

Life Insurance Corporation | BUY



Strong margins and improving growth, upgrade to BUY

LIC reported strong results with a beat on both topline (total APE +9% YoY to INR 70.6bn) and VNB margins (up 150bps YoY to 15.4%, +120bps JMFe). VNB grew 21% YoY to INR 17bn, +14% JMFe. Retail growth was led by ULIPs, and a 23% increase in ticket sizes. Better operating metrics, in terms of mortality and persistency, in the higher ticket segment, alongside controlled opex, led to the strong margins. The stock has underperformed with weak growth since Oct'24 and is trading at inexpensive valuations of 0.6x FY27e EVPS of INR 1,455. We see improving growth trends as we move to 2HFY26. We raise our growth and margin estimates, resulting in a ~3% VNB upgrade over FY26-FY28e. We value it at 0.8x FY27e EVPS and raise our Target Price to INR 1,111 (from INR 860). We upgrade to BUY.

- **Retail growth led by ULIPs comes with higher ticket sizes:** LIC reported YoY decline in retail APE for the previous two quarters, impacted by the product regulations. 1Q growth of 5% YoY was a positive surprise – led by ULIPs (+115% YoY). As a result, average ticket sizes increased 23% YoY. Savings mix normalised to 74:14:12 between par/ULIPs/non-par against 81:7:12 in 1QFY25. Hereon, management expects to grow both policy count and ticket sizes. While 2QFY26 may see flattish APE YoY, with a strong base of last year (pre-surrender norms flash sales), we expect the corporation to report strong growth in 2HFY26.
- **VNB grew 21% YoY to INR 17bn, with margins at 15.4% (+150bps YoY, +120bps JMFe):** 1Q growth was led by a 115% YoY growth in ULIPs, a lower margin product. Despite this, margins improved with better operating metrics, in terms of mortality and persistency, in the higher ticket segment, that ULIPs cater to. Opex (incl. commissions, which were flattish YoY) was controlled at INR 125bn, -8% YoY, with employee costs down 13% YoY, with rationalisation of personnel, as employees retire.
- **Expect RoEV of 9-10% in steady state:** LIC reports EV on a half-yearly basis. In 4QFY26 results, LIC had estimated a 6.7% fall in its EV with a 10% fall in equity value – which remains a key metric to track. With its strong base of EV, VNB accretion remains limited to <2% of opening the opening EV, crippling EV growth despite strong VNB growth. For instance, despite a 3% upgrade in VNB estimates, JMFe EV estimates hardly change. Going forward, we expect LIC to report 9%-10% RoEV in the steady state, due to which the stock should continue to trade at a discount to its EV.
- **Valuations and view:** With a contraction in retail weighted received premiums (RWRP) in 8 of the last 9 months, the stock has underperformed markets and trades at inexpensive valuations of 0.6x FY27e EVPS of INR 1,455. Diversifying product mix with improving margins augurs well for the corporation, providing resilience to growth. We see the stock rerate as its growth profile improves, even with flattish 2Q topline on a strong base. We upgrade the stock to BUY with an updated Target Price of INR 1,111 (up from INR 860), valuing the insurer at 0.8x FY27e EVPS of INR 1,455.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	HOLD
Current Price Target (12M)	1,111
Upside/(Downside)	27.6%
Previous Price Target	860
Change	29.2%

Key Data – LIC IN

Current Market Price	INR885
Market cap (bn)	INR5,510.7/US\$64.6
Free Float	3%
Shares in issue (mn)	6,325.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR941.5/US\$11.0
52-week range	1,222/715
Sensex/Nifty	81,552/24,826
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	10.1	-4.9	-15.9
Relative*	8.3	-7.8	-22.5

* To the BSE Sensex

Financial Summary

	(INR bn)				
INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	569.7	568.3	621.5	676.8	741.0
Growth YoY (%)	0.5%	-0.2%	9.4%	8.9%	9.5%
Individual APE	384.3	382.2	413.1	451.7	495.6
Growth YoY (%)	-0.6%	-0.6%	8.1%	9.4%	9.7%
Opex + Commissions	740.8	607.2	673.5	753.3	844.5
VNB	95.8	100.1	114.2	127.8	142.0
Growth YoY (%)	4.7%	4.5%	14.1%	12.0%	11.1%
VNB margins	16.8%	17.6%	18.4%	18.9%	19.2%
Core EVOP (%)	10.6%	11.0%	9.8%	9.3%	9.4%
IEV	7,273.4	7,768.7	8,540.9	9,204.2	10,012.0
P/EVx	0.77	0.72	0.66	0.61	0.56

Source: Company data, JM Financial. Note: Valuations as of 07/August/2025

JM Financial Research is also available on:
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Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways:

■ Growth

- Growth in 1Q was led by average ticket size growth of 23% YoY while number of policies sold reduced YoY;
- LIC is looking to grow both policy count and average ticket sizes this year, and thereafter;
- Did not specify growth targets;
- Company remains focused on VNB growth.

