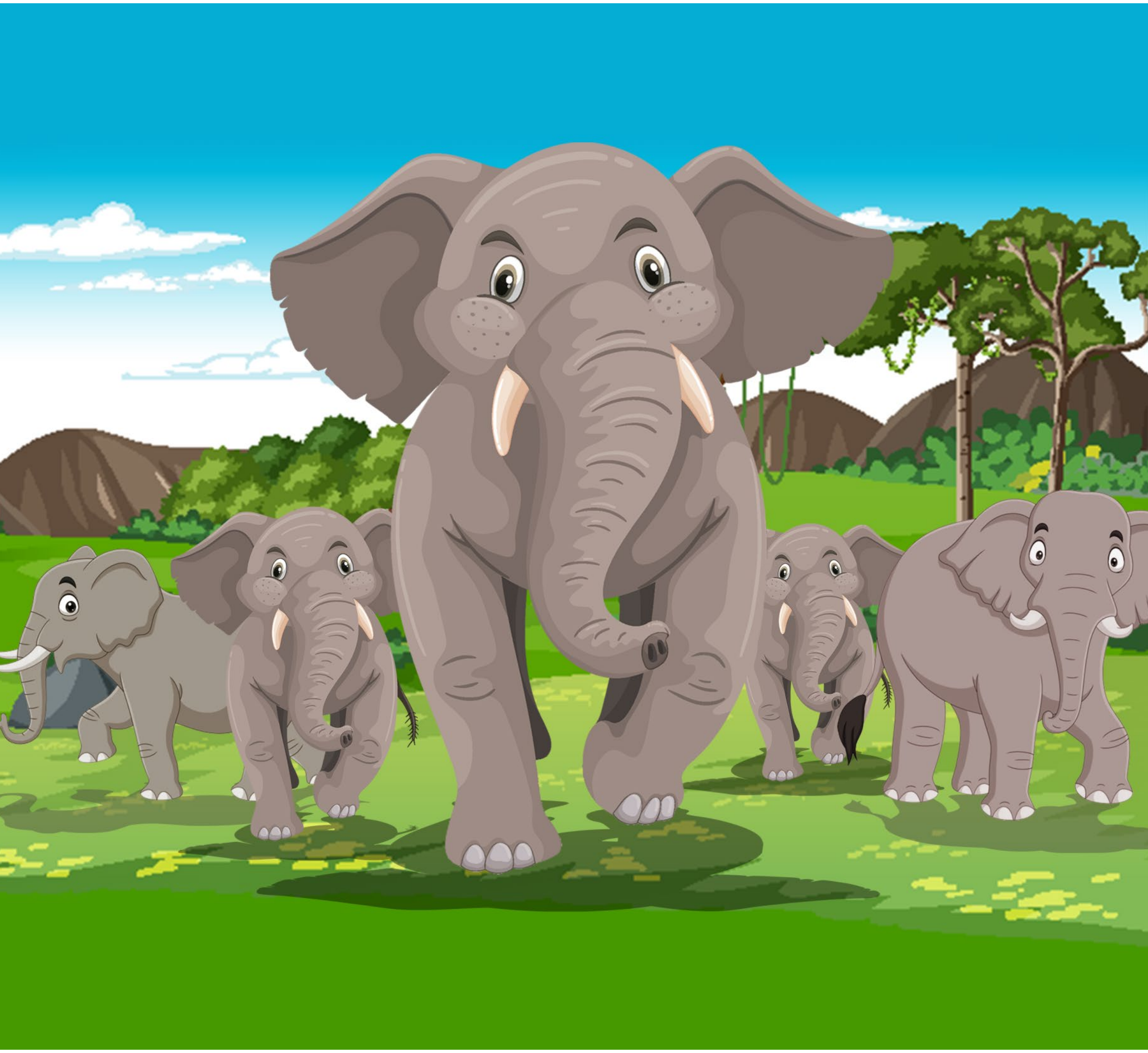
4 July 2022

Initiating Coverage | Sector: Insurance

Life Insurance Corporation



An insurance goliath crafting its own growth path

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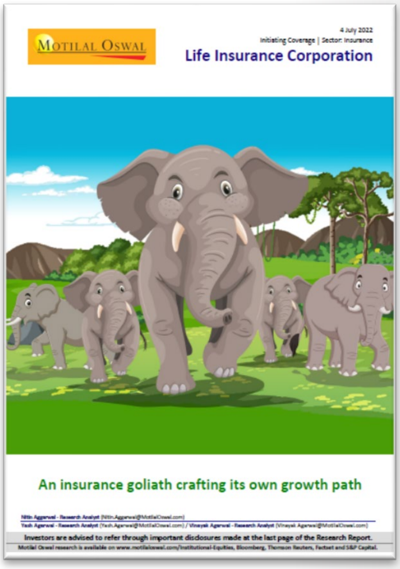


Life Insurance Corporation

An insurance goliath crafting its own growth path

Life Insurance Corporation

BSE SENSEX	S&P CNX
53,235	15,835

Stock Info

Bloomberg	LICI IN
Equity Shares (m)	6,325
M.Cap.(INRb)/(USDb)	4380.1 / 55.4
52-Week Range (INR)	920 / 650
1, 6, 12 Rel. Per (%)	-9/-/-
12M Avg Val (INR M)	6094
Free float (%)	3.5

Financials Snapshot (INR b)

Y/E March	FY22E	FY23E	FY24E
Net Premiums	4,295	4,555	4,879
Surplus / Deficit	57.2	79.5	117.0
Sh. PAT	41.2	78.5	114.8
NBP - unweighted	1,989	2,168	2,385
NBP - wrp	529	564	616
Renewal premium	2,291	2,392	2,500
NBP gr- unwtd (%)	7.9	9.0	10.0
NBP gr - APE (%)	8.0	6.7	9.2
Premium gr (%)	6.1	6.5	7.1
VNB margin (%)	10.7	12.2	13.6
RoEV (%)	NM	3.2	11.4
Total AUMs (INRt)	39.4	42.4	47.9
VNB (INRb)	56.7	68.6	83.9
EV per share	896.0	924.2	1,029.6
Valuations			
P/EV (x)	0.8	0.7	0.7
P/EVOP (x)	0.9	8.2	7.8

Shareholding pattern (%)

As On	Post-IPO	Mar-22	Dec-21
Promoter	96.5	100.0	100.0
DII	1.2	0.0	0.0
FII	0.2	0.0	0.0
Others	2.1	0.0	0.0

FII Includes depository receipts

CMP: INR693　　TP: INR830 (+20%)　　Initiate with Buy

An insurance goliath crafting its own growth path

Business drivers in place; execution remains the key | Initiate with BUY

- **Life Insurance Corporation (LIC) has maintained its market leadership position in the life insurance industry underpinned by its strong brand, vast distribution, and superior customer-connect despite the advent of a large number of private players.**
- **During FY22, LIC accounted for 63%/46% of the total New Business Premium (NBP)/Annualized Premium Equivalent (APE) with a distinct focus on PAR business that formed 70%/92% of individual NBP/APE, respectively, in 9MFY22.**
- **Unlike private peers, LIC relies on its dominant agency channel (1.3m agents, 54% of industry as of 31st Mar'22) to distribute insurance products; yet it has maintained a strong control on the cost ratios.**
- **We estimate LIC to deliver ~10% CAGR in NBP during FY22-24E while the Value of New Business (VNB) margin is likely to improve to 13.6% on improving product mix and higher profit retention. However, we estimate LIC's operating RoEV to remain modest at ~9.7% on lower margin profile than private peers.**
- **LIC's valuation at 0.7x FY24E EV appears reasonable considering gradual margin recovery and diversification in business mix though high sensitivity to equity market volatility remains an overhang. We initiate coverage on the stock with a BUY rating and a TP of INR830 based on 0.8x FY24E EV.**

An insurance trailblazer – growing on its own terms

LIC has maintained its Numero Uno positioning in the market even as it differs in its growth strategy v/s private players on – Distribution (Agent dominated v/s Banca for private), Product Mix (Traditional heavy v/s ULIPs, Non-PAR, Protection for private), and high mix of Single Premium (82% of total NBP v/s 47% for private in FY22) with heavy reliance on Group Business (72% of total NBP v/s 39% for private in FY22). While the focus on profitable growth will compel LIC to reassess its growth trajectory, maneuvering such a large franchise will be a challenging task and requires superior execution over the next few years. We estimate LIC to report ~10%/8% CAGR in NBP/APE over FY22-24E.

Mix of Non-PAR to improve gradually

LIC's product mix is dominated by traditional savings business with low-margin PAR products accounting for 19%/65% of total NBP/APE in FY21. While most of the private players have focused on increasing the mix of high-margin Non-PAR/Protection products, LIC's reliance on PAR products remains high. However, the company aims to ramp up the mix of non-par business markedly, driven by consistent new product launches in the non-par segment.

Annuity – a key growth driver; Protection pricing becoming competitive

Annuity: LIC enjoys a high market share in the Annuity segment (77% in FY21) due to its strong positioning in the group business. The share of Annuity in total new business mix stood at 21% in FY21. Annuity has enabled LIC to report high VNB margin of 118% in the Non-PAR segment and it has an immense growth potential. However, private players are also catching up fast as they have reported 23-131% CAGR over the past three years (FY19-22).

Protection: LIC has a very modest presence in the Protection business with total Protection APE of INR2.1b in 9MFY22. This was 20-39% of the other four largest private insurers. With most private players implementing tariff hikes over the recent months, the competitiveness of LIC in this product has improved and we estimate its Protection volumes to increase over the coming years.

Strong and productive agency channel; Banca gaining focus

LIC has a robust agency channel with agent count of 1.3m (54% of the industry as of 31st Mar'22). The productivity of this channel remains excellent at INR413k NBP per agent in FY21 (2.3x of average of top 5 private insurers) aided by strong vintage and sales processes. Even in terms of number of policies, agents of LIC on an average sold 15.6 policies during FY22 v/s average of 1.9 for top 5 private players. Contrary to private insurers, LIC derives a miniscule 3% of its individual NBP via the banca channel despite having access to a vast branch network (more than several other private insurers). With improved focus on banca channel and LIC following the proven hub & spoke model along with separate products being designed for banca customers, we expect banca premium to improve gradually.

VNB margin modest on high PAR mix; estimate to rise to 13.6% by FY24E

LIC reported modest VNB margin of 9.9% for FY21. The focus on improving the mix of Non-PAR coupled with higher profit retention for shareholders in PAR business to 10% by FY25 (from 5% earlier) and retaining 100% profits in Non-PAR business will improve margins. We thus estimate VNB margin to improve to 13.6% by FY24. We however note that even at this level, LIC's VNB margin will be around half of what most of the other private players will be generating!

Operating RoEV to sustain at ~10%; market volatility can negate it though

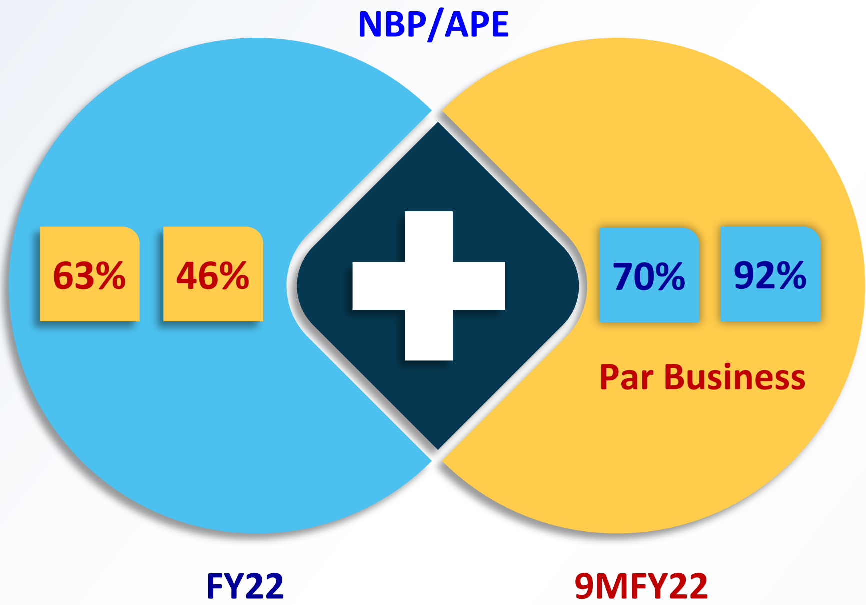
LIC reported a sharp spike in its 1HFY22 Embedded Value (EV) as it split the fund between PAR and Non-PAR segments and benefitted from the transfer of MTM gains on its equity portfolio to the Non-PAR business. However, lower margin and modest premium growth will nevertheless keep operating RoEV under pressure and we estimate it to sustain at ~9-10% over FY22-24. LIC has a high sensitivity to movement in equity markets and a 10%/20% market fall can erode its EV by 6.7%/13.5%, respectively. We thus note that LIC's entire RoEV can get eroded by ~15% fall in equity markets thus posing a key overhang.

Enablers in place – execution remains the key; Initiate with Buy

LIC has all the levers in place to maintain industry leading position and ramp up growth in the highly profitable product segments (mainly Protection and Non-PAR Savings / Annuity). However, changing gears for such a vast organization requires superior and well-thought execution that also has to endure frequent rotation at the top management level. We estimate LIC to deliver ~10% CAGR in NBP during FY22-24 while VNB margin is likely to improve to 13.6%. However, we estimate its operating RoEV to remain modest at ~9.7% on lower margin profile than private peers. LIC's valuation at 0.7x FY24E EV appears reasonable considering the gradual margin recovery and diversification in business mix. Hence, we initiate coverage with a BUY rating and a TP of INR830 based on 0.8x FY24E EV. **Key downside risks** include: a) a slow ramp up of individual Protection and Non-par savings, b) low share and productivity of banca channel and c) a sharp correction in equity markets.

STORY IN CHARTS

Life Insurance Corporation (LIC) has maintained its market leadership position in the life insurance industry



LIC accounted for 63%/46% of the total New Business Premium (NBP)/Annualized Premium Equivalent (APE) in FY22 with a distinct focus on PAR business that formed 70%/92% of individual NBP/APE, respectively, in 9MFY22

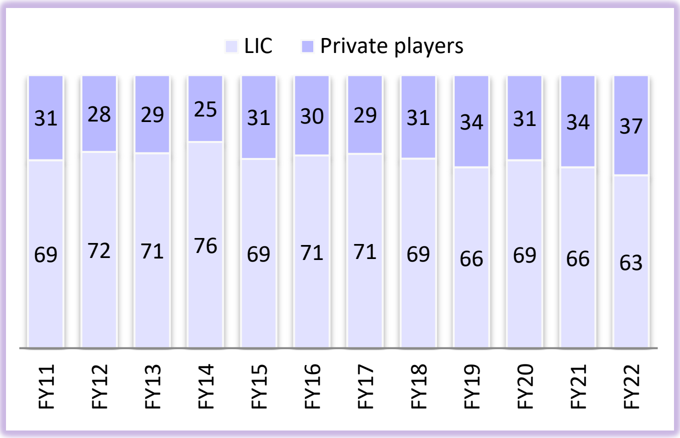
1.3m agents

54%

of industry

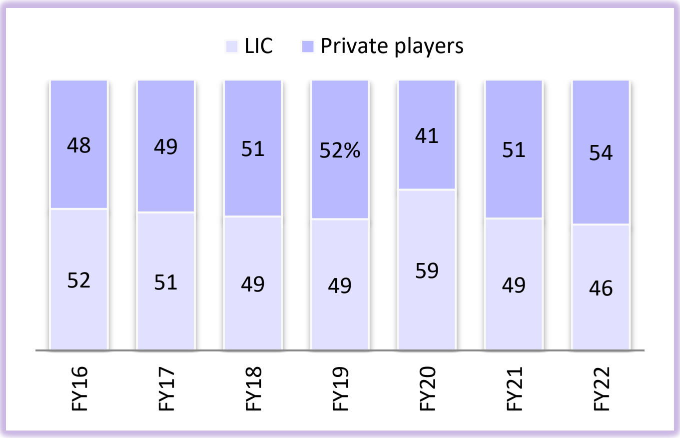
LIC relies on its dominant agency channel (1.3m agents, 54% of industry as of 31st Mar'22) to distribute insurance products

Despite rising competition, LIC dominates the industry NBP with 63% market share (%)



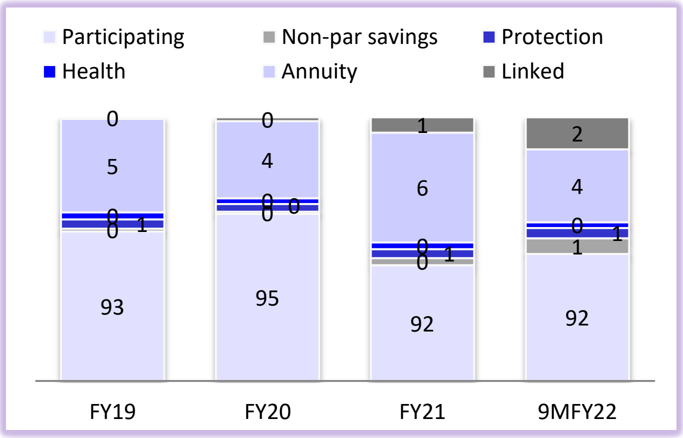
Source: IRDAI, MOFSL

In terms of APE, LIC has a lower market share due to high focus on single premium products (%)



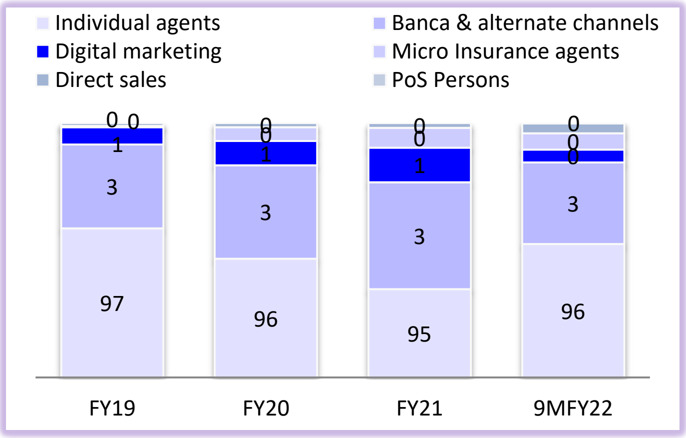
Source: IRDAI, MOFSL

More than 90% of individual APE is derived from PAR products (%)



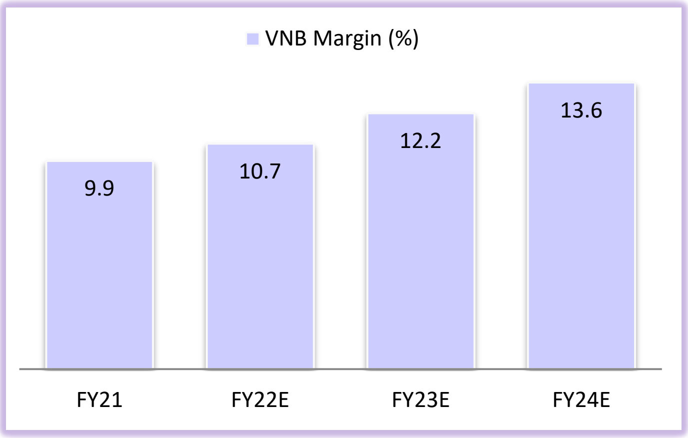
Source: IRDAI, MOFSL

Agency-led distribution model with a low share of banca v/s peers (%)



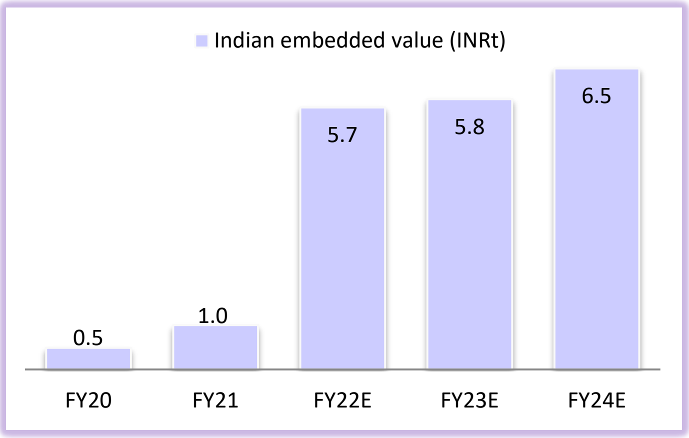
Source: IRDAI, MOFSL

VNB margin to gradually inch up as LIC ramps up share of Non-PAR savings and Protection in business mix



Source: IRDAI, MOFSL

Hence, EV to compound at 7% over FY22-24E and reach INR6.5t by FY24E



Source: IRDAI, MOFSL

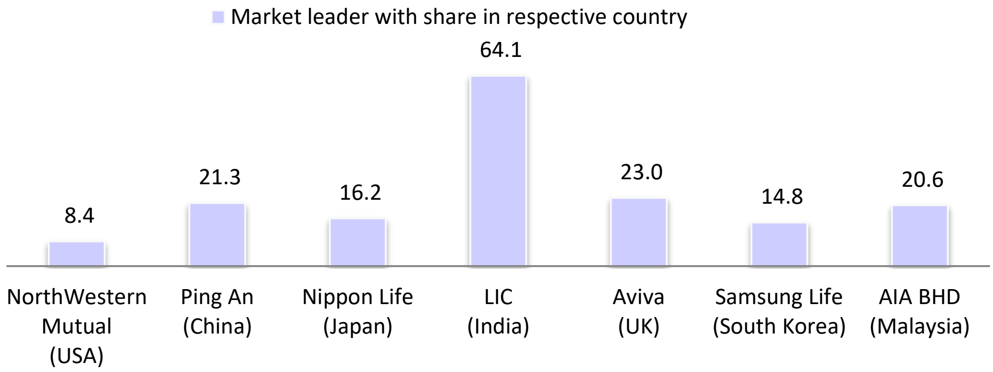
An insurance trailblazer & market leader in India since ages

NBP market share stands at 63%; dominant presence in PAR segment

Despite multi-decade existence of private players, LIC dominates market share with 63% of NBP for FY22

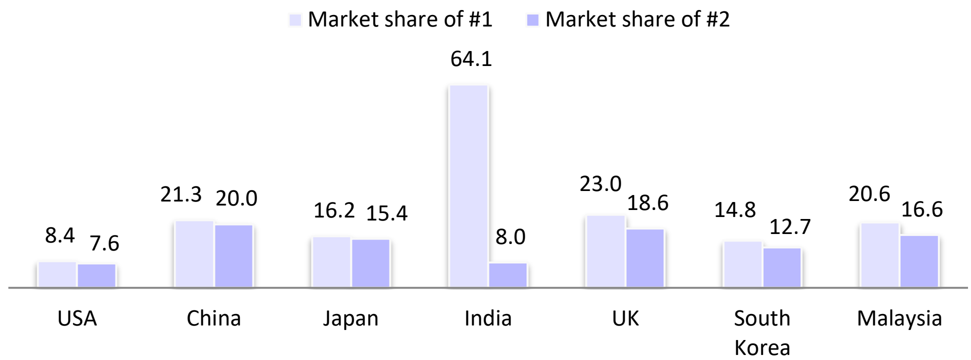
- LIC enjoyed 64.1% (FY21) and 63.2% (FY22) market shares based on Gross Written Premium (GWP) and NBP in the domestic life insurance industry. The high market shares were driven by its individual agent network especially in rural areas, wide range of products and a sense of trust created by brand LIC among individuals. Based on APE, LIC has a lower market share of 46% in FY22 due to its high reliance on single premium policies.
- Private sector players, however, have been gaining market share supported by their diversified product mix and strong distribution through bancassurance partners. Private players have increased their focus towards individual NBP and increased market share gradually to 56% in FY22 from 44% in FY16. This implies that LIC has lost market share in the individual market.
- In group NBP, LIC continues to dominate the market, accounting for 76% of the market in FY22.
- LIC's market share in India is unparalleled globally, with no other life insurance player in any other country enjoying such a large market share. Nowhere in the world is the difference in market share between the largest and the second largest life insurer as stark as it is in India, with the second largest player having only 8.0% market share by GWP v/s LIC's market share of 64.1% by GWP in FY21.

