BUY (Maintain)

CMP: **INR 903** Target Price: **INR 1,100** ▲ 22%

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14 November 2025

India | Equity Research | Company Update

Life Insurance Corporation of India

Life Insurance

GST-driven volume growth could just be the trigger; risk-reward favourable

LIC has been able to deliver on strong VNB growth since listing, driven by all the right initiatives such as increase in non-par mix, increase in non-agency channel mix and strengthening digital initiatives. While these, along with the attractive valuation, have been the thesis for quite some time, the recent GST cut leading to higher volume growth possibility is a fresh trigger well illustrated by Oct'25 volumes data. Maintain **BUY**. Longer-term risk includes any adverse regulations such as open architecture in agency and increasing sensitivity to interest rates with increase in non-par book (LIC is working on scaling up the hedging of non-par portfolio).

VNB margin witnessed expansion...

LIC has been able to uplift its VNB margin from 9.14% in FY21 to 15.1%/16.2%/16.8%/17.6% in FY22/FY23/FY24/FY25.

...riding on product mix shift towards high-margin non-par...

Till FY23, LIC's product mix was dominated by par savings – forming 62% of its total APE mix. However, after introducing its strategic focus, the company has increased the share of non-par business (CAGR of 75% between FY23–25). Non-par savings mix in total APE has increased from 6.1% in FY23 to 21.5% in H1FY26. Over the years, the company has launched new non-par products. In Q1FY23, there were 18 non-par products (including three annuity products), which increased to 23 products (including four annuity products) in H1FY26. Post the GST rate cut (22 Sep'25), LIC has launched two non-par products (Jan Suraksha and Bima Lakshmi).

...resulting in strong VNB CAGR

This has resulted in a strong VNB CAGR of 24.5% between FY21–25, despite an APE CAGR of only 5.7% for the same period. For the month of Oct'25, APE has reported growth of 30% YoY (vs. 0.1% in H1FY26) and individual sum assured reported growth of 61% YoY (vs. decline of 12% in H1FY26). LIC also has a lower base in terms of APE/VNB in Q3/Q4FY25, which could result in strong performance, basis GST tailwinds.

Financial Summary

Y/E March (INR bn)	FY24A	FY25A	FY26E	FY27E
APE	570	568	631	725
Embedded Value	7,274	7,769	8,494	9,333
New value business	96	100	117	138
VNB margin (%)	16.8	17.6	18.5	19.0
P/EV (x)	0.8	0.7	0.7	0.6
RoEV (%)	24.9	6.8	9.3	9.9
Core RoEV (%)	11.5	11.4	10.5	10.6

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Market Data

Market Cap (INR)	5,711bn
Market Cap (USD)	64,389mn
Bloomberg Code	LICI IN
Reuters Code	LI FI.BO
52-week Range (INR)	1,008 /715
Free Float (%)	3.0
ADTV-3M (mn) (USD)	13.5

Price Performance (%)	3m	6m	12m
Absolute	1.7	9.3	0.6
Relative to Sensex	(3.2)	5.1	(8.2)

ESG Score	2023	2024	Change
ESG score	**65.4**	**66.0**	**0.6**
Environment	41.1	41.9	0.8
Social	65.6	66.4	0.8
Governance	77.7	77.4	(0.3)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

