59,961	4.6
Single premium	46,451	42,285	9.9	37,955	22.4
<b>Total premium</b>	<b>117,639</b>	<b>112,547</b>	<b>4.5</b>	<b>107,947</b>	<b>9.0</b>
<b>Net premium income</b>	<b>117,432</b>	<b>112,297</b>	<b>4.6</b>	<b>107,877</b>	<b>8.9</b>
Income from investments	95,561	85,129	12.3	94,267	1.4
Other income	167	213	(21.6)	252	(33.5)
Transfer of funds from shareholders a/c	(1)	24	-	0	-
<b>Total</b>	<b>213,159</b>	<b>197,663</b>	<b>7.8</b>	<b>202,395</b>	<b>5.3</b>
First year premium	2,529	2,593	(2.4)	2,493	1.4
Renewal premium	3,309	3,189	3.8	3,091	7.1
Single premium	124	144	(13.5)	133	(6.2)
<b>Total commission</b>	<b>5,963</b>	<b>5,926</b>	<b>0.6</b>	<b>5,717</b>	<b>4.3</b>
<b>Net commission</b>	<b>6,544</b>	<b>6,349</b>	<b>3.1</b>	<b>6,088</b>	<b>7.5</b>
Expenses of management	18,256	13,853	31.8	18,568	(1.7)
Provisions and GST charges	(15)	(3,584)	-	27	-
Provision for taxes	1,362	(2,486)	-	1,084	25.6
<b>Benefits paid</b>	<b>97,243</b>	<b>79,791</b>	<b>21.9</b>	<b>83,934</b>	<b>15.9</b>
Change in actuarial liability	87,791	97,203	(9.7)	91,423	(4.0)
<b>Total</b>	<b>204,637</b>	<b>184,778</b>	<b>10.7</b>	<b>195,036</b>	<b>4.9</b>
<b>Surplus/(deficit)</b>	<b>8,523</b>	<b>12,885</b>	<b>(33.9)</b>	<b>7,359</b>	<b>15.8</b>

Source : RBL Research

Investment income increased by 19.3% QoQ/267.3% YoY

PAT increased by 17.9% QoQ/49.1% YoY in Q3FY24

APE/NBP grew by 6.9%/4.1% YoY

VNB margin improved by 541bps QoQ/YoY to 20%

Individual non-par APE increased by 78.3% QoQ/92% YoY

**Shareholders account - consolidated**

Particulars	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
<b>Transfer from policyholders a/c</b>	<b>8,458</b>	<b>6,097</b>	<b>38.7</b>	<b>7,310</b>	<b>15.7</b>
Investment income	1,061	289	267.3	889	19.3
Other income	40	33	20.5	37	8.7
Expenses other than insurance business	20	23	(12.7)	19	6.8
<b>Transfer of funds to policyholders a/c</b>	<b>(1)</b>	<b>24</b>	<b>-</b>	<b>0</b>	<b>-</b>
Provision for diminution in value of investments	8	(6)	-	89	(90.5)
Profit/(loss) before tax	9,531	6,377	49.5	8,128	17.3
Provisions for tax	62	28	120.4	97	(36.4)
<b>Profit after tax and extraordinary items</b>	<b>9,469</b>	<b>6,349</b>	<b>49.1</b>	<b>8,030</b>	<b>17.9</b>

