Ref. No.: LIC/SE/2023-24/121

Date: November 17, 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 November 10, 2023.

The said transcript is also available on the Corporation's website and can be accessed from the link: **https://licindia.in/web/guest/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: 2023.11.17 17:24:00 +05'30'

(Pawan Agrawal)

Company Secretary & Compliance Officer

"Life Insurance Corporation of India

H1 FY'24 Earnings Conference Call"

November 10, 2023

MANAGEMENT: **MR. SIDDHARTHA MOHANTY – CHAIRPERSON – 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. R. DORAISWAMY -- 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 – 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
MR. HEMANT BUCH -- EXECUTIVE DIRECTOR BANCASSURANCE – LIFE INSURANCE CORPORATION OF INDIA
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, PENSION AND GROUP BUSINESS – LIFE INSURANCE CORPORATION OF INDIA
MS. ANJUBALA PURUSHOTTAM -- EXECUTIVE DIRECTOR, CRM/ CLAIMS/ ANNUITIES – 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 H1 FY '24 Earnings Conference 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. We have senior management of LIC led by Mr. Siddhartha Mohanty, Chairperson on this call.

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

Siddhartha Mohanty:

Good evening, everyone. I am Siddhartha Mohanty, Chairperson LIC. I would like to welcome all of you to the half yearly results call of the Financial Year 2023-24.

As you are aware we declared our results a few hours ago, today and we have also uploaded the detailed results, press release and the Investor Presentation on our website as well as the websites of both the exchanges BSE and NSE.

Along with me, on this call, I have four Managing Directors, Mr. M. Jagannath, Mr Tablesh Pandey, Mr. Sat Pal Bhanoo and Mr. R Doraiswamy. 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), Mr. Hemant Buch, Executive Director (MBAC), Mrs. Manju Bagga, Executive Director (Pension & Group Schemes), Mrs. Anjubala Purushottam, Executive Director (CRM/Claims/Annuities), Mrs. Rachna Khare, Executive Director (CRM/Policy Servicing) and Mr. Sanjay Bajaj, Head (Investor Relations).

Before I start explaining the highlights of the business, I want to thank you all for making time to attend this call, late in the evening, on a very auspicious day of Dhanteras today.

Secondly I wanted to update you that starting this results presentation we will be providing the APE break up of the various segments within the Individual Non Par business. Historically we have presented only the NBP break up of the non par segments in the Individual business. However since many analysts have asked us to add the APE break up in our disclosures we are providing the same from now onwards. Now let me start with an Overview of the Business and Financial performance.

Premium Income

For the six months ended September 30th, 2023 we have reported a Total Premium Income of

INR 2,05,760 crore as compared to total premium income of INR 2,30,456 crore for the six months ending September 30th, 2022. The Individual New Business Premium Income for six months ended September 30th, 2023 is INR 25,184 crore and for the corresponding six months of last year it was INR 24,535 crore. Renewal Premium Income (Individual business) for six months ended September 30th, 2023 is INR 1,09,599 crore as compared to INR 1,03,203 crore for six months ended September 30th, 2022. The Group Business total premium income for six months ended September 30th, 2023 is INR 70,977 crore comprising of New business premium of INR 67,505 crore. In comparison, for six months ended September 30th, 2022 last year Group Business total premium income was INR 1,02,718 crore and comprised of New business premium of INR 99,707 crore. Therefore for this six months ending September 30th 2023 our total premium income has registered a decline of 10.72 % while the total individual business premium has grown by 5.52% as compared to similar period last year. However for the six month ended September 30th 2023 the total Group premium has decreased by 30.90% as compared to similar period of previous year.

Our market share by First Year Premium Income for Six months ending September 30th 2023 is 58.50% (as per IRDAI) and we continue to be market leaders in overall life insurance space in India.

For six months ended September 30th, 2023 we have a market share of 40.35% in Individual business and 70.26% in the group business as compared to 42.31 % in individual business and 80.34% for the similar six month period of last year. While the market share in Individual business is relatively stable there has been a larger impact in market share of the group business, we still continue to be market leaders both in Individual as well as Group segments. The group business has a cyclical nature and certain flows are bulky and, therefore, has potential to cause variations in market share and we are confident of addressing the same through various initiatives.

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

Total Annualized Premium Equivalent (APE) for six months ended September 30th 2023 is INR 22,627 crore which is comprised of Individual APE of INR 14,638 Crore and Group APE of INR 7,989 Crore. Therefore, on APE basis, the individual business accounts for 64.69% and Group business accounts for 35.31%. Further of the Individual APE, the Par business accounts for INR 13,063 Crore and Non Par amounts to INR 1,575 Crore. As you can see, our Non par share of individual APE is 10.76% and Par is 89.24% for six months ended September 30th 2023. You will recall that our Non Par share for similar period last year i.e six months ended September 30th 2022 on APE basis within the overall individual business was 8.98% and the APE was INR 1,315 crore. Therefore the APE of Non Par business has increased by 19.77% on a YoY basis. Our product mix strategy is on track and we are moving ahead in a consistent manner towards a more balanced and value enhancing product mix in our business portfolio.

