

BUY

TP: Rs 1,058 | ▲ 26%

LIC

| Insurance

| 06 February 2026

Continued VNB margin expansion

- VNB margin continued to expand 186bps YoY in 3Q, leading to strong absolute VNB growth
- Overall strong APE growth, with individual and group APE increasing by 12% YoY and 23% YoY in 9MFY26
- Maintain BUY on LICI with TP of Rs 1,058 (earlier Rs 1,120), assigning a multiple of 0.7x its Dec'27 E P/EV

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Performance above expectations: LICI reported better-than-expected operating performance, with APE, VNB and VNB margin higher by 17%, 34% and 271bps respectively in Q3FY26 — above our estimates, albeit on a lower base of Q3FY25.

Continued VNB margin expansion: VNB margins witnessed a sharp expansion of 186bps YoY to 21.22% in Q3FY26 (vs 19.36% in Q3FY25 vs 19.33% in Q2FY26), primarily driven by a favourable product mix. Share of non-par products rose to 25.5% vs. 20.5% in Q3FY25 (on APE basis) with a 48% impact to the VNB margins and favorable yield curve movement also aided the VNB margin. ULIPs share too increased to 9.8% vs. 8.1% in Q3FY25. There was an unfavourable impact of 2.8%, on account of GST, persistency, and alignment of expenses in the Group segment to the VNB margins during the quarter. Par share declined to 43.9% vs. 44.4% in Q3FY25. VNB came in at Rs 31.8 bn, up 65% YoY (up 28% YoY in 9MFY26). The company's strategic shift towards a higher non-participating product mix is progressing well, with plans to further strengthen it through new product launches in the non-par segment.

APE growth: APE grew 51% YoY in Q3FY26 (16% YoY in 9MFY26), on lower base of Q3FY25. Overall industry APE grew 13% YoY in 9MFY26 with players clocking a growth of 13% YoY in 9MFY26. Individual APE and group APE witnessed 61% YoY (12% YoY in 9MFY26) and 31% YoY (23% YoY in 9MFY26) in Q3FY26. The company reiterated its focus on sustainable profit growth, new business performance, and top line growth.

We maintain BUY on LICI: LICI reported a better-than-expected APE, VNB and VNB with robust growth (on a lower base), owing to the high-margin non-par share further moving up (favourable product mix). With continued focus on the expanding non-par share in the product mix, management foresees margin expansion and balancing the APE and absolute VNB growth. We largely maintain estimates with VNB margins to be in the 18-19% range in FY26-FY28E. Hence, we maintain BUY on LICI with TP to Rs 1,058, (previously Rs 1,120) assigning a multiple of 0.7x its Dec'27 E P/EV.

Key changes

	Target	Rating
	▼	◀ ▶

Ticker/Price	LICI IN/Rs 840
Market cap	US\$ 58.8bn
Free float	0%
3M ADV	US\$ 11.9mn
52wk high/low	Rs 980/Rs 715
Promoter/FPI/DII	97%/0%/1%

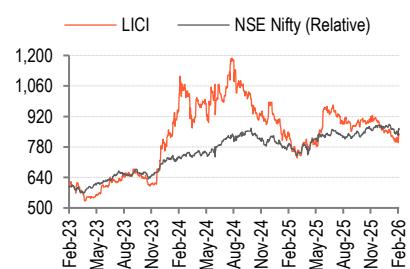
Source: NSE | Price as of 5 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	22,67,855	24,81,397	26,79,909
APE (Rs mn)	5,68,270	6,45,935	7,48,550
VNB (Rs mn)	1,00,110	1,19,498	1,41,476
Embedded Value (Rs)	77,68,750	86,07,315	95,29,047
VNB margin (%)	17.6	18.5	18.9
EVPS (Rs)	1,228.3	1,360.8	1,506.6
EPS (Rs)	76.1	94.6	105.8
Consensus EPS (Rs)	76.1	83.3	91.3
P/EV (x)	0.7	0.6	0.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings Call Highlights

