

FIRST LIGHT

28 May 2025

RESEARCH

LIC | TARGET: Rs 1,092 | +25% | BUY

Margin improvement, strategic execution on track

HINDWARE HOME INNOVATION | TARGET: Rs 300 | +19% | BUY

Muted Q4; market share loss in bathware but recovery in sight

SUMMARY

LIC

- VNB margins expanded 154bps YoY to 18.8% in Q4FY25; expect this upward trajectory to continue
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- Maintain BUY on LICl with revised TP to Rs 1,092 (from Rs 1,064), assigning a multiple of 0.7x its FY27 EV

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HINDWARE HOME INNOVATION

- Dismal Q4 on continued market share loss in bathware and muted performance of the consumer appliance business
- Bathware revenue to grow at double-digit rate with improved margin in FY26 on recovery of market share loss and operating efficiencies
- Maintain BUY; TP raise by 20% to Rs 300 per share

[Click here](#) for the full report.

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BUY

TP: Rs 1,092 | ▲ 25%

LICI

| Insurance

| 28 May 2025

Margin improvement, strategic execution on track

- APE and VNB growth slows, expected to normalise going ahead
- VNB margins expanded 154bps YoY to 18.8% in Q4FY25; expect this upward trajectory to continue
- Maintain BUY on LICI with revised TP to Rs 1,092 (from Rs 1,064), assigning a multiple of 0.7x its FY27 EV

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Mixed performance: LICI reported a mixed quarterly performance with APE and VNB growth above the consensus estimates, while VNB margin was below expectations. This was primarily on account of redesign, relaunch of products and changes in the commission structures, owing to surrender value changes in Oct'24. Thus, the impact of regulatory changes spilled over in Q4 as well. Going ahead, we expect APE and VNB to improve, given the improving trend in monthly numbers and the impact of regulatory changes to subside leading to normalcy.

APE and VNB growth decelerates: APE de-grew 11% YoY in Q4FY25 and was flat YoY in FY25. Individual APE fell 9% YoY and 1% YoY in Q4FY25 and FY25. Group APE was down 16% YoY on a strong base of Q4FY24 and was flat Q4FY25 and FY25. However, VNB margins witnessed expansion in both Q4 and FY25, despite muted growth in APE and VNB driven by continued shift in the product mix towards non-par products. VNB de-grew by 3% YoY in Q4FY25 with VNB margin at 18.75% (up 154bps YoY). For FY25, VNB saw a growth of 5% YoY with VNB margins expanding by 80bps YoY to 17.6%. We expect VNB margins to be in the 12-14% range in FY25E-FY27E. Its APE fell 1% YoY while NBP rose 10% YoY, outpacing the industry growth of 8% YoY in Apr'25.

Persistency continues to decline: The 13th and 49th month (on premium basis) came in at 78.84% and 61.51% in FY25 vs 77.66% and 66.31% in FY24. Management remains confident of significant improvement in persistency going ahead as it has undertaken measures such as increase in ticket size, changes in the premium and commission structures.

We maintain BUY on LICI: LICI reported muted APE and VNB growth in Q4FY25, although VNB margin showed expansion. Continued focus on ramping up the share of non-par products, along with strategic changes in product offerings and pricing bode well. Additionally, emphasis on higher-yielding non-par products is expected to further support VNB margin expansion. We value LICI at 0.7x multiple with a BUY, arriving at TP of Rs 1,092 (earlier Rs 1,064).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LICI IN/Rs 871
Market cap	US\$ 64.6bn
Free float	0%
3M ADV	US\$ 10.4mn
52wk high/low	Rs 1,222/Rs 715
Promoter/FPI/DII	97%/0%/1%

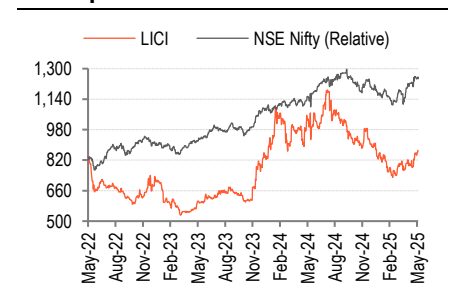
Source: NSE | Price as of 27 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	22,67,855	25,27,349	27,92,721
APE (Rs mn)	5,68,270	6,17,982	6,82,045
VNB (Rs mn)	1,00,110	1,12,473	1,27,542
Embedded Value (Rs mn)	77,68,750	85,14,948	93,30,960
VNB margin (%)	17.6	18.2	18.7
EVPS (Rs)	1,228.3	1,346.2	1,475.3
EPS (Rs)	76.1	80.6	86.6
Consensus EPS (Rs)	0.0	0.0	0.0
P/EV (x)	0.7	0.6	0.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



