Life Insurance Corporation of India

India | Insurance | Result Update

Monthly frequency impacts APE growth

5 November 2026

Rating: Buy
Target Price: INR 635
Upside: 56%
CMP: INR 408
As on 05 November 2026

Life Insurance Corporation of India (LICI IN) reported Q2FY27 APE of INR 170.0bn, up 3.8% YoY and 8.1% below our estimate, as a sharp fall in ULIP pulled individual APE lower while group APE grew. VNB rose 17.1% YoY to INR 37.1bn, 14.4% below our estimate, with VNB margin at 21.8% (+250bps YoY; our estimate: 23.4%). H1FY27 VNB margin stood at 22.3% (+470bps YoY) but slipped from 22.9% in Q1FY27, as a ~40bps fall in risk-free rates cost ~120bps, more than offsetting a ~50bps gain from the mix. Embedded value rose just 1.0% from March to INR 7.97tn on mark-to-market losses. Management expects a favorable impact on competitive intensity for LICI, and we concur, as its commission rates are lower than peers'. The reforms should also open up opportunities in bancassurance. **We retain Buy with an unchanged TP of INR 635.**

Individual growth stalls on monthly ULIP reset: Individual APE was flat in H1 (+0.3% YoY), as ULIP APE fell 40%, which had a share of ~24% in FY26, and has now dropped to ~14% of monthly premium payment mode policies, driven by weaker equity market sentiment and nudge to distributors to increase the minimum ticket size of the policies. Non-par savings (+35%) and protection (+59%) grew strongly, lifting non-par ex-ULIP to 13.0% of total APE from 10.7%, but the non-par share of individual APE fell to 34.0% from 36.3%. Individual weighted received premium grew 14.5%, and management expects APE and WRP growth to converge by year-end, aided by stronger Q3-Q4 seasonality and new launches in deferred annuity, health and term. Group APE grew 14% in H1.

Margin gains now rest on mix: In H1 VNB walk, business mix added 330bps and assumptions (largely risk-free rates) 280bps, while expenses cost 140bps. With the yield-curve tailwind reversing, management expects further gains from mix (non-par savings and protection), higher ticket sizes and opex efficiency, and remains positive on FY28 margins. The H1 expense ratio improved 87bps YoY to 10.4%. LICI hedges ~80% of non-par premium, but margins remain highly rate-sensitive.

Persistency mixed; agency still the bedrock: Thirteenth-month persistency on premium slipped to 74.7% from 75.3% and 61st-month to 61.0% from 63.8%, though policy-based persistency improved in the 13th, 37th and 49th-month cohorts. Agency contributed 92% of individual new business premium; banca and alternate channels grew 21% YoY. Per management, IRDAI's proposed distribution reform is favorable, given its low expense ratio.

Retain Buy with an unchanged TP of INR 635: We cut FY27E/28E/29E APE estimates by 1.2%/0.9%/0.5% and VNB estimates by 4.8%/2.5%/1.7%, building in VNB margins of 23.7%/23.5%/23.9% given the moderation in the yield curve, and lower FY27E/28E/29E EV by ~9/5/5% as a result of mark to market losses in EV. Our DCF-based TP stays at INR 635, implying 0.8x Sep-28E EV and 56% upside. Key risks are a further fall in the yield curve, a prolonged ULIP slowdown, premium-based persistency slippage and adverse IRDAI commission changes.

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
APE (INR mn)	568,280	669,610	702,108	746,808	794,370
YoY (%)	(0.2)	17.8	4.9	6.4	6.4
VNB (INR mn)	100,110	141,790	166,636	175,499	190,112
VNB margin (%)	17.6	21.2	23.7	23.5	23.9
VNB per share (INR)	7.9	11.2	13.2	13.9	15.0
EVOP per share (INR)	64.4	72.1	66.2	71.0	80.5
EV per share (INR)	613.3	622.7	672.3	770.2	841.6
Operating RoEV (%)	11.2	11.7	10.6	10.6	10.5
P/VNB (x)	51.6	36.4	31.0	29.4	27.1
P/EVOP (x)	6.3	5.7	6.2	5.7	5.1
P/EV (x)	0.7	0.7	0.6	0.5	0.5

