भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Ref. No.: LIC/SE/2023-24/33

Date: May 31st, 2023

To,

The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street
Mumbai—400001

The Manager
Listing Department
The National Stock Exchange of IndiaLtd.
Exchange Plaza, 5th Floor, Plot C/1,
G Block, Bandra Kurla Complex
Mumbai-400051

Scrip Code: (BSE- 543526/NSE - LICI)

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call with the Analyst/Investors

Pursuant to Regulations 30 and 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached herewith the Transcript of Earnings Conference Call with Analyst/Investors held on 25th May 2023.

The said transcript is also available on the Corporation's website and can be accessed from the link: **https://licindia.in/Investor-Relations/Financial-Details/Analysts-Investors-Meet/Call-Transcript-of-Analysts-Investors-Meet**

This is for your information and dissemination.

Yours faithfully,

For Life Insurance Corporation of India

Pawan Agrawal

Digitally signed by Pawan Agrawal
Date: 2023.05.31 11:15:24 +05'30'

(Pawan Agrawal)

Company Secretary & Compliance Officer

"Life Insurance Corporation of India

Q4 FY'23 Earnings Conference Call"

May 25, 2023

MANAGEMENT: **MR. SIDDHARTHA MOHANTY – CHAIRPERSON – LIFE INSURANCE CORPORATION OF INDIA**
MS. MINI IPE – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. M. JAGANNATH – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. TABLESH PANDEY – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. DINESH PANT – APPOINTED ACTUARY & EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. SUNIL AGRAWAL – CHIEF FINANCIAL OFFICER – FINANCE TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. RATNAKAR PATNAIK – EXECUTIVE DIRECTOR, INVESTMENT FRONT OFFICE & CHIEF INVESTMENT OFFICER – LIFE INSURANCE CORPORATION OF INDIA
MR. K. GIRIDHAR – EXECUTIVE DIRECTOR, INVESTMENT-BACK OFFICE, INVESTMENT TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. R. SUDHAKAR – EXECUTIVE DIRECTOR, MARKETING AND CHIEF MARKETING OFFICER – LIFE INSURANCE CORPORATION OF INDIA
MR. HEMANT BUCH – EXECUTIVE DIRECTOR BANCA – LIFE INSURANCE CORPORATION OF INDIA
MS. RACHNA KHARE – EXECUTIVE DIRECTOR – CUSTOMER RELATIONSHIP MANAGEMENT, POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA

MR. THIRUVENKATACHARI – ADDITIONAL EXECUTIVE DIRECTOR, CUSTOMER RELATIONSHIP MANAGEMENT CLAIMS – LIFE INSURANCE CORPORATION OF INDIA
MR. ADITYA GUPTA – EXECUTIVE DIRECTOR, CC – LIFE INSURANCE CORPORATION OF INDIA
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, PENSION AND GROUP SCHEME – LIFE INSURANCE CORPORATION OF INDIA
MR. SANJAY BAJAJ – HEAD INVESTOR RELATIONS – LIFE INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good day, and welcome to LIC's FY '23 Earnings Conference Call. We have the senior management of LIC led by Mr. Siddhartha Mohanty, Chairperson on this call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddhartha Mohanty, Chairperson, LIC. Thank you. And over to you, Mr. Mohanty.

Siddhartha Mohanty: Good morning, everyone. I am Siddhartha Mohanty, Chairperson LIC.

This is my first analyst call after assuming charge as LIC Chairperson. Starting today I look forward to interacting with all of you on a more regular basis.

On behalf of the senior management team, I warmly welcome you all to the results and performance update call of Life Insurance Corporation of India for the 12 month period ended March 31st, 2023.The results and a presentation can be accessed on our website and on websites of both the stock exchanges, BSE and NSE.

Along with me, I have three Managing Directors, Ms. Mini Ipe, Mr. M. Jagannath and Mr Tablesh Pandey. Senior officials of the Corporation present on this call are Mr. Dinesh Pant, Appointed Actuary & Executive Director from the Actuarial team, Mr. Sunil Agrawal, CFO from the finance team, Mr.Ratnakar Patnaik, Executive Director (Inv-Front office & CIO) and Mr K. Seshagiridhar, Executive Director (Investment – Back Office) from the Investment team, Mr. R. Sudhakar, Executive Director (Marketing & CMO) and Mr Hemant Buch, Executive Director (MBAC) from our Marketing team, Ms. Rachna Khare, Executive Director (CRM/Policy Servicing) and Mr S Thiruvenkatachari Additional Executive Director (CRM/Claims) from our CRM team, Mr. Aditya Gupta, Executive Director (CC), Ms. Manju Bagga, Executive Director (Pension & Group Schemes) and Mr. Sanjay Bajaj, Head (Investor Relations).

Now moving to the key business, operational and financial highlights for the financial year 2022 -23.

Premium Income:

For the year ended March 31st, 2023 we have reported a Total Premium Income of INR 4,74,005 crore showing a growth of 10.90 % over the total premium income of INR 4,27,419 crore for the last year ending March 31st, 2022. The Individual New Business Premium Income for FY23 was INR 58,757 crore and for FY 22 it was INR 54,960 crore representing a growth of 6.91%. Renewal Premium Income (Individual business) for FY23 was INR 2,34,006 crore as compared to INR 2,21,661 crore for FY22. The Group Business total premium income for FY23 was INR 1,81,242 crore comprising of New business premium of INR 1,73,258 Crore. In comparison for FY22, Group Business total premium income was INR 1,50,798 crore and comprised of New business premium of INR 1,43,939 Crore. Therefore as you can see the Group new business premium had a growth of 20.37% during the year.

