

BUY

TP: Rs 1,100 | ▲ 24%

LIC

| Insurance

| 08 August 2025

Steady quarter, non-par mix continues to rise

- VNB witnessed strong growth of 21% YoY and VNB margin expanded 144 bps YoY
- APE rose 10% YoY; non-par share increased to 30.3% on an individual APE basis
- Maintain BUY on LIC with TP to Rs 1,100, assigning a multiple of 0.7x its Jun'27 EV

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Strong VNB growth: LIC reported strong VNB growth (up 20.7% YoY) and significant margin expansion of 144bps YoY in Q1FY26. This can be attributed to the favourable product mix, new product launches and increase in the demand for non-par products. VNB margins stood at 15.37% vs 13.93% in 1QFY25 vs 18.75% in 4QFY25. In FY25 VNB margin was at 17.62%. The continued increasing share of high margin non-par product mix is aiding VNB margin with non-par mix currently at 30.3% of individual APE vs. 23.9% in Q1FY25 vs 27.7% in 4QFY25. Non-par business grew 32.6% YoY in Q1FY26. Additionally, individual VNB margins expanded to 23-24% vs. 21% in 4QFY25. Management remains committed to its strategic focus on expanding non-par mix to drive profitability and enhance the range of product offerings.

Healthy APE growth: APE rose 9.5% YoY to Rs126.5bn on a very high base (APE grew 21.3% YoY in Q1FY25) led by group APE that increased 16.1% YoY. Individual APE rose 4.7% YoY. For 1HFY26, the APE growth is expected to be weighed down by a higher base of 1HFY25. ULIP continued to witness robust growth of 115% YoY while individual non-par grew 32.6% YoY.

Strategic expansion: Management indicated that it is evaluating options for stake acquisition in the health insurance space and may take stake in standalone health insurance business. The company is waiting for the upcoming regulatory changes of raising FDI limit to 100%, reducing the required paid-up capital, and introduction of provisions for a composite license.

We maintain BUY on LIC: LIC reported a decent quarter with healthy APE growth, VNB and VNB margin saw robust growth, owing to high margin non-par share further moving up. With continued focus on the expanding non-par share in product mix, management foresees margin expansion going ahead and balancing the APE and absolute VNB growth. We largely maintain estimates with VNB margins to be in the 18-19% range in FY26-FY28E. Hence, we maintain BUY on LIC with TP to Rs 1,100, (previously Rs 1,092) assigning a multiple of 0.7x its Jun'27 EV.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LIC IN/Rs 885
Market cap	US\$ 63.8bn
Free float	0%
3M ADV	US\$ 14.7mn
52wk high/low	Rs 1,160/Rs 715
Promoter/FPI/DII	97%/0%/1%

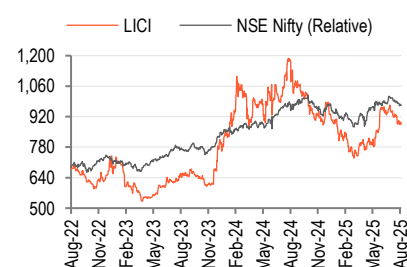
Source: NSE | Price as of 7 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	22,67,855	24,56,124	26,25,596
APE (Rs mn)	5,68,270	6,12,281	6,69,757
VNB (Rs mn)	1,00,110	1,12,660	1,25,914
Embedded Value (Rs mn)	77,68,750	85,61,300	94,23,737
VNB margin (%)	17.6	18.4	18.8
EVPS (Rs)	1,228.3	1,353.6	1,489.9
EPS (Rs)	76.1	84.8	88.2
Consensus EPS (Rs)	0.0	0.0	0.0
P/EV (x)	0.7	0.7	0.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings Call Highlights

Business performance

- Gross premium income for Q1FY26 stood at Rs 11,93,330 mn, reflecting a YoY growth of 4.8%, primarily driven by a 6% increase in renewal premiums. First year and single premium income also recorded growth of 0.7% and 3.8%, respectively.
- Market share in first year premium was 63.51%, marking a decline of 51 bps from 64.02% in Q1FY25, in comparison to the FY25 market share of 57.05%. In the individual business segment, market share was 38.76%, while in the group business segment, it stood at 76.54%.
- Operating expenses have been on a downward trajectory over the past 1-2 years, largely due to higher employee retention—given that employee costs constitute 70% to 80% of total expenses—and strong growth in the single premium segment.
- Going ahead, LIC expects moderate growth in APE in Q2FY26, with a stronger growth trajectory expected in H2FY26.
- Solvency ratio was reported at 2.17, an improvement from 1.99 in Q1FY25. LIC has stated that its target solvency ratio will be to remain within the range of 1.8 to 2.0.

