

HDFC Life Insurance Company Ltd.

BUY

Sector: Life Insurance

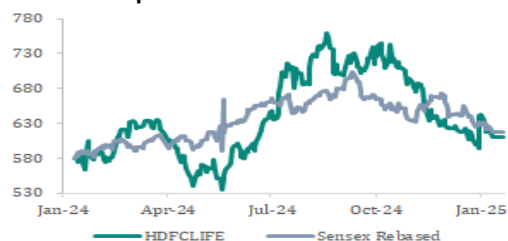
30th January 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 722
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	HDFCLIFE:IN	76,760	HDFCLIFE	540777	12 Months
				CMP	Rs. 636
				Return	+14%

Data as of: 30-01-2025

Company Data			
Market Cap (Rs. Cr)	131,278		
52 Week High — Low (Rs.)	761 - 511		
Outstanding Shares (Rs. cr)	215.2		
Free Float (%)	50		
Dividend Yield (%)	0.3		
6m average volume (cr)	0.4		
Beta	0.5		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	50.4	50.3	50.3
FII's	26.6	25.6	25.1
MFs/Institutions	11.2	13.3	13.7
Public	7.0	6.1	6.1
Others	4.7	4.7	4.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-14.1%	-13.3%	5.3%
Absolute Sensex	-5.1%	-7.3%	6.6%
Relative Return	-9.0%	-5.9%	-1.3%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Net Premium	72,733	84,085	97,644
Growth (%)	17.4	15.6	16.1
New Business (%)	25.3	25.4	25.3
Net Profit	1,901	2,166	2,438
Growth (%)	21.2	13.9	12.6
EPS (Rs)	8.8	10.1	11.3
Growth (%)	21.3	13.9	12.6
BVPS (Rs)	69.5	76.7	84.8
EVPS (Rs)	256.3	297.0	343.8
RoE	13.5	13.8	14.0
RoEV	17.0	16.9	16.8
P/E	69.0	60.5	53.8
P/EV	2.4	2.1	1.8
Solvency (%)	193.0	192.0	191.0

Steady performance, promising outlook

HDFC Life Insurance Co Ltd (HDFC Life), a subsidiary of HDFC Bank, provides insurance services for life, health, property and automobiles.

- In Q3FY25, first-year premium and single premium increased by 10.8% YoY and 10.8% YoY, respectively, driven by 15.0% YoY increase in the number of policies sold. Renewal premium grew 11.7% YoY, supported by strong persistency ratios and a growing back book. As a result, gross premiums increased 11.3% YoY, reaching Rs. 17,275cr.
- For 9MFY25, annualised premium equivalent (APE) expanded 20.0% YoY to Rs. 10,293cr, attributed to a balanced product mix and increased contribution from tier 2 and tier 3 cities.
- Value of new business (VNB) surged 14.0% YoY to Rs. 2,586cr during 9MFY25, showcasing robust performance. However, new business margins contracted 140bps YoY to 25.1%, influenced by a greater share of unit-linked insurance plan (ULIP) products and the impact of revised surrender regulations.
- Despite operating expenses rising to 21.8% of net premium income in Q3FY25 from 20.3% in Q3FY24, HDFC Life registered a 13.7% rise in reported profit after tax, amounting to Rs. 415cr.

Outlook & Valuation

India's financial literacy is improving but the country remains under-insured. This puts HDFC Life in a position to capitalise on emerging opportunities. Backed by anticipated GST cut on health insurance, regulatory support, diversified product portfolio, robust distribution network, strong brand presence and focus on product innovation, the company is poised to remain profitable. Its efforts to deepen its presence in tier 2 and tier 3 cities and maintain steady margins are expected to further strengthen its performance. Therefore, **we maintain our BUY rating on the stock, based on 2.1x FY27E P/EV with a rolled forward price of Rs. 722.**

