

# Life Insurance Corporation | BUY

## Strong inline quarter

LIC reported a strong operational performance in 4Q24 – total APE was reported at INR 211.8bn, +10.7% YoY – led by group APE of INR 38.9bn, +60.7% YoY, while individual APE contracted by 2.1% YoY – led by par book contraction of 20.2% YoY, while the non-par business grew by a staggering 206.0% to INR 37.4bn. While the muted individual APE growth was reported to the Life Insurance Council, growth in non-par segment was a positive surprise. Embedded Value grew by a strong 24.9% YoY, ahead of JMFe of 23.9%, to come in at INR 7,273bn. This was manifested by a higher unwind of 9.0% (+228bps YoY) of opening EV, economic variance of INR 954.6bn and a VNB of INR 95.8bn, +4.7% YoY. VNB margins grew 67bps YoY to 16.8%, led by strong growth in non-par business, +104.9% YoY, in FY24. VNB margins were below JMFe of 17.1%, as group business grew sharply in 4Q – led by revaluation of gratuity liabilities of corporates. Topline performance was poor in FY24 – with total APE growing by 0.5% to INR 569.7bn, with group APE growing 2.9% and individual APE contracting by 0.6%. For FY25, the management has articulated that “topline growth trajectory will be back in focus” after a weak FY24. 25.1% of the 4Q24 individual APE was contributed by non-par business, up 17ppts YoY. With the articulated focus on growth, we see this share to inch up only gradually from these levels. Topline growth would be led by its strong agency channel and should be aided by repricing of employee liabilities in its group segment, where it had a dominant market share of 72.5% in FY24. We estimate LIC to grow its total APE by c.11% CAGR over FY24-FY26, led by growth in non-par segment. With this, margins should expand to 19.7% by FY26. For valuation, we apply 15% holdco discount to IDBI Bank and LIC Housing Finance's current market cap, and value the standalone entity at 0.8x FY26e EV. Maintain BUY with an unchanged Target Price of INR 1,222.

- **Non-par growth accelerates in 4Q24:** Growth in non-par business (entire individual business other than par products – ULIPs, non-par savings, annuity and protection) was the focus for LIC in FY24. They have delivered on this count – growing non-par APE by 104.9% in FY24 – this accelerated in 4Q, with a growth of 206% YoY, compared to 49% YoY in 9M24, and 92% in 3Q24. While topline growth in 4Q was led by group business (+61% YoY in APE terms), the strong growth in non-par supported VNB margins for the quarter and for FY24. Within the broader non-par segment reported by LIC, high margin non-par return guarantees (savings) grew 914% YoY in 4Q24/639% YoY in FY24 to INR 23.6bn in 4Q/INR 38.1bn in FY24. This is on a low base, as the private peers struggled following strong non-par sales to an affluent customer base in FY23. We see this as a decadal opportunity – with broader non-par segment contributing c.50% of individual APE by FY30.
- **Strong, in-line, EV results:** EV growth was strong at +24.9% YoY, as LIC reported an FY24 EV of INR 7,273bn. This was slightly ahead of JMFe of INR 7,216bn (+23.9% YoY). Incremental gains on EV will be driven by unwind rate and VNB. In our initiation note [\[link\]](#), we had highlighted that LIC's EV growth is more dependent on returns on its book (unwind rate and investment variance) than private players. Sensitivity to equity markets



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,222
Upside/(Downside)	20.5%
Previous Price Target	1,222
Change	0.0%

### Key Data – LIC IN

Current Market Price	INR1,014
Market cap (bn)	INR6,553.0/US\$78.8
Free Float	3%
Shares in issue (mn)	6,325.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR3,342.6/US\$40.2
52-week range	1,175/593
Sensex/Nifty	75,391/22,932
INR/US\$	83.1

### Price Performance

%	1M	6M	12M
Absolute	4.9	52.9	71.4
Relative*	2.5	34.2	42.1

\* To the BSE Sensex

### Financial Summary

(INR mn)

