

Strong backbook surplus; new business growth to pick up

Life Insurance ▶ Result Update ▶ May 28, 2025

CMP (Rs): 871 | TP (Rs): 1,100

LIC delivered an in-line Q4FY25 performance, with healthy VNB margin at 18.75% (Emkay: 17.9%). However, APE at Rs188.5bn declined 11% YoY albeit broadly in sync with our estimate. Share of Non-Par products in the Individual APE mix increased to ~28% for FY25 vs 18% for FY24. Going forward, the management remains optimistic about APE growth, which is likely to be largely driven by an increase in ticket size, whereas policy growth would remain subdued. With continued focus on expanding non-par share, the management has plans to expand the VNB margin, which though would be offset by APE growth, given the company's goal of driving absolute VNB growth. To bake in the Q4 developments, we tweak our FY26-27 estimates which results in a ~1-2% cut in VNB estimate. We retain ADD with unchanged Mar-26E TP of Rs1,100, implying ~FY27E P/EV of 0.7x.

In-line performance; lower opex, strong backbook surplus drive higher PAT

During FY25, APE at Rs568.3bn was flat YoY and in line with our estimate. However, Q4FY25 APE at Rs188.5bn witnessed 11% decline, although falling in line with our estimate. Driven by higher share of non-par products and better product-level margin, VNB margin for FY25 stood at 17.6% vs our estimate of 17.3%, whereas Q4FY25 VNB margin at 18.75% was higher than our estimate of 17.9%. Resultantly, VNB for FY25 at Rs100.1bn (up 4.5% YoY) was 1.8% ahead of our estimate, whereas Q4 VNB at Rs35.3bn was 5% higher than our expectations. EV at Rs7,769bn grew ~7% YoY, missing our estimate by 4.5% on account of impact of the negative economic variance. Driven by lower employee expense (owing to wage revision in Q4FY24) and strong backbook surplus generation, PAT at Rs481.5bn for FY25 grew 18.3% YoY, coming in higher than our estimate of Rs400bn. 13M persistency saw YoY decline, impacted by modification of products during FY24.

Balancing VNB margin and APE growth to drive VNB growth

The mgmt remains committed to its strategic focus of expanding non-par products for driving higher profitability and increasing the offerings available to customers. While APE growth during FY25 was impacted by increase in the minimum ticket size of policies, the management remains optimistic about growth being driven by increase in the ticket size. The mgmt has already seen some green shoots with higher acceptance of the minimum ticket-size culture. While VNB margin is likely to expand with focus on non-par products, the mgmt plans balancing the VNB margin with APE growth, driving growth in absolute VNB. The mgmt expects significant improvement in persistency going forward, given the corrective actions over the last 1-2Y that include increase in the minimum ticket size.

We maintain ADD with unchanged Mar-26E TP of Rs1,100

To bake in the Q4 developments, we tweak our FY26-27 estimates which leads to ~1-2% cut in APE and a ~10bps increase in VNB margin resulting in a ~1-2% cut in VNB. We introduce FY28 estimates and maintain ADD on the stock with unchanged Mar-26E TP of Rs1,100, implying FY27E P/EV of 0.7x.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	26.3

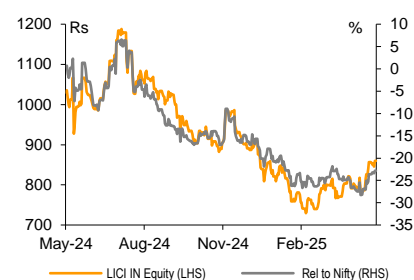
Stock Data	LICI IN
52-week High (Rs)	1,222
52-week Low (Rs)	715
Shares outstanding (mn)	6,325.0
Market-cap (Rs bn)	5,511
Market-cap (USD mn)	64,571
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	941.5
ADTV-3M (USD mn)	11.0
Free float (%)	3.5
Nifty-50	24,826.2
INR/USD	85.3

Shareholding, Mar-25

Promoters (%)	96.5
FPIs/MFs (%)	0.1/1.3

Price Performance

(%)	1M	3M	12M
Absolute	10.1	17.6	(15.9)
Rel. to Nifty	6.6	6.8	(22.3)