Profit After Tax

The Profit after Tax (PAT) for the six months ended September 30th 2023 was INR 17,469 crore which comprises of an amount of INR 13,768 crore (Net of Tax) pertaining to the accretion on the Available Solvency Margin, transferred from Non Par fund to shareholders account. At this point, I would like to mention that we had changed the accounting policy in September 30th, 2022 regarding transfer of accretions on ASM in the non par fund to the shareholders fund. As you will recall the change was effective from January 2022 when our fund bifurcation had taken place, and therefore the PAT figure for six month ended September 2022 included an amount of INR 4,542 crore (net of tax) which was for the quarter of Jan to March 2022.

Indian Embedded Value (IEV)

The Indian Embedded Value (IEV) as on September 30th 2023 has been determined as Rs 6,62,605 Crore as compared to Rs 5,44,291 Crore as on September 30th 2022. Therefore, IEV has registered an increase of 21.74% on year on year basis.

VNB and VNB Margins

Net VNB is INR 3,304 crore and net VNB margin is 14.6% for the six months ended September 30th 2023 as compared to INR 3,677 crore and 14.6% respectively for the six months ended September 30th 2022.

Solvency Ratio

The Solvency Ratio as on September 30th,2023 improved to 1.90 as against 1.88 on September 30th,2022.

Assets Under Management (AUM)

Assets Under Management (AUM) as on September 30th 2023 was INR 47,43,389 crore as compared to INR 42,93,778 crore as on September 30th 2022. Therefore, our AUM has shown a growth of 10.47% 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 three new Non par products (two for Individual business ,namely, LIC's Dhan Vriddhi and LIC's Jeevan Kiran and one for Group business ,namely, LIC's Group Post Retirement Medical Benefit Plan) during the six months period of April to September 2023.

No. of Policies and Agency Workforce

During the six months ended September 30th, 2023, we sold 80.61 lakh new policies as compared to 83.59 lakh new policies in six months ended September 30th 2022, a year ago.

As on September 30th 2023, the total number of agents was 13.46 lakhs as compared to 13.35

lakhs as on September 30th 2022. The market share by number of agents as on September 30th 2023 stands at 49% as against 53% for September 30th 2022.

On number of policies sold basis, the agency force sold 77.68 lakh policies during the six months ended September 30th 2023. Therefore approximately 96% of our policies in the six months ended September 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 six months of current financial year.

Contribution by Banca and Alternate Channels (BAC)

During the six months ended September 30th 2023, other channels (BAC – Banca and alternate channels) contributed to 2.12% by number of policies and 3.42% by New Business premium. For the six months ended September 30th 2022, the Banca and Alternate Channels contributed to 1.73% by number of policies and 3.37% by NB premium. This year in the first six months ending September 30th 2023, we collected a NB premium of INR 858.55 crore via this channel as against INR 825.37 crore in comparable six months period last year. Therefore, as you can see we grew by 4.02% on year on year basis in the BAC Channel when measured by New Business Premium. Further we sold 1,70,751 policies and we grew by 18.33% in the BAC channel in this six months as compared to similar period last year. The positive improvements in both premium income and number of policies sold through Banca and Alternate channels is a pointer towards progress of our another key element of business strategy which is diversification of channel mix.

Our Overall Expense Ratio

For the six months ended September 30th 2023, our overall expense ratio is 15.14% as compared to 16.69% for the first six months of last year.

Persistency:-

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month upto the six months ended September 30th, 2023 stands at 78.49%, 71.98%, 70.16%, 64.57% and 62.53% respectively, as compared to 77.62%, 73.84%, 67.85%, 64.73% and 62.77%, respectively upto the six months ended September 30th 2022.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, upto the six months ended September 30th 2023 stands at 66.80%, 58.79%, 57.61%, 51.73% and 50.35% as compared to 65.21%, 61.63%, 54.93%, 52.46% and 51.61% respectively upto the six months ended September 30th 2022.

Therefore, while we make efforts to improve persistency across cohorts, during this first six months of this financial year we have seen improvement in persistency on both premium and policy basis for the 13th and 37th month.

Operational efficiency and Digital Progress:

In our digital initiative through the Agent assisted ANANDA app, we have completed 5,33,393 policies through this App during the six months ended September 30th 2023 as compared to 3,14,955 policies for the period ending September 30th 2022 thereby registering a growth of 69.35% on YoY basis.

This entire push of using technology and digital innovations more effectively to enhance the business and our efficiency is another large element of our strategy as we move ahead to creating better value for all stakeholders through focused profitable growth. I am happy to share with you that our digital transformation focused on digital innovations and value enhancement is an area of focus currently.

Claims:-

On the individual claims front, during six months ended September 30th 2023, we have processed 86,40,598 number of claims which includes 82,40,947 maturity claims. On an amount basis during first six months ended September 30th 2023, the total maturity claims were INR 78,984 crore and the total death claims were INR 10,826 crores. On a comparable basis for first six months of last year ended September 30th 2022, the maturity claims were INR 72,988 crore and death claims were INR 11,665 crore. Therefore, the death claims are lower by 7.19% and the maturity claims are higher by 8.22% on a YoY basis.

Before I conclude I would like to thank all our shareholders, policyholders, agents and employees for their faith and the trust in us. Before we take up the question and answer, I would request our CFO to explain the PAT breakup. Sunil Agrawal, CFO.

