"Life Insurance Corporation of India
Q1 FY'24 Earnings Conference Call"
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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. SAT PAL BHANOO – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. DINESH PANT – APPOINTED ACTUARY AND EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. K. R. ASHOK – 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 AND CHIEF INVESTMENT OFFICER, INVESTMENT TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. K. SESHAGIRIDHAR – 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
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, PENSION AND GROUP SCHEME – LIFE INSURANCE CORPORATION OF INDIA
MS. RACHNA KHARE – EXECUTIVE DIRECTOR – CUSTOMER RELATIONSHIP MANAGEMENT, POLICY SERVICING – 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 Q1 FY '24 Earnings Conference Call. We have 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 the 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 of LIC. I would like to welcome all of you to the first quarterly results call of the financial year 2023-'24.

As you are aware we declared our results last evening and we have also uploaded the Investor Presentation on our website as well as the websites of both the exchanges BSE and NSE. Trust all of you had an opportunity to go through the same.

Along with me, I have four Managing Directors, Ms. Mini Ipe, Mr. M. Jagannath, Mr Tablesh Pandey and Mr. Sat Pal Banoo. Senior officials of the Corporation present on this call are Mr. Dinesh Pant, Appointed Actuary & Executive Director & Mr K. R. Ashok, 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), Mrs. Manju Bagga, Executive Director (Pension & Group Schemes), Mrs. Rachna Khare, Executive Director (CRM/Policy Servicing) and Mr. Sanjay Bajaj, Head (Investor Relations).

Before we get into the Q and A session let me take a few minutes to explain the key highlights of our performance for the quarter ended June 30th, 2023.

Premium Income:

For the quarter ended June 30th, 2023 we have reported a Total Premium Income of INR 98,363 crore as compared to total premium income of INR 98,352 crore for the quarter ending June 30th, 2022. The Individual New Business Premium Income for quarter ended June 30th, 2023 is INR 10,462 crore and for the corresponding quarter of last year it was INR 10,938 crore. Renewal Premium Income (Individual business) for quarter ended June 30th, 2023 is INR 52,311 crore as compared to INR 49,069 crore for quarter ended June 30th, 2022. The Group Business total premium income for quarter ended June 30th, 2023 is INR 35,590 crore comprising of New business premium of INR 34,398 crore. In comparison, for quarter ended June 30th, 2022 last year Group Business total premium income was INR 38,345 crore and comprised of New business premium of INR 37,284 crore.

Our market share by First Year Premium Income for Quarter ending June 30th 2023 is 61.42% (as per IRDAI) and we continue to be market leaders in overall life insurance space in India.

For quarter ended June 30th, 2023 we have a market share of 40.84% in Individual business and 72.50% in the group business. 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 Annualized Premium Equivalent (APE) for quarter ended June 30th 2023 is INR 9,532 crore which is comprised of Individual APE of INR 5,950 Crore and Group APE of INR 3,582 Crore. Therefore, on APE basis, the individual business accounts for 62.42% and Group business accounts for 37.58%. Further of the Individual APE, the Par business accounts for INR 5,342 Crore and Non Par amounts to INR 608 Crore. As you can see our Non par share of individual APE is 10.22% and Par is 89.78% for quarter ended June 30th 2023. You will recall that our Non Par share for similar period last year ie quarter ended June 30th 2022 on APE basis within the overall individual business was 7.75% and the APE was INR 500 crore.Therefore, with an APE increase in Non par of 21.6% we have crossed the double digit percentage mark in the mix of non par product within our individual business. Also I can say that we are confident of moving ahead on this trajectory.

Profit After Tax :

The Profit after Tax (PAT) for the quarter ended June 30th 2023 was Rs. 9,543.71 crore which comprises of an amount of Rs. 7,491.53 crore (Net of Tax) pertaining to the accretion on the Available Solvency Margin, transferred from Non Par fund to shareholders account. For the quarter ended June 30th, 2022, PAT was Rs. 682.88 crore in which an amount of Rs. 4,148.77 crore (Net of Tax) pertaining to the accretion on the Available Solvency Margin was not included as this amount was transferred from Non Par fund to shareholders account on September 30th 2022. Therefore, the comparable profit figure for quarter ended June 30th, 2022 is Rs. 4,831.65 crore (net of tax).

VNB and VNB Margins :

Net VNB is INR 1,302 crore and net VNB margin is 13.7% for the quarter ended June 30th 2023 as compared to INR 1,397 crore and 13.6% respectively for the quarter ended June 30th 2022.

Assets Under Management (AUM):

Assets Under Management (AUM) as on June 30th 2023 was INR 46,11,066.52 crore as compared to INR 41,02,041.84 crore as on June 30th 2022. Therefore, our AUM has shown a growth of 12.41% on year on year basis.