1-Year share price trend (Rs)**LIC: Financial Snapshot (Standalone)**

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
GWP	4,757,519	4,888,489	5,205,132	5,606,247	6,038,901
APE	569,700	568,280	611,700	669,220	730,176
VNB	95,830	100,110	112,752	126,616	141,709
VNB margin (%)	16.8	17.6	18.4	18.9	19.4
APE growth (%)	0.5	(0.2)	7.6	9.4	9.1
VNB growth (%)	4.7	4.5	12.6	12.3	11.9
Adj. EPS (Rs)	64.3	76.1	78.9	87.0	95.4
EV	7,273,440	7,768,750	8,626,892	9,559,966	10,572,300
EVOP	669,780	826,200	871,992	957,782	1,049,968
Op. RoEV (%)	11.5	11.4	11.2	11.1	11.0
EVPS (INR)	1,150.0	1,228.3	1,363.9	1,511.5	1,671.5
P/EV (x)	0.8	0.7	0.6	0.6	0.5
P/EVOP (x)	8.1	6.6	6.2	5.7	5.2

Source: Company, Emkay Research

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Exhibit 1: LIC – FY25 / Q4FY25 Financial Performance

(Rs bn)	FY25	FY24	YoY chg	FY25E	Variance	Q4FY25	Q4FY24	YoY chg	Q4FY25E	Variance
Individual APE	382.2	384.3	-0.6%			136.1	149.3	-8.9%		
-- Par	276.4	313.9	-12.0%			98.4	111.9	-12%		
--Non-Par	105.8	70.4	50.3%			37.7	37.4	1%		
Group APE	186.1	185.4	0.4%			52.5	62.5	-16%		
TOTAL APE	568.3	569.7	-0.2%	567.7	0.1%	188.5	211.8	-11.0%	188.0	0.3%
Value of New Business (Net)	100.1	95.8	4.5%	98.3	1.8%	35.3	36.5	-3.0%	33.6	5.3%
VNB Margin	17.6%	16.8%	0.8ppts	17.3%	0.3ppts	18.7%	17.2%	1.5ppts	17.9%	1 ppts
Total New Business Premium	2,267.9	2,226.7	1.8%			687.5	751.7	-8.5%		
Renewal Premium	2,620.6	2,530.8	3.5%			791.4	773.7	2.3%		
Gross Premium	4,888.5	4,757.5	2.8%			1478.9	1,525.4	-3.1%		
PAT	481.5	406.8	18.4%	400.3	20.3%	190.1	137.6	38.1%	108.9	74.6%
AUM	54,523	51,219	6.5%	54,915	-0.7%					
Embedded Value	7,769	7,273	6.8%	8,132	-4.5%					
SH Equity	1,261.9	819.4	54.0%							
Persistency Ratio										
--13 th month	74.8%	77.7%	-2.8 ppts							
--61 st month	63.1%	60.9%	2.2 ppts							
Commission Ratio (% of WTP)	23.3%	24.0%	-1 ppts							
Expense of Management Ratio (% of WTP)	32.7%	44.5%	-12 ppts							
Solvency Ratio	211.0%	198.0%	13.0 ppts							

