BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SUBSCRIBE

LIC | Insurance | 02 May 2022

Insurance colossus with sharp growth focus – SUBSCRIBE

- **Steadfastly retains >60% market share despite stiff competition and is well positioned to capture opportunities in a growing industry**
- **Strong force of 1.33mn agents generates ~95% of its individual NBP and is more productive than peers**
- **Par policies dominate the portfolio but plans to diversify towards non-par and protection products should augment margins**

Mohit Mangal
researchreport@bobcaps.in

Well positioned for growth: LIC remains the undisputed leader in India's life insurance sector, commanding a market share of over 60% in both NBP and gross premium despite intense competition from private players. The industry is expected to clock a brisk 14-15% CAGR over FY21-FY26 to Rs 12.4tn. In our view, LIC is primed to benefit from upcoming growth opportunities given its entrenched branding, large agency workforce and new strategic roadmap aimed at increasing bancassurance, enhancing the product mix and tapping into cross-sales.

Agency-driven model: LIC's massive army of agents numbering at 1.33mn (55% of the industry total) generates 95% of its individual NBP. Moreover, they are highly productive with an average NBP of Rs 412,934 per agent vs. a median of Rs 124,892 for the top 5 private players (end-FY21). LIC intends to further strengthen its omnichannel distribution network, which currently covers 91% of India's districts, with a focus on raising the share of the bancassurance channel.

Diversifying towards a more profitable mix: Although participating (par) products dominate the company's portfolio (63% share of non-linked), LIC plans to augment its focus on non-participating and protection products, which are margin accretive. Already, the share of non-participating products in the non-linked portfolio has risen from 33% in FY19 to 37.2% as at end-9MFY22.

Proven track record as largest asset manager: LIC has proven its mettle over the years with its NBP growing from Rs 70bn at end-FY01 to Rs 1.8tn at end-FY21. The company manages India's largest AUM of ~Rs 40tn (3.2x that of private insurers combined). Net profit on sale/redemption of policyholders' investments was Rs 398bn at end-FY21 and Rs 365bn at end-9MFY22.

Valuations attractive – SUBSCRIBE: LIC's IPO is priced at 1.1x Sep'21 embedded value (upper band), a steep discount to the 2.5-4.1x multiple range of major listed peers. Given its market leadership, robust distribution backbone, profitable product focus, improving persistency ratios and healthy solvency margins, we find valuations attractive and recommend that investors SUBSCRIBE to the offer.

Key financials

Y/E 31 Mar	FY19A	FY20A	FY21A
Net premium (Rs tn)	3.3	3.8	4.0
APE (Rs bn)	406	479	456
Cost ratio (%)	14.3	14.6	14.2
AUM (Rs tn)	32.7	33.4	36.9
Solvency (%)	160	155	176
EV (Rs bn)	NA	465	956

Issue highlights

Issue size net (Rs bn)	195.2 - 205.6
Fresh issue	-
Offer for sale (Rs bn) *	205.6
No. of shares	221mn
Face value	Rs 10
Price band	Rs 902-949
Bid lot	15 shares
Issue opens on	04 May 2022
Issue closes on	09 May 2022
Employee reservation	0.7%
Employee discount	Rs 45

*On upper band

Shareholding pattern

Category (%)	Pre-issue	Post-issue
Promoter	100.0	96.5
Public	0.0	3.5
Total	**100.0**	**100.0**

Source: LIC RHP

Contents

Investment rationale

Mega life insurance player with strong growth focus

LIC is the biggest player in India's life insurance industry, commanding 61.4% and 61.6% market share in new business premium (NBP) and gross premium respectively at end-9MFY22. Although its share has declined versus FY21 (66.2% and 64.1% resp.), the company gained ground in Feb-Mar'22. LIC commands the lion's share in new individual policies at ~75% and in new group policies at ~81% as of end-FY21 (71.8% and 88.8% resp. at end-9MFY22).

While private players have increased market share owing to innovation and technology-enabled solutions, we believe LIC is simply too large to be challenged by any single private entity. Moreover, it is a household brand name and has a vast agency force.

Gross premium for India's life insurance industry is expected to clock a 14-15% CAGR over FY21-FY26 to reach Rs 12.4tn (Source: Crisil). This bodes well for LIC who has been positioning itself to capture growth opportunities. Some of its future plans include (i) focus on bancassurance by tying up with more bank partners, (ii) improving the share of non-par and ULIP products in the product mix, (iii) recruiting more millennial agents, (iv) improving the productivity of intermediaries, (v) focus on group protection plans, and (vi) increasing upselling and cross-selling to individual customers and beneficiaries of group products.

Fig 1 – Competitive landscape – LIC commands a higher market share

Data as of FY21	LIC	SBI Life	HDFC Life	I-Pru	Max Life	Total of Private Players
Total premium (Rs bn)	4,032.9	502.5	385.8	357.3	190.2	2,254.3
Individual share (%)	66.5	81.7	73.7	85.2	96.8	83.9
Group share (%)	33.5	18.3	26.3	14.8	3.2	16.1
NBP (Rs bn)	1,841.7	206.3	202.4	130.3	68.3	941.0
Individual share (%)	30.6	60.6	50.0	60.2	91.2	61.0
Group share (%)	69.4	39.4	50.0	39.8	8.8	39.0
Renewal premium (Rs bn)	2,188.6	296.3	184.8	225.1	121.9	1,311.7
Individual share (%)	96.6	96.4	99.5	100.0	100.0	98.3
Group share (%)	3.4	3.6	0.5	0.0	0.0	1.7
Single premium (Rs bn)	1,503.9	102.9	133.3	49.7	19.9	439.1
Total Policies issued (in mn)	212.1	7.2	4.8	3.6	3.4	36.4
Individual share (%)	99.94	99.97	99.99	99.88	99.99	99.96
Group share (%)	0.06	0.03	0.01	0.12	0.01	0.04
NBP Policies issued (in mn)	21.0	1.7	1.0	0.7	0.6	7.2
Individual share (%)	99.85	99.97	99.97	99.57	99.94	99.90
Group share (%)	0.15	0.03	0.03	0.43	0.06	0.10
Market share (%)						
Total premium	64.1	8.0	6.1	5.7	3.0	35.9
NBP	66.2	7.4	7.2	4.7	2.4	33.8
Renewal premium	62.5	8.5	5.2	6.5	3.5	37.5
Single premium	77.4	5.3	6.9	2.6	1.0	22.6
NBP policies - Individual	74.6	5.9	3.5	2.4	2.3	25.4
NBP policies - Group	81.1	1.3	0.7	7.4	1.0	18.9

Source: Company, BOBCAPS Research

Fig 2 – Key operational parameters

Data as of FY21 (%)	LIC	SBI Life	HDFC Life	I-Pru	Max Life	Median of Top 5 players
Reinsurance ceded as % of total premium	0.11	0.97	1.20	2.13	1.47	NA
Conservation ratio	84.5	87.5	85.9	82.0	83.0	85.9
EV (Rs bn)	956.1	333.9	266.2	291.1	118.3	NA
VNB (Rs bn)	41.7	23.3	21.9	16.2	12.5	NA
VNB margin	9.9	20.4	26.1	25.1	25.2	NA
Solvency ratio (x)	1.76	2.15	2.01	2.17	2.02	NA
Claim settlement ratio	98.3	96.4	99.4	98.0	99.3	99.3
Policies mis-selling complaints per 10,000 policies	2.1	5.8	17.6	26.4	21.6	19.5
Commission ratio	5.5	3.5	4.4	4.2	6.5	4.4
Opex ratio	8.7	4.8	11.9	7.5	14.2	11.9
Total cost ratio	14.2	8.3	16.3	11.7	20.7	16.3
AUM (Rs bn)	36,761.8	2,208.7	1,738.4	2,142.2	904.1	NA
Debt	79.5	73.0	64.0	54.5	80.0	NA
Equity	20.5	27.0	36.0	45.5	20.0	NA
13th month persistency	79.0	87.9	91.7	87.1	84.0	87.1
61st month persistency	59.0	61.6	54.4	59.8	53.0	54.4
ROEV	36.9	19.1	18.5	15.2	18.5	NA

Source: Company, BOBCAPS Research | Note: For LIC, persistency ratio is in regular premium for individual products. For SBI Life, persistency ratio is for individual products including group business where persistency is measurable. For HDFC Life, persistency ratio is for individual products including group business and rural business where persistency is measurable. For Max Life, persistency ratios reported basis the data disclosed in L-22 (Analytical Ratios).

