RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,120 | ▲ 25%

LIC | Insurance | 07 November 2025

VNB margins expand, strong growth outlook for 2H

- **VNB margin expanded 147bps YoY in 2Q, leading to absolute VNB growth of 8% YoY**
- **Overall APE growth muted, while group APE continued to witness a strong growth momentum of 24% YoY**
- **Maintain BUY on LICI with TP to Rs 1,120, assigning a multiple of 0.7x its Sept'27 E P/EV**

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Performance above expectations: LICI reported an operating performance that surpassed our expectations, with the APE and VNB margin higher 1.1% and 97bps respectively in Q2FY26.

Robust VNB margin expansion: VNB margins witnessed a sharp expansion of 147bps YoY to 19.33% in Q2FY26 (vs 17.86% in Q2FY25 and 15.37% in Q1FY26), primarily driven by a favourable product mix. Share of non-par products rose to 25% (vs 16.9% in Q1FY26 and 19.2% in Q2FY25), while ULIPs recorded over two-fold YoY growth, with the share increasing to 13.4% from 6.3% in Q2FY25. The company's strategic shift towards a higher non-participating product mix is progressing well, with plans to further strengthen it through new product launches in the non-par segment during the quarter.

GST impact: Management reiterated that the nil GST and disallowance of ITC would have an impact of less than 0.5% on EV, going forward. However, given the current trends, the number may see a decline and would depend on the product mix. Management remains optimistic that the GST regime change will support strong growth momentum in 2H.

Muted APE growth: APE de-grew by 0.5% YoY in Q2FY26 but was up 3.6% YoY in H1FY26. Group continued to witness 24.2% YoY growth in Q2FY26 (up 20.3% YoY in H1FY26). However, individual APE reversed its Q1 growth and declined 11.4% YoY (fell 5.5% in H1FY26). This was primarily on account of higher base effect YoY, product modifications after new SV guidelines and changes in GST rate structure.

We maintain BUY on LICI: LICI reported a mixed quarter with muted APE growth, while 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 the product mix, management foresees margin expansion 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 LICI with TP to Rs 1,120, (previously Rs 1,100) assigning a multiple of 0.7x its Sept'27E P/EV.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LICI IN/Rs 896
Market cap	US$ 64.0bn
Free float	0%
3M ADV	US$ 11.6mn
52wk high/low	Rs 1,008/Rs 715
Promoter/FPI/DII	97%/0%/1%

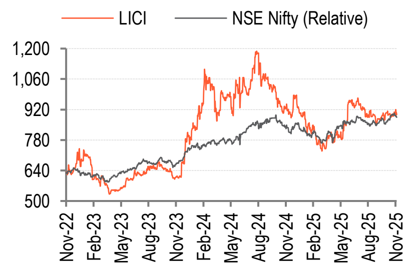
Source: NSE | Price as of 6 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	22,67,855	24,40,040	25,91,323
APE (Rs mn)	5,68,270	6,06,256	6,54,155
VNB (Rs mn)	1,00,110	1,09,732	1,21,019
Embedded Value (Rs	77,68,750	85,87,550	94,79,163
VNB margin (%)	17.6	18.1	18.5
EVPS (Rs)	1,228.3	1,357.7	1,498.7
EPS (Rs)	76.1	84.4	92.6
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 Q2FY26 stood at Rs 12,66,341 mn, reflecting a YoY growth of 5.5%, primarily driven by 8.2% increase in single premiums and 5% growth in renewal premium. First year premium income recorded degrowth of 3.3% YoY.
- LICI's first-year premium market share stood at 59.41% in H1FY26 vs 61.07% in H1FY25. Within this, the company held a 37.21% market share in the individual business and a 72.74% share in group business during H1FY26.
- Expense ratio declined to 12% in Q2FY26 from 13.6% in Q2FY25, reflecting effective cost optimisation measures.
- Persistency ratio on a premium basis for the 13th, 25th, 37th, 49th, and 61st months stood at 75.29%, 71.37%, 67.7%, 63.7%, and 63.81%, respectively.
- Persistency ratio on a policy basis for the 13th, 25th, 37th, 49th, and 61st months stood at 63.36%, 60.23%, 55.18%, 50.67%, and 51.5%, respectively.
- Solvency ratio strengthened to 2.13 in H1FY26 from 1.98 in H1FY25.
- The company witnessed a sharp decline in the number of policies sold, as it increased the sum assured levels to comply with the master circular that came into effect from October 2024. This adjustment led to degrowth in policy volumes in the Rs 1,00,000 to Rs 1,99,999 ticket size segment in Q4FY25, which continued into H1FY26. The slowdown was also attributed to delays in purchases, following the GST rate cuts. However, LICI has witnessed strong momentum in policy sales since October 1, 2025.
- LICI expects a nominal impact of less than 0.5% on its Embedded Value (EV) due to the GST rate reductions.

