

BUY
 TP: Rs 1,001 | ▲ 25%

LIC

| Insurance

| 22 May 2026

Strategic product mix shift aids margins; growth drivers intact

- VNB margin continued to expand 356bps YoY in FY26, leading to a strong absolute VNB growth, favourable product aided margins
- Management expects margins to improve further driven by increase in the ticket size and persistency
- Maintain BUY on LIC with TP of Rs 1,001 (earlier Rs 1,120); assigning a multiple of 0.7x its Mar’28 E P/EV

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Performance above expectations: LIC reported better-than-expected operating performance in Q4FY26, with APE, VNB and VNB margins higher by 7.6%, 34% and 510bps respectively — exceeding our estimates. In Q4FY26, APE, VNB and VNB margins increased 21.8% YoY, 66.7% YoY and ~690bps YoY respectively. For FY26, APE grew 18% YoY, while VNB margin expanded by ~350bps. The company reported a healthy 2Y CAGR growth of 8.4% in APE and 21.6% in absolute VNB. Management indicated consolidation in the non-par mix, which currently stands at 35.1% vs 27.7% in FY25.

Significant VNB margin expansion: VNB margins witnessed a sharp expansion of ~690bps YoY to 25.7% in Q4FY26 and 360bps YoY to 21.2% in FY26. This was primarily on account of favourable product mix (an impact of 3%). However, part of it was offset by GST, lower persistency as well as the realignment of some expenses. The company continued to see the non-par mix (on individual APE basis) increasing to 35.1% from 27.7% in FY25. Similarly, individual savings mix increased to 16.4% from 12.5% in FY25. ULIP share in the mix rose to 14.2% vs 9.8% in FY25. The company expects its VNB margins to improve further, aided by an increase in the average ticket size and improvement in the persistency trends across cohorts.

APE growth: APE grew 17.8% YoY in FY26, with individual APE growing by 13% YoY and group APE increasing by 27% YoY. Individual savings witnessed a robust growth of 48% YoY. ULIPs grew 63% YoY in FY26. Overall industry APE grew 14.5% YoY in FY26, with private players clocking a growth of 14.9% YoY in FY26.

Maintain BUY on LIC: LIC reported better-than-expected APE, VNB and VNB margin, with robust growth (on a lower base), owing to the high-margin non-par share further rising (favourable product mix). With a continued focus on expanding the non-par share in 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 22-23% range in FY27E-FY29E. Hence, we maintain BUY on LIC with a TP of Rs 1,001, (earlier Rs 1,120), assigning a multiple of 0.7x its Mar’28E P/EV.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	LICI IN/Rs 800
Market cap	US\$ 53.6bn
Free float	0%
3M ADV	US\$ 12.8mn
52wk high/low	Rs 980/Rs 722
Promoter/FPI/DII	97%/0%/1%

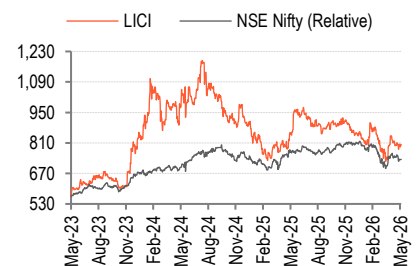
Source: NSE | Price as of 21 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NBP (Rs mn)	26,06,130	29,05,835	32,31,288
APE (Rs mn)	6,69,610	7,63,564	8,74,308
VNB (Rs mn)	1,41,957	1,66,457	1,96,719
Embedded Value (Rs)	78,91,850	87,33,225	96,67,373
VNB margin (%)	21.2	21.8	22.5
EVPS (Rs)	1,247.7	1,380.7	1,528.4
EPS (Rs)	90.8	103.4	121.8
Consensus EPS (Rs)	90.8	92.4	103.0
P/EV (x)	0.6	0.6	0.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings Call Highlights