Source : RBL Research

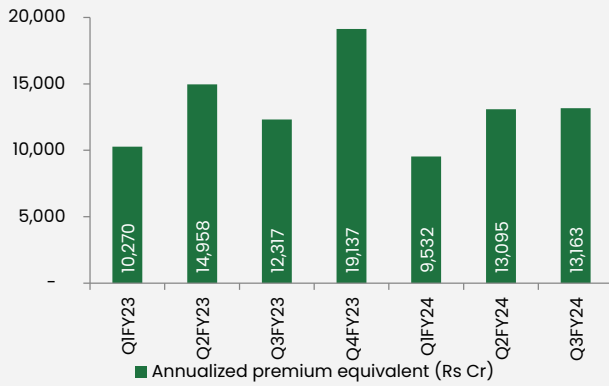
**Business parameters**

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
<b>Annualized premium equivalent (APE)</b>	<b>13,163</b>	<b>12,317</b>	<b>6.9</b>	<b>13,095</b>	<b>0.5</b>
Individual new business premium	13,495	14,293	(5.6)	14,722	(8.3)
Group business premium	42,080	39,097	7.6	35,387	18.9
<b>New Business Premium</b>	<b>55,575</b>	<b>53,390</b>	<b>4.1</b>	<b>50,109</b>	<b>10.9</b>
<b>Value of new business (VNB)</b>	<b>2,634</b>	<b>1,801</b>	<b>46.3</b>	<b>2,002</b>	<b>31.6</b>
Assets Under Management (AuM)	49,66,371	44,34,940	12.0	47,43,389	4.7
<b>VNB margin (%)</b>	<b>20.0</b>	<b>14.6</b>	<b>541bps</b>	<b>14.6</b>	<b>541bps</b>
<b>APE - Product mix</b>					
Individual Par	7,140	7,878	(9.4)	7,721	(7.5)
Individual Non Par	1,724	898	92.0	967	78.3
<b>Total individual</b>	<b>8,864</b>	<b>8,776</b>	<b>1.0</b>	<b>8,688</b>	<b>2.0</b>
Group	4,298	3,541	21.4	4,407	(2.5)

Source : RBL Research

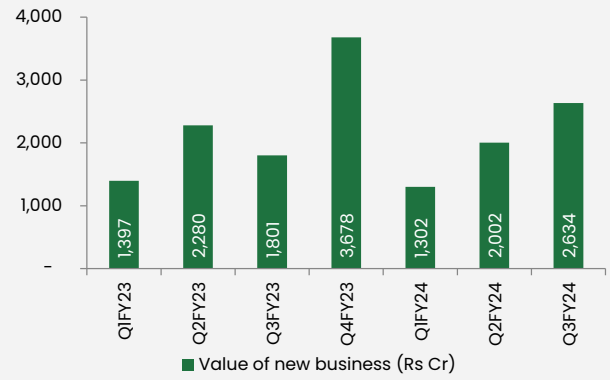
## Story in charts

**APE increased by 6.9% YoY led by group insurance**

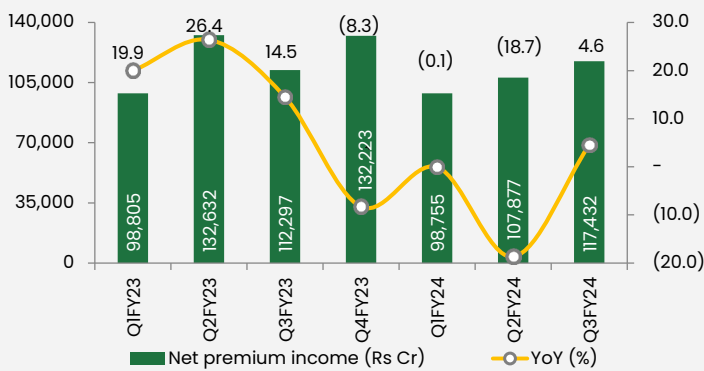


Source : RBL Research

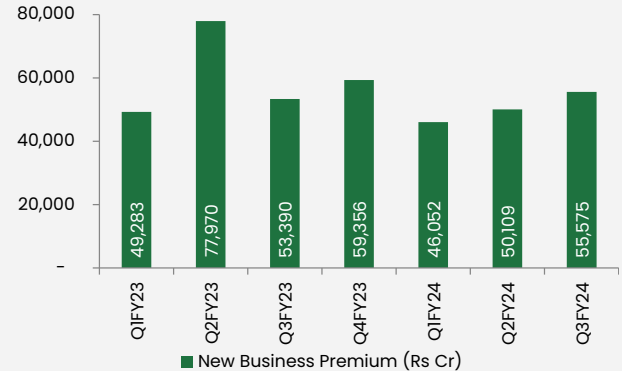
**VNB increased by 46.3% YoY mainly due to non-par products**