Exhibit 1: Country wise market share of leading insurers based on total premium (FY20)



Source: MOFSL, Company *For LIC, market share is for FY21*

Exhibit 2: India has the widest gap in market share between leader and closest peer in FY20

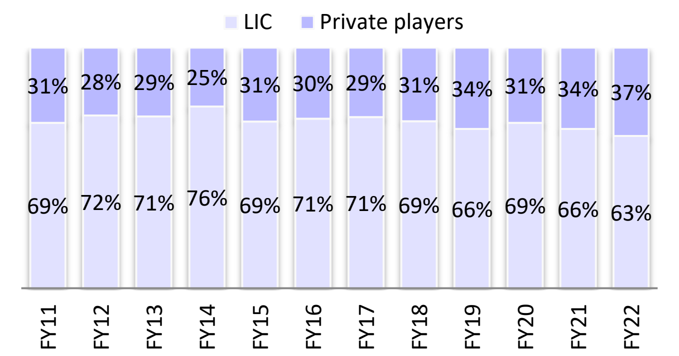


Source: MOFSL, Company; Data for India is for FY21

High share of single premium products due to large group business

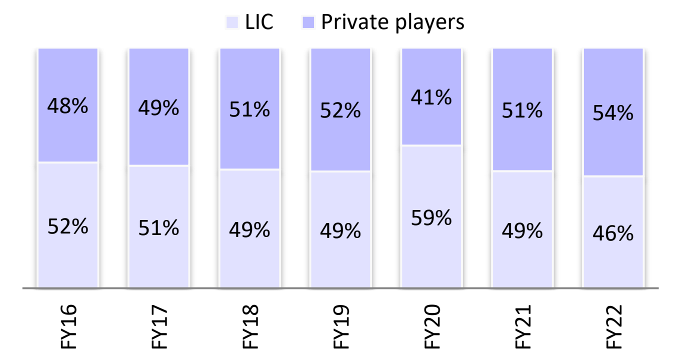
- Single premium continues to play a significant role for LIC as it contributed 82% of NBP in FY22. In comparison, the contribution of single premium income for private insurance companies was 27% during FY22. This also explains why LIC has a higher market share in NBP v/s APE.
- LIC is the only insurer underwriting life insurance business outside India. However, size of the business is marginal in the overall scheme of things. For 9MFY22, total international premium underwritten was INR20b (0.7% of GWP).

Exhibit 3: LIC dominates the NBP market share due to its strong group business



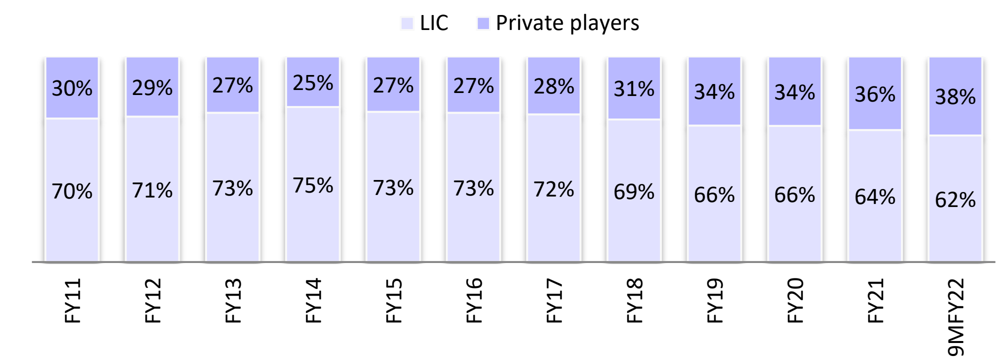
Source: IRDAI, MOFSL

Exhibit 4: In terms of APE, difference in market share between LIC and private industry is narrower



Source: IRDAI, MOFSL

Exhibit 5: LIC enjoys a lion's share on GWP basis, aided by a robust back book

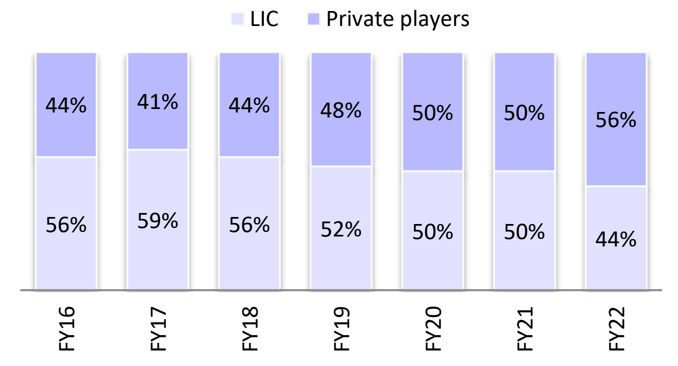


Source: MOFSL, Company

Rising competition from private players a concern on the individual business

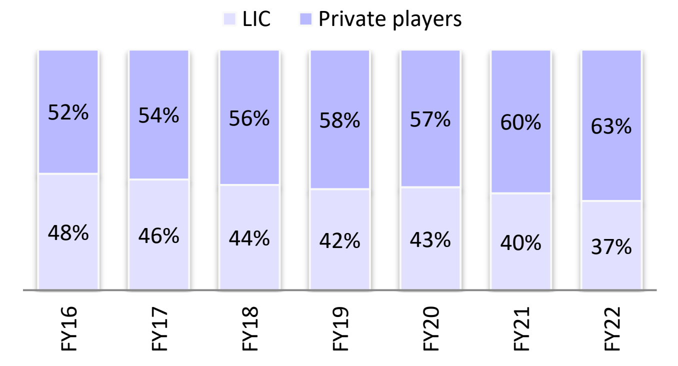
- While LIC still has a large share in individual NBP, it is gradually losing ground to the private industry due to the latter's diversified product mix and strong distribution proposition through bancassurance partners.
- A rising focus of private players has led to increase in market share in individual NBP to 56% in FY22 from 44% in FY16.

Exhibit 6: Loss of market share in Indiv. NBP due to stiff competition by private industry and low focus on ULIPs



Source: IRDAI, MOFSL

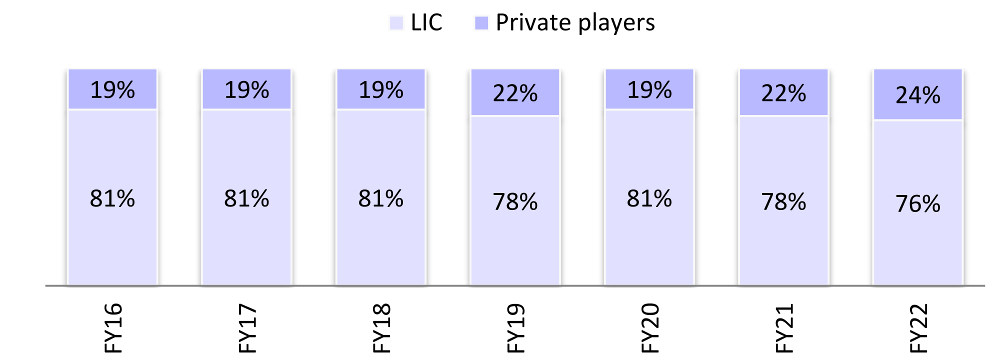
Exhibit 7: In terms of Indiv. APE, difference in market share between LIC and private industry has been wider



Source: IRDAI, MOFSL

- LIC dominated the group life insurance with a market share of 76% in FY22. This hovered in a narrow range over the years despite strong competition from private players. Strong direct selling team, healthy long-term relationship with clients and preference by PSU companies led to this dominance.

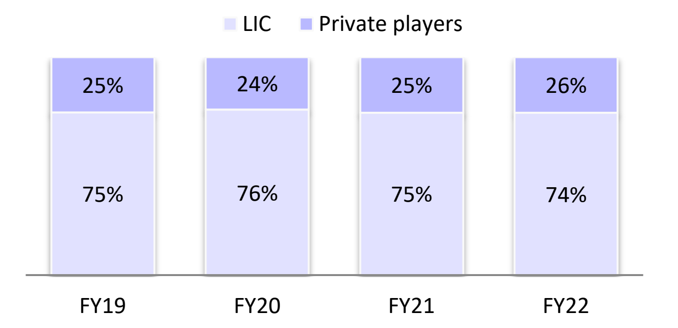
Exhibit 8: LIC has consistently maintained ~75%+ market share in Group NBP



Source: MOFSL, Company

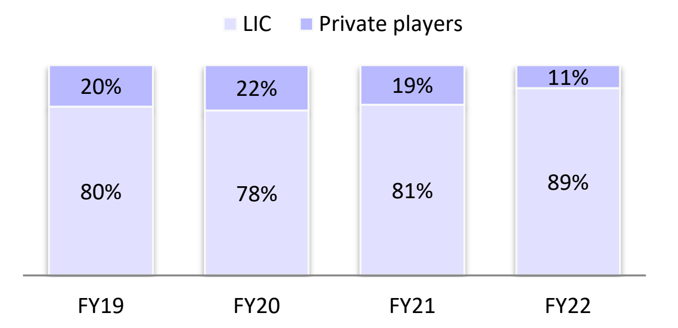
- While LIC has maintained its market share in terms of new policies issued for individual and group segments, loss in market share in APE was due to its shallow focus on Unit Linked Insurance Plans (ULIPs). Private players have a higher share of ULIPs in business mix owing to reliance on bancassurance channel and urban customer base.

Exhibit 9: Market leader with 74% share in new individual policies issued



Source: MOFSL, IRDAI, Company

Exhibit 10: Dominance of LIC is stronger in group business v/s individual with 89% share in new policies issued

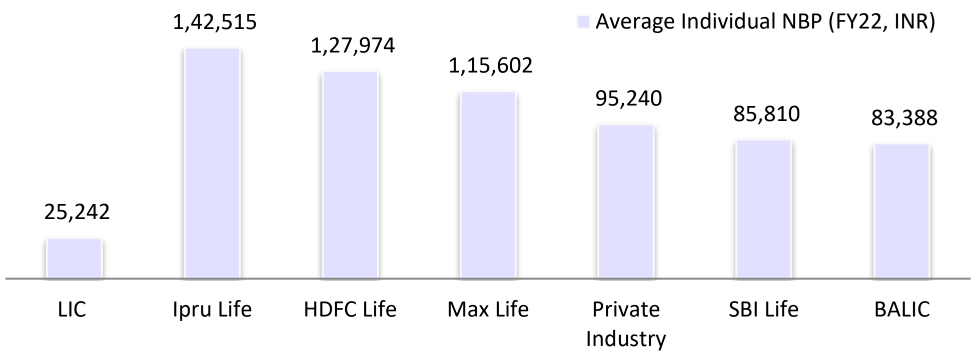


Source: MOFSL, IRDAI, Company

Lower ticket size of LIC driven by rural customer base and low share of ULIPs (a high ticket size product)

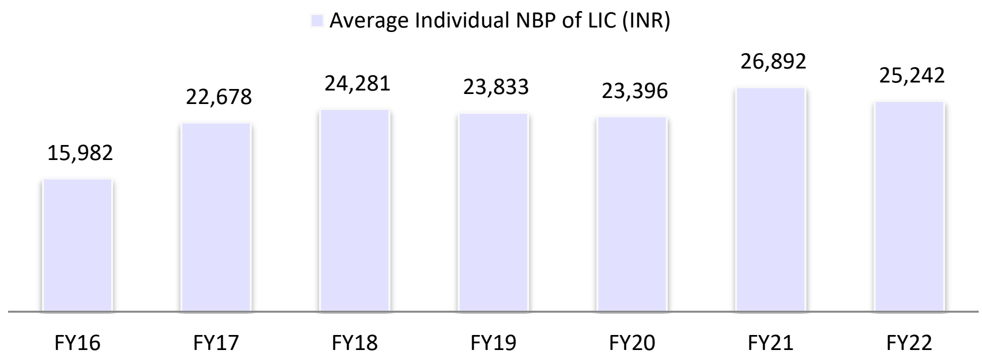
- Given LIC's customer base and geographical diversification with true coverage across the length and breadth of the country, ticket size is much lower as compared with private players with an urban focus.
- Most of the private players derive a significant proportion of business from banca channel with a higher focus on ULIPs. The top private banks have a higher urban orientation and naturally ticket size is higher. ULIP ticket size is also typically higher compared to other products.
- However, a lower ticket size reduces volatility during difficult times and therefore is a natural hedge for LIC.
- However, as LIC looks to scale up its non-PAR portfolio, it is continuously training its agency force to raise their productivity and average ticket size of policies sold.

Exhibit 11: LICs ticket size is significantly lower, given rural customer base



Source: IRDAI, MOFSL

Exhibit 12: Ticket size for LIC has been stable around the INR25K level



Source: IRDAI, MOFSL

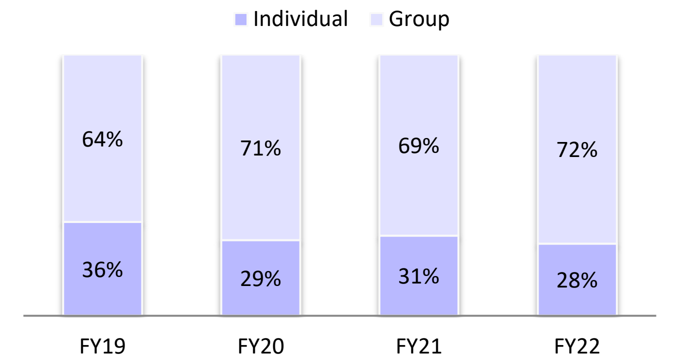
Traditional savings remain the mainstay product

Non-PAR savings and Protection offer two big prospective areas

Wide product bouquet to increase attractiveness

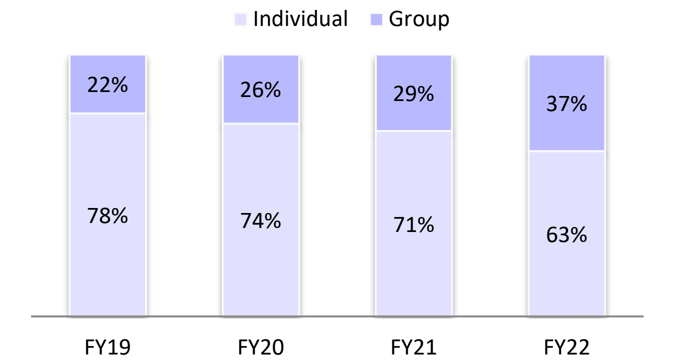
- LIC has a wide product portfolio with reliance on PAR products. It offers individual as well as group policies. The aim of the corporation is to address consumers' needs through the four principal stages of life, namely, beginning of savings, career and marriage, family needs and retirement planning and retirement and asset drawdown
- As at 31st Dec'21, individual product portfolio in India comprised 32 individual products (16 PAR products and 16 non-PAR products) and seven individual riders. Group product portfolio in India comprised 11 group products.

Exhibit 13: Group business dominates total NBP mix with 72% share



Source: MOFSL, Company

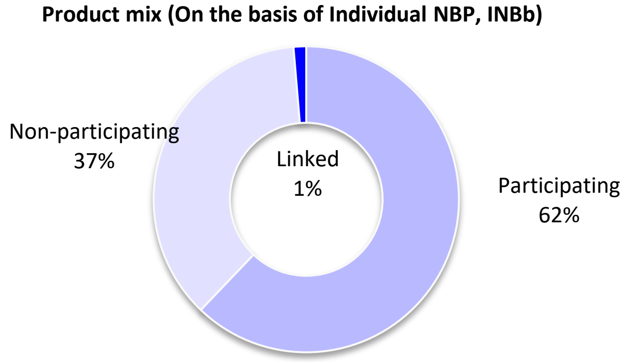
Exhibit 14: Share of Group business in APE is much lower due to high mix of single premium products



Source: MOFSL, Company

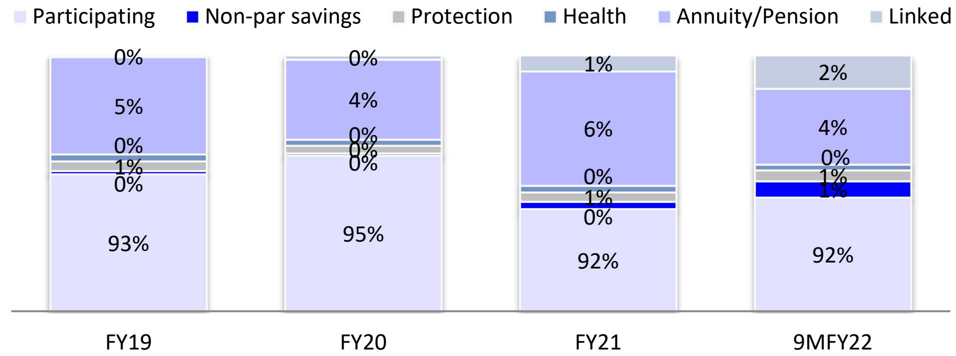
- Individual products comprise: (i) PAR insurance products, (ii) non-PAR products, and (iii) unit linked insurance products. Non-PAR products include: a) savings insurance products, b) term insurance products, c) health insurance products, and d) annuity and pension products.
- Group products comprise: (i) group term insurance products, (ii) group savings insurance products; (iii) group savings pension products; and (iv) group annuity products.
- Although PAR products dominate product portfolio, LIC has a large market share in health insurance and annuity products.
- In health insurance provided by life insurance players, LIC has a market share of 53.6% and 54.4% in terms of GWP for FY2021 and 9MFY22, respectively.
- In annuity products, LIC has a market share of 76.9% and 68.7% in terms of GWP for FY2021 and 9MFY22, respectively.

Exhibit 15: Traditional savings-oriented product mix (9MFY22)



Source: MOFSL, Company

Exhibit 16: More than 90% Individual APE is derived from PAR products



Source: MOFSL, Company

Exhibit 17: In terms of total NBP, Annuity dominates the mix as it is typically a high single premium product

Product mix (On the basis of Total NBP)	INRb				%			
	FY19	FY20	FY21	9MFY22	FY19	FY20	FY21	9MFY22
PAR	393	414	351	250	27.7	23.2	19.1	19.8
Non-PAR savings	365	263	337	224	25.7	14.8	18.3	17.7
Protection	16	12	11	10	1.1	0.6	0.6	0.8
Health	1	1	1	1	0.1	0.1	0.1	0.0
Annuity/Pension	646	1,091	1,135	760	45.4	61.2	61.6	60.3
Linked	0	1	8	16	0.0	0.1	0.4	1.3
Total	**1,422**	**1,782**	**1,843**	**1,260**	**100.0**	**100.0**	**100.0**	**100.0**

Source: MOFSL, Company

Exhibit 18: In terms of total APE, PAR products dominate the product mix

Product mix (On the basis of Total APE)	INRb				%			
	FY19	FY20	FY21	9MFY22	FY19	FY20	FY21	9MFY22
PAR	299	339	296	193	73.7	70.7	64.8	64.4
Non-PAR savings	37	27	35	24	9.1	5.6	7.8	8.1
Protection	3	3	8	2	0.8	0.5	1.7	0.7
Health	1	1	1	1	0.3	0.2	0.3	0.2
Annuity/Pension	65	109	113	76	16.0	22.8	24.9	25.3
Linked	0	1	3	4	0.1	0.2	0.6	1.3
Total	**406**	**480**	**456**	**299**	**100.0**	**100.0**	**100.0**	**100.0**

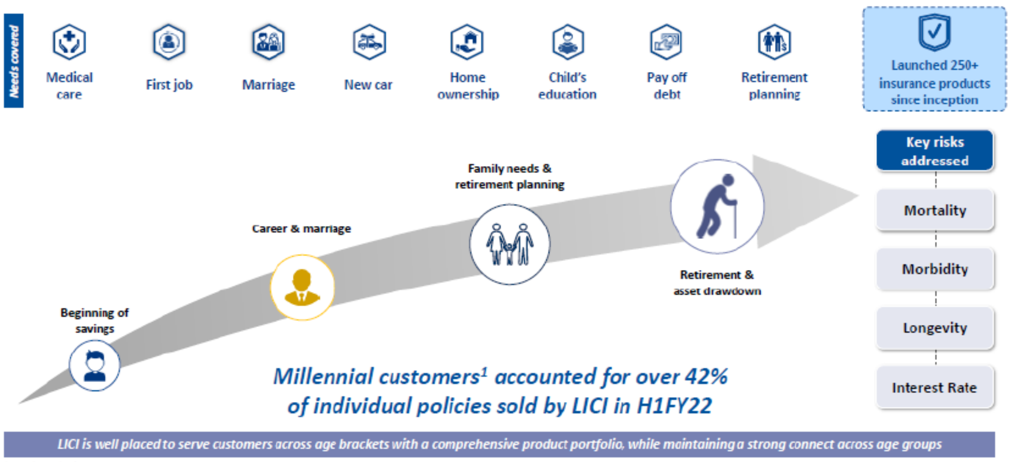
Source: MOFSL, Company

- Life insurance in India is still primarily bought as a long-term investment option with a nominal protection cover. Due to this, India has one of the widest protection gaps as consumers look at insurance as a driver to accumulate savings rather than a means to cover mortality and morbidity risk.
- However, Covid-led mindset reset towards the idea of protection for the population at large should ensure sustained demand for protection over the medium term.

Covid-led mindset reset towards the idea of protection for the population at large should ensure sustained demand for protection

- The number of lives covered in India in both individual and group business is expected to increase due to increasing awareness, expanding distribution channels and enhanced product offerings. It is estimated that close to 28% (285m) of adult population should be covered by FY26E.
- Insurance companies have also stepped up the pedal in boosting sales of pure term products and increasing share of this high-margin product in their business mix.
- However, LIC which relies primarily on the traditional savings product category with a high dependence on agency channel is unlikely to change this meaningfully. We do, however, expect LIC to take gradual steps to boost this with training of the agency channel.

Exhibit 19: LIC's product portfolio consists of 32 individual products, 7 riders & 11 group products, catering to customers' needs across age groups



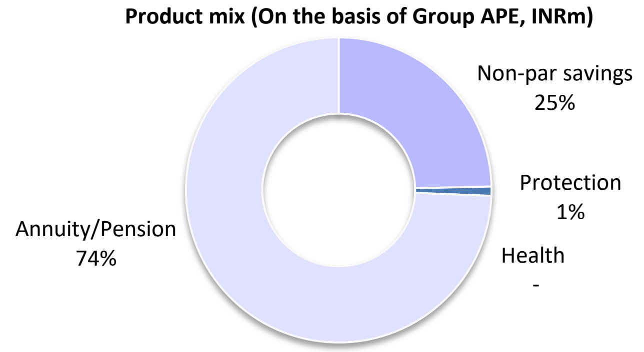
Source: Corporation data
Note: Data for H1FY22/as of Sep'21 unless otherwise mentioned; [1] Customers born between January 1, 1981 to December 31, 1994

- Group business is primarily sourced through direct selling teams of insurers with a focus on non-PAR savings to meet retirement liabilities of customers. Although some private insurers have started relying more on corporate channels and brokers for their group insurance segment, the majority is still sourced through own teams.