Sunil Agrawal: Good evening, everyone, and wish you a very happy Dhanteras. First, I'll explain the breakup of the quarter-on-quarter PAT. The PAT of INR15,952 crores as at 30th September, 2022, comprised of 3 quarter of ASM income (available solvency margin income) because we had changed our accounting policy during that period. And the accretion started from quarter 4 of FY '22.

So therefore, it comprised of 3 quarters ASM income. So quarter 4 FY '22 income was INR4,542 crore. Quarter 1 FY '23 income was INR4,149 crores. So if we remove this amount, the balance amount for the quarter, which actually pertains to quarter 2 of FY '22 -- FY '23 is INR7,261 crores which is a comparable figure with our current quarter 2 result, which is INR7,925 crores.

So therefore, the PAT had an increase of 9% if you look at it on a quarter-on-quarter basis. Now coming to half yearly disclosure. Half yearly, the PAT shown for the last year was INR16,635 crores, which comprises of 3 quarters. Out of it, if we remove the quarter 4 of FY '22, which is INR4,542 crores, the PAT pertaining to H1 of last year is INR12,093 crores as against the PAT of INR17,469 crores on this year. Therefore, a growth of about 44% when you compare H1 basis last year. Thank you so much.

Siddhartha Mohanty: And lastly, I wish all those present on this call very happy and prosperous Diwali and festive season. I now request the moderator on this call to open the floor for the question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session.The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Good evening sir. Wish you all a very happy Diwali. A few questions. The first one is on your accounting P&L employee expense part. That has had a lot of volatility due to some kind of a bonus and provision. So if I read correctly, nearly of INR500 crores a quarter you are providing for that, that pension that was kind of approved, I guess, FY '20 or somewhere around 11,000-odd spread over 20-odd quarters, meaning INR500 crores per quarter. Additionally, there is something more -- the change in the family pension that has led to another, I guess, close to INR11,000-odd crores, where you have, I guess, taking close to 2,900-odd crores of it in this quarter, if I read correctly.

So can you sort of break up your employee cost, that okay, what sort of cost is kind of your wage and related run rate and what sort of other provisions you keep doing? Because there is a lot of volatility in employee cost and given that you're kind of stable employees and also the wage revision happens. If you can just provide some sort of color on the employee cost mark. So that is one.

And second is around more to do with, I mean, now, I mean, as you have changed your accounting policy related to non-par offer being transfer to shareholder's account. And, of course, your profitability remains good as well as solvency is accruing because growth overall is not that strong.

In that backdrop, can there be some clarity around what is the sort of a board mandated floor on solvency? And as long as you are comfortable with that, what sort of dividend can you pay out? Because given that the accounting profit is pretty good and solvency is gradually increasing. So, there should be some kind of a more clarity on the dividend side because the growth is not that strong. So, these are my two questions. If anything, I will follow-up.

Siddhartha Mohanty: So, if you see, employee cost actually because of family pension. So, that was allowed by government. So, we have to provide for that. So, detail of -- Mr. Dinesh Appointed Actuary, you can elaborate it.

Dinesh Pant: Yes, I see this on employee cost. I didn't get the question very clearly. But to my understanding, what you are talking about, volatility, I think we keep on providing for it. As and when it comes, on the pension cost you mentioned about it. The regular cost is always funded. It is, I mean, we follow IAS 15 for that thing. Sometimes there are one-off costs. Then those also, if a differential treatment is to be considered, that is based on the approvals as is required based on that thing. For example, like this family pension has been talked about.

As far as the dividend is there, of course, you would have seen last year it was increased from 1.5 to 3. Yes, our target solvency is 1.6. We are very comfortable. In fact, the solvency ratio only increased upwards. Of course, the board will take appropriate call for balancing the interest of all the stakeholders depending upon when the distribution and decisions comes about.

Avinash Singh: So, sir, on employee cost part again, if I look for this quarter, so INR2,900-odd crores, you have provided for the family pension and there is sort of a INR500-odd crores kind of a run rate for that initial pension part that was taken in FY '20 or something. So these two are kind of a one-off. And what has been a sort of adjustment or kind of additional you provided for the pension part with the actuarial valuation?

To just get an idea because last quarter, of course, you have a number closer to INR5,700-odd crores. This quarter is going to INR10,000-odd crores. And of course, I can differentiate this INR2,900 crores is one-off. Still, it's like a higher than last quarter by another INR50-odd crores. So what has been a sort of adjustment in that actuarial liability towards pensions?

Dinesh Pant: Yes, as you are seeing, around INR2,600 crores some odd figure has been provided for the additional pension liability, which has already accrued to the family pension holders of the corporation. For them, their benefit has straightaway increased. The other portion which possibly you are talking about is, was the one-time pension option which was given to few years back, which was amortize over the period of -- which was taken over a period of five years as per the decision in that regard.

So these are two components. And besides that, you would be aware that this pension cost is always provided for the vested benefit. And then there's a current benefit each year. So as the service goes on, that is to be provided for the vesting period. Plus, any additional service for that also has to be provided as per the standards in this regard.

Avinash Singh: Okay, thank you.

Dinesh Pant: Thank you.

Moderator: Thank you. Next question is from the line of Sanjeev Kumar from SKD Consultants. Please, go ahead.

