

# Life Insurance Corporation of India Ltd

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May 02, 2022

## Details of the Issue

Price Band	₹ 902 - ₹949
Issue Size	₹ 21,000 Cr
Face Value	₹ 10
Bid Lot	15
Listing on	BSE, NSE
Post Issue Implied	Rs. 6,00,242 Cr
Mcap -Upper Price	
Investment Range	Rs.13,530 - 14,235

## Important Indicative Dates (2022)

Opening	04-May
Closing	09-May
Basis of Allotment	12-May
Refund Initiation	13-May
Credit to Demat	16-May
Listing Date	17-May

## Lead Managers

Kotak Mahindra Capital
BofA Securities
Citigroup Global
Goldman Sachs
ICICI Securities
JM Financial
J.P Morgan
Nomura Financial
SBI Capital markets

## Offer for sale

No of Shares	221,374,920
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Type	No. of shares (lk)	In Rs Cr		% of Issue
		Lower	Upper	
QIB	988.28	8914	9379	50%
NIB	296.48	2674	2814	15%
Retail	691.77	5929	6254	35%
Emp	15.81	136	143	
LIC Ph	221.37	1864	1968	
Total	2213.74	19,517	20,557	100%

Shareholding	% Pre Issue	% Post Issue
Promoter	100%	96.5%
Public	0%	3.5%
Total	100%	100%

Source: RHP, GEPL Research

## LIC: An Introduction

- Life Insurance Corporation of India ("LIC") was established on September 1, 1956, under the LIC Act by merging and nationalizing 245 private life insurance companies in India. Corporation's incorporation until 2000, LIC was the only life insurer in India.
- LIC has been providing life insurance in India for more than 65 years and is the largest life insurer in India with a 61.6% market share in terms of premiums, 61.4% market share in terms of New Business Premium, 71.8% market share in terms of number of individual policies issued, 8.8% market share in terms of number of group policies issued for the nine months ended December 31, 2021
- LIC is ranked fifth globally by life insurance GWP (comparing Corporation's life insurance premium for Fiscal 2021 to global peers' life insurance premium for 2020) and 10th globally in terms of total assets (comparing Corporation's assets as at March 31, 2021 with other life insurers' assets as at December 31, 2020). (Source: the CRISIL Report).
- LIC Corporation is the largest asset manager in India as at December 31, 2021, with AUM of ₹40.1 trillion on a standalone basis, which was more than 3.2 times the total AUM of all private life insurers in India.
- Corporation's investments in listed equity represented around 4% of the total market capitalization of NSE as at that date. (9MFY22).
- IC, was recognized as the third strongest and 10th most valuable global insurance brand as per the "Insurance 100 2021 report" released by Brand Finance.

## LIC's Product Portfolio

It has a broad, diversified product portfolio which is covering various segments across individual products and group products. Individual products comprise (i) participating insurance products and (ii) non-participating products, which include (a) savings insurance products; (b) term insurance products; (c) health insurance products; (d) annuity and pension products; and (e) unit linked insurance products. individual products include specially designed products for specific segments, such as special products for women and children and Micro Insurance products.

Corporation's individual product portfolio in India comprises 32 individual products (16 participating products and 16 non-participating products) and seven individual riders.

## Products Distribution Channels

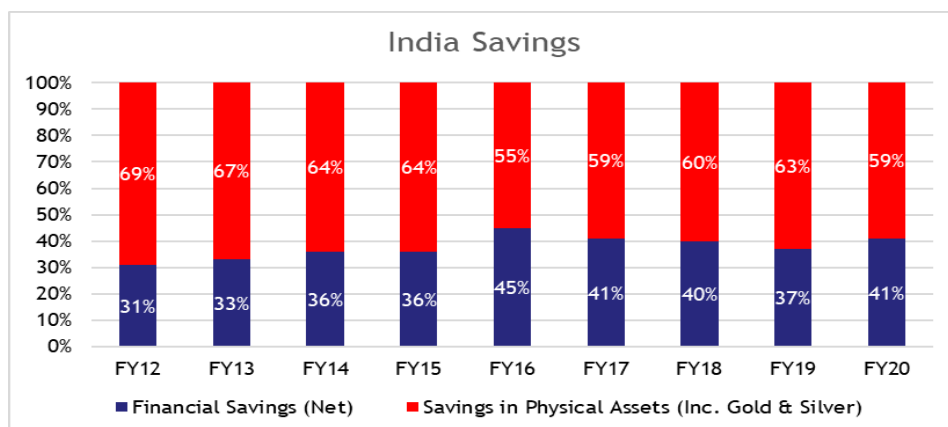
- Corporation's Omni-channel distribution platform for individual products currently comprises (i) individual agents
- (ii) Bancassurance partners
- (iii) alternate channels (corporate agents, brokers and insurance marketing firms),
- (iv) digital sales (through a portal on Corporation's website),
- (v) Micro Insurance agents,
- (vi) Point of Sales Persons-Life Insurance scheme