Note: Pricing as on 05 November 2026; Source: Company, Elara Securities Estimate

Key data

Bloomberg	LICI IN
Reuters Code	LIFI.NS
Shares outstanding (mn)	12,650
Market cap (INR bn/USD mn)	5,161/54,631
EV (INR bn/USD mn)	4,444/47,038
ADTV 3M (INR mn/USD mn)	4,873/52
52 week high/low	468/361
Free float (%)	4

Note: as on 05 November 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q3 FY26	Q4 FY26	Q1 FY27	Q2 FY27
Promoter	96.5	96.5	96.5	90.0
% Pledge	0.0	0.0	0.0	0.0
FII	0.2	0.3	0.4	1.6
DII	1.3	1.3	1.0	6.2
Others	2.0	1.9	2.1	2.3

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(0.4)	2.1	(4.1)
Life Insurance Corporation of	3.8	2.1	(9.9)
NSE Mid-cap	(2.8)	1.3	(1.1)
NSE Small-cap	(4.3)	3.6	1.2

Source: Bloomberg

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Global Markets Research

Financials (YE March)

Movement in EV (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Opening EV	7,273,450	7,768,750	7,891,850	8,504,455	9,742,442
Assumption changes	18,480	(16,630)	-	-	-
Value of New Business	100,110	141,790	166,636	175,499	190,112
Discount unwind	700,920	747,480	670,810	722,879	828,108
Operating Variance	(4,430)	39,350	-	-	-
Operating EV Earnings	815,080	911,990	837,446	898,378	1,018,219
Economic Variance	(292,940)	(727,400)	(145,480)	436,440	-
Total EV Earnings	522,140	184,590	691,966	1,334,818	1,018,219
Closing EV	7,757,640	7,877,440	8,504,425	9,742,442	10,646,265
RoEV Tree	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Unwind as % of opening EV	9.6	9.6	8.5	8.5	8.5
VNB as % of opening EV	1.4	1.8	2.1	2.1	2.0
Operating variances as % of opening EV	(0.1)	0.5	-	-	-
Assumption changes as % of opening EV	0.3	(0.2)	-	-	-
Operating RoEV (%)	11.2	11.7	10.6	10.6	10.5
Margin Profile	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
VNB (INR mn)	100,110	141,790	166,636	175,499	190,112
YoY %	4.5	41.6	17.5	5.3	8.3
APE (INR mn)	568,280	669,610	702,108	746,808	794,370
YoY %	(0.2)	17.8	4.9	6.4	6.4
VNB margin (%)	**17.6**	**21.2**	**23.7**	**23.5**	**23.9**
APE by segment - mix (%)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Savings					
Non-Linked	57.1	52.6	52.4	51.7	51.3
Unit Linked	6.6	9.2	7.9	8.2	8.2
Annuity	3.2	2.5	2.5	2.7	2.8
Group Savings	31.1	33.5	34.8	35.0	35.2
Savings APE	98.0	97.8	97.7	97.6	97.5
Protection					
Retail	0.4	0.5	0.5	0.6	0.6
Group	1.6	1.8	1.8	1.8	1.9
Protection APE	2.0	2.2	2.3	2.4	2.5
Profit & Loss Account (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Gross Premium Written	**4,888,489**	**5,367,486**	**5,715,493**	**6,093,563**	**6,499,829**
Investment income	3,932,859	4,345,071	4,448,205	4,623,158	4,840,514
Commission paid	253,088	244,471	303,635	377,714	470,613
Expenses	354,152	395,098	453,337	520,313	597,335
Claims/benefits paid	4,163,547	4,961,043	4,988,333	5,092,338	5,262,654
Change in actuarial liability	3,533,343	3,633,395	3,798,506	3,962,052	4,121,676
Profit after tax	510,211	470,907	611,712	755,595	878,782
Balance Sheet (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Sources of funds					
Shareholder's equity	1,261,877	1,753,564	2,312,308	2,948,007	3,699,026
Borrowings	-	-	-	-	-
Fair value change - Policyholders	-	-	-	-	-
Revaluation Reserves	-	-	-	-	-
Policyholder's liabilities	54,471,384	56,872,544	59,329,780	61,808,568	64,439,612
Funds for Future Appropriation	18,284	32,151	22,003	20,714	13,041
Current Liabilities & Provisions	-	-	-	-	-
Total Liabilities & Equity	55,751,544	58,658,260	61,664,092	64,777,288	68,151,680
Application of capital					
Shareholder's investments	1,040,258	1,507,403	1,808,884	2,170,661	2,604,793
Policyholder's investments	51,362,788	53,332,620	55,754,288	58,167,888	60,703,516
Linked investments	483,120	618,969	793,019	1,016,009	1,301,703
Other Assets	2,865,380	3,199,266	3,307,902	3,422,730	3,541,668
Total Assets	55,751,544	58,658,260	61,664,092	64,777,288	68,151,680
Valuations	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
P/EV (x)	0.7	0.7	0.6	0.5	0.5
P/VNB (x)	51.6	36.4	31.0	29.4	27.1
P/EVOP (x)	6.3	5.7	6.2	5.7	5.1
VNB multiple (x)	(25.9)	(19.2)	(20.1)	(26.1)	(28.9)

