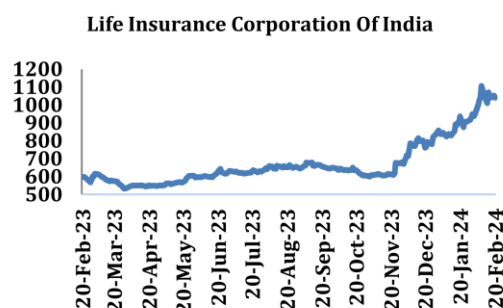


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**LIFE INSURANCE CORP. OF INDIA**

Industry	Insurance
No. of Shares (Crore)	632.50
Face value (Rs.)	10.00
Mkt. Cap (Rs. Crore)	6,58,400.64
Price (20/02/2024)	1,040.95
Book Value (Rs)	110.90
P/BV	9.39
BSE Code	543526
NSE Code	LICI
Bloomberg	LICI IN
Reuters	LIFI.BO
Avg. Weekly Volume (NSE)	79,98,256
52 W H/L (Rs)	1,175 / 530.20

**Further to our Research Report dated May 31, 2023, (RC-595) and in our 2023 Samvat Picks (RC-611), the scrip has recently touched its 52-week high of Rs 1,175 on 9<sup>th</sup> Feb, 2024. LIC had declared a dividend of Rs 3 per share for FY22-23 and has recently announced an interim dividend of Rs 4 per share for FY23-24. In lieu of its dominant position and attractive valuations compared to its peers, we recommend a BUY again at the current levels.\*RC- Recomm Price.**

**Recommendation**
**BUY**

**Company Background**

**Life Insurance Corporation of India (LIC)** is a dominant force in India's life insurance industry commanding a market share of 67.95% and 58.90% in Policies and Premiums respectively at the end of 9MFY24. It also holds the distinction of managing the country's largest Assets Under Management (AUM) worth Rs 49.66 Lakh Crs. LIC has the largest agency force of 13.74 Lakh agents with a 49.67% market share.

**Rationale For Investment**

➤ LIC's focus on its Non-Par products is expected to drive the revenue and profitability growth in future. During the 9-month period ending December 2023, the share of non-par products increased to 14% from 9.4% a year ago. During the same period, the share of par products dropped to 85.96% from 90.5%. It is well on track as per the management's guidance of 15% share in Non-Par products stated at the time of listing in May 2022. LIC's focus on changing product mix and launching new non- par products has shown positive results, with a significant increase in non- par share within the individual business.

➤ Assets Under Management (AUM) at the end of 9MFY24 stood at 49,66,371 Cr as against Rs 44,34,940 Cr growing 11.98% YoY. LIC still holds the leadership position amongst its other peers. LIC India commands highest AUM in the life insurance industry accounting for 74% of the total AUM, while private players have a total AUM of Rs. 14 lakh crore. SBI Life and ICICI Prudential Life follow LIC India taking second and third position managing an AUM of Rs.3.71 lakh crore and Rs.2.86 lakh crore, respectively.

➤ LIC's solvency ratio has shown a steady improvement since FY19. It has gone up from 160% in FY19 to 187% at the end of FY23 to 193% at the end of December 2023. The regulator requirement of the same is 150%.

➤ The claim settlement ratio of LIC in the event of any unforeseen calamity is high at 98.46% at the end of 9MFY24 signifying the fact that it instils a sense of confidence among customers that claims will not only be processed smoothly but also settled in a timely manner.

➤ India is expected to witness an increase in demand for annuity products given the fact that 83% of the country's employed population works in the unorganised sector that is not covered by formal pension or provident fund schemes. LIC is a key player in the annuity/pension business, led by its strong presence in the group segment with a market share of 67.95% as it continues to have an unrivalled advantage owing to its vast size and deep reach.

