

Life Insurance Corporation | BUY

Expect a strong 2H

LIC reported strong margins of 17.6% for 1H, implying 19.3% for 2Q (+20bps JMFe, +150bps YoY) even as group and ULIP businesses outperformed. Management attributed this to their continued focus on higher ticket sized retail policies and some support from economic factors, even as it took the full impact of loss of ITC (Input Tax Credit) on book. LIC has struggled on growth since Oct'24 (rolling 12 month individual APE down 11% YoY) and we expect it to benefit from the GST 2.0 tailwinds to report a strong 15%+ growth in 2H. EV grew 5% over Mar'25 levels to INR 8.1trln, still 1% below Sep'24. We value the stock at 0.8x Mar'27 EVPS to get an unchanged Target Price of INR 1,111. We maintain BUY.

- **Flattish APE led by strong group business even as retail APE contracted 11%:** With the revised surrender norms from 1st October'24, LIC had stopped its business with a Sum Assured lower than INR 0.2mn, as a result, number of policies contracted 21% in 1H. Further, 1H saw a 5% contraction in individual APE, following a 16% contraction in 2HFY25. However, higher ticket sizes have also led to an improvement in margins and should reflect in improving 13th month persistency from 3Q. Hence, despite strong growth in ULIPs and group business, LIC continued to surprise positively on margins. Going into 2H, the corporation intends to focus on non-par savings and annuity, which should further aid margin expansion. Management expects margins to improve hereon even as the entire book sees the impact of GST 2.0, without cutting customer benefits or distributor payouts. Despite the impact of GST 2.0, PAT grew 32% YoY to INR 100bn, as new business growth was muted.
- **VNB grew 8% YoY to INR 32bn, with margins at 19.3% (+150bps YoY, +20bps JMFe):** 2Q APE was flattish YoY as a 24% growth in group APE countered an 11% contraction in individual APE. With the margin expansion, VNB grew 8% YoY, bringing 1H growth in VNB to 12%. Going forward, we expect margins to improve alongside a strong 14% growth in APE in 2H. Hence, we expect the corporation to report a strong 14% growth in VNB for FY26e, with VNB growth tapering gradually to 12%/11% over FY27/FY28e.
- **Expect a steady RoEV of ~10% in the near term:** LIC's EV remains subject to equity markets, with a 10% fall in equity values leading to a 6.6% hit to its EV (sensitivity down 10bps from Mar'25). With its strong base of EV, VNB accretion remains limited to <2% of the opening EV, crippling EV growth despite strong VNB outcomes. In 2Q, non-par (all individual APE except par) share rose to 40% of individual APE. With the sustained growth in non-par segments, we raise our VNB estimates by ~1% each over FY27-FY28e. Hence, our Mar'27 EVPS rises slightly to INR 1,461. Going forward, we expect LIC to report ~10% RoEV in the steady state.
- **Valuations and view –business remains undervalued at 0.6x, maintain BUY:** With continued weakness in individual business, the stock has underperformed markets and trades at inexpensive valuations of 0.6x FY27e EVPS of INR 1,461. Diversifying product mix with improving margins augurs well for the corporation, providing resilience to growth. We see the stock rerate with growth in 2H. We maintain BUY with an unchanged Target Price of INR 1,111 (up from INR 860), valuing the insurer at 0.8x FY27e EVPS of INR 1,461 (up from INR 1,455 earlier).



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,111
Upside/(Downside)	24.0%
Previous Price Target	1,111
Change	0.0%

Key Data – LIC IN

Current Market Price	INR896
Market cap (bn)	INR5,667.8/US\$64.0
Free Float	3%
Shares in issue (mn)	6,325.0
Diluted share (mn)	6,325.0
3-mon avg daily val (mn)	INR1,059.0/US\$11.9
52-week range	1,008/715
Sensex/Nifty	83,311/25,510
INR/US\$	88.6

Price Performance

%	1M	6M	12M
Absolute	-1.2	14.2	-5.2
Relative*	-3.0	10.6	-8.5

* To the BSE Sensex

Financial Summary (INR bn)

INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	569.7	568.3	619.2	676.9	743.7
Growth YoY (%)	0.51%	-0.25%	8.95%	9.32%	9.88%
Individual APE	384.3	382.2	403.3	443.7	489.6
Growth YoY (%)	-0.6%	-0.6%	5.5%	10.0%	10.3%
Opex + Commissions	740.8	607.2	673.5	753.3	844.5
VNB	95.8	100.1	114.4	129.0	143.4
Growth YoY (%)	4.7%	4.5%	14.3%	12.8%	11.1%
VNB margins	16.8%	17.6%	18.5%	19.1%	19.3%
Core EVOP (%)	10.6%	11.0%	10.0%	9.6%	9.7%
IEV	7,273.4	7,768.7	8,550.0	9,240.8	10,072.3
P/EVx	0.78	0.73	0.66	0.61	0.56

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

Key concall takeaways:

■ Growth targets

- Growth in 2Q continued to be led by average ticket size growth,
- LIC stopped selling products with a Sum Assured of less than INR 0.2mn post Oct'24, with the new surrender norms, hence, number of policies contracted 21% in 1H,
- LIC remains focussed on growing both policy count and premiums,
- Did not specify growth targets,
- While ULIP momentum should continue given customer demand, going forward, focus would be on annuity and non-par savings.

■ GST 2.0

- The corporation intends to pass on the benefits of GST 2.0 to customers without impacting distributors,
- The ITC loss will be compensated by changing product mix and improving operational efficiency (led by lowering cost base and increasing ticket sizes leading to lower unit costs),
- 1H VNB and EV has the impact of GST 2.0 on book and flow.

■ VNB margins improvement

- VNB margin improvement is led by higher ticket sizes (reducing unit costs) and improving share of non-par savings business,
- Within the VNB walk, impact of operating assumptions includes the impact of GST 2.0.

■ Product launches

- LIC introduced two non-par savings products,
 - LIC Nav Jeevan Shree plan
 - LIC Nav Jeevan single premium plan.
- 2 new product riders introduced,
 - LIC critical illness health rider,
 - LIC female critical illness benefit rider
- Post 2Q, the company introduced two additional products,
 - LIC Jan Suraksha (non-par micro-insurance product),
 - LIC Bima Lakshmi (non-par product focused on women).

■ Banca and alternates channel

- Banca & alternates channel contribution continues to inch up, up from 4.5% in 1HFY25 to 7.9% in 1HFY26
- Banca growth is led by growth in IDBI Bank and IDFC First Bank,
- AU Small Finance Bank to be added in next quarter.

Exhibit 1. LICI 2QFY26: Key quarterly trends

INR mn	2Q25	1Q26	2Q26	YoY %	QoQ %	2Q26e	Var, %
Total APE (Quarterly)	164,650	126,510	163,830	0%	29%	175,407	-7%
Individual Savings	107,950	66,580	96,620	-10%	45%	-	
- ULIPs	10,410	9,270	22,100	112%	138%	-	
- Par	82,530	49,190	60,170	-27%	22%	-	
- Non-par return guarantee	15,010	8,120	14,350	-4%	77%	-	
Annuity	5,580	3,640	3,870	-31%	6%	-	
Individual protection	610	390	600	-2%	54%	-	
Individual APE	114,160	70,610	101,090	-11%	43%	119,868	-16%
Group APE	50,490	55,900	62,740	24%	12%	55,539	13%
Non-par (Ind APE except par) share of ind APE	27.7%	30.3%	40.5%	13%	10%		
Total Savings + Annuity	113,530	70,220	100,490	-11%	43%		
EV (INR bn)	8,217	-	8,132	-1%	NA	8,217	-1%
VNB margin (Quarterly)	17.9%	15.4%	19.3%	1%	4%	19.1%	1%
VNB growth, % (YoY)	46.9%	20.7%	7.7%			6.4%	21%
VNB (quarterly)	29,410	19,440	31,670	8%	63%	31,282	1%
Savings mix, % (Quarterly)							
- ULIPs	9.6%	13.9%	22.9%	13%	9%		
- Par	76.5%	73.9%	62.3%	-14%	-12%		
- Non-par	13.9%	12.2%	14.9%	1%	3%		