Business performance

- Gross premium income for Q3FY26 stood at Rs 12,57,996 mn, reflecting a YoY growth of 17.6%, primarily driven by 45.6% increase in first year premium and 30.5% growth in single premium. Renewal premium income recorded growth of 7.3% YoY.
- LICI's first-year premium market share stood at 57.07% in 9MFY26 vs 57.47% in 9MFY25. Within this, the company held a 45.84% market share in the individual business and a 71.36% share in group business during 9MFY26.
- Expense ratio declined to 11.65% in 9MFY26 from 12.97% in 9MFY25, reflecting effective cost optimisation measures.
- Persistency ratio on a premium basis for the 13th, 25th, 37th, 49th, and 61st months stood at 75.75%, 70.76%, 67.37%, 63.77%, and 61.09%, respectively.
- Persistency ratio on a policy basis for the 13th, 25th, 37th, 49th, and 61st months stood at 64.28%, 59.82%, 55.7%, 50.63%, and 49.06%, respectively.
- Solvency ratio strengthened to 2.19 in 9MFY26 from 2.02 in 9MFY25.
- The company highlighted its focus is on improving new business performance and topline growth, so that the impact of expenses is absorbed through improved efficiency.

VNB and VNB Margin

- Net VNB margin improved by 178 bps, rising to 18.8% in 9MFY26 from 17.1% in 9MFY25.
- The improvement in VNB margin to 18.8% was driven by a favourable impact from the business mix to the tune of 2.6%, positive 1.9% impact from economic assumption and negative operating assumption changes of 2.8%.
- The impact of GST rates, persistency, and alignment of expenses in the group business — together contributed to the negative changes in operating assumptions.
- Management highlighted that a favourable yield curve of around 80 bps has contributed to positive changes in economic assumptions.

Product and Channel Mix

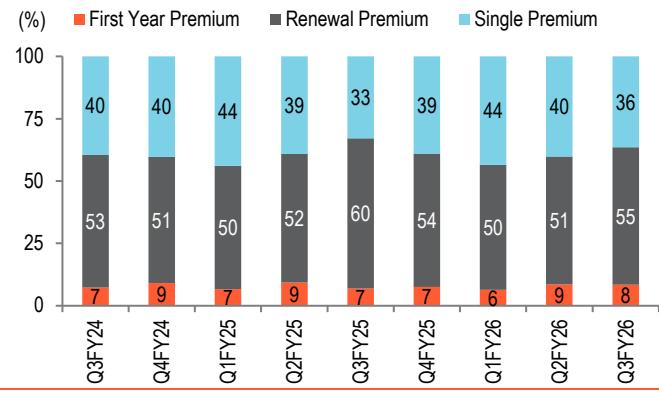
- Share of non-par products rose to 25.5% vs. 20.5% in Q3FY25 (on APE basis) with an impact of 48% to the VNB margins.
- Individual NBP collected from the banca and alternate channels grew 66.7% YoY from Rs. 20,040 mn in 9MFY25 to Rs 33,410 mn in 9MFY26
- The alternate channel, including the banca channel, contributes substantially to the single-premium segment, resulting in the highest persistency among all channels.
- The company continues to focus on improving banca and alternate channels.

- The number of policies sold through the banca and alternate channels declined by 44.79% in 9MFY26, as one key partner who contributed significantly last year is currently facing operational issues.

Others

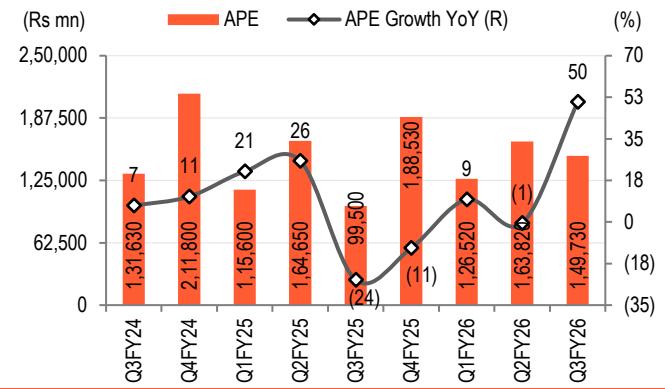
- Market share by number of agents was 45.32% in 9MFY26, vs 47.40% in 9MFY25.
- As of Q3FY26, the company offered a total of 57 products, including: 39 individual products, 12 group products, 7 individual riders and 1 group rider.
- Government's shareholding in LIC is expected to decline to 90% by 2027.
- The company is open to enhancing stake in health insurance company and are currently evaluating various options available in the market.