Note: Pricing as on 05 November 2026; Source: Company, Elara Securities Estimate

Conference call: Key takeaways

Growth and outlook

- Total premium grew 11.6% YoY to INR 2.74tn in H1FY27. Individual new business premium grew 14.9% to INR 327.3bn and renewal premium 4.7% to INR 1.28tn.
- Group new business premium grew 20.6% to INR 1.12tn. Market share by first-year premium was 58.77% (H1FY26: 59.41%): 37.51% in individual (37.21%) and 70.45% in group (72.74%).
- APE grew 5.7% to INR 307.0bn. Individual APE was INR 172.2bn (56% of the total) and group APE INR 134.7bn. Within individual APE, par was INR 113.6bn and non-par INR 58.6bn.
- Individual APE lagged weighted received premium (+14.5%) because ULIP APE fell 40%. Management attributed this to weak equity markets and a deliberate push towards higher-ticket ULIPs, which reduced monthly-mode sales.
- Management expects individual APE and weighted received premium growth to converge by year-end as ULIPs recover. Q3 and Q4 are typically LICI's strongest quarters.
- H2 growth drivers include products launched on 19 October (New Jeevan Dhara II deferred annuity, Health Shield and Cancer Cover), the Jeevan Raksha term plan and a closed-ended product available until 31 March 2027.
- LICI sold 7.1mn policies in H1 (7.3mn in H1FY26). It launched five new non-par individual products in H1 and three more in October, taking its portfolio to 63 products.

Product mix and margins

- VNB grew 34.0% to INR 68.5bn in H1, with margin up 470bps YoY to 22.3%.
- In the H1 VNB walk, business mix added 330bps, assumptions 280bps and expenses -140bps.
    - **Mix** reflects higher ticket sizes and non-par growth. Non-par (savings, protection and annuity) rose to 13.0% of APE from 10.7%, and non-par savings to 9.9% from 7.7%.
    - **Assumptions** largely reflect risk-free rate movements: about +100bps YoY in Q1 and +40-50bps YoY in Q2.
    - **Expenses** reflect a March realignment of expense assumptions in some lines to current experience.
- Margin fell from 22.9% in Q1 to 22.3% in H1. Mix added about 50bps, but a ~40bps fall in risk-free rates cut about 120bps. Management said the impact depends on where along the yield curve the liabilities sit, with annuities exposed to the long end.
- The non-par share of individual APE fell to 34.0% from 36.3%, mainly because ULIP (counted as non-par) declined. Non-par savings grew 35% and protection APE 59%.
- Management is positive on FY28 margins. Its levers are mix (non-par savings, protection, and group term and group annuity within group), higher ticket sizes and opex efficiency, and it aims to move margins closer to listed private peers.
- LICI hedges ~80% of non-par premium and has hedged most of it up to eight years. No IRR changes were made on annuity products.
- The overall expense ratio improved 87bps YoY to 10.4%. Office rationalisation, digital adoption and process re-engineering will roll out over the next few quarters.