VNB and VNB Margin

- VNB margin increased from 13.9% to 15.4%, driven by a 1.9% positive impact from changes in business mix. However, this was partially offset by a 2.3% negative impact due to changes in economic assumptions, primarily on declining risk-free rates. A further 1.9% positive contribution came from changes in operating assumptions, aided by expense optimisation - reflected in a reduction in the expense ratio from 11.9% to 10.5%, improvements in the 61st-month persistency ratio, and stable mortality experience.
- Improvement in VNB margin was supported by rising customer preference for non-par guaranteed products, which offer higher margins. Non-par APE increased by 32.63%, with its contribution to overall business rising to 30.34%. LIC also launched several non-par products that gained notable traction in the market.
- LIC has indicated its strategic focus will remain on increasing the share of non-par products, which is expected to support further improvement in VNB margins.

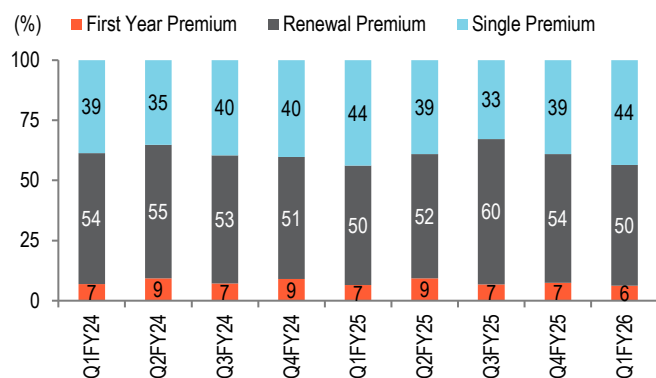
Product and Channel Mix

- New business premium growth was driven by the bancassurance and alternate channels, which together collected Rs 8,619.2 mn in new business income, registering a YoY growth of 98.23%. Of which, Rs 5,289.7 mn came from the bancassurance channel, while Rs 3,329.4 mn was contributed by alternate channels. Combined, these channels accounted for 6.89% of the individual new business premium.
- In Q1FY26, 98.67% of policies, were sold through LIC's agency force, and 92.33% of new business premium on premium basis originated from this channel.

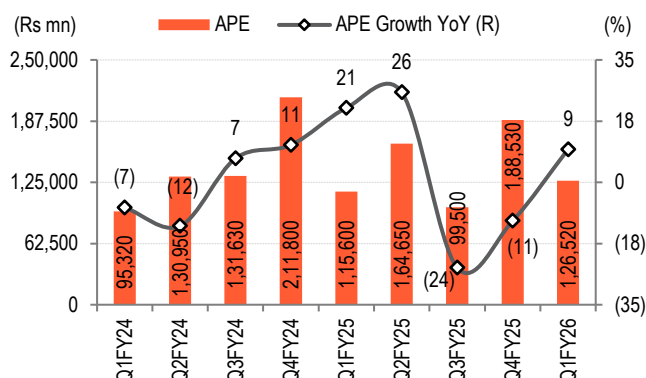
- Management emphasised a growing focus on pension products, anticipating demographic shifts wherein approximately 20% of the current young population will be in the elderly age group by 2050.