Source: Company, Emkay Research

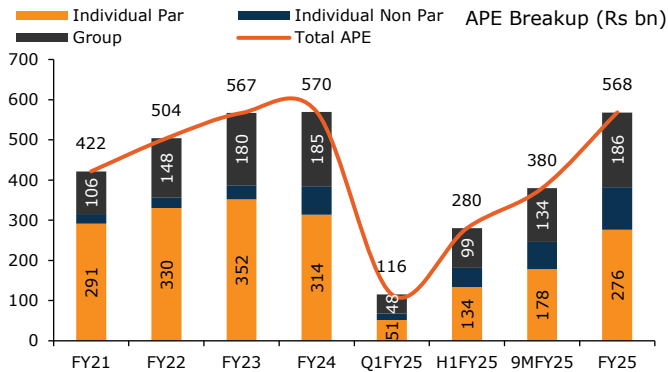
Exhibit 2: Change in estimates

(Rs bn)	FY26E			FY27E			FY28E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	624	612	-1.9	676	669	-1.0	NA	730	NM
VNB	115	113	-1.6	127	127	-0.7	NA	142	NM
VNB margin (%)	18.4	18.4	0.1ppts	18.9	18.9	0.1ppts	NA	19.4	NM
EVOP	837	872	4.2	913	958	4.9	NA	1,050	NM
EV	8,557	8,627	0.8	9,467	9,560	1.0	NA	10,572	NM
PAT	416	499	20.0	447	551	23.1	NA	603	NM