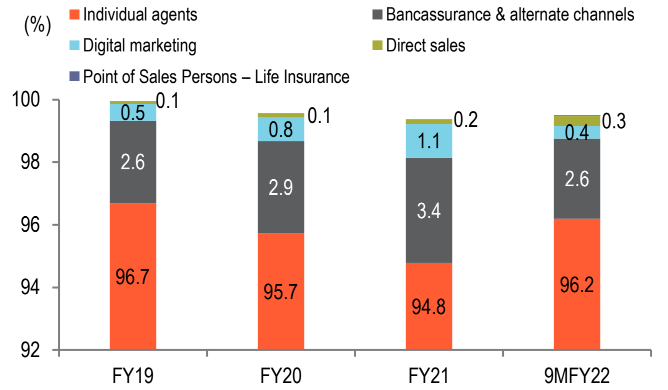
Vast army of agents; striving to further buttress network

As at end-9MFY22, LIC's omnichannel network comprises (i) ~1.33mn individual agents, (ii) 70 bancassurance partners (8 PSU, 5 private, 1 foreign bank, 14 regional rural banks and 42 cooperative banks), (iii) 215 alternate channels (63 insurance marketing firms, 83 brokers and 69 corporate agents), (iv) a portal on the company's website for digital sales, (v) 2,128 active micro insurance agents (sold at least one policy in the previous 12 months), and (vi) 4,769 point-of-sale persons (people who have not passed the IRDAI agent examination but who have a 10th standard qualification can sell certain products).

About 95% of the individual NBP has been sourced by individual agents on a consistent basis – made possible by the fact that LIC accounts for 55% of India's life insurance agents. Moreover, its strong agent productivity can be gauged from the average NBP of Rs 412,934 per agent of LIC as compared to a median of Rs 124,892 per agent for the top five private players at end-FY21 (9MFY22: Rs 260,069 for LIC vs. median of Rs 108,888 for top 5 private players). LIC's agents sold 15.3 individual policies on average in FY21 (9.0 at end-9MFY22) as compared with the median of 1.6 policies for the top five private players (1.1 at end-9MFY22).

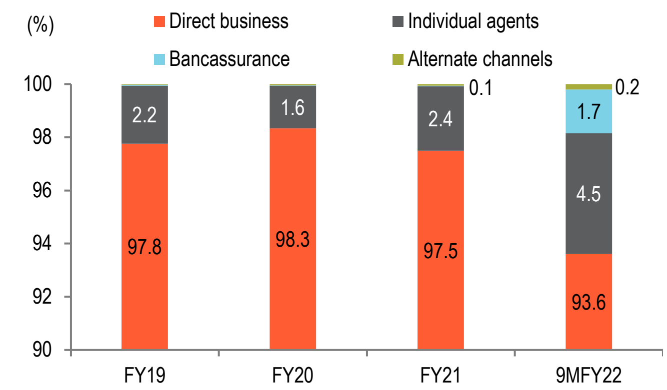
Despite its dominating agent-led footprint, the company is also striving to raise the share of it bancassurance channel. This is reflected in the increase in individual new business share from the banca channel from 2.2% at end-FY16 to 3.1% in FY21.

Fig 3 – Agents dominate the individual business



Source: Company

Fig 4 – Direct channel used for group business



Source: Company

Par products dominate; targeting higher-margin policies

At end-9MFY22, LIC's individual product portfolio comprised 32 individual products (16 par products and 16 non-participating products) and 7 individual optional rider benefits. The group portfolio comprises 11 products.

The company's product mix is dominated by participating policies. Non-linked policies contributed over 99% of the product mix, of which par product share was consistently above 60%. Benefits of the par-dominated portfolio are lower interest rates, liquidity risks and capital requirements. However, the company intends to diversify its product mix towards higher margin products such as non-par and protection products. This is evident from:

- The rise in LIC's health insurance market share to 53.6% and 54.4% in terms of gross premium for FY21 and 9MFY22 respectively.
- Growth in individual NBP for non-par protection products at a 15.5% CAGR over FY19-FY21, for non-par savings products at 30.8%, for ULIPs at 369.8%, and for annuity/pension products at 10.9%.

Fig 5 – LIC has a par-dominated product portfolio

Policy	FY19		FY20		FY21		9MFY22	
	% of Total GWP	% of Median of Top-5 Indian private players' total GWP	% of Total GWP	% of Median of Top-5 Indian private players' total GWP	% of Total GWP	% of Median of Top-5 Indian private players' total GWP	% of total GWP	% of Median of Top-5 Indian private players' total GWP
Non-Linked	99.8	61.2	99.8	60.7	99.7	63.6	99.2	69.0
Of which:								
Participating	**67.0**	**42.5**	**60.3**	**42.4**	**60.9**	**35.2**	**62.8**	**29.2**
Non-participating	33.0	57.5	39.7	57.6	39.1	64.8	37.2	70.8
Linked	0.2	38.8	0.2	39.3	0.3	36.4	0.8	31.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company | Note: GWP – Gross Premium

Largest asset manager with a proven track record

LIC was managing ~Rs 40tn in AUM (standalone basis) at end-9MFY22, which is 3.2 times that of all private insurers combined. Its policyholders' funds have a well-diversified investment portfolio. As of 9MFY22 (standalone basis), the policyholders' investment portfolio included 38.1% central government securities, 24.6% equity securities, 24.3% state government securities and 8.4% corporate bonds. Similarly, 95.9% of debt AUM was invested in sovereign and AAA-rated securities.

Over 90% of policyholders' equity investments (standalone) are held in stocks that are a part of the Nifty 200 and BSE 200 indices. Net profit on sale/redemption of policyholders' investments was Rs 239bn at end-FY19, Rs 194bn at end-FY20, Rs 398bn at end-FY21 and Rs 365bn at end-9MFY22.

Technology backbone drives client acquisition and efficiencies

LIC is well positioned to capitalise on the investments it has made towards IT infrastructure, backed by a total of 18.6mn registered users on its portal and 5.1mn on its mobile app. The company spends regularly on technology, with Rs 3.6bn and Rs 1.4bn being incurred in FY21 and 9MFY22 respectively. During these two respective periods, 32.1% and 36.4% of LIC's individual renewal premiums paid in India were through digital channels.

The company has two apps for intermediaries to use at the pre-purchase stage: (i) Sales App and (ii) LIC Quick Quotes App. In addition, there are three onboarding digital platforms through which intermediaries can register new proposals and issue new policies: (i) e2e (online customer onboarding portal), (ii) i-proposals, and (iii) ANANDA (AtmaNirbhar Agents New Business Digital App) – a digital platform for procurement of insurance business. The PRAGATI (Performance Review Application Growth and Trend Indicator) app is a comprehensive mobile application that helps development officers monitor the performance of agents under his/her supervision.

Curious case of Embedded Value growth

LIC's embedded value as at H1FY22 stood at ~Rs 5.4tn as compared to Rs 0.96tn at end-FY21. The increase in embedded value is on account of:

- an increase in Adjusted Net Worth (ANW) from Rs 64bn in FY21 to Rs 82bn at end-H1FY22 due to a rise in free surplus.
- an increase in Value in Force (VIF) from Rs 892bn as at FY21 to Rs 5.3tn at end-H1FY22 due to the rise in present value of future profits from Rs 1.04tn to Rs 5.47tn, which was mainly on account of segregation of the Life Fund into two separate funds, viz. the participating policyholders' fund and the non-participating policyholders' fund effective H1FY22. This resulted in an increase in shareholders' share of the surplus in the non-participating fund and the projected value of surplus in the non-participating global reserves from the assumed allocation of 10% previously to 100% from H1FY22.

