

# Life Insurance Corporation

## Breaking free from low double-digit RoEV difficult

### Our view – Growth improves but higher margin expansion held back

**VNB margin** - While LIC has executed on its plan of enhancing share of Individual Non-Par business, other factors have prevented margin from expanding more: The VNB margin for FY24 amounts to 16.8% compared with 16.2% in FY23, implying a 60 bps improvement YoY. The share of Non-par within individual business for FY24 has improved by 943bps YoY to 18.32%. However, there has been a decline in the Par and Group margin. One of the factors is the southward movement of risk-free rate, which impacted all segments negatively. The other factor, which impacted Group business margin negatively, is the revision of annuity rates, with more benefits being given. There is also significant competitive pressure in Group business. Furthermore, there was a lot of deficit in the Group business, which was made good with the Group funded business, which typically has lower margin. There is a conscious strategy to balance growth with margin. For the quarter, calculated VNB margin for 4QFY24 declined -280bps QoQ to 17.2%.

**APE growth** - While the fourth quarter has seen enhanced growth, which is creditable, the same seems to have come at the cost of some margin dilution: For the quarter, New business APE grew by 60.0%/13.2% QoQ/YoY, driven higher YoY by growth in Par, Individual Protection, Annuity and ULIP segments. Total APE has grown 0.5% YoY to Rs 569.7bn in FY24. For FY24, 67.46% of the APE was accounted by Individual business and 32.54% was accounted by Group business. The Individual APE for FY24 was down -0.6% YoY to Rs. 384.33bn whereas the Group business has grown 2.9% YoY to Rs 185.37bn. On a headline basis, protection business is down YoY but the take up of riders has improved. Including riders, protection business is up 6% YoY to Rs 2.01bn in terms of APE.

We maintain an ADD rating with a revised price target of Rs 1200: We value LIC at 0.8x FY26 P/EV for an FY25E/26E RoEV profile of 10.3/10.4%. We most prefer MFS and SBIL in the life insurance space.

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

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

- VNB growth:** VNB grew 38.4% QoQ but de-grew -0.9% YoY to Rs. 36.45bn, sequentially driven by increase in total APE.
- Expense control:** Expense ratio rose/fell by 68/-4bps QoQ/YoY to 16.2%, where QoQ the opex ratio was up 83bps and comm. ratio was down -16bps.
- Persistency:** 37<sup>th</sup> month ratio rose/fell 16/-519bps QoQ/YoY to 59.7% whereas 61<sup>st</sup> month ratio fell -168/-151bps QoQ/YoY to 54.5%

### Exhibit 1: Result table – Standalone Financials

| Rs mn                   | Q4 FY24 | Q4 FY23 | % yoy   | Q3 FY24 | % qoq   |
|-------------------------|---------|---------|---------|---------|---------|
| NBP                     | 751,746 | 559,549 | 34.3%   | 547,914 | 37.2%   |
| Renewal premium         | 773,681 | 760,090 | 1.8%    | 624,312 | 23.9%   |
| Income from investments | 844,255 | 678,466 | 24.4%   | 952,669 | -11.4%  |
| APAT                    | 137,626 | 134,278 | 2.5%    | 94,444  | 45.7%   |
| Expense ratio           | 16.2%   | 16.3%   | -4bps   | 15.5%   | 68bps   |
| 37th mo. Persistency*   | 59.7%   | 64.9%   | -519bps | 59.5%   | 16bps   |
| Total APE               | 211,800 | 191,370 | 10.7%   | 131,630 | 60.9%   |
| Ind APE                 | 149,300 | 152,480 | -2.1%   | 88,650  | 68.4%   |
| VNB                     | 36,450  | 36,780  | -0.9%   | 26,340  | 38.4%   |
| VNB Margin              | 17.2%   | 19.2%   | -201bps | 20.0%   | -280bps |

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

|                  |            |
|------------------|------------|
| Recommendation   | : ADD      |
| Current price    | : Rs 1,030 |
| Target price     | : Rs 1,200 |
| Potential return | : +17%     |