Product Mix and 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 two new Non par products during the April – June 2023 quarter, namely, LIC's Dhan Vriddhi and LIC's Group Post Retirement Medical Benefit Plan. We also modified the Cancer cover plan amongst our health portfolio.

No. of Policies and Agency Workforce:

During the quarter ended June 30th, 2023, we sold 32.16 lakhs new policies as compared to 36.82 lakhs new policies in quarter ended June 30th 2022, a year ago.

As on June 30th, 2023, the total number of agents was 13,43,540 as compared to 13,32,782 as on June 30th 2022. The market share by number of agents as on June 30th, 2023 stands at 50.94% as against 54.37% for June 30th 2022.

On number of policies sold basis, the agency force sold 31.20 lakh policies during the quarter ended June 30th, 2023. Therefore 97% of our policies in the quarter ended June 30th 2023 were sold by our Agency force. Even on premium basis, a little above 96% of NBP came from our Agency channel in the first quarter of current financial year.

Contribution by Banca and Alternate Channels:

During the quarter ended June 30th 2023, other channels (BAC – Banca and alternate channels) contributed to 1.96% by number of policies and 3.22% by New Business premium. For the quarter ended June 30th 2022, the banca and alternate channels contributed to 1.32% by number of policies and 2.66% by NB premium. This year in the first quarter ending June 30th, 2023 we collected a NB premium of INR 336.36 crore via this channel as against INR 290.46 crore in comparable three month period last year. Therefore, as you can see we grew by 15.80% on year on year basis in the BAC Channel when measured by New Business Premium. Further we sold 62,970 policies and we grew by 29.69% in the BAC channel in this quarter as compared to similar period last year. Just like we are changing our product mix as explained earlier our commitment to changing our channel mix is intact and on track, as these numbers will tell you.

Our Overall Expense Ratio:

For the quarter ended June 30th 2023, our overall expense ratio has improved significantly to 12.85% as compared to 14.59% for the first quarter of last year.

Persistency:

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month upto the quarter ended June 30th, 2023 stands at 78.37%, 72.11%, 70.75%, 64.54% and 62.73%, respectively, as compared to 77.85%, 74.37%, 67.76%, 64.91% and 62.43%, respectively upto the quarter ended June 30th, 2022.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, upto the quarter ended June 30th, 2023 stands at 66.15%, 59.28%, 57.72%, 52.04% and 50.79% as compared to 65.96%, 61.79%, 55.25%, 52.98% and 51.23% respectively upto the quarter ended June 30th, 2022.

Therefore, there is on the overall an improvement in many cohorts of the persistency on premium basis as explained above. As a key part of our focus area and strategy we are committed to improving persistency both on premium and on number of policies basis.

Operational efficiency and Digital Progress:

In our digital initiative through the Agent assisted ANANDA app, we have completed 2,22,167 policies through this App during the quarter ended June 30th, 2023 as compared to 50,931 policies for the period ending June 30th 2022 thereby registering a growth of 436.21% on YoY basis. After the product mix improvement and persistency improvement, this aspect of ANANDA growth is the third highlight of our results – i.e. the persistent focus on technology integration and adoption across our organization including our agency force and the digital push underway.

Claims:

On the claims front, during quarter ended June 30th 2023, we have processed 38,65,229 number of claims which includes 36,77,149 maturity claims. On an amount basis during first quarter ended June 30th 2023, the total maturity claims were INR 34,612 crore and the total death claims were INR 5,147 crores. On a comparable basis for first quarter of last year, ended June 30th 2022, the maturity claims were INR 31,181 crore and death claims were INR 5,743 crore. Therefore, the death claims are lower by 10.38% and the maturity claims are higher by 11% on a YoY basis.

With this I come to end of our detailed business parameters description for the quarter ended June 30th, 2023. As you can see, we continue to move ahead of product mix, channel mix, persistency, technology adoption and enhanced profitability. Before I handover to the moderator I would like to thank our shareholders, policyholders, agents and employees for their faith and trust in us.

I now request the moderator of this call to open the floor for the question and answer session. Thank you very much.

Moderator: Thank you very much, sir. We will take the first question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, my first question is on margins. So if I look at the individual business margin, it has compressed meaningfully from 15.8% in 1Q FY '23 to 13.5%. Actually, the completion was visibly in both individual par and non-par business. Actually, most surprising part was on par when the profit share is going up in the current year compared to what it was last year, the margin compression by almost 90 bps seems to be on the higher side. I just wanted to understand that part a little better.

And in non-par, the margins, which has come up by 30-odd percentage. Is this the new normal, the 43 kind of a number is the new normal given you have reset the IRR on the products, this is the new normal? Or do you expect a further compression in the non-par business?