Fig 6 – Amendment distribution surplus rule led to EV surge

(%)	FY22	FY23	FY24	FY25
Participating business	5.0	7.5	7.5	10.0
Other business	100.0	100.0	100.0	100.0

Source: Company

Persistency ratios have bounced back

Renewal premium growth is dependent on persistency ratios (proportion of business that is retained from the business underwritten). Due to the Covid-19 pandemic, LIC's persistency ratios declined in FY20 but bounced back thereafter. For instance, the company's 13th month persistency ratio (individual business total premium) declined from 88% in FY19 to 85% in FY20 due to the pandemic but increased to 87% in FY21 and 88% at end-9MFY22.

Fig 7 – Persistency ratios recover

Individual products (%)	FY19			FY20			FY21			9MFY22		
	RP & LP	SP & FP	TP	RP & LP	SP & FP	TP	RP & LP	SP & FP	TP	RP & LP	SP & FP	TP
13th month	77	100	88	72	100	85	79	100	87	77	100	88
25th month	71	99	84	67	99	83	70	99	83	72	99	83
37th month	65	97	76	63	98	80	67	98	82	68	97	80
49th month	60	95	73	58	96	72	63	97	79	65	96	80
61st month	63	92	72	54	94	70	59	95	72	62	96	79

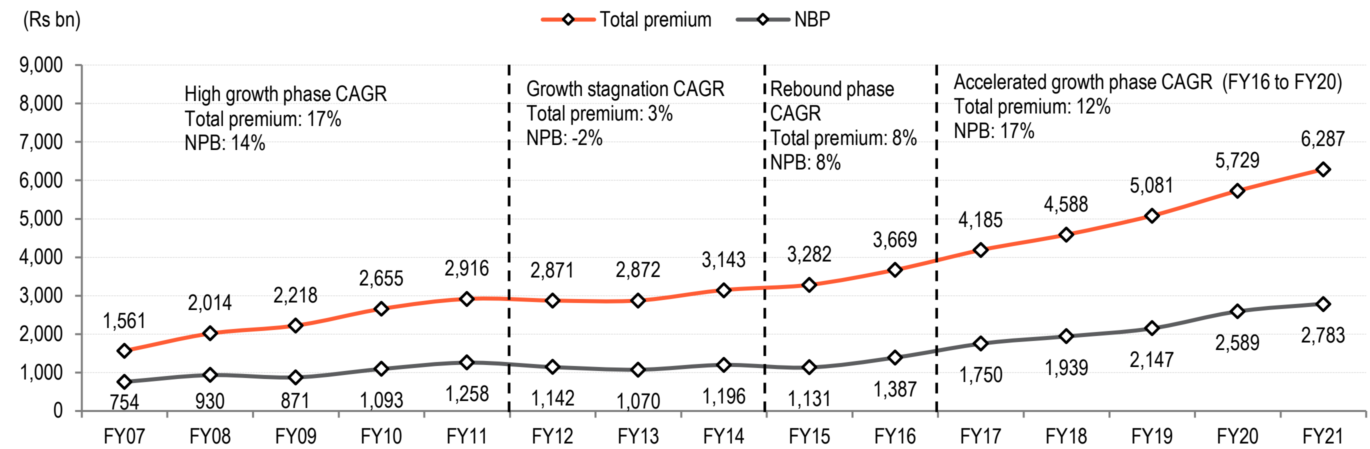
Source: Company | Note: RP= Regular Premium, LP = Limited Premium, SP- Single Premium, FP – Fully Paid-up Premium, TP = Total Premium

Industry overview

India underinsured vs. other economies

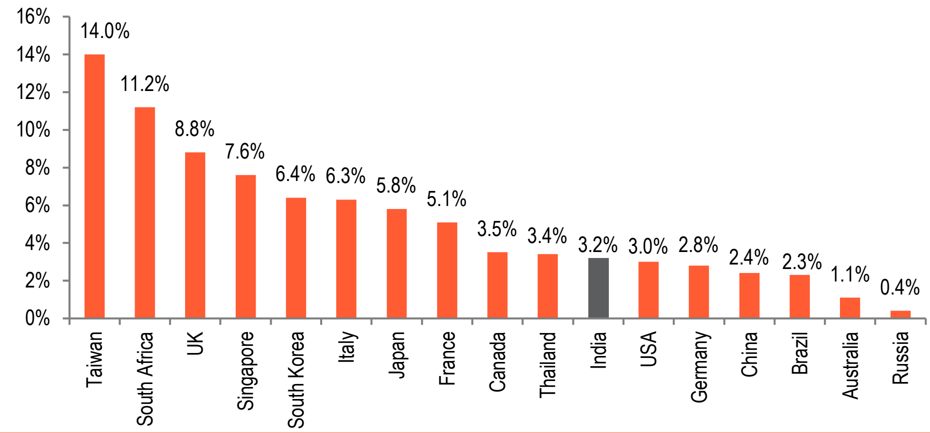
India's life insurance industry registered total premium of Rs 6.3tn in FY21 vs. Rs 2.9tn in FY11. NBP grew at a 15% CAGR during FY16-FY21 to ~Rs 2.8tn. However, at just 3.2% insurance penetration, India lags well behind other countries.

Fig 8 – Phases in India's life insurance industry



Source: Company

Fig 9 – Life insurance penetration for different economies (as of CY20)

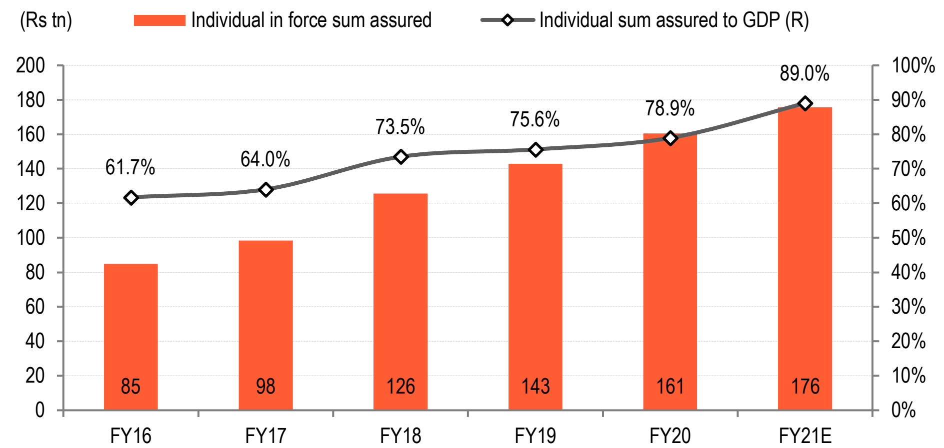


Source: Company

Significant increase in life insurance coverage

Crisil estimates that the total sum assured under the individual life insurance business was Rs 160.6tn in FY20 (79% of India's GDP), which it expects to have reached Rs 176tn in FY21 (89% of GDP). The total number of individual policies in force stood at 332mn for FY21, of which the number of new policies issued was ~28mn.

Fig 10 – Momentum in the life insurance industry

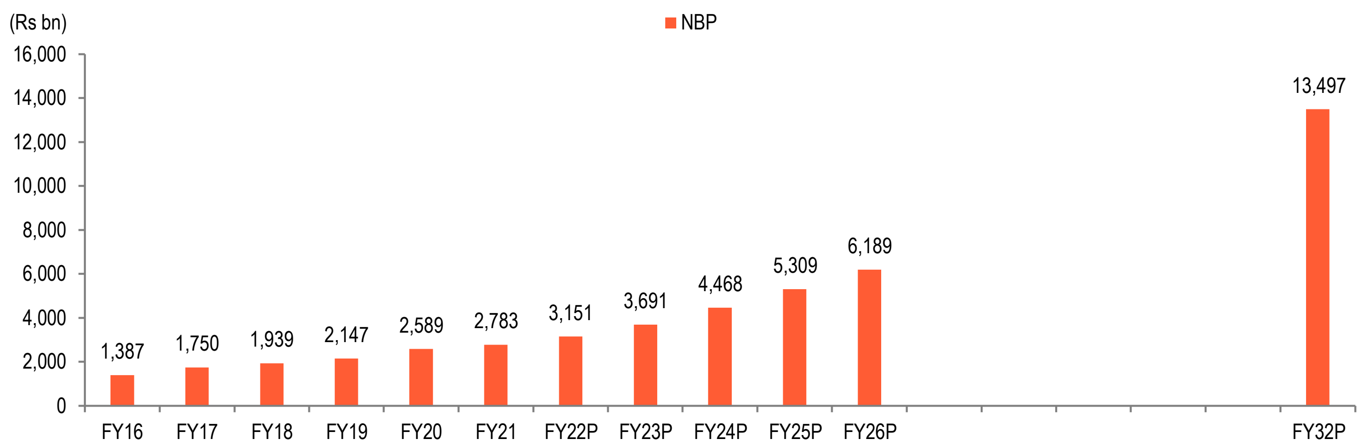


Source: Company, BOBCAPS Research

Industry size to double to Rs 12tn by FY26E

India's life insurance industry is forecast to reach Rs 12.4tn by FY26, growing at a CAGR of 14-15% during FY21-FY26. NBP is expected to grow at 17-18% CAGR during the same period to cross Rs 6tn. Long term, NBP is forecast to cross Rs 13tn by FY32. (Source: Crisil)