INR bn	FY22	FY23	FY24	FY25E	FY26E
Total APE	503.9	566.8	569.7	631.1	700.3
Growth YoY (%)	16.5%	12.5%	0.5%	10.8%	11.0%
Individual APE	355.7	386.7	384.3	427.2	476.0
Growth YoY (%)	16.8%	8.7%	-0.6%	11.1%	11.4%
Opex + Commissions	620.6	737.3	740.8	870.7	1,023.4
VNB	76.2	91.6	95.8	115.4	138.2
Growth YoY (%)	-	20.2%	4.7%	20.4%	19.8%
VNB margins	15.1%	16.2%	16.8%	18.3%	19.7%
Core EVOP (%)	31.7%	9.4%	10.6%	9.9%	9.9%
IEV	5,414.9	5,822.4	7,273.4	7,989.8	8,763.8
P/EVx	1.2	1.1	0.9	0.8	0.7

Source: Company data, JM Financial. Note: Valuations as of 28/May/2024

JM Financial Research is also available on:  
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Thomson Publisher & Reuters,  
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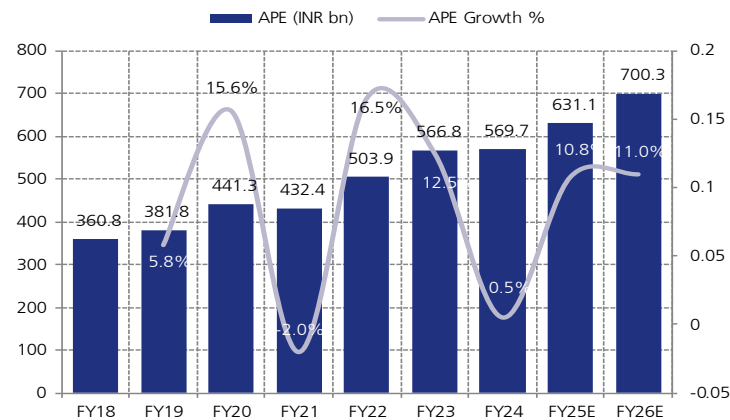
increased – a 10% fall in equity markets can result in 7.2% fall in EV – compared to 7.0% in FY23 – hence, market movements remain a key monitorable. The company has raised its unwind rate to 9.0%, led by raised expectation of structural returns on Indian equity markets. We expect its seasoned book to yield gains in equity and bond markets, however, we wait for consistency in reporting to raise our unwind rate estimates structurally – we retain it at 8.25% levels over FY25-FY26, ahead of 7.7% in FY23 but below the 9.0% reported in FY24. Additional employee expenses resulted in over-runs on Expenses of Management, which will be provided for from Shareholders' Funds – a total of INR 129.1bn over FY25-FY27, this has already been accounted in its EV – so, we do not see any downside risk on this count.

- **LIC Chairman's views on regulatory environment:** An interesting development is that the LIC management, in concall, indicated that composite licences are likely to come in, and LIC will look for inorganic opportunities, to expand in the health-indemnity business. On surrender values, LIC is expecting a final order from IRDAI, which will be in the best interests of the customers, while keeping in mind the interest of the industry.
- **Valuations and view:** Having delivered on its non-par business growth, the management has articulated that "topline growth trajectory will be back in focus" after a weak FY24. Topline growth would be led by its strong agency channel and should be aided by repricing of employee liabilities in its group segment, where it had a dominant market share of 72.5% in FY24. **We believe that individual APE growth would now be the key monitorable for stock price performance.** We estimate LIC to grow its total APE by c.11% CAGR over FY24-FY26, led by growth in non-par segment. We expect FY25 non-par mix to be in-line with 4Q24 at c.25% levels, and then grow gradually. With this, margins should expand to 19.7% by FY26. For valuation, we apply 15% holdco discount to IDBI Bank and LIC Housing Finance's current market cap, and value the standalone entity at 0.8x FY26e EV. Maintain BUY with an unchanged Target Price of INR 1,222.