Others

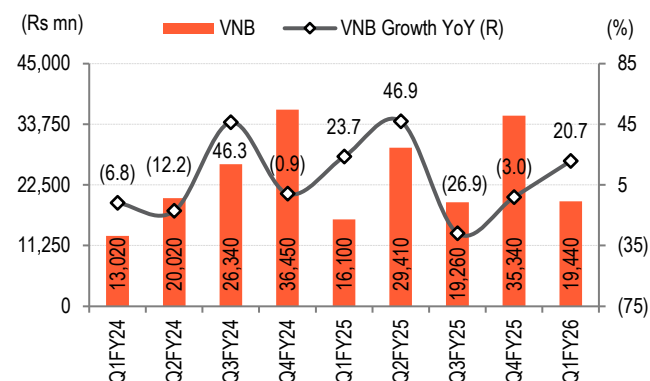
- Although agency productivity in terms of the number of policies declined, there was a 23% growth in average ticket size and a 15% rise in the average sum assured.
- Total number of agents reached 1,486,222, with 61,000+ agents added since the previous year. Market share by number of agents declined slightly to 47.11% vs 48.64% in Q1FY25.
- During the quarter, LIC processed a total of 41,68,209 claims, including 39,70,156 maturity and survival benefit claims.

Fig 1 – Gross premium was up 4.8%, led by 6% growth in renewal premium


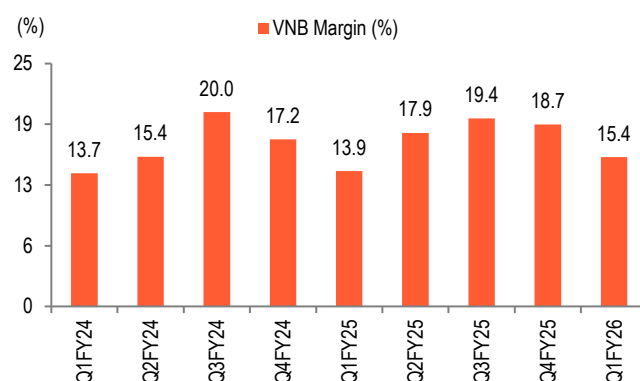
Source: Company, BOBCAPS Research

Fig 2 – APE grew 9% in Q1FY26 on a high base


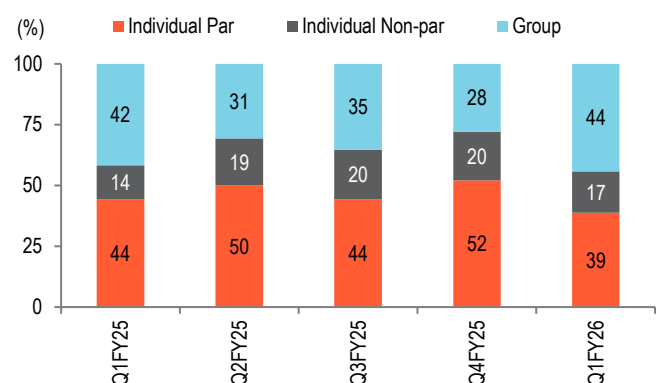
Source: Company, BOBCAPS Research

Fig 3 – VNB growth grew supported by strong growth in non-par products


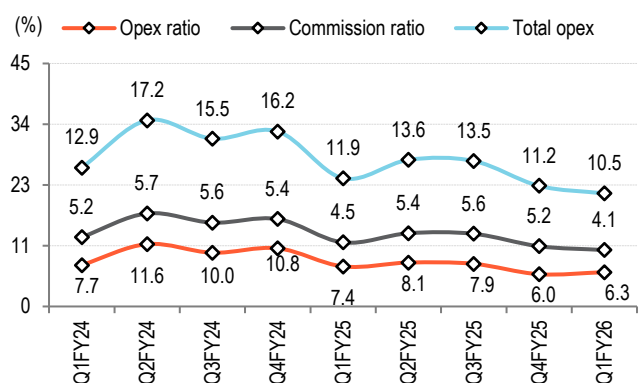
Source: Company, BOBCAPS Research

Fig 4 – 1.9% positive operating assumption changes and business mix led VNB margin to expand in Q1FY26