Source: Company, Emkay Research

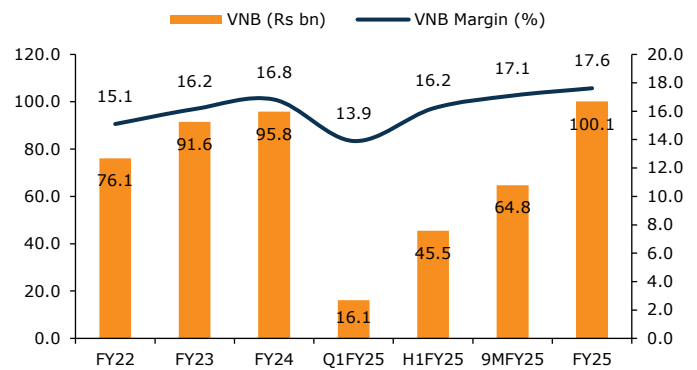
Story in Charts

Exhibit 3: APE growth flat YoY during FY25



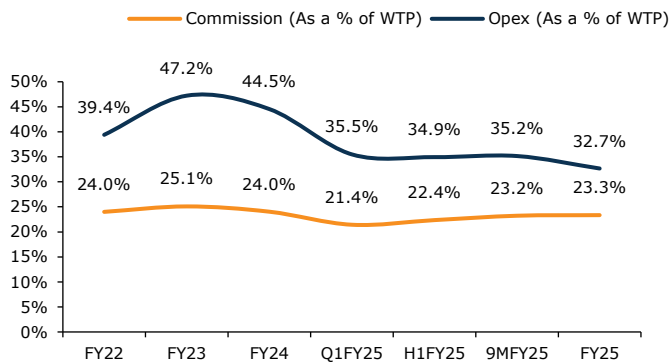
Source: Company, Emkay Research

Exhibit 4: Increase in non-par mix drives healthy margins



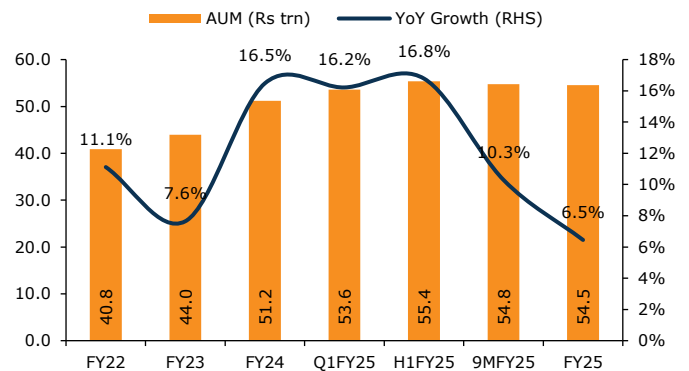
Source: Company, Emkay Research

Exhibit 5: Commission and opex ratios moderate sequentially



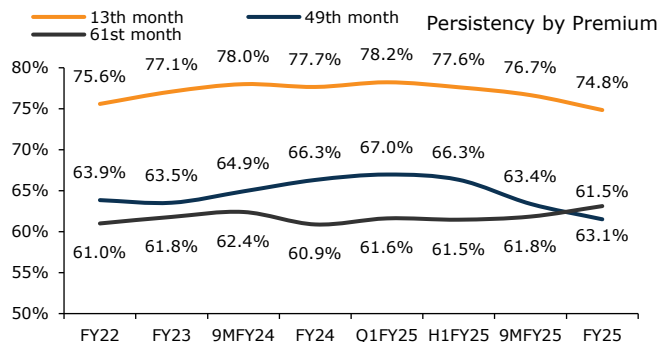
Source: Company, Emkay Research

Exhibit 6: AUM growth slows down sequentially, impacted by market volatility



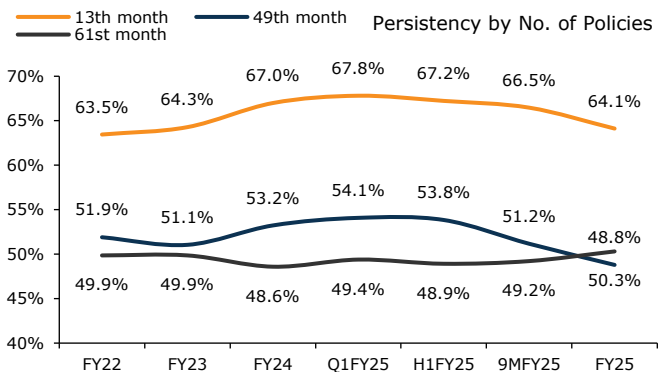
Source: Company, Emkay Research

Exhibit 7: 13M persistency declines owing to corrective actions...

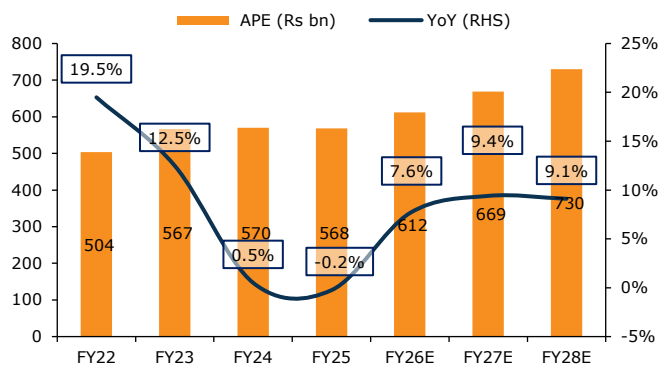


Source: Company, Emkay Research

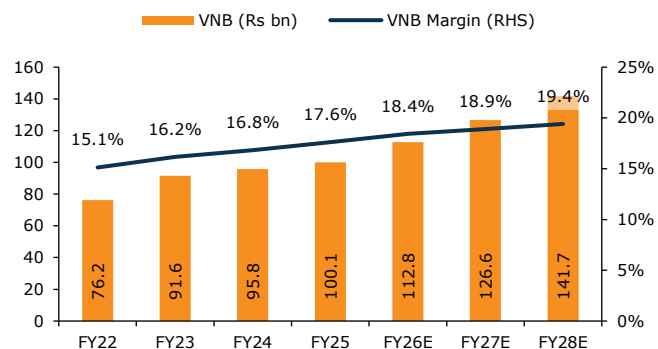
Exhibit 8: ...while 61M persistency witnesses improvement