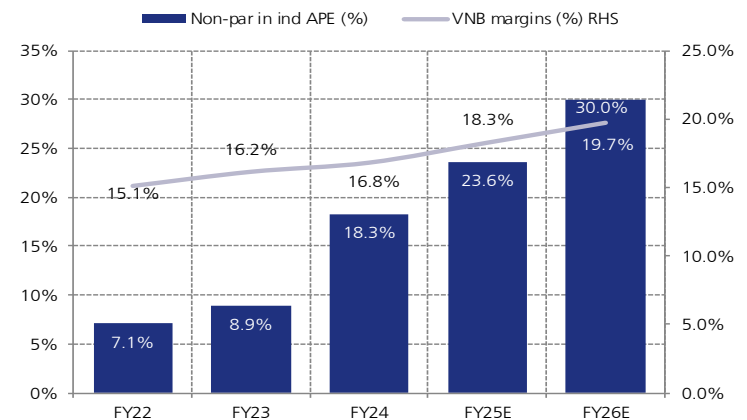
**Exhibit 1. 4QFY24 Financial Summary**

Financial Summary	4Q23	4Q24	YoY %	FY23	FY24	YoY %
<b>APE (INR bn)</b>						
- Par	140.3	111.9	-20%	352.3	313.9	-11%
- ULIPs	3.5	6.8	93%	11.6	14.1	22%
- Non-par r/g	2.3	23.6	914%	5.2	38.1	639%
- Annuity	5.5	5.9	8%	14.8	15.8	7%
Ind Savings + Annuity	151.6	148.2	-2%	383.9	382.0	0%
Ind Protection	0.9	1.1	21%	2.8	2.4	-15%
Individual APE	152.5	149.3	-2%	386.7	384.3	-1%
Group APE	38.9	62.5	61%	180.2	185.4	3%
Total APE	191.4	211.8	11%	566.8	569.7	1%
Ind Non-par	12.2	37.4	206%	34.4	70.4	105%
<b>VNB</b>	<b>36.78</b>	<b>36.45</b>	<b>-1%</b>	<b>91.56</b>	<b>95.83</b>	<b>5%</b>
VNB Margin Cal	19%	17%	-2%	16%	17%	1%
- Par	11%	8%	-3%	11%	9%	-2%
- Non-par	57%	58%	1%	61%	61%	-1%
Individual biz	15%	20%	6%	15%	19%	3%
Group	37%	9%	-28%	18%	13%	-5%
<b>EV walk (INR bn)</b>						
Opening				5,415	5,822	8%
VNB				92	96	5%
Unwind / Expected return on existing business				416	522	26%
- at reference rate				232	419	81%
- at real world rate, in excess of reference rate				184	103	-44%
Operating experience variance				61	4	-94%
- Persistency				46	7	-85%
- Expenses				-10	-21	112%
- Mortality & morbidity				4	3	-20%
- Others				21	15	-29%
Operating assumptions change				21	-81	-492%
Economic variance				-172	955	-656%
Dividend payout				-9	-44	366%
<b>Closing EV</b>				<b>5,822</b>	<b>7,273</b>	<b>25%</b>
Unwind, %				7.7%	9.0%	1.3%
- at reference rate				4.3%	7.2%	2.9%
- at real world rate, in excess of reference rate				3.4%	1.8%	-1.6%
VNB, as % of opening EV				1.7%	1.6%	0.0%
VNB + Unwind				507	618	21.8%
VNB + Unwind, as % of EV				9.4%	10.6%	1.2%
Op RoEV				589	541	-8.2%
Op RoEV, as % of opening EV				10.9%	9.3%	-1.6%
<b>Solvency</b>				<b>187%</b>	<b>198%</b>	<b>11%</b>
<b>AUM</b>				<b>43,9720</b>	<b>51,219</b>	<b>16%</b>