BUY

TP: Rs 300 | ▲ 19%

**HINDWARE HOME
INNOVATION**

| Building Materials

| 28 May 2025

Muted Q4; market share loss in bathware but recovery in sight

- Dismal Q4 on continued market share loss in bathware and muted performance of the consumer appliance business
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Dismal quarter: HINDWARE top line came broadly in-line with our estimate (-1.0%) for Q4FY25 but missed EBITDA estimate by 13.7% due to lower-than-expected bathware division's EBITDA margin (-505bps YoY to 10.3% vs 12.0% estimated). It reported impairment loss of Rs 296mn in Q4FY25 for the water heater JV business. The company's revenue/EBITDA de-grew by 10%/45% YoY in Q4FY25.

Highlights: HINDWARE has lost market share (MS) in its core bathware category as its revenue de-grew by 12.4% YoY vs mid-single-digit growth for industry in FY25. The company has reported strong performance for plastic pipes as it posted strong volume growth (+13.9% YoY) and relatively better EBITDA margin (+9.7%) vs its major listed peers. Consumer appliances posted sharp operating loss yet again, on lower revenue (-16% YoY even on a weak base). Net debt has gone up from Rs 6.7bn in Dec'24 to Rs 6.95bn in Mar'25.

Outlook: Management expects bathware revenue to grow at a double-digit rate along with improved margin in FY26, given the rationalisation of low-margin products, benefits from internal restructuring exercise and operating leverage benefits. The company has already witnessed green-shoot signs for its bathware business in Apr-May 2025 and is confident of delivering better-than-industry growth over the next 2-3 quarter period. Plastic pipes segment is expected to deliver healthy volume growth in FY26, due to the start of the Roorkee plant from Jul'25. Net debt is targeted to reduce by Rs 2.0-2.5bn over the next two years. Capex is estimated to be Rs 1.0-1.25bn for FY26.

Maintain BUY; TP raise by 20% to Rs 300: We maintain BUY rating on the stock as we expect EBITDA to grow at a healthy 44% CAGR over FY25-FY27E over a weak base, in anticipation of sharp margin improvement for bathware and plastic pipes businesses. We have broadly maintained our earnings estimates but raised TP to Rs 300 (Rs 250 earlier), given rise in target P/E (from 20x to 25x) on Mar'27E, as we positively view the decision to demerge the loss-making consumer appliance & water heater JV business into a separate listed entity. At CMP, the stock trades at a P/E of 63.6x/21.1x on FY26E/FY27E.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HINDWARE IN/Rs 253
Market cap	US\$ 214.3mn
Free float	47%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 477/Rs 177
Promoter/FPI/DII	53%/4%/7%

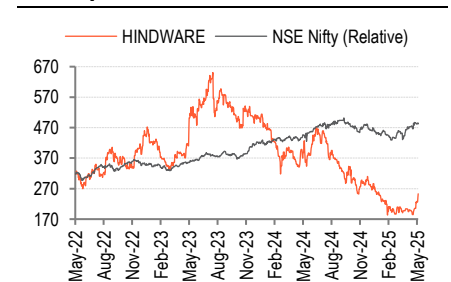
Source: NSE | Price as of 27 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	25,230	27,346	30,757
EBITDA (Rs mn)	1,430	2,212	2,946
Adj. net profit (Rs mn)	(339)	333	1,003
Adj. EPS (Rs)	(4.1)	4.0	12.0
Consensus EPS (Rs)	(8.3)	3.4	10.1
Adj. ROAE (%)	(4.9)	4.2	11.6
Adj. P/E (x)	(62.4)	63.6	21.1
EV/EBITDA (x)	7.5	4.9	4.0
Adj. EPS growth (%)	(158.7)	(198.2)	201.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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