Source: Company, BOBCAPS Research

Fig 5 – Individual non-par business growing substantially within LIC's APE mix


Source: Company, BOBCAPS Research

Fig 6 – Opex ratio continues to decline


Source: Company, BOBCAPS Research

Fig 7 – Policyholders’ account

(Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net premium income	15,22,931	11,37,701	11,99,010	10,68,915	14,75,856	11,92,004	4.8	(19.2)
Income from investments (Net)	8,44,255	9,61,826	10,89,724	9,43,357	9,31,327	10,29,302	7.0	10.5
Other income	1,41,609	1,455	1,448	1,499	2,224	1,301	(10.6)	(41.5)
Total Income	25,09,232	21,09,098	22,96,197	20,19,937	24,16,250	22,28,636	5.7	(7.8)
Net Commission	82,457	50,901	65,416	59,657	77,115	49,496	(2.8)	(35.8)
Operating expenses	1,64,633	84,312	97,502	84,501	87,836	75,490	(10.5)	(14.1)
Benefits Paid (Net)	13,51,032	8,18,643	9,75,623	9,46,829	14,22,452	9,70,561	18.6	(31.8)
Change in actuarial liability	7,64,011	10,31,515	10,82,463	7,99,136	6,20,229	10,11,577	(1.9)	63.1
Surplus/Deficit	1,28,324	1,08,874	72,532	1,09,519	1,88,195	1,09,359	0.4	(41.9)

Source: Company, BOBCAPS Research

Fig 8 – Shareholders’ account

(Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Amounts transferred from Policyholders	1,27,937	1,07,799	72,423	1,08,985	1,84,028	1,07,917	0.1	(41.4)
Income From Investments	11,240	11,767	14,579	15,962	17,611	17,867	51.8	1.5
PAT	1,37,626	1,04,611	76,212	1,10,565	1,90,128	1,09,865	5.0	(42.2)

Source: Company, BOBCAPS Research

Valuation Methodology

LICI reported a decent quarter with healthy APE growth, VNB and VNB margin saw robust growth owing to a ramp-up in the high margin non-par share. With continued focus on expanding non-par share in the product mix, management foresees margin expansion going ahead and balancing APE and absolute VNB growth. We largely maintain estimates with VNB margins to be in the 18-19% range in FY26-FY28E. Hence, we maintain BUY on LIC with TP to Rs 1,100, (previously Rs 1,092), assigning a multiple of 0.7x its Jun'27 EV.

Fig 9 – Actual vs Estimates

Rs mn	Q1FY26A	Q1FY26E	Actual vs Estimates (%)
Gross Premium	11,93,330	12,78,183	(6.6)
APE	1,26,520	1,22,360	3.4
VNB	19,440	20,245	(4.0)
VNB Margin	15.4	16.5	(118 bps)