VNB and VNB Margin

- Net VNB margin improved by 147 bps, rising to 17.6% in H1FY26 from 16.2% in H1FY25, driven by a favourable product mix and higher risk-free rates.
- The improvement in VNB margin to 17.6% was driven by a favourable impact from the product mix to the tune of 3.4%, negative impact from economic assumption and operating assumption changes at 1.1% and 0.9% respectively in H1FY26. The GST rate impact is included in the operating assumption changes.

Product and Channel Mix

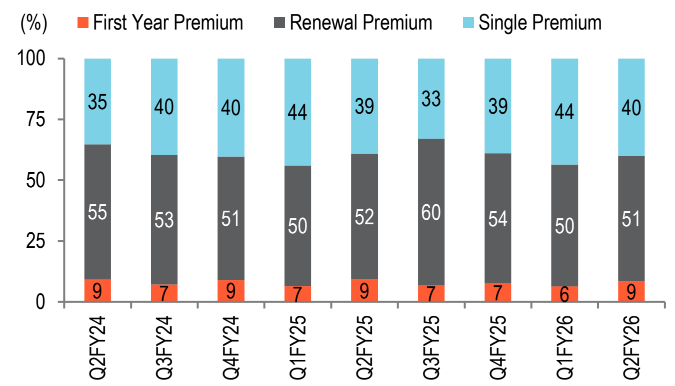
- Non-participating share in APE stood at 36.31%, while the participating share was 63.69% in H1FY26.
- Agency channel continued to dominate, contributing 92.13% to the new business premium.
- Banca and alternate channels grew robust at 67.6% YoY to Rs 20,241 mn in H1FY26 against Rs 12,075.4 mn in H1FY25.

- NBP collected through banks grew 48.2% YoY from Rs. 8,542.3 mn in H1FY25 to Rs. 12,658.8 mn in H1FY26

Others

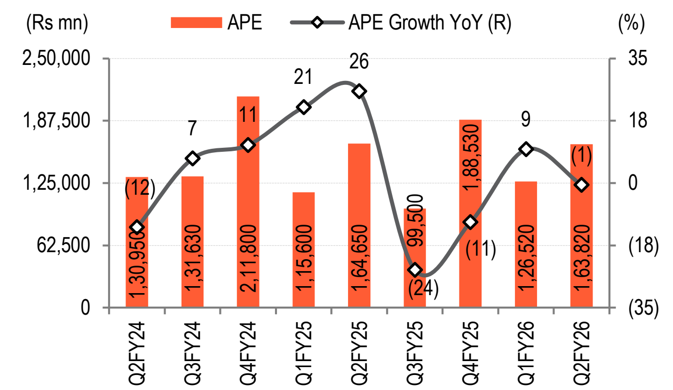
- The market share by number of agents was 45.86% in H1FY26, compared to 47.56% in H1FY25.
- LICI launched two new non-par products during H1FY26 — Nav Jeevan Shree and Nav Jeevan Shree Single Premium.
- As of Q2FY26, the company offered a total of 55 products, including: 35 individual products, 12 group products, 7 individual riders and 1 group rider