**Net premium income increased by 4.6% YoY**

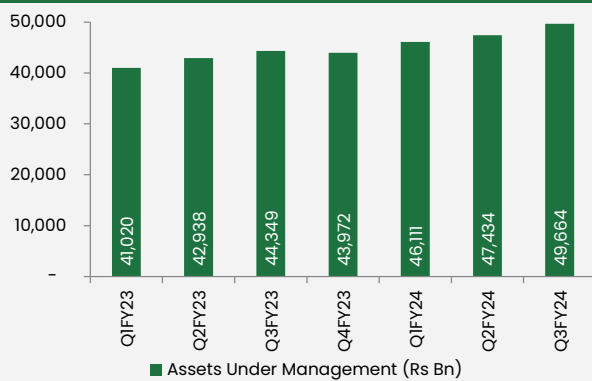


**NBP increased by 4.6% YoY due to group business**

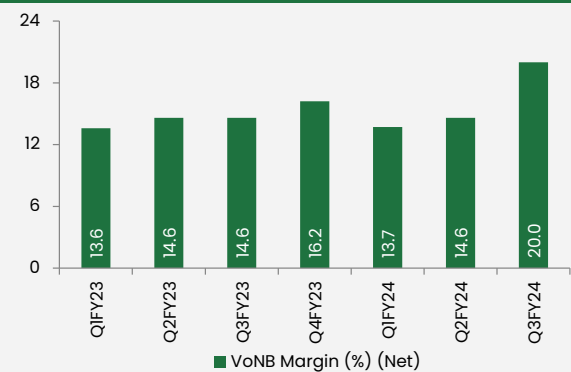


Source : RBL Research

**AuM growth remains strong at 12% YoY**

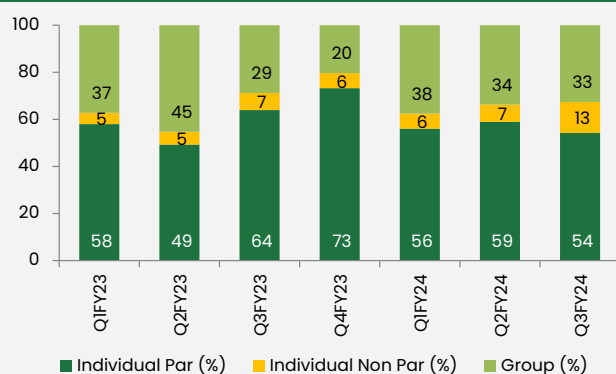


**Strong recovery in VNB margin by 541bps YoY**

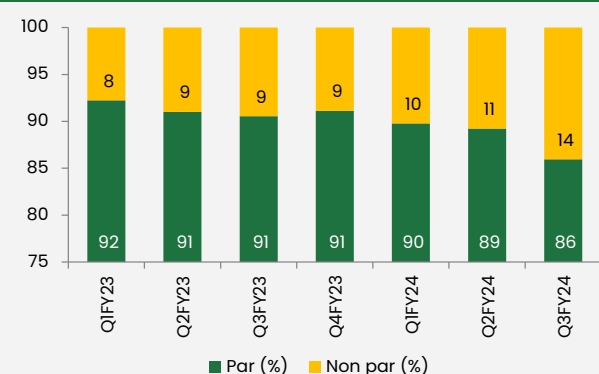


Source : RBL Research

**Increasing proportion of individual non-par products**



**Increasing non-par products in overall products mix**



Source : RBL Research

### Technical account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
First year premium	39,269	40,783	44,805	48,773
Renewal premium	243,870	251,187	271,687	295,013
Single premium	193,493	207,341	230,491	258,741
<b>Total premium</b>	<b>476,633</b>	<b>499,310</b>	<b>546,984</b>	<b>602,527</b>
Net premium income	475,957	490,576	526,147	568,305
<b>Income from investments</b>	<b>307,488</b>	<b>393,585</b>	<b>456,559</b>	<b>525,887</b>
Other income	7,659	9,344	11,587	14,501
Transfer of funds from shareholders a/c	130	147	164	182
<b>Total</b>	<b>791,234</b>	<b>893,652</b>	<b>994,456</b>	<b>1,108,875</b>
Commission				
First year premium	10,832	11,419	12,725	13,374
Renewal premium	12,571	13,564	16,030	18,061
Single premium	526	622	830	931
Rewards	1,767	1,997	2,188	2,410
<b>Net commission</b>	<b>25,705</b>	<b>27,612</b>	<b>31,783</b>	<b>34,789</b>
Employees remuneration	40,135	48,563	60,218	74,142
Other operating expenses	8,155	8,481	8,905	9,296
<b>Expenses of management</b>	<b>73,994</b>	<b>84,656</b>	<b>100,906</b>	<b>118,227</b>
Provisions	(14,677)	3,966	6,362	9,074
GST charge on linked charges	109	206	409	812
Provision for taxes	5,382	5,924	6,517	7,210
Benefits paid	345,751	378,944	419,415	467,097
Change in actuarial liability	343,242	388,777	431,543	472,045
<b>Total</b>	<b>753,802</b>	<b>862,473</b>	<b>965,151</b>	<b>1,074,466</b>
<b>Surplus/(deficit)</b>	<b>37,433</b>	<b>31,179</b>	<b>29,305</b>	<b>34,410</b>
Share of profit in associates	4,182	4,417	4,697	4,994
Minority interest	2	2	2	2
<b>Surplus/(deficit) after taxes</b>	<b>41,617</b>	<b>35,598</b>	<b>34,003</b>	<b>39,405</b>