**Recommendation**

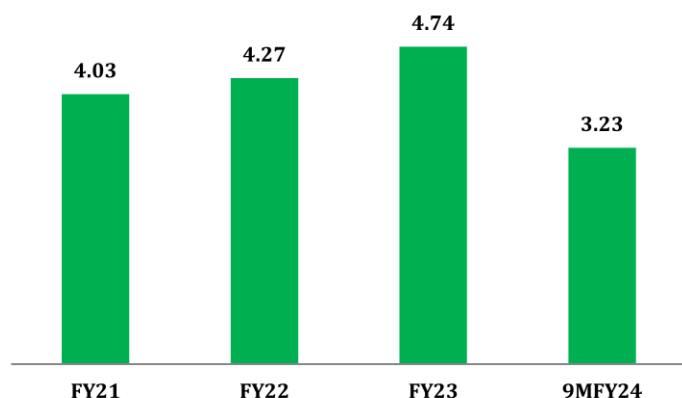
**Life Insurance Corporation of India still retains the prime choice amongst the general population in new policy generation. With a range of new Non-Par policies in its pipeline, it seems confident of increasing its market share in the times to come. Annual Premium Equivalents (APE) is expected to improve from here on, propelled by product launches across categories. Enhanced focus on digital initiatives is likely to drive customer acquisition and customer servicing too. Valuations too seem attractive compared to its other listed peers. We would recommend a BUY with a target price of Rs 1,467 in the next 9-12 months, thus implying a rise of 41% from the current levels.**

Particulars (In Rs. Crs)	Q3FY24	Q3FY23	Var%	9MFY24	9MFY23	Var%
Premium Income	117,431.94	112,296.70	4.57	324,063.96	343,733.67	-5.72
Operating Profit	9,515.32	2,939.07	223.75	27,302.72	25,125.50	8.67
Consolidated Net Profit	9,468.99	6,348.72	49.15	27,134.26	22,805.85	18.98
Reserves	65,353.95	26,928.85	142.69	65,353.95	26,928.85	142.69
Equity	6,325.00	6,325.00	-	6,325.00	6,325.00	-
EPS (Rs.)	14.97	10.04	49.10	38.45	32.65	17.76

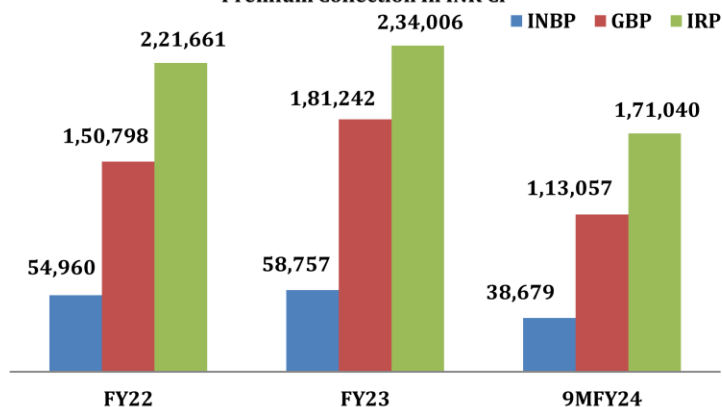
\*Source: Company, Ace Equity, AUM Research

