Dated: 07th Nov 2025

LIC (LICI) - BUY

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.896	**Rs.1,275**

Rationale:

- LIC continued to expand its margins, while individual APE (Annualized premium equivalent) was marred by a high-base.
- 2HFY26E APE base turns favorable, though the GST impact and hedging may put pressure on margins hereon.
- Embedded value (EV) growth was a tad lower than expectations, tempered by debt market movements.
- Retain BUY with a Fair Value of Rs1,275.

Positives:

- Value of new business (VNB) margins expanded 147 bps yoy to 19% in Q2FY26 for LIC.
- LIC reported a strong 32% yoy growth in PAT to Rs10,100 cr in Q2FY26.
- Cost ratios declined ~200 bps yoy, likely driven by operational efficiencies.
- Rise in share of non-par savings to 8.8% in Q2FY26 and 8.4% in FY25 from 6.7% in FY24 and 0.9% in FY23.
- The premium growth in bancassurance and alternate channels was strong at 67% in Q2FY26.

Negatives:

- LIC reported yoy flat APE of Rs16,400 cr in Q2FY26.
- The share of agency has declined to 92%, down 300 bps yoy.
- LIC reported a sharp decline in 13th to 49th month persistency (down 87-263 bps yoy).

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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