Our market share by First Year Premium Income for full year ending March 31st 2023 is 62.58% (as per IRDAI) as compared to 63.25% for year ended March 31st 2022.
Further, our market share was 40.58% in Individual business and 76.65% in the group business for the year ending March 31st 2023. On a comparable basis for year ended March 31st 2022 the respective market shares for Individual and Group business were 43.77% and 76.16% ,respectively. Therefore, we continue to be market leaders both in Individual as well as Group segments.

Seen on APE basis the break up of business is as follows:

Total Annualised Premium Equivalent (APE) for year ended March 31st 2023 is INR 56,682 crore which is comprised of Individual APE of INR 38,667 Crore and Group APE of INR 18,015 Crore. Therefore, on APE basis, the individual business accounts for 68.22 % and Group business accounts for 31.78%. Further of the Individual APE, the Par business accounts for INR 35,231 Crore and Non Par amounts to INR 3,436 Crore. As you can see our Non par share of individual APE is 8.89 % and Par is 91.11% for FY23. You will recall that our Non Par share for year ended March 31st 2022 on APE basis within the overall individual business was 7.12%. However, for the 9 month ending 31st December 2022 the comparable non par APE was 9.45% which was 56 bps higher than full year non par APE share at 8.89%. We believe this marginal dip of 12 month period versus 9 month period is very specific to the customer demand characteristics during last quarter of FY 2023. Our intent, nonetheless, remains to stay on course of continuously and consistently building up our non par business without ignoring the par business.

Profit After Tax

The Profit After Tax (PAT) for the year ended March 31st, 2023 is INR 36,397.40 crore as against INR 4,043.12 crore for the last financial year FY 22 ending March 31st , 2022.

Further, I would like to explain that the current year profit has increased due to transfer of an amount of INR 27,240.75 crore (Net of Tax), pertaining to the accretions on the Available Solvency Margin from Non par fund to Shareholders account.

VNB and VNB Margins

Gross Value of New Business (VNB) at INR 11,553 crore for year ended March 31st 2023 grew by 16.46% over the previous year when it was INR 9,920 crore for the year ended March 31st 2022. Also the net VNB margin for the FY23 is 16.2% as compared to 15.1% for full year ended March 31st 2022 representing a 110 bps improvement.

Indian Embedded Value (IEV)

The IEV of the corporation has been determined as Rs.5,82,243 crore as at March 31st ,2023 as compared to Rs. 5,41,492 crore as at March 31st,2022. Therefore the IEV has grown by 7.53% on a year on year basis.

Assets Under Management (AUM)

Assets under Management as on 31st March 2023 grew by 7.65% year on year to INR 43,97,205 crore as compared to INR 40,84,833 crore as on 31st March 2022.

New Product launches

Now I would like to inform about New Product Launches. In line with our strategy of increasing the proportion of the Non par business, we launched seven new Non par products during FY 2022-23 to cater to customer requirements, namely, LIC's Bima Ratna, LIC's Dhan Sanchay, LIC's New Pension Plus, LIC's Dhan Varsha, LIC's New Tech Term, LIC's New Jeevan Amar and LIC's Jeevan Azad, respectively.

No. of Policies sold

During the year ended March 31st, 2023, we sold 2.04 crore new policies as compared to 2.17 crore new policies in previous year ended March 31st 2022. As you can observe while the individual new business premium increased by 6.91% during the year, the number of polices declined by 5.93%. A part of this decline was also expected by us due to our management decisions on altering the structure of some products where volumes may have been high historically but were accompanied by lower persistency by number of policies.

Agency Workforce

As on March 31st, 2023, the total number of agents was 13,47,325 as compared to 13,26,432 as on 31st March 2022. The market share by number of agents as on March 31st, 2023 stands at 51.26% as against 54.30% for March 31st 2022.

On number of policies sold basis, the agency force sold 1,97,80,314 policies during the year ended March 31st, 2023 as compared to 2,06,43,141 policies during the corresponding period of last year registering a decrease of 4.18%. Therefore, you can see that more than 96% of our policies for FY23 were sold by our Agency force. Even on premium basis, a little above 96% of NBP came from our Agency channel for FY23.

During the year ended March 31st 2023, other channels (BAC – Banca and alternate channels) contributed to 1.52% by number of policies and 3.44% by New Business premium. For the year ended March 31st 2022, the banca and alternate channels contributed to 1.28% by number of policies and 2.92% by New Business premium. This year we collected premium of INR 2,020 crore via this channel as against INR 1,600 crore registering growth of 26.25% over the last year. We continue to be ambitious within this space and will develop further plans and strategies to increase the share of banca and alternate channels within our mix over a period of time.

Our Management Expense Ratio stands at 15.53% for the year ended March 31st 2023, as compared to 14.50% for the last year. The increase was 103 bps on year on year basis.

Persistency:-

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for FY23 stands at 77.09%, 69.93%, 70.05%, 63.53% and 61.80%, respectively, as compared to 75.59%, 73.47%, 66.58%, 63.85% and 61.00%, respectively for FY22.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for FY23 stands at 64.28%, 56.97%, 56.90%, 51.05% and 49.86%, respectively, as compared to 63.45%, 60.70%, 54.09%, 51.90% and 49.86%, respectively for FY22.

Operational efficiency and Digital Progress:

In our digital initiative through the Agent assisted ANANDA app, we have completed 8,11,278 policies through this App during the year ended March 31st, 2023 as compared to 2,74,444 policies for the period ending March 31st 2022 thereby registering a growth of 195.61% on Year on Year basis.

Claims:-

On the claims front, during FY23, we have processed 2,21,17,029 number of claims which includes 2,12,08,453 maturity claims. On an amount basis during FY23, the maturity claims were INR 1,85,044 crore and the death claims were INR 23,423 crores. On a comparable basis for FY22, the maturity claims were INR 2,05,527 crore and death claims were INR 35,720 crore. Therefore, the death claims are lower by 34.43% and the maturity claims are lesser by 9.97% on a year-on-year basis.