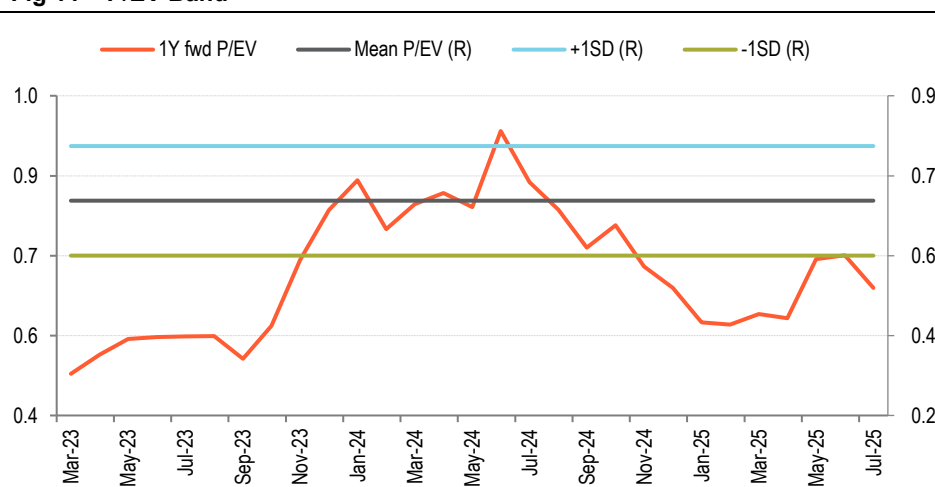
Source: Company, BOBCAPS Research

Fig 10 – EV Walk

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	58,22,430	72,73,440	77,68,750	85,61,300	94,23,737
Bifurcation impact	0	0	0	0	0
Unwind of Discount	5,21,980	7,00,930	7,02,490	7,59,123	8,21,380
Value of New Business	95,830	1,00,110	1,12,660	1,25,914	1,42,167
Operating Assumption Changes	48290	18480	0	0	0
Operating Experience Variance	3,680	6,680	28,000	28,000	28,000
EV Operating Profit (EVOP)	6,69,780	8,26,200	8,43,150	9,13,037	9,91,547
Economic Variance	9,54,640	(292,940)	0	0	0
EV Profit	16,24,420	5,33,260	8,43,150	9,13,037	9,91,547
Net Capital Inflow/Outflow (dividend pay out)	(1,73,410)	(37,950)	50,600	50,600	50,600
Closing EV	72,73,440	77,68,750	85,61,300	94,23,737	1,03,64,684

Source: Company, BOBCAPS Research

Fig 11 – P/EV Band



Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- **Intense competition:** Market leader LIC faces tough competition from private peers who are chipping away at its market dominance by the way of unique offerings and better services. The company generates most of its business from the agency channel, whereas private players are focused on the bancassurance channel for growth.
- **Strong linkage with capital markets:** LIC's embedded value is highly sensitive to capital market movements.
- **Regulatory challenges.**

Glossary

Glossary			
APE	Annual Premium Equivalent	ULIP	Unit Linked Insurance Plan
EV	Embedded Value	VNB	Value of New Business
IRDAI	Insurance Regulatory and Development Authority	WRP	Weighted Received Premium
NBP	New Business Premium		

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	47,57,519	48,88,489	52,25,795	55,86,375	60,33,285
First year premium	3,90,380	3,70,254	4,18,064	4,46,910	4,82,663
Renewal premium	25,30,805	26,20,634	27,69,671	29,60,779	31,97,641
Single premium	18,36,335	18,97,601	20,38,060	21,78,686	23,52,981
Net written premium	47,50,696	48,81,482	52,17,434	55,76,878	60,23,028
Income from investments	36,39,439	39,26,234	41,69,660	44,61,537	47,29,229
Other Income	1,46,933	33,767	6,989	7,409	7,853
Total income	85,37,068	88,41,482	93,94,083	1,00,45,823	1,07,60,110
Commissions	2,59,591	2,53,088	2,69,390	2,88,871	3,11,981
Operating expenses	4,81,217	3,54,152	3,69,304	3,87,986	4,07,720
Benefits and bonuses paid	38,88,093	41,63,547	44,46,668	48,02,402	51,86,594
Change in liabilities (net)	35,30,361	35,33,343	37,10,010	39,32,611	41,68,567
Others	(27,851)	(19,492)	(21,804)	(22,953)	(24,181)
Total expenses	81,31,411	82,84,637	87,73,568	93,88,917	1,00,50,681
Surplus before tax	4,05,656	5,56,845	6,20,516	6,56,906	7,09,429
Provision for tax	58,252	77,725	93,077	98,536	1,06,414
Surplus after tax	3,47,405	4,79,120	5,27,438	5,58,370	6,03,015
Trf to shareholders' a/c	3,74,554	4,73,234	5,21,146	5,41,611	5,84,915
Balance being FFA	(27,150)	5,887	6,293	16,759	18,100

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	3,74,554	4,73,234	5,21,146	5,41,611	5,84,915
Income from investments	36,946	59,917	76,095	87,509	1,00,635
Contr. to policyholders' fund	449	45,399	49,938	54,932	60,426
Others	2,463	6,422	9,634	14,450	21,676
PBT	4,07,872	4,81,512	5,37,668	5,59,737	6,03,449
Provision for taxation	1,114	0	1,613	1,679	1,810
PAT	4,06,758	4,81,512	5,36,055	5,58,058	6,01,639
Dividend+Interim div.+DDT	0	0	0	0	0