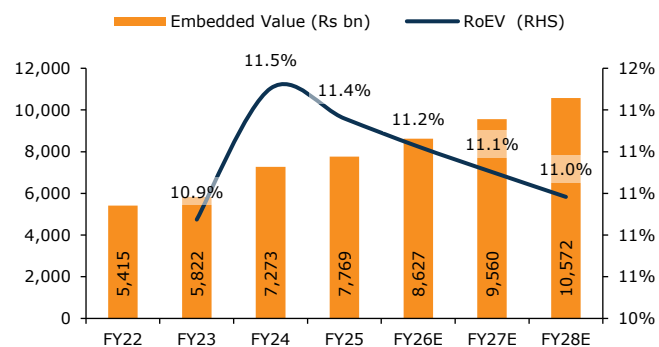
Source: Company, Emkay Research

Exhibit 9: We expect LIC's APE growth to range at ~8-9% over FY26-28E

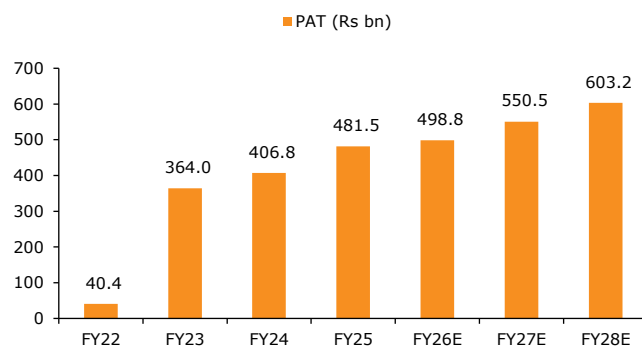
Source: Company, Emkay Research

Exhibit 10: We expect LIC's VNB margin to expand gradually over FY26-28E

Source: Company, Emkay Research

Exhibit 11: We expect LIC's EV to grow to Rs10.6trn by FY28E

Source: Company, Emkay Research

Exhibit 12: We expect LIC's PAT to grow to Rs499bn in FY26E

Source: Company, Emkay Research

Earnings Conference Call Highlights

- While the total number of agents stood at ~1.49mn, LIC logged net addition of over 72,000 agents during FY25 which led to market share of 47.6% based on the number of agents.
- The management remains confident that the strategic initiatives, innovation, and digital transformation will lead to continued growth and profitability for LIC.
- The corporation saw a dip in APE growth during Q3FY25. The de-growth was partially owing to the Par segment, on account of increasing the ticket size, given implementation of the new product regulations.
- The acceptance of a higher minimum ticket-size has been well-absorbed by market participants, with the management observing encouraging engagement and adaptability from key market forces.
- Among product segments, Non-Par offerings continue to deliver the highest margin, followed by Par products. VNB margin for the individual business currently stands at ~21%. The management acknowledges that such margins are subject to change, depending on the corporation's evolving strategic priorities.
- Since its IPO, LIC has taken a measured and objective approach toward product modification and redesign. The tangible outcome of the efforts made in FY23-24 have stated materializing, thus impacting the 13th month persistency.
- The Non-Par segment has demonstrated slightly better persistency compared with the Par business. The decline in the 49th month persistency is primarily attributable to the Covid-impacted policy cohort.
- The previous year included a wage revision, which elevated employee expenses. In contrast, absence of a similar revision this year has resulted in comparatively lower employee costs.
- While open architecture may not be the most advantageous model, given the significant time and effort required to build a strong captive distribution network, the management is prepared for such a scenario. It believes that its agents will continue to demonstrate loyalty to the corporation, supported by the comprehensive social and financial benefits that the company offers, including gratuity and other welfare schemes.
- The management remains committed to driving growth in the Non-Par segment, given 1) continued emphasis on profitability, and 2) expansion of product offerings. It sees substantial headroom for growth in this segment and is confident in its long-term potential.
- VNB margin has been steadily improving with each quarter, including in the Par business. However, the management believes it is important to not look at margin alone and that growth also needs to be balanced. The main focus is to achieve healthy VNB growth.
- Rider attachment rates are currently modest, albeit showing improvement. The management is actively working to increase the take-up rate for riders and is focused on strengthening this aspect of the business.