Fig 1 – Gross premium was up 5.5%, led by 8.2% growth in single premium



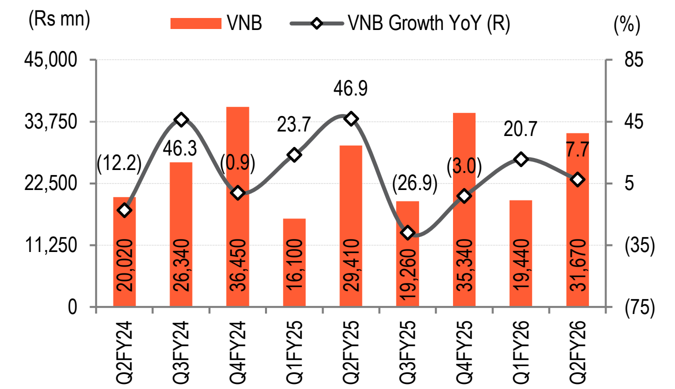
Source: Company, BOBCAPS Research

Fig 2 – APE degrew 0.5% in Q2FY26 on a high base



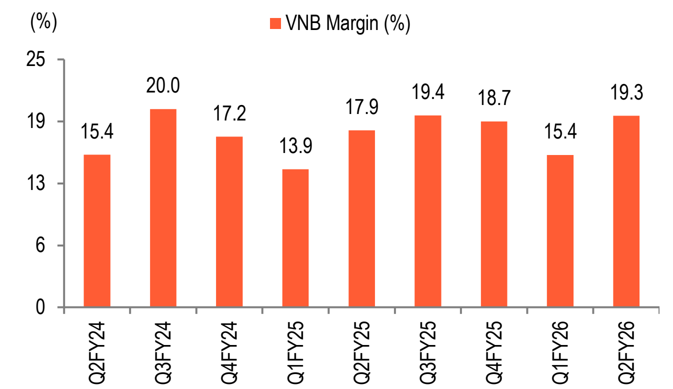
Source: Company, BOBCAPS Research

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



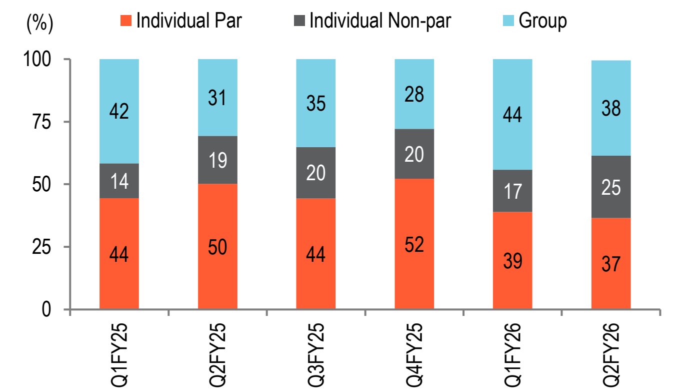
Source: Company, BOBCAPS Research

Fig 4 – Favourable product mix and improved risk-free rates aided VNB margin expansion



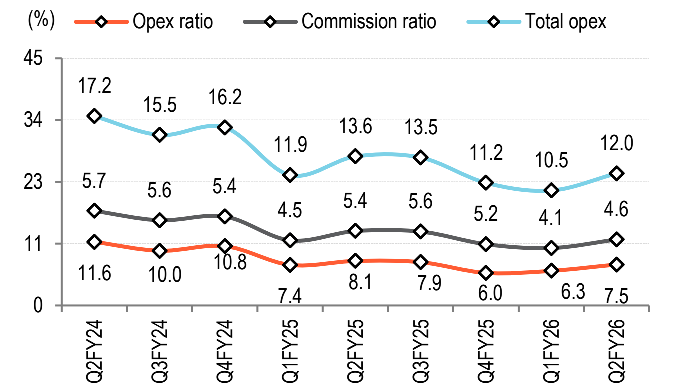
Source: Company, BOBCAPS Research

Fig 5 – Individual non-par business continues to grow significantly within LICI's APE mix



Source: Company, BOBCAPS Research

Fig 6 – Opex ratio continues to decline on a YoY basis



Source: Company, BOBCAPS Research

Fig 7 – Policyholders' account

(Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Net premium income	**11,37,701**	**11,99,010**	**10,68,915**	**14,75,856**	**11,92,004**	**12,64,793**	**5.5**	**6.1**
Income from investments (Net)	9,61,826	10,89,724	9,43,357	9,31,327	10,29,302	11,21,472	2.9	9.0
Other income	1,455	1,448	1,499	2,224	1,301	1,342	(7.3)	3.2
Total Income	**21,09,098**	**22,96,197**	**20,19,937**	**24,16,250**	**22,28,636**	**23,96,137**	**4.4**	**7.5**
Net Commission	50,901	65,416	59,657	77,115	49,496	57,722	(11.8)	16.6
Operating expenses	84,312	97,502	84,501	87,836	75,490	94,622	(3.0)	25.3
Benefits Paid (Net)	8,18,643	9,75,623	9,46,829	14,22,452	9,70,561	10,62,504	8.9	9.5
Change in actuarial liability	10,31,515	10,82,463	7,99,136	6,20,229	10,11,577	10,76,086	(0.6)	6.4
Surplus/Deficit	**1,08,874**	**72,532**	**1,09,519**	**1,88,195**	**1,09,359**	**94,536**	**30.3**	**(13.6)**

Source: Company, BOBCAPS Research

Fig 8 – Shareholders' account

(Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Amounts transferred from Policyholders	1,07,799	72,423	1,08,985	1,84,028	1,07,917	94,136	30.0	(12.8)
Income From Investments	11,767	14,576	15,962	17,611	17,867	20,634	41.5	15.5
PAT	**1,04,611**	**76,209**	**1,10,565**	**1,90,128**	**1,09,865**	**1,00,534**	**31.9**	**(8.5)**

Source: Company, BOBCAPS Research

Valuation Methodology

LICI reported a mixed quarter with muted APE growth, while 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 the product mix, management foresees margin expansion 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 LICI with TP to Rs 1,120, (previously Rs 1,100) assigning a multiple of 0.7x its Sept'27E P/EV.