Sanjeev Kumar: Thank you. Sir, actually, a very good set of numbers you have produced for this quarter. So congratulations for that. And a very warm greeting for the Dhanteras and Diwali. Sir, my basic concern is that despite all the good performance, our share price is not performing. And our issue price has been very high and now the prices have gone down. So I just want to understand that what management is thinking about it, how to reward shareholders, how to recoup the losses of the shareholders? This is my question, sir.

Siddhartha Mohanty: See, share movement is a function of many things. As management, we are committed to create shareholders value and in that direction we are working. As you see, our non-par share is going up and also margin, though this quarter has been steady, objective is to improve also. It will improve in coming quarters.

From our side, whatever is required to create a shareholder value that we are doing. Other things are left to market. And people actually, many people when it went down, it went up to I think INR500, something like that. Many people also made good money. They bought in large quantity. So we are concerned with our performance so that value is created.

Sanjeev Kumar: I agree. But you know, sir, that a lot of private sector competition is also coming and the growth rate of private companies seems to be faster. So in light of all this, how we are going to reorient ourselves and create value for the shareholders? This is what I would like to again request you to please keep in mind and come out with some sort of innovative ways where you reward shareholders and the value is increased. That is all I want to say, sir. Thank you very much, sir.

Siddhartha Mohanty: Thank you. Actually, I can just share, if you have observed our performance in the last 1.5 years post listing, there has been directional change in our approach with regard to product mix, channel mix and digital intervention. All these three areas, we are on the right track. Result is yet to come, total result. It takes time. But I can assure we are on the right track. So that will definitely create confidence in the market. And let us see.

Sanjeev Kumar: And one more thing, sir, that your, I mean, the value of your investment is rising like anything. Because historically, LIC have been a very old investor on the stock exchange of India. So you are the best beneficiary or highest beneficiary of the rise in the market. So how to share prosperity, this also can be thought of?

Siddhartha Mohanty: Yes. All our stakeholders will benefit from that.

Sanjeev Kumar: Okay, sir. Thank you. Thank you. This is all from my side. Thank you.

Moderator: Thank you very much. Next question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Yes. Hi, sir. Thank you for the opportunity. I have two, three questions. So first one, on the VNB walk that you have provided, if you could explain what happened in the impact of the product benefits that resulted in offsetting our benefits of the product mix improvement. And vis-a-vis last year, 1H, you also have shown a positive impact coming from assumptions. So has there been any assumption change in the -- in this current quarter, which is driving that, if you could highlight that? That is the first question.

Secondly, sir, last, I think from last few quarters, your commentary and your product mix kind of outlines are focused on the non-par side. But when I look at the persistency ratios, despite the mix moving slightly towards the non-par side, the persistency numbers haven't seen any improvement. So just wanted to understand, is there any challenges pushing this product or why is the persistency numbers dropping?

And also, I mean, while the persistency numbers look lower vis-a-vis last year, first half with most cohorts, there has been an improvement in the 37th month, both by number of policies and premium. So if you could explain what is different there in that cohort, which has resulted in that improvement? These are my questions.

K. R. Ashok: Good evening. I'm Ashok, Executive Director, Actuarial. I'll be taking the question on VNB walk. We have already disclosed the breakup of the walk. Actually, there are some components which are mentioned. One is the impact on business mix. You must have noticed that we have moving on trajectory towards non-par businesses and our non-par proportion has increased. Actually, this has resulted in showing a positive movement in the VNB margin.

And regarding the product benefits, we have to have our products in a competitive market. We have to have our products priced competitively. And because of the -- when we price the products competitively, then it has a negative impact on the margins, because if you notice that any increase in benefits to policy holders will have adverse impact on the margins. And regarding the assumptions, actually, the main impact is due to the risk-free rates going down compared to September '22, year-on-year. And that has resulted in movement towards a negative movement.

And, finally, we have also observed that there has been a good improvement in the mortality improvement in the group term business, which has made the margin move in the opposite direction. So, the net effect is the margin as of the 30, September is 14.6%.

Swarnabh Mukherjee: Understood. Just a follow-up on that. So, the increase in product benefits, is it on the group annuity side or also on the individual side, if you could maybe give details on which categories of the product you have taken this ad benefits?

K.R. Ashok: Actually, the product is, we have repriced the annuities. So, that has resulted in the, there's some bigger impact on the movement of margin.

Swarnabh Mukherjee: Okay, on the group side or overall, I mean, individual also?

K.R. Ashok: Group and individual both are in a way related. So, whenever we reprice the margins for the individual, group margins also getting updated.

Swarnabh Mukherjee: Okay, understood. Very helpful. If you could address the persistence related question, please?

Siddhartha Mohanty: Persistency, if you see, it has actually improved. 13th month, if you see, 13th month persistency, as I can say, 77.62%, it has gone up to 78.49% in premium. And in policy, policy also, as I can say, 65.21%. Last year, it is 66.8%. So, persistency there has been some improvement in initial period. Of course, subsequent months, up and down, both are there. But initially, it is showing some improvements.

Siddhartha Mohanty: Just to supplement that, actually you are aware that persistency is measured on the cohort-wise basis, right? So, the decisions which you just mentioned about, like, non-par business, which has become the focus for some period of time. And post IPO, I see the decisions which have been taken to modify the products, reprice the products. For example, a decision which has been taken a year back would start to show the results at the end of the one year. Because entire one-year cohort has to be completed, it has to be given a period of 13 months. And thereafter, it is measured.