Fig 11 – NBP growth expectation a positive



Source: Company

Diverse life insurance business models

The life insurance industry has two broad business models: (i) bank-based corporate agent network and (ii) individual agent-led distribution network. Accordingly, Indian life insurers can be categorised as:

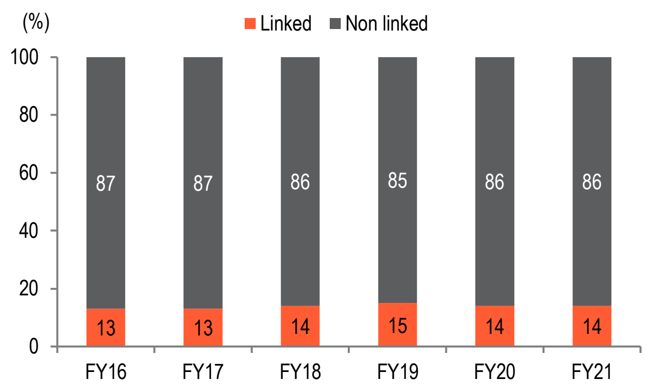
- bank-promoted entities
- non-bank-promoted entities having banking partners
- group-focused players with an individual agent network
- individual-focused players with an individual agent network
- players focused on both group and individual business

Apart from the above, companies also use other models but a focus on a specific channel helps to optimise costs, especially fixed costs and customer acquisition costs. LIC, for example, mainly relies on its agent network for individual business (94% of NBP in FY21), thereby keeping its costs variable, and relies on direct sales for group business.

Non-linked products dominate the mix

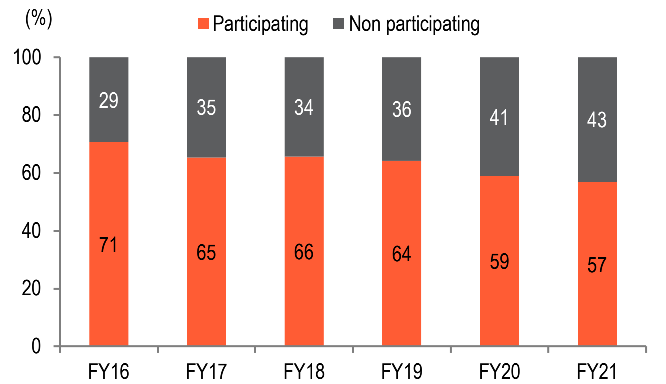
The industry is dominated by non-linked products, with >85% of total premium over the last five years being non-linked. Within the non-linked business, the share of non-participating products is increasing. However, par policies still dominate the mix.

Fig 12 – Non-linked products dominate



Source: Company, BOBCAPS Research

Fig 13 – Non-par share increasing



Source: Company, BOBCAPS Research

Agents drive individual sales; group policies sold directly

Individual agents accounted for ~58% of the industry's individual life insurance premium in FY21 due to the personal touch established with customers. Agents are preferred as they can explain various features of a policy and also provide various customer services such as cheque collection.

Banks are important as evident from the rising share of the bancassurance channel, from 23.8% of NBP in FY16 to 29.0% in FY21 (individual business), driven majorly by private players which either have major holdings by banks or have empanelled banks as their corporate agents. With the push on the technology front, the direct channel accounted for ~9% of individual life insurance premium in FY21.

Fig 14 – NBP by distribution channel for the industry (individual)

Channel (%)	FY16	FY17	FY18	FY19	FY20	FY21
Individual agents	68.3	68.8	65.9	62.3	60.8	58.2
Corporate agents – Banks	23.8	23.5	25.2	27.0	26.7	29.0
Corporate agents – Others	1.4	1.3	1.3	1.4	1.6	1.7
Brokers	1.6	1.3	1.3	1.4	1.7	1.4
Direct selling	4.8	5.1	6.2	7.6	8.8	8.9
Web aggregators	0.0	0.0	0.0	0.1	0.3	0.3
Others	0.0	0.0	0.1	0.1	0.2	0.5

Source: Company | Note: Direct selling also includes business through referrals and online channels. Others include POS, IMF, IMFS, Others and Micro Agents.

The group business across the industry is dependent on insurers' direct selling teams which constitute a majority share of new premiums.

Fig 15 – NBP by distribution channel for the industry (group)

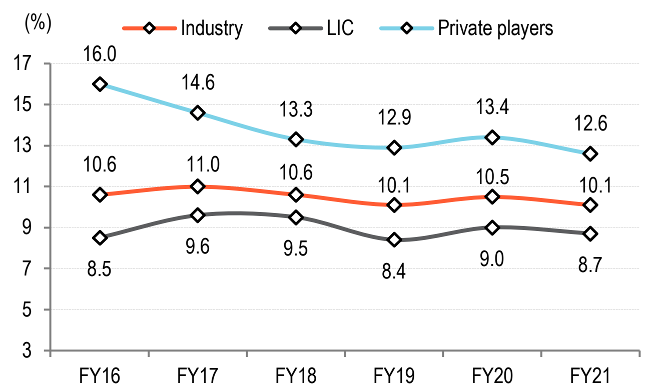
Channel (%)	FY16	FY17	FY18	FY19	FY20	FY21
Individual agents	1.7	1.6	1.0	1.9	1.5	2.1
Corporate agents – Banks	1.7	1.8	2.4	4.2	4.4	4.9
Corporate agents – Others	1.0	0.3	1.3	2.0	1.5	1.2
Brokers	0.6	0.7	1.0	1.0	0.8	1.0
Direct selling	95.0	95.6	94.4	90.8	91.7	90.8
Web aggregators	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.1	0.2	0.1

Source: Company | Note: Direct selling also includes business through referrals and online channels. Others include POS, IMF, IMFS, Others and Micro Agents.

Cost ratios have declined sharply

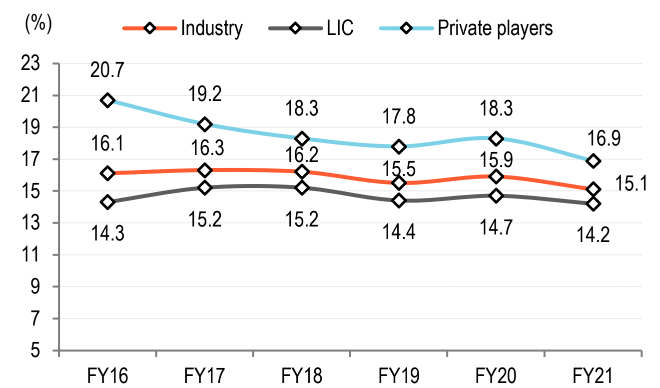
Private players' operating expense ratio has reduced from 16% at end-FY16 to 12.6% at end-FY21, which resulted in the industry's ratio declining from 10.6% to 10.1%. LIC's operating expense ratio stood at 8.7% as at end-FY21. The decline can be attributed to the use of technology as well as consolidation of branches and rationalisation of other costs.