Source: Company, JM Financial

Exhibit 2. LICI 2QFY26: Key quarterly trends

INR mn	1H25	9M25	FY25	1QFY26	1HFY26	YoY %
Total APE	280,250	379,750	568,280	126,510	290,340	4%
Individual Savings	171,460	232,350	361,900	66,580	163,200	-5%
- ULIPs	14,720	22,750	37,620	9,270	31,370	113%
- Par	133,850	177,990	276,360	49,190	109,360	-18%
- Non-par return guarantee	22,890	31,610	47,920	8,120	22,470	-2%
Annuity	9,170	12,280	17,970	3,640	7,510	-18%
Individual protection	990	1,490	2,310	390	990	0%
Individual APE	181,630	246,120	382,180	70,610	171,700	-5%
Group APE	98,620	133,630	186,100	55,900	118,640	20%
Non-par (Ind APE except par) share of ind APE	47,780	68,130	105,820	21,420	62,340	30%
Total Savings + Annuity	180,630	244,630	379,870	70,220	170,710	-5%
EV (INR bn)	8,217	-	7,769	-	8,132	-1%
VNB margin %	16.2%	17.1%	17.6%	15.4%	17.6%	1.4%
VNB growth, % (YoY)	38%	9%	4%	21%	12%	-25.4%
VNB (INR bn)	45,510	64,770	100,110	19,440	51,110	12%
Channel mix - Ind NBP						
Banca	2.9%	3.4%	4.1%	4.2%	4.5%	1.6%
Agency	95.3%	94.7%	93.9%	92.3%	92.1%	-3.2%
Alternate	1.8%	1.9%	2.0%	3.4%	3.4%	1.7%
Savings mix, %						
- ULIPs	8.6%	9.8%	10.4%	13.9%	19.2%	10.6%
- Par	78.1%	76.6%	76.4%	73.9%	67.0%	-11.1%
- Non-par	13.4%	13.6%	13.2%	12.2%	13.8%	0.4%

Source: Company, JM Financial

Exhibit 3. LICI : We expect LIC to grow 14% in 2H, on a weak base and GST 2.0 tailwinds

INR mn	2H FY24	2H FY25	YoY (%)	2H FY26	YoY (%)	2 yr CAGR (%)
APE (YTD)						
- Par	183,290	142,510	-22%	153,182	7%	-9%
- ULIPs	9,490	22,900	141%	28,822	26%	74%
- Non-par r/g	34,310	25,030	-27%	37,452	50%	4%
- Annuity	9,330	8,800	-6%	10,460	19%	6%
Ind Savings + Annuity	236,420	199,240	-16%	229,916	15%	-1%
Ind Protection	1,540	1,320	-14%	1,667	26%	4%
Individual APE	237,950	200,550	-16%	231,583	15%	-1%
Group APE	105,480	87,480	-17%	97,236	11%	-4%
Total APE	343,430	288,030	-16%	328,819	14%	-2%
Ind Non-par	54,660	58,040	6%	78,401	35%	20%

Source: Company, JM Financial

Exhibit 4. LICI 2QFY26: Despite taking GST 2.0 hit, margins expanded by 150bps YoY

VNB walk (YTD)	2Q25	1Q26	2Q26
Opening	14.6%	13.9%	16.2%
Product mix impact	4.3%	1.9%	3.4%
Product benefits impact	0.0%	-2.3%	0.0%
Economic variance	-2.9%	1.9%	-1.1%
Assumption change impact	0.2%	0.0%	-0.9%
Final	16.2%	15.4%	17.6%