Fig 9 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
APE	6,06,256	6,54,155	6,12,281	6,69,757	(1.0)	(2.3)
VNB Margin (%)	18.1	18.5	18.4	18.8	(30bps)	(30bps)

Source: BOBCAPS Research

Fig 10 – Actual vs Estimates

Rs mn	Q2FY26A	Q2FY26E	Actual vs Estimates (%)
Gross Premium	12,66,341	12,35,858	2.5
APE	1,63,820	1,62,039	1.1
VNB	31,670	29,747	6.5
VNB Margin	19.3	18.4	97bps

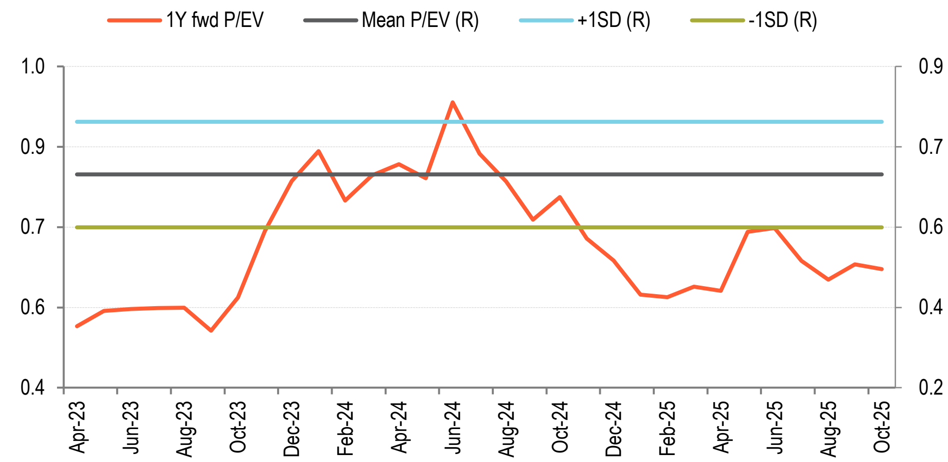
Source: Company, BOBCAPS Research

Fig 11 – EV Walk

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	**58,22,430**	**72,73,440**	**77,68,750**	**85,87,550**	**94,79,163**
Bifurcation impact	-	-	-	-	-
Unwind of Discount	5,21,980	7,00,930	7,10,692	7,72,220	8,38,954
Value of New Business	95,830	1,00,110	1,09,732	1,21,019	1,35,033
Operating Assumption Changes	48,290	18,480	-	-	-
Operating Experience Variance	3,680	6,680	30,000	30,000	30,000
EV Operating Profit (EVOP)	**6,69,780**	**8,26,200**	**8,50,425**	**9,23,239**	**10,03,987**
Economic Variance	9,54,640	(2,92,940)	-	-	-
EV Profit	**16,24,420**	**5,33,260**	**8,50,425**	**9,23,239**	**10,03,987**
Net Capital Inflow/Outflow (dividend pay out)	(1,73,410)	(37,950)	31,625	31,625	31,625
Closing EV	**72,73,440**	**77,68,750**	**85,87,550**	**94,79,163**	**1,04,51,526**

Source: Company, BOBCAPS Research

Fig 12 – P/EV Band



Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- **Intense competition:** Market leader LICI faces tough competition from private peers who are chipping away at its market dominance by 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.**

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Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	**47,57,519**	**48,88,489**	**51,91,576**	**55,13,453**	**59,54,529**
First year premium	3,90,380	3,70,254	4,15,326	4,41,076	4,76,362
Renewal premium	25,30,805	26,20,634	27,51,535	29,22,130	31,55,901
Single premium	18,36,335	18,97,601	20,24,714	21,50,247	23,22,266
Net written premium	**47,50,696**	**48,81,482**	**51,83,269**	**55,02,426**	**59,36,666**
Income from investments	36,39,439	39,26,234	42,01,070	45,16,150	48,09,700
Other Income	1,46,933	33,767	6,989	7,409	7,853
Total income	**85,37,068**	**88,41,482**	**93,91,329**	**1,00,25,986**	**1,07,54,219**
Commissions	2,59,591	2,53,088	2,67,626	2,85,101	3,01,597
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**	**87,71,804**	**93,85,146**	**1,00,40,297**
Surplus before tax	**4,05,656**	**5,56,845**	**6,19,525**	**6,40,839**	**7,13,923**
Provision for tax	58,252	77,725	92,929	96,126	1,07,088
Surplus after tax	**3,47,405**	**4,79,120**	**5,26,596**	**5,44,713**	**6,06,834**
Trf to shareholders' a/c	3,74,554	4,73,234	5,20,345	5,28,173	5,88,971
Balance being FFA	(27,150)	5,887	6,251	16,540	17,864