Fig 16 – Opex ratio declining…



Source: Company

Fig 17 – …as also reflected in the cost ratios

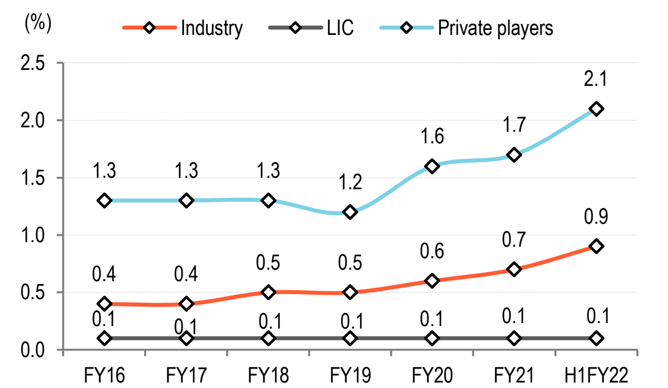


Source: Company

Reinsurance rose amid pandemic

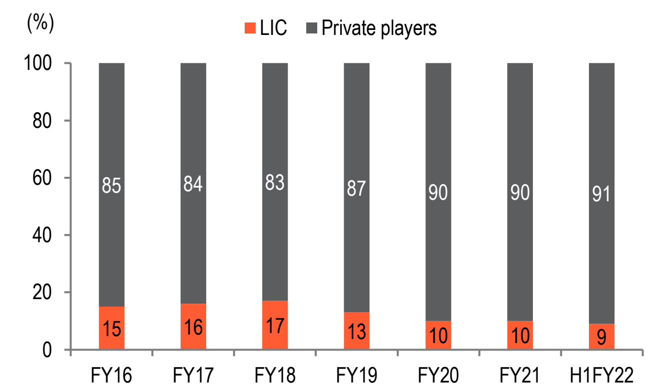
Reinsurance rates have increased during Covid-19 on account of higher claims, especially after the second wave in Mar/Apr'21. During FY21, LIC ceded Rs 4.4bn in reinsurance premium as compared to Rs 39.1bn ceded by private insurers. The share of private players in total life reinsurance ceded has increased from 85% in FY16 to 90% in FY21.

Fig 18 – Reinsurance ceded as a percentage of total premium



Source: Company

Fig 19 – Private players cede far more than LIC



Source: Company

Digitisation driving growth

With increasing internet penetration, life insurers are leveraging technology to augment offerings, enhance customer satisfaction and reduce costs. Customers can now compare different products with the click of a button, check coverage status and pay premiums via mobile apps or the insurer's website.

Insurance companies have tied up with platforms such as NSDL and CDSL to enable policyholders to hold insurance policies in electronic form. Though customers use digital mediums, the final sale of policies is still largely conducted through traditional insurance intermediaries. On the other hand, the process of underwriting and data verification is undergoing a digital transition, with customers no longer required to share physical documents with their agents.

Fig 20 – Key areas of digital transformation

Source: Company

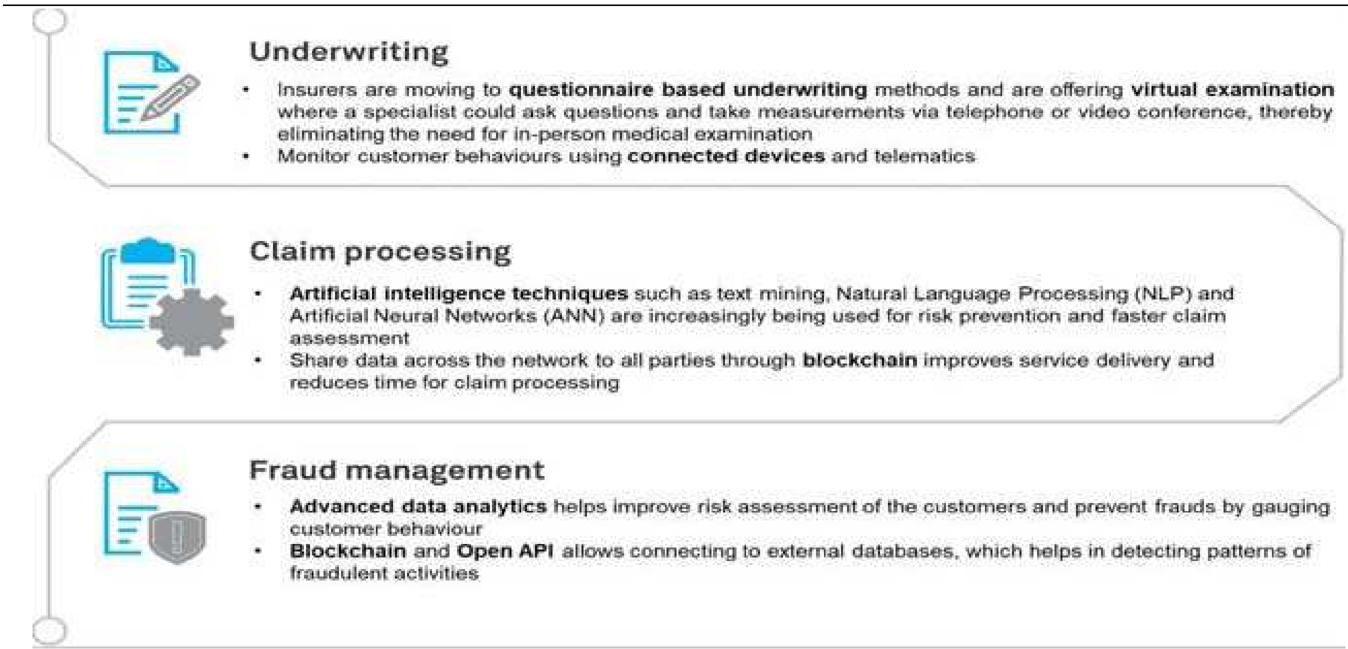
Growth of web aggregators

Web aggregators became important after the pandemic. These aggregators offer personal finance advice and education to customers, enabling more complex products to be sold through these channels. Moreover, they have helped insurers reach out to younger customers who tend to prefer digital platforms and the questionnaire style of underwriting.

Digitisation of key processes

Covid-19 has been a catalyst of change in the underwriting environment. Life insurers have started offering virtual medical examinations where a specialist conducts the checkup via telephone or video conference, thereby eliminating the need for in-person visits. Artificial intelligence techniques such as text mining, natural language processing and artificial neural networks are increasingly being used to streamline underwriting. Moreover, technology is being used across the value chain for faster claim processing and fraud management.

Fig 21 – Key technologies adding value to the insurance value chain



Source: Company

Key regulatory changes

ULIP regulations in 2010

IRDA regulations on unit-linked insurance policies (ULIP) in 2010 brought about a significant change in the business of life insurers. The major changes introduced were:

- Commissions paid to distributors and expenses charged by insurers would no longer be front-loaded, but would be distributed over the lock-in period of the schemes, which was raised from three to five years. This helped reduce mis-selling of life insurance schemes.
- Surrender charges were capped at a much lower level.

In 2010, IRDA fixed a floor on guaranteed returns from ULIP pension plans at 4.5%, which would greatly benefit policyholders saving for retirement. However, this rule was eventually scrapped. Under the revised guidelines, the regulator mandated that insurance companies give a guarantee on capital.

Optional tax regime in 2020

The incentive of saving taxes has been a key driver behind taxpayer investments in insurance-related products. Under the new optional tax regime introduced in the FY20 budget, tax benefits cannot be claimed under Section 80C or 80D, two of the most popular sections offering incentives to insurance policyholders. However, since the regime change is optional, taxpayers can still choose to avail of deductions and file taxes according to the previous system.