07-11-2025: Q2FY26 results review

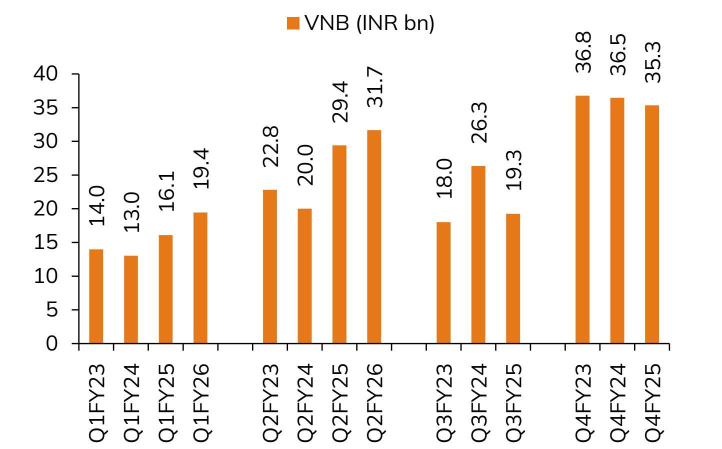
11-08-2025: Q1FY26 results review

Attractive valuation at 0.6x FY27E EV; maintain BUY and TP of INR 1,100 (unchanged)

Our valuations are based on 0.75x FY27E (unchanged) EV of INR 9.3trn. Our multiple adequately reflects the risk of EV sensitivity to market movement and a lower core RoEV profile (compared to peers) on a high base. We estimate 10%/13% change in APE, VNB margin of 18%/18.5% (16.8%/17.2%/17.6% in FY24/FY25/H1FY26) and unwinding of ~9% (FY24/FY25: 9%/9.6%) for FY26E/27E. We expect core RoEV at 10.5%/10.6% for FY26E/27E (vs. 11.5%/11.4% in FY24/FY25).

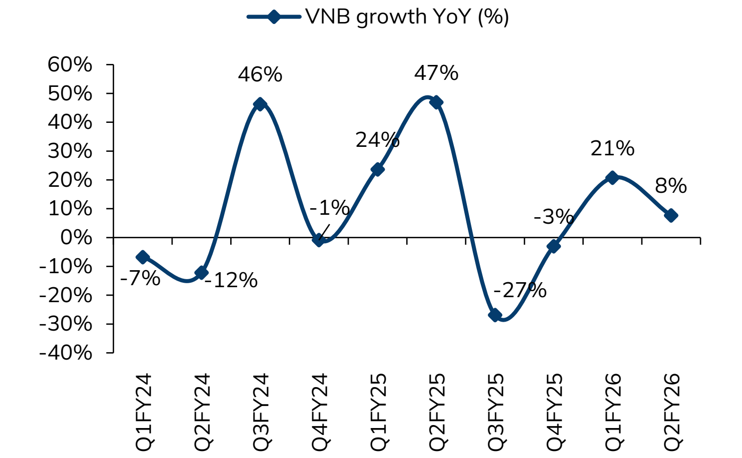
Strong volume growth in Oct'25 and last year's lower base could deliver strong performance on APE/VNB growth ahead