Business performance

- Gross premium income for Q4FY26 stood at Rs 16,49,818 mn, reflecting 11.6% YoY growth, primarily driven by a 17.2% increase in the first-year premium and 21.5% growth in single premium. Renewal premium income recorded growth of 3.5% YoY.
- APE for FY26 came in at Rs 6,69,610 mn, 17.8% YoY growth and for Q4FY26 it came in at Rs 2,29,540 mn, 21.8% YoY growth.
- LICl's first-year premium market share stood at 56.7% in FY26 vs 57.1% in FY25. Within this, the company held a 36.6% market share in the individual business and a 70.1% share in the group business during FY26.
- The overall expense ratio declined to 11.9% in FY26 from 12.4% in FY25.
- Persistency ratio on a premium basis for the 13th, 25th, 37th, 49th, and 61st month stood at 74.64%, 68.98%, 66.94%, 63.03%, and 59.31%, respectively.
- Persistency ratio on a policy basis for the 13th, 25th, 37th, 49th, and 61st month stood at 64.87%, 57.65%, 55.29%, 49.78%, and 46.88%, respectively.
- The management highlighted 13M persistency for the par business has improved.

VNB and VNB Margin

- LICl recorded the highest-ever VNB in FY26 of Rs 1,41,790 mn — a 41.6% YoY growth.
- VNB margin improved by 356 bps, rising to 21.2% in FY26 from 17.6% in FY25. This was driven by a favourable impact from the business mix to the tune of +3%, +3.4% impact of economic assumption and -2.8% impact of operating assumption changes.
- Individual par business contributes 28% to VNB, individual non-par business contributes 53% to VNB and group business contributes 19% to VNB in FY26.
- LICl reiterated that they will continue to focus on growing VNB.
- The company expects margins to improve going ahead, driven by the increased ticket size and persistency ratio.
- The impact of GST rates, persistency, and alignment of expenses in the business – together, contributed to the negative changes in operating assumptions.

Product Mix

- Share of non-par products rose to 22.5% vs. 20% in Q4FY25 (on APE basis).
- Share of non-par products in Individual APE stood at 35.1% in FY26 vs 27.7% in FY25.
- Savings segment grew 48.4% in FY26 to Rs 71,120 mn, mainly supported by the strong response received by Jeevan Labh product (contributing 40% to the premium) and Jeevan Utsav product.
- Going ahead, the company will focus on increasing its contribution from savings, protection and annuity businesses.

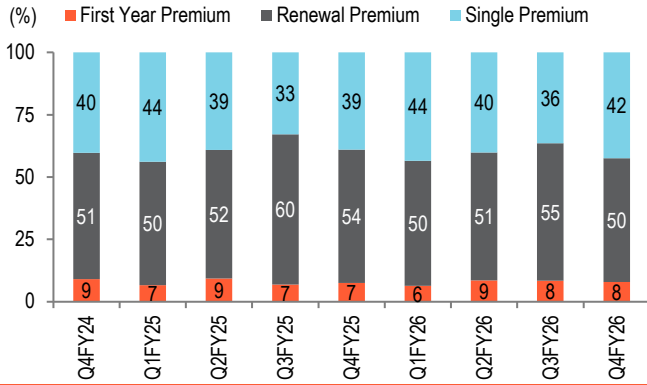
Channel Mix

- Share of individual new business premium from banca and agency channel increased to 7.51% in FY26 from 5.59% In FY25.
- NBP collected from the banca and alternate channels grew 45.2% YoY from Rs 34,961 mn in FY25 to Rs 50,760 mn in FY26.
- 91.75% of new business premium was contributed through agency channel in FY26
- Number of policies sold through the banca and alternate channels declined by 30% in FY26, as one key partner who contributed significantly last year is currently facing operational issues.

Others

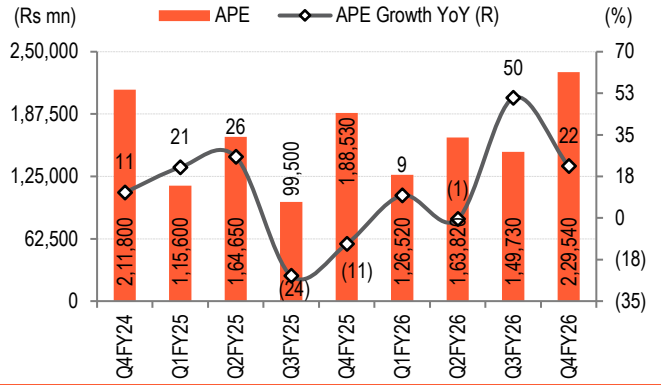
- Market share by number of agents was 44.3% in FY26 vs 47.6% in FY25.
- Solvency ratio strengthened to 2.35 in FY26 from 2.11 in FY25.
- As of FY26, the company offered a total of 58 products, including: 36 exclusive individual products, 13 exclusive group products, 1 product for individual as well as group business, 7 individual riders and 1 group rider.
- The company highlighted that future dividend payout would depend upon the upcoming regulatory changes.