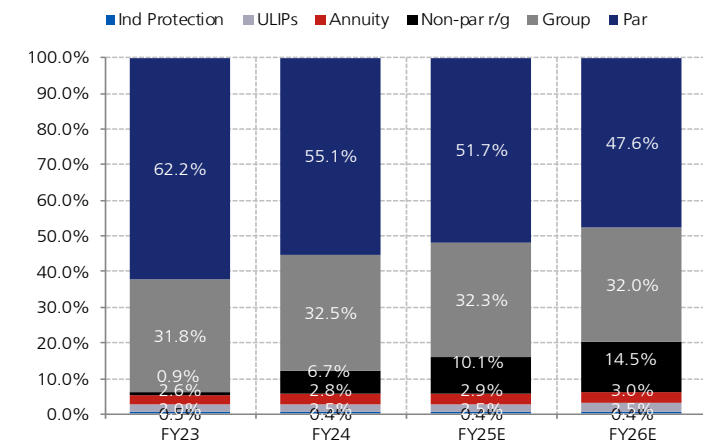
Source: Company, JM Financial

**Exhibit 2. APE: 9.6% CAGR over FY21-FY24, 11% over FY24-FY26e**

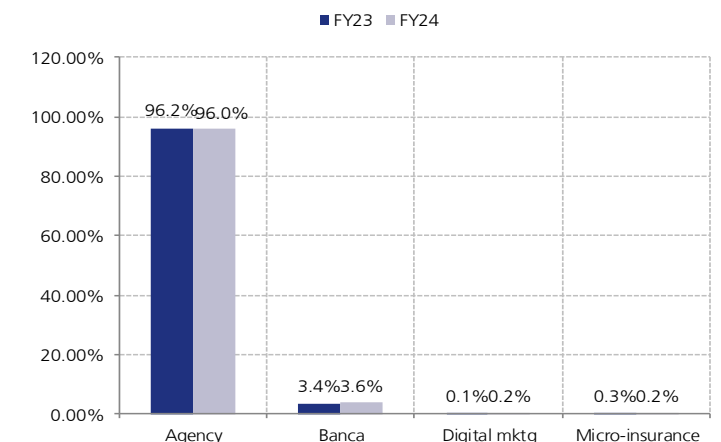
Source: Company, JM Financial

**Exhibit 3. VNB: Sharp uptick in margin to 18.3% in FY24**

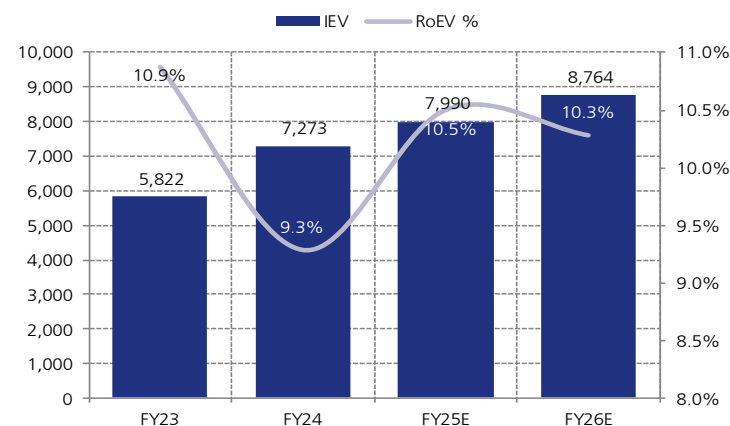
Source: Company, JM Financial

**Exhibit 4. Share of Non-par r/g has improved over FY24**

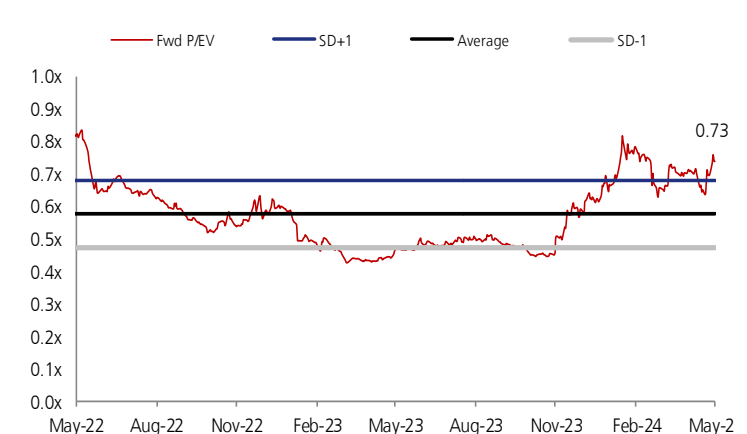
Source: Company, JM Financial

**Exhibit 5. Agency continues to dominate channel mix**

Source: Company, JM Financial

**Exhibit 6. EV +16% CAGR over FY22-24, ROEV stable at 10%**

Source: Company, JM Financial

**Exhibit 7. Stock has re-rated with non-par growth**

Source: Company, JM Financial

## Financial Tables (Standalone)

## P&amp;L (technical account) (INR mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Gross premiums	4,280,250	4,746,681	4,757,519	5,625,966	6,055,886
Net premiums	4,274,192	4,740,046	4,750,696	5,617,557	6,046,037
Investment income	2,928,945	3,063,901	3,639,439	4,156,182	4,923,711
Other Income	7,889	76,579	146,933	457,599	531,007
<b>Total Income</b>	<b>7,211,026</b>	<b>7,880,526</b>	<b>8,537,068</b>	<b>10,231,339</b>	<b>11,500,754</b>
Commissions	231,715	255,804	259,591	305,107	358,603
Operating expenses	388,907	481,456	481,217	565,591	664,760
Provisions and taxes	-1,096	-75,523	30,401	56,253	61,957
<b>Total expenses</b>	<b>619,525</b>	<b>661,737</b>	<b>771,209</b>	<b>926,951</b>	<b>1,085,319</b>