LIC: Standalone Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross premium	4,757,519	4,888,489	5,205,132	5,606,247	6,038,901
Net premium	4,750,696	4,881,482	5,197,671	5,598,211	6,030,245
Investment income	3,639,439	3,926,234	4,110,962	4,413,197	4,718,500
Other income	146,613	33,767	36,779	27,245	20,572
Total revenue	8,536,748	8,841,482	9,345,411	10,038,653	10,769,317
Commission expense	259,591	253,088	265,694	278,230	289,773
Operating expense	481,217	354,152	418,305	439,344	461,189
Benefits paid (net)	3,888,093	4,163,547	4,346,272	5,313,416	5,647,439
Change in reserves	3,530,361	3,533,343	3,763,990	3,429,666	3,765,250
Total expenses	8,189,663	8,362,362	8,880,250	9,550,910	10,258,386
Surplus/Deficit	347,085	479,120	465,161	487,743	510,930
Trf from policyholders acct	374,554	473,234	465,161	487,743	510,930
Shareholders' results	33,318	8,278	43,853	74,029	104,539
PBT	407,872	481,512	509,014	561,772	615,469
Extraordinary items	-	-	-	-	-
Tax expense	1,114	0	10,180	11,235	12,309
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	406,758	481,512	498,833	550,537	603,160
PAT growth (%)	11.8	18.4	3.6	10.4	9.6
Adjusted PAT	406,758	481,512	498,833	550,537	603,160
Diluted EPS (Rs)	64.3	76.1	78.9	87.0	95.4
Diluted EPS growth (%)	11.8	18.4	3.6	10.4	9.6
DPS (Rs)	7.0	6.0	18.0	19.7	21.8
Dividend payout (%)	15.5	15.8	25.0	25.0	25.0
Effective tax rate (%)	0.3	0	2.0	2.0	2.0
Shares outstanding (mn)	6,325	6,325	6,325	6,325	6,325

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
APE	569,700	568,280	611,700	669,220	730,176
VNB	95,830	100,110	112,752	126,616	141,709
VNB margin (%)	16.8	17.6	18.4	18.9	19.4
APE growth (%)	0.5	(0.2)	7.6	9.4	9.1
VNB growth (%)	4.7	4.5	12.6	12.3	11.9
Operating ratios (%)					
NB commission/APE	0.9	1.3	1.7	1.8	1.8
Commissions/TWRP	8.4	8.0	8.0	8.0	8.0
Total exp ratio/TWRP	23.9	19.1	20.7	20.7	20.6
Conservation ratio	89.8	89.7	90.3	90.3	90.3
Solvency ratio	198.0	211.0	216.9	217.2	218.7
ROE	63.8	46.3	34.3	29.6	26.2
Historical metrics					
APE mix (%)	FY24	FY25	FY26E	FY27E	FY28E
A. Retail protection	-	-	-	-	-
B. Group protection	-	-	-	-	-
C. Savings - individual	-	-	-	-	-
Par	55.1	48.6	0	0	0
Non-Par	12.4	18.6	0	0	0
ULIP	-	-	-	-	-
D. Group Savings	32.5	32.7	0	0	0
Persistency ratios (%)	-	-	-	-	-
13th Month	77.7	74.8	0	0	0
49th Month	66.3	61.5	0	0	0

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	63,250	63,250	63,250	63,250	63,250
Reserves & Surplus	757,401	1,200,958	1,585,658	2,011,486	2,477,012
Net worth	820,651	1,264,208	1,648,908	2,074,736	2,540,262
Borrowings	-	-	-	-	-
Policy liabilities	43,953,253	47,355,804	51,101,663	54,594,329	58,413,669
Provision for linked liab	348,761	475,331	512,930	547,987	586,324
FFA	12,147	18,284	21,941	26,329	31,595
Current liab and provision	634,945	486,897	450,297	434,538	416,885
Total liabilities & Equity	52,220,383	55,751,546	60,448,606	64,896,290	69,760,307
Shareholders' Investment	637,440	1,040,258	1,317,262	1,657,925	2,030,345
Policyholder Investment	48,765,124	51,362,788	55,425,601	59,213,797	63,356,308
Assets to cover linked liab.	352,578	483,120	521,335	556,967	595,931
Current assets	1,857,033	2,032,866	2,204,135	2,366,310	2,543,667
Total Assets	52,220,383	55,751,546	60,448,606	64,896,290	69,760,307
BV/Share (INR)	129.7	199.9	260.7	328.0	401.6
EV/share (INR)	1,150.0	1,228.3	1,363.9	1,511.5	1,671.5
EVOP/share (INR)	107.2	132.2	139.5	153.2	168.0
Embedded value	7,273,440	7,768,750	8,626,892	9,559,966	10,572,300
ANW	694,430	1,202,580	1,587,563	2,013,392	2,478,917
VIF	6,579,020	6,566,170	7,039,328	7,546,574	8,093,382
VIF share in EV (%)	90.5	84.5	81.6	78.9	76.6
Total AUM	51,302,935	54,783,970	59,321,891	63,637,783	68,357,252
Investment yield (%)	8.0	7.8	7.6	7.6	7.6
Yield on PH funds (%)	8.0	7.8	7.6	7.6	7.6
Yield on SH funds (%)	7.9	7.1	7.0	7.0	7.0