With this I come to end of our detailed business parameters description for the year ended March 31, 2023. Let's proceed towards the question-and-answer session now.

Thank you very much,

Moderator: The first question is from the line of Rishabh from Grow Capital Advisors. Please go ahead.

Rishabh: Sir, I first wanted to inquire about the IRDA monthly reported numbers on the first year premium. Could you have seen a decline month-on-month in the last quarter for LIC? But have seen itself the year-on-year decline has been as high as 60%. So what is the management doing on that front to curb this decline of first year premium that we are seeing continuously for the last 4 months now?

Siddhartha Mohanty: It is actually, if you see for the total year, there was growth, but towards the last. There were some depletions because of various factors. So many -- so they're taxation on front and other things. And the group business, particularly actually which constituted a substantial portion of our total premium income for 9 months. Actually, last quarter, there was some set back. So that's why, total premium income for that quarter -- saw some negative trend negative. That's the main reason.

Rishabh: All right. Second question was on the conservative dividend policy that you adopted this year, I understand that there has been a significant rise in the shareholders income as in the -- shareholder account fund this year. Due to obviously asset from distributing the entire profit to non-par shareholder -- of non-par policy to the shareholders account. But still the dividend distributed this year has been quite conservative.

I wanted to understand that in your presentation you have reported the yield on shareholders account as about 6.5%. Now that is not a very attractive yield compared to what is available to shareholders in terms of fixed deposits and other fixed income products that are there. So why not distribute a larger portion of the shareholder fund to shareholder and let them allocate that capital for themselves because they are earning a better yield in the market right now.

Dinesh Pant: Yes. Actually, I think if you look from the plain number point of view, dividend distribution, it has doubled -- exactly doubled as compared to last year. And you would see that even dividend paid on per share, if you compare with any other company, it would still be a very, very strong number. As far as dividend distribution policy of the -- any insurance company or for any business is there, m not very sure that shareholders do look for dividend returns. But ultimately, they're looking for the value of the business. We see a lot of scope for growth because, as you are aware, that the corporation is looking into turning around to the side of the non-par business and capital requirements will be there.

Ultimately, the value will be created from the shareholder by maximization of the value of money that is there. Distributing higher amounts would be a situation possibly where you do not see application of that money turning into better yields on that. So for the corporation, we see that it is the high time, and we are looking for growth opportunities. And in fact, we are very comfortable and confident for growth.

So that capital, which is there, which will help us better the support for the capital for the future growth of business. And that would be the better strategy for realization of aggregates better use for the shareholder value creation, it will be better rather than distribution. But even from a plain number figure, it has a significant increase from INR1.5 per square to INR3 per square recommended as at this stage, subject to the shareholders, is a very good number.

Moderator: Next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Two questions. The first one is more on your operating variances in EV Walk, rising out of persistency. So if I see the persistency movement, our 25th month had shown a material decline, while other cohorts have seen improvement. Now net-net impact, that's a big positive number from the persistency variance. Can you help sort of a break it that, okay, how much sort of it has benefited from the improvement in cohort? Or -- has it benefited some bit from this 25-month dip in persistency? So that's question one.

And the second question, if you can help us understand your note six to account where, I mean, you have explained some close to INR7,500 crores of reduction in the tax liability because of its fund bifurcation. So how is that working? Because I mean, in the par side, even if bifurcated, I mean, the policyholder surplus, we -- also tax. So how is this sort of a tax benefit that’s -- or reduction of tax liability of INR7,500 crores emerging? That’s the -- to your account. So these are my 2 questions.

Dinesh Pant: Responding to your part of it, I think when we are looking to persistence in numbers, we'll have to appreciate the fact that persistency numbers as I reported for 13th month, 25th, and respectively do not necessarily reflect the overall experience -- exposure of the company because what comes in the IEV walk or IEV unfolding is not just a 13th month or 25th month, or irrespective of the overall experience of the entire portfolio. Even if we look into the first 3 points, which are normally covered for 13% to 60%, at least 3 points, it is better than last year. So even from the average point of view, we can find it out that it is helping us because persistency has improved about almost 2% to 3% in this area.

This persistency does not necessarily reflect the current business. It reflects over to the past years, right? And the greater focus is on how to build on from here. I can just indicate to you that, overall, in the IEV, as it has grown from the last year to the current year, persistency has been a positive source of surplus or it I can say, a contributor to that thinking overall basis.

Sunil Agrawal: Coming to your question on note number six on taxation. The bifurcation we were having a unified fund and the distribution of surplus was in the ratio of 95:5. And therefore the tax was paid on the entire INR100 of surplus that was generated post bifurcation and in line with the tax laws, and the review of the tax laws that we conducted, the cost of bonus pertaining to the policyholders of participating segment can be considered as a tax deduction and therefore, the tax liability on that has been reduced to the extent of INR7,185 crores as reported in note number six .

Moderator: Next question is from the line of Arjun from Avendus Spark. Please go ahead.

Arjun: First question is, within the overall EV. What would be the overall mark-to-market component that is sitting in the overall EV? Second question, in 9-month or '23, we had disclosed net VNB margin product-wise. This time, you have disclosed only gross VNB margin product-wise. So if you can give the net VNB margin for FY '23 product wise, that will be great.

And then third would be, there is an additional provision made for -- because of wage revision. What would be the impact on EV because of this additional wage costs that we are taking up? So this would be the three questions.

Dinesh Pant: Yes. See, as a policy, when LIC has gone public and declared our embedded value, we have considered -- we have -- all of us are aware that we did fund bifurcation. And we are not aggregating what portion is the MTM portion of it because it is all considered as part of the value of in-force business. That is the treatment we have been doing all along.