Exhibit 1: VNB (absolute basis) rising YoY in Q1 and Q2



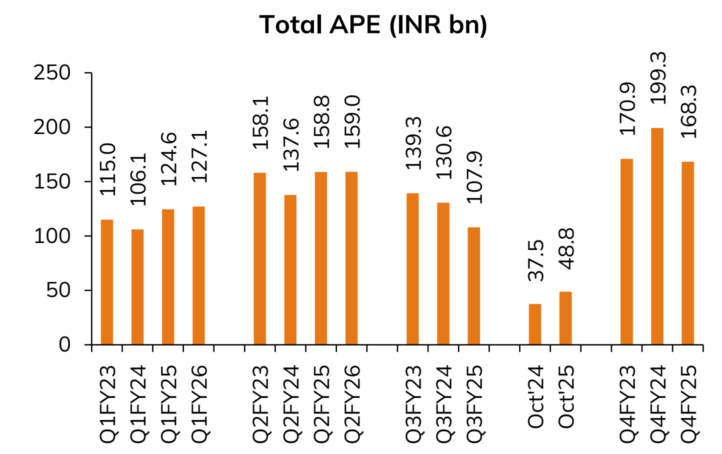
Source: I-Sec research, Company data

Exhibit 2: Q3FY26 has favourable base for VNB growth



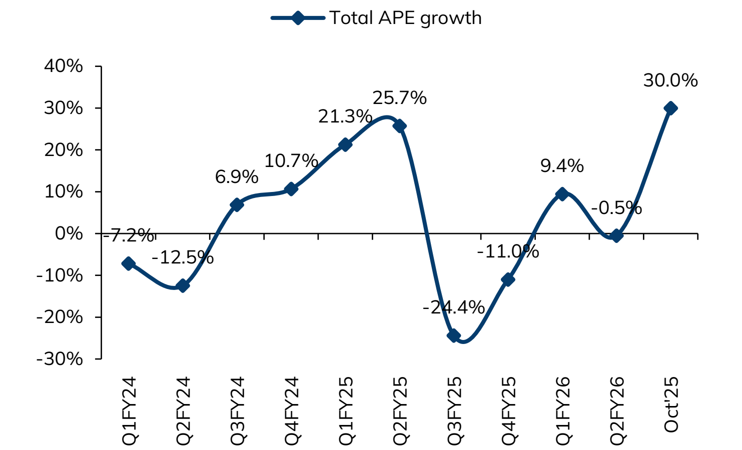
Source: I-Sec research, Company data

Exhibit 3: Total APE trend



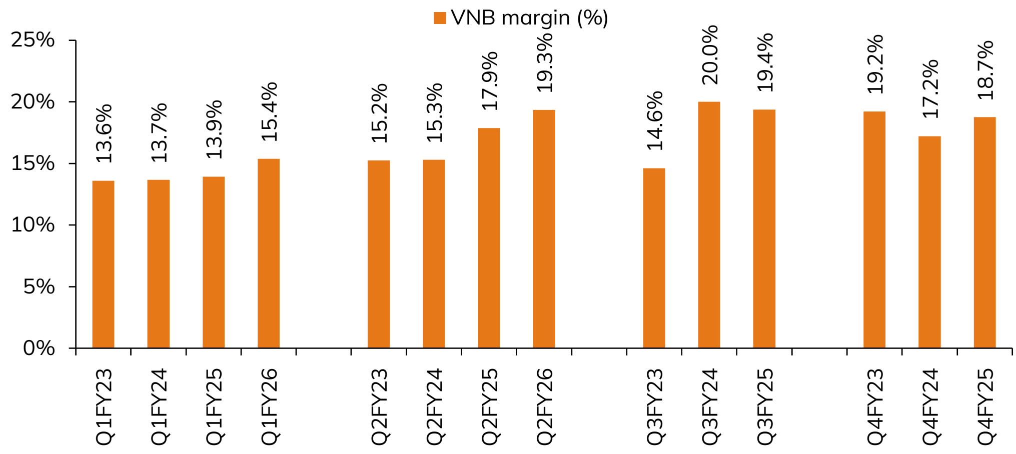
Source: I-Sec research, Company data, IRDAI data

Exhibit 4: APE growth strong in Oct'25



Source: I-Sec research, Company data, IRDAI data

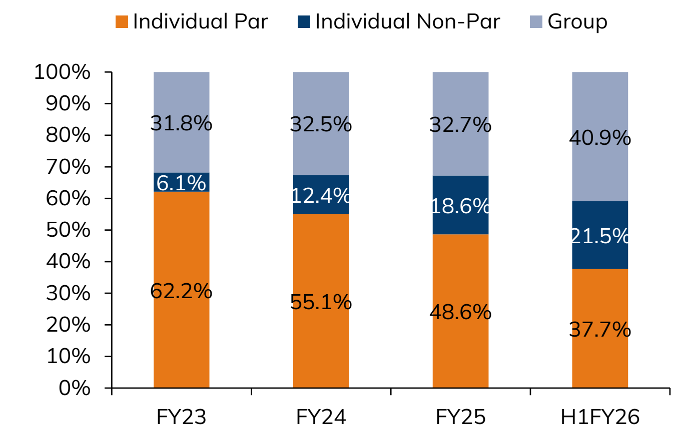
Exhibit 5: LIC's VNB margin has witnessed consistent margin expansion for H1