Fig 1 – Gross premium was up 17.6%YoY, led by strong growth in first year and single premium



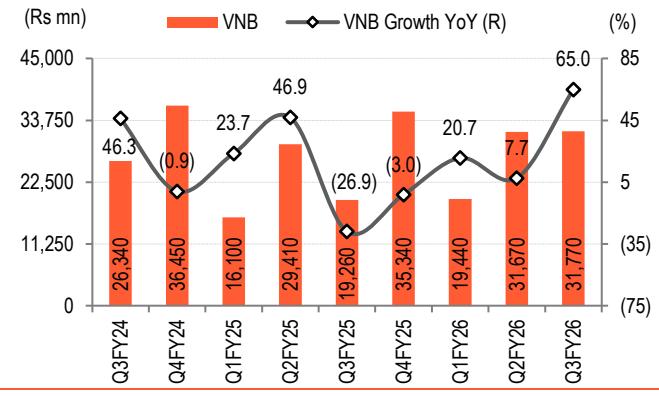
Source: Company, BOBCAPS Research

Fig 2 – APE grew 50.5% in Q3FY26 at Rs 1,49,730 mn



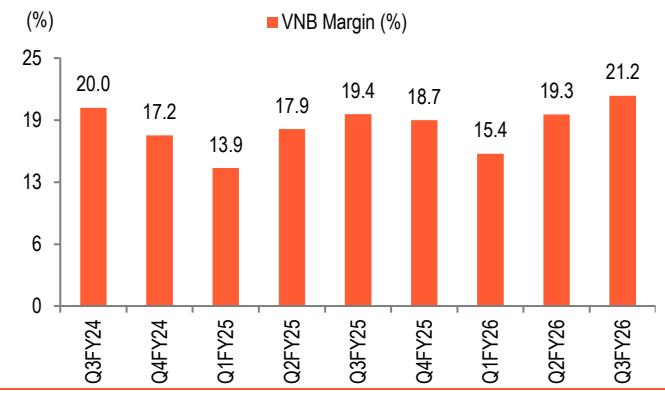
Source: Company, BOBCAPS Research

Fig 3 – VNB grew 65% to Rs 31,770 mn in Q3FY26



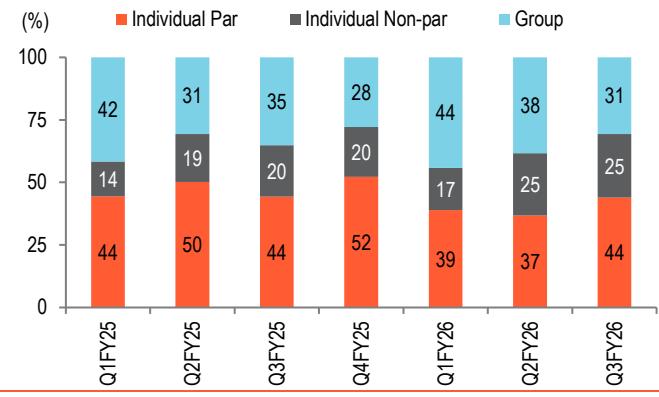
Source: Company, BOBCAPS Research

Fig 4 – Favourable yield curve movement aided the VNB margin



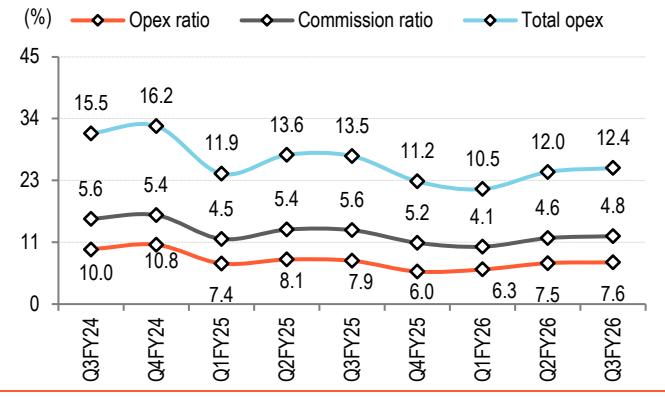
Source: Company, BOBCAPS Research

Fig 5 – Individual par business continues to grow significantly within LICI's APE mix