Fig 1 – Gross premium was up 11.6%YoY, led by strong growth in first year and single premium



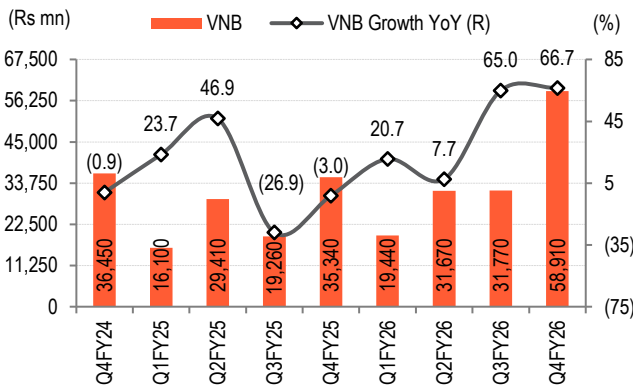
Source: Company, BOBCAPS Research

Fig 2 – APE grew 21.8% in Q4FY26 to Rs 2,29,540 mn



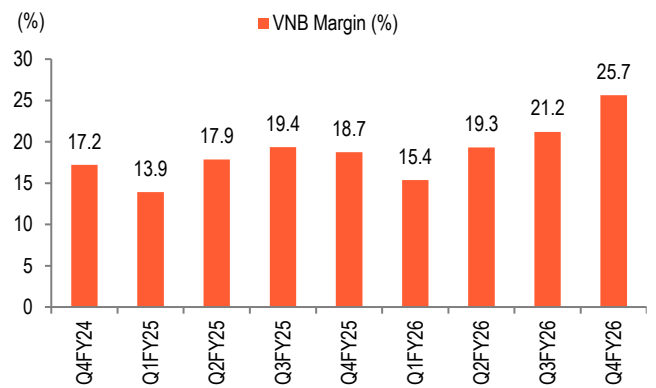
Source: Company, BOBCAPS Research

Fig 3 – LIC reported the highest ever VNB in FY26



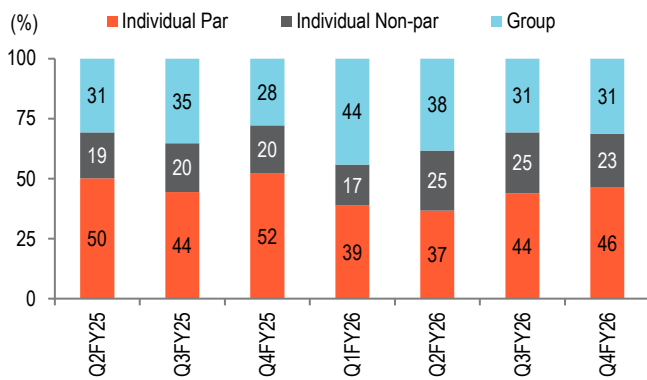
Source: Company, BOBCAPS Research

Fig 4 – VNB margin came in at 25.7% in Q4FY26, a 692 bps YoY increase



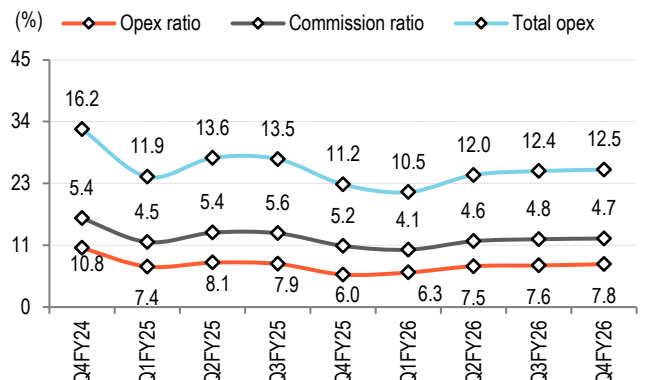
Source: Company, BOBCAPS Research

Fig 5 – Individual non-par contribution increased to 22.5% in Q4FY26 from 20% in Q4FY25