Benefits paid	3,574,649	3,425,768	3,888,093	4,393,545	4,876,835
Change in valuation of life reserves	2,972,776	3,433,828	3,530,361	4,024,611	4,507,565
<b>Total Benefits</b>	<b>6,547,425</b>	<b>6,859,595</b>	<b>7,418,454</b>	<b>8,418,157</b>	<b>9,384,400</b>
Surplus/(Deficit)	44,076	359,194	347,405	428,632	500,028

Source: Company, JM Financial

## P&amp;L (Shareholder's account) (INR mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Transfer from the Policyholders' Account	38,754	360,489	374,554	428,632	500,028
Investment income	2,012	11,478	36,946	42,571	46,828
Other income	-	29	-	-	-
<b>Total income</b>	<b>40,766</b>	<b>371,996</b>	<b>411,501</b>	<b>471,203</b>	<b>546,856</b>
Operating expenses	5	4,716	3,180	3,737	4,392
Contribution to the policyholders A/C	94	2,712	449	528	620
<b>Profit before tax</b>	<b>40,667</b>	<b>364,568</b>	<b>407,872</b>	<b>466,938</b>	<b>541,843</b>
Tax	236	594	1,114	9,339	10,837
<b>Profit after tax</b>	<b>40,431</b>	<b>363,974</b>	<b>406,758</b>	<b>457,599</b>	<b>531,007</b>

Source: Company, JM Financial

## Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E
VNB (INR mn)	76,190	91,560	95,830	115,356	138,195
VNB growth	NA	20%	5%	20%	20%
Reported VNB margin	15.1%	16.2%	16.8%	18.3%	19.7%
APE	503.9	566.8	569.7	631.1	700.3
- Growth	17%	12%	1%	11%	11%
Opex (ex-comm) ratio	9.09%	10.14%	10.11%	10.05%	10.98%
Commissions ratio	5.41%	5.39%	5.46%	5.42%	5.92%