### Stock data (as on May 28, 2024)

|                         |                 |
|-------------------------|-----------------|
| Nifty                   | 22,974          |
| 52 Week h/l (Rs)        | 1175 / 593      |
| Market cap (Rs/USD mn)  | 6513167 / 78344 |
| Outstanding Shares (mn) | 6,235           |
| 6m Avg t/o (Rs mn):     | 3,212           |
| Div yield (%):          | 0.3             |
| Bloomberg code:         | LICI IN         |
| NSE code:               | LICI            |

### Stock performance



|                 | 1M   | 3M   | 1Y    |
|-----------------|------|------|-------|
| Absolute return | 4.3% | 2.4% | 70.6% |

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

|          |       |
|----------|-------|
| Promoter | 96.5% |
| FII+DII  | 1.0%  |
| Others   | 2.5%  |

### Δ in stance

| (1-Yr)       | New  | Old  |
|--------------|------|------|
| Rating       | ADD  | ADD  |
| Target Price | 1200 | 1075 |

### Financial Summary

| Rs mn      | FY24    | FY25E   | FY26E   |
|------------|---------|---------|---------|
| APE        | 569,700 | 640,939 | 722,387 |
| % yoy      | 0.5%    | 12.5%   | 12.7%   |
| VNB        | 95,830  | 115,225 | 135,472 |
| VNB Margin | 16.8%   | 18.0%   | 18.8%   |
| PAT        | 406,758 | 604,950 | 682,661 |
| % yoy      | 11.8%   | 48.7%   | 12.8%   |
| EPS (Rs)   | 64.3    | 95.6    | 107.9   |
| EVPS (Rs)  | 1,150.0 | 1,264.9 | 1,393.0 |
| RoEV       | 11.5%   | 10.3%   | 10.4%   |
| P/EV (x)   | 0.8     | 0.7     | 0.7     |
| P/VNB (x)  | 61.2    | 50.9    | 43.3    |

### Δ in earnings estimates

| Rs          | FY24 | FY25E | FY26E |
|-------------|------|-------|-------|
| VNBPS (New) | NA   | 18.2  | 21.4  |
| VNBPS (Old) | NA   | 17.1  | 19.9  |
| % change    | NA   | 6.6%  | 7.4%  |

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### VNB margin

- **Key figures**
  - The VNB for FY24 stood at Rs 95.83 bn as against Rs. 91.56bn in FY23, up 4.7% YoY.
  - The VNB margin for FY24 amounts to 16.8% compared with 16.2% in FY23.
- **Margin evolution**
  - Overall VNB margin has improved 60 bps YoY.
  - There has been a decline in the Par and Group margin.
- **Risk free rate**
  - One of the factors is the southward movement of risk free rate, which impacted all segments negatively.
- **Pricing**
  - The other factor, which impacted Group business margin negatively, is the revision of annuity rates, with more benefits being given.
- **Business mix**
  - Furthermore, there was a lot of deficit in the Group business, which was made good with the Group funded business, which typically has lower margin.
  - There is a conscious strategy to balance growth with margin.

### Premium growth and related aspects

- **Key APE growth figures**
  - Total APE has grown 0.5% YoY to Rs 569.7bn in FY24.
  - For FY24, 67.46% of the APE was accounted by Individual business and 32.54% was accounted by Group business.
  - The Individual APE for FY24 was down -0.6% YoY to Rs. 384.33bn whereas the Group business has grown 2.9% YoY to Rs 185.37bn.
  - **Product mix aspects**
    - Within Individual business, the share of Par was 81.68% and Non-Par was 18.32% for FY24.
    - The share of Non-par within individual business for FY24 has improved by 943bps YoY.
    - There has been an intense focus on enhancing the share of Non-par business.
- **LIC's Market Share for FY24**
  - First Year Premium Income – 58.87%.
  - Individual business – 38.44%.
  - Group business – 72.30%.
- **Protection business**
  - On a headline basis, protection business is down YoY but the take up of riders has improved.
  - Including riders, protection business is up 6% YoY to Rs 2.01bn in terms of APE.
  - The company has an ROP product, which has good popularity.