Quarterly Financials Standalone

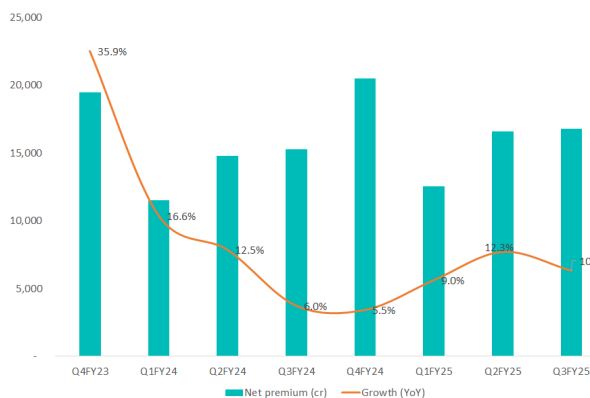
Rs. cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net premium earned (Net)	16,771	15,235	10.1	16,570	1.2	45,851	41,471	10.6
Total income	16,914	26,696	-36.6	28,441	-40.5	72,602	72,884	-1.1
Total expenses	17,141	26,637	-35.6	28,401	-39.6	71,785	72,974	-1.6
Surplus (Post tax)	-193	61	-415.7	510	-137.9	880	502	75.1
PBT	445	367	21.3	438	1.7	1,380	1,114	23.9
Reported PAT	415	365	13.7	433	-4.2	1,326	1,157	14.6
EPS (Rs.)	1.9	1.7	13.5	2.0	-4.0	6.2	5.4	14.5



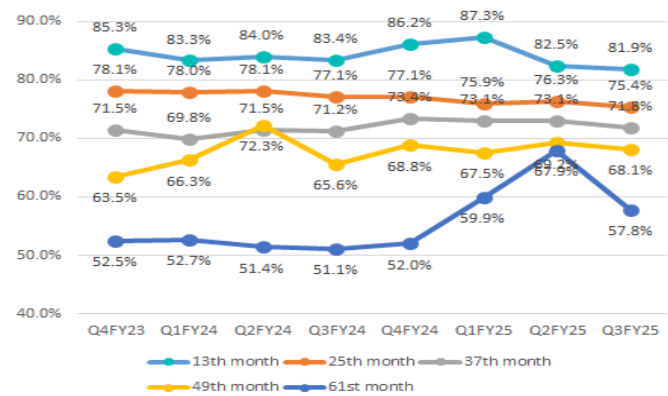
Key Concall Highlights

- HDFC Life's market share in the sector increased 70bps to 10.8%, while its market share in the private sector segment stood at 15.3%.
- The 13th and 61st month persistency ratios were 81.9% and 57.8% in Q3FY25, respectively, versus 83.4% and 51.1% in Q3FY24.
- HDFC Life's solvency ratio stood at 188% for 9MFY25, significantly above the regulatory requirement of 150%.
- Embedded value increased 18% YoY to Rs. 53,246cr, with operating return on embedded value reaching 16%.
- Bancassurance contributed 64% to HDFC Life's individual APE channel mix. Agency, broker and direct channel contributed 17%, 7% and 11%, respectively. The product mix for APE comprised ULIP (37%), non-par savings (35%), participating policies (18%), term (6%) and annuities (5%). Annuity and protection business together contributed 44% to new business premiums.
- The management maintained its guidance for FY25, projecting 18-20% APE growth and over 15% growth in VNB.