Source: Company, BOBCAPS Research

Fig 6 – Total opex ratio came in at 12.4% in Q3FY26



Source: Company, BOBCAPS Research

Fig 7 – Policyholders' account

(Rs mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Net premium income	11,99,010	10,68,915	14,75,856	11,92,004	12,64,793	12,56,134	17.5	(0.7)
Income from investments (Net)	10,89,724	9,43,357	9,31,327	10,29,302	11,21,472	10,76,083	14.1	(4.0)
Other income	1,448	1,499	2,224	1,301	1,342	1,420	(5.2)	5.8
Total Income	22,96,197	20,19,937	24,16,250	22,28,636	23,96,137	23,39,838	15.8	(2.3)
Net Commission	65,416	59,657	77,115	49,496	57,722	60,106	0.8	4.1
Operating expenses	97,502	84,501	87,836	75,490	94,622	95,653	13.2	1.1
Benefits Paid (Net)	9,75,623	9,46,829	14,22,452	9,70,561	10,62,504	11,32,832	19.6	6.6
Change in actuarial liability	10,82,463	7,99,136	6,20,229	10,11,577	10,76,086	9,15,615	14.6	(14.9)
Surplus/Deficit	72,532	1,09,519	1,88,195	1,09,359	94,536	1,19,332	9.0	26.2

Source: Company, BOBCAPS Research

Fig 8 – Shareholders' account

(Rs mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Amounts transferred from Policyholders	72,423	1,08,985	1,84,028	1,07,917	94,136	1,17,283	7.6	24.6
Income From Investments	14,576	15,962	17,611	17,867	20,634	22,451	40.7	8.8
PAT	76,209	1,10,565	1,90,128	1,09,865	1,00,534	1,29,582	17.2	28.9

Source: Company, BOBCAPS Research

Valuation Methodology

LICI reported a better-than-expected APE, VNB and VNB with robust growth (on a lower base), owing to the high-margin non-par share further moving up (favourable product mix). With a continued focus on expanding non-par share in the product mix, management foresees margin expansion and balancing the APE and absolute VNB growth. We largely maintain estimates with VNB margins to be in the 18-19% range in FY26-FY28E. Hence, we maintain BUY on LICI with TP to Rs 1,058, (previously Rs 1,120) assigning a multiple of 0.7x its Dec'27E P/EV.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
APE	6,45,935	7,48,550	8,78,355	6,06,256	6,54,155	7,10,701	6.5	14.4	23.6
VNB Margin (%)	18.5	18.9	19.2	18.1	18.5	19.0	40bps	40bps	20bps

Source: BOBCAPS Research

Fig 10 – Actual vs Estimates

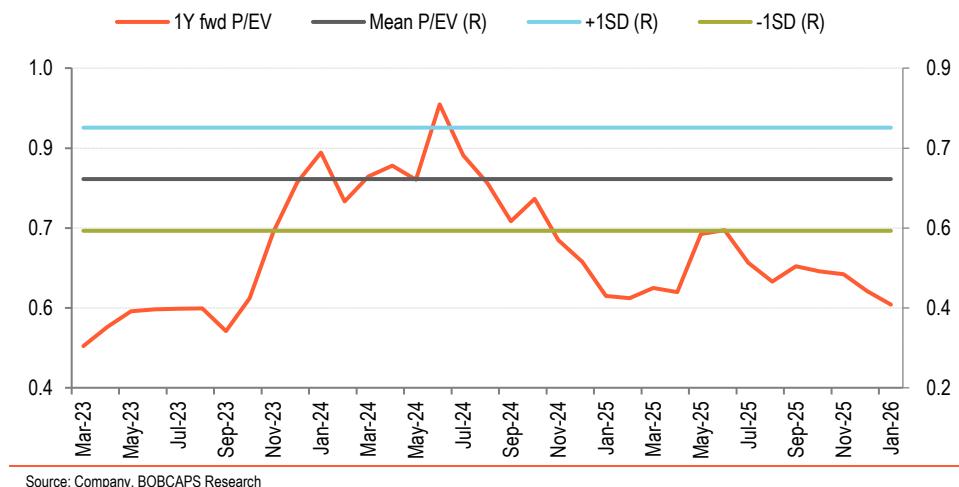
Rs mn	Q3FY26A	Q3FY26E	Actual vs Estimates (%)
Gross Premium	12,57,996	11,61,697	8.3
APE	1,49,730	1,28,262	16.7
VNB	31,770	23,742	33.8
VNB Margin	21.2	18.5	271bps