## Operates in International Region as well

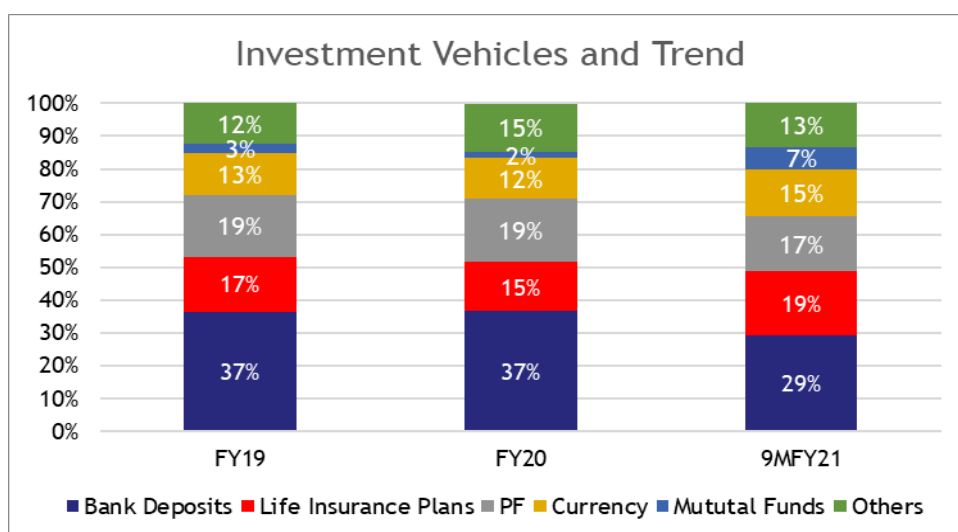
In addition to Corporation's life insurance operations in India, It has one branch in each of Fiji, Mauritius and the United Kingdom and subsidiaries in Bahrain (with operations in Qatar, Kuwait, Oman and the United Arab Emirates), Bangladesh, Nepal, Singapore and Sri Lanka in the life insurance industry. For FY 2019, FY 2020, FY 2021 and 9MFY22, on a consolidated basis, premium from outside India represented 0.93%, 0.99%, 0.73% and 0.69%, respectively, of total premium.

### Insurance Sector Outlook

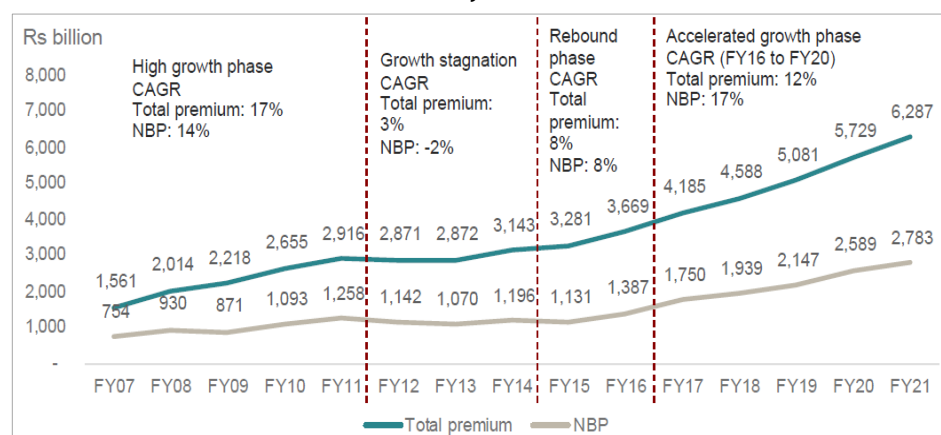
- The share of financial assets as the proportion of net household savings to increase from Fiscal 2020 to Fiscal 2025, thereby boosting investments in assets such as insurance and mutual funds.



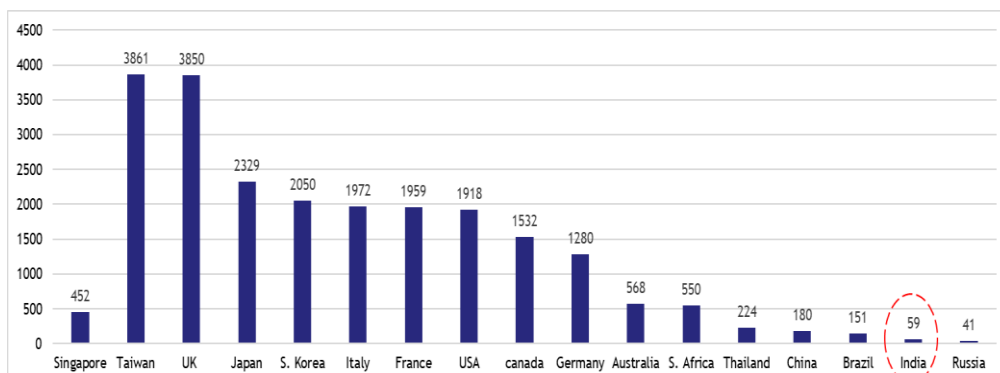
- Share of life insurance in incremental household financial savings



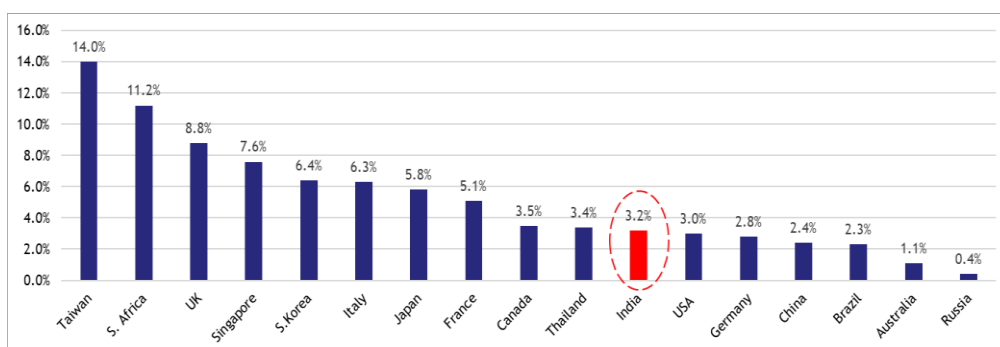
- Trend in Total Premium for Overall Industry



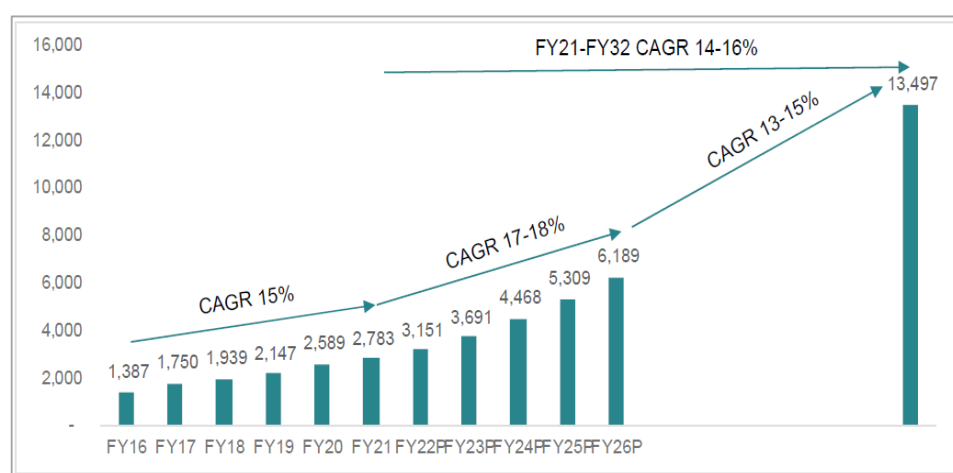
- Life insurance industry density (premium per capita in USD) for different economies (as of CY 2020)