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	5,20,345	5,28,173	5,88,971
Income from investments	36,946	59,917	71,901	1,22,231	1,52,789
Contr. to policyholders' fund	449	45,399	49,938	54,932	60,426
Others	2,463	6,422	7,065	7,771	8,548
PBT	**4,07,872**	**4,81,512**	**5,35,242**	**5,87,701**	**6,72,786**
Provision for taxation	1,114	0	1,606	1,763	2,018
PAT	**4,06,758**	**4,81,512**	**5,33,636**	**5,85,937**	**6,70,767**
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	17,63,889	23,18,201	29,57,344
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	24,536	41,076	58,940
Others	4,079	8,154	16,418	32,835	65,670
Total liabilities	**5,22,20,383**	**5,57,51,546**	**5,99,75,003**	**6,45,21,538**	**6,95,10,876**
Shareholders' funds	6,37,440	10,40,258	17,87,291	23,44,052	30,03,980
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	30,70,503	32,97,194	35,44,723
Total assets	**5,22,20,383**	**5,57,51,546**	**5,99,75,003**	**6,45,21,538**	**6,95,10,876**

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	24,40,040	25,91,323	27,98,629
APE (Rs mn)	5,69,700	5,68,270	6,06,256	6,54,155	7,10,701
VNB (Rs mn)	95,830	1,00,110	1,09,732	1,21,019	1,35,033
VNB margin (%)	16.8	17.6	18.1	18.5	19.0
Embedded value (Rs mn)	72,73,440	77,68,750	85,87,550	94,79,163	1,04,51,526
ROEV (%)	27.9	7.3	10.9	10.8	10.6
ROE (%)	0.0	0.0	0.0	0.0	0.0
Opex ratio (%)	15.6	12.4	12.3	12.2	11.9
Cost ratio (%)	5.5	5.2	5.2	5.2	5.1
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	64.3	76.1	84.4	92.6	106.1
BVPS (Rs)	129.5	199.5	278.9	366.5	467.6
EVPS (Rs)	1,150.0	1,228.3	1,357.7	1,498.7	1,652.4

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

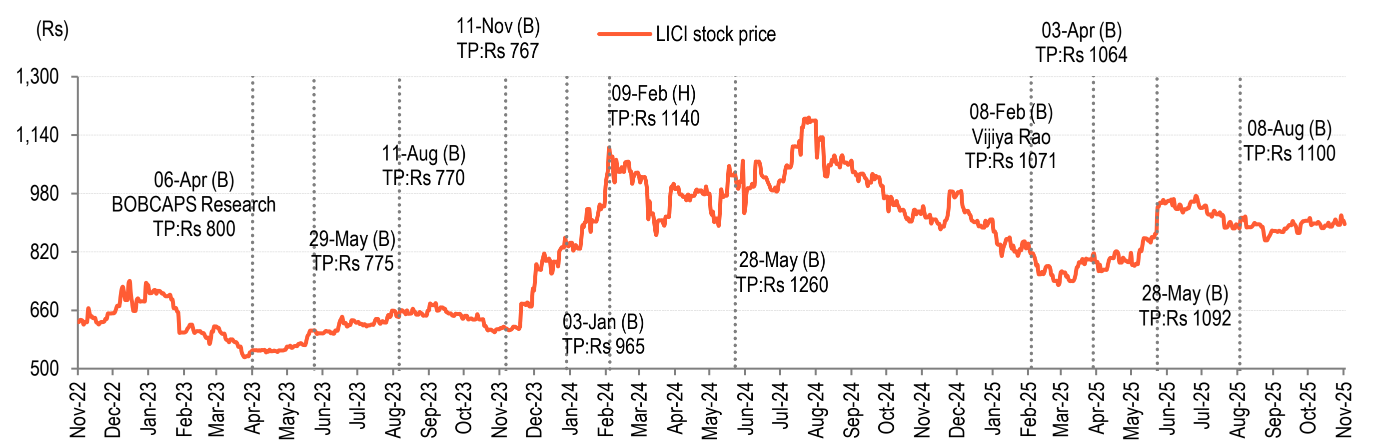
HOLD – Expected return from -6% to +15%

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.

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



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

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