Source: I-Sec research, Company data

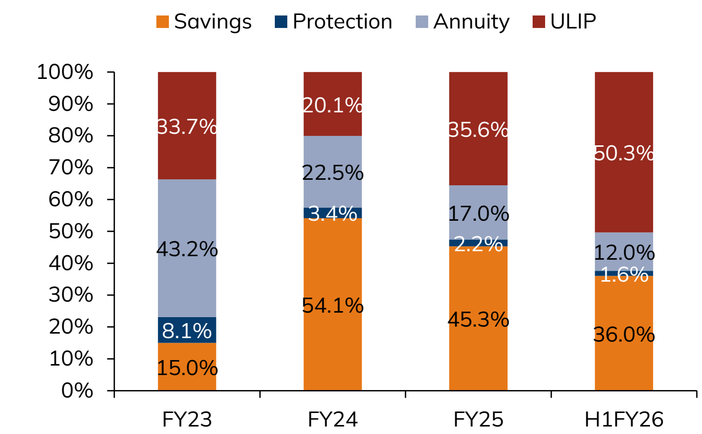
Product mix has shifted towards high-margin non-par savings; within non-par, share of ULIPs and savings business is high

Exhibit 6: Share of non-par business increasing



Source: I-Sec research, Company data

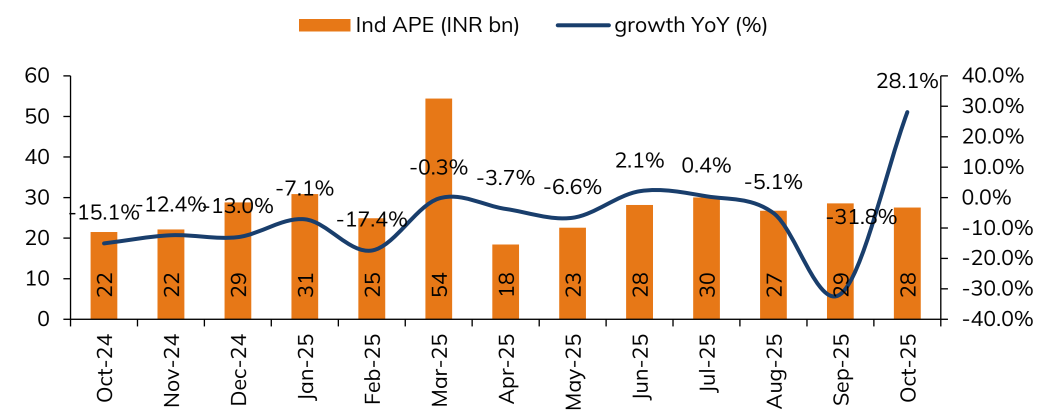
Exhibit 7: Within non-par, share of ULIPs and savings business is high



Source: I-Sec research, Company data

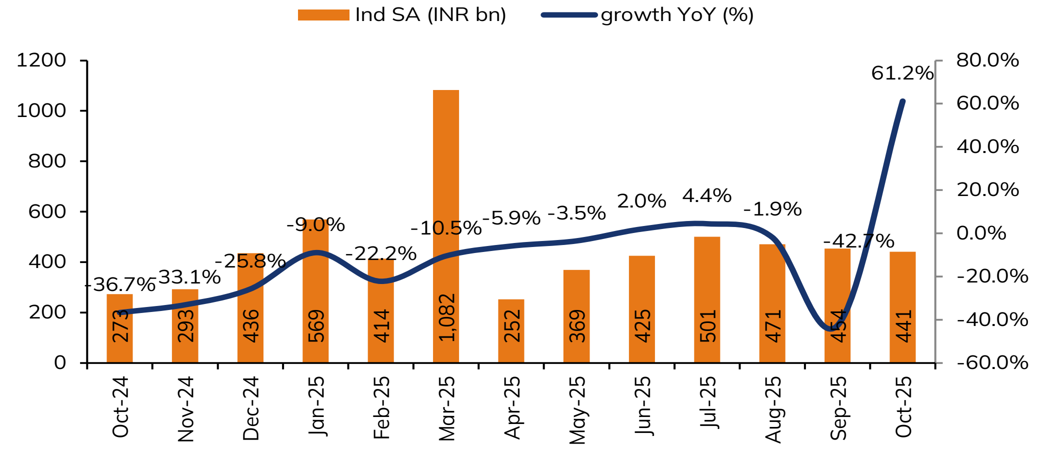
Individual APE and sum assured growth turned positive in Oct'25