So from the sensitivities, we can understand what could be the figure, but this number is again changeable. So we are not looking into that as a separate component of MTM or other parts of it. This is being considered not as a part of adjusted network, but as a part of the -- growth of business because we believe that this amount has actually come and emerged out of our fast business and the trade, which was there out of it. So it has been allocated that way.

So we are not considering an MTM gain basis. But yes, we can -- yes, note this one that whatever embedded value growth itself 7.5% has come about, it has been on top of it, despite not so favourable conditions coming from MTM side. And -- but we are very confident that going forward, this should be a positive contributor. And in fact, it will only be -- it can be seen as a positive from the future point of view. So that was the first point.

And about net margins and VNB, line of business-wise, we have been disclosing and informing about the margins on gross basis only. But at the competency level, for the corporation, we do indicate net margins. So net margins in the individual side and group side have got re-aligned as we are aware that then the benefits and increased net margins do come back.

The overall strategy of the corporation is to systematically lower net by our business margin. But overall, ultimate goal of the corporation is to add on to VNB value by amount. So that is what can we see in that has grown almost 20%. So that's the way forward.

And as a wage revision, it's actually what happens every 5 years, there is a wage revision for the employees. In the past, we have been having a method of this that -- whatever the cost comes as a prudent ensure that we tend to provide for it. We do not wait for the last moment. And -- but this year, because of the format and the clarity that we have to follow the accounting standard properly, the entire amount of this towards future provisioning has been expensed on the revenue account. So that has been the case.

As far as EV is concerned, it will not have a significant effect because of our large portion of the business in the participating side and the impact of operating expenses on that side comes to the extent of 10% on this and as we amortized the costs over the future years. So it will -- certainly does not have significant impact on this. And that is already factored. All this actually expenses estimated from the past and expected to happen in the future in form of wage inflations are all reflected in the initial year and our outcomes are in line with our assumptions which are being used for the purpose of EV determination.

Arjun: Just one last strategic question with respect to non-par business and annuity business, whether any improvements from the banca channel contributions that you have seen. And also your overall strategy going ahead in annuity and non-par business, if you can broadly talk of it?

R. Sudhakar I'm Sudhakar, Executive Director Marketing. On the annuity side, we have made some improvements in the yields in the recent past in the last quarter. So going forward, we see that the annuity side will be growing. We are also training more agents into the annuity products. So I'm looking forward to higher annuities.

And the same goes for non-par products also. We are actually calculating what is the percentage of agents who are selling that and giving trading inputs in such a manner and activising those agents in this particular product. That's why you would have also seen that the non-par savings as well as non-par protection has also grown, as compared to the previous years. So this will only accelerate -- our plan is to accelerate this during the course of the year. As for bancassurance, I would request Mr. Buch to answer this.

Hemant Buch: Hi, this is Hemant Buch, Executive Director, Bancassurance. As numbers you would have seen FY '23 aim is decent growth in terms of Banca contribution from premium side, it was around 26%. And we are definitely not only hopeful, but confident that the journey has just taken off in terms of our growth story at banca. And we intent to leverage our wide network of partnerships across the banks both PSBs and otherwise. And more also, outside belt, the other alternates also invest in leverage where we have seen the good traction coming in, in FY '23, and we will take forward to FY '24. So, journey continues and as we move forward, I think you will see more impressive numbers, both in terms of absolute and growth coming from banca.

Dinesh Pant: Actually, just to supplement what my colleagues have already informed, the corporation has had a very clear-cut strategy. As Chairperson has already briefed in the starting points itself, that we do not want to attain our growth in par business, but we want to accelerate exponentially in the non-par business. If we see, even in the current year figure, the growth rate in the non-par segment is almost 33% to 35%, which is significantly above 12%. I'm talking in terms of APE. So clear cut and within that, the profitable lines of business, particularly like saving products have grown by very, very significant numbers.

The annuity, you all know is a very competitive market. We have taken very calibrated steps because what we are at the end of it -- do not want to lose out is this on the VNB value for the shareholders. So we have also revised our rate, but we have not gone to the top end of it. And we expect with interest rates settling down, in fact, there will be possibly there'll be some correction. And then the volumes in the annuity segment, we are therefore expecting to grow significantly this year as compared to the last year. So overall metrix is panning out in the way in which corporation is planned for.

Moderator: Thank you. Next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Sir, I just want to understand some kind of a guidance or an outlook for fiscal '24, how you are looking at either premium growth or top line growth, APE growth, whichever metric you're looking at. And also taking continuing from the previous participant's question on non-par, specifically, right? Like you mentioned, we have seen good 35% growth, can we see this particular part continue to grow? What are some of the learnings we have had since we have adopted this strategy for increasing our non-par? So, what are some of those learnings, which we can further enhance going forward?

Siddhartha Mohanty: So, if you see, last year, 2023, we have already shown some results and whatever commitment we made in the initial period of roadshows before going to market. I think we are fulfilling that commitment. In line with that, we are fulfilling our commitment. As discussed, there is focus on non-par. Non-par share is gradually growing, but we are not sacrificing our par strength. Because agents who are selling par, they are selling par, but some new agents, new breed up, particularly, youngsters. We are training them, so they are also selling non-par production. And non-par mix will be gradually more in our total product basket. And we have introduced new products, as I told earlier, and the continuous training program is there for non-par product. And not only non-par as a line of business, but within non-par, which are the products which are giving high margin that also we are focusing, as appointed actually told, this in guaranteed savings, then thereafter annuity, then the term, health, ULIP, all those things, we are training our people and current year whatever growth we have already shown, I am confident we will show more growth on this segment. Margin will definitely grow as you people analyse because whatever commitment now, we are at 16.2% VNB margin and very first year of listing itself . So this year, definitely, it will also improve.

