

Life Insurance Corporation

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	LICI IN
Equity Shares (m)	12650
M.Cap.(INRb)/(USDb)	4902.5 / 51.5
52-Week Range (INR)	468 / 361
1, 6, 12 Rel. Per (%)	-11/-10/-13
12M Avg Val (INR M)	1381

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Net Premiums	5,360	5,901	6,362
Surplus / Deficit	468.3	651.2	747.0
Sh. PAT	574.2	670.7	763.4
VNB margin (%)	21.2	23.4	24.0
RoEV (%)	1.6	10.5	10.8
Total AUM (INRt)	57.3	63.8	68.9
APE (INRb)	669.6	723.7	816.1
VNB (INRb)	141.8	169.3	195.9
EV per share	624	690	764

Valuations

P/EV (x)	0.6	0.6	0.5
P/EVOP (x)	5.3	5.3	4.7

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	96.5	96.5	96.5
DII	1.3	1.4	1.3
FII	0.2	0.1	0.1
Others	2.0	2.0	2.2

FII Includes depository receipts

CMP: INR388

TP: INR480 (+24%)

Buy

Strong performance; 730bp YoY expansion in VNB margin

- In 1QFY27, LIC reported net premium income of INR1.3t, which grew 7% YoY. Renewal premium rose 3% YoY to INR618b and single premium grew 9% YoY to INR564b. First-year premium grew 22% YoY to INR92b.
- New business APE increased by 8% YoY to INR137b. Individual APE grew 7% YoY to INR75.3b, while group APE rose 10% YoY to INR61.6b.
- Absolute VNB grew 61% YoY to INR31b, resulting in a 730bp YoY expansion in VNB margin to 22.9%. Shareholder PAT rose 23% YoY to INR135b.
- Management expects VNB margin expansion to continue in the next few quarters. LIC is on track to achieve mid-20% VNB margin, closer to the industry average, with some uncertainty from interest rate movements.
- We have increased our VNB margin estimates for FY27/28 considering the strong performance in 1QFY27 and rising contribution of non-par. We expect operating RoEV in the range of 11.5-12%. **Reiterate BUY with a revised TP of INR480 (premised on 0.6x FY28E EV).**

Non-par contribution on the rise

- Individual APE growth of 7% YoY was driven by 14% YoY growth in non-par APE to INR24.5b, while par growth was subdued at 3% YoY to INR50.9b.
- Stable growth momentum in non-par APE led to a rise in contribution to 17.9% from 16.9% in 1QFY26, driving VNB margin expansion in 1Q. The product mix shift boosted VNB margin by 6.5%.
- In the non-par segment, LIC witnessed 59% YoY growth in individual savings APE and 44% YoY growth in protection APE. On the other hand, ULIP APE declined 17% YoY and annuity APE declined 9% YoY.
- Commission expenses rose 2% YoY at INR50.3b, while operating expenses grew 13% YoY to INR85.1b. Expense ratio inched up to 10.6% from 10.5% in 1QFY26.
- Income from investments in policyholders' accounts grew 6% YoY to INR1.1t, while it increased 42% YoY to INR25.4b in shareholders' accounts. Total AUM grew 4% YoY to INR59t. Yield on investment for policyholders' accounts was flat YoY at 8.3% vs. 8.5% in 1QFY26.
- On the distribution front, contribution from the agency channel was 93.1% (92.3% in 1QFY26), with individual NBP from the channel growing 15% YoY. Individual NBP from bancassurance declined 9% YoY, with contribution declining to 3.4% (4.2% in 1QFY26). The direct channel declined 13% YoY, while broker channel witnessed strong growth of 27% YoY.
- LIC maintains the highest agency force in the country with ~1.45m agents, of which 53% have a vintage of more than five years. This constitutes 43.7% of the industry's agency force. The company now has tie-ups with 88 bancassurance partners, 304 brokers, and 176 corporate agents, reflecting a massive distribution network spread across the country.
- The 13M/37M/61M persistency stood at 70.4%/62.6%/61.3% in 1QFY27. 61M persistency improved 300bp YoY.
- Solvency ratio stood at 242% (217% in 1QFY26).
- Apart from the product mix shift to non-par, impact of assumptions contributed 2.9% to VNB margin expansion, offset by a 1.9% impact of expenses.