- Life insurance industry penetration for different economies (as of CY 2020)



## Industry Growth Ahead



- Life insurance industry penetration for different economies (as of CY 2020)

Country	Top Insurers Globally	Market Share within Country	
		2016	2020
USA	NorthWestern Mutual Life Insurance Company	8%	8%
	Metlife Inc.	10%	8%
China	Ping An Insurance Company	17%	21%
	China Life Insurance Company	21%	20%
Japan	Nippon Life Insurance	15%	16%
	Japan Post Insurance Co. Ltd.	14%	15%
India	Life Insurance Corporation of India	72%	64%
	SBI Life Insurance Ltd.	5%	8%
UK	Aviva PLC	15%	23%
	Lloyd Banking Group	20%	19%
S. Korea	Samsung Life Insurance	21%	15%
	Hanwha Life Insurance	13%	13%
Malayasia	AIA BHD	21%	21%
	Great Eastern Life Insurance	19%	17%

- Globally, Allianz S.E is the largest life insurer in the world in terms of life insurance premium and is second in terms of total assets. This is largely due to its presence in multiple geographies like Europe, USA and Asia Pacific. Amongst the top global insurers, LIC is the only Indian player. LIC is ranked fifth globally in terms of life insurance premium and tenth in terms of total assets.

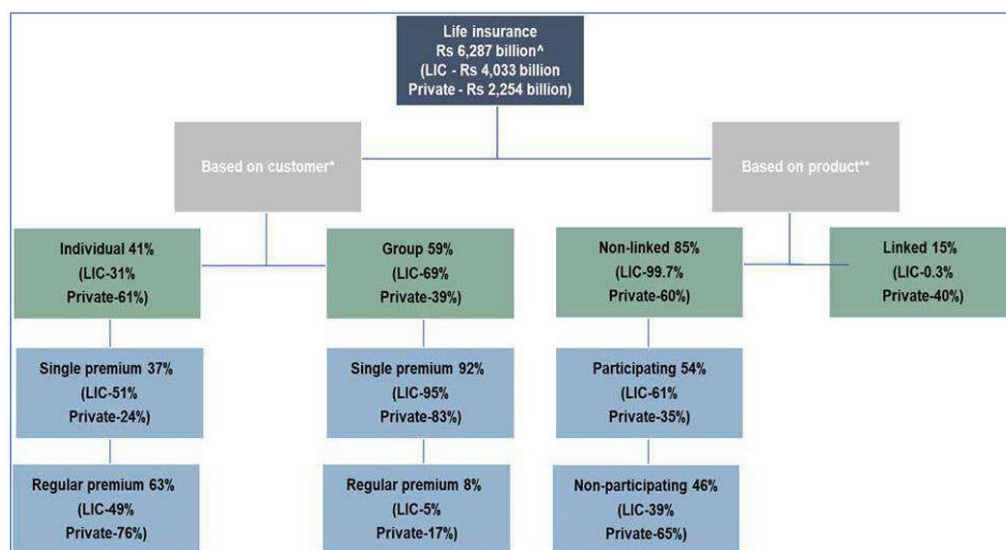
Sr No	Company Name	Country	Gross Premium USD Mn (2020)	Total Assets in USD Mn (2020)	Life Insurance Premiums USD (2020)
1	Allianz SE	Germany	99,583	1,272,014	88,853
2	Ping An Insurance	China	115,635	1,380,851	74,134
3	China Life Insurance	China	88,734	616,291	69,651
4	Assicurazioni Generali S.p.A	Italy	84,845	653,652	58,268
5	Life Insurance Corporation of India	India	56,405	507,333	56,405
6	Nippon Life Insurance	Japan	39,838	705,002	39,838
7	AXA S.A	France	112,698	965,747	37,829
8	Japan Post Insurance	Japan	24,369	633,845	34,223
9	Dai-ichi Life Holdings	Japan	41,644	559,853	27,024
10	NorthWestern Mutual	US	19,323	308,767	15,720
11	Metlife Inc.	US	49,486	795,146	14,200
12	People's Insurance Company of China	China	75,447	182,038	13,665

### Business Models

There are two broad business models followed by Indian life insurers. These are life insurers that are dependent on the bank-based corporate agent network and those that follow an individual agent-led distribution network. Within this, there are players that are either bank promoted that reap the benefits of wide distribution network of the promoter entity, and others that do not have a bank-based promoter but have a bancassurance partner that acts as a corporate agent for the bank.