And lastly, on group business, I just wanted to understand that 10% margin going to 13.9%. Is it largely the function of mix change that your fund-based business contribution has come down and annuity has gone up, and that led to the margin expansion in the group business? So that's my first question, sir.

Dinesh Pant: See, yes, as far as comparing VNB margins possibly, it would be fair to compare it to start with quarter-to-quarter things because the business which keeps on changing as we progress during the year. The profile of the first quarter business is not same as profile as we go towards the end of the year. We have seen it in the past also that it's -- though it's comparable with the March, but it's not directly comparable to compare.

So in our case, there are certain points which are right. Yes, as you rightly mentioned, in the group business, the higher component of annuity does -- has contributed actually favourably to that proportion of business. Along with that, also better experience as we explained in our previous calls also in terms of persistency of that business and profile and mix of that business. So as far as new normal, you are talking about, that's the fact that the surplus distribution in par is progressing towards a -- but it will remain the same as it was in the last year.

But largely, we would see that the business mix, which has been the conscious strategy of the LIC moving towards non-par business in a gradual manner has really improved the contribution. Actually, that's the largest contributor in a way to the margin. But yes, in a competitive market, there is a requirement to reset the benefits to make them competitive. That brings down the VNB margins.

Now having done, having ensured competitiveness of the product, which is though not a permanent, it is a continuous dynamic activity. The growth to come forward in the coming quarters, I would expect, would be expected to ensure and the ticket size as we go forward, would ensure better outcomes in terms of VNB margins only.

Sanketh Godha: Got it, sir. So basically, when we report quarterly margins, the cost assumptions, what we take is based on last year or we take it mark-to-market what our experience we have in the current quarter we take that as a cost assumption as the cost will improve coming quarters with growth and seasonality. And margins are bound to improve, sir, because of that simple factor?

Dinesh Pant: Yes, when we are considering the VNB margin, they would definitely factor in the developing assumptions. They can be on the better side, they can be on the worse side as the experience develops, the assumptions also have to be fine-tuned according to that thing. But as we show the walks towards movement from this period-to-period, it can be -- whether if it is in reference to previous quarter or previous quarter the last year. Then that analysis movement shows the impact of those factors which have come in to it.

Sanketh Godha: Got it. Sir, is it fair to assume, sir, that by end of the year, maybe in FY '24, end of FY '24, you will be similar or better than what you have reported of 16.2% last year, sir?

Dinesh Pant: See, that will always be the goal and purpose and objective as we have clearly made that -- that we are looking for an upward trajectory in a very speedy manner. But it also depends upon various factors. For example, one of the significant impact, not across this LIC, but possibly across other entities also has been the change in interest rates. So with the RFP rate change, that has got a significant impact. And the impact on plus and minus or I mean up and down on the interest rate is not in the similar way, depending on the business profile of different insurers, possibly the significance of downside is higher, and we have seen that thing.

So that would also be impacting how the interest rates go forward from here. But definitely with the business mix and the strategic decision to ensure a robust growth or reasonable growth in the par business and robust growth in the non-par business, we definitely expect these margins to remain on the upward trajectory.

Sanketh Godha: Got it, sir. Sir, the second question is on group business. If I look at July monthly numbers also, it seems to have reduced or there is a sharp decline in the group business. So has the management has taken a conscious call that the fund based business, which is not margin attractive, you don't want to chase it aggressively or is it because of the competitive dynamics that you are losing out in the group business? Just wanted to understand that part a little better given it is visible in the quarter number also and in July monthly numbers, which get disclosed at IRDA level.

Siddhartha Mohanty: No, actually, we will concentrate on group business and the group business also last year gave good margin. It is not that the group does not give margin. Last year also, we have experienced a good margin from group business. But in the current year actually some receivables, they are deferred because the people take a decision depending upon various factors, interest rate, all those things. So receivables to employers and all those, they have deferred, and we expect in the coming quarters, all this business will definitely come. And we'll definitely continue to retain market share, rather grow market share in group business.

Sanketh Godha: Got it, sir. And sir, the next question is on term insurance because non-par has been a focus area, you do your mix of non-par broken down into ULIP non-par in NBP terms, not in APE terms. There, if I do the simple math, your term insurance business has declined year-on-year. While if you look at all the private players, which have come out with the numbers, they have reported a sharp growth in the protection business or individual term business. So just wanted to understand why we have not able to grow the pace while the sector -- other players in the sector are managing to grow it?

Dinesh Pant: Yes, that's a fair question. But we are really conscious about that area and we consider there is a strong area for -- which will bring about growth. In fact, recently, we have launched a very, very competitive and very on a market demand basis. Recent product in this segment, which is ROP, TROP, a return of premium, risk of financial analysis, LIC Jeevan Kiran policy has been launched recently.