## Life Insurance Corporation Of India Q3 & 9MFY24 Results and Business Updates

Total Premium Income In Rs Lakh Cr

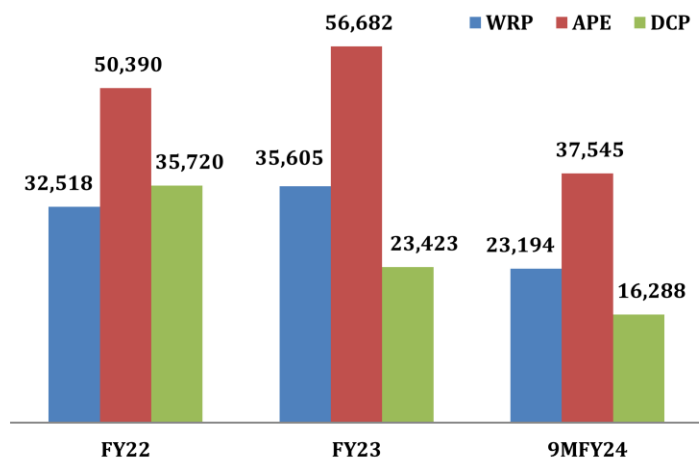


Premium Collection In INR Cr

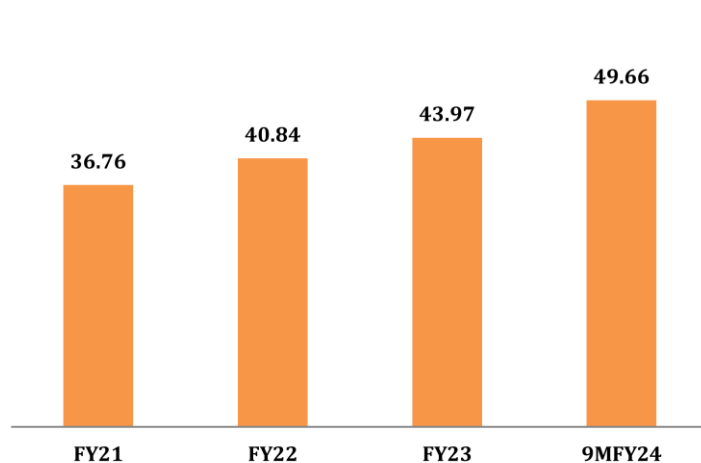


INBP- Individual New Business Premium, GBP- Group Business Premium, IRP- Individual Renewal Premium

Premium & Claim Settlement In INR Cr



Assets Under Management In INR Lakh Crs

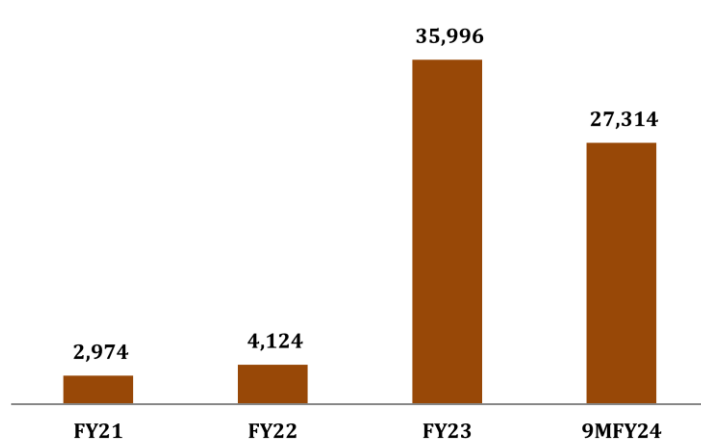


WRP- Weighted Received Premium, APE- Annual Premium Equivalent, DCP- Death Claim Paid

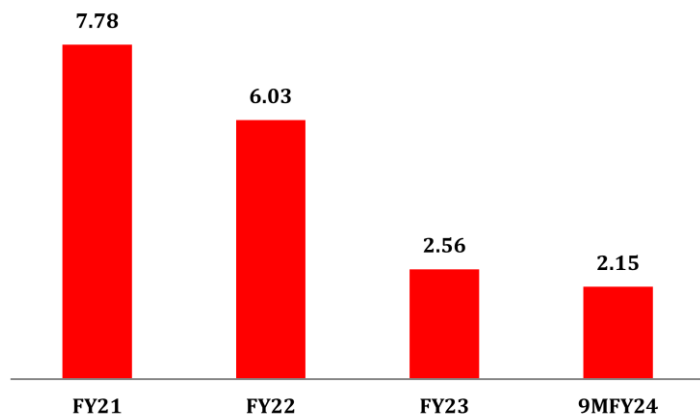
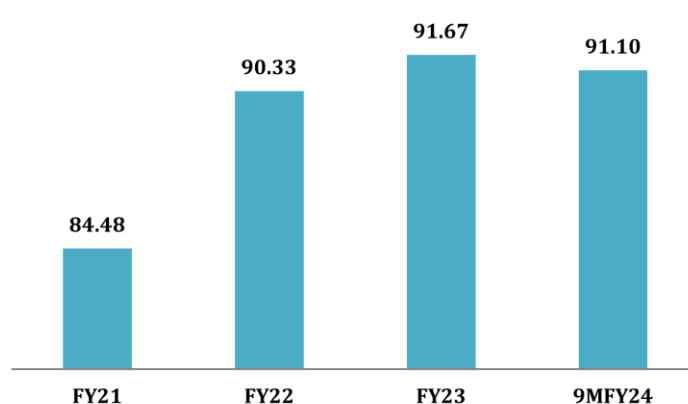
Solvency Ratio