Exhibit 8: LIC's individual APE reported 28% YoY growth in Oct'25



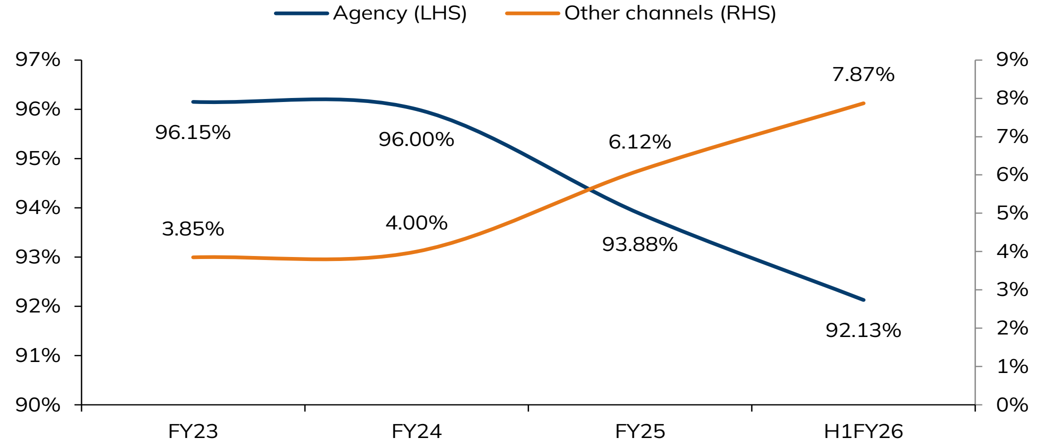
Source: I-Sec research, Company data

Exhibit 9: LIC's individual sum assured reported 61% YoY growth in Oct'25



Source: I-Sec research, Company data

Exhibit 10: Share of other channels increasing in individual NBP



Source: I-Sec research, Company data, other channels include- Banca, digital marketing and alternate.

Exhibit 11: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	96.5	96.5	96.5
Institutional investors	1.3	1.4	1.4
MFs and others	1.1	1.2	1.2
FIs/Banks	0.1	0.1	0.1
FIIs	0.1	0.1	0.1
Others	2.2	2.1	2.1

Source: Bloomberg

Exhibit 12: Price chart

Source: Bloomberg

Financial Summary

Exhibit 13: Technical Account

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Gross Premiums	47,75,211	49,04,893	52,75,580	56,44,871
Reinsurance Ceded	(6,898)	(7,139)	(7,678)	(8,216)
Net Premiums	47,68,312	48,97,754	52,67,902	56,36,655
Income from Investments	36,54,104	39,41,694	39,49,493	44,23,377
Other Income	1,47,089	33,947	35,644	37,426
Total income	**85,69,505**	**88,73,395**	**92,53,038**	**1,00,97,458**
Commission	2,60,637	2,54,194	2,73,404	2,92,543
Operating expenses	4,82,927	3,55,741	3,82,626	4,09,410
Total commission and opex	**7,43,564**	**6,09,935**	**6,56,031**	**7,01,953**
Benefits Paid (Net)+ bonus	39,26,015	42,05,838	45,04,056	48,24,977
Chg in reserves	-	-	-	-
Total expenses	**81,87,984**	**83,33,177**	**86,48,226**	**94,30,925**
Prov for doubtful debts	(10,115)	(15,447)	(2,000)	(2,000)
PBT	**3,91,637**	**5,55,666**	**6,06,812**	**6,68,533**
Surplus / Deficit before tax	-	-	-	-
Tax (incl. Service Tax &GST)	41,726	75,022	84,439	92,053
Prov for Tax	40,383	72,789	82,205	89,820
Surplus / Deficit	**3,49,910**	**4,80,643**	**5,22,373**	**5,76,480**