We expect a lot of uptick. A lot of focus is on the direct marketing channel because the large portion of these business is coming through conventional channel also to give fillip. We realized and we are really making all efforts in this direction. One through enriching the product basket here and bringing about the focus into this area.

In fact, one impact would be that we had repriced our term rate in the last year. So that had a little impact on the sales, but things having settled down, now we are expecting that this particular segment of business will also drive not only business growth, but also the profitability growth from here onwards.

Sanketh Godha: Got it, sir. Sir, last one on data keeping, which you can share. You do your NBP breakup into ULIP par, non-par everything. But you don't give it an APE basis. It will be great if you can share the information also on APE basis, what your premium mix looks?

Dinesh Pant: We will share it, due point of time, we'll also share that. Right now, we have culled out the information at this level.

Moderator: Thank you. We'll take the next question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: So the first question is on this, your segmental surplus generation. If I see that in your disclosure, the par segment that typically, again, is a slow growth and relatively matured. Yet, the segment surplus is in deficit. So if you can help us understand what is happening at the segmental level, I mean, because for a large company like you where growth is also moderate and a large backlog. One would expect the segmental surplus to usually positive in par, but here I see negative. So that's my question number one.

Question number two is that because of your accounting change regarding the investment surplus on available solvency margin in the non-par fund transfer to shareholders fund, the profit, of course, has increased a lot and is close to INR9,500 crores for this quarter. And then you would have paid out dividend. So still the solvency accrual, if I see or solvency increase, it's roughly around INR3,000-odd crores if I do a rough math.

So if you can just help out understand, because why I'm asking this because this will give us some idea around ability to pay dividend because, I mean, if solvency not sort of increasing but the same way your profitability emerging then of course, the ability to pay dividend will be limited. So that's the question two, and I have 1 follow-up.

Dinesh Pant: Yes. I trust you are asking this reference to financials or profitability aspect of participating business. You talked about deficits, you're talking to -- I guess you're talking about in the reference of financial accounts only, right?

Avinash Singh: Yes, yes, the segmental filing, that exchange filing, yes.

Dinesh Pant: Let me then clarify on that point of time. Even if some deficit, it is actually not a deficit, the fund would have been surplus, we have consciously taken some strategic decisions. For example, to provide for -- we use -- we have some funds for future appropriation, which was in our fund, which is already as a reserve. It has been decided to apportion because as you go towards the end of the year and at any point of time, you have to take a conscious call towards adjustment of that for future appropriation. And so that amount, there were some terminal bonus payments which are required, which is generally revenue expense for us. But now we have to provide for that on an annual basis.

So that certain utilization of FFA (Fund for Future Appropriation) has happened and that's why it is looking like a deficit. Otherwise -- and because we have provided adequately and appropriately for that purpose. That's why it is looking a deficit. If that would not have been take considered, it would have been revenue surplus. But on a consolidated level for the entity there is a significant surplus in the financials also.

As far as solvency figures are considered, you would appreciate the fact that today, whatever is the LIC solvency of about 1.89 is the highest ever, which has been shown by us. And in fact, it has been continuously improving post listing, though our target solvency is only 1.6 as against, it has become 1.89, which long two years, three years back it used to be at 1.65 to 1.7 levels only. So it does not affect our dividend paying capacity for sure, because you would, in fact, see the way the shareholder fund has almost become INR45,000 crores plus today, that is a testimony and the amount of PAT, which is getting transferred from INR9,500-plus crores figures, which are there.

So all that demonstrate huge capacity and -- but only thing is that how the dividend going to be distributed is a call which Board has to take and have to take all the time depending upon what is the best utilization of funds for the insurer. For LIC what is the best utilization of funds, it becomes important. Whether dividend distribution helps that or whether capital -- maintaining that fund for the purpose of capital support for growth of business, that's a call to be taken.

In fact, the dividend you would have seen last year has been doubled as compared to the previous year. Going forward, the Board will continue to take the best utilization strategy towards distribution dividend from the shareholder fund, which is continuously growing and can always be expected to grow in that manner.

Avinash Singh: And sir, a quick follow-up. That -- sorry, additional question. Your employee wage expense has seen a sort of a material decline. So, if it's sort of a some reduction in regular expenses or some kind of changes to actualized or like something like peripheral provisions?

Dinesh Pant: You're talking about employee-related costs, right?

Avinash Singh: Yes, yes.