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Highlights from the management commentary

- Non-par momentum is likely to sustain even if ULIPs recover, with limited risk of product cannibalization. Protection is expected to maintain its growth trajectory over the coming quarters.
- Group business contributed 29.4% of VNB, while non-par contributed 49.3% of VNB and par contributed 19.4%.
- LIC aims to continue growing its par business while outpacing the market in non-par, supported by new product launches and product enhancements.

Valuation and view

- LIC continues to report strong VNB margin expansion, led by the increasing contribution of the non-par business as well as improving product-level margins. The growth trajectory is expected to improve as ULIP regains momentum, along with higher ticket sizes, improving agency channel productivity and continued growth in alternate channels. A shift toward higher-margin non-par products, cost optimization, and improvement in persistency will boost VNB margin going forward.
- We have increased our VNB margin estimates for FY27/28 considering the strong performance witnessed in 1QFY27 and rising contribution of non-par. We expect operating RoEV in the range of 11.5-12%. **Reiterate BUY with a revised TP of INR480 (premised on 0.6x FY28E EV).**

Quarterly performance

Policy holder's A/c (INRb)	FY26				FY27				FY26	FY27E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
First year premium	75	108	106	130	92	128	116	147	419	500
Growth (%)	1%	-3%	46%	17%	22%	18%	9%	13%	13%	19%
Renewal premium	599	650	693	819	618	678	713	858	2,761	2,899
Growth (%)	6%	5%	7%	4%	3%	4%	3%	5%	5%	5%
Single premium	519	508	459	701	564	577	489	796	2,187	2,510
Growth (%)	4%	8%	31%	21%	9%	14%	7%	14%	15%	15%
Net premium income	1,192	1,265	1,256	1,647	1,273	1,393	1,383	1,724	5,360	5,901
Growth (%)	5%	5%	18%	12%	7%	10%	10%	5%	10%	10%
PAT	110	101	130	234	135	113	148	253	574	671
Growth (%)	5%	32%	17%	23%	23%	12%	14%	8%	19%	17%
Key metrics (INRb)										
New business APE	127	164	150	230	137	180	162	245	670	724
Growth (%)	9%	-1%	50%	22%	8%	10%	8%	7%	18%	8%
VNB	19	32	32	59	31	42	38	58	142	169
Growth (%)	21%	8%	65%	67%	61%	32%	20%	-1%	42%	19%
AUM (INRt)	57	57	59	57	59	61	63	64	57	64
Growth (%)	6%	3%	8%	5%	4%	7%	6%	11%	5%	11%
Key Ratios (%)										
VNB Margins (%)	15.4	19.3	21.2	25.7	22.9	23.2	23.5	23.8	21.2	23.4
Solvency ratio (%)	217.0	213.0	219.0	235.0	242.0				235.0	247.7