So everything is in place and consciously efforts are being taken. In addition to that, I'll add some digital initiative also we are taking, digital transformation, total, not only customer onboarding, completion of policy, but all other operations, also digital intervention will be there in the current year. So this year, this is a second year of our listing, whatever learnt -- we learnt first year, second year is definitely -- a better result will be there.

Shyam Srinivasan: Sir, I'm trying to refresh my memory on the road shows. But there was also a commitment to stabilize market share losses, right? And then at some point of time, I know this year, it didn't happen. But do you think, when we look ahead, there is a point in time where non-par clearly is growing faster, but par is growing slower. So how -- when is that tipping point you think where -- is it 12 months, 18 months down the line, 24 months where you think we will be able to get that market share stabilized?

Siddhartha Mohanty: Yes. So when you say market share, my understanding is a profitable market share, not market share per se. So that we have already demonstrated and there will be growth in profitable market share. It will not be only a simple number market share, a big figure. optics, for optics, that is okay. That's also we aspire not that we'll compromise on that, but also focus -- more focus will be on profitable growth in market share.

Shyam Srinivasan: Understood, sir. Just looking at slide 36, I know you break up your non-par and par business, specifically the non-par business, on new business premiums. I think we have been requesting this to be given in APE terms. But if you could also call out what's happening on some of the subsegments like, ULIPs, term insurance, you talked about tech term, but I just want to understand at least some numbers from -- maybe we can get this off-line, from Mr. Sanjay, later, but that will be helpful to have what's happening on the subsegments of non-par -- not only non-par savings but other non-par?

Siddhartha Mohanty: Yes, that, we'll share. Within non-par, all product line as I told, guaranteed savings, then annuity, then term, then health, then ULIP, all those figures will be shared.

Shyam Srinivasan: Got it. Sir, last question, sir, for me, and I can go back in the queue. When I look at the fourth quarter margins implied, net margins I'm talking about, you talked about 16.2% for the full year. Fourth quarter coming at about 19%. I'm obviously implying these numbers using quarterly APE and quarterly VNB that have derived from nine months minus what was for fiscal '23. So what's driving that? When I look at gross margins, the way you only now disclosed, there is 38% gross NBM margins for the group. So what is this product that you are writing? Is it seasonal fourth quarter, do you think that we can sustain some of these margins that we are reporting on the group side? Thank you.

Dinesh Pant: The -- in group side, you are right here, you've observed that -- the profitability of the group side as we may see for the year full year ended March '23 has even become a significant contributor. And going forward, this is some unique strength of LIC the group side, which will continue to contribute more. In fact, if you look into the overall group side, both the elements have contributed to overall VNB. The robust growth in APE, terms of APE, as well as growth in terms of VNB. Now APE growth of almost, I think, 22% or so has been there. But VNB has also grown contributed by various factors.

As we'll appreciate that one, the persistency experience since -- it's now two years when we first started preparing for IPO now. We have done a review of our experience analysis of the business, and the persistency experience seems to be very good continuity and retention of policy holders. In certain lines of business, we have realigned as per the requirement of ILM tables which have been reviewed, which also show greater longevity for the portfolio. Beyond that, we have seen robust growth in APE per scheme in most of the schemes of group business.

The loss ratios post-COVID rate has come down in our group -- insurance protection business side. And all these metrics persistently already talked -- all this combination gives us greater confidence about better experience to emerge and possibly even still stronger numbers can come from this side going forward, both in terms of the contributions coming in form of APE as well as in form of margins coming in.

Moderator: Thank you. Next question is from the line of Deepika Mundra from JPMorgan. Please go ahead.

Deepika Mundra: Just on the embedded value change, we see that there is a significant movement in the sensitivity on the tax rate, which has come down from 24%-odd to 11%. So what is the key driver of that?

Secondly, on the operating assumption change, what is our main assumption that has been changed resulting in the positive variance of about 20 billion-plus in the EV? And lastly, on the persistency improvement, how much more do you think there is to go in terms of further true-ups that could continue to drive the EV upwards? That's it. Thank you.

Dinesh Pant: Yes, as far as sensitivity tests are there. This year, the sensitivity is showing impacts of rate increase to 25% only. So that's a different class. I think we had shown sensitivity at 34% because there is a review on the taxation approach of the Corporation also. So since IPO and as CFO was also explaining to you earlier. However, frankly speaking, taxation rate is basically just a -- an indicator number. In case the number change by this much. Practically speaking, it will remain what is actually as per the law. So that appears to be very sensitive numbers, but that does not come into play into reality that is -- just an indicative number.

Deepika Mundra: Okay. And can you talk about the operating assumption change as well as various persistency assumptions and how much scope is there for further true-up on persistency to be -- to drive operating variance in the future? .

Dinesh Pant: As I was explaining to you, overall persistency aspect, we have seen that in both the individual side as well as group side, the persistency improvement is there to be seen. That is the contributor for VNB margins and VNB group in this side. The corporation's focus continues to remain on a business, which is strong and persistent. And in fact, if we look even in the period 61% persistency, we are almost near to the top, right? And that shows our contact on long term. So it means that is a unique strength for the corporation for the longer period. But we are working around different strategies for ensuring the quality of business, what the Chairperson was mentioning at the start of the speech. That's not only, we have launched new products with higher ticket size now.

But we have also reviewed actually almost eight products in last year. And the underlying reason for them was the persistency as well as the profitability under those products. So I'm sure as a result, for those changes and modification start unfolding going forward, in the next 13th month persistency and then next to, for sure, the 25th month persistency and thereafter when it will be seen, they will continue to be significant and good contributors to the overall -- yes, in fact, we are taking many steps in this direction to ensure the persistency becomes the focus of not only corporation, but intermediary also everybody.