Source: Company, BOBCAPS Research

Fig 11 – EV Walk

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	58,22,430	72,73,440	77,68,750	86,07,315	95,29,047
Bifurcation impact	-	-	-	-	-
Unwind of Discount	5,21,980	7,00,930	7,10,692	7,71,881	8,38,642
Value of New Business	95,830	1,00,110	1,19,498	1,41,476	1,68,644
Operating Assumption Changes	48,290	18,480	-	-	-
Operating Experience Variance	3,680	6,680	40,000	40,000	40,000
EV Operating Profit (EVOP)	6,69,780	8,26,200	8,70,190	9,53,357	10,47,286
Economic Variance	9,54,640	(2,92,940)	-	-	-
EV Profit	16,24,420	5,33,260	8,70,190	9,53,357	10,47,286
Net Capital Inflow/Outflow (dividend pay out)	(1,73,410)	(37,950)	31,625	31,625	31,625
Closing EV	72,73,440	77,68,750	86,07,315	95,29,047	1,05,44,708

Source: Company, BOBCAPS Research

Fig 12 – P/EV Band

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- **Intense competition:** Market leader LIC faces tough competition from private peers who are chipping away at its market dominance by unique offerings and better services. The company generates most of its business from the agency channel, whereas private players are focused on the bancassurance channel for growth.
- **Strong linkage with capital markets:** LIC's embedded value is highly sensitive to capital market movements.
- **Regulatory challenges.**

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	47,57,519	48,88,489	52,79,568	57,01,934	61,86,598
First year premium	3,90,380	3,70,254	4,22,365	4,56,155	4,94,928
Renewal premium	25,30,805	26,20,634	27,98,171	30,22,025	32,78,897
Single premium	18,36,335	18,97,601	20,59,032	22,23,754	24,12,773
Net written premium	47,50,696	48,81,482	52,71,649	56,90,530	61,68,038
Income from investments	36,39,439	39,26,234	42,01,070	45,79,166	48,99,708
Other Income	1,46,933	33,767	6,989	7,409	7,853
Total income	85,37,068	88,41,482	94,79,709	1,02,77,105	1,10,75,600
Commissions	2,59,591	2,53,088	2,50,252	2,68,789	2,94,915
Operating expenses	4,81,217	3,54,152	3,69,304	3,87,986	4,07,720
Benefits and bonuses paid	38,88,093	41,63,547	44,75,813	49,45,773	53,90,893
Change in liabilities (net)	35,30,361	35,33,343	37,10,010	39,32,611	41,68,567
Others	(27,851)	(19,492)	(21,804)	(22,953)	(24,181)
Total expenses	81,31,411	82,84,637	87,83,574	95,12,206	1,02,37,914
Surplus before tax	4,05,656	5,56,845	6,96,134	7,64,899	8,37,686
Provision for tax	58,252	77,725	1,04,420	1,14,735	1,25,653
Surplus after tax	3,47,405	4,79,120	5,91,714	6,50,164	7,12,033
Trf to shareholders' a/c	3,74,554	4,73,234	5,85,357	6,33,058	6,93,473
Balance being FFA	(27,150)	5,887	6,357	17,106	18,560

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	3,74,554	4,73,234	5,85,357	6,33,058	6,93,473
Income from investments	36,946	59,917	71,901	1,00,661	1,25,826
Contr. to policyholders' fund	449	45,399	49,938	54,932	60,426
Others	2,463	6,422	7,065	7,771	8,548
PBT	4,07,872	4,81,512	6,00,254	6,71,016	7,50,325
Provision for taxation	1,114	0	1,801	2,013	2,251
PAT	4,06,758	4,81,512	5,98,453	6,69,002	7,48,074
Dividend+Interim div.+DDT	0	0	0	0	0