PAT In INR Crs

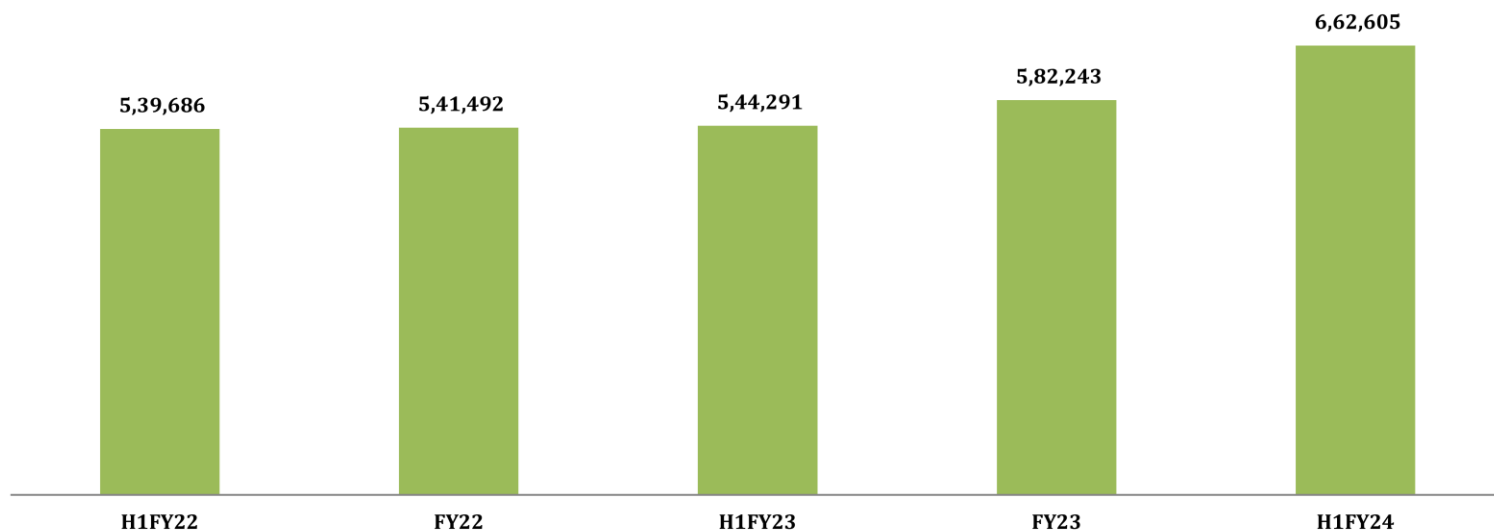


\*Source: Company, Ace Equity, AUM Research

**Gross NPA %**

**Conservation Ratio %**


Conservation Ratio is the ratio of renewal premium of the current financial year to the total of first year premium and renewal premium of the previous financial year.

### Embedded Value

**Embedded Value In INR Cr**


Embedded value is the sum of the net asset value and present value of future profits of a life insurance company. This measure considers future profits from existing business only, and ignores the possibility of introduction of new policies and hence profits from those are not taken into account.