Dinesh Pant: There also what has happened, there is a wage revision which happens for the employees on a periodical basis four years to five years every time. Last time as a prudent step, Board decided that whatever be the provisioning required for those employee related costs should be provided one time. In the past, we used to amortize that cost over a period of four years to five years because they are pertained to that year, but a very prudent approach was taken by the Board and the management that we had to provide for it upfront.

So that cost is not expected to be recurring, that was like onetime expense, which was there. So therefore, the -- such provisioning are not required in the current quarter that will lead to better opex compared to the previous one.

Moderator: Thank you. We'll take the next question from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: So I'll start off on the first question on the margin side. I know you have discussed this, but just wanted to understand that the individual business margin, which has declined. Is it only due to giving better yields of pricing to customers or is there an element of higher investment in manpower and technology also here, which is driving down the margin?

Dinesh Pant: Actually not the technology aspect. Technology aspect should lead to cost efficiencies only. This is largely, as we said, actually, the business volume and shift towards nonparticipating business has been the largest contributor to the margin. The only fact that there is a slight decline in the volume, which is largely on the par side.

In non-par side, actually the growth is robust around 21%-plus. So that has contributed. Plus as I explained earlier also, another factor which has contributed is the economic assumptions or economic factors, interest rate so which have to be factored in when we do the discounting rates which are taken because that has significantly changed as compared to the previous time. So that has been. Otherwise, from the insurance parameters, there is a positive contribution, which has come.

Supratim Datta: Got it. And just a follow-up here. So you are expanding away from agency into other channels like Banca, which typically require greater investment in manpower initially at least. So do you see the manpower investment to go up and that could result in your margin expansion being lower than what typically would come out of a better product mix?

Dinesh Pant: What we are looking into is one, not manpower expenses to increase, but what we are looking towards is manpower better allocation to make it efficient utilization of the resources. As far as technology is concerned, yes. LIC, is in fact, chairperson will also explain at some stage here, that this LIC is taking huge steps towards digital reforming whether it is at the onboarding stage or for the overall business management.

So a lot of efforts are being done. There would be some cost on that for sure because the expense has to be incurred for that purposes. But we expect that in long-term to actually deliver better value in terms of margins as well as the profitability, the way we conduct business. It will change and it should ultimately lead to higher profitability and better volumes to come from us and seamless services to be provided, integrated approach for that is being taken. So this -- in the long term, the benefits of that will outweigh the expenses which will go into it.

Supratim Datta: Yes, got it. And final question. So one, on the VNB walk, there is a 200 basis point improvement due to impact of assumption. Just wanted to understand, could you give us a breakdown between what is from persistency, mortality experience and cost efficiency?

Dinesh Pant: Yes. Actually, the total impact of various parameters of that, whether it's withdrawal expenses, mortality or terminal bonuses, largely all have contributed or none of them has at least contributed negatively. But very small, small amount because the total component would be something around 2% or so, not more than that to the margin. But the largest contributor is improving mortality experience for us. That is one of the good aspects and also slightly improving persistency has also contributed to it.

Supratim Datta: Got it, got it. And last question from my side. So there is a provision release from the diminution of investments. And this has been a recurring item in the last few quarters in the P&L. Just wanted to understand -- I understand this is related to NPAs and but -- how much further unwind of this provision remains? Will this continue in the coming quarters? Or has this been done completely?

Dinesh Pant: Provisioning for NPAs as a requirement is governed by the provisions surplus in this regard. In fact, there is certain provisioning which is required even for the standard assets also under that thing. So we expect it to be in that range only.

Supratim Datta: But you are releasing provisions here. So just wanted to understand.

Dinesh Pant: That release would happen whenever you have recoveries from NPAs, which have been provided. In fact, LIC has seen lot of stress in that direction, certain assets which were NPA, recoveries have been affected. So when that gets affected, these provisions will get released. That's a contributor to it. So as those NPAs which have been provided for in the past as the recovery start to happen for them as this gets released.

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

Ajox Frederick: I have two industry-level questions. One is on your presentation, I saw that women buying policies are going up. So is that a trend which you're seeing recently? That's one. And two, incrementally, women are buying more policies. Will our profitability improve, particularly on the mortality side because longevity of women are higher and assuming you are pricing the product is similar to what you are pricing for men? So those are the two questions on women buying policies.

Siddhartha Mohanty: You see we consciously focus on all segments. And recent times, there has been a growth almost 35%, 36% the last quarter, share of policy is from women segment. And if you see even our agency composition also, we have a large number of women agents also. So they -- obviously, they cater to need of insurance from this segment. And consciously, we'll focus on this segment in coming days, you will find that there will be more activities to target these segments because we feel under penetration in this segment is there insurance very less.

Ajox Frederick: Got it, sir. And I'm assuming your share of business from may be much more higher than the private industry, right?