Other key changes in 2020

Fig 22 – Key changes impacting life insurance

Particulars	Old rule	New rule	Impact
Increased revival period for lapsed policies	Revival within 2 years from the date of lapse	Revival period of ULIPs increased to 3 years and of non-linked products to 5 years	Positive for customers as they have more time to revive policies. Higher retention and increase in renewal premiums for insurers
Lower life cover in ULIPs	Minimum cover of 10x the annual premium for a policyholder under 45 years and 7x to those over 45	Minimum 7x life cover for regular premium-paying polices; age differential removed	Positive for insurers
Partial withdrawal allowed in ULIP pension plans	Partial withdrawal allowed in ULIP plans but not in pension products	Partial withdrawal (for marriage, education, etc.) permitted to the extent of 25% of the fund value of pension ULIP policies on completion of 5 years (lock-in period)	Positive for customers who are in need of money for a specific event
Maximum withdrawal allowed at maturity in pension plans	Lumpsum withdrawal limit on maturity of pension plans capped at 33% of the corpus	Maximum withdrawal allowed on maturity of pension plans raised to 60%. Balance can be used to purchase an immediate annuity or deferred annuity from the same insurer at the then prevailing annuity rate	Puts withdrawal limit on par with the National Pension Scheme (NPS), giving an edge to ULIP pension products
Guaranteed surrender value for non-linked policies	Surrender value based on premium-paying terms of the policy	Fixed sum of up to 30% of the total premiums paid will be given to the policyholder as the surrender value after 2 years (vs. 3 years). Also, after 3 years, the surrender value increases to 35%. For the 4th-7th year, the value increases to 50%; 90% if surrendered in the last 2 years	Better proposition and benefits for customers who want to exit an insurance policy
Mandatory guarantee on pension ULIP becomes optional	Guarantee on pension ULIP plans mandatory	Guarantee on pension ULIP plans becomes optional	Positive: Policyholders now have more flexibility to choose guaranteed/assured returns

Source: Company, IRDA, News articles

FDI cap increase

In Mar'21, the FDI limit in the insurance sector was increased from 49% of paid-up equity capital to 74%. The higher FDI limit is expected to attract foreign companies to India which will ensure better product pricing. Other benefits include better availability of capital and more attractive offers to customers owing to heightened competition.

Valuation

With over 60% market share, LIC remains the undisputed leader in India's life insurance industry, backed by a robust distribution network and strong brand. It is also the largest asset manager with AUM of over Rs 40tn at end-9MFY22 (3.2x that of private insurers combined). The company realises the need for product diversification and hence is focused on non-par and protection products that can provide a fillip to VNB (value of new business) margins. Persistency ratios are improving and solvency margins remain healthy. [no discussion on these margins anywhere]

At the upper IPO price band of Rs 949/sh, LIC is valued at ~1.1x based on Sep'21 Embedded Value, which is at a steep discount to the 2.5-4.1x multiples commanded by major listed private players. We find valuations attractive given the company's strong fundamentals and hence recommend that investors SUBSCRIBE to the IPO.

Fig 23 – Valuation snapshot

Company	Price	P/EV (x) (based on Sep'21 EV)	FY21 (%)			3Y avg. ended FY21 (%)	
			ROEV	VNB margin	Solvency ratio	ROE	Dividend payout
LIC*	949	1.1	36.9	9.9	176.0	289.6	33.0
SBI Life	1,081	3.1	19.1	20.4	215.0	17.2	11.8
HDFC Life	580	4.1	18.5	26.1	201.0	21.0	10.3
I-Pru	519	2.5	15.2	25.1	217.0	14.4	37.5

Source: BOBCAPS Research, Company | *Using the IPO upper band price. Price for other companies is as of close 02 May 2022

Risks and Concerns

- **Competition:** LIC faces significant competition in India given the large number of private companies that operate in the life insurance space. Over FY16-FY21, the total premium for private sector players increased at a CAGR of 18% vs. 9% for LIC. Consolidation among competitors, including acquisitions of insurance companies in India, could intensify competitive headwinds.

- **Interest rate fluctuations:** A sustained decline in interest rates may result in a reduction of rate assumptions used to calculate statutory policy liabilities, which could have a material adverse effect on the company's financial condition and results of operations. This, in turn, could require the company to take actions, such as realigning of discretionary benefits to policyholders or capital funding from shareholders, or a combination of both.

  Similarly, any increase in interest rates could lead to higher levels of surrenders and withdrawals of existing policies as policyholders seek to buy products with perceived higher returns – this may require LIC to sell the invested assets and make cash payments to policyholders at a time when prices of those assets are declining, leading to losses.

- **Pandemic impact:** LIC was adversely impacted by the pandemic, especially in terms of sale of individual policies during all the three waves. For instance, sales of individual policies declined 22.7% to 6.35mn policies in Q4FY20 from 8.21mn in Q4FY19. Death claims also increased during the pandemic. For FY19, FY20, FY21 and 9MFY22, claims by death (net) totalled Rs 170bn, Rs 173bn, Rs 235bn and Rs 293bn respectively (consolidated basis) – these amounted to 6.72%, 6.79%, 8.14% and 12.49% of total benefits paid (net) respectively. Thus, any future Covid'19 waves could be detrimental to growth and normal operations.

- **Adverse change in persistency ratio:** Any deterioration in economic conditions may lead to the discontinuation of premium payments by customers, thereby impacting the company's persistency ratio. Moreover, in extreme cases, a large number of customers might surrender their policies, leading to payouts exceeding cash flows. This may induce the disposal of investment assets, possibly at unfavourable prices, in order to meet the significant amount of surrender payments.

Financial summary

Fig 24 – Policyholders' account

(Rs mn)	FY19	FY20	FY21	9MFY22
First year premium	3,16,766	5,84,465	3,43,410	2,22,153
Renewal premium	19,62,567	20,25,372	22,03,276	15,89,523
Single premium	11,23,614	12,18,277	15,11,822	10,45,624
Gross Premium	**34,02,946**	**38,28,115**	**40,58,508**	**28,57,300**
Reinsurance	3,230	3,359	4,523	3,880
Net Premium	**33,99,716**	**38,24,755**	**40,53,985**	**28,53,419**
Investment Income	22,50,435	24,28,363	28,55,204	22,62,537
Other income	57,944	2,02,936	1,27,905	6,835
Total Income	**57,08,096**	**64,56,055**	**70,37,094**	**51,22,792**
Total commissions and operating expenses				
- First year commission	88,883	98,114	90,615	62,328
- Renewal commission	1,01,117	1,04,128	1,15,144	82,685
- Single commission	5,225	4,797	5,830	3,394
- Other Commission	3	4	6	4
- Commission on Re-insurance Ceded	(351)	(441)	(28)	(6)
- Rewards and remuneration to Intermediaries	9,949	8,881	12,015	6,976
- Total commission	**2,04,826**	**2,15,483**	**2,23,582**	**1,55,381**
Operating expenses (including provisions)	4,87,651	7,86,079	5,59,307	1,89,920
-Operating expenses	2,83,316	3,44,259	3,51,622	2,72,673
-Prov for tax	56,666	1,09,238	92,637	80,578
- Benefits Paid (Net)	25,23,808	25,54,795	28,84,891	23,46,199
- Bonuses Paid	16,514	16,734	22,291	24,700
- Change in reserves/ valuation liabilities	24,42,792	28,75,215	32,15,769	23,09,586
Surplus / (Deficit)	(24,161)	(1,01,489)	38,618	16,428
Transfer to shareholder's account	25,995	26,955	29,626	16,378
Transfer to other reserves	(18,323)	(59,110)	16,161	22,302

Source: Company | Note: The data is on consolidated basis

Fig 25 – Shareholders' Account

(Rs mn)	FY19	FY20	FY21	9MFY22
Amounts transferred from the Policyholders Account	25,995	26,955	29,626	16,378
Investment Income				
- Interest, Dividends & Rent - Gross	374	352	178	975
- Profit on sale / redemption of investments	126	21	61	227
- (Loss on sale / redemption of investments)	(45)	(19)	(9)	(6)
- Transfer / gain on revaluation / change in fair value	-	-	-	-
- Amortisation charge	-	-	-	-
Other Income	0	0	0	-
Total Income	26,450	27,310	29,856	17,573
Other expenses	4	5	5	4
other provision	0	59	0	0
Contribution to the Policyholders' Fund	22	61	48	0
Total Expenses	26	124	52	4

(Rs mn)	FY19	FY20	FY21	9MFY22
PBT	26,424	27,185	29,803	17,570
Tax	150	80	62	417
PAT	26,274	27,105	29,741	17,153
EPS (basic) - Rs	4.15	4.29	4.70	2.71
EPS (diluted) (reported) - Rs	4.15	4.29	4.70	2.71
Opex ratio (%)	8.3	9.0	8.7	9.5
Commission ratio (%)	6.0	5.6	5.5	5.4
Total cost ratio (%)	14.3	14.6	14.2	15.0