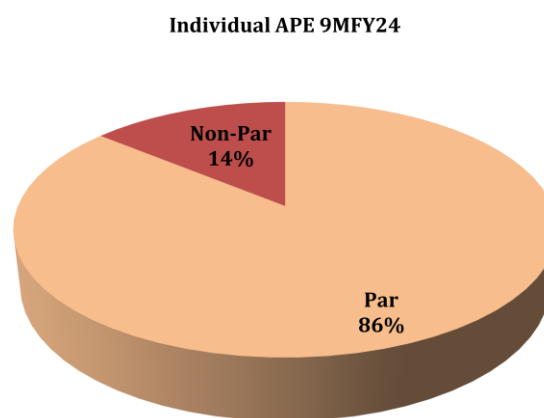
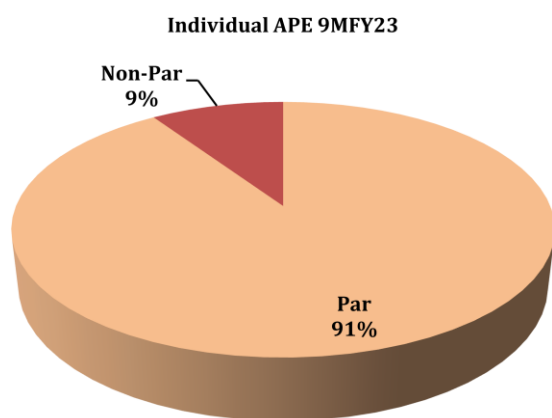
### Annual Premium Equivalent (APE)

	Line Of Business In INR Crs	FY22	FY23	9MFY24
A	Individual Par	33,040	35,231	20,203
B	Individual Non-Par	2,532	3,436	3,299
C	Total Individual = A+B	35,572	38,667	23,502
D	Group	14,818	18,015	12,287
E	Total APE = C+D	50,390	56,682	35,789

\*Source: Company, Ace Equity, AUM Research

Annual premium equivalent (APE) is a common measure of ascertaining the business sales in the life insurance industry. It is the sum of the regular annualized premium from the new business plus 10% of the first single premium in a given period.

**Increasing share of Non-Par in Annual Premium Equivalent (APE)**



\*Source: Company, Ace Equity, AUM Research

**Q3 & 9MFY24 Result Highlights**

- **Sales:-** Quarterly Net Sales for Q3FY24 including Income from Investments came in at Rs 2.13 Lakh Cr, growing 7.84% YoY while PAT was reported at Rs 9,469 Cr exhibiting a YoY growth of 49.16%. For 9MFY24, Net Sales grew 2.53% YoY to Rs 6.05 Lakh Cr while PAT grew 18.98% YoY to Rs 27,134 Cr.
- **Operating Profit:-** Operating Profit including Other Income for Q3FY24 came in at Rs 9,515 Cr growing 224% YoY while it was reported at Rs 27,303 Cr for 9MFY24, growing 8.67% YoY.
- **Premium:-** After registering a decline in the previous two quarters, premium income for Q3FY24 grew 4.57% YoY to Rs 1.17 Lakh Cr while the Premium Income for 9MFY24 stood at Rs 3.24 Lakh Cr, albeit de-growing by 5.72% YoY.
- **VNB Margin:-** LIC's VNB margin increased to 20% in Q3FY24 from 14.6% in Q3FY23 on the back of change in product mix, and addition of non-participating (non-par) products. The growth remained higher than private life insurance players.
- **Par & Non-Par Products:-** During the 9-month period ending December 2023, the share of non-par products increased to 14% from 9.4% a year ago. During the same period, the share of par products dropped to 85.96% from 90.5%. LIC has received over Rs 1,000 Cr of business under Jeevan Utsav, Index Plus and some more products and the non-par savings' average policy term has risen from 16 years to 43 years.
- **Market Share:-** In terms of market share, LIC held 38.74% in individual business and 72.24% in group business for the nine months ending December 2023.
- **Policies Sold:-** Despite the decline in premium income during 9MFY24, LIC maintained a strong sales volume, with 1.25 Cr policies sold in the individual segment during the nine-month period, though slightly lower than the previous year's figure.
- **Claims Processed:-** It processed 1,38,2767 numbers of claims during 9MFY24, with maturity claims higher by 14.29% and death claims lower by 6.12% on a YoY basis.
- **Solvency Ratio:-** Improved from 185% at the end of December 2022 to 193% at the end of December 2023.
- **Yield On Investment:-** Yield on investments on Policyholders' funds showed improvement, rising to 9.14% compared to 8.58% in the previous year. At the same time Yield on investments on Shareholders' funds also showed improvement from 5.16% in the previous year to 7.90%.
- **Fund Transfer:-** During the quarter, LIC has transferred Rs 7,692 Cr from its non-participating fund to a shareholders' fund for the quarter. It had transferred Rs 5,670 Cr in the year ago quarter. Since 2022, it has been transferring some of this every quarter to shareholders' fund, aiding its profit. LIC had said the transfers were to shore up its solvency margin.