■ VNB margins improved despite a ULIP-led growth

- ULIPs are higher ticket sized products sold to an affluent clientele
 - As a result, persistency, mortality, etc. are stronger compared to traditional par products;
 - Margins on the product are higher than par;
 - Working to improve the margins on ULIPs through newer product variants.
- Margins largely stable in the group business
 - Working to improve margins through group protection sales;
- Improvement in VNB Margins on individual APE to the extent of 300-400bps YoY.
 - Driven by expense optimization and favourable persistency outcomes in higher ticket policies;
 - Due to a fall in risk free rate, there was a negative impact on VNB margins (captured in economic assumptions change in the VNB walk).

■ Solvency targets

- LIC targets a solvency of anything above 1.6x;
- Comfortable at a solvency of 1.8x to 2.0x;
- Despite higher solvency, looking for clarity on RBC (Risk Based Capital) regime before raising dividend payouts.

Exhibit 1. LIC1 1QFY26: Key quarterly trends

INR mn	1Q25	4Q25	1Q26	YoY %	QoQ %	1Q26e Variance, %	
Total APE (Quarterly)	115,600	188,530	126,510	9%	-33%	119,639	6%
Individual Savings	63,510	129,550	66,580	5%	-49%		
- ULIPs	4,310	14,870	9,270	115%	-38%		
- Par	51,320	98,370	49,190	-4%	-50%		
- Non-par return guarantee	7,880	16,310	8,120	3%	-50%		
Annuity	3,590	5,690	3,640	1%	-36%		
Individual protection	380	820	390	3%	-52%		
Individual APE	67,470	136,060	70,610	5%	-48%	64,771	9%
Group APE	48,130	52,470	55,900	16%	7%	54,868	2%
Non-par (Ind APE except par)	23.9%	27.7%	30.3%	6%	3%		
EV (INR bn)	-	7,769	-	NA	NA	8,196	
VNB margin (Quarterly)	13.9%	18.7%	15.4%	1%	-3%	14.2%	1.2%
VNB growth, % (YoY)	23.7%	-3.0%	20.7%				
VNB (quarterly)	16,100	35,340	19,440	21%	-45%	16,989	14%
Savings mix, % (Quarterly)							
- ULIPs	6.8%	11.5%	13.9%	7%	2%		
- Par	80.8%	75.9%	73.9%	-7%	-2%		
- Non-par	12.4%	12.6%	12.2%	0%	0%		

Source: Company, JM Financial

Source: Company, JM Financial

Exhibit 2. LIC1 1QFY26: VNB margin walk (YTD) - reported

VNB walk (YTD)	1Q25	2Q25	3Q25	4Q25	1Q26
Opening	13.7%	14.6%	16.6%	16.8%	13.9%
Product mix impact	3.7%	4.3%	2.4%	2.2%	1.9%
Product benefits impact	-1.2%	0.0%	0.0%	0.0%	-2.3%
Economic variance	0.0%	-2.9%	-2.1%	-2.8%	1.9%
Assumption change impact	-2.3%	0.2%	0.2%	1.4%	0.0%
Final	13.9%	16.2%	17.1%	17.6%	15.4%