### Channel growth and mix

- **Channel mix with regards to Individual NBP for FY24**
  - Agency – 96.0%

(Con call takeaways continue on the next page)

- Banca and alternate - 3.61%
- Digital - 0.15%
- Others - 0.23%
- **Bancassurance**
  - The Individual NBP sourced via Banca and alternate channels was at Rs 20.78bn for FY24, up by 2.9% YoY.
  - IDBI Bank contributed Rs 9bn worth of premium in FY24 and the company is expecting a good contribution in FY25 as well.
  - The company is entering into partnerships with some leading banks at the national and state level and expects decent growth in overall banca business.
  - The intention is to launch some products in with the banca channel in mind.
  - The intention is to increase share of banca channel by 5-6% points (over the long-term).
- **Agency channel**
  - LIC has 1.41mn agents as of March 2024.
  - LIC has added 67,500 net agents in the last 12 months.
  - 35% of agents who are above 50 years of age contribute 45% to business.
  - Almost 50% of the agents which are being recruited are below 35 years of age.
  - **Agent strategy**
    - Agent headcount will be strengthened, and, in FY25, there will be thrust on adding new agents.
    - While agents are already using Ananda app, there is an intention to enable agents with technology.
- **Tier 2 strategy**
  - While private sector players are targeting this segment, LIC wants to have presence in every panchayat.
  - Most of the 6000 probationary development officers recruited are in Tier 2 and 3 centres.
- **Digital Channel**
  - LIC has completed 1.16mn policies via the ANANDA App in FY24 as against 0.81mn in FY23.

## Embedded Value (EV)

- **Future charge to Shareholders' Fund**
  - The Future charge to Shareholders' Fund had a negative impact of Rs 129.14bn on EV in FY24.
  - This is the impact of expenses over allowable limits for FY23 and FY24 that IRDAI has allowed LIC to charge to Shareholders' account from FY25 onwards for upto 3 years.
- **Operating assumption changes**
  - The major operating assumption change is due to observing an uptick in mortality behaviour in the group business.
  - This has led to a positive impact of about Rs 48bn to EV.
- **Economic assumption change and variance**
  - Economic assumption change and variance over FY24 has amounted to Rs 954.64bn.
  - There are 3 key components of this viz. MTM impact, investment impact and RFR impact.
  - The MTM impact is the major contributing factor.
  - The investment impact is linked to actual investment performance compared with expectation.
  - The RFR impact is down compared with last year.

(Con call takeaways continue on the next page)

- **Rate of unwind**

- The rate of unwind has risen, which is linked to the outlook on interest rate, as per market consistent basis.

## Health insurance foray

- The composite insurance licence could come and hence, the company has done some internal work (to prepare for the same).
- Health insurance is a natural choice for LIC and hence, the company is exploring inorganic opportunities in the space in terms of taking a stake in a standalone health insurance company.
- However, these considerations are at a very preliminary stage.

## Trail commission regulation

- As of now, the regulator as allowed liberal commission rules.
- If the regulation necessitating shift from front-loaded to trail commission will come, the industry will implement it.
- The industry has also been attempting self-regulation.

## Persistency

- **Persistency ratios, on premium basis for FY24 Vs FY23**

- 13<sup>th</sup> Month – 77.66% Vs 77.09%
- 61<sup>st</sup> Month – 60.88%. Vs 61.80%

## Accounting Expense and Profitability

- The expense of management ratio was at 15.57% in FY24 vs 15.53% in FY23
- Net profit for FY24 was at Rs 406.76bn, where it includes an amount of Rs.295.19 bn (Net of Tax), pertaining to the accretions on the available solvency margin, transferred from Non-Par fund to shareholders account.

## Claims experience

- The total individual maturity claims were 20.9mn in FY24, down -1.3% YoY.
- The total individual death claims were 0.83mn in FY24, down -8.7% YoY.
- Total death claims paid was Rs 226.25bn in FY24, down -3.4% YoY.
- Total maturity claims paid was Rs 2,081.36bn in FY24, up 12.5% YoY.

## Dividend

- LIC has announced final dividend of Rs 6 per equity share and has already paid an interim dividend of Rs. 4 per equity share.

## Solvency

- The Solvency Ratio as of March 2024 improved to 1.98x as against 1.87x as of March 2023.