LIC controls the group insurance market

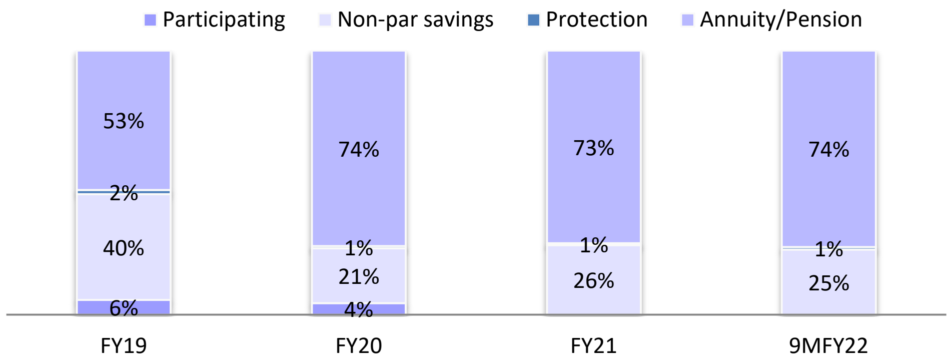
- Close to 91% of the FY21 industry group premium was sourced through own selling teams employed by various insurers.
- LIC is a dominant player with 76% market share in group NBP during FY22. However, its market share has declined marginally due to rising competition from private industry. LIC relies significantly on its own direct selling team to generate business in this segment, much like the private industry.

Exhibit 20: Group business is dominated by single premium annuity (9MFY22)



Source: MOFSL, Company

Exhibit 21: Group business is focused on non-PAR savings/annuity to meet retirement liabilities (on the basis of Group NBP)



Source: MOFSL, Company

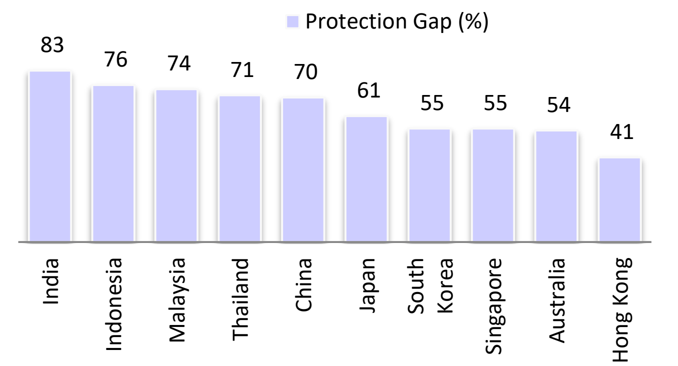
Protection remains a strong business opportunity

Improved competitiveness after recent tariff hikes by private players

Protection is a highly under-penetrated segment in India with a wide protection gap and low sum assured to GDP

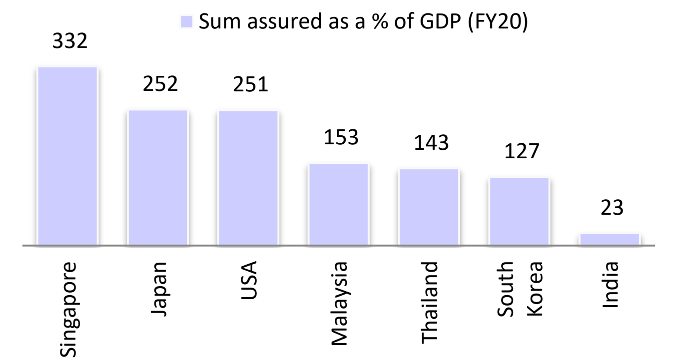
- Life insurance penetration in India stood at 3.2% in CY20 as against a global average of 3.3%. India is on the lower end of the range v/s its Asian peers.
- While the headline penetration rate is not significantly far from the average, we believe a larger gap exists for the protection business. This is due to a higher share of savings products sold in India compared to protection.
- In terms of sum assured to GDP, Indian stands at a meager 23% compared with its neighboring countries like Malaysia, Thailand and Singapore. Developed countries like USA and Japan are far higher with a ratio >250%
- According to Swiss Re, India's protection gap at USD16.5b is much higher than its Asian counterparts. Protection gap at 83% as of CY20 is the highest among all countries in the Asia-Pacific region.

Exhibit 22: Protection gap at 83% in CY20 is highest for India



Source: MOFSL, Swiss Re, Company

Exhibit 23: Low SA to GDP reflects lack of protection focus



Source: MOFSL, Company

Data for India as of FY21, for USA & Japan – as of FY18

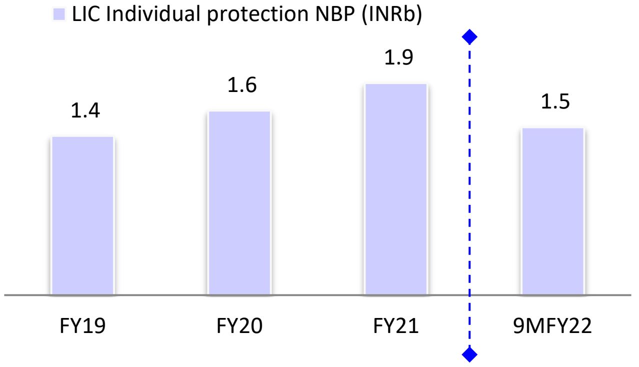
- The different parameters reflect how insurance has largely been sold as an instrument of savings with an additional layer of protection.
- With rising awareness due to Covid-19, a mindset reset has happened towards the idea of protection for the population at large. With significant under-penetration, this segment has enough levers to grow and drive NBP and VNB margin for insurers.

Rising thrust on protection to boost margins

High share of protection augurs well for VNB margin

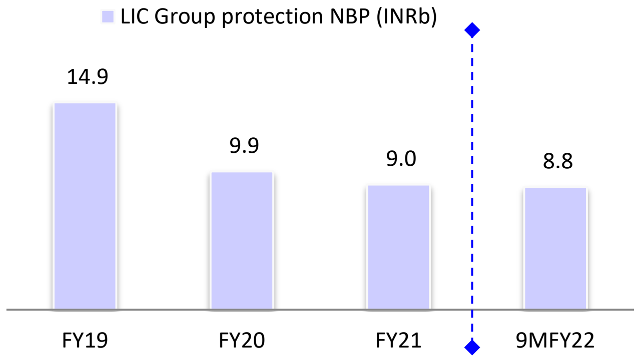
- Protection was never a focus area for LIC with marginal share in mix.
- However, in order to boost margins and increase the share of more profitable products in the mix, LIC is consciously trying to increase sales of individual as well as group protection products.
- For this reason, it is continuously investing in training agents to enable them to sell protection policies and scaling up alternate channels such as banca and direct.

Exhibit 24: Individual protection has posted 15% CAGR over FY19-21



Source: MOFSL, Company

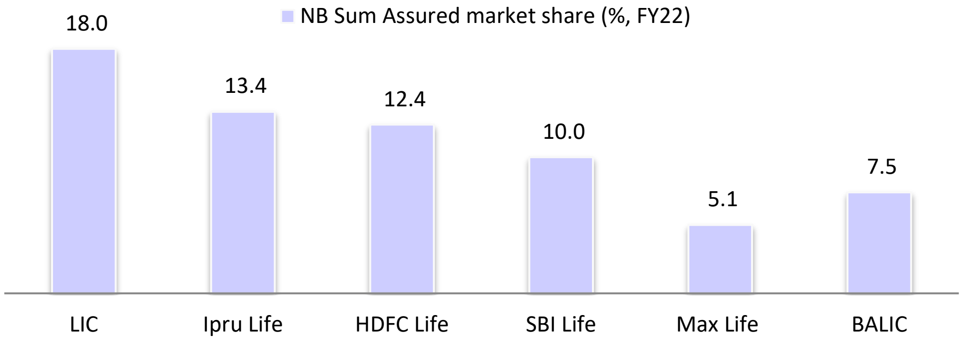
Exhibit 25: Group protection NBP is declining due to aggressive competition from private players



Source: MOFSL, Company

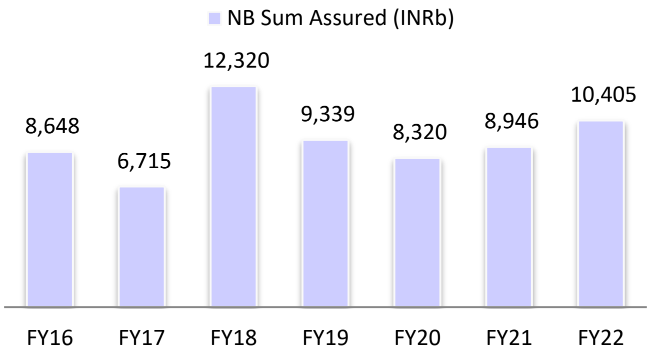
- New Business (NB) Sum Assured is a great indicator of the quantum of mortality and morbidity risks assumed by the company on its front book. LIC intends to increase this by reaching out to its existing customer base with an aim to bridge the protection gap.

Exhibit 26: While LIC has a NB market share of 63%, in terms of Sum Assured it is only 18% and highlights the lack of focus on writing protection



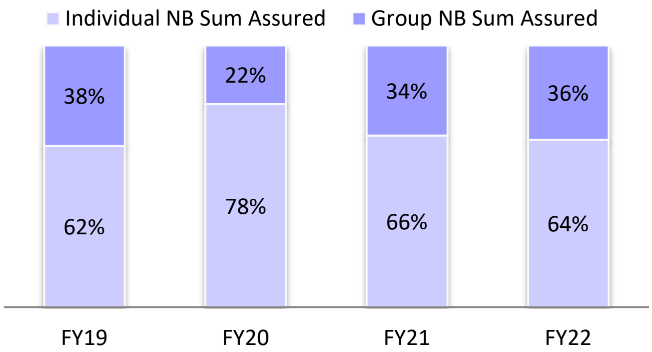
Source: MOFSL, Company

Exhibit 27: LIC's Sum Assured has reported 3% CAGR over FY16-22 – lower than NB CAGR of 13%



Source: MOFSL, Company

Exhibit 28: Individual segment contributes 64% of total Sum Assured due to low focus on group protection



Source: MOFSL, Company

Competitive positioning improved after recent price hikes by private peers

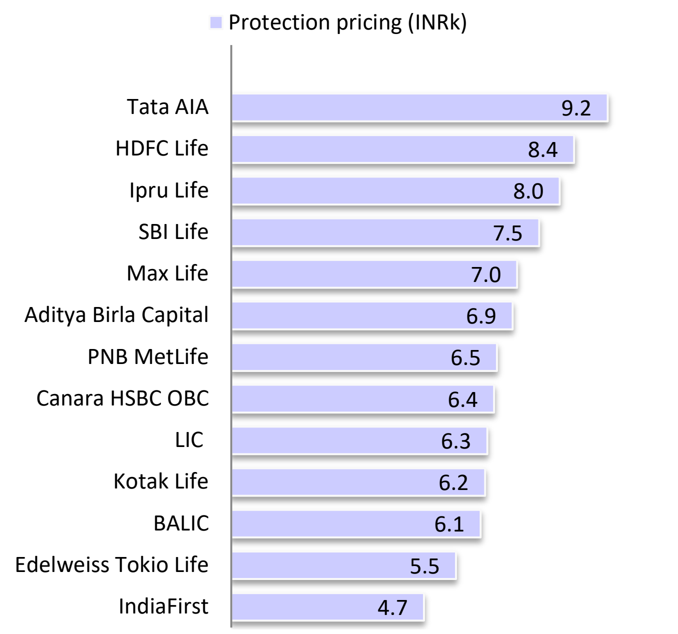
Protection pricing of LIC vs. peers is extremely appealing

- Due to Covid-led increased mortality over the last two years, reinsurers, across the board, revised protection prices upwards. Increased prices along with more stringent terms made it mandatory for life insurers to take price hikes.
- Most life insurers have taken price hikes to be margin neutral. Some of the top private insurers also tweaked riders for the same.
- LIC's pricing, prior to this revision, was on the higher side. However, LIC has not taken any price hike in this round. This, in turn, has improved the competitive positioning of its products v/s peers.
- In the below mentioned exhibits, we analyze where LIC stands v/s peers in terms of pricing across a range of Sum Assured.

Pricing comparison

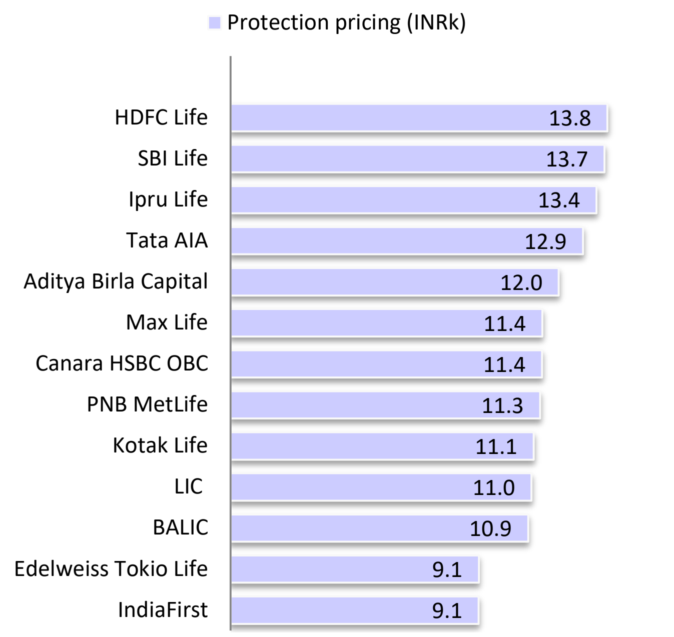
- Pricing is for a male, non-smoker
- Aged 30 years with a regular premium payment plan
- For 30 years with a cover till the age of 60

Exhibit 29: LIC is extremely competitive in the medium ticket category (Sum Assured: INR5m)



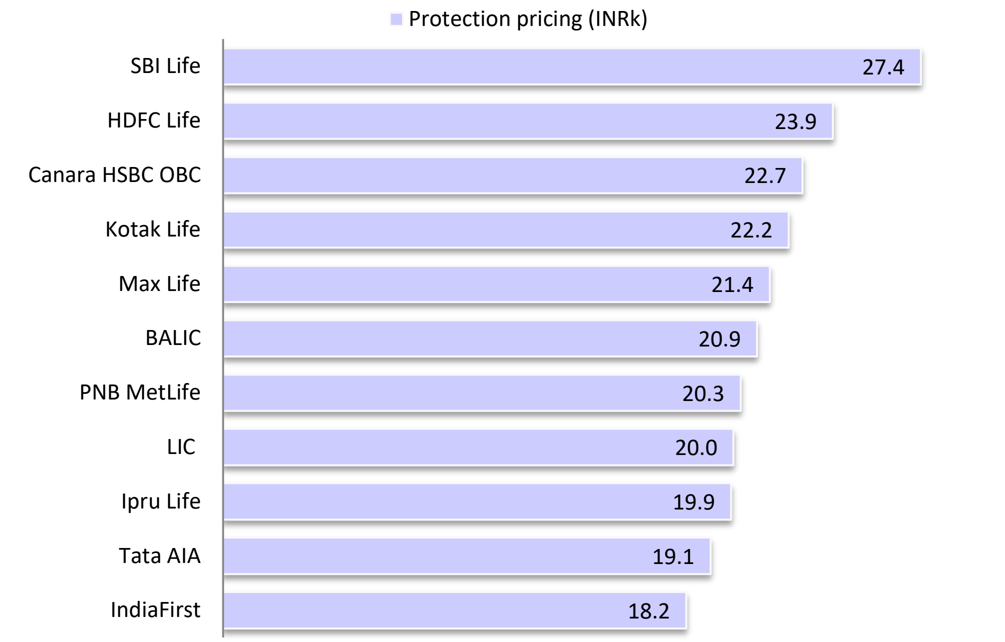
Source: Company, SBI Life, Policybazaar

Exhibit 30: A similar trend is seen in the INR10m Sum Assured category



Source: MOFSL, Company, Policybazaar

Exhibit 31: LIC and IPRU Life are competitive in the INR20m Sum Assured category



Source: MOFSL, Company, Policybazaar

- While large private peers are priced on the higher side compared to LIC, in the higher ticket Sum Assured (SA) category of INR20m, pricing of IPRU Life is also aggressive as it seeks to target its urban customer base.
- From the above charts, we can conclude that improved competitive positioning of LIC will help in garnering market share in the protection segment.
- This should also help LIC increase its share of protection in mix from low-single digit to mid-single digit over the next few years. This, in turn, will be a margin booster and improve the trajectory of LIC's VNB growth, going forward.

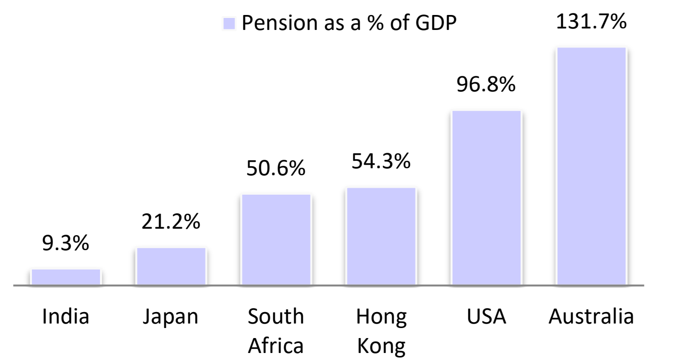
Leader in the Annuity segment

Annuity market share stands at 77% in FY21; private peers though catching up fast

Rising awareness, demographic factors and under-penetration to sustain growth momentum

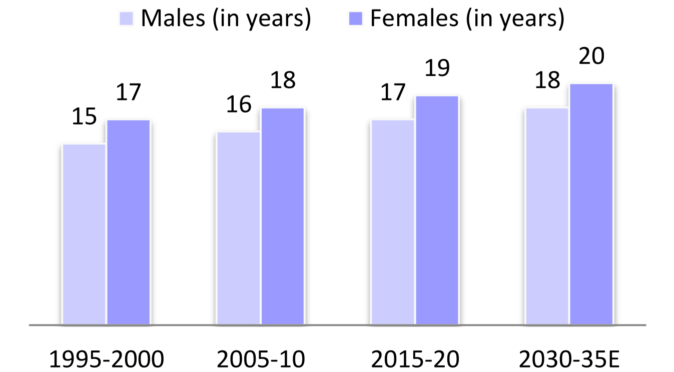
- As consumers are looking for an appropriate blend of savings and protection in their personal context, insurers are realizing the need to develop more flexible products.
- In India, insurers have started concentrating on non-PAR savings, protection and annuity products.
- Penetration of these products is dismal as of now and therefore presents a structural opportunity as awareness of these products has increased due to the pandemic.
- Proportion of elderly population in India is expected to rise to 17% by 2060 from 7% in 2020. This will lead to improved demand for annuity and pension products.
- Due to rising awareness, higher life expectancy at the retirement age of 60 years, emergence and acceptance of online platforms, demographic factors and thrust of insurance players, demand for these products should continue to grow.

Exhibit 32: Massive under penetration in the retirement opportunity in India



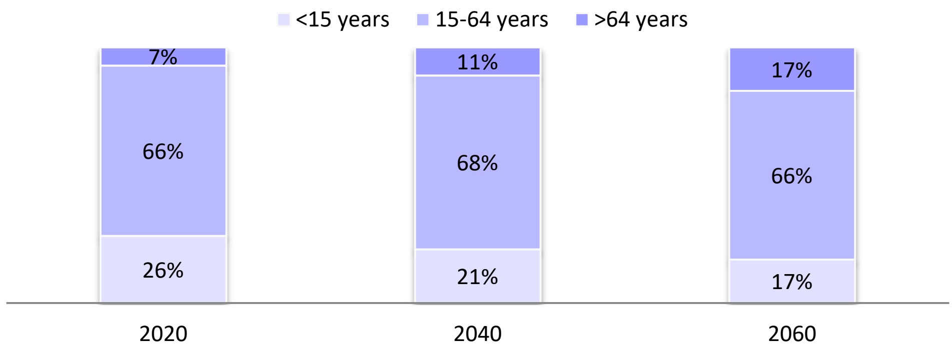
Source: MOFSL, HDFC Life, Milliman Asia Retirement report

Exhibit 33: Improved life expectancy at age of 60 years to create awareness about importance of post-retirement life



Source: MOFSL, HDFC Life, Ministry of Statistics

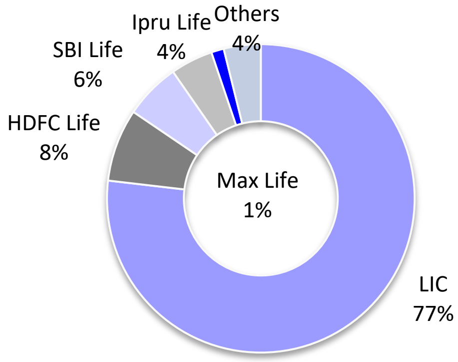
Exhibit 34: Elderly population is expected to triple in size by 2060E



Source: MOFSL, HDFC Life, UN population estimates

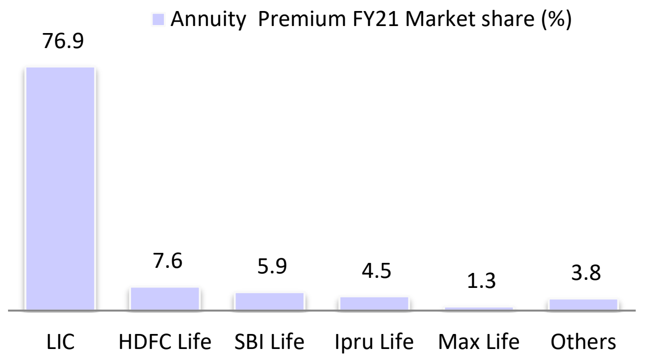
- Awareness for annuity products is set to rise with several mandatory pension and retirement schemes by Government of India. This will increase the industry annuity size. Therefore, pension AUM is expected to clock robust growth going forward.