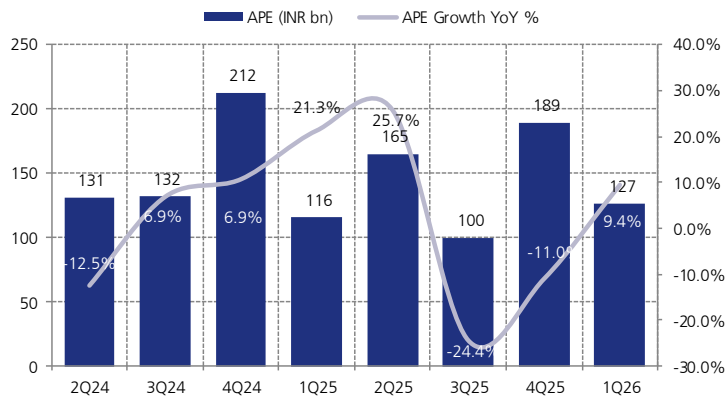
Source: Company, JM Financial

Exhibit 3. LIC1: Change in estimates - JMFe

LICI (INR bn)	FY26 old	FY26 new	Change %	YoY growth	FY27 old	FY27 new	Change %	YoY growth	FY28 old	FY28 new	Change %	YoY growth
Total APE	613.6	621.5	1.3%	9.4%	661.7	676.8	2.3%	8.9%	713.3	741.0	3.9%	9.5%
Ind APE	408.9	413.1	1.0%	8.1%	440.6	451.7	2.5%	9.4%	472.4	495.6	4.9%	9.7%
VNB	111.0	114.2	2.8%	14.1%	124.6	127.8	2.6%	12.0%	137.5	142.0	3.3%	11.1%
VNB margin %	18.1%	18.4%	0.3%	0.8%	18.8%	18.9%	0.1%	0.5%	19.3%	19.2%	-0.1%	0.3%
EV	8,537.8	8,540.9	0.0%	9.9%	9,197.6	9,204.2	0.1%	7.8%	10,000.3	10,012.0	0.1%	8.8%