So, typically, 13 months is the most proximate way to look at the recent decision. And 61st month to show the long-term view. In between, the behaviour which is there is because of those cohorts which have been done in the preceding years. So, we are sure that the effective decisions which have been taken in the year between '20 to '23 will actually, the outcomes of that will be very visibly seen when we go near to the end of this year.

Swarnabh Mukherjee: Understood, sir. Very helpful. Thank you so much and wish you all a very happy Diwali.

Siddhartha Mohanty: Thank you. And happy Diwali to you.

Moderator: Thank you. Next question is from the line of Udit, individual Investor. Please go ahead.

Udit: Hello, sir. Thanks for giving me a chance to ask questions. My question is on the embedded value. So, there is a significant increase on the embedded value compared to last year. And from 2021 to 2022, there was a very small variance. So, my question is, can you explain what has led to such a big increase? And over the next few years, how will you maintain stability on the embedded value?

K. R. Ashok: This is Ashok. See, actually, you must have noticed that embedded value is an outcome of conscious efforts that the corporation takes in this regard. And the major component of the embedded value is the unwind. Because basically, we are high on the select product portfolio. And therefore, this component that -- the comparative is the biggest component in the embedded value. I think I've answered your question.

Udit: And I just have one more question on the group premium. I think there's a 30% drop. You did mention that it's a technical business, but is this something which you're planning to recover that market share over the next six months? Or what will be the period that you are plan to recover that drop in the percentage?

R. Doraiswamy: This is Doraiswamy, Managing Director. The group funded business is a bit cyclical with the employee benefits valuations which are being done by the company. And based on that, some funding also gets happened and new schemes being introduced. We are trying to recover whatever is the degrowth or whatever we could not collect in the first half during the remaining period of the current financial year. And we hope to be showing a good growth over it by the end of the year.

Udit: Thank you sir.

Moderator: Thank you. Next question is from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: Hi, Good evening sir. I have a couple of questions. Firstly, on the group business, is there a significant increase in competition from private players and because of the expense of management regulation? And that is the reason there is a much sharper decline for us in the group business because of which we are losing out. Is that the case?

R. Doraiswamy: Again, Doraiswamy here answering. You can't ascribe it to that. It's not that the business -- the premium that has come to us has gone to any competitor. And though competition is felt in every sphere of our business activity. And that's a continuous thing which we have been meeting. But this degrowth or this impact that we are seeing in the current year cannot be ascribed to the increased competition.

Yes, the expense of management regulation and the relaxation given in terms of commission is a tool which is being made use of by other companies. But it has not directly resulted in this kind of a dip, which we have already explained and we are trying to get it back as quickly as possible.

Prayesh Jain: And considering the expense of management ratios, are we reconsidering our commission ratios? Have we changed the commission ratios on any of the products for agents or what are the processes?

Siddhartha Mohanty: It depends. It will depend on product to product. Whenever we design a new product, depending upon market dynamics, the need of people and all those things, we will decide at that point of time. Since EOM is….the regulator has given EOM, so that leverage also will take.

Prayesh Jain: Got that. And so lastly, the agency channel had a very high share of, you know, relatively to other channels, agency has a good share of five lakhs plus ticket size. And we have so many MDRT agents and COT and TOT agents. How has been their experience in the first half after the tax changes? And do you think that more understanding of the tax regulations will allow the agency channel to kind of improve the growth in the second half?

R. Sudhakar: This is Sudhakar, Executive Director, Marketing. As such, even in the current year, if you look at it, the ticket size has actually increased across the various product categories as compared to the last year. The impact of 10-10-D, of March is not so much significant in the current year also and we are expecting to cover that up in the coming months without much of a difficulty. The ticket size, per se, in all the plans, as well as the new plans which were introduced in the current year, like Dhan Vriddhi, has been quite significant. It is more than two lakhs per policy.

Prayesh Jain: Your voice was too bleak to understand it.

R. Sudhakar: I'm Sudhakar, Executive Director, Marketing. I mentioned that the ticket size of all the plans which we have sold in the current year are significantly larger than that of the previous year. If you look at the overall ticket size also, there has been considerable improvement. This is because of various changes and modifications we carried out in the last year in certain plans by raising the minimum sum assured and minimum ticket size in some of the plans.

As well as encouraging more of annuity business which has got a higher ticket size component. The growth of annuity business is contributing to higher ticket size now. And similarly, a new product which was launched in the current year, Dhan Vriddhi, which has got a ticket size of more than two lakhs, is also helping us to increase the ticket size and compensate for whatever ticket size impacts which will be there because of the March business.

Prayesh Jain: Thank you so much. And just lastly, one more question. Could you reiterate the impact of benefit product mix on the VNB walk? Could you just restate that?

K. R. Ashok: Yes, this is Ashok. Actually, what I was mentioning is when the benefits are being enhanced in some of the products, particularly the annuity products, there is a downward pressure on the market. So, that is what is getting reflected in the VNB.

Prayesh Jain: Your annuity rates have been increased and because of which the margins on the non-par products have come down and that has impacted the overall VNB margin?

