

LIC's gross NPA ratio in debt portfolio rises to 7.5% in December

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Subrata Panda | Mumbai February 17, 2020 Last Updated at 20:17 IST



LIC building in Delhi

The gross non-performing asset (NPA) ratio in the debt portfolio of Life Insurance Corporation (LIC) has risen to 7.5 per cent at the end of December 2019 from 6.06 per cent at the end of December 2018. However, if LIC's entire asset base of over Rs 32 trillion is considered, the gross NPA ratio is around 1 per cent.

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In absolute terms, the outstanding book value of NPAs of LIC in the debt portfolio across life, pension and unit-linked funds is to the tune of Rs 32,685.39 crore at the end of December 2019. At the end of September 2019, it was Rs 25,554.52 crore.

While gross NPAs have seen a rise, net NPAs have remained fairly stable. At the end of December 2019, the net NPA ratio of LIC in the debt portfolio stood at 0.36 per cent compared to 0.35 per cent a year ago.

This essentially means LIC has made provisions for its NPAs. The insurer has made provisions of Rs 31,232.26 crore for NPAs in its debt portfolio at the end of December 2019.

“In case of banks, their entire portfolio is loans, so the NPA percentage is on loans. In LIC’s case, debt is a small portion of LIC’s total investment. So, if the NPA is Rs 30,000 crore, then it is on an asset base of Rs 32 trillion. So, the total NPA ratio is close to 1 per cent. Also, LIC has made 95 per cent provisions on NPAs, thereby the net NPAs is almost zero,” said a senior executive of a life insurance company.

For big corporate accounts like Dewan Housing Finance (DHFL), Reliance Communications, ABG Shipyard, Reliance Naval and Engineering, and others, LIC has provided for 100 per cent exposure.

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For IL&FS group companies, the provision made by LIC ranges from 25 per cent to 100 per cent. LIC extends credit to corporates via term loans or by investing in their non-convertible debentures, which reflect in the debt portfolio.

“There are lot of sectors which are facing huge stress. So, that is getting reflected everywhere, be it banks, mutual funds or LIC. Whatever is happening in the economy is reflecting in LIC’s books,” the executive added. LIC is actively involved in recovery of these stressed assets.

Insurance experts said unlike banks, insurance companies are not into lending. They make investments and in case of LIC, almost 68 per cent is in government securities and state development loans (SDLs) which are

guaranteed by the government. Then it also has huge real estate portfolio and equity investments. In the current financial year (FY20), LIC has made equity investments to the tune of Rs 49,046 crore and debt investments of Rs 57,000 crore.

The insurer has made gains worth Rs 24,000 crore from its equity investment in the present financial year. The government, in the Union Budget for 2019-20, announced that it will pare a part of its stake in LIC by listing the company’s shares.

The government is expecting close to Rs 1 trillion from dilution of its stake in the insurance behemoth. LIC has reported a solvency margin of 1.52 at the end of December 2019 against the regulatory requirement of 1.5 (which indicates its assets are slightly higher than the liabilities).