Distribution

- Agency contributed 91.8% of individual new business premium and 98.4% of policies sold. LICI had 1.45mn agents (1.49mn a year ago), a 43.7% share of the industry's agents.
- Banca and alternate channels grew 21.4% to INR 24.6bn. Banks grew 6% and alternate channels 48%, together contributing 7.5% of individual new business premium.
- After a decline in Q1, bancassurance returned to growth in Q2. Management is prioritising premium over policy count, and IDBI Bank's share of bank-sourced business has declined.
- Yes Bank and RBL Bank were added as partners, and LICI is open to new bank partnerships.

Regulation

- Management sees IRDAI's proposed distribution reforms as positive for the industry. LICI is comfortable with the proposed expense caps and sees itself at an advantage given its low overall expense ratio.
- LICI has submitted feedback to IRDAI that includes points raised by agents' associations. It will try to protect agent earnings through higher productivity, training, larger ticket sizes and policy terms, and products that suit agents.
- LICI did not pass the GST impact on to agents' commissions last year.
- LICI will decide on capital distribution or deployment once the risk-based capital and Ind AS 117 frameworks are finalised. Solvency improved to 2.35x from 2.13x.

EV, persistency and profitability

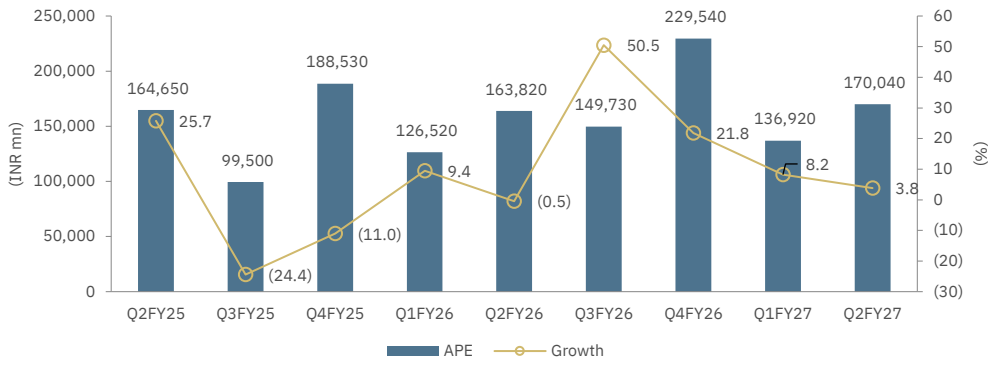
- IEV was INR 7.97tn as of September 2026, up 1.0% from March 2026 but down 2.0% YoY. Management said H1 movement was mostly mark-to-market, while the core business contributed positively and operating variances were not negative.
- Thirteenth-month persistency on a premium basis was 74.7% (75.3%), and 61st-month 61.0% (63.8%). On a policy basis, the 13th, 37th and 49th-month cohorts improved. Management said persistent policies skew towards lower ticket sizes, which is why premium-based persistency lagged.