1. Bank promoted entities
2. Non-bank promoted entities having banking partners
3. Group focused players with individual agent network
4. Individual focused players with individual agent network
5. Players focused on both group as well as individual business

## Types of Life Insurance Products, by product and Customer types

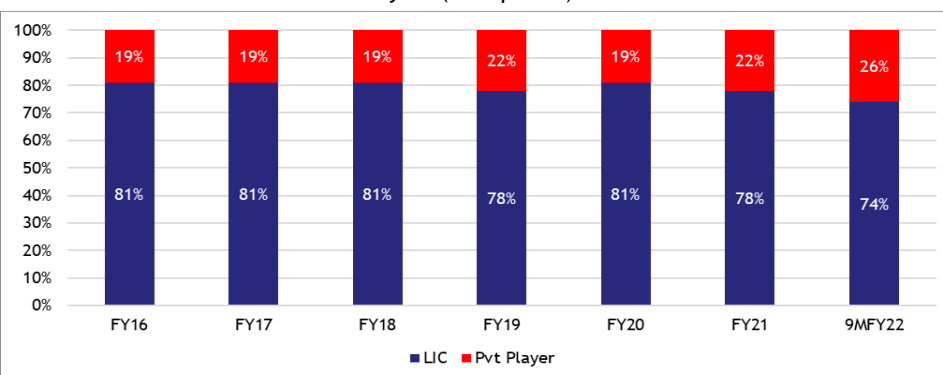


## New business premium by distribution channels(individual life insurance)

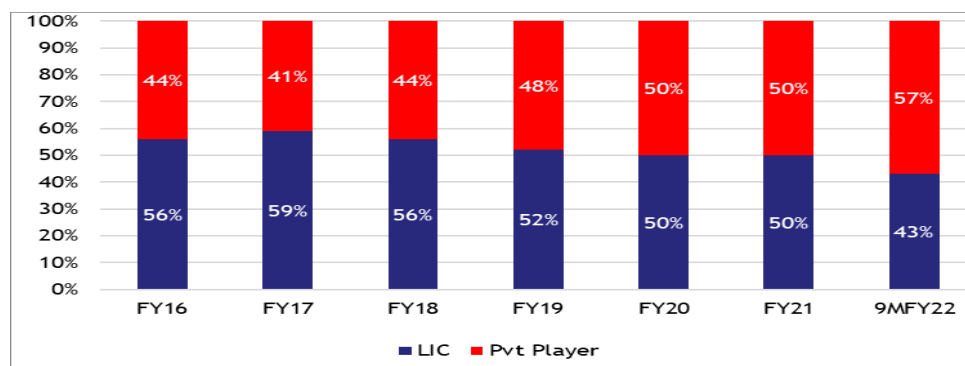
Distribution Channels	FY16	FY17	FY18	FY19	FY20	FY21
Individual agents	68.30%	68.80%	65.90%	62.30%	60.80%	58.20%
Corporate agents – Banks	23.80%	23.50%	25.20%	27.00%	26.70%	29.00%
Corporate agents – Others	1.40%	1.30%	1.30%	1.40%	1.60%	1.70%
Brokers	1.60%	1.30%	1.30%	1.40%	1.70%	1.40%
Direct selling	4.80%	5.10%	6.20%	7.60%	8.80%	8.90%
Web Aggregators	0.00%	0.00%	0.00%	0.10%	0.30%	0.30%
Others	0.00%	0.00%	0.10%	0.10%	0.20%	0.50%

## LIC and Its Market Share

- Market share for LIC and Private Players (Group-NBP)



- Market share for LIC and Private Players (Individual-NBP)



## Board of Directors

- Mangalam Ramasubramanian Kumar** is the Whole-time Chairperson of LIC. He joined LIC in the year 1983 and has experience in the insurance sector.
- Pankaj Jain** is a Government Nominee Director of LIC and he is 1990 batch IAS officer. Presently serving as an additional secretary in the Ministry of Petroleum, GoI.
- Raj Kumar** is the Managing Director of LIC. He joined LIC in the year 1984 and has experience in the insurance sector. He has also served as the CEO of LIC Mutual Fund Asset Management Ltd and was also the zonal manager, Bhopal, executive director (estate and office services), Mumbai, amongst others, of LIC.
- Siddhartha Mohanty** is the Managing Director of LIC. He previously served as COO and CEO of LIC Housing Finance Ltd and has held various other positions. He joined LIC in the year 1985 and has experience in the insurance sector.
- Ipe Mini** is the Managing Director of LIC. She joined LIC in the year 1986 and has experience in the insurance sector. Previously, she was also the CEO of LICHL Financial Services Ltd and has led the international operations of LIC.
- Bishnu Charan Patnaik** is the Managing Director of LIC. He joined LIC in the year 1985 and has experience in the insurance sector and has handled several positions in LIC.
- Dr Ranjan Sharma** is the Independent Director of LIC. He is experienced in the field of academics.
- Vinod Kumar Verma** is the Independent Director of LIC. He is experienced in electronics business. He is an Independent Director of LIC from October 29, 2021.
- Anil Kumar** is the Independent Director of the LIC. He is currently working as a professor in the Department of Commerce of the Shri Ram College of Commerce, University of Delhi.
- Anjuly Chib Duggal** is the Independent Director of LIC. She was also a director on the board of the Reserve Bank of India.
- Gurumoorthy Mahalingam** is the Independent Director of LIC. Previously, he was, amongst others, the whole time director of SEBI and was also the executive director of the Reserve Bank of India and has numerous years of experience in the financial sector.
- Raj Kamal** is the Independent Director of LIC. Previously, he was also the CEO of OYO Vacation Homes.
- Vankipuram Srinivasa Parthasarathy** is the Independent Director of LIC. Previously, inter alia, he was also the group CFO and group CIO of the Mahindra Group.
- Vijay Kumar Muthu Raju Paravasa Raju** is the Independent Director of LIC. Currently, he is the CFO at Sify Technologies Ltd. He is the independent director on the boards of, amongst others, Thejo Engineering Ltd.

- Sanjeev Nautiyal is the Independent Director of LIC. Previously, he was, amongst others, the managing director and CEO of SBI Life Insurance Co Ltd.