	FY26				FY27	Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net premium income	1,192.0	1,264.8	1,256.1	1,646.9	1,272.5	7	-23
First year premium	75.3	108.4	106.0	129.7	92.2	22	-29
Renewal premium	598.8	650.0	693.2	819.3	618.3	3	-25
Single premium	519.2	508.0	458.7	700.8	563.7	9	-20
Reinsurance ceded	-1.3	-1.5	-1.9	-2.9	-1.7	28	-42
Investment income	1,029.3	1,121.5	1,076.1	1,090.2	1,093.5	6	0
Other income	1.3	1.3	1.4	23.9	6.3	388	-73
Trf from Sh.holder's a/c	6.0	8.5	6.2	7.2	6.1	1	-15
Total income (A)	2,228.6	2,396.1	2,339.8	2,764.5	2,378.5	7	-14
Commission paid	49.5	57.7	60.1	77.1	50.3	2	-35
First year premium	17.4	21.9	22.6	31.3	19.1	9	-39
Renewal premium	30.8	33.8	35.6	41.5	29.9	-3	-28
Single premium	1.2	2.0	1.9	4.4	1.3	8	-69
Operating expense	75.5	94.6	95.7	129.3	85.1	13	-34
Total commission & Opex	125.0	152.3	155.8	206.5	135.4	8	-34
Benefits paid	970.6	1,062.5	1,132.8	1,795.1	1,213.8	25	-32
Change in actuarial liability	1,011.6	1,076.1	915.6	630.1	896.4	-11	42
Total Expenses (B)	2,103.4	2,287.7	2,201.1	2,626.9	2,239.7	6	-15
PBT	125.2	108.4	138.8	137.6	138.7	11	1
Tax	15.8	13.9	19.5	-90.9	16.0	1	-118
Surplus/(Deficit)	109.4	94.5	119.3	228.5	122.7	12	-46
Shareholder A/c							
Trf from Policyholder a/c	107.9	94.1	117.3	222.6	121.5	13	-45
Investment Income	17.9	20.6	22.5	24.9	25.4	42	2
Total income	125.8	114.8	139.7	247.5	146.9	17	-41
PBT	110.1	101.5	129.0	234.0	135.8	23	-42
Tax	0.2	0.9	-0.6	-0.2	0.9		
PAT	109.9	100.5	129.6	234.2	134.9	23	-42
New business APE	126.5	159.2	151.9	199.8	148.5	17	-26
Key Ratios (%)							
Operating ratios							
Commission (unwtd)	4.1	4.6	4.8	4.7	3.9	-20bp	-73bp
Opex (unwtd)	6.3	7.5	7.6	7.8	6.7	35bp	-116bp
Total Cost	10.5	12.0	12.4	12.5	10.6	15bp	-189bp
Solvency ratio	217.0	213.0	219.0	235.0	242.0	2500bp	700bp
Profitability ratios							
VNB margin	15.4	19.3	21.2	25.7	22.9	754bp	-276bp
Persistency ratios							
13th Month	70.9	68.2	69.4	67.8	70.4	-52bp	261bp
25th Month	66.0	62.6	63.8	63.3	66.0	-5bp	263bp
37th Month	64.3	61.3	61.4	61.8	62.6	-163bp	85bp
49th Month	62.9	58.0	58.6	56.9	61.8	-109bp	492bp
61st Month	58.3	55.1	54.6	54.1	61.3	296bp	714bp
Key Metrics (INR b)							
VNB	19.4	31.7	31.8	58.9	31.4	61	-47
EV	NA	8,132.3	NA	7,891.9	NA		
AUM	57,050.0	57,229.0	59,166.8	57,294.0	59,393.8	4	4



Highlights from the management commentary

Product mix

- ULIP sales remained weak due to volatile equity markets, while the company continued to prioritize higher-margin segments such as non-par savings and protection.
- Management expects non-par momentum to sustain even if ULIPs recover in 2QFY27, with limited risk of product cannibalization.
- Protection is expected to maintain its growth trajectory in the coming quarters.
- LIC aims to continue growing its par business while outpacing the market in non-par, supported by new product launches and product enhancements.

VNB margin

- VNB margin expansion was driven by favorable interest rate movements, persistency experience and improving product mix, with all product segments witnessing margin improvement.
- Margin expansion was partly offset by the loss of ITC and higher operating expenses, with the GST impact expected to largely normalize after 2QFY27.
- Management expects further VNB margin improvement over the next few quarters and remains on track to achieve the industry average of mid-20% VNB margin, subject to interest rate movements.
- Group business contributed 29.4% of VNB, while non-par contributed 49.3% of VNB and par contributed 19.4%.