Exhibit 35: Industry Annuity premium (including renewals) in FY21 was INR515b with bulk of it contributed by LIC…



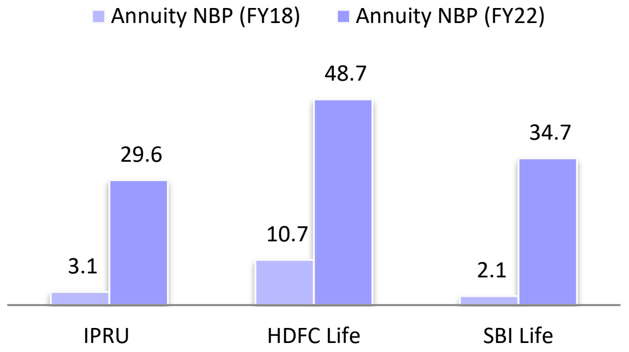
Source: MOFSL, Company

Exhibit 36: …hence, market share (GWP basis) is dominated by LIC due to its high share in group business



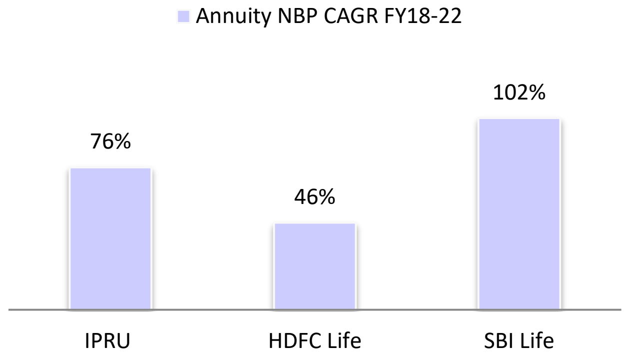
Source: MOFSL, Company

Exhibit 37: SBI Life has scaled up the annuity segment fastest (NBP basis)…



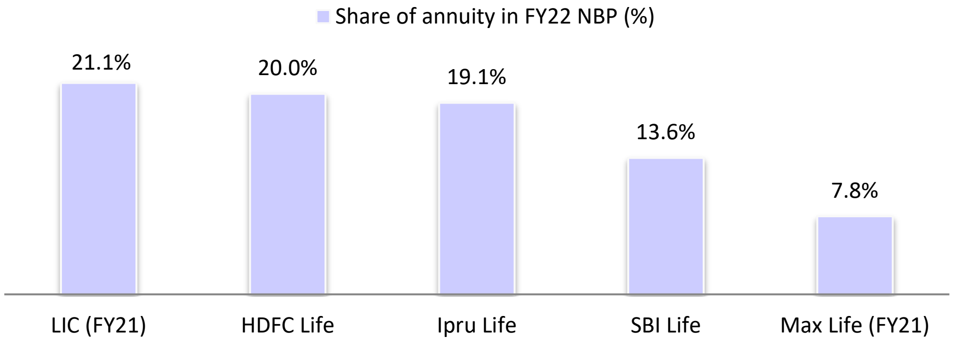
Source: MOFSL, Company

Exhibit 38: …at 102% CAGR between FY18-22, ahead of private peers HDFC Life and IPRU Life



Source: MOFSL, Company

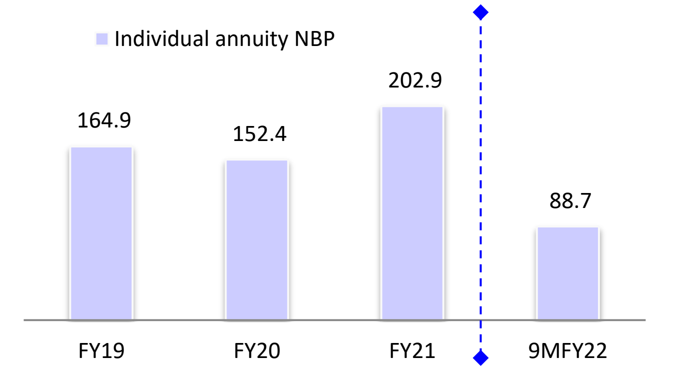
Exhibit 39: Share of annuity in business mix is the highest for LIC followed by HDFC Life



Source: MOFSL, Company

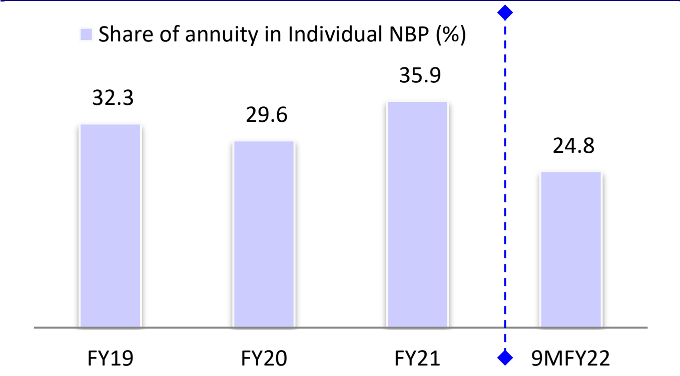
- LIC has a high market share in annuity segment at 77% in 9MFY22 due to its strong positioning in the group business
- LIC has done well in case of individual annuity segment over the years with 11% CAGR during FY19-21.

Exhibit 40: LIC reported individual annuity CAGR at 11% during FY19-21



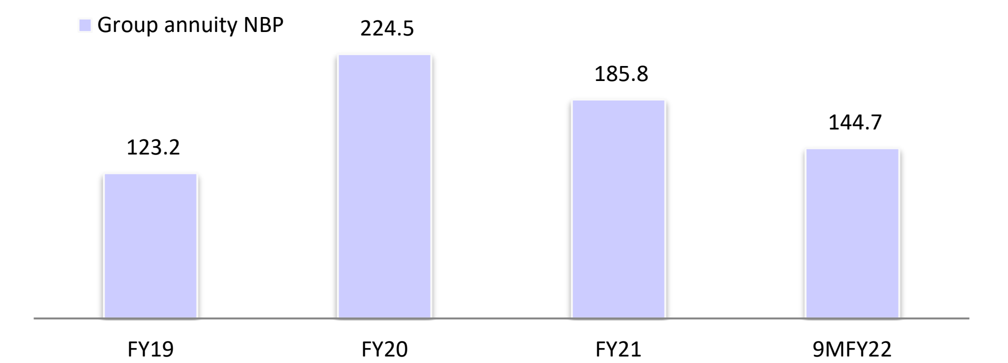
Source: MOFSL, Company

Exhibit 41: Share of annuity in individual NBP at ~25% in 9MFY22



Source: MOFSL, Company

Exhibit 42: Group annuity NBP grew at 23% CAGR between FY19-21, faster than individual annuity



Source: MOFSL, Company

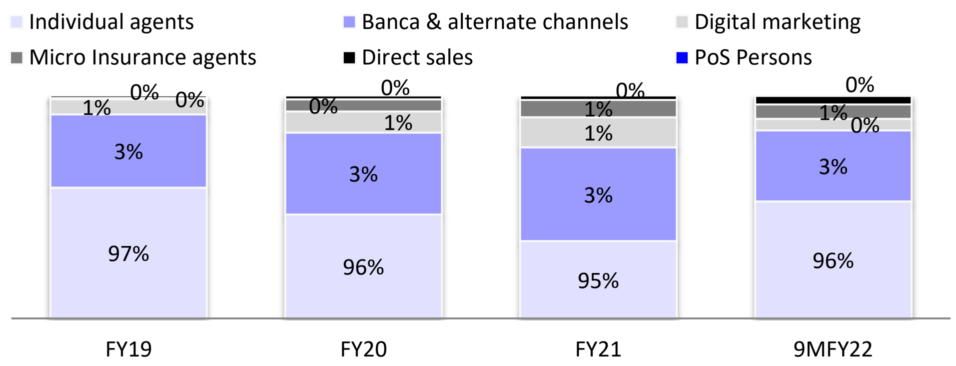
Unparalleled agency force driving the individual business

Productivity level among the highest; but bancassurance remains a key gap

Individual business of LIC is driven by the agency channel

- LIC caters to insurance needs of individual through an omni-channel distribution network consisting of 1.33m individual agents, 70 bancassurance partners, 215 alternate channels (corporate agents and brokers), digital sales, 2,128 active micro insurance agents and 4,769 Point of Sales Persons as of 31st Dec'21.
- In addition to this, it is also present in 91% of the districts in India through 2,048 branch offices and 1,559 satellite offices.
- Individual agents dominate the distribution mix by contributing ~95%/96% of total individual NBP business in FY21 and 9MFY22, respectively.
- The share of bancassurance and alternate channels are rising in the mix with growing focus on boosting sales through these channels. LIC is actively looking for bank partners and is engaged in improving productivity of existing partners.

Exhibit 43: Distribution mix for individual NBP business is led by individual agents



Source: MOFSL, Company

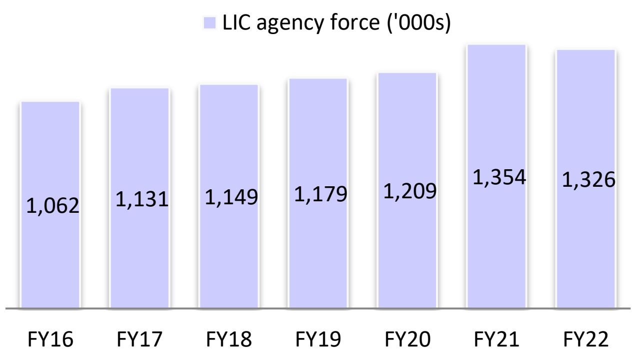
- LIC has the largest agency network in India. It accounted for 54% of the industry agency network and was 6.7x times the agency force of the next largest player as of end-Mar'22.

Exhibit 44: LIC accounts for 54% of industry agency force, 6.7 times the size of the closest peer as of 31st Mar'22

	(In 000s)
LIC	1,326
IPru Life	199
SBI Life	146
HDFC Life	115
Kotak Life	111
Bajaj Life	96
ABSLI	80
Edelweiss Tokio Life	63
Max Life	61

Source: MOFSL, Life Insurance Council

Exhibit 45: LIC's agency force has grown at 4% CAGR during FY16-22

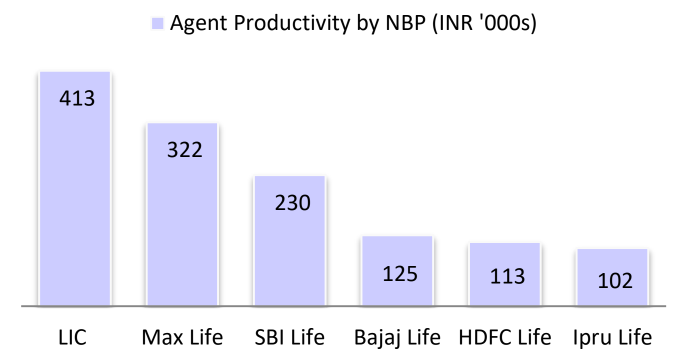


Source: MOFSL, Company

Despite controlling over 50% of industry agency base, productivity remains the highest

- Despite having the largest agency headcount, LIC also has the highest productivity v/s peers. Long association of agents and trust enjoyed by the brand are the key enablers of this feat.
- LIC agents on an average sell 15.3 individual policies per agent. This is notably higher than top private peers, ranging between 0.9 and 3.9 policies.
- LIC remains committed to expanding the individual agency network and further improving agents productivity. The focus remains on hiring and maintaining strong relationships with agents to ensure longevity.

Exhibit 46: LIC also has the most productive individual agency force in FY21



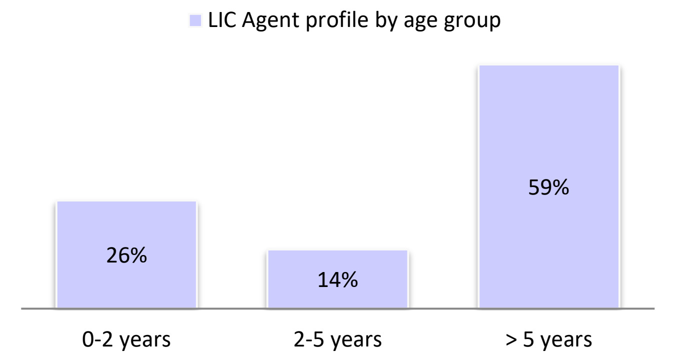
Source: MOFSL, Company

Exhibit 47: LIC's agency force also commands leadership in terms of average number of policies sold

FY22	Average
LIC	**15.6**
SBI Life (FY21)	3.4
Max Life	1.7
Bajaj Life	1.5
HDFC Life	1.4
IPRU Life	1.3

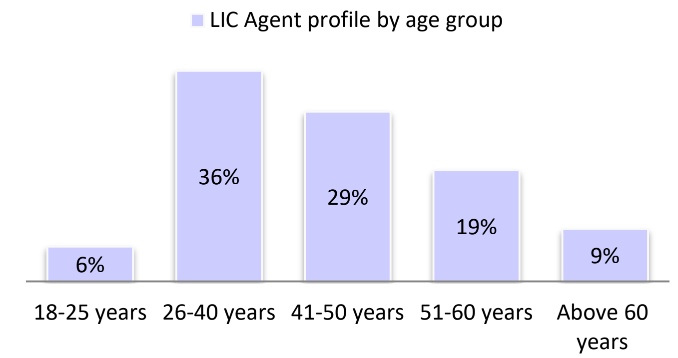
Source: MOFSL, Company

Exhibit 48: High longevity of LIC agency force with 59% agents associated for more than five years



Source: MOFSL, Company

Exhibit 49: About 71% of LIC's agents are <50 years; LIC plans to recruit more young and tech-savvy people as agents



Source: MOFSL, Company

Digital is an emerging channel –here to stay

- Over the years, while there have been technological advancements and modernization efforts, the digital distribution of life insurance products has not yet scaled up significantly. Agency and bancassurance distribution models continue to dominate the industry across most markets around the world as insurance is an assisted sale product.
- While the agency channel will remain the bedrock of distribution for most life insurers, with accelerated digital adoption and technological advancements, life insurers will focus on improving productivity and efficiency by leveraging digital as well as physical sales channels.

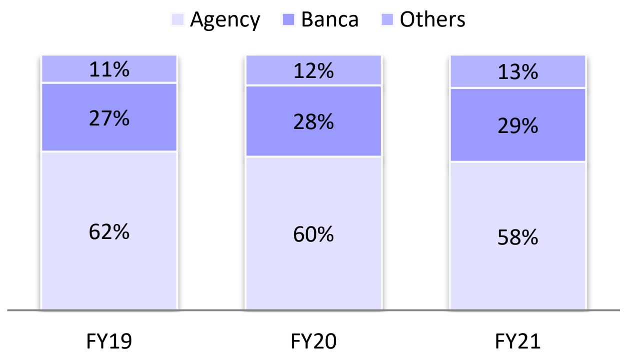
Huge untapped opportunity in bancassurance

- Private players have leveraged bank partnerships over the last few years to sell higher ticket size ULIPs and other life insurance products.
- Therefore, the share of banks in industry individual new business has increased to 29% in FY21 from 23.8% in FY16.
- However, the share of banca in LICs distribution mix remains low at 2.6% in FY22 (on an individual NBP basis). This is a sharp contrast to top private peers where banca is the dominant distribution platform.

Banca remains a gap in distribution; fixing it can unlock huge value

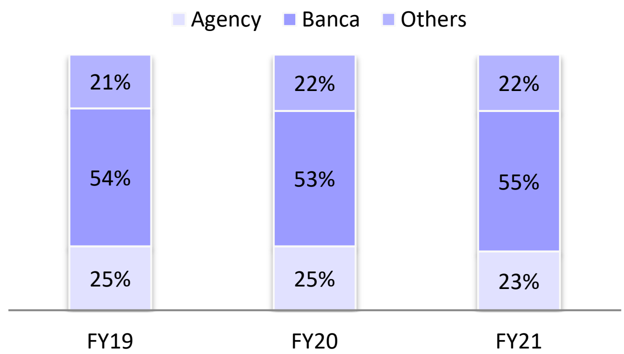
- LIC has traditionally focused on building a quality, widespread agent network offering traditional savings products.
- Over the last few years, focus has intensified to improve performance of banca channel by tying up with more banks and improving productivity of existing partners. This will be done by offering a wide gamut of products including ULIPs and following the proven hub and spoke model.

Exhibit 50: While agency remains the bedrock, share of banca in industry mix is gradually improving



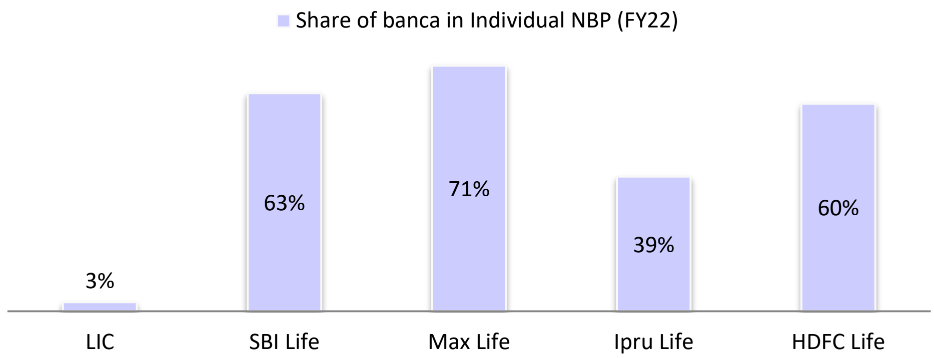
Source: MOFSL, Company

Exhibit 51: Banca dominates the mix for private players with a strong focus towards ULIPs



Source: MOFSL, Company

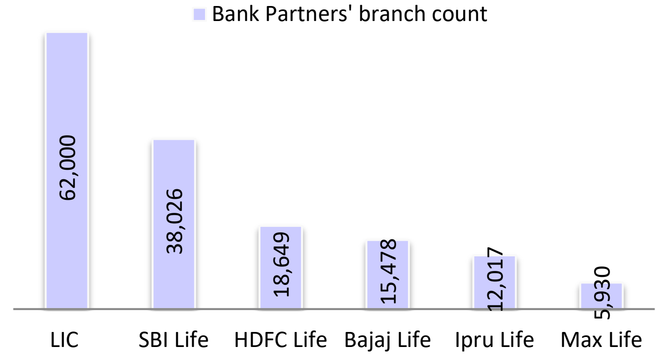
Exhibit 52: Adequate headroom to increase share of banca in business mix for LIC



Source: MOFSL, Company
Share of banca on total APE basis for SBI Life, IPru Life & Max Life; For HDFC Life, on Ind. APE basis

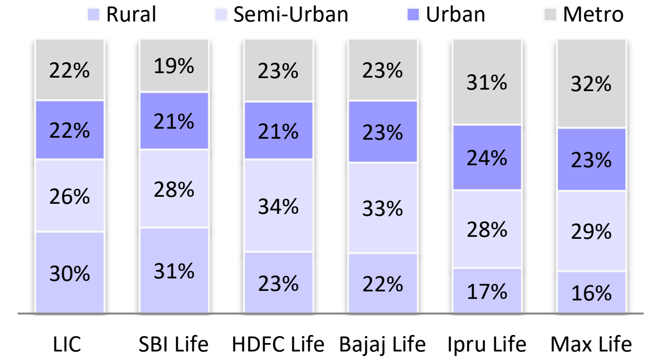
- LIC has the strongest banca network with 70 banca partners and access to over 62K branches followed by SBI Life at 38K as of 9MFY22. LIC also has the highest number of branches in rural areas. With an expanded focus, there exists tremendous opportunity to tap the banca channel and improve the overall operating performance.

Exhibit 53: LIC has the highest reach with 70 banca partners and access to over 62K branches



Source: MOFSL, Company, Business Standard

Exhibit 54: LIC has significant exposure to Rural along with SBI Life

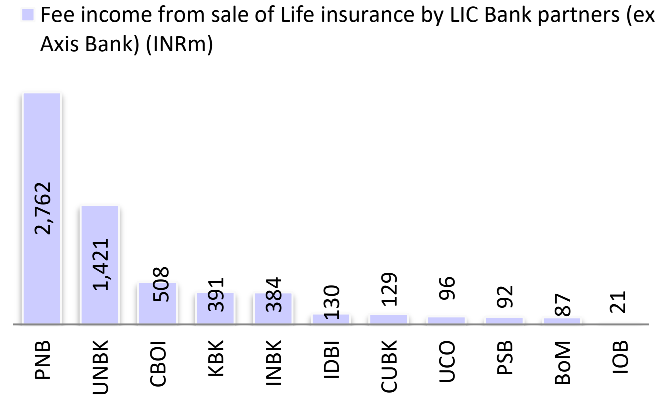


Source: MOFSL, Company

Banca productivity of LIC a concern; Need a radical transformation for value to emerge here

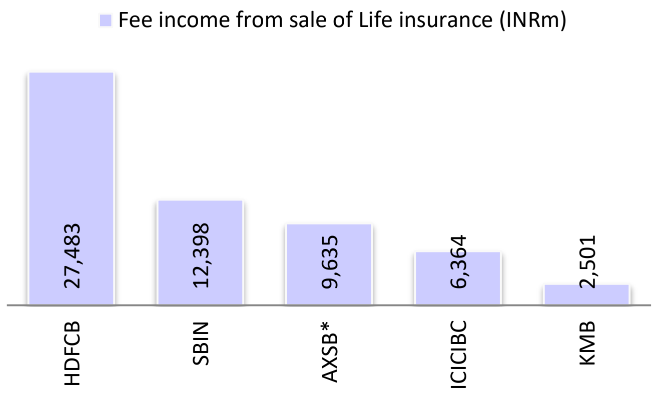
- Banca partners of LIC (ex. Axis Bank) generated a total fee income from sale of life insurance policies worth INR6b in FY21.
- The fee income trends of banca partners reveal lack of focus and productivity of individual banks towards selling life insurance products.
- Despite a low branch count, most of the large banks individually generate distribution income from sale of life insurance policies in excess of this. HDFC Bank, ICICI Bank, Axis Bank with branch count of 4.7K-6.4K have a higher fee income. SBI too generates distribution income higher than all banca partners of LIC combined.
- Axis is a banca partner of LIC in addition to Max Life and Bajaj Allianz. We believe a majority of distribution fee Axis generates is from sale of products of Max Life and Bajaj.
- While LIC plans to improve the share of banca in the mix, it is going to be challenging until the bank partners themselves are not aligned to the idea of generating higher sales and driving distribution income.

Exhibit 55: Lack of scale and focus in selling life insurance by banca partners of LIC; total fee income (ex-AXSB) at INR6b



Source: MOFSL, Company

Exhibit 56: Large banks individually generate fee income from sale of life insurance higher than all partners of LIC



Source: MOFSL, Company

While AXSB is a Banca partner of LIC, we believe bulk of the fee income comes from sale of policies of Max Life and BALIC

- Besides the efforts to improve agency and banca performance, LIC plans to augment direct sales of individual products by increasing the marketing of own website and leveraging social media platforms to attract young audience. For this reason, it has a separate product portfolio for different channels.

Group business is largely sourced by LIC's own sales team

- Direct selling teams grab the lion's share of industry group NBP. About 91% of industry group NBP is contributed by such teams as insurers rely heavily on their own sales team for generating group business.
- In recent years, some insurers have started focusing on corporate channels and brokers for group life insurance business, but the contribution from the same is marginal.
- Due to this, the share of corporate agent, i.e., banks, has increased to 1.7% in 9MFY22 from 0.03% in FY19.

Persistency trends steady, primarily in longer buckets

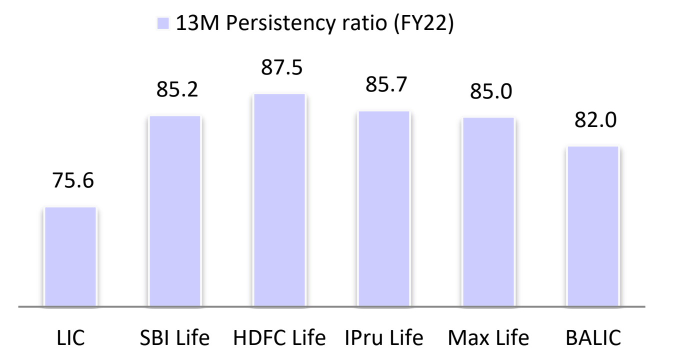
LIC's 61M persistency is the highest among major peers

- LIC is comparable to its private peers on persistency trends. While it is weaker in the near-term persistency buckets of 13M/25M, it stands out in the long-term bucket of 61M persistency ratio.