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	8,19,382	12,61,877	18,28,706	24,66,083	31,82,532
Policyholders' funds	5,13,84,775	5,44,63,230	5,81,65,979	6,21,55,369	6,64,53,589
FFA	12,147	18,284	24,642	41,747	60,307
Others	4,079	8,154	16,418	32,835	65,670
Total liabilities	5,22,20,383	5,57,51,546	5,99,79,055	6,45,73,330	6,95,68,355
Shareholders' funds	6,37,440	10,40,258	17,91,193	23,93,915	30,59,318
Policyholders' funds	4,87,65,124	5,13,62,788	5,46,22,297	5,83,74,554	6,24,17,285
Assets to cover linked liab.	3,52,578	4,83,120	4,94,911	5,05,738	5,44,888
Others	24,65,241	28,65,380	30,70,654	32,99,124	35,46,864
Total assets	5,22,20,383	5,57,51,546	5,99,79,055	6,45,73,330	6,95,68,355

Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	5,12,18,870	5,45,22,970	6,43,37,105	7,27,00,928	8,36,06,067
NBP (Rs mn)	22,26,714	22,67,855	24,81,397	26,79,909	29,07,701
APE (Rs mn)	5,69,700	5,68,270	6,45,935	7,48,550	8,78,355
VNB (Rs mn)	95,830	1,00,110	1,19,498	1,41,476	1,68,644
VNB margin (%)	16.8	17.6	18.5	18.9	19.2
Embedded value (Rs mn)	72,73,440	77,68,750	86,07,315	95,29,047	1,05,44,708
ROEV (%)	27.9	7.3	11.2	11.1	11.0
ROE (%)	0.0	0.0	0.0	0.0	0.0
Opex ratio (%)	15.6	12.4	11.7	11.5	11.4
Cost ratio (%)	5.5	5.2	4.7	4.7	4.8
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	64.3	76.1	94.6	105.8	118.3
BVPS (Rs)	129.5	199.5	289.1	389.9	503.2
EVPS (Rs)	1,150.0	1,228.3	1,360.8	1,506.6	1,667.1

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

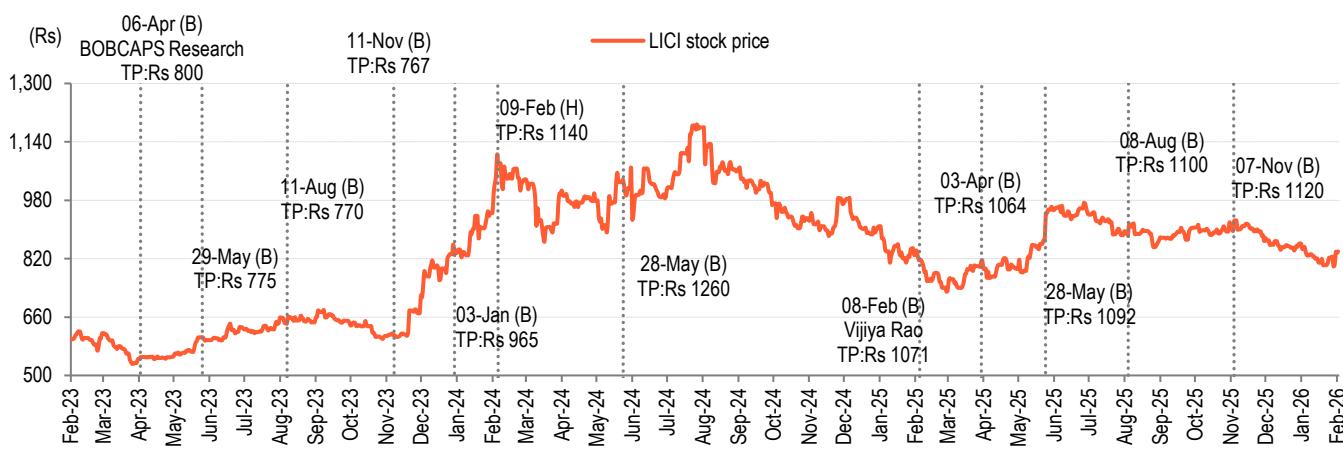
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): LIC (LICI IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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