K. R. Ashok: Actually, one thing we need to have clarity is that basically, these products are highly competitive in nature. And we have to be dynamic in looking at the market movements and accordingly price the products. And we have been doing that continuously and that will have an impact on the market.

Prayesh Jain: Got that. Thank you sir.

Moderator: Next question is from Supratim Datta from AMBIT Capital.

Supratim Datta: Thanks for the opportunity. My first question is on this call previously you mentioned that you know how you have been investing in alternate channels and banca channels and growing those channels. But if I look at the numbers, it looks like the second quarter individual NBP source to the Banca and Alternate Channel has declined by around 2%. So, if you could talk about what is driving that decline? So, that is the first question

The second question is I wanted to understand within the non-par how much of that is coming from the banca and alternate channels versus agency.

And the third question was in the embedded value, embedded value walk. And now, could you let us know what proportion of this increase is coming from economic variance? That's the third.

And finally, on the annuity piece, I just wanted to understand what proportion of your annuities will be coming from PSU employees versus non-PSU employees. Thank you.

Siddhartha Mohanty: If you see banca channel, we have shown already more than 18% growth in number of sales. And premium wise, 4% plus. So, it is growing. Share is also more than 3.37% share to total premium banca. I would request our ED Banca can give some further…

Supratim Datta: Sir I was just talking about the second quarter. So if I look at the second quarter, then there is a decline of around 2%.

Hemant Buch: Yes, this is Hemant Buch, Executive Director of Bank Assurance and Alternate Channel. Second quarter, if you look at the number, basically, I would see it from a different perspective. I could present it that way. Typically, if you relate with the experience of the banks, since the NIM pressure was there and the cost of deposit also was growing on there was rush seen in the continuation to…. for deposit side of banks. Because it has affected to some extent, our single premium business.

And to that extent, the numbers have been corrected or lowered when it comes to single premium contribution from the Banca Channel. But the regular premium contribution has shown a very decent growth, almost to the tune of 37%. So, net to net when we compare, of course, it looks as if in terms of volume-to-volume absolute numbers, there is a slight degrowth in quarter two numbers.

But overall, when we see the business mix on the WRP side or on the APE side, the growth remains steady, stable. And now that we are entering a positive kind of an environment starting H2, numbers will improve hereon. And both regular as well as the single premium products will continue to do well and we are confident of putting up a better show in quarter afterwards.

K. R. Ashok: Regarding the embedded value, particularly the MTM component you have been referring to, actually the MTM proportion of the total embedded value stays flat at around 50%, though there has been a growth in MTM of 22% year on year.

Supratim Datta: So just to clarify, 15%, as you also mentioned?

K. R. Ashok: Yes, close to 50%, yes.

Moderator: The next question is from the line of Udit, an individual investor. Please go ahead.

Udit: Thanks. Sir, my question is on the product mix. There was a discussion on the composite insurance license. Any progress on that? And with the Meridian, a very good target for insurance. Do you think over the next few years you are looking for a new product mix with combined life insurance and health insurance and other policies should come in?

Dinesh Pant: Yes, actually, we realize and we actually really understand this thing that when product offerings are concerned, we have to look towards a trajectory in which product offering should be like a solution to the entire basket of their requirements and needs. So, typically, as of now, currently what is available for life insurance companies is to work in the area of the market side of ULIPs and on the long-term perspective, future planning, post-retirement type planning through annuities. And we are allowed to have fixed benefit health products also. And besides that, we have got risk-cover plans also.

So, currently, when the product offerings are given as a solution to the customer, a basket of such products and mix of that is considered so that a solution is there. Going forward, when a call is finally taken, to what extent the cross-selling between insurance companies or companies that call the station, allowing all those insurance products or financial products being allowed, that's also on the card. So, all those things will be integrated as and when it comes.

Currently, even in fact, some of the products are already being, you know, Bima Vistar coming from regulatory side. Already, multiple components of health, accident, and life insurance cover all are being taken. So, we are conscious of it. In the current scheme of things, whatever is allowed to us, we are trying to, integrate all those things to provide as close as, life cycle solution we can provide to our customers. Going forward, when the regulations change or larger participation is allowed, that will also be integrated into our processes and product offering.

Moderator: Next question is from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: Hi, thanks for taking my question. You know, the first one is really on the embedded value. We have seen a significant increase in the first six months. Would you kind of say that the large part of it is because of, capital market movement?

Dinesh Pant: You know, just one clarification is important to have, as you see. One, it's very heartening thing that, you know, in case of LIC, this is on one-to-one year basis. This embedded value growth of around 21.7% is perhaps one of the best we are seeing around at this point of time. Yes, a large contribution comes from the equity component to it.

But it is also important to note that even actually the performance of the core business has also significantly contributed to it. Actually, the growth rate from core business would be even better than what has come from this thing. In fact, if you look into the March to current change in embedded value, if the return particularly turn down embedded value in operating terms is almost something around 11.8% or so.

So this is -- all these factors are contributing, whether it is adjusted networth, whether it is the core business contribution coming through PVFP or through the market value gain all has contributed favourably. That is why, let say 21% plus sort of growth in embedded value, which is very, very robust for such a high-volume, such a big base has come up.