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	8,19,382	12,61,877	17,47,333	22,54,791	28,05,830
Policyholders' funds	5,13,84,775	5,44,63,230	5,81,65,979	6,21,55,369	6,64,53,589
FFA	12,147	18,284	24,577	41,336	59,436
Others	4,079	8,154	16,418	32,835	65,670
Total liabilities	5,22,20,383	5,57,51,546	5,99,54,306	6,44,84,331	6,93,84,525
Shareholders' funds	6,37,440	10,40,258	17,67,366	23,08,234	28,82,342
Policyholders' funds	4,87,65,124	5,13,62,788	5,46,22,297	5,83,74,554	6,24,17,285
Assets to cover linked liab.	3,52,578	4,83,120	4,94,911	5,05,738	5,44,888
Others	24,65,241	28,65,380	30,69,732	32,95,805	35,40,010
Total assets	5,22,20,383	5,57,51,546	5,99,54,306	6,44,84,331	6,93,84,525

Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	5,12,18,870	5,45,22,970	6,43,37,105	7,27,00,928	8,36,06,067
NBP (Rs mn)	22,26,714	22,67,855	24,56,124	26,25,596	28,35,644
APE (Rs mn)	5,69,700	5,68,270	6,12,281	6,69,757	7,40,454
VNB (Rs mn)	95,830	1,00,110	1,12,660	1,25,914	1,42,167
VNB margin (%)	16.8	17.6	18.4	18.8	19.2
Embedded value (Rs mn)	72,73,440	77,68,750	85,61,300	94,23,737	1,03,64,684
ROEV (%)	27.9	7.3	10.9	10.7	10.5
ROE (%)	0.0	0.0	0.0	0.0	0.0
Opex ratio (%)	15.6	12.4	12.2	12.1	11.9
Cost ratio (%)	5.5	5.2	5.2	5.2	5.2
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	64.3	76.1	84.8	88.2	95.1
BVPS (Rs)	129.5	199.5	276.3	356.5	443.6
EVPS (Rs)	1,150.0	1,228.3	1,353.6	1,489.9	1,638.7

Source: Company, BOBCAPS Research

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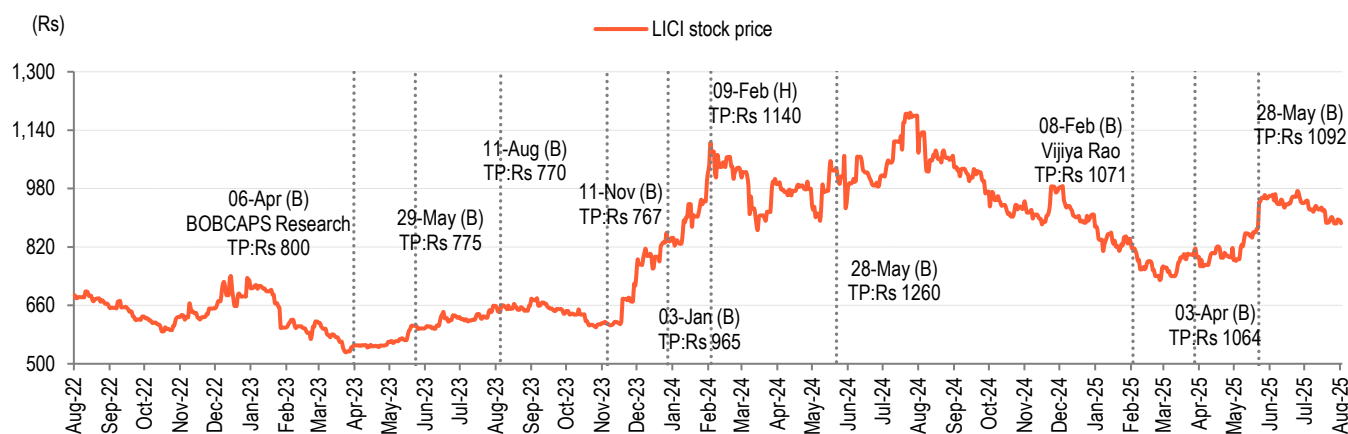
HOLD – Expected return from -6% to +15%

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.

Ratings and Target Price (3-year history): LIC (LICI IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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