**Future Outlook:-**

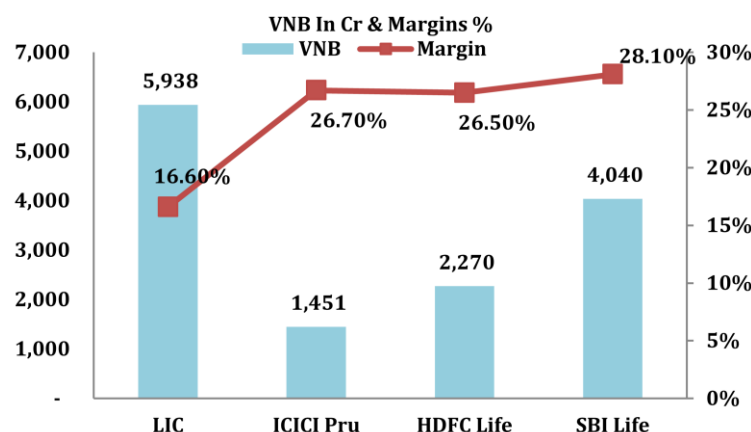
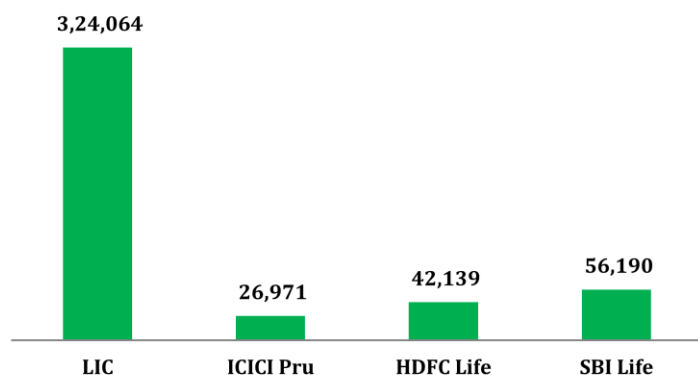
- **Changing Product Mix:-** LIC is focusing on changing its product mix and increasing the proportion of non-par business. It has already launched new non-par products to cater to customer requirements. It is in the process of launching new products and increasing market share in both individual and group business segments. The management has expressed optimism in achieving a double-digit growth in new business premiums for the financial year 2024.
- **Digitization Initiatives:-** With rapid progress in digital transformation, the management seems confident of making significant improvements in its business processes. Digital initiatives through the agent-assisted Ananda app have shown a growth of 47.59% in policies completed during the nine months ended 31st December 2023.

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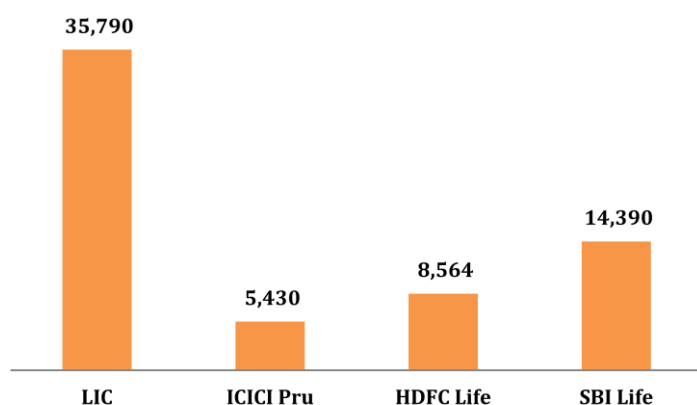
**Valuations attractive compared to its other listed peers**