So the commission structures have also been aligned in a manner that they drive the behaviour, which drives for longer-term persistent policies. So all those measures through operations in which the great base focus is on the revival of the policies, bringing old and lapsed policies into the books, sensitizing employees as well as the intermediary and incentivizing the behaviour all across which is towards persistency. We are very confident sure and focused that, that will be a contributor to overall embedded value going forward.

Deepika Mundra: Okay. Sir, just two more questions, if I may. One is on the economic variance, which is a negative INR17,000 crores in the EV, could you highlight what is the contribution of the fall that we had seen in the Adani Group stock valuation in that economic variance because if I remember correctly, it was about close to 30 -- 40 -- almost INR40,000 crores versus your purchase price. So is that fully reflected in the economic variance?

And secondly, on the unwind rate, which has increased from 4.8% odd in F '22 to 7.7% in FY '23. What are the -- what are the -- what is the key reason for such a sharp increase in the unwind rate?

Dinesh Pant: See, as far as stocks are concerned, we would not like to comment on it because as the question will be because we look into the entire portfolio in totality. We would see even when the stock you are talking, what can go down and go up. We have to see the overall impact on the portfolio. I guess, overall, that economic variance of what you are saying a negative entry is there because not any specific stock impact, but overall impact, of the market, which is not only confined to equities but the sales or interest rates, as we are aware, when they go up, the MTM loss would come into play when the interest rate will go down.

This will give us the positive flip. But this individual item economic variance is not just to be seen in isolation. It should also be seen in conjunction with the unwind that is coming from RFR and variances in operating expenses. Overall, that will be something around INR30,000 crores plus. So this is, in a way, on the higher side, this is a factor which is possibly when the market takes up than what will be a positive contributor going forward.

Deepika Mundra: Okay. So, movement in RFR was plus 30,000 in the economic variance, is it?

Dinesh Pant: The movement in RFR was around 20,000 plus, and then there is a unwind which also happens beyond on the actual experience which comes. So it was different. On one side, in the fix security side, when you will have your actual returns are better. The unwind in the form of RFR and on top of that actual experience.

On the other side, as operating variance, economic variances, they will treat your MTM. So it's a balancing effect which has to be considered. So both all the variances have to be considered together.

Deepika Mundra: Okay. And sir, last, could you comment on the unwind rate increase?

Dinesh Pant: Unwind rate increase is there for you to see, around 12% or so, right? So that is coming through, as I was explaining through RFR contribution. Because RFR, for the larger part of the curve, if you would see except, I think, between 4 to 20th year, RFR had been on the higher side as compared to the previous year. So that's a positive contributor. And then our returns have been much better than RFR. So that has also been contributor for this thing.

And then this -- MTM has been the negative contributor. But we have got from other operating assumptions have contributed positively towards making this IEV move by 7.5% from the past of 541 to 582 we can do that.

Moderator: Next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: Mr. Mohanty talked about some alteration of the structure of some products which have led to the growth slowdown in the second half of the year. Can you elaborate on that? What were these changes?

Siddhartha Mohanty: No. We talked about the P&GS business was not there in last quarter. So that's why premium was depleted. Individual-wise, there is growth. Individual premiums showed good growth during last quarter, particularly in March.

Dinesh Pant: In addition to that, actually, what have been talked about it that P&GS business has grown, but certain products, in order to remain competitive in the market, like annuities, in particular, right, we have to remain competitive in the market. We realized the starting point is very high VNB margin. But as we compete in the market, we had to improve benefits.

Improvement in benefits was result into reduction in the VNB margin. That corporation strategy, the Chairperson was talking about this, on the balance of the achieving growth in VNB, we have to ensure that the growth in APE is more than the reduction in any VNB. So that ultimate delivery in form of VNB value keeps on growing up. So that the strategy is a very conscious strategy. We have taken a very calibrated approach.

Actually, we are not being driven by just competitive reasons. We have taken a very balanced view that -- so that when VNB reduction happens because of increase, it should be balanced out by APE growth. And that is what is coming in the outcomes when we see the VNB growing from 15.1 to 16.2. That's what...

Anuj Singla: But this repricing, if I understood correctly, this happened in the Jan to March quarter, right? The full impact of that will be visible only in FY '24?

Dinesh Pant: Right. It happened in the previous quarter also. There were two revisions of annuity in the last year.

Anuj Singla: Okay. So, I think this will, again, maybe coincide with my second question. So when I look at the VNB margin for our -- the non-par, it has declined significantly, the gross VNB margin, which you declared in the presentation, in FY '23 versus FY '22. Is this the prime reason for that?

Dinesh Pant: Yes, one of the reasons would be there that will be margins to decrease, but there as now we've -- so that's one of the contributors. You're right. As you know, in the individual side, because when the benefits will increase, VNB margins will come down. But still, on the specific segments, in which we want to focus, like saving, in fact, in certain lines, VNB margins have improved also.

At times by increasing benefits also, it can be balanced by different other factors VNB margins can still be sustained. So we are still at good VNB margin levels in annuities, in savings side as well as in ULIP side, which is also seen uptick, because the focus at certain lines of business is increasing the ticket size of the policies also. So if the ticket size also improves, that also helps VNB margin. So it's a combination of different factors that will go so that overall direction of VNB growth is achieved and maintained.

Anuj Singla: Okay. Got it. So given this background, then how do we look at the growth trajectory? So obviously, we are prioritizing growth over profitability, at this point, it looks like that for FY '24. How does the growth and the profitability outlook look versus FY '22 -- FY '23?