Distribution

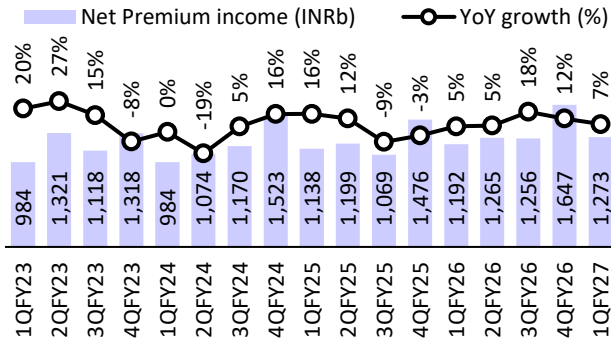
- The reduction in the urban agency force was primarily due to the exit of non-serious agents recruited under the Bima Sakhi program.

Capital

- The proposed IDBI Bank stake sale remains awaited, with the investment continuing to be held in the policyholder fund.
- Solvency is expected to moderate to 2.32x after the dividend payout. Management will evaluate capital augmentation depending on future regulatory and business requirements.

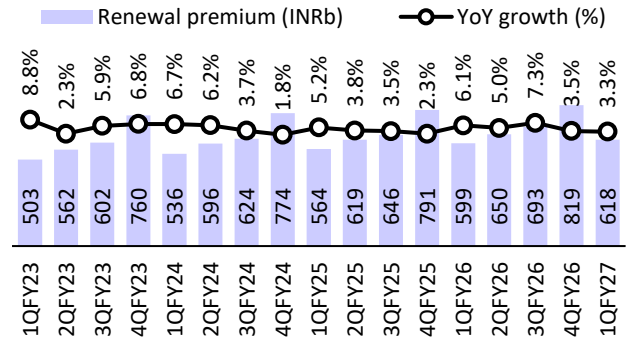
Key exhibits

Exhibit 1: Net premium income increased 7% YoY in 1QFY27



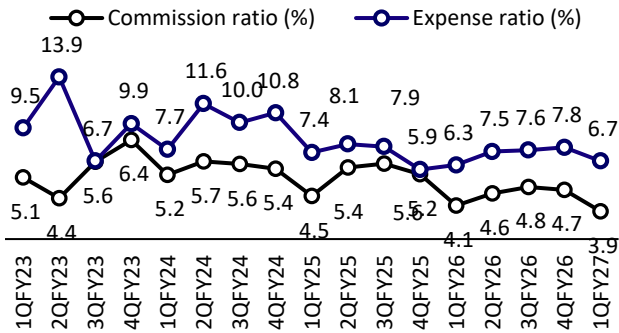
Source: MOFSL, Company

Exhibit 2: Renewal book grew 3% YoY in 1QFY27



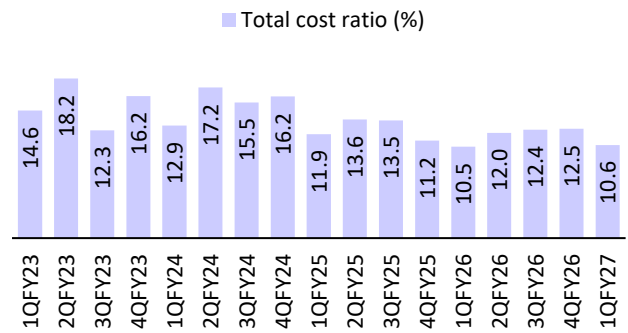
Source: MOFSL, Company

Exhibit 3: Trend in expense and commission ratio



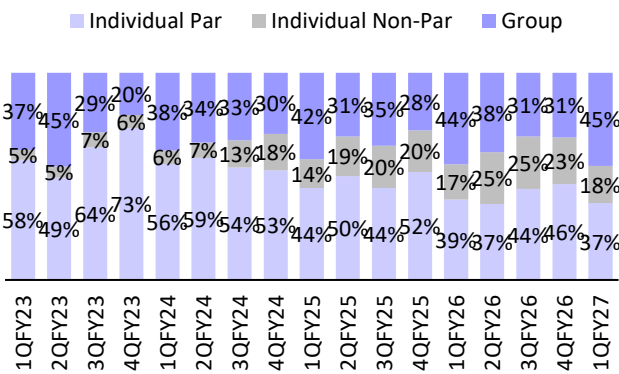
Source: MOFSL, Company

Exhibit 4: Total cost ratio increased marginally YoY to 10.6%