	Components In INR Cr except Implied Multiple	LIC	ICICI Prudential	HDFC Life	SBI Life
A	Embedded Value as on September 2023	6,62,605	38,529	42,908	51,261
B	Market Capitalization	6,58,400	75,147	1,26,523	1,51,533
C	<b>Implied Multiple = B/A</b>	<b>0.99</b>	<b>1.95</b>	<b>2.95</b>	<b>2.96</b>

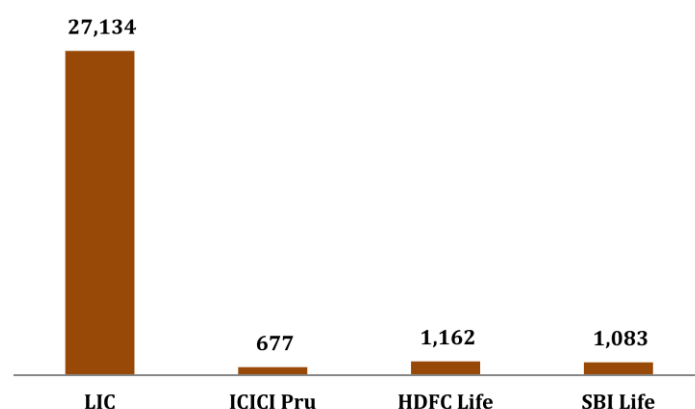
Premium Income In INR Cr for 9MFY24



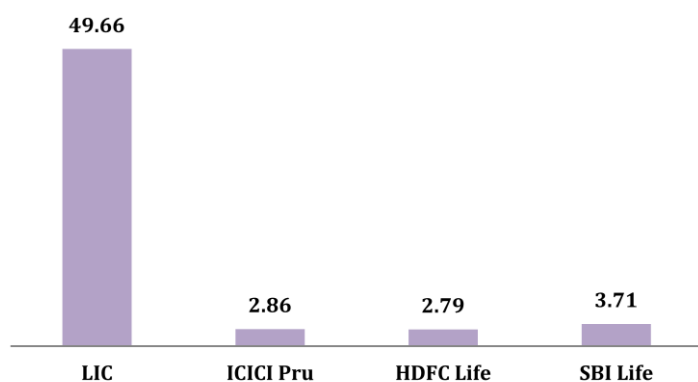
Annual Premium Equivalent In INR Cr at end of 9MFY24