Nischint Chawathe: The next question is on your APE disclosure, and thanks for this. At the time of IPO, we said that the focus will be to kind of increase non-par savings and that kind of improves margins over time. But I think almost like a year down the line, we are still at just -- I mean, barely not even INR400 crores of non-par business. So I was curious whether there is any marketing or any active marketing of these products done at all? And even on the protection side, I know you have changed your pricing, but all that we are doing is something like just around INR80 crores of protection.

So I mean, are these products actively marketed by the marketing team? Such a large army but the numbers are one year down -- or in fact, more than one year down the IPO and the numbers are still negligible.

Siddhartha Mohanty: No. So you see this total volume it will appear negligible because we are new to this and our agents have been trained to sell -- when all these products which are in the interest of customers as well. And as you see, it has also included the share of non-par. It has gone beyond 10%, which was 8.99%, one year before. And total premium also from 39% on non-par, so that is also there. So consistently, there is effort to promote non-par not only for the interest of shareholders, but also policyholders. And all the products which we have launched, those are getting traction in the market. But as we told, a lot has to be done. So that's where we are on that, working on that.

Nischint Chawathe: And a related question is, if I look at the gross margin on the non-par side, it appears to be kind of a little -- I mean, it is a pretty high margin. So is there a scope where you can probably offer a little bit more to the customer and maybe gain more market share?

Dinesh Pant: Yes. Actually that's an interesting call, which as an insurer we have to take. When you start the margins that you have restarted with high margins, then you have to also see ultimately, we have to work towards the value of new business itself. So, it is a balance between margins, and elasticity of that to the volume of sales, which happens. That is what we have seen, for example, what we told earlier in a competitive -- out of competitive consideration annuity business, the margins are reduced because the benefits have been significantly improved, in fact some of the annuity products of our different segments offer the best returns to the policyholders.

So naturally -- the growth has happened, but if the growth does not compensate for the loss in margin for some time till that comes about, there will be setback on the VNB. This is the end of a process in which we continuously consider shareholders' interest, policyholder's interest, overall business dynamics and we want to go about it.

So yes, we have already improved our benefits that we are saying. We continue to offer products which have good VNB Margins reasonable margins for a period of time, ensuring them that the volumes and the business is sustainable. So that's what -- answers your previous question also. This shift is little time taking because all the people who are involved have to involve into that process. But once that momentum picks up, this outcome we will start to see already this 10.8% shift..IPO..if you actually would have looked at, it's almost double of that proportion a year back. So this is a significant change, which is happening and good strategy being in that direction.

Nischint Chawathe: And sorry, I kind of dropped off in between, but did you kind of highlight any specific reason for lower gross margins in the par business?

Dinesh Pant: For the par business. Your question is on the margin?

Nischint Chawathe No. I'm saying that a decline in margin in the par business, have you assigned a...

Dinesh Pant: There is no significant decline in the par business, for sure. That has almost been stable, right? There is no significant change in par business because that contributes only 10% towards VNB. But what has happened is the growth in par business has been less because of the market conditions. The carry over effect from the last quarter of the previous year in the initial two quarters, so that will also be made good.

The driver of the VNB margin will be not a par business, that will be drivers continue to make an important contribution in the overall VNB, so mainly contribution will largely come from the Non participating business.

Nischint Chawathe: I believe you have regrouped; I think some of the numbers on the margin? Regrouped. If you look at the first half presentation for last year, your VNB gross margin you reported is 14.5%, while I think the same number for previous year, this time around you reported as 15.8%?

Dinesh Pant: No, for September period, last year actually it was 14.6%. It remains 14.6%. Last year it was 14.5% to be precise and 14.6% on this year. But on the rounding effect, it is 14.6%.

K.R. Ashok: See, one more point is, if you look at the disclosure, we are now declaring net margin. So, I think you are comparing these numbers with the gross margin.

Dinesh Pant: Previous year it was gross margin. Net is 14.6%, last quarter, September '22, 14.6%. In fact, it is 14.6% to be precise as compared to 14.5% last year. But we round it as a factor. So, it is 14.6%.

Nischint Chawathe: Sorry, that was my error. Thanks for pointing it out. Thank you very much and all the best.

Moderator: Thank you. Next question is from the line of Amit Jain from Axis Capital. Please go ahead.

Amit Jain: Yes, hi, sir. Thanks for taking my question. So, I had a question on the other, the banca channel that you are incrementally focusing on. So, is it purely on the PSU banks that you are focusing on or are you in talks with the private banks as well? And secondly, what are your thoughts on Fintechs as a channel? So, do you have any thoughts of incorporating any Fintechs to increase your proportion of the, proportion from the other channels? So, any thoughts on that would be helpful.

Hemant Buch: Hi, this is Hemant Buch, Executive Director of Banca. We have a very good presence of both private as well as PSB. Mainly, of course, the PSBs are partners here. But, major contributions, of course, are driven by few PSBs and one private bank. Coming to the other part of the question, but at the same time, this is a dynamic kind of an environment, so we will continue to strive for having more partners, both from private as well as public sector banks. But public sector banks, I think, we have to tell this, almost everybody, except for two of them, they are in more dedicated kind of relationships, so we will keep exploring as and when there is an opportunity, we will definitely get them onboarded.

Coming to the Fintech side, yes, as other corporate agents, we are looking this phase with a lot of excitement. And we have already added in the three Fintech companies as corporate agents in the current year till now. Of course, with the integration phase and other things being tested and being put in place, the actual business flow will start kicking in basically from this part quarter onwards. And that will contribute to the set of numbers that will be presented in Q3.