Exhibit 1: Quarterly financials

Particulars	Units	Q2FY26	Q2FY27	Change (%)	FY24	FY25	FY26
RNB	INR mn	159,159	172,727	8.5	574,013	560,014	638,031
IRNB	INR mn	85,323	95,840	12.3	351,041	353,524	371,889
APE	INR mn	163,820	170,040	3.8	569,700	568,280	669,610
VNB	INR mn	31,670	37,100	17.1	95,830	100,110	141,790
VNB Margin	%	19.3	21.8	2.5	16.8	17.6	21.2
product mix							
PAR	%	36.7	36.9	0.2	55.1	48.6	42.0
NPS	%	8.8	10.2	1.5	6.7	8.4	10.6
NPT	%	0.4	0.6	0.2	0.4	0.4	0.5
ANN	%	2.4	2.7	0.3	2.8	3.2	2.5
ULIP	%	13.5	6.5	(7.0)	2.5	6.6	9.2
Group Fund	%	36.4	40.9	4.5	30.9	31.1	33.5
Group Protection	%	1.9	2.2	0.2	1.6	1.6	1.8
APE/RNB	%	102.9	98.4	(4.5)	99.2	101.5	104.9
Total cost/APE	%	93.0	88.6	(4.4)	130.0	106.9	95.5
Total cost excluding renewal commission/APE	%	72.4	68.3	(4.0)	107.0	81.2	74.3
Total cost excluding commission/APE	%	57.8	53.0	(4.8)	84.5	62.3	59.0
Total cost excluding renewal commission/Ind APE	%	117.3	119.9	2.6	158.6	120.8	114.9
Total cost excluding renewal commission/Weighted APE	%	97.7	100.5	2.8	112.4	87.7	87.6

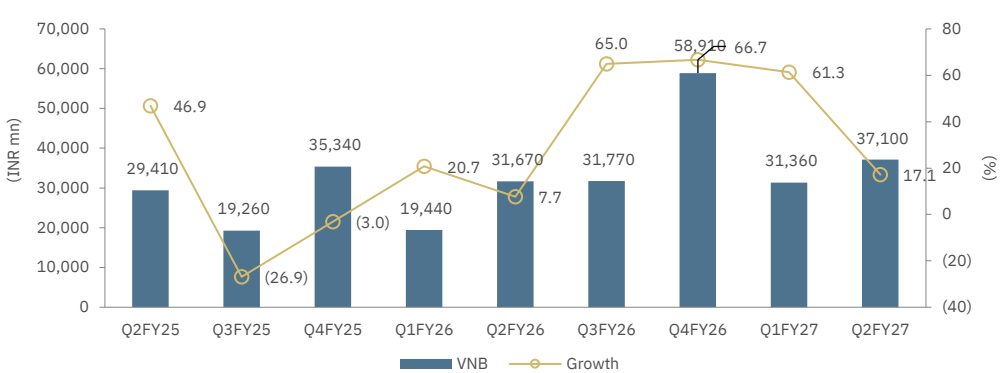
Source: Company, Elara Securities Research

Exhibit 2: APE up 3.8% YoY to INR 170.0bn, led by 16.5% growth in group



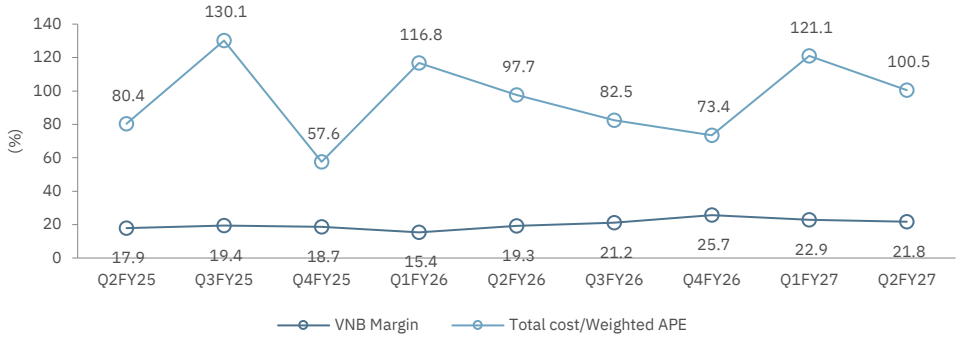
Source: Company, Elara Securities Research

Exhibit 3: VNB up 17.1% YoY to INR 37.1bn, slowing from ~60%+ growth in previous quarters