Mix trends in persistency; weak initially, strong later

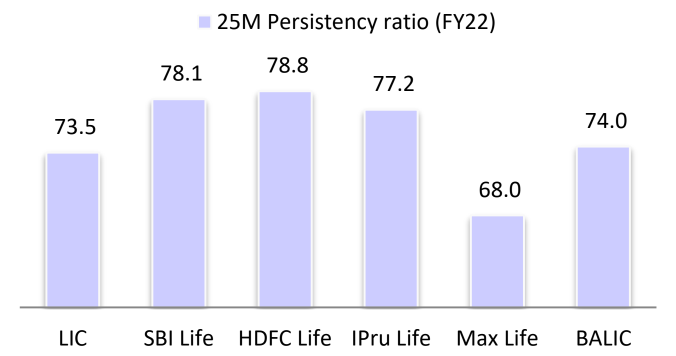
- We believe 13M persistency ratio is an important variable to track as it is the first premium paid after the onset of the policy, thereby reaffirming the policyholder's decision to buy the policy. The 61M persistency ratio, on the other hand, reflects success in retaining customers over a longer period of time and portrays success of products with a longer time horizon.

Exhibit 57: LIC is weak in 13M persistency ratio v/s peers



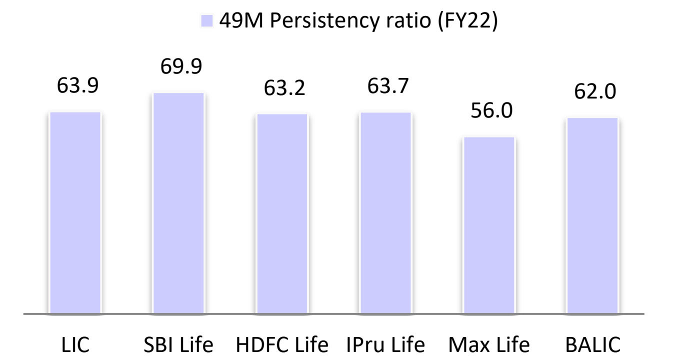
Source: MOFSL, Company

Exhibit 58: 25M persistency ratio reveals similar conclusion



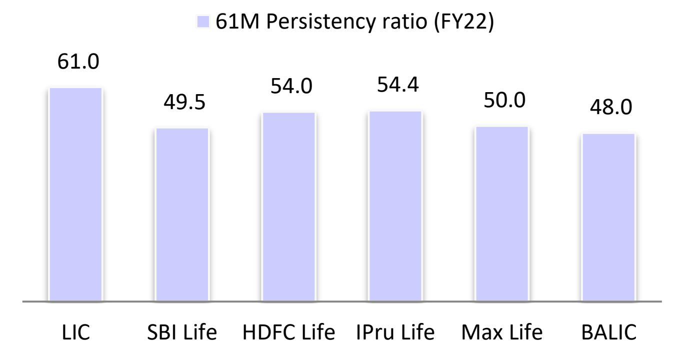
Source: MOFSL, Company

Exhibit 59: Longer term persistency trends steady for LIC



Source: MOFSL, Company

Exhibit 60: LIC is significantly ahead of peers in 61M ratio



Source: MOFSL, Company

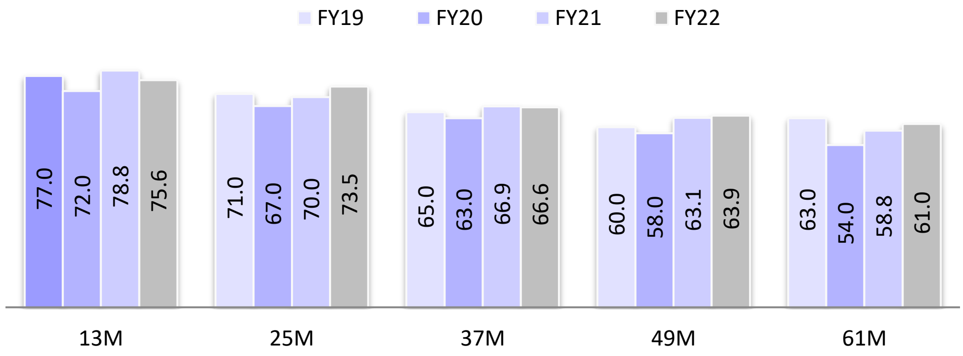
- Maintaining a high level of persistency is significant as a large quantum of in-force policies provides renewal premium, which thus influences growth rate of revenue and profitability.

High focus on improving persistency ratio across all products and buckets

- Persistency and surrender experiences vary over time, driven by changes in macroeconomic conditions, consumer sentiment, policyholder's behavior, claims experience and investment performance. They also vary from one product to another.
- LIC is trying to increase its persistency ratio by: a) improving the quality of new business, b) focusing on need-based selling and c) including the ratio as one of the key variables to track for the sales channels.

- Additionally, the company is aspiring to increase the number of policies with the launch of revival campaigns and convenient modes of payment. It is also using data analytics to improve renewal collections.
- With a higher focus, LIC has witnessed marginal improvements in persistency ratios across most of the cohorts.

Exhibit 61: Improvement in persistency ratio of LIC across cohorts due to high focus on improving the same



Source: MOFSL, Company

- Maintaining a high persistency ratio is of paramount importance as a large part of the cost to acquire a customer is spent upfront. With heightened competition and product customization, improving persistency ratio remains a constant aspiration for insurers and a key variable to track.

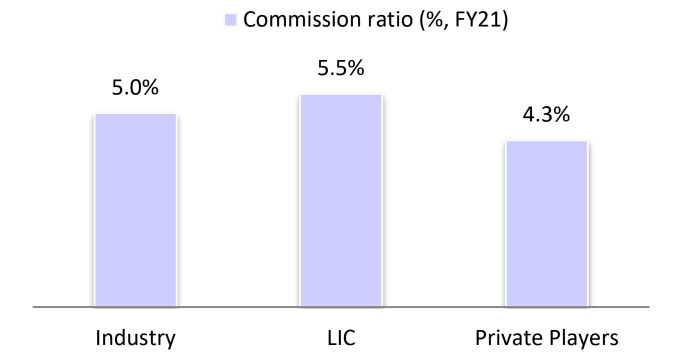
LIC has maintained strong control on its cost ratios

SBI Life enjoys cost leadership; LIC stands #2 in terms of opex

Cost ratio of LIC is better than industry and private players (in aggregate)

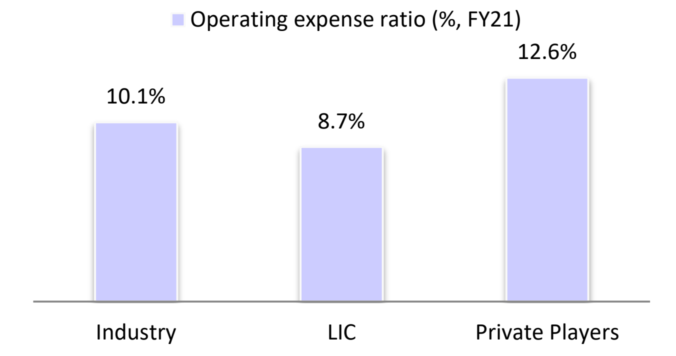
- Being a market leader, LIC's cost ratio is better than industry and private players (combined). The divergence in these ratios is sharper in operating expenses compared with commission.
- This is because LIC has a relatively larger focus on PAR products, where commissions paid are higher than ULIPs. Business mix of LIC is geared in favor of PAR products as they contribute >90% of individual APE.

Exhibit 62: LIC has a higher commission ratio v/s industry in FY21 due to high dependence on PAR products



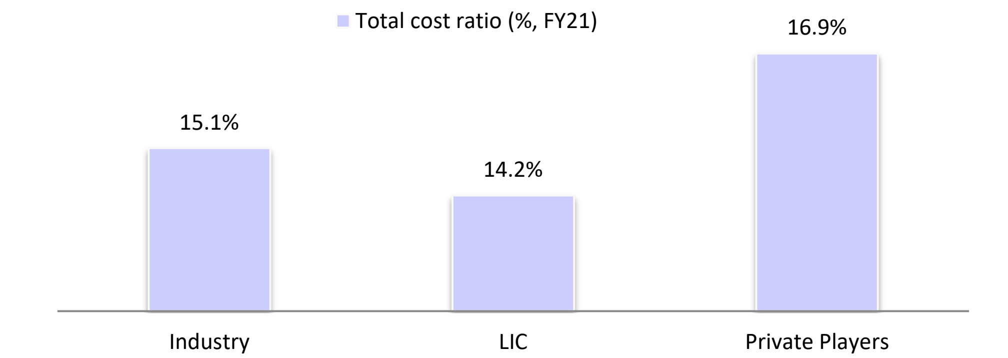
Source: Company, MOFSL

Exhibit 63: LIC has a much wider gap in operating expense ratio leadership v/s industry and private industry



Source: Company, MOFSL

Exhibit 64: Thus, Total cost ratio of LIC is better than industry and private players in FY21



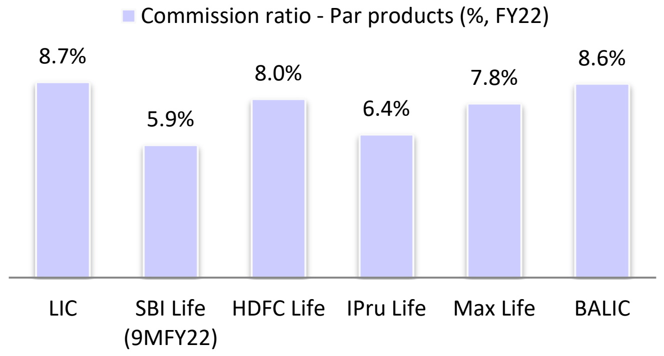
Source: MOFSL, Company

- Over the years, total cost for the industry has come down to 15.1% in FY21 from 16.1% in FY16 led by increasing adoption of digital means of doing business, consolidation of branches and other cost rationalization measures.
- LIC has maintained a stable cost ratio of ~14% in FY21. Operating expense ratio at 8.7% and Commission ratio at 5.5% has been steady for the last few years.

LIC is only behind SBI Life in terms of operating expenses ratio

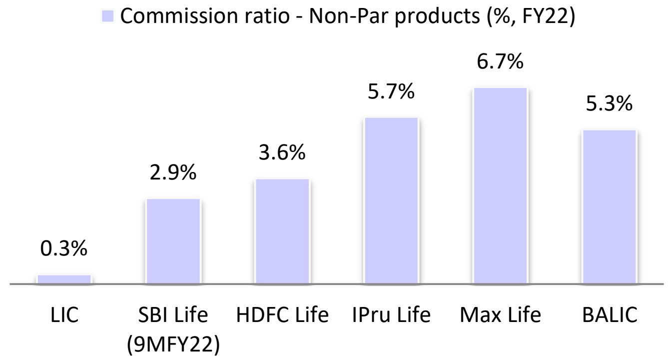
- LIC is #3 in FY21 among individual players operating with low-cost ratio. However, it is #2 if we look at operating expense ratio only (ex. commission).
- The commission and operating expense ratio for LIC will continue to be in this narrow range with an upward bias, in our opinion. The bias exists as LIC tries to grow its non-PAR portfolio with higher sales of guaranteed and protection products to individuals. This requires exhaustive training of agents and therefore is a tall ask.

Exhibit 65: Commission ratio of LIC for PAR products is the highest among peers



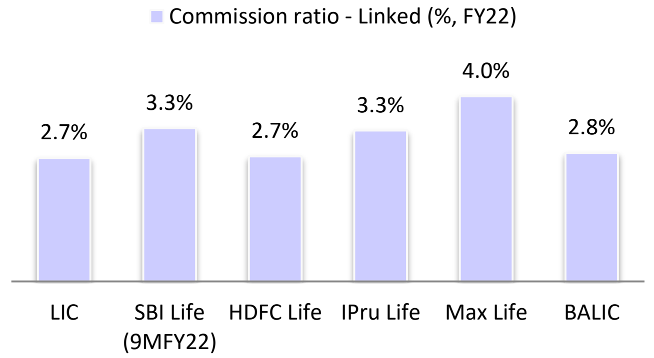
Source: MOFSL, Company

Exhibit 66: Low cost of LIC in non-PAR products is due to direct sourcing of group business



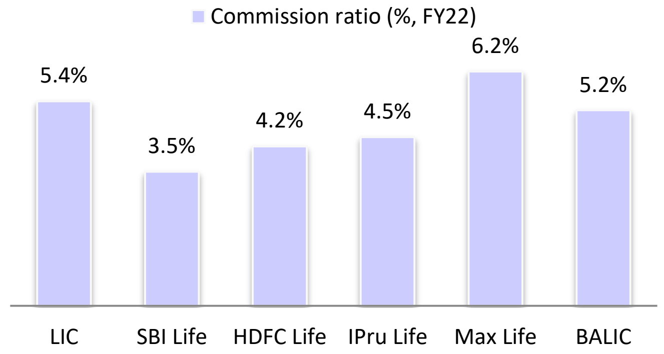
Source: MOFSL, Company

Exhibit 67: Commission ratio for linked products across key players



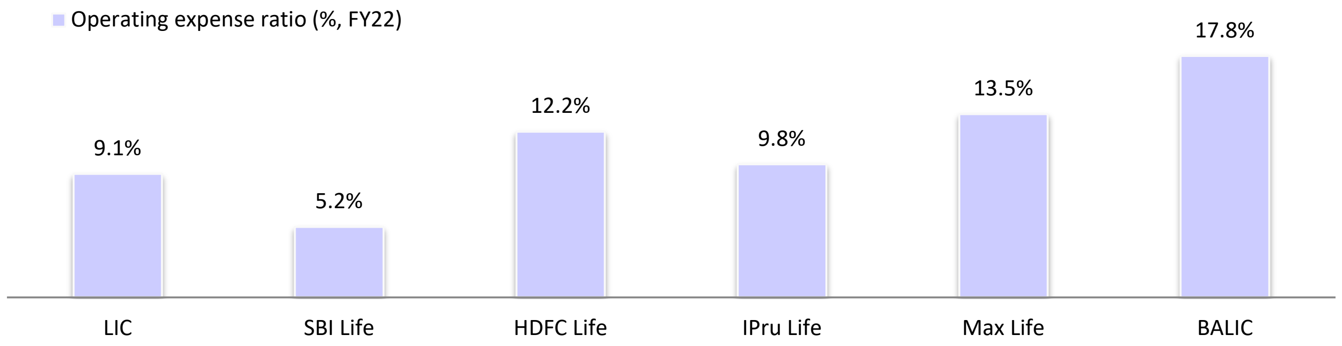
Source: MOFSL, Company

Exhibit 68: Hence, high commission ratio for LIC and Max Life was due to dependence on PAR products



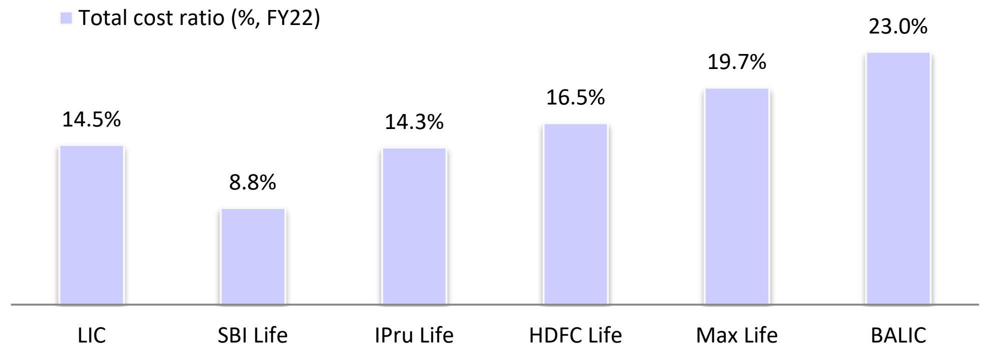
Source: MOFSL, Company

Exhibit 69: SBI Life, LIC and IPRU Life are at the lower end of the expense curve while Max and BALIC continue to operate at a high-cost ratio



Source: MOFSL, Company

Exhibit 70: SBI Life enjoys the lowest total cost ratio while LIC is at #3



Source: MOFSL, Company

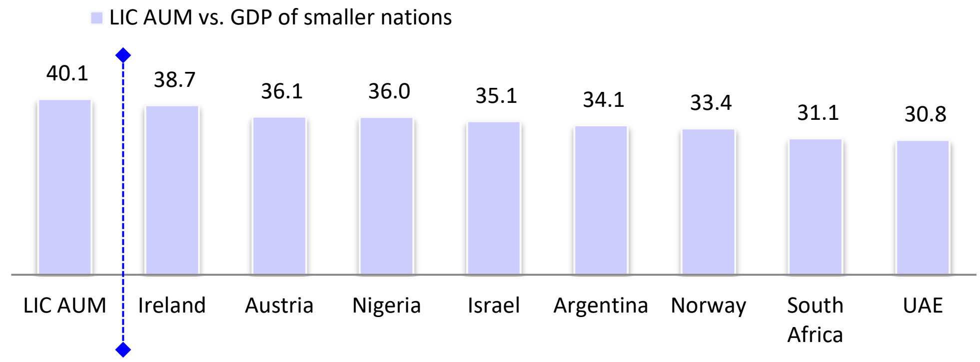
Largest asset manager in India

- LIC is the largest asset manager in the country with an AUM of INR40.1t as of 9MFY22 and INR36.8t as of FY21. LIC is ~16.6 times bigger than its closest peer in 9MFY22. It is also larger than the AUM of the entire mutual fund industry.

Controls an asset base, larger than GDP of many small countries

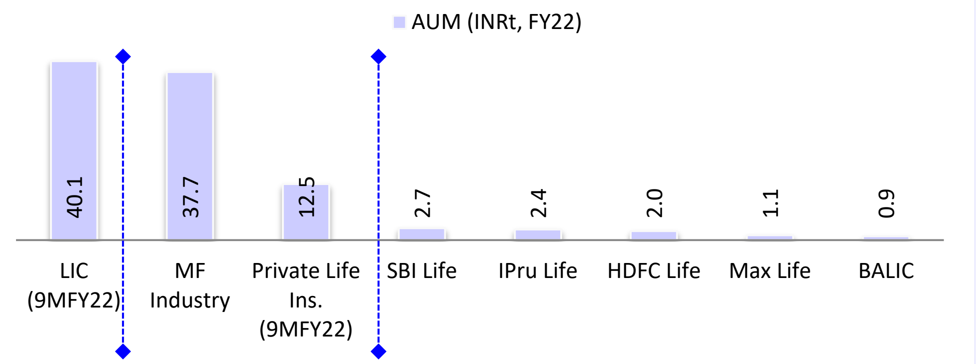
- LIC's investments in listed equity represent ~4% of total market capitalization of NSE as of FY21. This reflects the magnitude of LIC's investment book.
- Further, the AUM of LIC as of Dec'21 was 17.0% of India's estimated GDP for FY22.

Exhibit 71: LIC's AUM is bigger than GDP of most countries in FY21; only 26 countries have a GDP higher than LIC's AUM



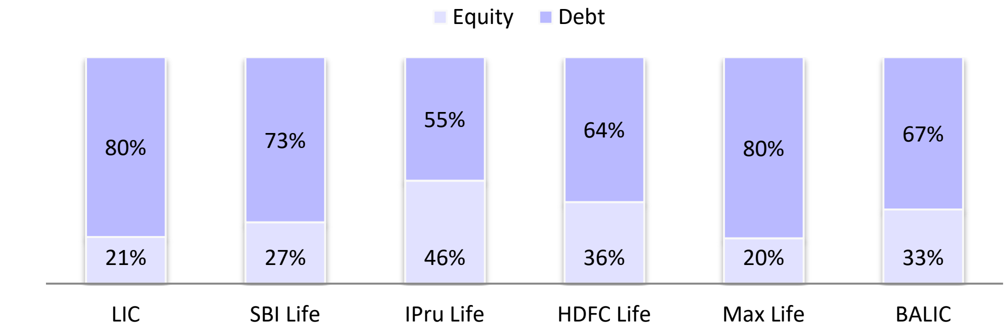
Source: MOFSL, Company

Exhibit 72: AUM of LIC is ~16.6 times bigger than closest peer as of 9MFY22



Source: MOFSL, Company

Exhibit 73: Share of equity in overall AUM in FY21 was lower for LIC due to marginal proportion of ULIPs in its business mix

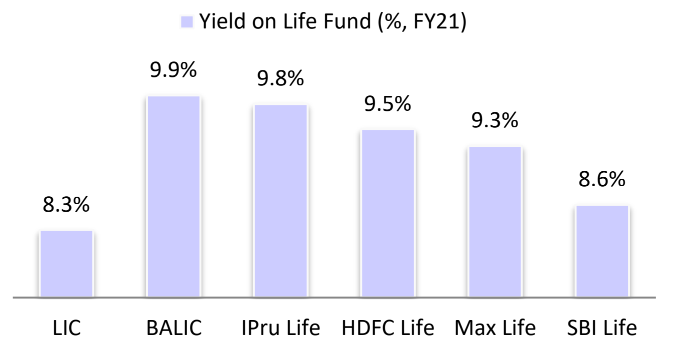


Source: MOFSL, Company

Weak investment performance by LIC in FY21

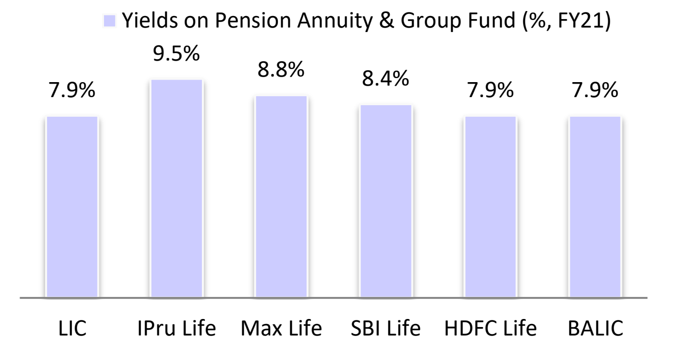
- In the charts below, we have compared gross yields of LIC with top private insurers. In FY21, LIC underperformed peers in all product categories: life fund, pension, annuity & group fund and linked-life fund.
- However, in the past, performance of LIC was in line with peers and hence the investment performance was similar.
- Investment return for LIC has also been suppressed due to NPAs. For instance, GNPA in Policyholders' funds was 7.78% compared to less than 1% for others.

Exhibit 74: LIC's investment performance was below private peers in FY21



Source: MOFSL, Company

Exhibit 75: Similar under-performance can be seen in Pension, Annuity and Group Fund of LIC in FY21

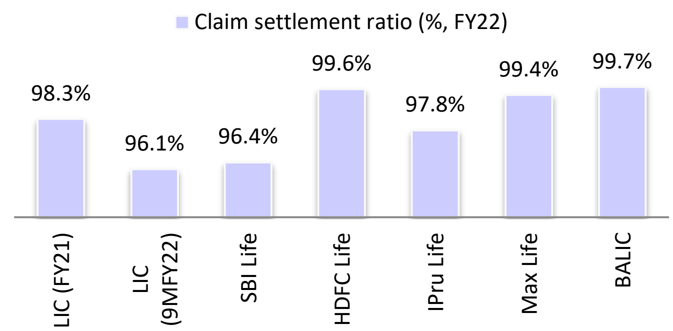


Source: MOFSL, Company

Despite its size, claim settlement ratio of LIC is commendable

- Despite its size, LIC has one of the highest claim settlement and lowest grievance ratios within the industry. This is quite commendable in our opinion.