Source : RBL Research

### Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share capital	6,325	6,325	6,325	6,325
Reserves and surplus	39,908	71,460	102,103	137,845
Minority Interest (shareholders)	117	117	117	117
<b>Sub-total</b>	<b>46,350</b>	<b>77,902</b>	<b>108,545</b>	<b>144,287</b>
Borrowings	-	-	-	-
Credit/(debit) fair value change account	348,298	389,812	434,699	484,639
Policy liabilities	4,068,735	4,470,418	4,921,858	5,430,158
Minority interest (policyholders)	2	2	2	2
Discontinued due to non payment of premium	163	179	192	206
Others	14	14	14	14
Insurance reserves	25,208	27,697	30,493	33,643
Provision for linked liabilities	26,179	28,763	31,668	34,939
<b>Sub-total</b>	<b>4,468,598</b>	<b>4,916,885</b>	<b>5,418,926</b>	<b>5,983,601</b>
Funds for future appropriations	3,919	4,312	4,752	5,247
<b>Total liabilities and shareholders equity</b>	<b>4,518,867</b>	<b>4,999,099</b>	<b>5,532,223</b>	<b>6,133,136</b>
Shareholders	28,177	29,042	31,148	33,644
Policyholders	4,205,474	4,694,638	5,221,922	5,808,428
Assets held to cover linked liabilities	26,326	29,388	32,689	36,360
Loans	117,005	117,093	120,987	125,010
Fixed assets	3,837	4,273	4,684	5,136
Cash and bank balances	45,499	29,620	23,728	25,483
Advances and other assets	152,174	156,691	161,342	166,131
<b>Current assets</b>	<b>197,673</b>	<b>186,311</b>	<b>185,070</b>	<b>191,614</b>
Current liabilities	44,678	46,699	49,331	52,110
Provisions	14,946	14,946	14,946	14,946
<b>Current liabilities</b>	<b>59,624</b>	<b>61,646</b>	<b>64,277</b>	<b>67,056</b>
<b>Net current assets</b>	<b>138,048</b>	<b>124,665</b>	<b>120,793</b>	<b>124,558</b>
<b>Total assets</b>	<b>4,518,867</b>	<b>4,999,099</b>	<b>5,532,223</b>	<b>6,133,136</b>

Source : RBL Research

### Shareholders account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
<b>Transfer from policyholders a/c</b>	<b>35,439</b>	<b>30,314</b>	<b>28,956</b>	<b>33,556</b>
Investment income	1,182	1,478	1,921	2,481
Other income	131	151	169	189
Expenses other than insurance business	54	70	92	121
Transfer of funds to policyholders a/c	130	113	110	128
Provisions	488	-	-	-
<b>Profit/(loss) before tax</b>	<b>36,081</b>	<b>31,759</b>	<b>30,844</b>	<b>35,977</b>
Provisions for tax	84	74	72	84
<b>Profit/(loss) after tax</b>	<b>35,997</b>	<b>31,685</b>	<b>30,772</b>	<b>35,893</b>

Source : RBL Research

### Key Ratios – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Annualized premium equivalent (APE)	56,682	61,517	67,855	74,647
YoY (%)	12.5	8.5	10.3	10.0
Value of new business (VNB)	9,156	11,273	12,416	13,900
YoY (%)	20.2	23.1	10.1	12.0
VNB margin (%)	16.2	18.3	18.3	18.6

Source : RBL Research

### EV movement – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
<b>Opening IEV</b>	<b>541,492</b>	<b>582,243</b>	<b>633,504</b>	<b>693,716</b>
<b>VoNB</b>	<b>9,156</b>	<b>11,273</b>	<b>12,416</b>	<b>13,900</b>
Unwinding	41,577	42,150	42,605	43,398
Operating experience variance	6,090	4,307	5,261	6,335
Change in operating assumptions	2,060	3,572	4,430	5,394
Economic assumption change and variance	(17,183)	(9,020)	(3,389)	2,714
Dividend paid	(949)	(1,020)	(1,110)	(1,216)
<b>Closing IEV</b>	<b>582,243</b>	<b>633,504</b>	<b>693,716</b>	<b>764,241</b>

Source : RBL Research

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**Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:**

**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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