## Exhibit 2: Other Business Parameters

| Rs mn  | Q4FY24         | Q4FY23         | % yoy        | Q3FY24         | % qoq        |
|--|----------------|----------------|--------------|----------------|--------------|
| <b>APE Mix, Rs mn</b>                            |                |                |              |                |              |
| APE - Individual Business                        | 149,300        | 152,480        | -2.1%        | 88,650         | 68.4%        |
| Indi Par APE                                     | 111,890        | 140,235        | -20.2%       | 71,400         | 56.7%        |
| Indi Non-Par APE                                 | 37,420         | 12,245         | 205.6%       | 17,240         | 117.1%       |
| APE - Group Business                             | 62,500         | 38,890         | 60.7%        | 42,980         | 45.4%        |
| <b>Total APE</b>                                 | <b>211,800</b> | <b>191,370</b> | <b>10.7%</b> | <b>131,630</b> | <b>60.9%</b> |
| <b>APE Mix (% Proportion)</b>                    |                |                |              |                |              |
| APE - Individual Business                        | 70%            | 80%            | -919bps      | 67%            | 314bps       |
| Indi Par APE                                     | 53%            | 73%            | -2045bps     | 54%            | -142bps      |
| Indi Non-Par APE                                 | 18%            | 6%             | 1127bps      | 13%            | 457bps       |
| APE - Group Business                             | 30%            | 20%            | 919bps       | 33%            | -314bps      |
| <b>Distribution mix-Indi. NBP</b>                |                |                |              |                |              |
| Agency   | 183,313        | 192,122        | -5%          | 128,646        | 42%          |
| Banca & alt. channels                            | 6,563          | 6,623          | -1%          | 5,660          | 16%          |
| Digital  | 208            | 259            | -20%         | 229            | -9%          |
| Other  | 283            | 286            | -1%          | 390            | -27%         |
| <b>Total</b>                                     | <b>190,368</b> | <b>199,290</b> | <b>-4%</b>   | <b>134,925</b> | <b>41%</b>   |
| <b>Distribution mix-Indi. NBP (% Proportion)</b> |                |                |              |                |              |
| Agency   | 96.3%          | 96.4%          | -11bps       | 95.3%          | 95bps        |
| Banca & alt. channels                            | 3.4%           | 3.3%           | 12bps        | 4.2%           | -75bps       |
| Digital  | 0.1%           | 0.1%           | -2bps        | 0.2%           | -6bps        |
| Other  | 0.1%           | 0.1%           | 1bps         | 0.3%           | -14bps       |
| <b>Persistency*</b>                              |                |                |              |                |              |
| 13th Month                                       | 71.9%          | 70.2%          | 170bps       | 70.9%          | 97bps        |
| 61st Month                                       | 54.5%          | 56.0%          | -151bps      | 56.2%          | -168bps      |
| <b>Expense ratio</b>                             |                |                |              |                |              |
| Commission ratio                                 | 5.4%           | 6.4%           | -98bps       | 5.6%           | -16bps       |
| Opex ratio                                       | 10.8%          | 9.9%           | 94bps        | 10.0%          | 83bps        |
| <b>Solvency</b>                                  |                |                |              |                |              |
| Solvency ratio                                   | 198%           | 187%           | 1100bps      | 193%           | 500bps       |

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

## Exhibit 3: Quarterly Actuals Vs Estimates

| Q4 FY24 (Rs. mn)     | Actuals | Estimates | Diff, % |
|----------------------|---------|-----------|---------|
| New Business Premium | 751,746 | 698,530   | 7.6     |
| Total APE            | 211,800 | 185,224   | 14.3    |
| VNB                  | 36,450  | 37,063    | (1.7)   |