Source: Company, BOBCAPS Research

Fig 6 – Total opex ratio came in at 12.5% in Q4FY26



Source: Company, BOBCAPS Research

Fig 7 – Policyholders’ account

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Net premium income	10,68,915	14,75,856	11,92,004	12,64,793	12,56,134	16,46,912	11.6	31.1
Income from investments (Net)	9,43,357	9,31,327	10,29,302	11,21,472	10,76,083	10,90,220	17.1	1.3
Other income	1,499	2,224	1,301	1,342	1,420	23,930	-	-
Total Income	20,19,937	24,16,250	22,28,636	23,96,137	23,39,838	27,68,272	14.6	18.3
Net Commission	59,657	77,115	49,496	57,722	60,106	77,073	(0.1)	28.2
Operating expenses	84,501	87,836	75,490	94,622	95,653	1,29,333	47.2	35.2
Benefits Paid (Net)	9,46,829	14,22,452	9,70,561	10,62,504	11,32,832	17,95,146	26.2	58.5
Change in actuarial liability	7,99,136	6,20,229	10,11,577	10,76,086	9,15,615	6,30,117	1.6	(31.2)
Surplus/Deficit	1,09,519	1,88,195	1,09,359	94,536	1,19,332	2,32,353	23.5	94.7

Source: Company, BOBCAPS Research

Fig 8 – Shareholders’ account

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Amounts transferred from Policyholders	1,08,985	1,84,028	1,07,917	94,136	1,17,283	2,22,562	20.9	89.8
Income From Investments	15,962	17,611	17,867	20,634	22,451	24,925	41.5	11.0
PAT	1,10,565	1,90,128	1,09,865	1,00,534	1,29,582	2,34,204	23.2	80.7

Source: Company, BOBCAPS Research

Valuation Methodology

LICI reported better-than-expected APE, VNB and VNB margin, with robust growth (on a lower base), owing to the high-margin non-par share further rising (favourable product mix). With a continued focus on expanding the non-par share in 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 22-23% range in FY27E-FY29E. Hence, we maintain BUY on LICI with a revised TP of Rs 1,001, (earlier Rs 1,120), assigning a multiple of 0.7x its Mar'28E P/EV.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
APE	7,63,564	8,74,308	10,06,451	7,48,550	8,78,355	-	2.0	(0.5)	-
VNB Margin (%)	21.8	22.5	23.2	18.9	19.2	-	290bps	330bps	-

Source: BOBCAPS Research

Fig 10 – Actual vs Estimates

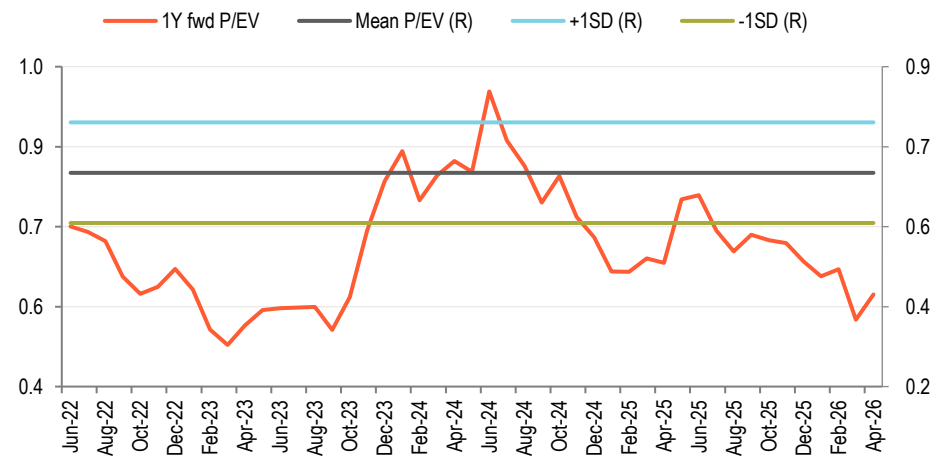
Rs mn	Q4FY26A	Q4FY26E	Actual vs Estimates (%)
Gross Premium	16,49,818	16,10,785	2.4
APE	2,29,540	2,13,408	7.6
VNB	58,910	43,895	34.2
VNB Margin	25.7	20.6	510bps