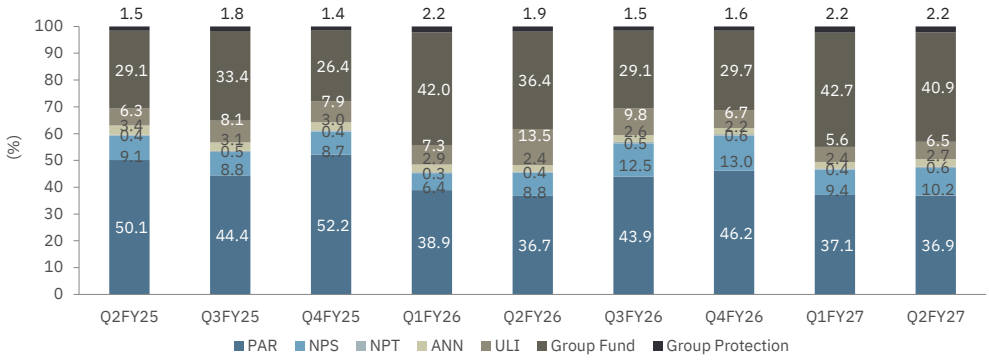
Source: Company, Elara Securities Research

Exhibit 4: VNB margin up ~250bps YoY to 21.8%; cost/weighted APE eases to 100.5%



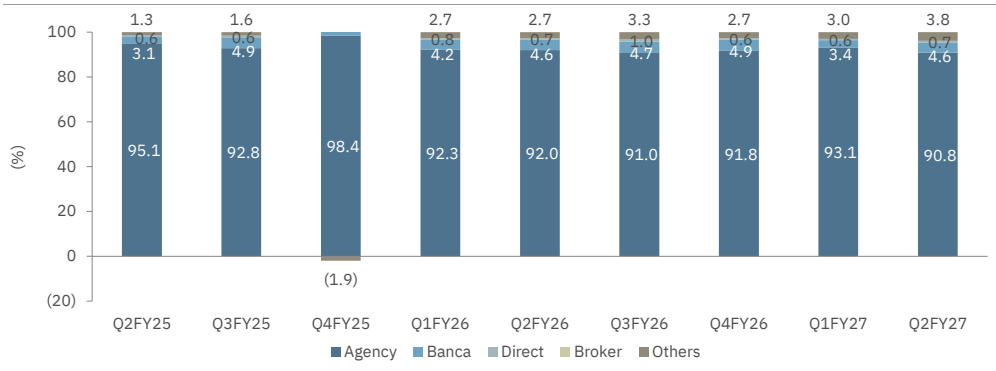
Source: Company, Elara Securities Research

Exhibit 5: Group fund at 40.9% of APE; ULIP halves to 6.5% as NPS rises to 10.2%



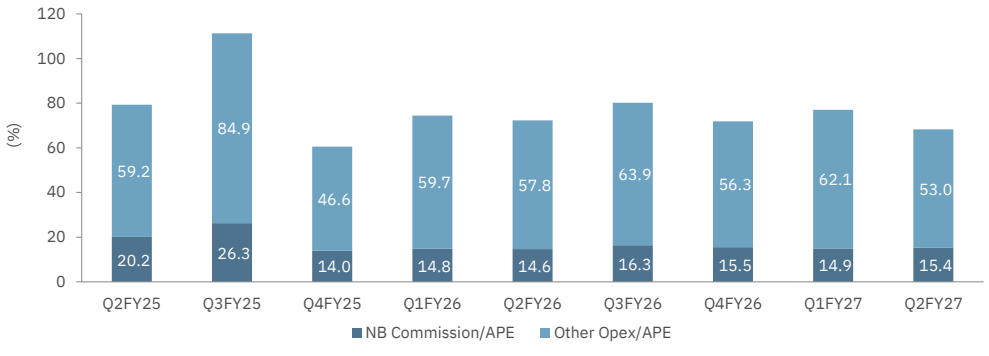
Source: Company, Elara Securities Research

Exhibit 6: Agency share dips to 90.8% of individual APE; banca at 4.6% and others up to 3.8%