### LIC Subsidiary Companies

- IDBI bank which was subsidiary of LIC is now turned into associate company

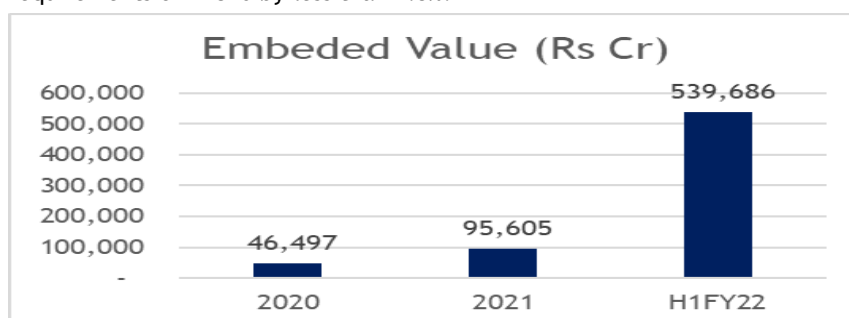
Sr no	Name of Entity	Type	Auditors
1	LIC Pension Fund Limited	Subsidiary	Bathiya & Associates LLP
2	LIC Card Services Limited	Subsidiary	S P J & Co.
3	IDBI Bank Limited*	Subsidiary/ Associate	Varma & Varma
4	IDBI Trusteeship Services Limited*	Subsidiary/ Associate	Kochar & Associates
5	LIC (International) B.S.C. (c) Bahrain	Subsidiary	Grant Thornton- Abdulal
6	LIC Nepal Limited	Subsidiary	Madan Niraula & Co.
7	LIC (Lanka) Limited	Subsidiary	KPMG Sri Lanka
8	LIC of Bangladesh Limited.	Subsidiary	Mahfel Huq & Co.
9	LIC Housing Finance Ltd.	Associate	Gokhle & Sathe and M.P. Chitale
10	LIC HFL Asset Management Company	Associate	MSKA & Associates
11	LIC Mutual Fund Asset Management Company	Associate	V.C. Shah & Co.
12	LIC Mutual Fund Trustee	Associate	V.C. Shah & Co.

### Key Notes from DRHP

- Section 28B provides that dividend shall be declared or paid by LIC for any financial year only out of the surpluses and profits. Further, Section 28B provides that no dividend shall be declared or paid by Corporation from its reserves other than free reserves.
- Section 38 provides that the provisions in relation to winding up of companies or corporations shall not be applicable to LIC and LIC shall not be placed in liquidation except by order of the Central Government and in such manner as that Central Government may direct.

### Story of Embedded Value

- Milliman Advisors LLP has been engaged by the Department of Investment and Public Asset Management of the Ministry of Finance to prepare a report in connection with the planned IPO of LIC.
- The report is developed in line with the requirements of Actuarial Practice Standard 10, Version 1.02 ("APS10") issued by the Institute of Actuaries of India ("IAI").
- the materiality limit is the same as that specified by the Corporation's Board of Directors as noted in the APS10 Report, i.e. the criterion for materiality should be set at 8% of IEV at an aggregate level. LIC estimate that the IEV as at 30 September 2021 diverges from the requirements of APS10 by less than 2.5%.



Components of IEV (Rs Cr)	As at 31 March 2021(1)	As at 30 September 2021
Free surplus (FS) (A)	6,361	8,203
Required capital (RC) (B)	-	-
Adjusted net worth (ANW) (C = A + B)	6,361	8,203
Present value of future profits (PVFP) (D)	104,772	546,992
Time value of financial options and guarantees (TVFOG) (E)	-1,596	-1,208
Frictional cost of required capital (FC) (F)	-149	-656
Cost of residual non-hedgeable risks (CRNHR) (G)	-13,782	-13,645
Value of in-force business (VIF) (H = D + E + F + G)	89,245	531,483
<b>Indian embedded value (IEV) (I = C + H)</b>	<b>95,605</b>	<b>539,686</b>

Whilst prior to the segregation of the Life Fund, surplus as assessed by the Appointed Actuary for the Life Fund was distributed amongst Corporation's policyholders and Shareholder in the ratio of 95:5 post segregation of the Life Fund, 100% of the surplus generated out of the non-participating business is available for distribution to all of the Shareholder(s) of the Corporation and the surplus from the participating business shall be distributed amongst policyholders and Shareholder in the ratio of 95:5, which ratio is being modified as 90:10, in a phased manner.

### Top 6 Players New Business Premium (NBP)

- NBP for Top 6 Players

TOP 6 PLAYERS NEW BUSINESS PREMIUM (NBP)												
INR Cr	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	H1FY22
LIC	86,445	81,515	76,246	90,645	78,303	97,674	124,396	134,552	142,192	177,977	184,175	85,113
SBI LIFE	7,571	6,527	5,184	5,067	5,528	7,107	10,146	10,965	13,792	16,592	20,626	10,287
HDFC LIFE	4,065	3,833	4,436	4,037	5,493	6,488	8,696	11,349	14,972	17,396	20,243	10,441
ICICI PRU	7,861	5,079	4,809	3,761	5,333	6,766	7,863	9,118	10,252	12,348	13,032	6,461
MAX LIFE	2,060	1,908	1,899	2,261	2,574	2,882	3,667	4,348	5,160	5,584	6,827	3,109
BAJAJ ALLIANZ	3,462	2,714	2,992	2,593	2,702	2,885	3,290	4,291	4,923	5,179	6,313	3,522
<b>TOTAL</b>	<b>111,464</b>	<b>101,574</b>	<b>95,566</b>	<b>108,364</b>	<b>99,933</b>	<b>123,801</b>	<b>158,059</b>	<b>174,623</b>	<b>191,290</b>	<b>235,076</b>	<b>251,215</b>	<b>118,933</b>
growth	0.0%	-8.9%	-5.9%	13.4%	-7.8%	23.9%	27.7%	10.5%	9.5%	22.9%	6.9%	-52.7%
LIC growth	0.0%	-5.7%	-6.5%	18.9%	-13.6%	24.7%	27.4%	8.2%	5.7%	25.2%	3.5%	-53.8%
LIC Market Share	77.6%	80.3%	79.8%	83.6%	78.4%	78.9%	78.7%	77.1%	74.3%	75.7%	73.3%	71.6%

- CAGR of NBP for TOP 6 Players

Top 6 Player NBP CAGR				
Company	3Yr	5Yr	7Yr	10Yr
LIC	11%	14%	11%	8%
SBI LIFE	23%	24%	22%	11%
HDFC LIFE	21%	26%	26%	17%
ICICI PRU	13%	14%	19%	5%
MAX LIFE	16%	19%	17%	13%
BAJAJ ALLIANZ	14%	17%	14%	6%
<b>TOTAL</b>	<b>13%</b>	<b>15%</b>	<b>13%</b>	<b>8%</b>



## Expense Ratio

- LIC's Commission one of the highest in Peers, howers Operating Expense ratio is in better condition compared with peers.