Siddhartha Mohanty: About 34%, 35% because we cater to large -- entire India we cater, and the rural area, all those even a small help group people, they also take insurance as per their affordability. So we cater to every segment. So that helps us in growth in this women segment.

Ajox Frederick: And is the policy more profitable for women from your angle?

Siddhartha Mohanty: You see there is no distinction. If you see the premium -- policy premium, it is same for male and female. Is there any distinction you have found for women less premium or for male. It is not like that. They can buy it as per our underwriting standards.

Ajox Frederick: Okay. My next question, sir, is on term. So you mentioned that the pricing changed last year and it has normalized. And now across board like the previous participant also asked, the industry is focusing on term and there are people moving into Tier 2, Tier 3 as well. So my question is, do you expect reinsurers again coming up or are you sensing anything of that sort in the near term to come up with another round of price hikes given that we're moving to Tier 2, Tier 3, and competitive intensity, etcetera, will price and mortality assumptions also change?

Dinesh Pant: Yes. When we talk about pricing and experience, 1 thing we would need to appreciate that even in the reinsurance arrangement, every insurance entity will have a different sort of understanding and expectation of reinsurance based on how they underwrite. LIC continues to command the confidence of our people who provide insurance to us. Of course, this has been a challenging area. But whichever term products on protection side, we have been able to demonstrate our underwriting capacities to them and secure a reasonably good reinsurance support for them.

So we don't find that as a huge challenge. Of course, it has been an issue of consideration in the past, but we'll continue to develop -- that's the reason it has to be ensured that whichever term products come they make fair sense to the customers, to the buyers as well as to the entity because nobody can afford to sell them as long as the product is value proposition for the customer should not be loss making for the insurers also. That's the reason of insurance rates being revised.

Currently, we are comfortable at the rates at which we are, but we continue to monitor them on a very, very dynamic basis, and we'll take a call if it is required. Currently, we are aware. That's the reason you have recently seen in July itself, we have launched a product which is heavy on the protection side, though it provides for return of premium also and it's a fairly competitive product, which we have offered.

Ajox Frederick: This ROP, sir, you have launched across the country or...

Dinesh Pant: Yes.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Just two or three questions. First, if you can give some color on your individual product level margins on NBP and other non-par, has there been any compression or repricing of these products on a quarter-on-quarter or maybe going into the second quarter also?

Second, if you can give some color on what is the predominant channel which is pushing your non-par? I mean your agency contributes 95% of your individual NBP, but specifically on let's say annuity or non-par, is there any differentiation on the channel side? And lastly, your product pipeline going into the next nine months?

Dinesh Pant: Yes, as far as the repricing of the annuity products is concerned, yes, we did reprice those products around 2 times all the different versions of it we have repriced. Currently, we are at the level at which the rates were there in March. We continue to monitor them continuously, but we are fairly comfortable at this point of time. LIC has taken a very conscious and calibrated sustainable view about repricing.

We have not -- we have repriced them, of course, to let the products remain competitive. But we are not trying to make it a cut throat, because we are seeing a lot of revisions for many entities, downward revisions in the first quarter. But the level at which we had set our annuity rates were not based on a call for a quarter, but on a long-term sustainable basis.

And therefore, that's the reason we have ensured to remain where we were at the March levels of annuities rates today also. What was the other part of your question?

Dipanjan Ghosh: The second was on your channel mix for the non-par segment.

Dinesh Pant: Yes. Channel mix, our agency channel is the most dominant channel. We continue to expect, because by nature, it is -- now within non-par also, we are being very clear that there are different lines of businesses, and the strategies around them would be different, for example, non-par saving, would continue to expect Banca channel as well as the conventional channel. Also, we are pushing for the brokers and other IMFs also to get into it. But protection business would also like to see larger participation coming from a direct channel and online marketing through that also will be a contributor for that. So we'll take within non-par also, the call depending upon the specific product category.

Dipanjan Ghosh: Sure. But would you say that for non-par also, 95% of NBP comes from or 90%+ NBP comes from agency, I mean, non-par savings.

Dinesh Pant: Yes.

Dipanjan Ghosh: Two small questions. One, your product pipeline for the next nine months. And second, has there been any incremental discussion with any or private bank to expand our bancassurance partnership, maybe some of them willing to open up their close architecture or sounded willing to expand from three partners to four or something like that. Any new partnership that we can expect over the next one year or so?

R. Sudhakar: I'm Sudhakar, CMO. Actually, in the first quarter, two new banks have been -- have tied up business, J&K Bank as well as Saraswat Urban Cooperative, nine brokers, 1 corporate agent and 21 IMFs. We have added some personnel also to the department to reach out to all the banks. Yes, other discussions are also ongoing, and we have also seen that the offtake from the CSC channel also has improved. And the overall Banca percentage to the business in the first quarter of 3.22%, which is 66 bps higher than the earlier -- last year's quarter. And Banca is growing on all parameters. Banca APE is also growing. So we are prevailing and pushing in that direction.