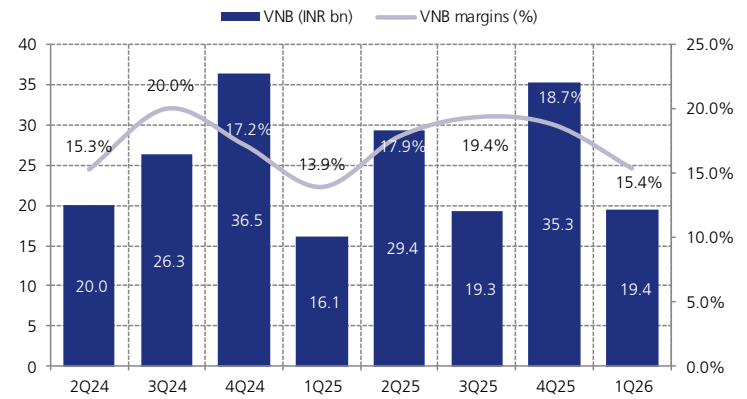
Source: Company, JM Financial

Exhibit 4. LIC 1QFY26: Quarterly trend in APE growth



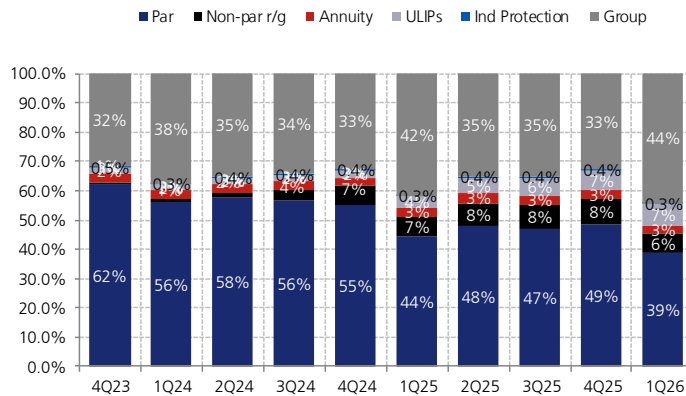
Source: Company, JM Financial

Exhibit 5. LIC 1QFY26: Quarterly trend in VNB and margins



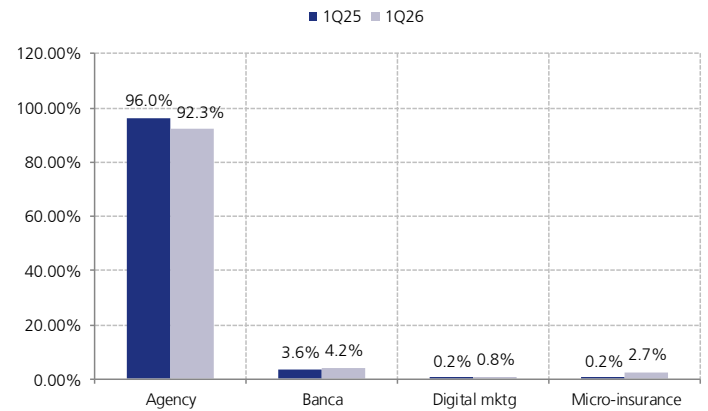
Source: Company, JM Financial

Exhibit 6. LIC 1QFY26: Trend in product mix



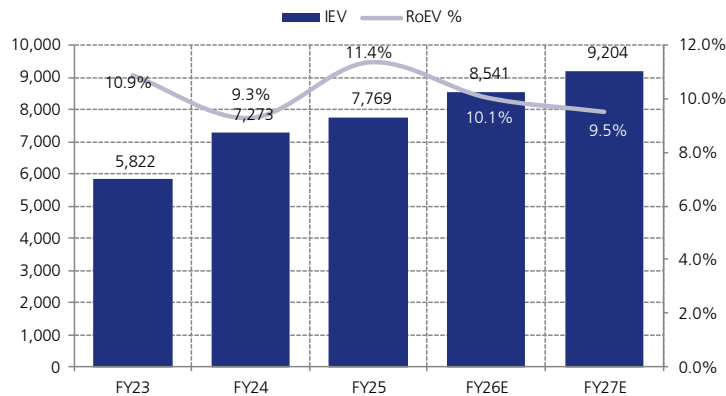
Source: Company, JM Financial

Exhibit 7. LIC 1QFY26: Trend in channel mix (NBP basis)



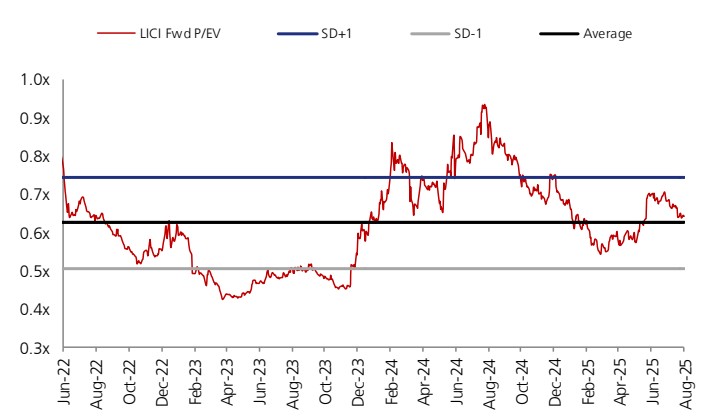
Source: Company, JM Financial

Exhibit 8. LIC: Expect avg op. RoEV of 9.8% over FY26e-FY27e



Source: Company, JM Financial

Exhibit 9. LIC: 1-year forward valuations at historical mean



Source: Company, JM Financial

Financial Tables (Standalone)

P&L (technical account) (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	4,757,519	4,888,489	5,231,797	5,615,232	6,045,955
Net premiums	4,750,696	4,881,482	5,224,297	5,607,183	6,037,288
Investment income	3,639,439	3,926,234	4,146,518	4,436,774	4,747,348
Other Income	146,933	33,767	38,832	44,656	51,355
Total Income	8,537,068	8,841,482	9,409,647	10,088,614	10,835,992
Commissions	259,591	253,088	276,888	297,181	319,976
Operating expenses	481,217	354,152	396,650	456,148	524,570
Provisions and taxes	30,401	58,233	64,056	70,461	81,031
Total expenses	771,209	665,472	737,594	823,790	925,577
Benefits paid	3,888,093	4,163,547	4,454,995	4,811,395	5,196,306
Change in valuation of life reserves	3,530,361	3,533,343	3,639,343	3,784,917	3,936,314
Total Benefits	7,418,454	7,696,890	8,094,338	8,596,312	9,132,620
Surplus/(Deficit)	347,405	479,120	538,883	623,856	726,440

Source: Company, JM Financial

P&L (Shareholder's account) (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Transfer from the Policyholders' Account	374,554	473,234	536,188	622,608	722,808
Investment income	36,946	59,917	81,244	97,493	116,992
Other income	-	-	-	-	-
Total income	411,501	533,151	617,433	720,101	839,799
Operating expenses	3,180	6,241	6,679	7,168	7,718
Contribution to the policyholders A/C	449	45,399	48,587	52,148	56,148
Profit before tax	407,872	481,512	562,167	660,785	775,933
Tax	1,114	-	1,124	1,322	1,552
Profit after tax	406,758	481,512	561,043	659,463	774,382

Source: Company, JM Financial

Key Ratios

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
VNB (INR mn)	95,830	1,00,110	1,14,177	1,27,840	1,42,000
VNB growth	5%	4%	14%	12%	11%
Reported VNB margin	16.8%	17.6%	18.4%	18.9%	19.2%
APE	569.7	568.3	621.5	676.8	741.0
- Growth	1%	0%	9%	9%	9%
Opex (ex-comm) ratio	10.1%	7.2%	7.6%	8.1%	8.7%
Commissions ratio	5.5%	5.2%	5.3%	5.3%	5.3%