Expense ratios (as % of total premium)	Commission ratio				Operating Expense Ratio				Total Cost Ratio			
	9M FY22	FY21	FY20	FY19	9M FY22	FY21	FY20	FY19	9M FY22	FY21	FY20	FY19
LIC	5%	6%	6%	6%	10%	9%	9%	8%	15%	14%	15%	14%
SBI Life	4%	4%	4%	4%	5%	5%	6%	6%	9%	8%	10%	11%
HDFC Life	4%	4%	5%	4%	12%	12%	13%	13%	16%	16%	18%	17%
ICICI Prudential Life	4%	4%	5%	5%	9%	8%	9%	8%	14%	12%	13%	13%
Max Life	6%	7%	6%	7%	15%	14%	15%	13%	21%	21%	21%	20%
Bajaj Allianz Life	5%	5%	4%	4%	18%	16%	18%	17%	23%	21%	22%	21%
Median of top five private players	4%	4%	5%	4%	12%	12%	13%	13%	16%	16%	18%	17%

## What is Driving the Business

- LIC's Business is heavily dependent on the Agents., here is the table of Individual NBP channel mix

Channel Mix (Individual NBP)- % (FY21)	Individual agents	Corporate agents Banks	Corporate agents Others	Direct business	Web Aggregators	Others
LIC	93.8%	3.1%	0.1%	2.2%	Nil	0.8%
SBI Life	27.7%	65.4%	2.8%	4.1%	n.a	0.0%
HDFC Life	12.3%	45.8%	3.8%	32.9%	0.5%	4.7%
ICICI Prudential Life	24.7%	46.8%	5.0%	17.1%	0.7%	5.6%
Max Life	26.2%	63.5%	1.8%	8.3%	n.a	0.2%
Bajaj Allianz Life	41.6%	32.2%	2.4%	12.4%	6.2%	5.1%

- However group NBP is driven through Direct Business

Channel Mix (Group NBP)- % (FY21)	Individual agents	Corporate agents Banks	Corporate agents Others	Direct business	Others
LIC	2.4%	0.0%	0.0%	97.5%	0.0%
SBI Life	1.1%	40.7%	0.0%	57.4%	0.8%
HDFC Life	1.3%	14.0%	10.7%	72.1%	2.0%
ICICI Prudential Life	0.2%	13.7%	4.8%	79.8%	1.4%
Max Life	0.0%	71.8%	6.7%	20.0%	1.4%
Bajaj Allianz Life	2.4%	0.0%	0.0%	97.5%	0.0%

## LIC's Key Metrics Comparison with its Peers

- As its more than 90% business is driven by Agents, which makes obvious to have targets agents network india.

Parameters- FY21	No of Agents (As of 31st March 21)	No of Agents (As of 31st Dec 21)	Agent Productivity by NBP (INR)	Agent Productivity by Policies Sold
LIC	1,353,808	1,329,448	412,934	15.3
SBI Life	170,096	135,902	230,140	3.9
HDFC Life	112,012	112,749	112,714	1.3
ICICI Pru. Life	187,560	196,785	102,356	0.9
Max Life	55,217	58,224	322,442	2.6
Bajaj Allianz Life	88,102	93,003	124,892	1.6
Median of top five player	112,012	112,749	124,892	1.6

- LIC has largest no of employees amongst its peer

Parameters- FY21	No of Agents (As of 31st March 21)	No of Agents (As of 31st Dec 21)	Agent Productivity by NBP (INR)	Agent Productivity by Policies Sold
LIC	1,353,808	1,329,448	412,934	15.3
SBI Life	170,096	135,902	230,140	3.9
HDFC Life	112,012	112,749	112,714	1.3
ICICI Pru. Life	187,560	196,785	102,356	0.9
Max Life	55,217	58,224	322,442	2.6
Bajaj Allianz Life	88,102	93,003	124,892	1.6
Median of top five player	112,012	112,749	124,892	1.6

- Rural and Urban market share

Market Share (FY21)	By Individual NBP		By Individual Policy	
	Urban	Rural	Urban	Rural
LIC	51%	40%	76%	71%
SBI Life	10%	15%	6%	7%
HDFC Life	9%	8%	4%	3%
ICICI Prudential Life	7%	6%	2%	2%
Max Life	5%	8%	2%	2%
Bajaj Allianz Life	2%	4%	1%	2%

- Geographical Concentration of Business

Geographic Concentration (%) Basis Individual NBP - FY21	Top 5 States	Top 10 States	Top 15 States
LIC	49%	72%	89%
SBI Life	38%	64%	83%
HDFC Life	56%	81%	92%
ICICI Prudential Life	55%	80%	92%
Max Life	48%	75%	89%
Bajaj Allianz Life	51%	72%	88%
Median of top five private players	48%	75%	89%

## LIC's Operational Metrics Compared with Peers

- Persistency ratio

Persistency Ratio	13th		25th		37th		49th		61th	
	9M FY22	FY21	9M FY22	FY21	9M FY22	FY21	9M FY22	FY21	9M FY22	FY21
LIC	77%	79%	72%	70%	68%	67%	65%	63%	62%	59%
SBI Life	84%	88%	77%	79%	72%	74%	68%	68%	50%	62%
HDFC Life	87%	92%	77%	84%	67%	75%	63%	70%	53%	54%
ICICI Prudential Life	85%	87%	76%	76%	67%	69%	59%	65%	53%	60%
Max Life	83%	84%	67%	68%	60%	60%	56%	56%	50%	53%
Bajaj Allianz Life	81%	80%	73%	71%	65%	63%	60%	54%	47%	42%
Median of top five private players	84%	87%	76%	76%	67%	69%	60%	65%	50%	54%