Source: Company, JM Financial

## Balance Sheet (INR mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Shareholders' Investments	64,121	293,635	637,440	701,184	771,302
Policyholders' Investments	38,956,935	41,891,778	48,765,124	58,211,008	68,520,566
Unit linked Investments	239,386	263,095	352,578	469,127	628,195
Loans	1,098,756	1,155,624	1,202,583	1,293,180	1,392,001
Fixed assets	35,520	38,196	40,570	42,098	43,706
Net current assets	1,198,732	1,268,986	1,222,088	1,268,122	1,316,575
<b>Total Assets</b>	<b>41,593,452</b>	<b>44,911,314</b>	<b>52,220,383</b>	<b>61,984,719</b>	<b>72,672,345</b>
Current Liabilities					
Borrowings	4,002,393	3,482,803	6,926,821	6,926,821	6,926,821
Fair Value Change Account	37,229,764	40,671,038	44,113,272	53,554,128	63,861,167.32
Policy Liabilities	238,858	261,592	348,761	466,782	625,054
Linked Liabilities	18,344	39,187	12,147	13,062	14,061
FFA	<b>41,489,360</b>	<b>44,454,620</b>	<b>51,401,001</b>	<b>60,960,793</b>	<b>71,427,103</b>
<b>Total Liabilities</b>	<b>63,250</b>	<b>63,250</b>	<b>63,250</b>	<b>63,377</b>	<b>63,503</b>
Share Capital	40,430	394,920	757,401	960,550	1,181,739
Reserves and surplus	411	-1,477	-1,269	-1,269	-1,269
Fair Value Change Account	<b>104,091</b>	<b>456,694</b>	<b>819,382</b>	<b>1,023,926</b>	<b>1,245,243</b>
<b>Shareholder's equity</b>	<b>64,121</b>	<b>293,635</b>	<b>637,440</b>	<b>701,184</b>	<b>771,302</b>

Source: Company, JM Financial

## Embedded Value (INR mn)

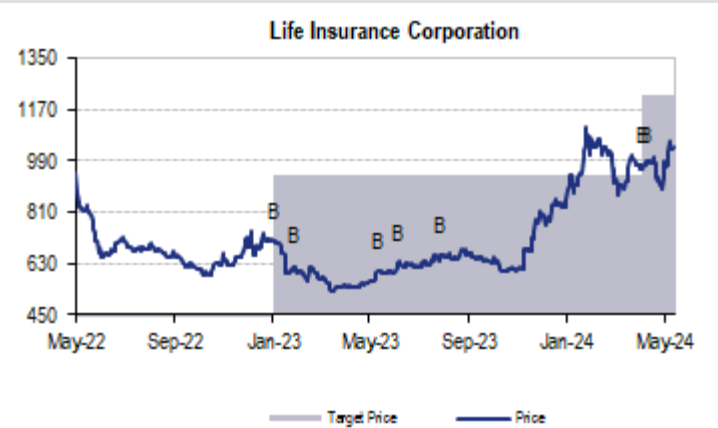
Y/E March	FY22	FY23	FY24	FY25E	FY26E
Opening IEV	956	5,414.9	5,822	7,273	7,990
Core EVOP	303	507.3	618	721	791
- Unwind	227	415.8	522	606	653
- VNB	76	91.6	96	115	138
<b>Variances</b>	<b>271</b>	<b>-99.8</b>	<b>833</b>	<b>-5</b>	<b>-17</b>
- Operating	111	81.5	-77	43	30
- Economic & others	159	-181.3	910	-47	-47
<b>Closing IEV</b>	<b>5,415</b>	<b>5,822</b>	<b>7,273</b>	<b>7,990</b>	<b>8,764</b>
Core RoEV	31.7%	9.4%	10.6%	9.9%	9.9%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Jan-23	Buy	940	
10-Feb-23	Buy	940	0.0
25-May-23	Buy	940	0.0
20-Jun-23	Buy	940	0.0
11-Aug-23	Buy	940	0.0
17-Apr-24	Buy	1,222	30.0
22-Apr-24	Buy	1,222	0.0

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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