

Week Gone

- ⇒ In the week ended on Friday, 16 December 2022, the Sensex tumbled 843.86 points or 1.36% to settle at 61,337.81 .The Nifty 50 index declined 227.6 points or 1.23% to settle at 18,269.00
- ⇒ The BSE Mid-Cap index slipped 1.37% to settle at 25,739.21
- ⇒ The BSE Small-Cap index slipped 0.14% to settle at 29,516.75

Week Ahead

- ⇒ The Bank of Japan will announce its interest rate decision on 20 December 2022
- ⇒ Japan will announce inflation rate for November on 23 December 2022
- ⇒ The United States Durable Goods Orders for November will be declared on 23 December 2022

Technical Overview

Nifty opened the week on the negative note but quickly in the fast half recovered strongly, however in the second half index witnessed profit taking at higher levels erasing its early gains to end the week around the weekly low with the loss of 0.79%. On the daily chart, index has witnessed breakdown from Head and Shoulder price pattern denoting caution at on going trend for short term. RSI has surpassed beneath rising trendline highlighting price losing momentum. Going ahead index has an intermediate support at 18180-17980-17800. Whereas on the flip side resistance is placed around 18400-18530-18750.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	16-Dec-22	09-Dec-22	Weekly % Chg
Nifty 50	18,269.0	18,496.6	-1.2
Nifty Next 50	42,986.3	43,798.6	-1.9
Nifty 100	18,446.3	18,687.7	-1.3
Nifty 500	15,636.4	15,812.8	-1.1
NIFTY MIDCAP 100	32,010.1	32,374.5	-1.1
S&P BSE SENSEX	61,337.8	62,181.7	-1.4
S&P BSE 100	18,612.6	18,860.9	-1.3
S&P BSE 200	7,934.6	8,037.1	-1.3
S&P BSE 500	24,894.9	25,184.1	-1.1
S&P BSE MidCap	25,739.2	26,095.6	-1.4
S&P BSE SmallCap	29,516.8	29,558.6	-0.1

WORLD INDICES

Index	16-Dec-22	09-Dec-22	Weekly % Chg
Nikkei Index	27,527.1	27,901.0	-1.3
Hang Seng Index	19,450.7	19,900.9	-2.3
Kospi Index	2,360.0	2,389.0	-1.2
Shanghai SE Composite	3,167.9	3,207.0	-1.2
Strait Times Index	3,240.8	3,246.0	-0.2
Dow Jones	32,920.5	33,476.5	-1.7
NASDAQ	10,705.4	11,004.6	-2.7
FTSE	7,332.1	7,476.6	-1.9

FOREX

Currency	16-Dec-22	09-Dec-22	Weekly % Chg
US\$ (Rs.)	82.7	82.3	0.5
GBP (Rs.)	100.7	100.7	0.0
Euro (Rs.)	87.8	86.8	1.1
Yen (Rs.) 100 Units	60.6	60.3	0.5

NIFTY TOP GAINERS (WEEKLY)

Scrip	16-Dec-22	09-Dec-22	Weekly % Chg
Yes Bank	21.2	19.7	7.6%
GAIL India	96.75	90.85	6.5%
ONGC	147.2	140.7	4.6%
Indiabulls Housing	146.85	141	4.1%
Indusind Bank	1229.55	1202.5	2.2%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
16-Dec-22	10,602.1	12,577.5	-1,975.4
15-Dec-22	7,387.8	8,098.6	-710.7
14-Dec-22	7,620.7	7,248.5	372.2
13-Dec-22	9,675.1	9,055.2	619.9
12-Dec-22	6,982.5	7,121.3	-138.8
<u>MTD</u>	42,268.2	44,101.1	-1,832.9

NIFTY TOP LOSERS (WEEKLY)

Scrip	16-Dec-22	09-Dec-22	Weekly % Chg
Asian Paints	3055.9	3226.95	-5.3%
Titan Co	2482.85	2615.45	-5.1%
Zee Entertainment	250.55	260.7	-3.9%
Adani Ports &Special	860.45	890.75	-3.4%
Infosys	1522.2	1569.3	-3.0%