Source: Company, YES Sec – Research

## Exhibit 4: Product Mix on APE basis

| Particulars           | 4QFY24         | 4QFY23         | % yoy        | 3QFY24         | % qoq        |
|-----------------------|----------------|----------------|--------------|----------------|--------------|
| <b>APE Mix, Rs mn</b> |                |                |              |                |              |
| Individual Par        | 111,890        | 140,250        | -20.2%       | 71,400         | 56.7%        |
| Individual Non Par    | 37,420         | 12,230         | 206.0%       | 17,240         | 117.1%       |
| Individual Saving     | 23,630         | 2,330          | 914.2%       | 10,680         | 121.3%       |
| Protection            | 1090           | 900            | 21.1%        | 450            | 142.2%       |
| Annuity               | 5,910          | 5,470          | 8.0%         | 3,420          | 72.8%        |
| ULIP                  | 6,800          | 3,530          | 92.6%        | 2,690          | 152.8%       |
| Group Business        | 62,500         | 38,890         | 60.7%        | 42,980         | 45.4%        |
| <b>Total APE</b>      | <b>211,800</b> | <b>191,370</b> | <b>10.7%</b> | <b>131,630</b> | <b>60.9%</b> |
| <b>APE Mix, %</b>     |                |                |              |                |              |
| Individual Par        | 52.8           | 73.3           | -2046bps     | 54.2           | -141bps      |
| Individual Non Par    | 17.7           | 6.4            | 1128bps      | 13.1           | 457bps       |
| Individual Saving     | 11.2           | 1.2            | 994bps       | 8.1            | 304bps       |
| Protection            | 0.5            | 0.5            | 4bps         | 0.3            | 17bps        |
| Annuity               | 2.8            | 2.9            | -7bps        | 2.6            | 19bps        |
| ULIP                  | 3.2            | 1.8            | 137bps       | 2.0            | 117bps       |
| Group Business        | 29.5           | 20.3           | 919bps       | 32.7           | -314bps      |

Source: Company, YES Sec – Research

## ANNUAL FINANCIALS (STANDALONE)

### Exhibit 5: Policyholder account

| Y/e 31 Mar (Rs mn)               | FY22             | FY23             | FY24             | FY25E            | FY26E             |
|----------------------------------|------------------|------------------|------------------|------------------|-------------------|
| <b>Policyholders account</b>     |                  |                  |                  |                  |                   |
| Net premium                      | 4,274,192        | 4,740,046        | 4,750,696        | 5,260,813        | 5,745,350         |
| Income from investments          | 2,928,945        | 3,063,901        | 3,639,439        | 4,445,829        | 4,813,452         |
| Other income                     | 7,795            | 76,485           | 146,484          | 161,132          | 177,245           |
| From shareholders a/c            | 83,275           | 1,301            | 449              | 494              | 543               |
| <b>Total income</b>              | <b>7,294,206</b> | <b>7,881,734</b> | <b>8,537,068</b> | <b>9,868,268</b> | <b>10,736,591</b> |
| Commission                       | 236,912          | 255,804          | 259,591          | 273,562          | 298,758           |
| Operating Expenses               | 383,709          | 481,456          | 481,217          | 462,952          | 505,591           |
| Benefits paid                    | 3,534,376        | 3,425,768        | 3,888,093        | 3,552,862        | 3,880,339         |
| Change in valuation of liability | 3,062,885        | 3,433,828        | 3,530,361        | 4,799,948        | 5,209,201         |
| Others                           | (142,708)        | (147,371)        | (27,851)         | 103,642          | 114,427           |
| Provision for Tax                | 78,786           | 52,429           | 58,252           | 96,973           | 105,904           |
| <b>Surplus/(Deficit)</b>         | <b>140,246</b>   | <b>379,822</b>   | <b>347,405</b>   | <b>578,329</b>   | <b>622,370</b>    |
| Transfer to shareholders A/C     | 121,935          | 359,077          | 374,554          | 549,412          | 591,251           |

Source: Company, YES Sec – Research

### Exhibit 6: Shareholder account

| Y/e 31 Mar (Rs mn)                   | FY22           | FY23           | FY24           | FY25E          | FY26E          |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Transfer from Policyholders' account | 121,935        | 359,077        | 374,554        | 549,412        | 591,251        |
| Income from Investments              | 2,012          | 11,508         | 36,946         | 62,272         | 98,917         |
| <b>Total A</b>                       | <b>123,947</b> | <b>370,585</b> | <b>411,501</b> | <b>611,684</b> | <b>690,169</b> |
| Expenses (apart from insurance)      | 5              | 4,716          | 3,180          | 2,709          | 2,980          |
| Contribution to Policyholders' Acc   | 83,275         | 1,301          | 449            | 494            | 543            |
| Others                               | 0              | 0              | 0              | 0              | 0              |
| <b>Total B</b>                       | <b>83,280</b>  | <b>6,017</b>   | <b>3,629</b>   | <b>3,203</b>   | <b>3,523</b>   |
| Profit/(Loss) before tax             | 40,667         | 364,568        | 407,872        | 608,481        | 686,645        |
| Provision for Taxation               | 236            | 594            | 1,114          | 3,531          | 3,984          |
| <b>Profit/(Loss) after tax</b>       | <b>40,431</b>  | <b>363,974</b> | <b>406,758</b> | <b>604,950</b> | <b>682,661</b> |