Siddhartha Mohanty: I told the profitable growth, not the growth of our profitability. So profitable growth is our objective. So accordingly, we plan all product lines, which are giving good margin, those are to be promoted. And par, we'll never compromise on par because that is our strength. Agents are selling it. So it will be a mixed strategy. So that ultimately, at the end of the year, we create value for all our stakeholders. That is the objective.

Anuj Singla: Okay. Any numbers you are targeting, sir, in terms of growth and on the VNB margins versus the base of FY '23?

Dinesh Pant: So only thing which you can say is we are looking for upward trajectory. And it should be better than what we have done in the past, but that is what we will always aspire for. How better? We'll share with you when it comes to.

Anuj Singla: Got it. And lastly, sir, can you quantify maybe on what you're seeing on the ground, the impact of the recent tax changes on the higher ticket size? What kind of impact do you see in the next year and maybe in the month of April, if you can just give your thoughts on that.

R. Sudhakar: I can only give you a small analysis of the business which we did last year and what we feel is the impact. In number of policies, it is 0.04%. And in the total premium, if you look at those who are paid -- or those customers who are paying more than 5 lakh for those it is about 3.5%. And by tweaking our product as well as marketing strategy, this impact in the next year, we can easily make up through other products and other lines of business.

Anuj Singla: And what will be the impact for VNB for last year, for the same ticket size? You mentioned 3.5% in terms of...

Dinesh Pant: So that will be ultimately -- most of this large market size policies for us has been in the participating business, so that will not have a significant impact. But again, we need to appreciate that the insurance industry, this is not the first challenge which has come before it. Sometimes challenges become the opportunities.

As a corporation, we are looking for this as an opportunity through variation in our marketing strategy as well as product-specific features also will try to ensure to come in the way so that we can convert this challenge into opportunity and still deliver for whatever customers are expecting.

We do not expect it to be any significant adversarial thing, but rather we will try to look price and look at it as a positive thing, through which we can expand more and reach out to a greater number of people as well as try to deliver products which can address the concerns and needs of the customers.

Anuj Singla: Got it. Sir, just last one, one clarification. You mentioned that some of the products, which had lower persistency, you discontinued that. Did that -- did I hear that right?

Dinesh Pant: So, as of now, what we have done is we have modified those products. We have end them because we see as far as design issues were there, we still believe that they are very good to cater to the needs of the segment. What we have done is modified the feature or the pricing or the -- actually at minimum sum assured level -- or minimum ticket size levels, they were giving low margins.

So, we have tried to adapt in a manner so that we continue to deliver those needs which are being addressed by this product and not done away with them. At some places we have done away very few products also. But lastly, what we are trying to do, we have tried to modify these products and make them viable and happening. And in some places, where we found like in health products, it was not viable. We have come out with the new products.

Anuj Singla: And you mentioned this number is nine.

Dinesh Pant: Eight products were modified last year.

Moderator: And the next question is from Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: Yes. So, I'll start with on the group side. So Just wanted to understand what is the split between the group fund and the group protection business. Also, on the group side, the margin between 9-month FY '22 and full year FY '23 has moved by around 500 basis points. So just wanted to understand what's happening in the quarter, which pushed the margins up? That would be my first question.

Dinesh Pant: See, the significant portion of the group business is in the fund-based scheme. So less than I would guess, less than 10% would be the par execution for the protection side, around 7.3% by APE would be there -- 7% to 8% would be by APE in the protection side. And that gives a lot of scope for us to grow there.

As far as that point, you mentioned about the change in VNB that's what I already talked about it. The combination of various factors, including better persistency in the schemes and adjustment to the new mortality table, better experience analysis, the age profiling of the customers, including the fund schemes, which are expected to last there. Increased improvement in the ticket size means the APE per scheme, APE per member, all these have contributed to us. On top of that, also the RFR, which is used for valuation. All those things have contributed. And we have unlocked the value there in a manner, which is based on our experience for this segment.

Supratim Datta: Got it. Got it. So you expect that the group par business gross margins to hold at 22% leverage or expand from here. That would be the right assumption?

Dinesh Pant: Yes, yes.

Supratim Datta: Okay. Just on the VNB walk, you have mentioned that there has been a 90 basis point impact from -- impact of product benefits. Just wanted to understand what’s that?

Dinesh Pant: That is actually what we are talking about, 90 basis points is what we discussed just now was when the benefits have been changed and you see annuity rates have been revised, right? So that has reduced the VNB margins in this product. So this is the overall impact of change in product benefits, product benefits overall for the corporation, brought down the VNB margins, not necessarily the VNB, to that extent, but VNB margins to the extent of this amount, which is shown in the EV Walk / VNB walk. Group improvement in benefits resulting into reduction in margins.

Supratim Datta: Got it. And so that brings me to my next question. So do you see -- think that there is scope to grow the APE further by reducing the margin more on the non-par side, because you are -- on the gross margin side, you are sitting at around 70%. So there could be scope -- still reduced. Overall, you'll still have a higher margin. So is that something that you will still consider in FY '24.

Dinesh Pant: Yes. We have to remain open and we are open to that thing. But our overall focus is that the reduction in VNB margin should get compensated by increase in APE growth. That may not necessarily happen all the time because, at times, it takes a little time for that to happen. Suppose, we immediately reduce margins. And from the next, we expecting that APE growth will come about it, and that way things don't pan out in that manner. So sometimes we'll have to be patient with it.

And we'll have to test it. But ultimately, as we are also concerned about profitable market share, which we've talked about, that strategy will continue to be there. So we are taking a very calibrated strategy there that to what level we bring down the VNB margins without compromising on the ultimate goal of VNB. So that strategy will always be there. In a competitive scenario.

Supratim Datta: Got it. And last question from my side is the EV walk, so operating experience variance expenses there is a negative entry of around INR1,000 crores. So just wanted to understand what is contributing to the negative impact given you have been talking about putting in place various initiatives to improve efficiency, cost efficiencies.