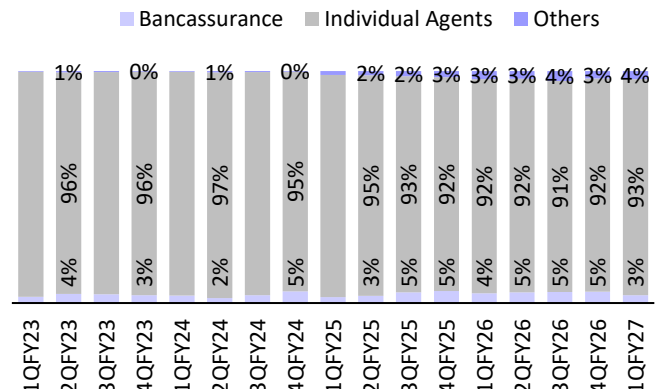
Source: MOFSL, Company

Exhibit 5: Share of non-par business grew YoY to 18% of total APE



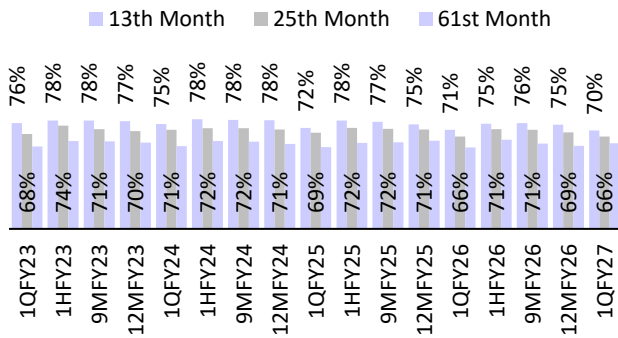
Source: MOFSL, Company

Exhibit 6: Agency contributes 93% of individual NBP



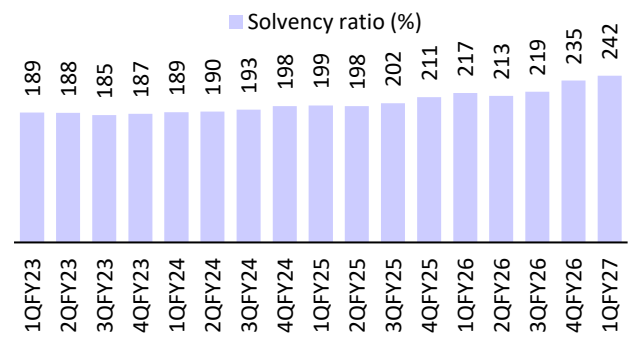
Source: MOFSL, Company

Exhibit 7: Persistency ratios across cohorts



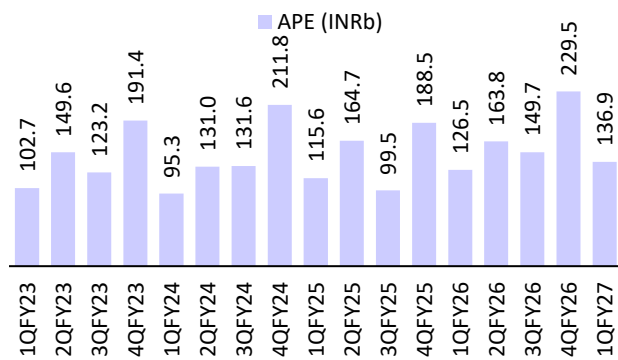
Source: MOFSL, Company

Exhibit 8: Solvency ratio improves YoY to 242% in 1QFY27



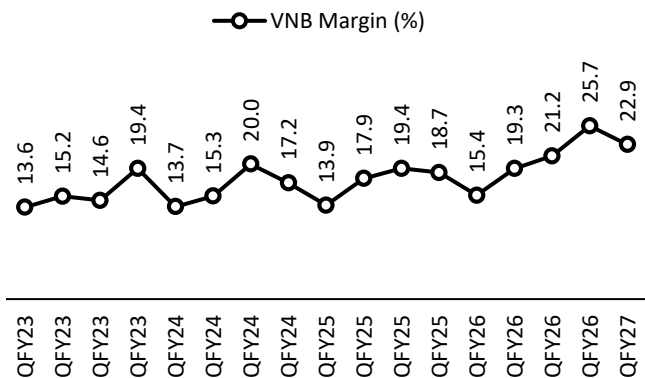
Source: MOFSL, Company

Exhibit 9: APE trend



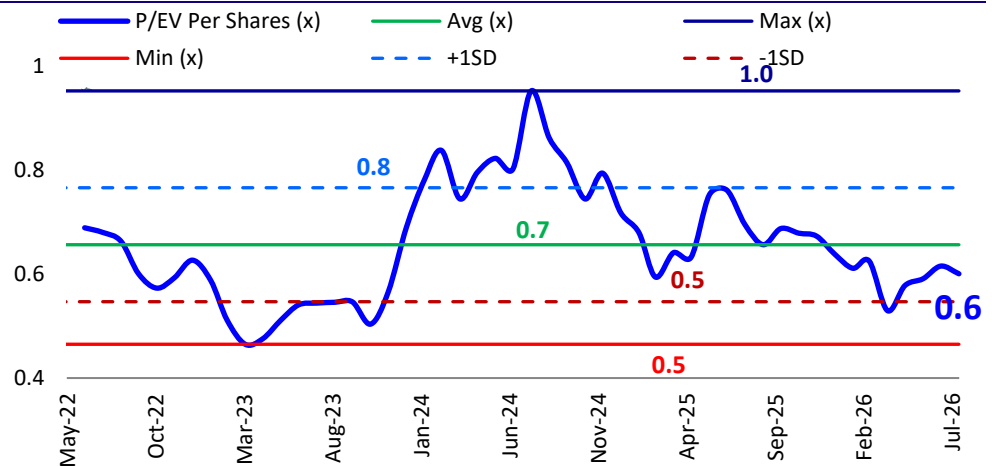
Source: MOFSL, Company

Exhibit 10: VNB margin expanded YoY



Source: MOFSL, Company

Exhibit 11: One-year forward P/EV



Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gross Premiums	4,058.5	4,280.2	4,746.7	4,757.5	4,888.5	5,367.5	5,909.6	6,370.8
Reinsurance Ceded	(4.5)	(6.1)	(6.6)	(6.8)	(7.0)	(7.6)	(8.5)	(9.1)
Net Premiums	4,054.0	4,274.2	4,740.0	4,750.7	4,881.5	5,359.8	5,901.1	6,361.6