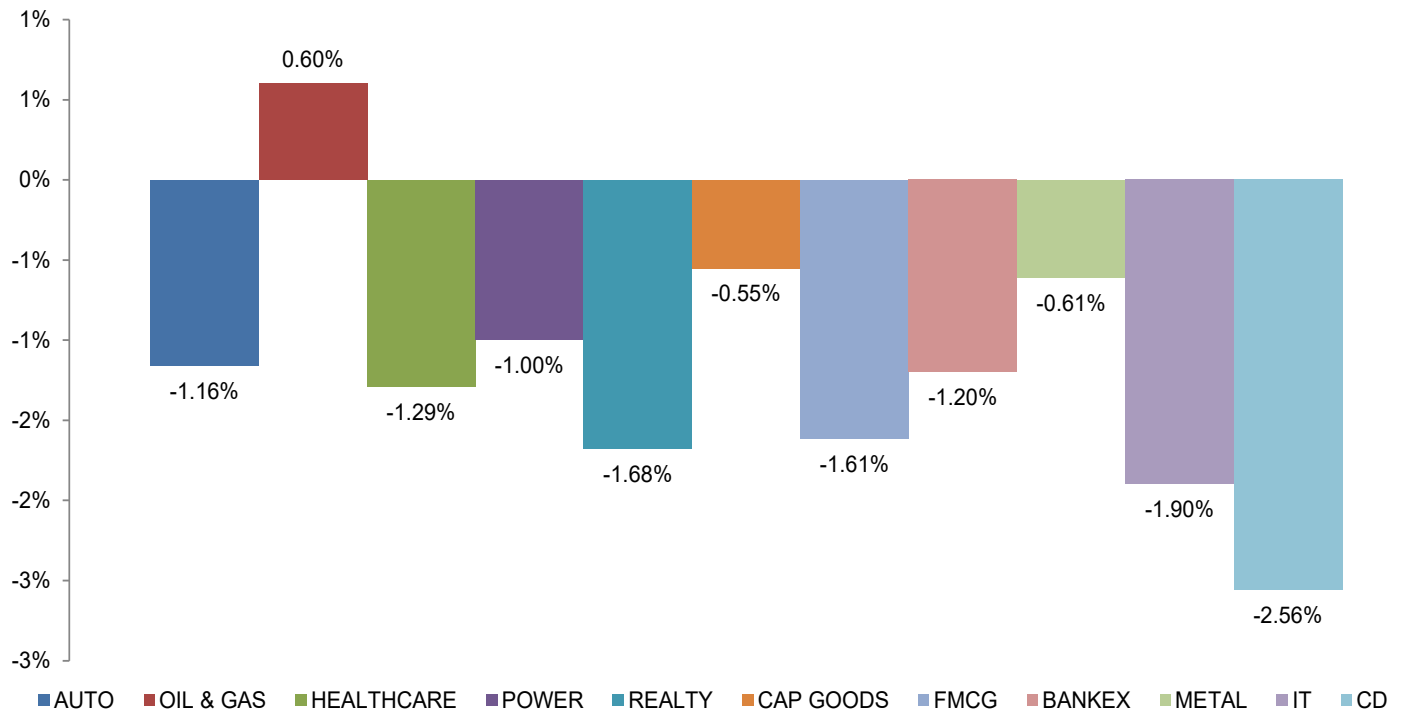
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
16-Dec-22	7,954.8	6,412.3	1,542.5
15-Dec-22	4,918.3	4,657.4	260.9
14-Dec-22	6,324.0	5,397.6	926.5
13-Dec-22	4,933.4	4,896.6	36.8
12-Dec-22	5,307.9	4,612.3	695.6
<u>MTD</u>	29,438.3	25,976.1	3,462.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	16/12/22 Share Price (Rs.)	09/12/22 Share Price (Rs.)	Weekly % Chg	16/12/22 Open Interest	09/12/22 Open Interest	Weekly % Chg
METROPOLIS	1297.05	1427.9	-9.2	1515000	931200	62.7
LALPATHLAB	2242.55	2434.85	-7.9	1064000	846750	25.7
DRREDDY	4336.55	4426.8	-2.0	2356250	1902000	23.9
CUB	191.15	193.55	-1.2	9775000	8195000	19.3
LAURUSLABS	389.4	415.55	-6.3	10071900	8582400	17.4

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	16/12/22 Share Price (Rs.)	09/12/22 Share Price (Rs.)	Weekly % Chg	16/12/22 Open Interest	09/12/22 Open Interest	Weekly % Chg
PNB	56.85	56.65	0.4	170352000	210320000	-19.0
HCLTECH	1034.5	1032.95	0.2	9436700	11391800	-17.2
NAUKRI	4141.15	4034.6	2.6	1064500	1283500	-17.1
VOLTAS	836	837.95	-0.2	5652500	6596000	-14.3
BHARATFORG	883.15	862.35	2.4	5880000	6803000	-13.6

Company Background

Established in 1956, Life Insurance Corporation of India (LIC) is the largest life insurance provider company in the country and the third strongest insurance brand globally. It has a market share of 68.25% as of 30th September 2022 in terms of new business premium which amounts to Rs. 2,30,456 cr. The company's comprehensive product portfolio includes 16 participating and 19 non-participating products such as Micro Bachat, Jeevan Lakshya (participating) and BIMA Jyoti, Jeevan Shanti (non-participating) and 11 group products along with 8 riders. In FY23, the company launched three new non-participating products namely, BIMA Ratna, DhanSanchay and New Pension Plus. The company operates through an omnichannel distribution network comprising individual agents, bancassurance partners, and alternate channels among others with 8 zonal offices, 113 divisional offices, 2,048 branch offices and multiple satellite and mini offices. As of 30th September 2022, the company had 13,34,811 LIC exclusive agents and a total of 732 training centres across divisions. LIC also has an international presence, with branches in Fiji, Mauritius and the United Kingdom and subsidiaries in Bahrain, Nepal, Bangladesh, Singapore and Sri Lanka. The company also has a digital presence through its Ananda application.