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Investments	637,440	1,040,258	1,248,310	1,497,972	1,797,566
Policyholders' Investments	48,765,124	51,362,788	54,958,183	58,805,256	62,921,624
Unit linked Investments	352,578	483,120	603,900	754,875	943,594
Loans	1,202,583	1,274,799	1,351,287	1,432,364	1,518,306
Fixed assets	40,570	44,612	49,073	53,980	59,378
Net current assets	1,222,088	1,545,969	2,025,063	2,608,312	3,310,223
Total Assets	52,220,383	55,751,546	60,235,816	65,152,759	70,550,691
Borrowings	-	-	-	-	-
Fair Value Change Account	6,926,821	6,475,399	6,475,399	6,475,399	6,475,399
Policy Liabilities	44,113,272	47,520,654	51,322,307	55,428,091	59,862,339
Linked Liabilities	348,761	475,331	594,164	742,705	928,381
FFA	12,147	18,284	21,027	24,181	27,808
Total Liabilities	51,401,001	54,489,668	58,412,896	62,670,375	67,293,926
Share Capital	63,250	63,250	63,250	63,250	63,250
Reserves and surplus	757,401	1,200,958	1,762,000	2,421,464	3,195,845
Fair Value Change Account	-1,269	-2,330	-2,330	-2330.2	-2330.2
Shareholder's equity	819,382	1,261,877	1,822,920	2,482,383	3,256,765

Source: Company, JM Financial

Embedded Value (INR mn)

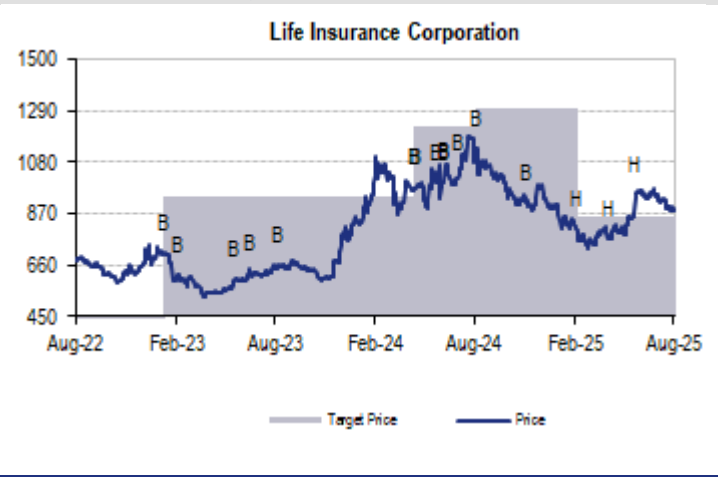
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Opening IEV	58,22,430	72,73,440	77,68,740	85,40,948	92,04,221
Core EVOP	6,17,810	8,01,030	7,58,982	7,94,034	8,68,213
- Unwind	5,21,980	7,00,920	6,44,805	6,66,194	7,26,213
- VNB	95,830	1,00,110	1,14,177	1,27,840	1,42,000
Variances	8,33,200	-3,05,730	13,226	-1,30,761	-60,437
- Operating	-77,170	25,160	21,820	18,480	18,480
- Economic & others	9,54,640	-2,92,940	38,844	-1,01,803	-31,480
Dividends, ESOPs & capital raise	-44,270	-37,950	-47,438	-47,438	-47,438
Closing IEV	72,73,440	77,68,740	85,40,948	92,04,221	1,00,11,997
Op. RoEV	9.3%	11.4%	10.1%	9.5%	9.6%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Jan-23	Buy	940	
10-Feb-23	Buy	940	0.0
25-May-23	Buy	940	0.0
20-Jun-23	Buy	940	0.0
11-Aug-23	Buy	940	0.0
17-Apr-24	Buy	1,222	30.0
22-Apr-24	Buy	1,222	0.0
29-May-24	Buy	1,222	0.0
10-Jun-24	Buy	1,222	0.0
13-Jun-24	Buy	1,222	0.0
9-Jul-24	Buy	1,222	0.0
10-Aug-24	Buy	1,300	6.4
10-Nov-24	Buy	1,300	0.0
10-Feb-25	Hold	860	-33.8
7-Apr-25	Hold	860	0.0
28-May-25	Hold	860	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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