Dinesh Pant: That's only what factors have been invented. Actually, there is prudent side of it. So, inflation, we have taken the prudent side of -- based on the past experience, one element of that is the inflation side of it. Going forward, I think it will also be a contributor, hopefully, in this side. But also, this factor, which we are talking about, nonoperating variances, also includes the outcomes of TVFOG, Time Value of Financial Options and Guarantee, right? The sale option in guarantee. So that is dependent upon the market scenarios which are there. So that is also a contributor to that.

So these things will continue, are showing a slight negative on that thing, which is in the expected lines only. As we talking about the expenses on the top side of our INR1,000 crores or so, that is largely on account of onetime expenses which have been earlier on account of wage revisions. Wage revisions related provisions, not wage revisions actually.

Moderator: Thank you. The next question is from the line of Akshay Tiwari from Religare Broking Limited. Please go ahead.

Akshay Tiwari: In this quarter around, we saw a dip in the single premium growth, which is quite contrary to what we saw for other life insurance companies. So just wanted to understand what is the reason for decline in single premium income? And also with regards to bancassurance, any major partnerships have we taken with any major banks as such? Thank you.

R. Sudhakar: So, in this quarter, especially in the month of March, the focus was more on the 5 lakhs-plus customers who are wanting to avail the 10(10)(D) benefit. So more or less that the core agency force, when it moves, it moves as a herd. So overall, I would say, Jeevan Shanti is one where, we have a significant growth, which is a single premium. And the other part is, I think, on the basis of the Growth Life, where the overall total premiums would have come in the quarter of March.

Akshay Tiwari: Okay.

Hemant Buch: Yes. Coming on to the banca side, some initiations were made during the Q4 and particular towards March. In Q4, as such we did not sign up any new agreement with any of the partners. But in the current quarter, we have already signed up one, and we are expecting three or more partnerships to be signed. And carefully and gradually, in fact, we will lookout for it with more number of partnerships, but we already have sufficient partnership because we are not in a position to leverage the strength fully.

So, it's a combination of in fact the two strategies. One is carefully partnering with new players or maybe looking out for new partnerships. But at the same time, the vast network which is already available to us, leverage them in fact, carefully gradually and to the fullest possible capacity to fuel growth. So, we are definitely looking out for opportunities. We have signed up this one. So, more are in pipeline and maybe other two will be materialized in -- towards in fact Q1 end or maybe beginning of Q2. So, we will continue on that strategy, but then the more focus on the leveraging the existing network, which is very significant.

Akshay Tiwari: Okay. Thank you, sir. Also are we doing anything with regards to the direct channel, as direct channel has more margins, so any steps taken towards increasing direct channel in the distribution mix?

Siddhartha Mohanty: Actually, digital -- we have our digital marketing channel. And this year, some big intervention will be there for promoting digital marketing. Though now, share of digital marketing is very, very minuscule, negligible, below 1%. But the current year, through some tech intervention, there will be some uptick from this channel.

Moderator: Thank you. Next question is from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: I have two questions. One is on the health side. What is the persistency of health business on the number of policies?

Dinesh Pant: Yes, see, the health business persistency was lower than the our usual business. That was a cause of concern. So in the current year, that is the reason we have -- we are currently offering two products in health, one is fixed benefit, Jeevan Arogya and other is Cancer products. So what we have done is we have modified these two products again. And now we are expecting the persistency to be much better than average on this, because we have changed and modified these products.

Ajox Frederick: All right, sir. I mean, by modification, you have reduced the premium or...

Dinesh Pant: Yes. So, we are -- what we are trying to see that at the lower ticket size, that's the general experience. The persistency rates are lower. As a sum assured is higher, so we are trying to address wherever based on the persistency experience, whichever the pain point, we have tried to address those places, so that we can get a better persistency within those products. So typically, either sum assured has been increased and slight increase in premium could be possible, but that we should be still be affordable to everybody, and largely, fine-tuning the places from wherever or sometimes it can be through modes, certain modes of payments give you worst experience of persistency. So addressing, whichever are the pain points there so we try to modify that.

Ajox Frederick: Okay. And sir, one more question on the productivity of new agents, particularly 18 to 30. I think overall, your agents are doing roughly 13 to 14 policies a year. So, what is the productivity of new agents? I'm trying to understand how fast they can get.

R. Sudhakar: The new agent productivity will be on the lower side when you look at the average. Because we have the productivity of current 16, what you see is, thanks to also our club member agents whose productivity is in the range of 30-plus. So, we have about 2 lakh club member agents. Who're professionals or even -- overall persistency is better than 85% on the whole portfolio. So, they bring the maximum number of policies per area. For the new agents' productivity, maybe lesser than that. But as and when they become senior, as they get -- they become more experienced, then the productivity will increase.

Moderator: Thank you, very much. Ladies and gentlemen, due to time constraint, we'll take that as the last question. Please note the management will answer the questions later for each participant who has joined the queue.

With this, I now hand the conference over to Mr. Siddhartha Mohanty for closing comments.

Siddhartha Mohanty: So, I would thank all our friends from analyst and the investor community. We learn a lot about -- how you see the business. As we take steps into the early part of FY '24, I would like to reiterate that as LIC, we are committed to creating superior value proposition for all our stakeholders. I am sure, you will appreciate that despite being a large player, we could achieve FY PI growth of 16.67% for FY '23. Now it is incumbent upon us as management to keep refining our product and channel mix, including use of cutting-edge technology and digital intervention, so that we can accelerate the pace of our directional momentum.

We'll keep coming back to you with updates in future at regular interval. Thank you very much.

Moderator: Thank you very much. On behalf of LIC, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.