Investment Rationale

Market leading position of the company provides a competitive advantage in the life insurance marketplace

The company is the largest life insurance provider in the fast-growing Indian insurance market space, giving it an edge over other competing organisations in the life insurance market. The market share of the company as of 30th September 2022 stood at 68.3%, higher than 63.3% as of 31st March 2022. For the half year ended 30th September 2022, the company sold 83,59,029 policies, registering a growth of 13.6% over the same period of the previous year. The company also leads in both individual and group policies, having a robust 42.3% and 80.3% market share, respectively, in the segments. Also, the company is the largest asset manager in India, with an AUM of Rs. 42,93,778cr. as of 30th September 2022 which has grown 8.7% compared to the same period of the previous year.

Long trusted brand with robust opportunities in the under-penetrated Indian insurance sector to aid future expansion

The company has a long history of 66 years in the Indian insurance space. It was the only life insurance provider in the country from 1956 to 2000 which has enabled the brand to gain the trust of Indian customers. Furthermore, the Indian insurance market is highly under-penetrated with one of the highest insurance protection gaps in the Asia-Pacific region. This provides the company with significant room for expansion of the business and also helps in the acquisition of new business in the individual as well as group segments. Also, the company has the largest agent force in the industry with 1.33 million agents working exclusively with the organisation and 95% of the 1,01,313 employees are positioned at the divisional and branch offices to be close to consumers and maintain the company's customer-centric approach.

Valuation and Outlook

The Indian economy is a big market for life insurance players due large population, favourable demographics and rising awareness among the masses about the need for insurance. The sectoral drivers provide the company with an excellent opportunity to further expand its business. The company's diverse product mix enables it to cater to the wide needs of the customers. The individual products offering mainly consist of participating products which aids to acquire more customers in the individual segment. Although the traditional participating products dominate the company's product mix, it is also focusing on growing its non-participating products where it also has a large market share. It is also increasing operational efficiencies with the help of technological advancements and digital initiatives through its agent-assisted "Ananda" application which registered strong growth in policies processed through the app. However, increasing competition from private players acts as a major concern and with 74% FDI allowance, the risk from foreign players has also increased. Also, the majority of the company's business is acquired by its agents for individual products and any failure to do so could significantly affect the company's operations. On the valuation front, we value the company at a Price/Embedded Value (P/EV) of 0.8x based on FY2022 EV to arrive at a target price of Rs.825 (20% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

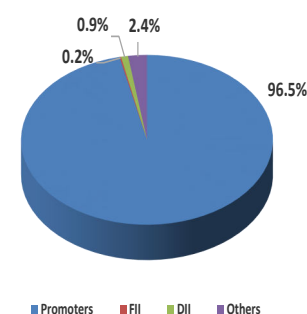
Stock

CMP (INR)	689
Target Price (INR)	825
NSE Symbol	LICI
BSE Code	543526
Bloomberg	LICI IN
Reuters	LIFI.NS

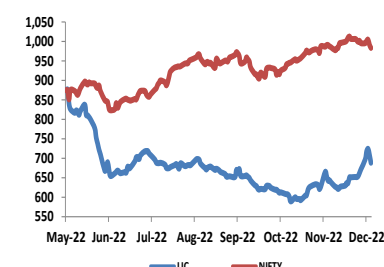
Key Data

Nifty	18269
52WeekH/L(INR)	919/588
O/s Shares (Mn)	6325
Market Cap (INR bn)	4355
Face Value (INR)	10
Average volume	
3 months	14,58,470
6 months	17,76,070
1 year	25,01,390

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (Rs. bn)	FY19	FY20	FY21	FY22
Net earned premiums	3,400	3,825	4,054	4,295
<i>Growth (Y-o-Y)</i>		12.5%	6.0%	5.9%
Policyholder's account surplus/deficit	8	32	46	99
<i>Growth (Y-o-Y)</i>		321.2%	1633.3%	115.2%
Shareholder's account PAT	26	27	29	41
<i>PAT Growth (Y-o-Y)</i>		2.8%	7.4%	42.2%
EPS	4.2	4.3	4.7	6.5
<i>EPS Growth (Y-o-Y)</i>		3.4%	9.6%	38.7%

Key Performance Indicators

New business Premium (Net of Reinsurance)				
-First Year Premium (%)	NA	NA	8.4%	8.6%
-Single Premium (%)	NA	NA	37.3%	38.0%
-Renewal Premium (%)	NA	NA	54.2%	53.5%
Embedded Value (Rs. bn)	NA	NA	956	5415

Key Ratios

VNB Margin (%)	NA	NA	9.9%	15.1%
Solvency Ratio (%)	NA	NA	176.0%	185.0%

Source: Company, BP Equities Research



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