Source: Company, YES Sec – Research

## Exhibit 7: Balance sheet

| Y/e 31 Mar (Rs mn)                  | FY22              | FY23              | FY24              | FY25E             | FY26E             |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Shareholders' Funds:                |                   |                   |                   |                   |                   |
| Share Capital                       | 63,250            | 63,250            | 63,250            | 63,250            | 63,250            |
| Reserve and surplus                 | 40,430            | 394,920           | 757,401           | 1,341,267         | 2,002,845         |
| Credit/(Debit) Fair Value Ch. Acct. | 411               | (1,477)           | (1,269)           | (1,269)           | (1,269)           |
| Policyholders' Funds                |                   |                   |                   |                   |                   |
| Policy Liabilities                  | 37,100,395        | 40,512,485        | 43,953,253        | 48,622,448        | 53,635,520        |
| Provision for Linked Liabilities    | 238,858           | 261,592           | 348,761           | 479,514           | 675,643           |
| Fair Value change                   | 4,002,393         | 3,482,803         | 6,926,821         | 6,926,821         | 6,926,821         |
| Insurance Reserve                   | 128,546           | 156,781           | 155,941           | 155,941           | 155,941           |
| Fund For Discontinued Policies      | 823               | 1,772             | 4,079             | 4,894             | 5,873             |
| Funds for future appropriation      | 18,344            | 39,187            | 12,147            | 41,064            | 72,182            |
| <b>Sources of Funds</b>             | <b>41,593,452</b> | <b>44,911,314</b> | <b>52,220,383</b> | <b>57,633,930</b> | <b>63,536,806</b> |
| Investments - Shareholders          | 64,121            | 293,635           | 637,440           | 1,141,747         | 1,684,458         |
| Investments Policyholders           | 38,956,935        | 41,891,778        | 48,765,124        | 52,598,460        | 56,880,668        |
| Assets Held to Cover Linked Liab.   | 239,386           | 263,095           | 352,578           | 486,802           | 688,139           |
| Loans                               | 1,098,756         | 1,155,624         | 1,202,583         | 1,322,841         | 1,455,125         |
| Fixed Assets                        | 35,520            | 38,196            | 40,570            | 43,570            | 46,570            |
| Net Current Assets                  | 1,198,732         | 1,268,986         | 1,222,088         | 2,040,510         | 2,781,846         |
| Misc. Expenditure                   | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Application of funds</b>         | <b>41,593,452</b> | <b>44,911,314</b> | <b>52,220,383</b> | <b>57,633,930</b> | <b>63,536,806</b> |

Source: Company, YES Sec – Research

## Exhibit 8: Embedded Value Walk

| Y/e 31 Mar (Rs mn)                | FY22             | FY23             | FY24             | FY25E            | FY26E            |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Opening EV</b>                 | <b>956,050</b>   | <b>5,414,920</b> | <b>5,822,430</b> | <b>7,273,440</b> | <b>8,000,371</b> |
| Bifurcation impact                | 3,741,720        | 0                | 0                | 0                | 0                |
| Unwind of Discount                | 227,190          | 415,770          | 521,980          | 545,508          | 600,028          |
| Value of New Business             | 76,190           | 91,560           | 95,830           | 115,225          | 135,472          |
| Operating Assumption Changes      | (52,430)         | 20,600           | 48,290           | 0                | 0                |
| Operating Experience Variance     | 306,840          | 60,900           | 3,680            | 87,281           | 96,004           |
| <b>EV Operating Profit (EVOP)</b> | <b>557,790</b>   | <b>588,830</b>   | <b>669,780</b>   | <b>748,014</b>   | <b>831,505</b>   |
| Economic Variance                 | 159,360          | (171,830)        | 954,640          | 0                | 0                |
| EV Profit                         | 717,150          | 417,000          | 1,624,420        | 748,014          | 831,505          |
| Future Charge to Sh. Fund         | 0                | 0                | (129,140)        | 0                | 0                |
| Net Capital Inflow / Outflow      | 0                | (9,490)          | (44,270)         | (21,083)         | (21,083)         |
| <b>Closing EV</b>                 | <b>5,414,920</b> | <b>5,822,430</b> | <b>7,273,440</b> | <b>8,000,371</b> | <b>8,810,792</b> |