Source: Company, BOBCAPS Research

Fig 11 – EV Walk

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
Opening EV	72,73,440	77,68,760	78,91,850	87,33,225	96,67,373
Bifurcation impact	-	-	-	-	-
Unwind of Discount	7,00,930	7,47,480	7,04,418	7,66,929	8,34,350
Value of New Business	1,00,110	1,41,790	1,66,457	1,96,719	2,33,497
Operating Assumption Changes	18,480	(16,630)	-	-	-
Operating Experience Variance	6,680	53,750	53,750	53,750	53,750
EV Operating Profit (EVOP)	8,26,200	9,26,390	9,24,625	10,17,398	11,21,597
Economic Variance	(2,92,940)	(7,27,400)	(20,000)	(20,000)	(20,000)
EV Profit	5,33,260	1,98,990	9,04,625	9,97,398	11,01,597
Net Capital Inflow/Outflow (dividend pay out)	(37,950)	(75,900)	63,250	63,250	63,250
Closing EV	77,68,750	78,91,850	87,33,225	96,67,373	1,07,05,720

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 LIC faces tough competition from private peers who are chipping away at its market dominance by unique offerings and better services. LIC 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.**

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Gross premium income	48,88,489	53,67,486	59,84,746	66,55,038	74,13,712
First year premium	3,70,254	4,19,353	4,67,579	5,19,947	5,79,221
Renewal premium	26,20,634	27,61,356	30,78,912	34,23,750	38,14,057
Single premium	18,97,601	21,86,777	24,38,256	27,11,341	30,20,434
Net written premium	48,81,482	53,59,842	59,76,224	66,41,728	73,98,885
Income from investments	39,26,234	43,17,077	46,62,443	48,95,565	51,40,343
Other Income	33,767	55,964	29,673	31,454	33,341
Total income	88,41,482	97,32,883	1,06,68,340	1,15,68,747	1,25,72,569
Commissions	2,53,088	2,44,396	2,73,622	3,09,447	3,50,524
Operating expenses	3,54,152	3,95,098	4,14,156	4,34,264	4,55,484
Benefits and bonuses paid	41,63,547	49,61,043	54,07,537	59,48,290	65,43,119
Change in liabilities (net)	35,33,343	36,33,394	38,69,565	40,70,782	42,82,463
Others	(19,492)	(14,894)	(15,646)	(17,283)	(17,283)
Total expenses	82,84,637	92,19,037	99,49,233	1,07,45,501	1,16,14,307
Surplus before tax	5,56,845	5,13,846	7,19,107	8,23,246	9,58,262
Provision for tax	77,725	(41,734)	1,07,866	1,23,487	1,43,739
Surplus after tax	4,79,120	5,55,580	6,11,241	6,99,759	8,14,523
Trf to shareholders' a/c	4,73,234	5,41,898	5,93,287	6,79,794	7,92,282
Balance being FFA	5,887	13,682	17,954	19,965	22,241

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Trf from policyholders' a/c	4,73,234	5,41,898	5,93,287	6,79,794	7,92,282
Income from investments	59,917	85,877	1,20,228	1,56,296	2,03,185
Contr. to policyholders' fund	27,142	27,970	30,767	33,844	37,228
Others	24,679	24,155	26,571	29,228	32,150
PBT	4,81,512	5,74,538	6,56,177	7,73,018	9,26,088
Provision for taxation	0	352	1,969	2,319	2,778
PAT	4,81,512	5,74,186	6,54,208	7,70,699	9,23,310
Dividend+Interim div.+DDT	-	-	-	-	-