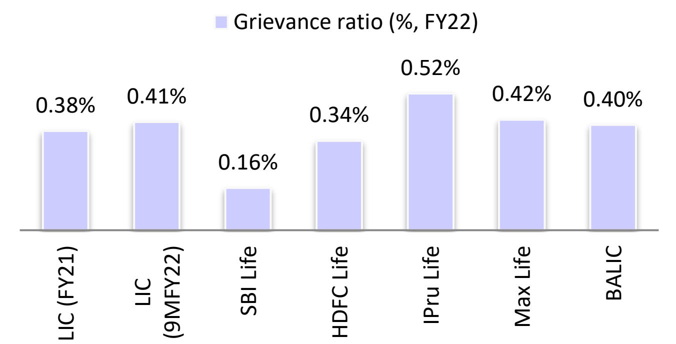
Exhibit 76: Claim settlement ratio of LIC at 98.3%



Source: MOFSL, Company

Data for SBI Life and BALIC pertains to 9MFY22

Exhibit 77: Despite size, grievance ratio comparable to peers



Source: MOFSL, Company

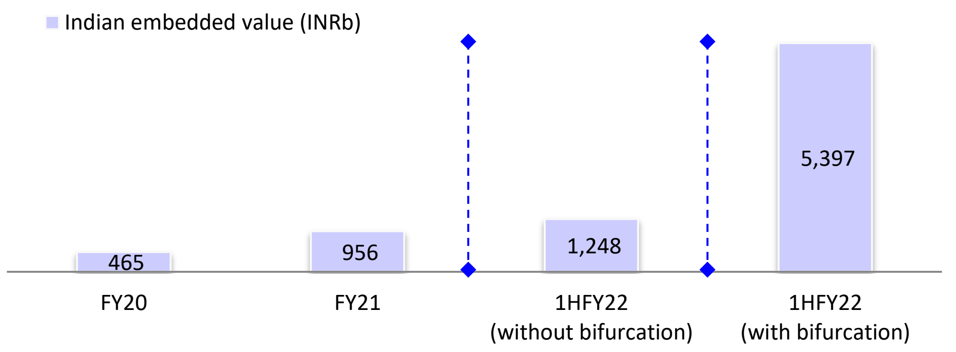
Understanding the bump up in EV

High sensitivity to capital market fluctuations, a key concern

One-time alignment of EV led by bifurcation of fund into two separate funds – one each for par and non-par products

- One of the major discussion areas in the run up to the LIC IPO has been its sudden and steep increase in EV to INR5,397b in 1HFY22 from INR956b in FY21.
- We try to explain how LIC has arrived at the EV and analyze the possible implications for policyholders and shareholders going forward through the following points:
  - LIC traditionally had one fund from which surplus of PAR as well as non-PAR was distributed between policyholders and shareholders (Government of India) in the proportion of 95:5.
  - Ahead of the IPO, an amendment was made in the Life Insurance Corporation Act. This allowed LIC to bifurcate the single fund into two separate funds – one each for PAR and non-PAR policies.
  - The maximum share of distributed surplus payable now to shareholders is 10% for PAR business and 100% for non-PAR (including unit-linked) business.

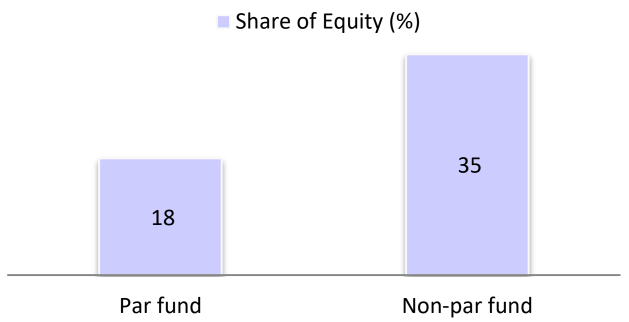
Exhibit 78: Post bifurcation, EV moved up to INR5.4t; Sans it, EV stood at INR1.2t



Source: MOFSL, Company

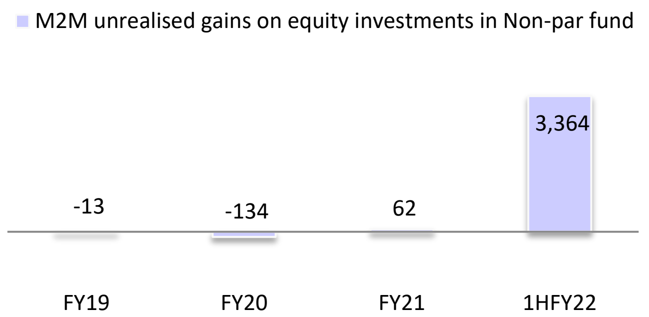
- Our sense is that LIC has allocated all the excess reserves over and above those required to meet PAR liabilities to the non-PAR fund. A higher equity allocation (v/s PAR fund) in non-PAR fund along with recognizing mark-to-market (MTM) gains has resulted in a sharp increase in EV.

Exhibit 79: Equity investments in non-PAR funds are at 35% v/s 18% in PAR funds



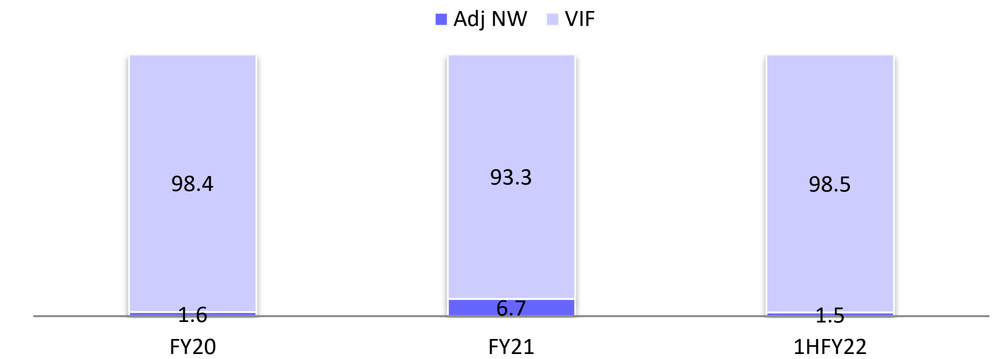
Source: MOFSL, Company

Exhibit 80: Bump up in EV led by MTM gains in non-PAR funds, driven by high share of equity investments



Source: MOFSL, Company

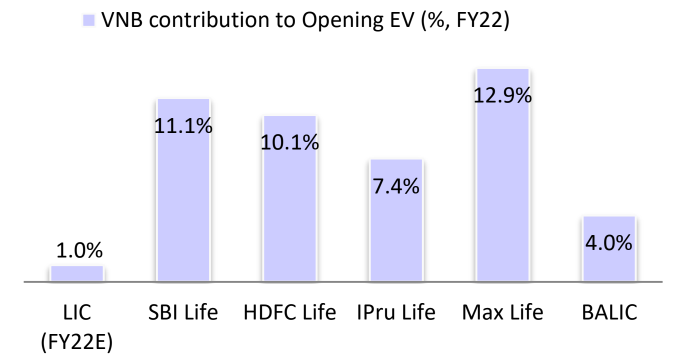
Exhibit 81: VIF contributed 98.5% to EV in 1HFY22; relatively higher than peers



Source: MOFSL, Company

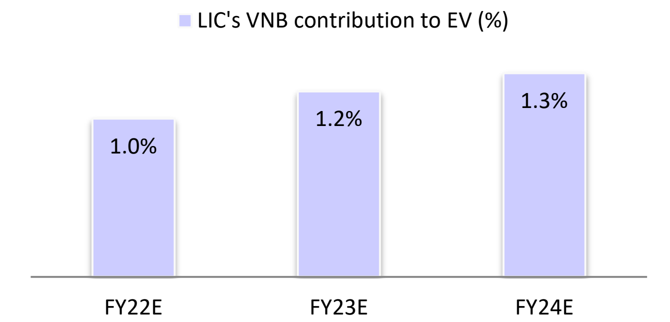
- While we have already discussed the dominance of LIC in terms of size and scale compared to its top peers, it is no different on the basis of EV. As of 30th Sep'21, the EV of LIC was 15.3 times bigger than its closest competitor.

Exhibit 82: Contribution of VNB to EV is highest for Max Life; Lowest for LIC, given size of back book



Source: MOFSL, Company

Exhibit 83: Lower VNB contribution for LIC due to large back-book



Source: MOFSL, Company

High sensitivity of EV to equity market fluctuations, a concern

- One of the likely pain points, we see with LIC is a high sensitivity to equity markets, given portfolio construct and high share of equity in shareholder/non-PAR funds. This inherently renders EV of LIC to be more volatile v/s peers, especially in times of heightened volatility in capital markets.

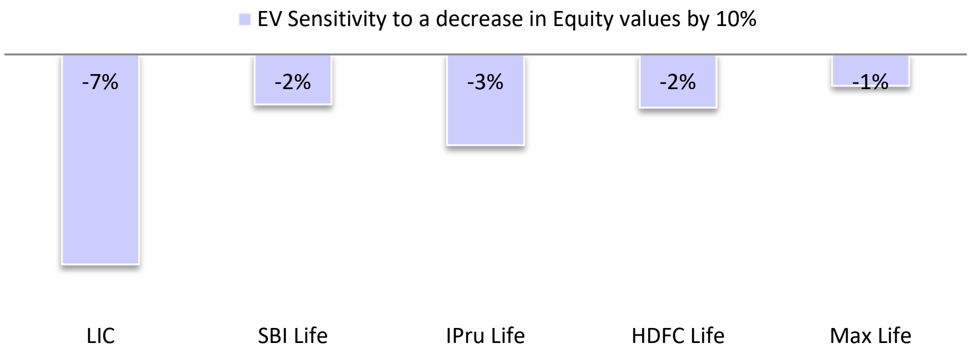
Exhibit 84: EV reacts sharply to equity market movements

Sensitivity (1HFY22)	Impact on EV
An increase of 100bp in the reference rates	-0.7%
A decrease of 100bp in the reference rates	0.5%
Equity values decrease 10%	-6.7%
Equity values decrease 20%	-13.5%

Source: MOFSL, Company

- In the chart below, we highlight the sensitivity of peers to an adverse move in capital markets and the effect on EV. All peers have a significantly lower correlation to equity markets than LIC. Thus, their EV is less volatile than LIC.

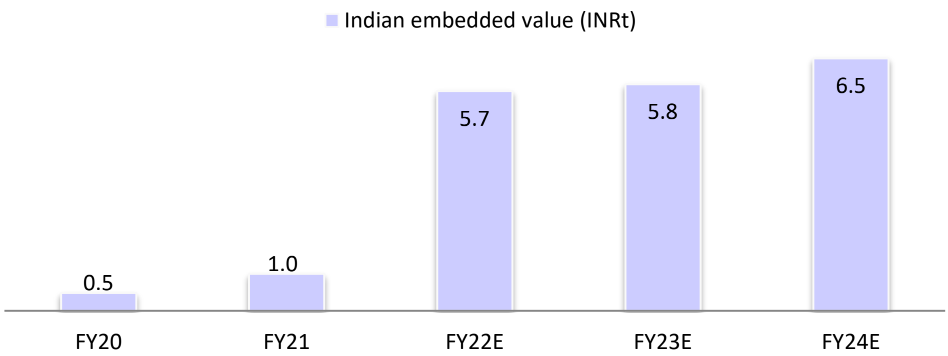
Exhibit 85: LIC has the highest sensitivity to equity values v/s peers



Source: MOFSL, Company

- Our base case is that growing protection and non-PAR savings in a competitive environment will be challenging for LIC. However, we are cognizant of the scale of agency force and reach of bank branches and therefore build a 9% CAGR over FY22-24E in EV.

Exhibit 86: EV evolution; to reach INR6.5t by FY24E



Source: MOFSL, Company

VNB margin modest; expect it to rise to ~13.6% by FY24

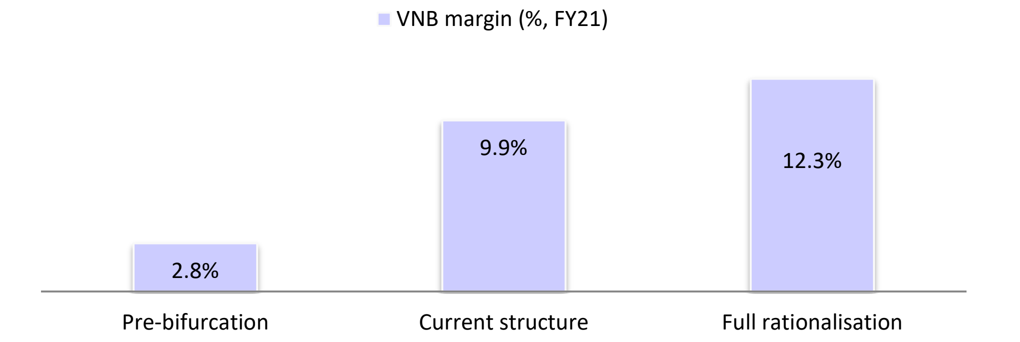
Levers in place but execution will be the key

- LIC printed a VNB margin of 9.9% for FY21, after segregating the common fund into two separate funds – one each for PAR and non-PAR. Excluding this segregation, VNB margin would have been at 2.8%. However, this is likely to go up to 12.3%, once the distribution proportion between policyholders and shareholders is rationalized.

Lower margin compared to peers due to lack of high margin products in business mix

- While VNB margin increased because of the segregation, it is still much lower than private peers due to LIC's dominance in PAR products in individual business and lack of higher-margin products such as protection.

Exhibit 87: VNB margin to settle higher in future as distribution structure rationalizes



Source: MOFSL, Company

Exhibit 88: Timeline for rationalization of distribution surplus

% Surplus transferred to Shareholder funds	FY21	FY22E	FY23E	FY24E	FY25E
PAR products	5.0	5.0	7.5	7.5	10.0
Other products	5.0	100.0	100.0	100.0	100.0

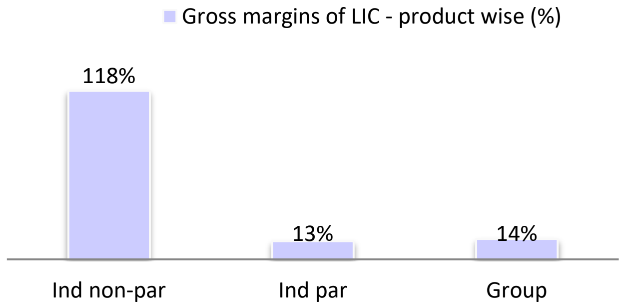
Source: LIC DRHP

- Currently, LIC plans to move to a fully rationalized structure gradually until FY25. Under the proposed structure, LIC will be comparable to peers as 10% of PAR fund surplus as well as 100% of other funds will be eligible for transfer to shareholders' fund. The proposed timeline for the same is envisaged below. Once this happens, margins will witness a positive impact.

Improving share of higher margin products in mix to boost margins is a tall task; execution critical

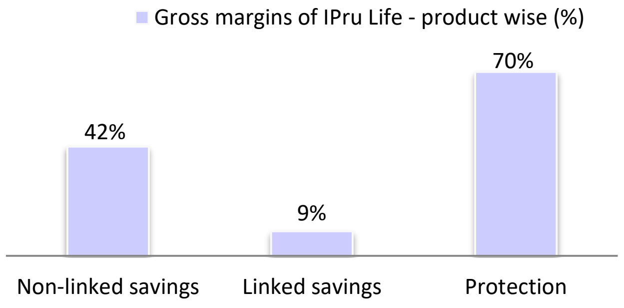
- Expansion of LIC's VNB margin is constrained by product mix with negligible share of higher-margin products such as non-PAR savings and protection. While LIC intends to scale up these segments in the coming years, the same is not an easy task as agents of LIC have been used to the idea of selling PAR products since inception.
- Top private peers enjoy VNB margin of >25% with a fair share of protection and non-PAR savings in their business mix. While we agree with the prowess possessed by LIC in the form of a brand along with a strong, well spread-out agency base, we believe meaningful scale up of these segments will be challenging, at the least.

Exhibit 89: Individual non-PAR savings lead to robust gross margin for LIC



Source: MOFSL, Company

Exhibit 90: Protection offers strong margin of 70% for IPRU Life



Source: MOFSL, Company

Exhibit 91: Individual non-PAR savings leads to robust gross margin for LIC

INRb (1HFY22)	Ind non-PAR	Ind PAR	Group
VNB	8.9	14.1	7.7
APE	7.5	109.3	54.0
VNB margin (%)	118%	13%	14%

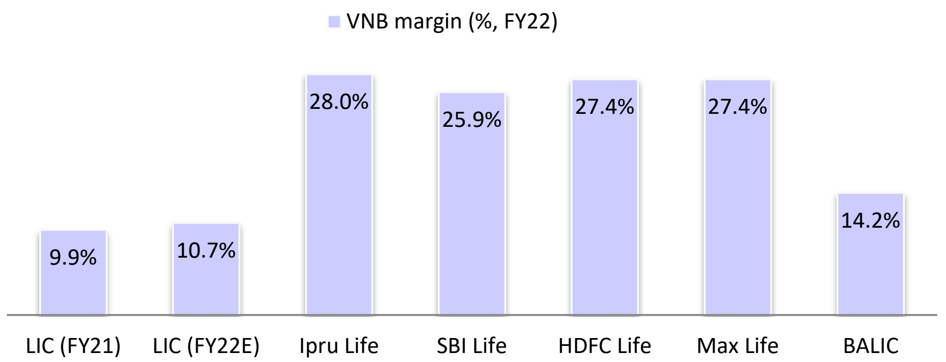
Source: MOFSL, Company

Exhibit 92: Protection offers strong margin of 70% for IPRU Life

INRb (FY22)	Non-linked savings	Linked savings	Protection
VNB	8.9	3.5	9.2
APE	21.2	37.4	13.1
VNB margin (%)	42%	9%	70%

Source: MOFSL, Company

Exhibit 93: IPRU Life enjoys the highest VNB margin in FY22



Source: MOFSL, Company

- Other than this, we would also like to observe how banca channel performs. LIC has access to a wide number of branches but so far has not been able to set the ball rolling on this channel (2% of individual APE). A high share of banca in distribution mix will allow a higher share of linked products and annuity as Banks are more willing to sell these products. This should also lead to a marginal positive impact on credit protection.
- VNB of LIC is significantly more sensitive to movement in interest rates as a 100bp rise/(fall) can cause VNB to increase/(decline) by 19% and 38%, respectively.

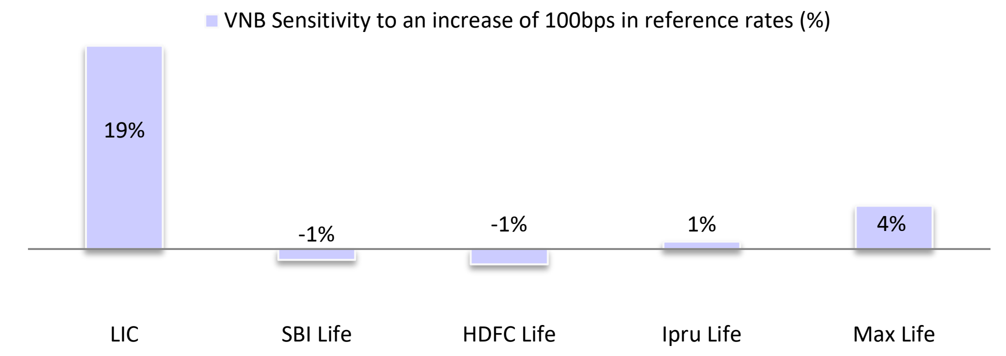
Exhibit 94: Sensitivity analysis of VNB to key parameters

Sensitivity (1HFY22)	Impact on VNB (%)
An increase of 100bp in the reference rates	18.7
A decrease of 100bp in the reference rates	-37.7
Equity values decrease 10%	-4.3

Source: MOFSL, Company

- In the below chart, we highlight the sensitivity of peers to a 100bp rise in reference rates on VNB across key players.

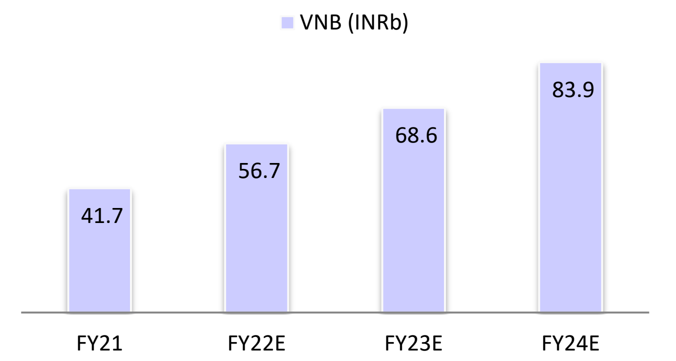
Exhibit 95: VNB of LIC has the highest sensitivity to reference rates v/s peers



Source: MOFSL, Company

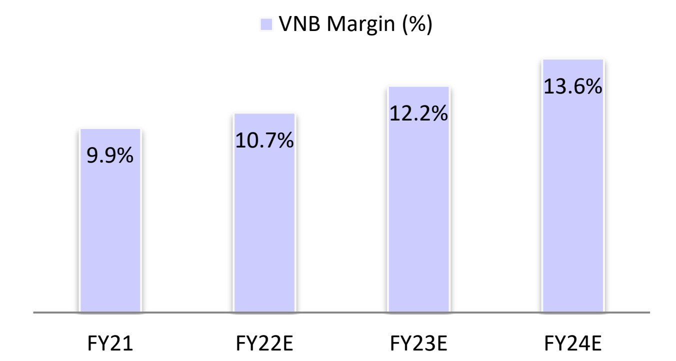
- Our base case is that growing protection and non-PAR savings in a competitive environment will be challenging for LIC. However, we are cognizant of the scale of agency force and reach of bank branches.
- As a result, we expect VNB margin to reach 13.6% by FY24.

Exhibit 96: VNB to report 22% CAGR over FY22-24E led by a greater share of higher-margin products



Source: MOFSL, Company

Exhibit 97: VNB margin to improve to 13.6% by FY24E, primarily due to a more optimal business mix



Source: MOFSL, Company

Valuation and view

- LIC has reported a modest VNB margin of 9.9% for FY21. We expect margins to rise aided by improving mix of non-PAR and higher profit retention for shareholders. Retention will increase to 10% in PAR business by FY25E from 5% earlier, besides retaining the complete profits in non-PAR business.
- A large EV base, however, reduces the significance of incremental build-up of new book as it is always going to be a marginal contribution. Therefore, even significant changes in our assumptions will not dramatically alter the EV trajectory. However, it will be relevant to accord a suitable multiple.

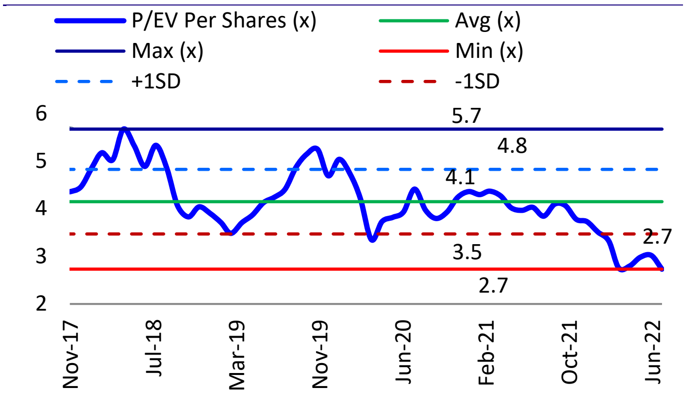
Contribution of new business in EV to remain low due to size of back book

- Despite expansion, LIC's VNB margin will be <1/2 of top private peers and therefore we expect the valuation gap to sustain. A stronger-than-expected growth in non-PAR savings and protection can however, lead to a faster normalization of the margin and can result in narrowing of valuation gap.
- LIC has reported a sharp spike in its 1HFY22 EV as it split the fund between PAR and non-PAR segments and benefitted from the transfer of MTM gains on its equity portfolio in the non-PAR business.
- However, lower margin and premium will nevertheless keep operating RoEV under pressure and we estimate it to sustain at average ~9.5% over FY22-24E.
- We are also concerned about LIC's high sensitivity to movement in equity markets than peers. For instance, a 10%/20% fall can erode EV by 6.7%/13.5% respectively. This is more than the usual yearly accretion to EV. This makes LIC an indirect play on the capital markets and increases the inherent volatility in the stock. Further, it builds a stronger case for valuation gap with stable peers.