Source Company data, I-Sec research

Exhibit 14: Shareholder's Account

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Transfer from technical a/c	3,76,486	4,74,217	5,70,390	6,44,586
Income From Investments	37,248	60,252	-	-
Total Income	**4,15,250**	**5,36,194**	**5,70,390**	**6,44,586**
Other expenses	3,349	7,434	43,047	43,047
Contribution to P/H A/C	449	45,399	-	-
Total Expenses	3,798	52,833	43,047	43,047
PBT	**4,11,453**	**4,83,361**	**5,27,343**	**6,01,540**
Prov for Tax	(1,408)	(303)	(330)	(377)
PAT	**4,10,045**	**4,83,058**	**5,27,013**	**6,01,163**

Source Company data, I-Sec research

Exhibit 15: Balance Sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share Capital	63,250	63,250	63,250	63,250
Reserves And Surplus	7,67,668	12,14,732	16,65,190	21,88,202
Shareholders' Fund	**8,28,996**	**12,75,037**	**17,28,440**	**22,51,452**
Policy Liabilities	5,16,81,380	5,48,22,572	6,06,05,816	6,42,87,888
Prov. for Linked Liab.	4,41,16,200	4,75,02,552	5,17,00,824	5,53,19,868
Funds For Future App.	12,147	18,284	12,000	12,000
Current liabilities & prov.	6,37,950	4,89,792	5,85,589	6,88,674
Borrowings	-	-	-	-
Total	**5,25,22,520**	**5,61,15,892**	**6,23,46,256**	**6,65,51,340**
Shareholders' investment	6,26,084	10,28,697	11,83,001	13,60,451
Policyholders' investment	4,89,52,388	5,16,42,984	5,76,63,628	6,16,44,012
Assets to cover linked liab.	3,52,810	4,84,348	5,27,558	5,64,487
Loans	12,17,448	12,89,615	12,89,615	12,89,615
Fixed Assets	40,748	44,832	47,073	49,427
Current assets	19,70,993	21,15,211	22,20,972	23,32,020
Total	**5,25,22,520**	**5,61,15,892**	**6,23,46,256**	**6,65,51,340**

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Ratios (%)				
Investment yield (%)	8.0	7.8	7.0	7.2
Commissions / GWP	5.5	5.2	5.2	5.2
Operating expenses / GWP	10.1	7.3	7.3	7.3
Total expense / GWP	15.6	12.4	12.4	12.4
Total expense ratio	8.8	8.7	8.6	8.6
Benefits Paid / Total Liability	8.8	8.7	8.6	8.6
Profitability ratios (%)				
VNB margin, basis effective tax rate (%)	16.8	17.6	18.5	19.0
RoE (%)	63.5	45.9	35.1	30.2
Core EVOP(unwind +VNB)	**1.6**	**1.4**	**1.5**	**1.6**
EVOP as % of IEV	11.5	11.4	10.5	10.6
RoEV (%)	24.9	6.8	9.3	9.9
Valuation ratios				
EPS (Rs)	64.8	76.4	83.3	95.0
VNB (Rs bn)	95.8	100.1	116.7	137.8
EV (Rs bn)	**7,273.7**	**7,769.0**	**8,494.1**	**9,333.3**
VIF (Rs bn)	6,444.7	6,494.0	6,765.7	7,081.8
ANW (Rs bn)	829.0	1,275.0	1,728.4	2,251.5
VIF as % of EV	88.6	83.6	79.7	75.9
EV per share (Rs)	1,150.0	1,228.3	1,342.9	1,475.6
P/EV (x)	0.8	0.7	0.7	0.6
P/EPS (x)	**13.9**	**11.8**	**10.8**	**9.5**

Source Company data, I-Sec research

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