Dinesh Pant: Answering your first question -- part of the question was on the product side in the current quarter. We have launched two products. One is a single premium core ended product, which has been -- which is doing fairly well. And also recently we launched, as I explained earlier, this return of premium Jeevan Kiran policy. Besides that, we have also repriced our -- one of the health product, cancer cover product also has been repriced. Future pipeline is strong.

And we are working on various very, very -- in fact, the group product also which has been launched, which is medical retirement scheme, post medical retirement scheme has also been launched for the group. We are looking into reviewing, modifying and revising our group insurance products to make them more buyer friendly in the sense, creating value in terms of every single aspect in them.

Besides that, we are working on various -- I would only at this point of time, can suggest that innovative designs to fill in the product gaps, come out with propositions which are a win-win situation for all the stakeholders, policyholders, intermediaries as well as from the shareholder point of view.

So we are working on various products during this year as they will unroll as you'll see in the coming quarters.

Dipanjan Ghosh: One question. So we saw the composite license preliminary guidelines in December. But post that, the discussion has been softeither from Ministry or from the Regulator. So can you give some color on how the incremental discussions shaping up on that side of things and your preparedness or your strategies in case the license -- composite license that are to be allowed?

Siddhartha Mohanty: That we will examine at appropriate time. Our Board will take a call depending upon various factors, not that all simply jump into anything. We will calculate the cost benefit and how that will create value for all our stakeholders. So we'll take a conscious decision at appropriate time.

Moderator: Thank you. We'll take the next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: First question is on the new regulation on the expense of management. How do you see that kind of impacting your numbers? And with regards to future trajectory of your reporting structure, are there any changes there?

R. Sudhakar: This is Sudhakar again. From the expenses of management, whenever the new products are being launched, we are taking calibrated decisions as to how the commission structure should be. And as far as the other, although the limits have been increased, we are taking calibrated and cautious approach because we cannot be driving up the overall cost just like that. So we are taking targeted approach in the sense that either on line of business or product wise when it comes to rewards and campaigns for the salespeople.

On that basis, we are taking from period to period, certain steps so that the sales can be improved, and that is what has resulted in the overall growth of the non-par side, as you can see from the figures also. So that has been our approach. On the overall approach from the marketing side, when it comes to being within the expense of management when it comes to commissions and reward and remuneration.

Prayesh Jain: Okay. Another question was on if you talk to any of the private companies, now they are looking at, especially after the 5 lakh rupee impact, they are looking to expand their presence in the lower-tier cities. Do you see a need to kind of reward the agents or your distribution channel more to kind of ensure that the strength of LIC, which was in the lower tier cities -- one of the strengths of LIC, which was in the lower tier cities, does not get impacted?

R. Sudhakar: LIC is already very much in the lower tier cities and a chunk of our business does come from the lower tier cities. We -- whenever we are coming out with various campaigns, it happens at different levels also, not only at the central level, but at our different zones as well as divisions, which are having their own areas of operation. There are -- there is a freedom given for them also to decide on certain incentivization at their local level. So in this manner, we are able to approach that subject to which you have just referred.

Prayesh Jain: Sir, what has been a trend change in the 5 lakh Rupees plus ticket size for you would say, compared to last year, Q1 FY '23? How has been the mix impact?

Siddhartha Mohanty: Actually, it will have a very minimal impact. You see because LIC we cater to all segments across. So this 5 lakh impact always very, very minimal on LIC.

Prayesh Jain: Okay. And my last question is on the protection business. It will be primarily driven by your direct channel or which channels are you really focusing on because generally, agency channels kind of stays away from selling a lot of pure term business. So how do you see ramping up this protection business in the medium term with channels and whether you would have a higher incentive structure? Or what kind of strategies you would use there?

Siddhartha Mohanty: It will be actually driven by all the channels. If you see as earlier told, recently, we have launched a product Jeevan Kiran product, which is the ROP, return of premium. That will get a traction amongst the agents also because so popular, very good product. So agents will also sell.

But having said that, we are also focusing on our digital marketing, so that the customers can directly take the term products. And in the coming days, you will find a lot of focus will be on digital marketing, because already I have told this year, we are taking a huge project, total digital transformation project for LIC. Already process has started, we have floated RFP. And another thing is the customer onboarding through digital mode.

So it is both for agency-assisted model, as well as banca, as well as direct or digital marketing. So once these are in place, and I'm expecting by third quarter end, it will be in place customer onboarding. So that we can get all particularly the term products directly through direct mode or digital mode.