Source: Company

Fig 26 – Balance sheet

(Rs mn)	FY19	FY20	FY21	9MFY22
Total equity	8,974	10,981	69,832	90,663
Liabilities				
Policyholders' Funds:				
Credit/(Debit) Fair Value Change Account	21,66,953	(43,166)	27,29,450	38,21,598
Borrowings	26,94,006	25,34,136	37	37
Policy Liabilities	2,80,56,931	3,10,28,155	3,42,07,270	3,66,00,694
Insurance Reserves	1,30,959	1,14,149	1,27,115	1,48,768
Provision for Linked Liabilities	4,16,509	3,25,353	3,29,592	2,34,274
Discontinued On Account Of Non-Payment Of Premium	327	333	337	552
FFA	133	287	33	11,070
Minority Interest	1,88,364	1,71,332	209	43
Others	191	185	170	169
Total Sources of Funds	**3,36,63,346**	**3,41,41,746**	**3,74,64,045**	**4,09,07,868**
Application of Funds				
Investments	2,87,80,561	2,95,83,086	3,49,88,671	3,84,88,040
- Shareholders'	3,694	4,008	4,264	51,867
- Policyholders'	2,87,76,867	2,95,79,078	3,49,84,407	3,84,36,173
Assets held to cover Linked Liabilities	3,35,669	3,21,699	3,29,750	2,34,670
Loans	24,98,803	23,74,347	10,87,637	11,11,411
Fixed Assets	1,45,676	1,45,718	34,740	34,631
Net Current Assets	19,02,638	17,16,896	10,23,247	10,39,115
Total Application of Funds	**3,36,63,346**	**3,41,41,746**	**3,74,64,045**	**4,09,07,868**

Source: Company

Company profile

Background

Established in 1956, Life insurance Corporation (LIC) is India's statutory life insurer and was formed by merging and nationalising 245 private life insurance companies with an initial capital of Rs 50mn. Headquartered in Mumbai, the company has 2,048 branch offices and 1,559 satellite offices in India, covering 91% of all districts.

LIC is the country's biggest life insurer with a market share of >60% in terms of total premium, besides being the largest asset manager with AUM of over Rs 40tn. Its individual products comprise (i) participating and (ii) non-participating policies, which include (a) savings, (b) term insurance, (c) health insurance, (d) annuity and pension, and (e) unit-linked products.

Key personnel

- **Mangalam Ramasubramanian Kumar** is the Chairman of the Board of Directors. He was appointed Chairman in Mar'19 for a period of four years. He also holds directorship in IDBI Bank and ACC, among others. He joined LIC in 1983 as an apprentice officer and was previously Zonal Manager of the South, North-Central and North zones of LIC and has also headed the Personnel and Pension & Group Schemes department. He holds a Bachelor's degree in Science from the Faculty of Science, University of Madras. He has also passed the licentiate examination conducted by the Insurance Institute of India in Sep'15.

- **Pankaj Jain** is a Government Nominee Director of LIC and is an officer at the IAS. He is presently serving as a Secretary in the Ministry of Petroleum. He holds a Bachelor's degree in Commerce and a Master's degree in Business Administration from University of Delhi. He is a qualified Cost Accountant from the Institute of Cost Accountants of India and is also a member of the International Financial Services Centres Authority.

- **Raj Kumar** is the Managing Director of LIC. He joined the company in 1984 as an apprentice officer, has served as the CEO of LIC Mutual Fund Asset Management and was also the Zonal Manager, Bhopal, and Executive Director (Estate and Office Services), Mumbai, as well as Senior Divisional Manager of Gorakhpur and Jaipur divisions. He holds a Bachelor's degree in Science from D.A.V College, Guru Nanak Dev University, Jalandhar, Punjab.

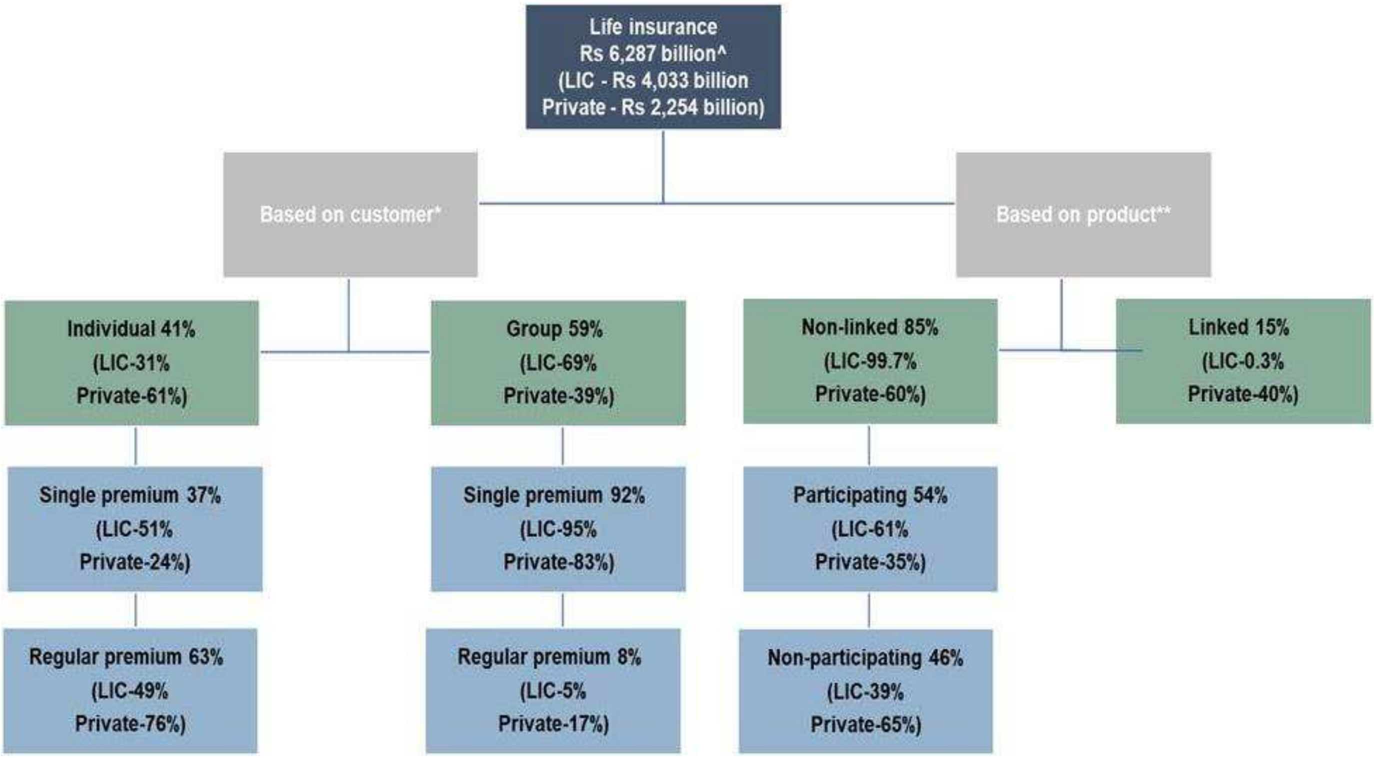
- **Siddhartha Mohanty** is the Managing Director of LIC. He joined the company in 1985 as an apprentice officer. He previously served as COO and CEO of LIC Housing Finance and has held various other positions, such as Senior Divisional Manager of Raipur and Cuttack, Chief (Legal), Chief (Investment – Monitoring & Accounting), and Executive Director (Legal), amongst others. He holds a Bachelor's degree in Law and a Master's degree in Arts (Political Science) from Utkal University, Bhubaneswar, Odisha. He also holds a post graduate certification in Business Management from the Xavier Institute of Management, Bhubaneshwar, Odisha. He passed the licentiate examination conducted by the Insurance Institute of India in Nov'02.

- **Ipe Mini** is the Managing Director of LIC. She joined in 1986 as an apprentice officer. She was previously CEO of LIC Housing Financial Services and has led international operations of the company. She was also previously a Shareholder Director of Central Bank of India. She holds a Master's degree in Commerce from the Faculty of Commerce and Management Studies, Andhra University. She has completed the certification programme in IT and Cyber Security for Board Members from the Institute for Development and Research in Banking Technology (established by the Reserve Bank of India).