Income from Investments	2,855.2	2,928.9	3,063.9	3,639.4	3,926.2	4,317.1	4,662.7	4,969.7
Other Income	127.9	7.9	76.6	146.9	33.0	52.2	57.4	63.2
Total income (A)	7,037.1	7,211.0	7,880.5	8,537.1	8,840.8	9,729.1	10,621.2	11,394.5
Commission	223.6	236.9	255.8	259.6	253.1	244.4	270.9	293.9
Operating expenses	351.6	383.7	481.5	481.2	354.2	395.1	431.4	458.7
Total commission and opex	575.2	620.6	737.3	740.8	607.2	639.5	702.3	752.6
Benefits Paid (Net)	2,907.2	3,574.6	3,425.8	3,916.7	4,194.3	5,044.6	5,402.9	5,826.6
Change in reserves	3,215.8	2,972.8	3,433.8	3,492.0	3,533.3	3,633.4	3,815.1	4,005.8
Prov for doubtful debts (inc other exp)	73.1	(93.8)	(148.5)	(29.2)	(21.7)	(16.4)	(40.0)	(40.0)
Total expenses (B)	6,771.3	7,074.3	7,448.4	8,120.3	8,313.2	9,301.1	9,880.3	10,545.0
(A) - (B)	265.8	136.7	432.1	416.7	527.6	428.0	740.9	849.5
Tax (incl GST)	92.6	79.7	53.5	59.6	80.0	(40.2)	89.8	102.5
Surplus / Deficit	173.2	57.0	378.6	357.1	447.6	468.3	651.2	747.0