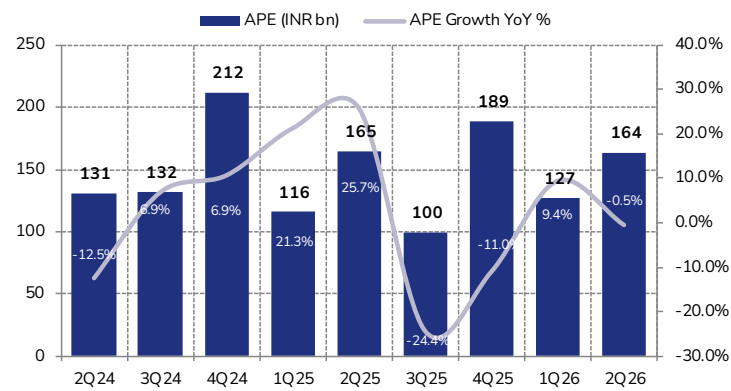
Source: Company, JM Financial

Exhibit 5. LICI: 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	621.5	619.2	-0.4%	9.0%	676.8	676.9	0.0%	9.3%	741.0	743.7	0.4%	9.9%
Ind APE	413.1	403.3	-2.4%	5.5%	451.7	443.7	-1.8%	10.0%	495.6	489.6	-1.2%	10.3%
VNB	114.2	114.4	0.2%	14.3%	127.8	129.0	0.9%	12.8%	142.0	143.4	1.0%	11.1%
VNB margin %	18.4%	18.5%	0.1%	0.9%	18.9%	19.1%	0.2%	0.6%	19.2%	19.3%	0.1%	0.2%
EV	8,540.9	8,550.0	0.1%	10.1%	9,204.2	9,240.8	0.4%	8.1%	10,012.0	10,072.3	0.6%	9.0%