- **Bishnu Charan Patnaik** is the Managing Director of LIC. He joined in 1985 as an apprentice officer and has handled several positions such as Senior Divisional Manager of Jamshedpur and Berhampur divisions, Regional Manager (Marketing Bancassurance and Alternate Channels), Regional Manager (Customer Relationship Management) and Director of Zonal Training Centre in Agra. He holds a Bachelor's and Master's degree in Arts (Political Science) from Utkal University, Bhubaneshwar, Odisha. He is also a fellow of the Insurance Institute of India. He was the Secretary General of the Governing Body of the Insurance Council.

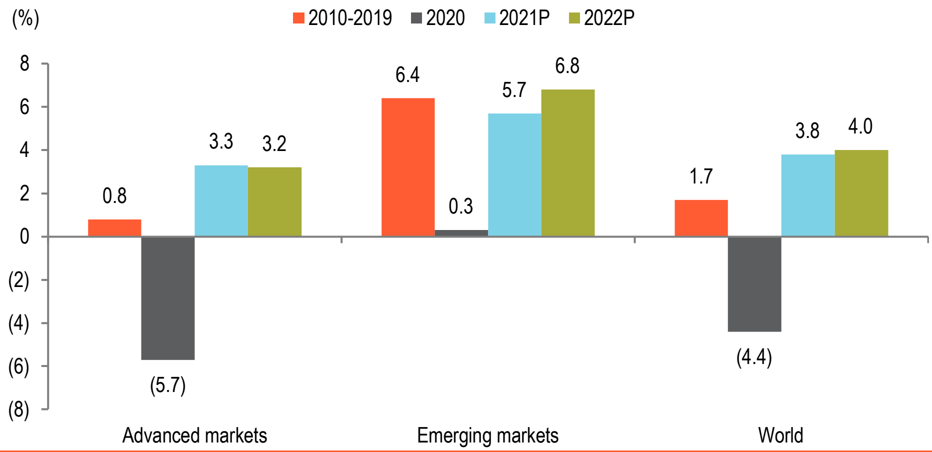
Annexure

Fig 27 – Life insurance industry classification



Source: Company | * Classification based on new business premium (premium acquired from new policies for a particular year) in FY21. ** Estimated on the basis of player-wise analysis. ^ Classification based on total premium (premium acquired from old policyholders and premium from new policies issued during the year) in FY21

Fig 28 – Life insurance real premium growth: Emerging markets growing faster than global average



Source: Company

Fig 29 – Market share of largest insurers across the globe

Country	Top Insurers Globally	Market share within country (2016) (%)	Market share within country (2020) (%)
United States	NorthWestern Mutual Life Insurance Company	8.4*	8.4
	Metlife Inc	9.6*	7.6
China	Ping An Insurance Company	16.7	21.3
	China Life Insurance Company	20.7	20.0
Japan	Nippon Life Insurance	15.1	16.2
	Japan Post Insurance	14.2	15.4
India	Life Insurance Corporation of India	71.8^	64.1#
	SBI Life Insurance	5.0^	8.0#
United Kingdom	Aviva PLC	14.7	23.0
	Lloyd Banking Group	19.8	18.6
South Korea	Samsung Life Insurance	21.3	14.8
	Hanwha Life Insurance	12.6	12.7
Malaysia	AIA BHD	20.5	20.6
	Great Eastern Life Insurance	18.8	16.6

Source: Company | Note: The market share is calculated on total life insurance gross premiums, * Share in 9M2016, ^Share for fiscal 2017, # Share for fiscal 2021

Fig 30 – Various products offered by LIC

Sr. No	Category	Type of product	Name of product	Primary customer needs addressed
1	Participating	Endowment Plan	LIC's New Endowment Plan	Risk cover and savings
2	Participating	Endowment Plan	LIC's New Jeevan Anand	Risk cover for whole life and savings
3	Participating	Endowment Plan	LIC's Single Premium Endowment Plan	Risk cover and savings
4	Participating	Endowment Plan	LIC's Jeevan Lakshya	Risk cover and annual income benefit in case of death, primarily for the benefit of a child/dependent family member(s)
5	Participating	Endowment Plan	LIC's Jeevan Labh	Risk cover and savings
6	Participating	Endowment Plan	LIC's Aadhaar Stambh	Risk cover and savings exclusively for male lives with lower ticket size for lower income groups
7	Participating	Endowment Plan	LIC's Aadhaar Shila	Risk cover and savings exclusively for female lives with lower ticket size for lower income groups
8	Participating	Whole Life Plan	LIC's Jeevan Umang	Whole life risk cover and periodical survival benefit
9	Participating	Money Back Plan	LIC's New Bima Bachat	Risk cover with periodic payment at specified durations
10	Participating	Money Back Plan	LIC's New Money Back Plan 20 years	Risk cover with periodic payment at specified durations
11	Participating	Money Back Plan	LIC's New Money Back Plan 25 years	Risk cover with periodic payment at specified durations
12	Participating	Endowment Plan	LIC's Micro Bachat	Micro Insurance – risk and savings for low-income groups
13	Participating	Money Back Plan	LIC's New Children's Money Back Plan	Risk cover and financial benefit of children
14	Participating	Money Back Plan	LIC's Jeevan Tarun	Risk cover and educational and other needs of children
15	Participating	Money Back Plan	LIC's Jeevan Shiromani	Risk cover providing both life and health cover and savings for high-net-worth customers
16	Participating	Money Back Plan	LIC's Bima Shree	Risk cover and savings for high-net-worth customers
17	Non-Participating	Endowment Plan	LIC's Bima Jyoti	Risk cover and savings
18	Non-Participating	Pure Risk Premium Plan	LIC's Tech Term	Pure risk cover for tech savvy customers (online)
19	Non-Participating	Pure Risk Premium Plan	LIC's Jeevan Amar	Pure risk cover
20	Non-Participating	Pure Risk Premium Plan	LIC's Saral Jeevan Bima	Simple risk cover for all segments with features as per IRDAI specifications
21	Non-Participating	Pension Plan	Pradhan Mantri Vaya Vandana Yojana (1)	Government-subsidised pension scheme
22	Non-Participating	Annuity Plan	LIC's Jeevan Akshay - VII	Immediate annuity plan with provision for regular income for life
23	Non-Participating	Annuity Plan	LIC's New Jeevan Shanti	Deferred annuity plan with provision for regular income for life
24	Non-Participating	Annuity Plan	LIC's Saral Pension	Simple immediate annuity plan with provision for regular income for life with features as per IRDAI specifications
25	Non-Participating	Unit Linked Plan	LIC's Nivesh Plus	Insurance and investment

Sr. No	Category	Type of product	Name of product	Primary customer needs addressed
26	Non-Participating	Unit Linked Plan	LIC's SIIP	Insurance and investment
27	Non-Participating	Unit Linked Plan	LIC's New Endowment Plus	Insurance and investment
28	Non-Participating	Health Plan	LIC's Cancer Cover	Protection for health/cancer cover
29	Non-Participating	Health Plan	LIC's Arogya Rakshak	Health cover
30	Non-Participating	Term Plan with Return of Premiums	LIC's New Jeevan Mangal	Micro Insurance – risk cover with return of premiums on maturity
31	Non-Participating	Term Plan with Return of Premiums	LIC's Bhagya Lakshmi	Micro Insurance – risk cover with return of premiums on maturity
32	Non-Participating	Money Back Plan	LIC's Dhan Rekha	Risk cover with periodic payment at specified durations

Source: Company | Note: LIC's top five selling individual products in terms of number of new business policies sold for 9MFY22 were: (1) LIC's Jeevan Labh (22.15% of the total new business policies sold); (2) LIC's New Endowment Plan (18.36%); (3) LIC's New Jeevan Anand Plan (8.70%); (4) LIC's Aadhaar Stambh (8.70%); and (5) LIC's Aadhaar Shila (6.98%).

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 30 April 2022, out of 116 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 66 have BUY ratings, 30 have HOLD ratings, 5 are rated ADD*, 1 is rated REDUCE* and 14 are rated SELL. One company rated ADD has been an investment banking client in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.