Shareholder's a/c (INR b)								
Transfer from technical a/c	29.6	121.9	360.5	374.6	473.2	541.9	618.6	709.7
Income From Investments	0.2	2.0	11.5	36.9	59.9	85.9	110.8	118.4
Total Income	29.9	123.9	372.0	411.5	533.2	627.8	729.4	828.0
Other expenses	0.0	0.0	0.0	2.5	6.4	24.2	26.6	29.2
Contribution to technical a/c	0.0	83.3	2.7	3.0	45.2	28.0	30.8	33.8
Total Expenses	0.1	83.3	7.4	5.4	51.6	53.2	57.3	63.1
PBT	29.8	40.7	364.6	406.1	481.5	574.5	672.1	765.0
Tax	0.1	0.2	0.6	0.8	-	0.4	1.3	1.5
PAT	29.7	40.4	364.0	405.2	481.5	574.2	670.7	763.4
Growth	10%	36%	800%	11%	19%	19%	17%	14%

Balance Sheet	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sources of Fund								
Share Capital	1.0	126.5	126.5	126.5	126.5	126.5	126.5	126.5
Reserves And Surplus	67.1	40.4	394.9	757.4	1,201.0	1,699.3	2,275.1	2,943.7
Shareholders' Fund	69.8	167.3	519.9	882.6	1,325.1	1,816.8	2,391.3	3,058.3
Policy Liabilities	34,207.3	37,100.4	40,512.5	43,953.3	47,355.8	51,002.6	54,650.0	58,615.6
Prov. for Linked Liab.	329.6	238.9	261.6	348.8	475.3	604.0	652.3	704.5
Funds For Future App.	0.5	0.8	1.8	4.1	8.0	15.2	17.5	20.1
Current liabilities & prov.	831.2	712.4	593.8	634.9	486.9	386.3	425.0	467.5
Total	38,295.2	42,369.1	45,568.4	52,855.3	56,238.4	59,044.6	63,814.6	68,973.0
Application of Funds								
Shareholders' invt	4.3	64.1	293.6	637.4	1,040.3	1,507.4	1,658.1	1,824.0
Policyholders' invt	34,984.4	38,956.9	41,891.8	48,765.1	51,362.8	53,332.6	57,599.2	62,207.2
Assets to cover linked liab.	329.7	239.4	263.1	352.6	483.1	619.0	680.9	749.0
Loans	1,087.6	1,098.8	1,155.6	1,202.6	1,274.8	1,298.5	1,363.4	1,431.6
Current assets	1,854.4	1,911.2	1,862.8	1,857.0	2,032.9	2,239.8	2,463.7	2,710.1
Total	38,295.2	42,305.9	45,505.1	52,855.3	56,238.4	59,044.6	63,814.6	68,973.0