Ramp up of gaps in existing business and distribution mix will lead to a upward re-rating of LIC

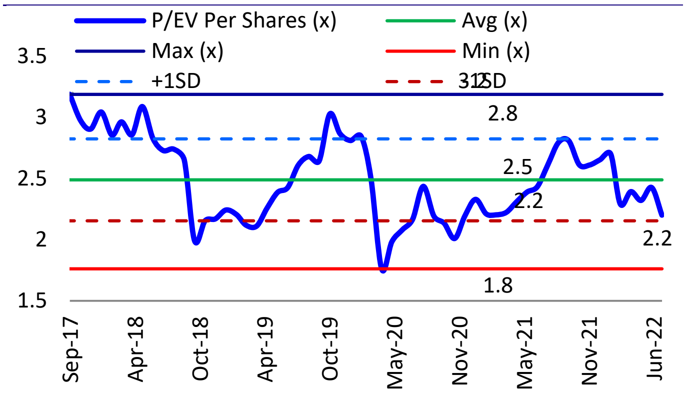
- Most of the large regional players trade at a 30-40% discount to their EV. Saturated growth in developed economies and a higher share of guaranteed products are the key reasons for this. However, given the vast under-penetration in India and lower proportion of guaranteed products, we believe the discount argument associated with large players is not relevant for LIC. At a 10% sustainable steady-state RoEV, we believe LIC should trade closer (or slightly higher) to its EV. A premium will be warranted if LIC can display a stronger and faster ramp up of gaps in existing business and distribution mix – deliver strong growth in non-PAR savings and protection simultaneously and increase sales and productivity of the banca channel.
- **Buy with a TP of INR830/share**: LIC has all the levers in place to maintain industry leading position and ramp up growth in the highly profitable product segments (mainly Protection and Non-PAR Savings / Annuity). However, changing gears for such a vast organization requires superior and well-thought execution that also has to endure frequent rotation at the top management level. We estimate LIC to deliver ~10% CAGR in NBP during FY22-24 while VNB margin is likely to improve to 13.6%. However, we estimate its operating RoEV to remain modest at ~9.7% on lower margin profile than private peers. LIC's valuation at 0.7x FY24E EV appears reasonable considering the gradual margin recovery and diversification in business mix. Hence, **we initiate coverage with a BUY rating and a TP of INR830 based on 0.8x FY24E EV.** Key downside risks include: a) a slow ramp up of individual Protection and Non-par savings, b) low share and productivity of banca channel and c) a sharp correction in equity markets.

Exhibit 98: HDFC Life trades at 2.7x 1-yr forward P/EV



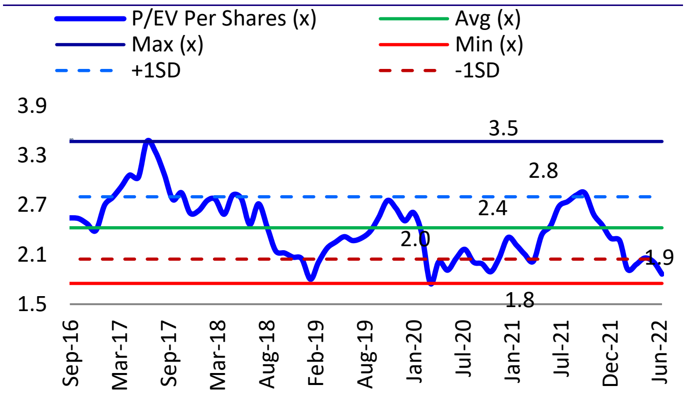
Source: MOFSL, Company

Exhibit 99: SBI Life trades at 2.2x 1-yr forward P/EV



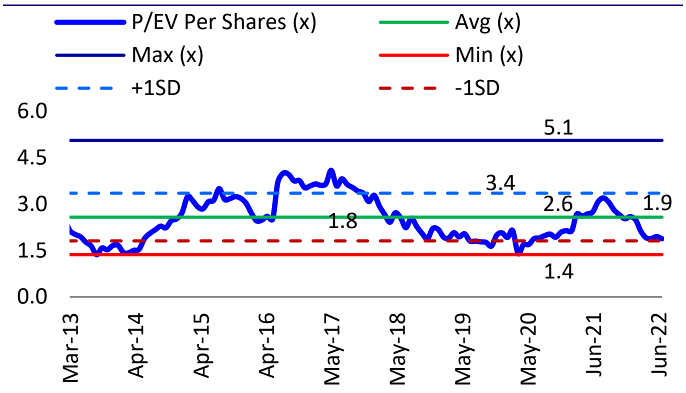
Source: MOFSL, Company

Exhibit 100: IPru Life trades at 1.9x 1-yr forward P/EV



Source: MOFSL, Company

Exhibit 101: Max Financial trades at 1.9x 1-yr forward P/EV



Source: MOFSL, Company

Experienced management team with a strong track record

Solid experience of insurance industry of top management

LIC has an experienced management team with vast domain knowledge and expertise. All key management personnel possess more than 20 years of experience in the insurance industry.

- **Mr. Mangalam Ramasubramanian Kumar is the Whole-time Chairperson** and joined LIC in 1983 as an apprentice officer. Previously, he was the zonal manager of South, North-Central and North zones. He holds a bachelor's degree in Science from University of Madras.
- **Mr. Raj Kumar** is a Managing Director and joined LIC in 1984 as an apprentice officer. Previously, he served as the CEO of LIC Mutual Fund and was also a zonal manager. He holds a bachelor's degree in science from D.A.V College, Jalandhar.
- **Mr. Siddhartha Mohanty** is a Managing Director and joined LIC in 1985 as an apprentice officer. Previously, he served as the COO and CEO of LIC Housing Finance Limited. He holds a bachelor's degree in law and a master's degree of arts (political science) from Utkal University.
- **Ms. Ipe Mini** is a Managing Director and joined LIC in 1986 as an apprentice officer. Previously, she served as the CEO of LICHFL Financial Services and has led the international operations of LIC. She holds a master's degree of commerce from Andhra University.
- **Mr. Bishnu Charan Patnaik** is a MD and joined LIC in 1985 as an apprentice officer. Previously, he handled several positions in LIC such as senior divisional manager, regional manager and director of Zonal Training Centre. He holds a bachelor's and master's degree of arts (political science) from Utkal University.

Exhibit 102: Key management team members

Name	Designation	Work Experience
Mr. Debi Prasanna Mohanty	Chief Internal Auditor	❖ Previously held positions include ED (audit), ED (IT) and Chief (marketing) ❖ He joined LIC in 1984 and has worked in various roles
Mr. Pramoda Ranjan Mishra	Chief Investment Officer	❖ Previously held positions include Chief & Secretary (Investment operations) ❖ He joined LIC in 1985
Mr. Muraleedharan Purushotham	Chief Marketing Officer	❖ Previously held several positions within marketing function ❖ He joined LIC in 1985
Mr. Sunil Agrawal	Chief Financial Officer	❖ Previously worked with R S Agrawal & Co., IPru Life and Nippon Life Insurance ❖ He joined LIC in 2022
Mr. Satyabrata Nayak	Chief Compliance Officer	❖ Previously held various positions including inter alia Secretary (IRDAI). ❖ He joined LIC in 1988
Mr. Tablesh Pandey	Chief Risk Officer	❖ Previously regional manager (IT) in various zones at LIC ❖ He joined LIC in 1988
Mr. Dinesh Pant	Appointed Actuary & ED	❖ Previously, DGM and GM of Kenindia Assurance, Kenya, on deputation from LIC ❖ He joined LIC in 1989
Mr. Pawan Agrawal	CS and Compliance Officer	❖ Previously worked with IDBI Bank as a CS and Chief GM ❖ On contract for 3 years from April, 2021

Source: MOFSL, Company

SWOT analysis

- The biggest strength of LIC is the trust it enjoys among a large part of the population. In rural areas, LIC brand is synonymous to the idea of insurance.
- LIC is present in every nook and corner of the country through an unparalleled agency force of 1.3m (6.7 times the size of its closest peer).
- LIC is the fifth largest insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector with a long growth runway.

- Individual product mix is dominated by PAR products. While LIC has started to focus on sale of higher margin non-PAR products, scale up of the same remains challenging
- LIC has access to more than 50K bank branches, yet contribution from banca is merely 2% and reflects lack of focus and productivity.
- In the past, GoI has used LIC to conduct activities (bail out PSU banks), which may not be policyholder friendly. Being a majority shareholder, it is likely to continue to exert significant influence.

- The Life Insurance industry in India is highly underpenetrated with a huge protection gap. With increased awareness and financialization, it provides ample scope for sustainable growth.
- LIC has traditionally focused solely on ramping up the agency channel. As it starts to scale banca and direct/online channels, there is adequate room for improvement.
- LIC has a marginal share of non-PAR savings and protection in the mix. Scale up of these segments is a strong opportunity

- Sharp fall in equity markets can impact EV significantly. A 10% fall in equity markets will lead to 7% erosion in EV.
- High competitive intensity with thrust on digitization by private peers can result in decline in market share for LIC and hence reduce growth rates for the Corporation.
- Any regulatory changes or market developments that adversely affect sales of PAR products, which dominate the business mix with 92% of individual APE.

Key risks

- **Correction in equity markets:** LIC has the highest sensitivity among peers to movement in equity markets. A sharp correction in equity markets can cause significant erosion in its EV.
- **Scale up of non-PAR book challenging:** LIC has traditionally used its large agency force primarily to sell individual PAR products. A rising focus on non-PAR products to scale up margins and growth trajectory is encouraging. However, we believe scaling up this segment will be extremely challenging.
- **Falling behind the curve in digital:** Private peers of LIC have a razor sharp focus on digital in business operations across functions. They continue to invest in tech and innovation, adopt data analytics and AI to improve sales experience and better predict customer behavior. While LIC has outlined its tech ambitions, we are unsure of how well it will stand out v/s competition.
- **Supply overhang:** The GoI has divested a minor stake during IPO (~3.5% stake). In our opinion, GoI will continue to keep diluting (another 5-7% stake) as it looks to meet its aggressive disinvestment targets. This, in turn, will keep a constant supply overhang, especially given the size of LIC.
- **Regulatory changes:** LIC has a dominant share of PAR products in individual category and is the leader in group business. Any regulatory changes affecting market momentum and demand in either of these categories can significantly hamper its prospects. Further, any regulation changes on the agency front can pose significant challenges to LIC.

Bull and Bear cases

Bull case

- ☑ In our Bull case, we assume a NBP CAGR of 16% over FY22–24E (v/s 10% in Base case) led by increased focus on Non-PAR/Annuity and Protection businesses. Further, enhanced focus on scaling up the banca channel can further boost the premium growth.
- ☑ This results in a PAT CAGR of 87% over FY22–24E (v/s 67% in our Base case), with operating RoEV of 10.2% (v/s 9.7% in our Base case) in FY24E.
- ☑ In the bull case, we expect VNB margins to expand to ~15.1% by FY24E, aided by a higher share of Non-PAR and protection which are high margin products (v/s 13.6% in Base case).
- ☑ We estimate a ~9% CAGR over FY22-24E (v/s 7% in Base case) in EV to INR6.8t.
- ☑ Based on the above assumptions, we value LIC at INR1,200 (1.1x FY24E EV) – an upside of 73%.

Bear case

- ☑ In our Bear case, we assume a NBP CAGR of 4% over FY22–24E (v/s 10% in Base case). Slowdown in economy, rising competitive intensity and inability to scale up the Banca and Non-PAR /Protection products can cause a significant dent to the overall premium growth.
- ☑ This results in a PAT CAGR of 27% over FY22–24E (v/s 67% in our Base case), with operating RoEV of 9.3% (v/s 9.7% in our Base case) in FY24E.
- ☑ We expect VNB margin to shrink to ~11.1% in FY24E (v/s 13.6% in Base case) due to slow premium growth and a less-than-optimal business mix.
- ☑ We estimate a ~5% CAGR (v/s 7% in Base case) in EV to INR6.3t by FY24E.
- ☑ Based on the above assumptions, we value LIC at INR530 (0.5x FY24E EV) - a downside of 23%.

Exhibit 103: Scenario analysis – Bull case

Bull case	FY22E	FY23E	FY24E
Net Premiums	4,301	4,679	5,172
Commission and opex	623	694	754
PAT	41	93	144
NBP	1,989	2,288	2,654
APE	529	595	686
VNB	56.7	76.6	103.3
VNB margin	10.7%	12.9%	15.1%
EV	5,667	5,862	6,782
Operating RoEV	NM	9.7%	10.2%
Target multiple	**1.1**		
Target price (INR)	**1,200**		
Upside (%)	**73%**		

Source: Company, MOFSL

Exhibit 104: Scenario analysis – Bear case

Bear case (INR b)	FY22E	FY23E	FY24E
Net Premiums	4,301	4,461	4,636
Commission and opex	623	664	724
PAT	41	59	66
NBP	1,989	2,069	2,152
APE	529	538	556
VNB	53.7	57.0	61.5
VNB margin	10.2%	10.6%	11.1%
EV	5,664	5,831	6,287
Operating RoEV	NM	9.2%	9.3%
Target multiple	**0.5**		
Target price (INR)	**530**		
Downside (%)	**23%**		

Source: Company, MOFSL

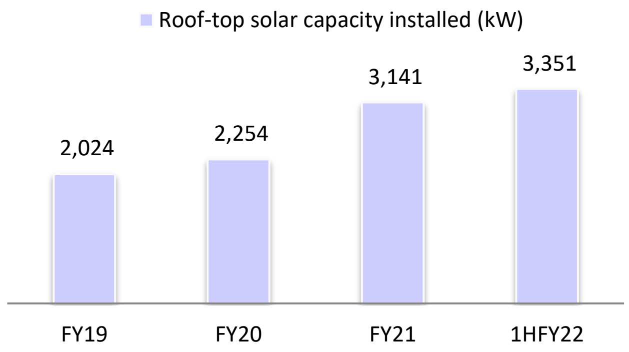
Committed to ESG standards

- LIC places great value on environmental, social and governance ("ESG") standards, as it aspires to conduct business responsibly.
- In 2006, it set up LIC Golden Jubilee Foundation ("LIC GJF") to commemorate its Golden Jubilee Year and as a part of community development activities, which LIC GJF undertakes across the country.
- LIC makes annual contributions to LIC GJF to fund various projects and initiatives. LIC contributed INR200m, every year in the last 3 years.
- As of March 31, 2021, LIC GJF corpus stands at INR2.4b.
- LIC GJF has sanctioned funding for 608 projects across various fields throughout the country.

Environment

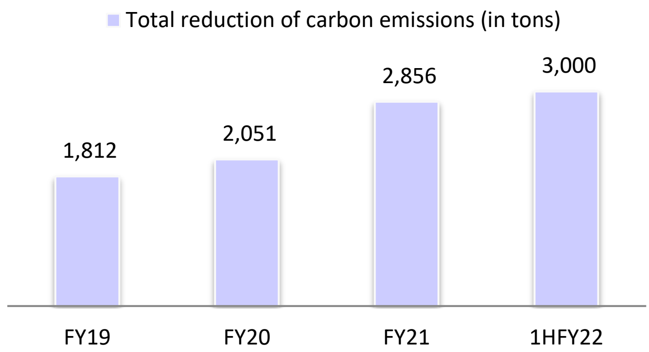
- LIC actively looks to identify and fund solutions that cater to pressing environmental issues.
- As a responsible global citizen, it recognizes climate change as one of the most concerning topics in the world, at present and has undertaken several initiatives to combat the same
- Installed 3,351 kilowatts ("kW") of roof top solar capacity which helped to reduce carbon footprint by ~3,000 tons per annum.
- LIC periodically undertake initiatives to plant trees in the office and residential premises. Additionally, it has taken on the upkeep and maintenance of several public gardens.

Exhibit 105: Gradually increasing solar capacity…



Source: MOFSL, Company

Exhibit 106: …leading to reduction in carbon footprint



Source: MOFSL, Company

Social

- LIC is committed to provide equal employment opportunities and treat all employees fairly
- LIC actively invests in infrastructure and social sector through projects and schemes for generation and transmission of power and development of roads, bridges and railways.
- LIC aspires to provide a work environment which encourages growth and development of employees and individual agents. For this reason, it imparts necessary skills and knowledge, through various trainings for employees and agents to realize their full productivity.

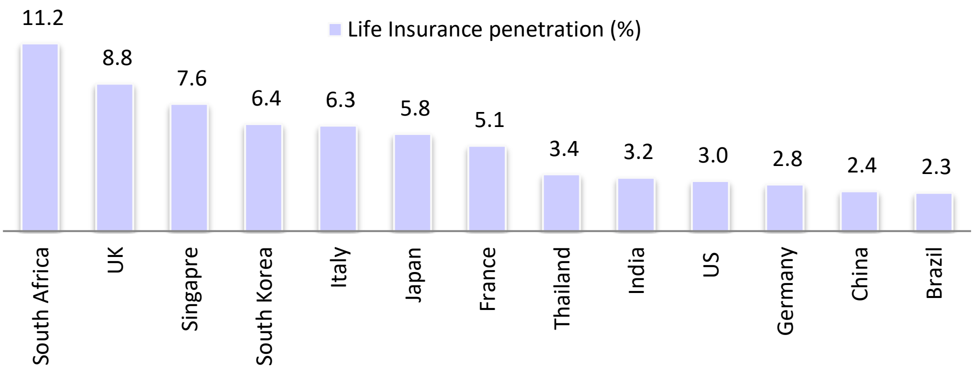
Governance

- LIC is committed to conducting its business, inculcating practices that ensure operational transparency, information sharing, accountability and continuous dialogue with all our stakeholders.
- Several sub-committees of Board of Directors have been created to overlook LIC’s corporate governance. The aim is to enhance brand equity, strengthen the stakes of Shareholders and maintain a healthy working environment within the organization.
- Sub-committees include Audit Committee, Nomination and Remuneration Committee, Stakeholders’ Relationship Committee, Policyholders’ Protection Committee and the review committee on wilful defaulter.

Annexures

Life insurance penetration remains low in India compared with not just developed countries but also other South East Asian countries. With rising awareness, under-penetration provides a runway of high growth for a prolonged period of time. According to Swiss Re estimates, life insurance premium as a % of GDP stands at 3.2%. in FY20.

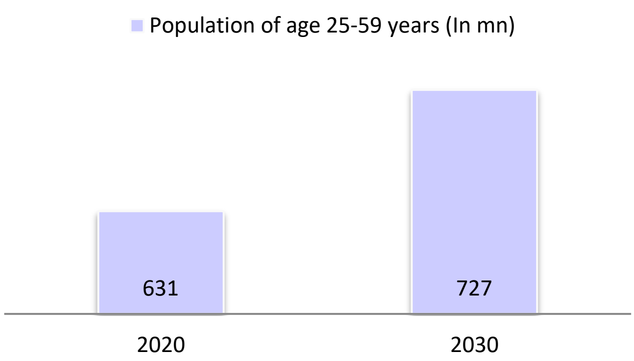
Exhibit 107: Low penetration of life insurance in India



Source: MOFSL, Company

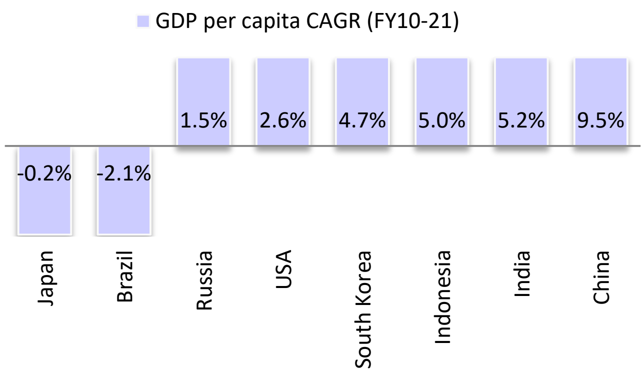
Rising awareness due to Covid-19, a large and growing population base, higher proportion of working population and rising affluence are the key reasons for improvement in penetration.

Exhibit 108: Higher share of working population to drive growth…



Source: MOFSL, ICICI Prudential, UN Population Estimate

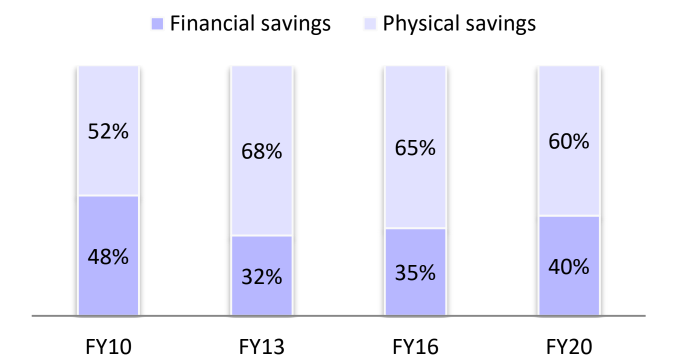
Exhibit 109: … with rising affluence as reflected by an improving GDP per capita



Source: MOFSL, ICICI Prudential

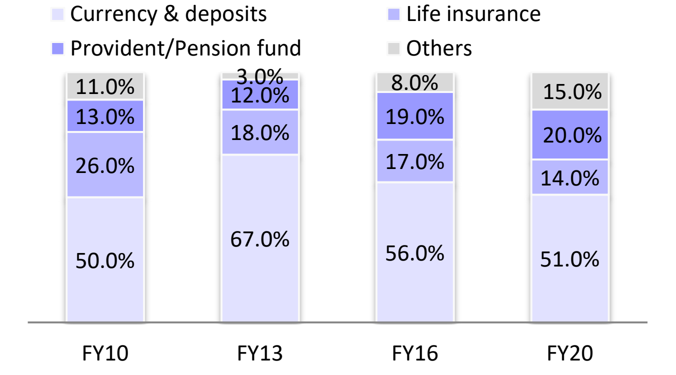
Indian households are increasingly getting comfortable with the idea of financial savings over physical savings. Growing financial literacy, availability of enough suitable content at ease and proliferation of social media-led awareness are the key reasons for the same. Within financial savings, life insurance remains a preferred long-term bet as it has historically offered good returns in the country.