## Value of New Business

Company	FY16	FY17	FY18	FY19	FY20	FY21	9MFY22
LIC	-	-	-	-	-	10%	9%
SBI Life	14%	15%	16%	16%	19%	20%	22%
HDFC Life	20%	22%	23%	23%	26%	26%	27%
ICICI Prudential Life	8%	10%	17%	17%	22%	25%	27%
Max Life	18%	19%	20%	20%	22%	25%	25%
Bajaj Allianz Life	-	-	-	-	10%	12%	11%

## Solvency Ratio

Solvency ratio	FY19	FY20	FY21	9MFY22
LIC	1.6	1.6	1.8	1.8
SBI Life	2.1	2.0	2.2	2.1
HDFC Life	1.9	1.8	2.0	1.9
ICICI Prudential Life	2.2	1.9	2.2	2.0
Max Life	2.4	2.1	2.0	2.1
Bajaj Allianz	8.0	7.5	6.7	6.0

## Policy Mis-Selling Complaints

Parameter (FY21)	Claim Settlement Ratio	Mis-Selling Complaints per 10000	No of Policy Complaints per 10000 Policies	Surrender Ratio
LIC	98.3%	2.1	37.7	19.9%
SBI Life	96.4%	5.8	17.2	9.4%
HDFC Life	99.4%	17.6	35	17.8%
ICICI Prudential Life	98.0%	26.4	39	45.4%
Max Life	99.3%	21.6	31	19.4%
Bajaj Allianz	99.7%	19.5	37.2	23.8%
Top 5 Player Median	99.3%	19.5	35	19.4%

## Claim Settlement Ratio

Claim Settlement Ratio	FY19	FY20	FY21
LIC	98.3%	95.4%	98.3%
SBI Life	98.0%	97.0%	96.4%
HDFC Life	99.3%	99.4%	99.4%
ICICI Prudential Life	95.7%	95.4%	98.0%
Max Life	99.3%	99.3%	99.3%
Bajaj Allianz	99.4%	99.7%	99.7%
Top 5 Player Median	99.3%	99.3%	99.3%

## Key Positives

- LIC is a part insurance and part investment products company. Their plans are combination of insurance and investment with a guaranteed return
- LIC has over **13.5 lakh agents** who play brings most of the new business. LIC plans offer 'fixed returns' along with life insurance coverage. This makes it easy to sell by agents and brings peace of mind to the insurers.
- LIC has **high trust** in the public for both life insurance as well as investment done with them. LIC is **synonymous with insurance in India**.
- LIC manage asset of Rs 39 lakh crores. That is **more money than the entire mutual fund industry combined**. They invest these funds across stocks and bonds. They own **4% of all listed stocks in India** and more government bonds than the RBI
- Leading insurance provider company in India and fifth largest global insurer by GWP.

## Key Challenges

- LIC has **poor new policy growth** as they continue losing market share to private insurance players, especially in urban areas.
- The margin in insurance + investment products is low.
- It's very **difficult to value LIC** as the business model is unlike any other company. LIC collects money upfront and then promises to compensate policyholders at a later stage. The premiums they collect (part insurance and part investment) cannot be recognized as revenue.

## Financial Statements- Balance Sheet

- Sources of Funds

SOURCES OF FUNDS	31-Dec-21	31-Mar-21	31-Mar-20	31-Mar-19
SHAREHOLDERS' FUNDS:				
SHARE CAPITAL	6,325	100	100	100
RESERVES AND SURPLUS	2,499	6,705	892	798
CREDIT/(DEBIT) FAIR VALUE CHANGE ACCOUNT	141	78	10	(89)
MINORITY INTEREST (Shareholders)	102	99	96	88
Sub Total	9,066	6,983	1,098	897
BORROWINGS	4	4	253,414	269,401
POLICYHOLDERS' FUNDS:				
CREDIT/(DEBIT) FAIR VALUE CHANGE ACCOUNT	382,160	272,945	(4,317)	216,695
POLICY LIABILITIES	3,660,069	3,420,727	3,102,816	2,805,693
MINORITY INTEREST (Policyholders)	4	21	17,133	18,836
FUNDS FOR DISCONTINUED POLICIES:				
Discontinued on account of non payment of premium	55	34	33	33
Others	17	17	19	19
INSURANCE RESERVES	14,877	12,711	11,415	13,096
PROVISION FOR LINKED LIABILITIES	23,427	32,959	32,535	41,651
Sub Total	4,080,613	3,739,418	3,413,048	3,365,424
FUNDS FOR FUTURE APPROPRIATIONS	1,107	3	29	13
<b>Total</b>	<b>4,090,787</b>	<b>3,746,404</b>	<b>3,414,175</b>	<b>3,366,335</b>

- Application of Funds

APPLICATION OF FUNDS	31-Dec-21	31-Mar-21	31-Mar-20	31-Mar-19
INVESTMENTS				
Shareholders'	5,187	426	401	369
Policyholders'	3,843,617	3,498,441	2,957,908	2,877,687
ASSETS HELD TO COVER LINKED LIABILITIES	23,467	32,975	32,170	33,567
LOANS	111,141	108,764	237,435	249,880
FIXED ASSETS	3,463	3,474	14,572	14,568
CURRENT ASSETS:				
Cash and Bank Balances	21,827	36,078	63,153	67,900
Advances and Other Assets	150,147	149,366	194,196	183,279
Sub-Total (A)-Current Assets	171,974	185,444	257,349	251,178
CURRENT LIABILITIES	53,115	68,171	65,032	40,282
PROVISIONS	14,948	14,948	20,628	20,632
Sub-Total (B)-Current Liabilities	68,062	83,120	85,660	60,915
NET CURRENT ASSETS (C) = (A - B)	103,912	102,325	171,690	190,264
MISCELLANEOUS EXPENDITURE	-	-	-	-
DEBIT BALANCE IN PROFIT & LOSS	-	-	-	-
<b>Total</b>	<b>4,090,787</b>	<b>3,746,404</b>	<b>3,414,175</b>	<b>3,366,335</b>