Financials and valuations

Premium (INR b) and growth (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
NBP - unweighted	1,855	1,989	2,321	2,227	2,268	2,606	3,010	3,326
NBP - wrp	495	529	584	574	560	638	746	841
Renewal premium	2,203	2,291	2,426	2,531	2,621	2,761	2,899	3,044
Total premium - unweighted	4,059	4,280	4,747	4,758	4,888	5,367	5,910	6,371
NBP growth - unweighted	2.90%	7.20%	16.60%	-4.00%	1.80%	14.90%	15.50%	10.50%
NBP growth - wrp	-30.00%	6.90%	10.40%	-1.70%	-2.40%	13.90%	16.90%	12.80%
Renewal premium growth	8.80%	4.00%	5.90%	4.30%	3.50%	5.40%	5.00%	5.00%
Premium growth - unweighted	6.00%	5.50%	10.90%	0.20%	2.80%	9.80%	10.10%	7.80%
Operating ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Investment yield	7.80%	7.30%	7.00%	7.10%	7.20%	7.60%	7.60%	7.50%
Commissions / GWP	5.50%	5.50%	5.40%	5.50%	5.20%	4.60%	4.60%	4.60%
- first year premiums	26.40%	26.60%	27.60%	26.60%	27.00%	22.20%	22.20%	22.20%
- renewal premiums	5.20%	5.20%	5.20%	5.20%	5.60%	5.10%	5.10%	5.10%
- single premiums	0.40%	0.30%	0.30%	0.30%	0.40%	0.40%	0.40%	0.40%
Operating expenses / GWP	8.70%	9.00%	10.10%	10.10%	7.20%	7.40%	7.30%	7.20%
Total expense ratio	14.20%	14.50%	15.50%	15.60%	12.40%	11.90%	11.90%	11.80%
Claims / NWP	71.20%	82.70%	71.60%	81.80%	85.30%	92.60%	90.00%	90.00%
Solvency ratio	176%	185%	187%	198%	211%	235%	248%	288%
Persistency ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
13th Month	78.80%	75.60%	77.10%	77.70%	74.80%	73.70%	73.30%	73.10%
25th Month	70.00%	73.50%	69.90%	71.00%	71.00%	71.00%	71.00%	71.00%
37th Month	66.90%	66.60%	70.10%	65.50%	66.10%	66.30%	66.40%	66.40%
49th Month	63.10%	63.90%	63.50%	66.30%	61.50%	58.60%	56.90%	55.90%
61st Month	58.80%	61.00%	61.80%	60.90%	63.10%	64.90%	66.30%	67.60%
Profitability ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
VNB margin (%)	9.90%	15.10%	16.20%	16.80%	17.60%	21.20%	23.40%	24.00%
RoE (%)	73.60%	34.10%	105.90%	57.80%	43.60%	36.50%	31.90%	28.00%
Operating ROEV	36.90%	11.90%	10.90%	11.50%	11.40%	11.90%	11.70%	11.80%
RoEV (%)	105.60%	466.40%	7.50%	24.90%	6.80%	1.60%	10.50%	10.80%
Valuation & key data	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total AUMs (INRb)	36,762	40,850	43,970	51,219	54,523	57,294	63,805	68,913
- of which equity AUMs (%)	21%	21%	20%	21%	22%	22%	22%	22%
Dividend %	-15%	0%	0%	-100%	21%	21%	21%	21%
Dividend payout ratio (%)	0%	12%	3%	8%	16%	26%	14%	12%
EPS, INR	2.4	3.2	28.8	32	38.1	45.4	53	60.4
VNB (INRb)	41.7	76.2	91.8	95.8	100.1	141.8	169.3	195.9
Embedded Value (INRb)	956.1	5,414.90	5,822.40	7,273.40	7,768.70	7,891.90	8,723.90	9,662.40
EV per share (INR)	151.2	428.1	460.3	575	614.1	623.9	689.6	763.8
VIF as % of EV	93%	98%	92%	90%	85%	79%	74%	70%
P/VIF (%)	5.5	0.9	0.9	0.7	0.7	0.8	0.8	0.7
P/AUM (%)	13%	12%	11%	10%	9%	9%	8%	7%
P/EV (x)	5.1	0.9	0.8	0.7	0.6	0.6	0.6	0.5
P/EPS (x)	165	121.4	13.5	12.1	10.2	8.5	7.3	6.4
P/EVOP (x)	28.6	8.8	8.3	7.3	5.9	5.3	5.3	4.7
P/ VNB (x)	117.8	64.4	53.5	51.2	49	34.6	29	25.1

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