Exhibit 110: Composition of household savings over time



Source: MOFSL, HDFC Life, RBI

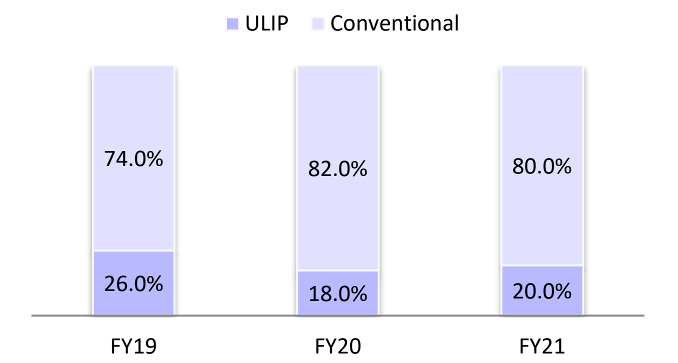
Exhibit 111: Financial savings mix evolution



Source: MOFSL, ICICI Prudential

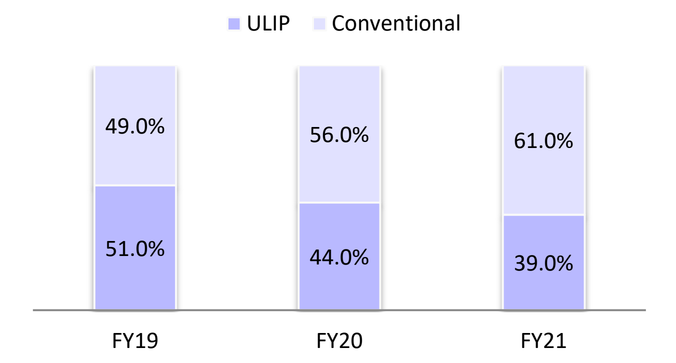
Private players have a higher focus on ULIPs with banca partners being key distribution agent, driving sales. ULIPs bring necessary scale to private insurers and therefore help in better cost ratios. LIC has never focused on ULIPs and therefore there is a wide gap between the share of ULIPs for private players and the industry.

Exhibit 112: Traditional savings products dominate industry product mix



Source: MOFSL, ICICI Prudential

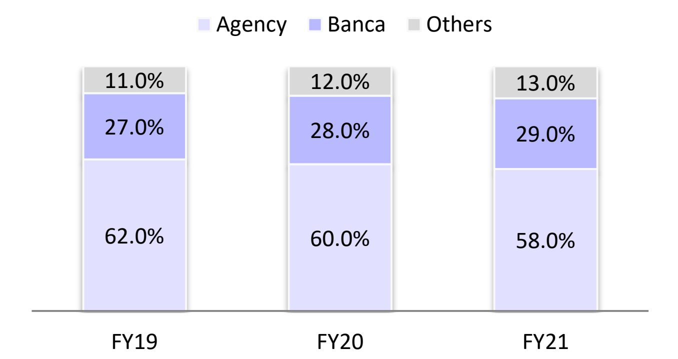
Exhibit 113: ULIPs form a significant proportion of private players total APE mix



Source: MOFSL, ICICI Prudential

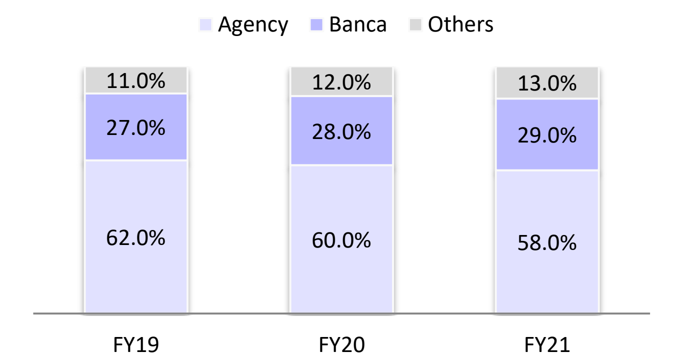
Private players derive a large part of their sales through banca channel. LIC has always focused on strengthening its agency base and therefore derives more than 90% of individual APE through agency. As LIC increases its focus on improving share of banca in distribution mix, we can expect a gradual rise in share of banca at the industry level.

Exhibit 114: Agency dominates industry channel mix due to LIC



Source: MOFSL, Company

Exhibit 115: Banca dominates mix of private players as it is the main driver of ULIP sales



Source: MOFSL, ICICI Prudential

Key subsidiaries of LIC

While LIC has a large number of associates, subsidiaries, overseas branches and joint ventures, its key subsidiaries include IDBI Bank and LIC Housing Finance Limited. Though IDBI Bank and LIC Housing Finance are currently associates, these investments form part of the investments in the Policyholders' Account.

IDBI Bank

IDBI Bank became a subsidiary with effect from 21st Jan'19 following the acquisition of an additional stake, which resulted in LIC owning 51% stake. However, it is now reclassified as an associate as the shareholding has come down to 49.2% post QIP.

After dismal performance in earlier years, there has been a marked improved in performance of IDBI Bank over the past two years. The bank is making strong steps to achieve its stated guidance of RoA of 1% and RoE of 15% by FY23 along with improvements in other operating parameters. The shares of IDBI Bank are listed on NSE and BSE and it has a market cap of INR331b.

Financial Snapshot (INR b)

Y/E March	FY20	FY21	FY22
NII	69.8	85.2	91.6
PPoP	51.1	70.4	75.0
PAT	(128.9)	13.6	24.4
NIM (%)	2.6	3.4	3.7
EPS (INR)	NM	1.3	2.3
EPS Gr. (%)	NM	NM	74.6
BV/Sh. (INR)	39.9	28.4	30.9
ABV/Sh. (INR)	34.9	26.0	29.1
Ratios			
RoE (%)	NM	3.7	13.6
RoA (%)	NM	0.5	0.8
Valuations			
P/E (x)	NM	23.7	13.6
P/BV (X)	0.8	1.1	1.0
P/ABV (x)	0.9	8.1	7.6

Exhibit 116: IDBI Bank gradually improving its financial performance

Key Financials (INR b)	FY19	FY20	FY21	FY22
Net Interest Income	59.1	69.8	85.2	91.6
Other income	33.0	44.7	45.6	46.9
Total income	**92.1**	**114.5**	**130.8**	**138.5**
Operating expenses	51.5	63.4	60.5	63.6
Employee cost	22.0	32.5	30.9	31.1
Other operating expenses	29.5	30.9	29.6	32.5
Operating profit	**40.5**	**51.1**	**70.4**	**75.0**
Provisions	268.8	140.8	46.7	38.9
PBT	(228.3)	(89.7)	23.7	36.1
Tax	(77.1)	39.2	10.1	11.7
PAT	**(151.2)**	**(128.9)**	**13.6**	**24.4**
Deposits	2,274	2,224	2,309	2,331
Loans	1,468	1,298	1,282	1,458
GNPA	27.5%	27.5%	22.4%	19.1%
NNPA	10.1%	4.2%	2.0%	1.3%
NIM	2.0%	2.6%	3.4%	3.7%
Cost to income ratio	57.0%	57.0%	46.2%	45.9%
CASA ratio	42.5%	47.7%	50.4%	56.8%
RoA	NM	NM	0.5%	0.8%
RoE	NM	NM	3.7%	13.6%

Source: MOFSL, Company

LIC Housing Finance Limited

LIC Housing was incorporated on 19th Jun'89 and is engaged in the business of providing long-term finance for the construction or purchase of houses for residential purposes. Presently, LIC has 45.2% stake in LIC Housing Finance. The shares of LIC Housing Finance are listed on NSE and BSE and it has a market cap of INR186b.

Financial Snapshot (INRb)

Y/E March	FY22	FY23E	FY24E
NII	55.3	58.1	63.7
PPP	47.9	51.1	56.0
PAT	22.8	28.4	33.2
EPS (INR)	41.4	51.7	60.4
EPS Gr. (%)	-23.5	24.7	16.9
BV/Sh (INR)	448	482	524
Ratios			
NIM (%)	2.3	2.2	2.2
C/I ratio (%)	17.4	15.5	15.1
RoAA (%)	0.9	1.1	1.1
RoE (%)	10.1	11.1	12.0
Payout (%)	20.5	17.5	15.7
Valuations			
P/E (x)	8.5	6.9	5.9
P/BV (x)	0.8	0.7	0.7

Exhibit 117: LIC Housing Finance's key financial performance

Key financials (INR b)	FY19	FY20	FY21	FY22
NII	42.7	48.2	52.4	55.3
Other Income	2.0	0.6	1.5	2.6
Total income	**44.7**	**48.9**	**54.0**	**58.0**
Operating expenses	4.8	6.2	7.0	10.1
Employee cost	2.5	3.0	2.9	5.6
Other operating expenses	0.0	0.0	0.0	0.0
Operating profit	**40.0**	**42.7**	**46.9**	**47.9**
Provisions	6.2	10.0	13.5	20.2
PBT	33.8	32.7	33.5	27.7
Tax	9.5	8.7	6.1	4.9
PAT	**24.3**	**24.0**	**27.3**	**22.8**
Borrowings	1,707	1,913	2,079	2,237
Loans	1,945	2,106	2,319	2,503
GNPA	1.6	2.8	4.1	4.7
NNPA	0.8	1.6	2.5	2.7
NIM	2.4	2.4	2.4	2.3
Cost to income ratio	11	13	13	17
RoA	1.3	1.2	1.2	0.9
RoE	16	14	14	10

Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Gross Premiums	3,182.2	3,402.9	3,828.1	4,058.5	4,301.2	4,560.0	4,885.1
Reinsurance Ceded	(3.7)	(3.2)	(3.4)	(4.5)	(6.2)	(5.4)	(5.8)
Net Premiums	3,178.5	3,399.7	3,824.8	4,054.0	4,295.0	4,554.6	4,879.3
Income from Investments	2,049.6	2,250.4	2,428.4	2,855.2	2,941.1	3,501.9	4,043.8
Other Income	8.0	57.9	202.9	127.9	8.2	8.0	9.2
Total income (A)	**5,236.1**	**5,708.1**	**6,456.1**	**7,037.1**	**7,244.3**	**8,064.5**	**8,932.3**
Commission	182.3	204.8	215.5	223.6	233.1	253.2	269.9
Operating expenses	301.4	283.3	344.3	351.6	390.2	382.4	401.2
Total commission and opex	**483.7**	**488.1**	**559.7**	**575.2**	**623.3**	**635.6**	**671.1**
Benefits Paid (Net)	1,981.2	2,540.3	2,571.5	2,907.2	3,595.1	3,489.6	3,712.0
Change in reserves	2,606.9	2,442.8	2,875.2	3,215.8	2,981.7	3,629.7	4,114.5
Prov for doubtful debts (inc other exp)	64.0	204.3	441.8	207.7	(93.7)	67.6	78.8
Total expenses (B)	**5,135.7**	**5,675.6**	**6,448.3**	**6,905.8**	**7,106.4**	**7,822.5**	**8,576.4**
(A) - (B)	**100.4**	**32.5**	**7.7**	**131.3**	**137.9**	**242.1**	**355.9**
Tax (incl GST)	76.2	56.7	109.2	92.6	80.6	162.5	238.8
Surplus / Deficit	**24.2**	**(24.2)**	**(101.5)**	**38.6**	**57.2**	**79.5**	**117.0**

Shareholder's a/c (INR b)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Transfer from technical a/c	24.2	26.0	27.0	29.6	38.8	76.5	112.5
Income From Investments	0.4	0.5	0.4	0.2	2.1	2.3	2.5
Total Income	**24.6**	**26.4**	**27.3**	**29.9**	**42.0**	**78.8**	**115.0**
Other expenses	0.0	0.0	0.1	0.0	0.3	0.3	0.3
Contribution to technical a/c	-	0.0	0.1	0.0	0.1	0.1	0.1
Total Expenses	**0.0**	**0.0**	**0.1**	**0.1**	**0.4**	**0.4**	**0.4**
PBT	**24.6**	**26.4**	**27.2**	**29.8**	**41.6**	**78.3**	**114.6**
Tax	0.1	0.1	0.1	0.1	0.4	0.2	0.2
PAT	**24.5**	**26.3**	**27.1**	**29.7**	**41.2**	**78.5**	**114.8**
Growth	***10%***	***7%***	***3%***	***10%***	***39%***	***90%***	***46%***

Premium (INR b) and growth (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
NBP - unweighted	1,346.7	1,423.4	1,782.8	1,844.3	1,989.3	2,168.4	2,385.2
NBP - wrp	388.0	424.3	699.9	489.8	528.8	564.2	616.3
Renewal premium	1,835.5	1,951.7	2,011.1	2,188.6	2,290.9	2,391.7	2,499.9
Total premium - unweighted	3,182.2	3,375.1	3,793.9	4,032.9	4,280.2	4,560.0	4,885.1
NBP growth - unweighted	8.1%	5.7%	25.3%	3.5%	7.9%	9.0%	10.0%
NBP growth - wrp	7.4%	9.4%	65.0%	-30.0%	8.0%	6.7%	9.2%
Renewal premium growth	4.3%	6.3%	3.0%	8.8%	4.7%	4.4%	4.5%
Tot. premium growth - unweighted	5.9%	6.1%	12.4%	6.3%	6.1%	6.5%	7.1%

Premium mix (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
New business - un weighted							
- Individual mix	38.5%	35.9%	28.9%	30.6%	27.6%	31.5%	32.0%
- Group mix	61.5%	64.1%	71.1%	69.4%	72.4%	68.5%	68.0%
New business mix - WRP							
- Participating	67.5%	65.2%	42.6%	57.3%	56.1%	56.0%	55.5%
- Non-participating	32.3%	34.7%	57.3%	42.3%	43.4%	43.4%	43.9%
- ULIPs	0.2%	0.1%	0.1%	0.4%	0.5%	0.5%	0.5%
Total premium mix - un weighted							
- Participating	67.0%	66.8%	60.1%	60.7%	59.7%	58.4%	57.4%
- Non-participating	32.7%	32.9%	39.7%	39.0%	39.8%	40.9%	42.1%
- ULIPs	0.3%	0.2%	0.2%	0.3%	0.5%	0.8%	0.5%

Indi premium sourcing mix (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Individual agents	95.6%	95.8%	94.7%	93.8%	96.2%	92.5%	91.5%
Corporate agents-Banks	2.6%	2.5%	2.8%	3.1%	2.6%	3.6%	4.0%
Direct business	1.6%	1.5%	1.9%	2.2%	0.3%	2.8%	3.1%
Others	0.2%	0.2%	0.6%	0.9%	0.8%	1.1%	1.4%

Financials and valuations

Balance sheet (INR b)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sources of Fund							
Share Capital	1.0	1.0	1.0	1.0	63.2	63.2	63.2
Reserves And Surplus	5.3	8.0	8.9	67.1	49.2	113.8	211.2
Shareholders' Fund	**6.5**	**9.0**	**11.0**	**69.8**	**114.6**	**179.5**	**277.2**
Policy Liabilities	25,335.6	28,056.9	31,028.2	34,207.3	37,278.9	39,603.8	44,759.1
Prov. for Linked Liab.	509.2	416.5	325.4	329.6	239.1	409.8	422.1
Funds For Future App.	0.5	0.7	0.8	0.5	19.2	24.8	32.1
Current liabilities & prov.	533.7	609.1	856.6	831.2	715.2	786.7	865.4
Total	**28,449.9**	**34,272.5**	**34,998.3**	**38,295.2**	**42,540.6**	**45,763.9**	**51,596.2**
Application of Funds							
Shareholders' invt	5.9	3.7	4.0	4.3	52.3	62.7	75.3
Policyholders' invt	25,155.5	28,776.9	29,579.1	34,984.4	39,114.2	42,308.7	47,847.5
Assets to cover linked liab.	881.3	335.7	321.7	329.7	239.6	-	-
Loans	1,027.5	2,498.8	2,374.3	1,087.6	1,110.3	1,165.9	1,224.1
Current assets	1,352.2	2,511.8	2,573.5	1,854.4	1,988.4	2,187.3	2,406.0
Total	**28,449.9**	**34,272.5**	**34,998.3**	**38,295.2**	**42,540.6**	**45,763.9**	**51,596.2**

Operating ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Investment yield	7.9%	7.7%	8.1%	8.1%	7.5%	8.3%	8.4%
Commissions / GWP	**5.7%**	**6.0%**	**5.6%**	**5.5%**	**5.4%**	**5.6%**	**5.5%**
- first year premiums	29.3%	28.1%	16.8%	26.4%	26.5%	26.7%	26.7%
- renewal premiums	5.2%	5.2%	5.1%	5.2%	5.2%	5.3%	5.3%
- single premiums	0.5%	0.5%	0.4%	0.4%	0.3%	0.6%	0.6%
Operating expenses / GWP	9.5%	8.3%	9.0%	8.7%	9.1%	8.4%	8.2%
Total expense ratio	**15.2%**	**14.3%**	**14.6%**	**14.2%**	**14.5%**	**13.9%**	**13.7%**
Claims / NWP	61.8%	74.2%	66.8%	71.2%	83.7%	75.9%	75.3%
Solvency ratio	158%	160%	155%	176%	185%	192%	199%

Persistency ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
13th Month	76.0%	77.0%	72.0%	78.8%	75.6%	77.0%	79.0%
25th Month	68.0%	71.0%	67.0%	70.0%	73.5%	74.3%	74.8%
37th Month	63.0%	65.0%	63.0%	66.9%	66.6%	67.3%	68.1%
49th Month	66.0%	60.0%	58.0%	63.1%	63.9%	64.7%	65.2%
61st Month	59.0%	63.0%	54.0%	58.8%	61.0%	61.4%	61.8%

Profitability ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
VNB margin (%)	0.0%	0.0%	0.0%	9.9%	10.7%	12.2%	13.6%
RoE (%)	NM	NM	NM	73.6%	44.7%	53.4%	50.3%
Operating ROEV	NM	NM	NM	36.9%	NM	9.4%	9.7%
RoEV (%)	NM	NM	NM	NM	NM	3.2%	11.4%

Valuation & key data	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total AUMs (INRb)	27,236	29,879	30,744	36,762	39,406	42,371	47,923
- of which equity AUMs (%)	0%	0%	0%	21%	21%	20%	21%
Dividend %	-2422%	-2725%	-2700%	-15%	15%	20%	25%
Dividend payout ratio (%)	99%	104%	100%	1%	25%	18%	15%
EPS, INR	244.6	4.2	4.3	4.7	6.5	12.4	18.1
VNB (INRb)	-	-	-	41.67	56.7	68.6	83.9
Embedded Value (INRb)	-	-	-	956.1	5,667.0	5,845.5	6,512.0
EV per share (INR)	-	-	-	151.2	896.0	924.2	1,029.6
VIF as % of EV	NM	NM	NM	93%	98%	97%	96%
P/VIF (%)	NM	NM	NM	4.9	0.8	0.8	0.7
P/AUM (%)	16%	15%	14%	12%	11%	10%	9%
P/EV (x)	NM	NM	NM	4.6	0.8	0.7	0.7
P/EPS (x)	2.8	166.7	161.6	147.3	106.2	55.8	38.2
P/EVOP (x)	NM	NM	NM	25.5	0.9	8.2	7.8

NOTES

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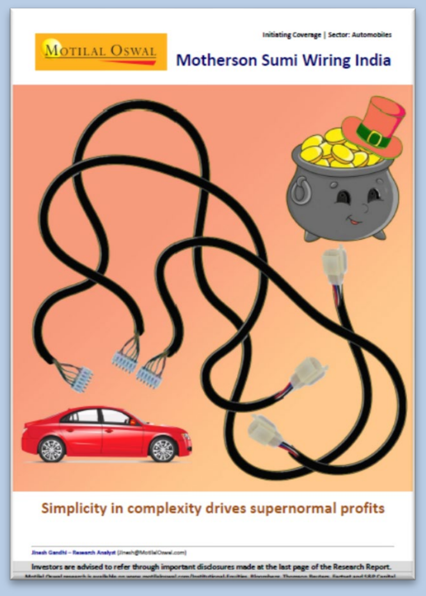

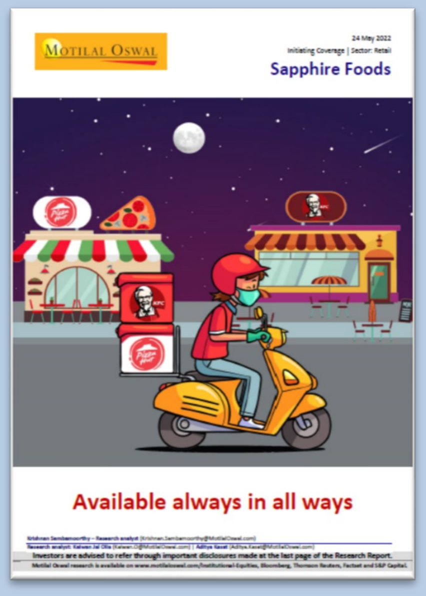

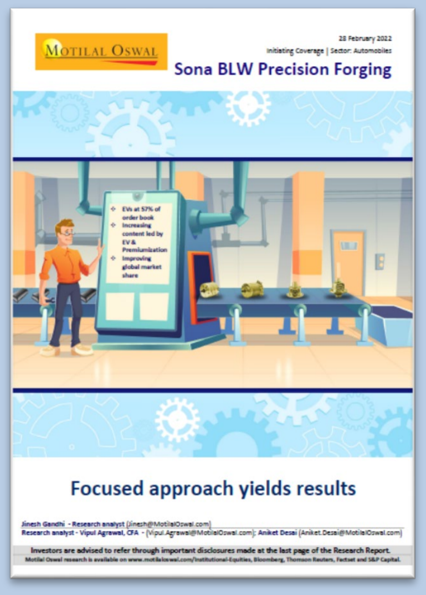

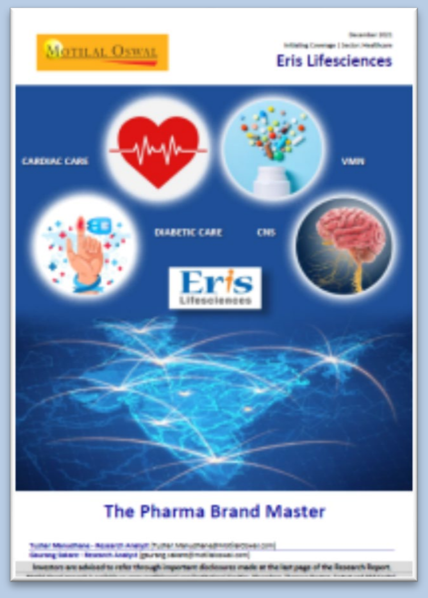

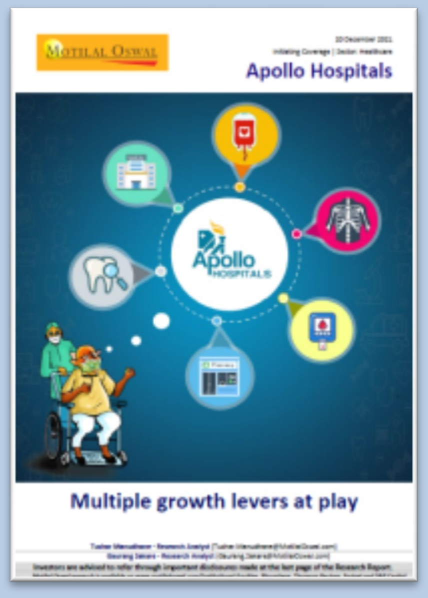

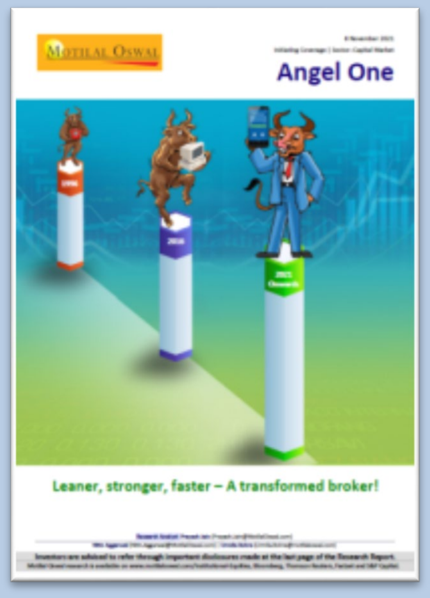

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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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