## Financial Statements- Profit and Loss Statement

- PNL statement PolicyHolders Account

Particulars (Rs in million)	9MFY22	FY21	FY20	FY19
Premiums earned - net				
Premium	28,57,300	40,58,508	38,28,115	34,02,946
Reinsurance ceded	-3,880	-4,523	-3,359	-3,230
<b>Sub-Total</b>	<b>28,53,419</b>	<b>40,53,985</b>	<b>38,24,755</b>	<b>33,99,716</b>
Income from Investments				
Interest, Dividends & Rent - Gross	18,90,850	23,95,650	22,20,501	20,00,210
Profit on sale/redemption of investments	4,28,624	4,61,868	3,13,617	3,02,412
(Loss on sale/redemption of investments)	-63,996	-63,771	-1,19,742	-63,440
Transfer/Gain on revaluation/change in fair value	7,059	61,458	13,987	11,253
Other Income				
Amounts written back	2	2,855	8,190	2,683
Interest Earned	0	1,02,000	1,50,661	38,478
Commission, exchange and brokerage	0	12,951	20,106	6,129
Sundry Receipts	6,834	10,052	23,919	10,632
Contribution from Shareholders' Account towards others	0	48	61	22
<b>TOTAL</b>	<b>51,22,792</b>	<b>70,37,094</b>	<b>64,56,055</b>	<b>57,08,096</b>
Commission	1,55,381	2,23,582	2,15,483	2,04,826
Operating Expenses related to Insurance Business	2,72,673	3,51,622	3,44,259	2,83,316
Other Expenses				
Exchange (Gain)/Loss	3	-50	-24	13
Interest Expended	0	88,674	1,32,875	34,315
Payments to and provisions for employees	0	24,549	33,637	6,501
Outsourcing expenses	0	4,001	6,184	1,522
Rent, taxes and lighting	0	3,570	4,559	1,085
Depreciation	0	3,021	3,992	922
Others	0	10,796	16,096	3,965
GST on Fund Management charges & other charges	557	932	983	1,098
Provisions for Doubtful debts	-2,135	1,01,819	1,08,882	1,14,520
Provision for taxation	80,021	91,705	1,08,256	55,568
Provisions (other than taxation):				
For diminution in the value of investments (net)	-15,200	56,620	23,905	10,093
Provision for Required Solvency Margin	0	0	0	0
Others	-65,421	-85,317	1,11,716	31,399
<b>TOTAL</b>	<b>4,25,879</b>	<b>8,75,526</b>	<b>11,10,800</b>	<b>7,49,143</b>
Benefits paid (net)	23,46,199	28,84,891	25,54,795	25,23,808
Interim Bonuses Paid	24,700	22,291	16,734	16,514
Change in valuation of liability in respect of life policies				
Gross	23,93,574	32,11,340	29,66,284	25,35,855
Transfer to/ (from) Provision for Linked Liabilities	-95,279	4,343	-91,103	-93,123
Transfer to Funds for Future appropriation	11,037	31	0	1
Transfer to Funds for Discontinued Policies	254	54	35	59
<b>TOTAL</b>	<b>46,80,485</b>	<b>61,22,950</b>	<b>54,46,744</b>	<b>49,83,114</b>
<b>SURPLUS/(DEFICIT)</b>	<b>16,428</b>	<b>38,618</b>	<b>-1,01,489</b>	<b>-24,161</b>
Add: Share of Profit in Associates	22,281	11,634	5,744	6,684
(Less)/Add: Minority Interest	-30	-4,465	63,727	25,162
<b>TOTAL SURPLUS/(DEFICIT)</b>	<b>38,679</b>	<b>45,786</b>	<b>-32,018</b>	<b>7,685</b>

- PNL statement Shareholders Account

Particulars (Rs in million)	9MFY22	FY21	FY20	FY19
Amounts transferred from/to the Policyholders account (Tech.Acc)	16,378	29,626	26,955	25,995
Income from Investments:				
Interest, Dividends & Rent – Gross	975	178	352	374
Profit on sale/redemption of investments	227	61	21	126
(Loss on sale/redemption of investments)	-6	-9	-19	-45
Total	17,573	29,856	27,310	26,450
Expenses other than those directly related to the Insurance business	4	5	5	4
Contribution to Policyholders' Account towards others	0	48	61	22
For diminution in the value of investments (net)	0	0	59	0
Total	4	52	124	26
Profit/(Loss) before tax	17,570	29,803	27,185	26,424
Provision for Taxation	417	62	80	150
<b>Profit/Loss after tax</b>	<b>17,153</b>	<b>29,741</b>	<b>27,105</b>	<b>26,274</b>
APPROPRIATIONS	1,129	633	686	2,074
Balance at the beginning of the year				
Proposed final dividend	0	151	26,997	27,254
Dividend distribution on tax	0	7	0	33
Transfer to General Reserve	288	29,006	150	279
Transfer to Other Reserve	6	82	11	95
Profit carried forward to the Balance Sheet	17,988	1,129	633	686
Earnings per Share- Basics	3	4.7	4.29	4.15
Nominal Value of Share	10	10	10	10

### Valuations and Recommendation

- The Embedded value for LIC is Rs 5,39,686 and its post issue implied market capitalization is Rs 6,00,242 Cr. Which is 11.2% premium to its IEV.
- The Mcap to EV ratio for its listed peers is in the range of 1.5x to 2.5x, Hence we believe Valuations of LIC with its majestic size are priced reasonably.
- As data suggest, its business is largely driven by agent based model (90%+), hence a larger digital on boarding of its network will be needed to pursue growth ahead.
- However, with Rs 6 lakh cr market cap on a PAT of Rs ~3000 Cr makes a PE ratio of 200(x), In our view PE ratio is not comparable with Private players as LIC's distribution policy is now changed and higher allocation towards shareholders account in upcoming future to rise and thereby cool-off in earnings multiple.
- Company is losing its market share to private players, on which LIC could be focused on ahead.
- With its majestic Networks and expected double digit growth the industry complied with attractive valuation compared with peers makes LIC IPO a lucrative Investment
- We recommend "SUBSCRIBE" to the issue.

## NOTES :

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