Moderator: Thank you. The next question is from the line of Mohit from BOB Capital. Please go ahead.

Mohit: Sir, just one question. I just wanted to understand in terms of the persistency increase that you saw which product line is driving the persistency increase, whether it's par, non-par or ULIP? If you can provide some color on that, it would be very helpful.

Dinesh Pant: Yes, actually we have taken an overall call on the entire product basket, and we continue to take it. Both in the participating segment as well as nonparticipating segments, we have taken call and revised the features, somewhere withdrawn the products, somewhere modified the products. So this contribution is expected to be coming.

In fact, some of the most selling products, we have also revised despite of the fact they were more selling. That's why somewhere you can see the impact on the volumes could be seen. But the impact of better persistency and profitability would also be seen in the coming quarters coming from them. So it is across par, non-par both the segments.

Moderator: Thank you. We'll take the next question from the line of Prudvi Raj Saya from Agam Capital. Please go ahead.

Prudvi Saya: Just wanted to ask from a simple investor's perspective. We know that your valuations on a basis of Embedded Value multiple, they are lower compared to the private sector. And we know the reasons, right, product mix from the legacy business and as well as the distribution. In the medium term, do you -- how do you see the valuation story to change? Do you expect it to change and if so, how do you envision this from an investor's perspective?

Dinesh Pant: Well, to say that we understand, I'm not sure why this valuation is so low, but we'll not comment upon that. Our job is to continue to work in the areas that we can work upon. We have seen even this valuation have been corrected even for the many entities from the levels from which they started. So we will not get into that thing. We'll focus on the areas where we can work upon.

But as far as LIC's efforts and the outcomes of those efforts are there, we are confident that we would continue -- the investors would continue to see better delivery in terms of whether there's an important criteria, whether this Embedded Value growth, whether it is margins improving, the business mix changing or the VNBper say, all these profitability parameters and then as the market share growing, at least maintaining at the level from where we are there.

They remain the area of continuous focus and our customers remain the point of our confidence, and we will continue to ensure that all those things are delivered. The business model remains robust despite of it being there for more than 6 decades. It continues to command the market share is a very important aspect of it. And we expect sooner than later, the valuations also to correct accordingly.

Prudvi Saya: Fair enough, sir. On a separate line on the annuity business, can you give a breakup of the group versus individual or the NPS contributions to the annuity business and the outlook?

Dinesh Pant: We will not be telling on the figures. But as far as annuity business, on the individual side, it's much higher impact, I would say. The contribution of annuity business as a group and should be equivalent in fact, not much different. Different from each other by APE terms. So both are contributing effectively, but that composition and mix of the type of nature of annuities, which are sold could be slightly different between group and individual sides.

Prudvi Saya: Okay. And if I may, can I know qualitative or quantitatively the credit life mix in the overall group protection? Do you, I don't know whether you provide that?

Dinesh Pant: Yes. Currently, that's not a very significant part of our protection business in the group side. But we do offer products. We are working around those product designs, which are currently available. We fine-tune them further in line with you know specific niche requirement. And going forward, we expect the contribution to come from there. So that's the area of opportunity for us as of now.

Moderator: Thank you. Ladies and gentlemen, we are at the end of our one-hour slot for the call, but we will take one more question, which is from the line of Udit Malhotra from Data Blue LLC. Please go ahead.

Udit Malhotra: Sir, my question is on the dividend policies and also any plans on the share price because I think there has been a gradual reduction over the past one year. So will we look forward to the dividend increase over the coming years?

Dinesh Pant: I think on that aspect, the direction is clear when the Board decided to increase the dividend by 100% from 1.5 to 3 in the March -- and with the PAT growing significantly, one should expect positive outcomes there. But as we maintained earlier also, it is a fair balance of what is the best utilization of capital, whether the dividend distribution is the best utilization, we would believe that the proper mix of the two would be the criteria on that thing.

As far as share price is there, we would not like to much comment and leave it to the market to decide. But one can see within the last few months, what has been the upside into it. And we -- our job as an insurer is to continue to deliver on the areas in which we can work upon. And we expect market to take cognizance of that, and it will get reflected in the direction in which it has shown for the last few months. We expect that trajectory to continue.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Siddhartha Mohanty, Chairperson, LIC, for closing comments. Over to you, sir.

Siddhartha Mohanty: So thank you, everyone, for engaging with LIC through this call. We value your participation, and we reaffirm our commitment to create superior value for all our stakeholders. Thank you.

Moderator: Thank you very much, sir and the members of the management team. Ladies and gentlemen, on behalf of LIC, that concludes this conference. We thank you for joining us, and you may now disconnect your lines.