Source: Company, Elara Securities Research

Exhibit 7: NB commission/APE at 15.4%; other opex/APE down to 53.0%



Source: Company, Elara Securities Research

Exhibit 8: Change in estimates

(INR mn)	Old			New			Change (%/bps)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
APE (INR mn)	710,554	753,358	798,766	702,107	746,808	794,370	(1.2)	(0.9)	(0.6)
VNB (INR mn)	175,021	179,931	193,335	166,636	175,499	190,112	(4.8)	(2.5)	(1.7)
VNB margin (%)	24.6	23.9	24.2	23.7	23.5	23.9	(90)bps	(38)bps	(27)bps
EV per share (INR)	741.9	811.5	886.7	672.3	770.2	841.6	(9.4)	(5.1)	(5.1)

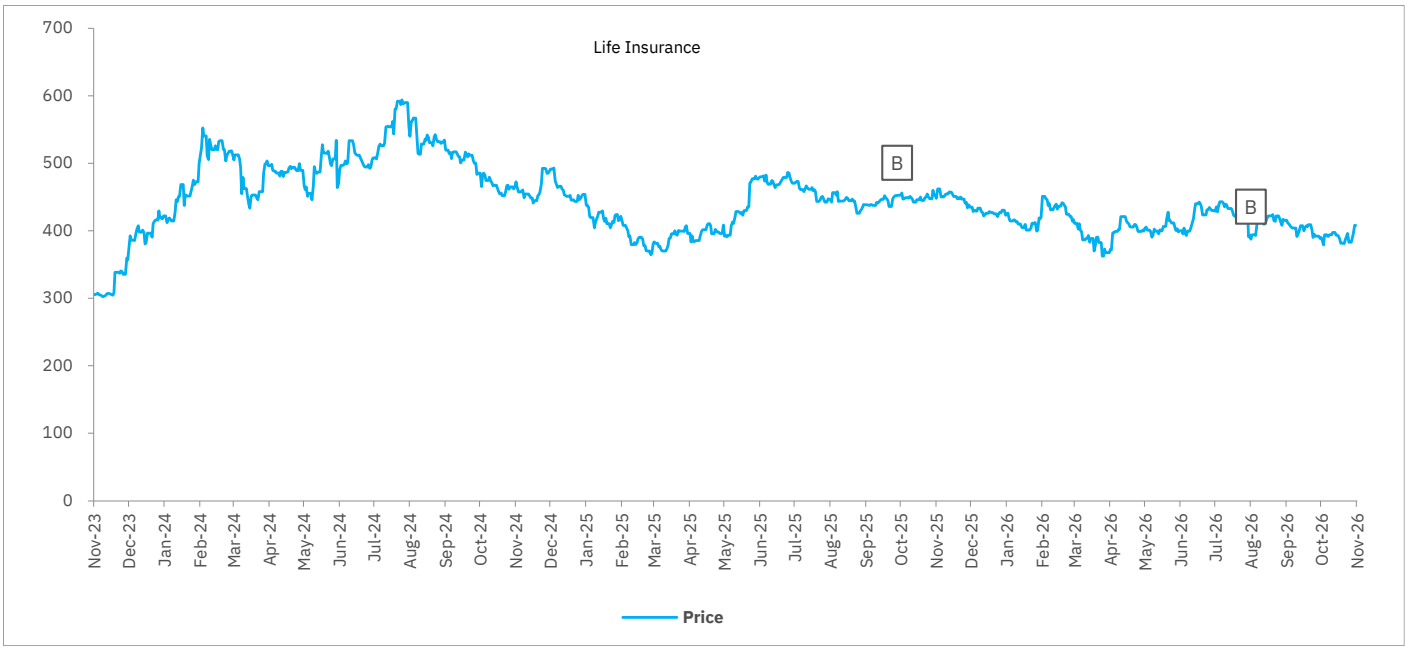
Source: Elara Securities Estimates

Exhibit 9: Valuation

Particulars	
Required return (%)	13
Terminal growth (%)	3.0
FY27E operating ROEV (%)	10.6
Sep-28E EVPS (INR)	806
Implied P/EV (Sep-28E) (x)	0.8
TP (INR)	635

Source: Elara Securities Estimates

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
03-Oct-2025	Buy	1,200	905
06-Aug-2026	Buy	635	393

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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