Amit Jain: Sure, sir. That's very helpful. And secondly, in terms of margins, so just coming on the non-par business, the margin decline that is 68.7% to 50%. So just wanted some further clarity as to why is this only because of pricing? Or is there any other thing out here that has met the declined part in the non-par business?

K.R. Ashok: Actually, if you look at the non-par margins, the major impact of reduction in margin is the pricing, repricing. There is also another more impact due to the changes in the risk-free rates. But then, yes, the major movement is due to repricing the non-par products.

Amit Jain: And so on a sustainable basis, so H2 margins were at 14.6%. So for a full year, do you envisage that these could go up closer to 15% or like 14.5% to 15% is the range for this year? And incrementally, how are you seeing your margins when you move on to FY '25? Any thoughts on that?

K.R. Ashok: Ideally, we focus mainly on assessing that our focus has really shifted towards non-par products and the non-par products is giving quite a decent margin. And as the focus is towards more and more non-par products, we can expect the margin to go up .

Amit Jain: Sure, sir. That's very helpful. Thank you.

Moderator: Thank you. Next question is from the line of the Dipanjan Ghosh from Citi. Please, go ahead.

Dipanjan Ghosh: Hi, good evening. A few questions from my side. First, on the agency front, given that you are shifting your focus towards more of non-par, over the last, let's say, 12 months to 18 months, have you seen any change in the activation rate of agents or in terms of the productivity of agents? How do you see that? I mean, by the ticket size, which obviously has been on the upper trajectory. How do you see the activation rate in terms of the new agents, in terms of how the productivity or churn is shaping up?

Second, in terms of the non-par business, is there more repricing in any of the product segments or annuities that you have forecasted going into the second half out there? Third question would be in your non-par savings business, individual non-par savings business, can you get some color on whether it would be single pay or regular pay mix or what would be the average tenor or something out there?

And lastly, in terms of your group business, you mentioned that you would try to recoup some of the business that probably did not come through in the first half in 2H. Just wanted to get some color on what are the strategies that you're kind of adopting out there and how confident are you on recouping the businesses on the second half?

R. Sudhakar: This is Sudhakar, Extended Director Marketing here. On the agency side, yes, we have about 1.3 million agents and training them into the non-par, which is a new line of business as far as they are concerned. We take the more senior agents to train them because they are already selling, having a higher basket of products which they are selling and they understand much better.

At the same time, when new agents are being added also, we are teaching them one or two of the non-par products, especially on the savings side, and that is how the overall percentage of agents who are selling non-par over the last year, it has increased by almost 3%-4% as compared to the corresponding period of last year. So, the overall total non-par business also, as you can see, there is an increase in the individual savings by almost 172% and individual non-par by 19% and annuity by around 9.95% and so on. So, that breakup is also being given by us.

ULIP is also showing growth. So, it takes some time because of the organization for all agents to come on board as soon as they understand and start selling the products. So, mainly it will be more senior agents who are understanding the products and are able to convey that to the customers.

Dinesh Pant: On the product side, in the past sometime, we have repriced our products and just for a clarification, when we see overall, you know, VNB margins have come down consciously because of the competitive reasons in non-par business. It is not across all lines of businesses. In certain products, where we have repriced the products, particularly protection business, the margins have improved also.

Similarly, in other lines of businesses also. So, it's a conscious call depending on the balance of the business. Going forward, our aim is to, you know, have our product basket complete, provide and facilitate our intermediaries as well as the clients, all the product offerings as per their life cycle requirements. And we are very confident that we are going to yield very good results in the coming quarters within this financial year and thereafter also.

Dipanjan Ghosh: Sure. My two other questions was one on the non-par mix, individual non-par mix, if you can give some color on the type of product between single or regular pay, average policy turnover or something. And the last question was how confident are you on recouping the group business in 2H and what are the incremental strategies you have adopted for that?

R. Sudhakar: Again, Sudhakar here. On the non-par side, approximately 25% of our business comes from the annuity portion, annuity basket and it is continuing to hold the same position as of last year. Apart from that, we have added some savings products in the current year which are both available as single as well as non-single. So annuities are of course single, but under the individual savings, we are adding both single as well as non-single premium pay modes. And in there also, the Dhan Vriddhi, which is a mainly, it is a single premium product. We have also added Jeevan Kiran, which is a return of premium product, which is added at the later end of the second quarter.

So it is just gaining traction and you will see more action on that in the next two quarters as it rolls out.

R. Doraiswamy: On the group side, yes, we have increased our follow-up with the various entities from whom we may have to have premiums to be collected. Plus, we are working with new entities who will be, with whom we have been following for quite some time. We are quite confident of getting back whatever we have been doing in the previous year and showing growth over that by the end of the current year.

Dipanjan Ghosh: Got it. Thank you and all the best.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Mr. Mohanty for closing comments.

Siddhartha Mohanty: Thank you, all the analysts, because you have given very valuable time during this Dhanteras. So, on behalf of the corporation, I thank you. And as per our commitment, we are moving ahead and definitely we will deliver. There may be some dislocation here and there, but overall, you will see, we will fulfill our commitment. Thank you. All the best.

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