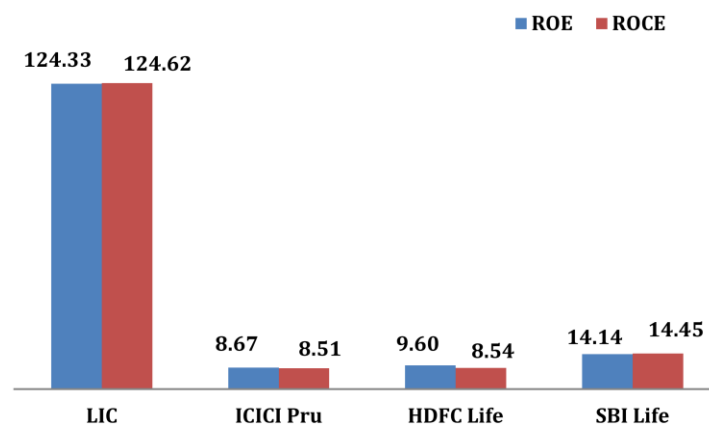
9MFY24 PAT In INR Cr



AUM In INR Lakh Cr



Return Ratios %



\*Source: Company, Ace Equity, AUM Research

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## Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q3FY24	Q3FY23	Var%	9MFY24	9MFY23	Var%
Premium Income	117,431.94	112,296.70	4.57	324,063.96	343,733.67	-5.72
Total Expenditure	204,744.82	195,045.81	4.97	580,558.92	565,788.03	2.61
PBIDT (Excluding OI)	-87,312.88	-82,749.12	-5.52	-256,494.97	-222,054.36	-15.51
Other Income	96,828.20	85,688.19	13.00	283,797.68	247,179.86	14.81
Operating Profit	9,515.32	2,939.07	223.75	27,302.72	25,125.50	8.67
PBT	9,515.32	2,939.07	223.75	27,302.72	25,125.50	8.67
Tax	1,423.72	-2,457.83	157.93	2,982.52	4,475.42	-33.36
Profit After Tax	8,091.60	5,396.90	49.93	24,320.19	20,650.08	17.77
Minority Interest	-35.06	-5.12	-	-33.57	3.40	-
Share Of Associates	1,412.45	956.94	47.60	2,847.63	2,152.37	32.30
Consolidated Net Profit	9,468.99	6,348.72	49.15	27,134.26	22,805.85	18.98
Equity	6,325.00	6,325.00	-	6,325.00	6,325.00	-
EPS	14.97	10.04	49.10	38.45	32.65	17.76
Reserves	65,353.95	26,928.85	142.69	65,353.95	26,928.85	142.69

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY23	FY22	FY21
Balance Bought Forward from Policy Holders Technical A/c (Life)	35,580.15	12,201.87	2,956.11
Income from investments	1,182.43	206.92	28.07
Other Income	130.98	110.63	25.28
Other Expenses	53.86	27.38	22.00
Provisions for Diminution in value of Investments	7.76	-	-
Other provisions	751.00	8,327.46	4.76
Profit Before Taxation	36,080.94	4,164.58	2,982.71
Provisions For taxation	84.29	39.87	8.57
Profit After Taxation	35,996.65	4,124.71	2,974.14
Balance B/F From Balance Sheet	4,175.14	112.85	63.26
Appropriations	40,166.88	4,237.56	3,037.40
Balance C/F To Balance Sheet	39,217.53	4,175.14	112.85

\*Source: Company, Ace Equity, AUM Research



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<b>Balance Sheet (Value in Rs. Crs)</b>			
<b>Particulars</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>
<b>Sources Of Funds</b>			
Share Capital	6,325.00	6,325.00	100.00
Total Reserves	40,219.94	5,039.73	6,804.75
Fair Value Change Account Cr / (Dr)	-194.97	92.79	78.50
Borrowings	-	1.29	3.67
<b>Policy Holders Funds</b>			
Fair Value Change Account Cr / (Dr)	3,48,297.59	4,00,274.47	2,72,944.99
Policies Liabilities	40,68,913.79	37,27,966.07	34,20,798.61
Insurance Reserve	25,207.91	17,092.83	12,711.45
Provisions for Linked Liabilities	26,178.93	23,908.62	32,959.17
Funds For future Appropriations	3,918.67	1,834.43	3.34
<b>Total Sources Of Funds</b>	<b>45,18,866.86</b>	<b>41,82,535.22</b>	<b>37,46,404.47</b>
<b>Application Of Funds</b>			
Investments - Shareholders	28,176.73	5,227.90	426.40
Investments - Policies Holders	42,05,473.65	39,11,422.75	34,98,440.74
Assets Held to cover Linked Liabilities	26,325.89	23,958.72	32,974.96
Loans	1,17,005.47	1,11,033.88	1,08,763.67
Cash & Bank balances	45,498.60	44,724.34	36,078.32
Advances & Other Assets	23,712.38	35,214.26	35,733.61
Other Assets	1,28,461.92	1,18,905.25	1,13,632.49
Current Liabilities	44,678.28	56,574.49	68,171.46
Short Term Provisions	14,946.22	14,948.07	14,948.28
Fixed Assets	7,696.31	7,285.74	6,879.40
Less: Accumulated Depreciation	4,191.03	3,913.81	3,553.70
Total Net block	3,505.27	3,371.93	3,325.71
Capital Work in Progress	331.46	198.75	148.32
Contingent Liabilities	15,448.31	21,696.30	27,590.46
<b>Total Application Of Funds</b>	<b>45,18,866.86</b>	<b>41,82,535.22</b>	<b>37,46,404.47</b>

\*Source: Company, Ace Equity, AUM Research

### Shareholding Pattern

<b>Categories</b>	<b>%</b>
Promoters	96.51
Institutions	1.06
Non-Institutions	2.43
<b>Total</b>	<b>100.00</b>
<b>As On 31st December, 2023</b>	

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