Source: Company, Emkay Research

Valuation & key ratios					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	13.5	11.4	11.0	10.0	9.1
P/B (x)	6.7	4.4	3.3	2.7	2.2
P/EV (x)	0.8	0.7	0.6	0.6	0.5
P/EVOP (x)	8.1	6.6	6.2	5.7	5.2
Implied P/VNB (x)	(18.4)	(22.6)	(27.6)	(32.0)	(35.7)
Dividend yield (%)	0.8	0.7	2.1	2.3	2.5
EV account and RoEV					
Opening EV	5,822,430	7,273,440	7,768,750	8,626,892	9,559,966
Premium unwind	521,980	700,930	729,240	801,166	878,259
VNB	95,830	100,110	112,752	126,616	141,709
Operating variance	51,970	25,160	30,000	30,000	30,000
EVOP	669,780	826,200	871,992	957,782	1,049,968
Investment variance	954,640	(292,940)	100,000	100,000	100,000
Capital movement	(173,410)	(37,950)	(113,850)	(124,708)	(137,634)
Other changes	0	0	0	0	0
Closing EV	7,273,440	7,768,750	8,626,892	9,559,966	10,572,300
Change in EV	1,451,010	495,310	858,142	933,074	1,012,334
RoEV (%)	27.9	7.3	12.5	12.3	12.0
Operating RoEV (%)	27.9	7.3	12.5	12.3	12.0
EVOP growth (%)	13.7	23.4	5.5	9.8	9.6
Core growth (%)	24.9	6.8	11.0	10.8	10.6
Core operating RoEV (%)	23.0	22.7	22.4	22.2	22.0
Unwind rate (%)	9.0	9.6	9.4	9.3	9.2
VNB-to-opening EV (%)	1.6	1.4	1.5	1.5	1.5

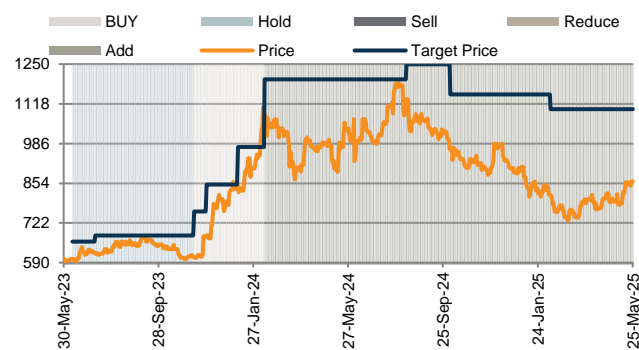
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
14-May-25	822	1,100	Add	Avinash Singh
09-May-25	787	1,100	Add	Avinash Singh
24-Apr-25	815	1,100	Add	Avinash Singh
03-Apr-25	815	1,100	Add	Avinash Singh
12-Feb-25	782	1,100	Add	Avinash Singh
09-Feb-25	816	1,100	Add	Avinash Singh
12-Jan-25	840	1,150	Add	Avinash Singh
16-Dec-24	924	1,150	Add	Avinash Singh
10-Nov-24	915	1,150	Add	Avinash Singh
13-Oct-24	949	1,150	Add	Avinash Singh
04-Oct-24	971	1,150	Add	Avinash Singh
09-Sep-24	1,029	1,250	Add	Avinash Singh
15-Aug-24	1,027	1,250	Add	Avinash Singh
09-Aug-24	1,133	1,250	Add	Avinash Singh
04-Jul-24	1,010	1,200	Add	Avinash Singh
10-Jun-24	997	1,200	Add	Avinash Singh
05-Jun-24	941	1,200	Add	Avinash Singh
01-Jun-24	1,013	1,200	Add	Avinash Singh
29-May-24	998	1,200	Add	Avinash Singh
10-May-24	911	1,200	Add	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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