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity	12,61,877	17,53,564	23,44,522	30,51,971	39,12,031
Policyholders' funds	5,44,63,230	5,68,65,786	6,07,82,483	6,50,80,703	6,97,11,661
FFA	18,284	32,151	50,105	70,070	92,311
Others	8,154	6,760	32,835	65,670	1,31,340
Total liabilities	5,57,51,546	5,86,58,260	6,32,09,945	6,82,68,414	7,38,47,343
Shareholders' funds	10,40,258	15,07,403	24,78,316	32,04,819	58,17,921
Policyholders' funds	5,13,62,788	5,33,32,621	5,69,99,407	6,10,42,137	6,53,97,828
Assets to cover linked liab.	4,83,120	6,18,969	5,05,738	5,44,888	5,04,114
Others	28,65,380	31,99,266	32,26,484	34,76,570	21,27,480
Total assets	5,57,51,546	5,86,58,260	6,32,09,945	6,82,68,414	7,38,47,343

Key Metrics

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
AUM (Rs mn)	5,45,22,970	5,72,93,960	6,47,42,175	7,44,53,501	8,56,21,526
NBP (Rs mn)	22,67,855	26,06,130	29,05,835	32,31,288	35,99,655
APE (Rs mn)	5,68,270	6,69,610	7,63,564	8,74,308	10,06,451
VNB (Rs mn)	1,00,110	1,41,957	1,66,457	1,96,719	2,33,497
VNB margin (%)	17.6	21.2	21.8	22.5	23.2
Embedded value (Rs mn)	77,68,750	78,91,850	87,33,225	96,67,373	1,07,05,720
ROEV (%)	7.3	2.6	11.5	11.4	11.4
ROE (%)	-	-	-	-	-
Opex ratio (%)	12.4	11.9	11.5	11.2	10.9
Cost ratio (%)	5.2	4.6	4.6	4.6	4.7
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	76.1	90.8	103.4	121.8	146.0
BVPS (Rs)	199.5	277.2	370.7	482.5	618.5
EVPS (Rs)	1,228.3	1,247.7	1,380.7	1,528.4	1,692.6

Source: Company, BOBCAPS Research

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

BUY – Expected return >+15%

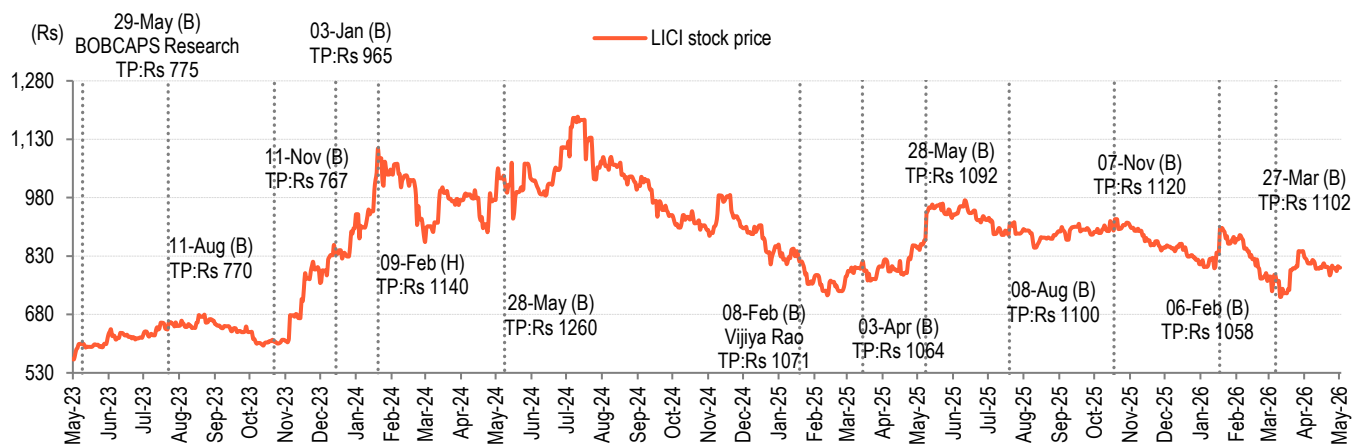
HOLD – Expected return from -6% to +15%

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.

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



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

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