

FIRST LIGHT

29 May 2024

RESEARCH

LIC | TARGET: Rs 1,260 | +24% | BUY

Decent quarter; upgrade to BUY

SUMMARY

LIC

- APE and net premium grew 11% and 16% YoY respectively in Q4; EV grew 25% YoY in FY24
- VNB margin improved 60bps YoY to 16.8% at end-FY24, estimates for FY25E/FY26E remain unchanged at 17.5%/18.0%
- TP raised to Rs 1,260 (vs. Rs 1,140) on a 9%/8% increase from our previous FY25E/FY26E EV forecasts; upgraded to BUY

[Click here](#) for the full report.

Daily macro indicators

Indicator	24-May	27-May	Chg (%)
US 10Y yield (%)	4.48	4.47	(1bps)
India 10Y yield (%)	7.05	7.03	(1bps)
USD/INR	83.10	83.14	(0.1)
Brent Crude (US\$/bbl)	81.4	82.1	0.9
Dow	39,065	39,070	0.0
Hang Seng	18,609	18,827	1.2
Sensex	75,410	75,391	0.0
India FII (US\$ mn)	22-May	24-May	Chg (\$ mn)
FII-D	25.0	78.5	53.5
FII-E	707.9	(112.7)	(820.6)

Source: Bank of Baroda Economics Research

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BUY

TP: Rs 1,260 | ▲ 24%

LIC

| Insurance

| 28 May 2024

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Better Q4: Although FY24 APE remained flat YoY at Rs 570bn, Q4 showed 11% YoY growth. Group APE, constituting 30% of total, grew 61% YoY, whereas individual declined 2% YoY at end Q4. NBP grew 34% YoY at end-Q4, whereas net premium grew 16% YoY. EV increased 25% YoY to Rs 7.3tn at end FY24, primarily due to higher MTM gains and unwind. We increase our EV estimates by 9%/8% to Rs 7.9tn/ Rs 8.7tn at end FY25/FY26. The company intends to enter the health insurance space through an inorganic route.

VNB margin improves: LIC's net VNB margin expanded 60bps YoY to 16.8% as of FY24 because of the positive impact from a better product mix (4.7%) and favourable change in assumptions (0.3%), partly offset by a negative impact (4.4%) from product benefits. We keep our VNB margin estimates for FY25E/FY26E unchanged at 17.5%/18.0%.

Focus on profitable products: The company introduced six non-par products (ex ULIP) in FY24, indicating a sustained focus on the segment. The share of non-par business in individual APE improved from 8.89% in FY23 to 18.32% in FY24. Apart from this, the co. will introduce more variety in the protection products that should lead to better numbers. Persistency ratios were broadly stable.

Agency channel continues to dominate: LIC's agency channel continues to contribute a higher share of individual NBP (96%) at end-FY24. The bancassurance and alternate channels grew 3% YoY for the period to Rs 20.8bn with more bank partnerships on the anvil. The company intends to make further inroads in Tier-2 and -3 cities by having an LIC agent in every panchayat.

Upgrade to BUY: The stock is currently trading at 0.7x FY26E EV and we value LIC at an unchanged 0.9x multiple, representing ~60% discount to peers. We raise our EV estimates by 9%/8% for FY25/FY26 to Rs 7.9tn/ Rs 8.7tn. Based on our revised estimates, our TP rises to Rs 1,260 (vs. Rs 1,140), and we upgrade from HOLD to BUY due to 24% upside. We continue to remain positive on LIC given its entrenched brand equity and market leadership.

Key changes

Target	Rating
▲	▲

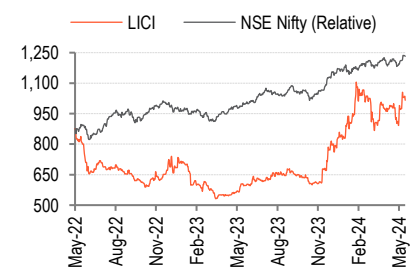
Ticker/Price	LICI IN/Rs 1,016
Market cap	US\$ 78.2bn
Free float	4%
3M ADV	US\$ 39.0mn
52wk high/low	Rs 1,175/Rs 593
Promoter/FPI/DII	97%/0%/1%

Source: NSE | Price as of 28 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NBP (Rs mn)	22,26,714	24,66,593	27,42,089
APE (Rs mn)	5,74,013	6,15,568	6,68,941
VNB (Rs mn)	95,830	1,07,724	1,20,409
Embedded Value (Rs mn)	72,73,450	79,35,105	86,69,285
VNB margin (%)	16.8	17.5	18.0
EVPS (Rs)	1,150.0	1,254.6	1,370.6
EPS (Rs)	64.3	71.9	84.8
Consensus EPS (Rs)	64.3	70.0	78.0
P/EV (x)	0.9	0.8	0.7

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance

Source: NSE



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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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