Source: Company, YES Sec – Research

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

| Subsidiary                   | Market Cap / Assigned value | Valuation metric | Metric value (Rs mn) | Trailing multiple (Implied / Assigned) | Stake (%) | Stake value (Rs mn) | Per share (Rs) |
|------------------------------|-----------------------------|------------------|----------------------|--|-----------|---------------------|----------------|
| LIC Housing Finance          | 352,288                     | BV               | 270,812              | 1.3                                    | 45.2%     | 159,375             | 25.2           |
| IDBI Bank                    | 964,060                     | BV               | 371,065              | 2.6                                    | 49.2%     | 474,703             | 75.1           |
| LIC MF                       | 26,014                      | AUM              | 260,137              | 10%                                    | 45.0%     | 11,706              | 1.9            |
| <b>Value of Subsidiaries</b> |                             |                  |                      |  |           | <b>645,785</b>      | <b>102.1</b>   |

Source: Company, YES Sec – Research



## Exhibit 10: Change in annual estimates

| Y/e 31 Mar (Rs mn)        | Revised Estimate |           |           | Earlier Estimate |           |           | % Revision |       |       |
|---------------------------|------------------|-----------|-----------|------------------|-----------|-----------|------------|-------|-------|
|                           | FY24E            | FY25E     | FY26E     | FY24E            | FY25E     | FY26E     | FY24E      | FY25E | FY26E |
| Annual Premium Equivalent | NA               | 640,939   | 722,387   | NA               | 633,569   | 710,225   | NA         | 1.2   | 1.7   |
| Value of new business     | NA               | 115,225   | 135,472   | NA               | 108,099   | 126,164   | NA         | 6.6   | 7.4   |
| Embedded Value            | NA               | 8,000,371 | 8,810,792 | NA               | 7,122,324 | 7,889,213 | NA         | 12.3  | 11.7  |