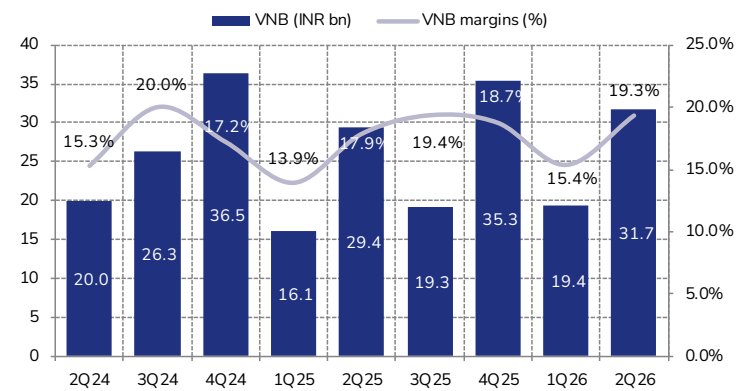
Source: Company, JM Financial

Exhibit 6. LIC 2QFY26: APE flattish led by group business growth



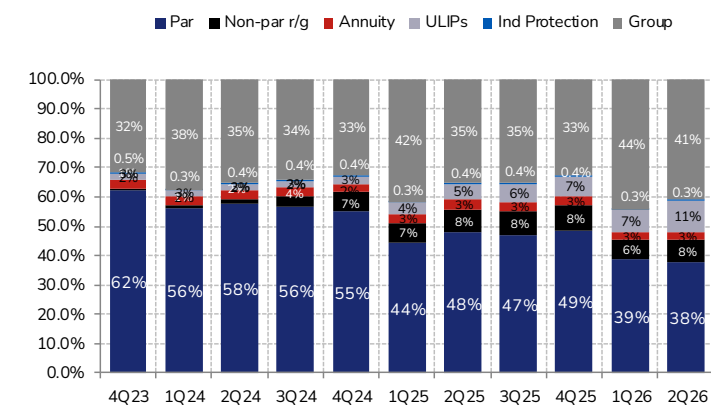
Source: Company, JM Financial

Exhibit 7. LIC 2QFY26: VNB margins expanding steadily



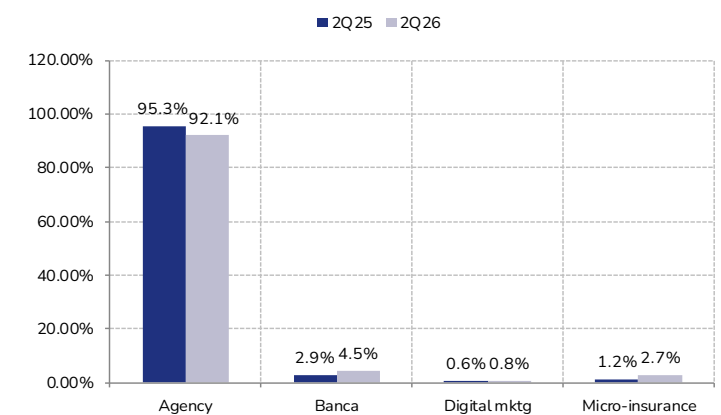
Source: Company, JM Financial

Exhibit 8. LIC 2QFY26: Product mix tending to ULIPs sharply



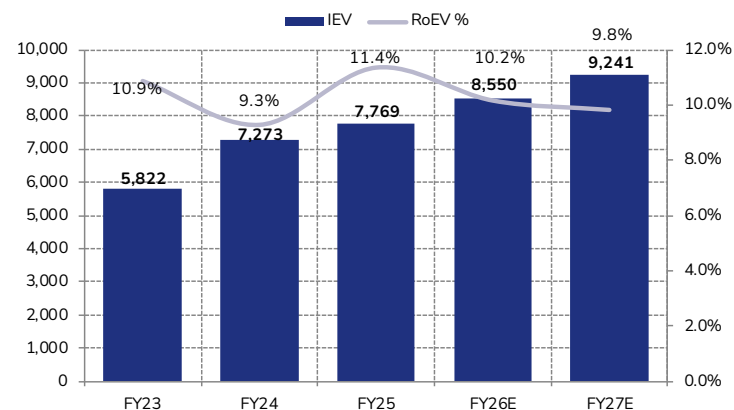
Source: Company, JM Financial

Exhibit 9. LIC 2QFY26: Channel mix diversifying but only gradually



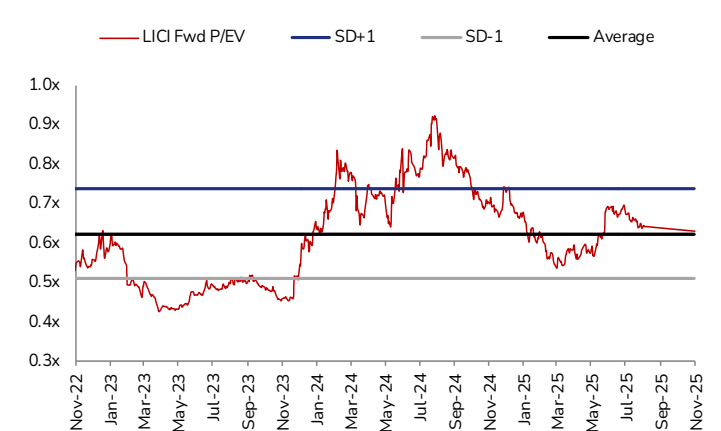
Source: Company, JM Financial

Exhibit 10. LIC: Expect Avg op. RoEV of 9.8% over FY26e-FY27e



Source: Company, JM Financial

Exhibit 11. LIC: 1-year forward valuations at historical mean



Source: Bloomberg, 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	100,110	114,381	129,035	143,395
VNB growth	5%	4%	14%	13%	11%
Reported VNB margin	16.8%	17.6%	18.5%	19.1%	19.3%
APE	569.7	568.3	619.2	676.9	743.7
- Growth	1%	0%	9%	9%	10%
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)

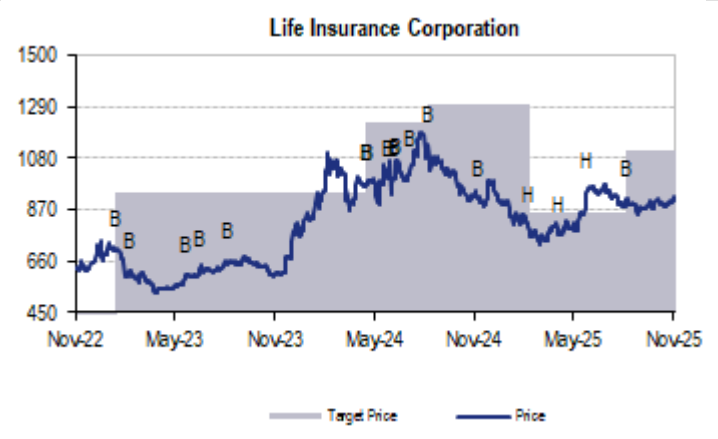
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Opening IEV	5,822,430	7,273,440	7,768,740	8,550,010	9,240,835
Core EVOP	617,810	801,030	774,724	821,586	891,903
- Unwind	521,980	700,920	660,343	692,551	748,508
- VNB	95,830	100,110	114,381	129,035	143,395
Variances	833,200	-305,730	6,546	-130,761	-60,437
- Operating	-77,170	25,160	15,140	18,480	18,480
- Economic & others	954,640	-292,940	38,844	-101,803	-31,480
Dividends, ESOPs & capital raise	-44,270	-37,950	-47,438	-47,438	-47,438
Closing IEV	7,273,440	7,768,740	8,550,010	9,240,835	10,072,300
Op. RoEV	9.3%	11.4%	10.2%	9.8%	9.9%

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
8-Aug-25	Buy	1,111	29.2

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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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
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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