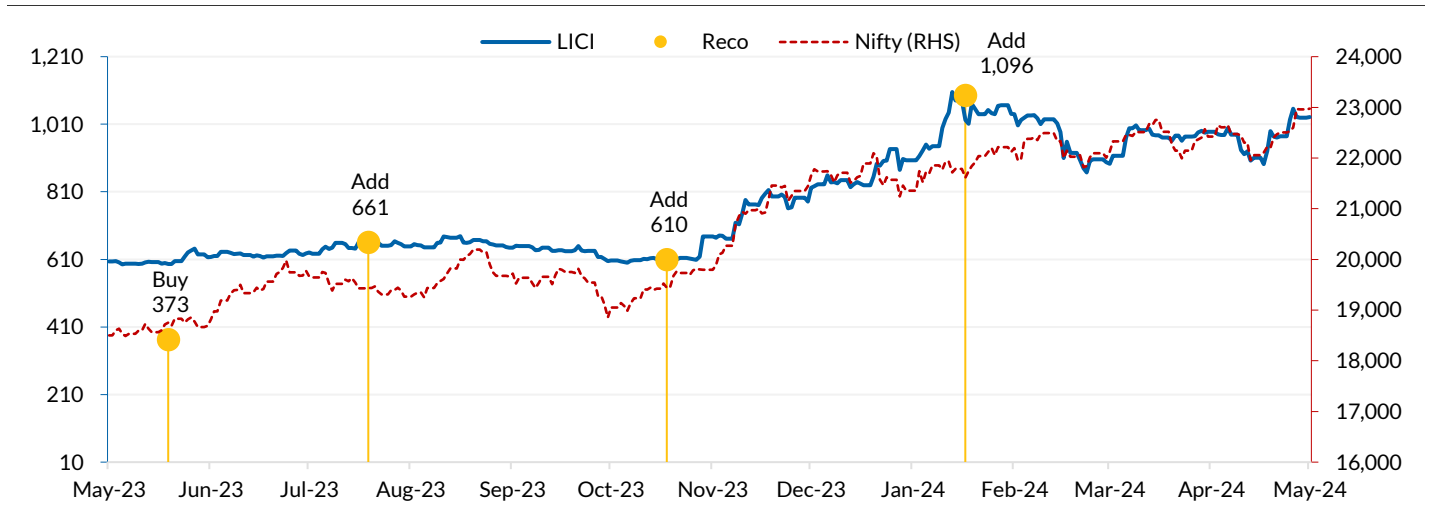
Source: Company, YES Sec – Research

## Exhibit 11: Ratio analysis

| Y/e 31 Mar                        | FY22   | FY23   | FY24   | FY25E  | FY26E  |
|-----------------------------------|--------|--------|--------|--------|--------|
| <b>Growth (%) - P&amp;L</b>       |        |        |        |        |        |
| New business premium              | 7.9%   | 16.6%  | -4.0%  | 17.8%  | 12.7%  |
| Renewal premium                   | 4.7%   | 5.9%   | 4.3%   | 4.6%   | 5.8%   |
| Net premium                       | 6.1%   | 10.9%  | 0.2%   | 10.7%  | 9.2%   |
| PAT                               | 39.4%  | 800.2% | 11.8%  | 48.7%  | 12.8%  |
| VNB                               | 82.8%  | 20.2%  | 4.7%   | 20.2%  | 17.6%  |
| <b>Growth (%) - Balance Sheet</b> |        |        |        |        |        |
| Total AUM                         | 11.5%  | 8.1%   | 17.2%  | 9.0%   | 9.3%   |
| Total Assets                      | 11.5%  | 8.0%   | 16.3%  | 10.4%  | 10.2%  |
| Embedded value                    | 466.4% | 7.5%   | 24.9%  | 10.0%  | 10.1%  |
| <b>Profitability ratios (%)</b>   |        |        |        |        |        |
| VNB Margin                        | 15.1%  | 16.2%  | 16.8%  | 18.0%  | 18.8%  |
| <b>Expense metrics (%)</b>        |        |        |        |        |        |
| Commission ratio                  | 5.5%   | 5.4%   | 5.5%   | 5.2%   | 5.2%   |
| Opex ratio                        | 9.0%   | 10.2%  | 10.1%  | 8.8%   | 8.8%   |
| Expense ratio                     | 14.5%  | 15.6%  | 15.6%  | 14.0%  | 14.0%  |
| <b>Persistence (%)</b>            |        |        |        |        |        |
| Conservation Ratio                | 90.6%  | 91.3%  | 89.8%  | 90.6%  | 90.6%  |
| <b>Return ratios (%)</b>          |        |        |        |        |        |
| RoEV                              | 11.9%  | 10.9%  | 11.5%  | 10.3%  | 10.4%  |
| ROE                               | 39.0%  | 79.4%  | 49.6%  | 43.1%  | 33.0%  |
| RoA                               | 0.1%   | 0.8%   | 0.8%   | 1.1%   | 1.1%   |
| <b>Solvency</b>                   |        |        |        |        |        |
| Solvency Ratio                    | 185%   | 187%   | 198%   | 190%   | 185%   |
| <b>Underwriting</b>               |        |        |        |        |        |
| Claims ratio                      | 82.7%  | 72.3%  | 81.8%  | 67.5%  | 67.5%  |
| Claims / AUM                      | 9.0%   | 8.1%   | 7.8%   | 6.6%   | 6.5%   |
| <b>Per share data (Rs)</b>        |        |        |        |        |        |
| EPS                               | 6.4    | 57.5   | 64.3   | 95.6   | 107.9  |
| VNBPS                             | 12.0   | 14.5   | 15.2   | 18.2   | 21.4   |
| BVPS                              | 16.4   | 72.4   | 129.7  | 222.1  | 326.7  |
| EVPS                              | 856.1  | 920.5  | 1150.0 | 1264.9 | 1393.0 |
| <b>Valuation (x)</b>              |        |        |        |        |        |
| P/E                               | 145.2  | 16.1   | 14.4   | 9.7    | 8.6    |
| P/VNB                             | 77.0   | 64.1   | 61.2   | 50.9   | 43.3   |
| P/BV                              | 56.6   | 12.8   | 7.2    | 4.2    | 2.8    |
| P/EV                              | 1.1    | 1.0    | 0.8    | 0.7    | 0.7    |

Source: Company, YES Sec – Research

## Recommendation Tracker



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