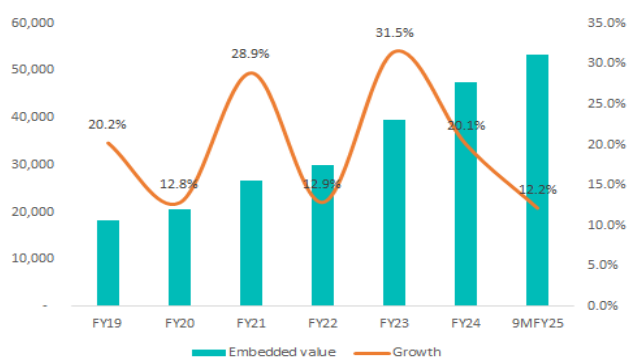
Net Premium



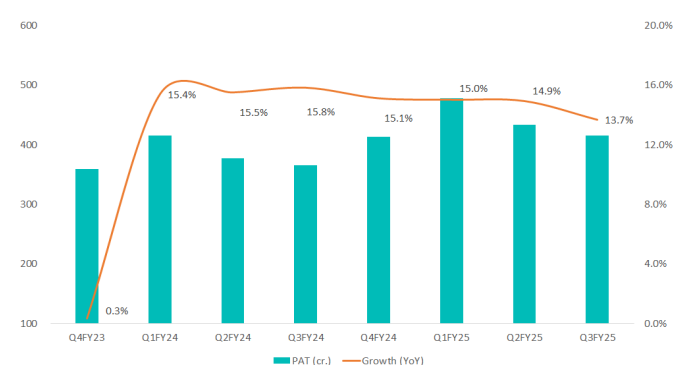
Persistency ratio



Embedded Value



PAT



Embedded Value 12.2% is a comparison between 9MFY25 and FY24.

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Premium earned (net)	72,619	83,772	72,733	84,085	97,644	0.2	0.4
Profit before tax	2,001	2,200	1,921	2,189	2,464	-4.0	-0.5
Net Profit	1,978	2,175	1,901	2,166	2,438	-3.9	-0.4
EPS	9.2	10.1	8.8	10.1	11.3	-3.9	-0.3



Standalone Financials

Policyholder's Profit & Loss Account

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net Premium	56,764	61,959	72,733	84,085	97,644
% change	25.0	9.2	17.4	15.6	16.1
Income from Inv.	12,598	38,354	41,423	46,393	51,961
Transfer of funds from shareholder's account	879	125	162	187	217
Other income	464	336	433	502	583
Total Income	70,705	100,774	114,751	131,167	150,405
Commission	2,887	5,256	6,656	7,739	8,874
Operating Expenses	8,437	6,901	8,675	9,641	10,995
Other Expenses	405	318	352	403	462
Operating Profit	58,976	88,299	99,068	113,385	130,074
% change	2.2	49.7	12.2	14.5	14.7
Benefits Paid (Net)	38,872	39,696	50,628	57,976	66,479
Change in Reserves	18,586	48,419	46,818	53,516	61,365
Tax	159	-592	162	189	223
Tax Rate (%)	10.5	-324.2	10.0	10.0	10.0
Surplus/Deficit	1,359	775	1,459	1,703	2,007
% change	41.6	-43.0	88.2	16.7	17.8

Balance sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Source of Funds					
Share Capital	2,149	2,151	2,151	2,151	2,151
Reserves & Surplus	10,815	12,050	11,951	13,497	15,235
Fair Value Change	23	451	851	851	851
Shareholders' Fund	12,987	14,652	14,952	16,499	18,236
Policy Liabilities	143,270	175,349	196,391	219,957	246,352
Others	82,127	102,517	116,975	134,830	155,525
Policyholders' Fund	225,397	277,866	313,365	354,787	401,877
Funds for Future appropriations	1,235	1,211	1,503	1,503	1,550
Total	239,619	293,729	329,821	372,790	421,664
Application of Funds					
Shareholders'	13,132	14,882	18,463	22,906	28,418
Policyholders'	146,449	181,797	196,340	212,048	229,011
Assets held to cover linked liabilities	79,201	95,542	113,487	136,280	162,648
Loans	1,585	1,897	2,087	2,296	2,525
Fixed assets	380	416	420	424	429
Net Current assets	-1,128	-804	-977	-1,164	-1,367
Total	239,619	293,729	329,821	372,790	421,664
BVPS (Rs.)	60.8	68.1	69.5	76.7	84.8
% change	-19.6	11.9	2.2	10.3	10.5

Shareholder's Profit & Loss Account

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Transfer from Technical A/c	1,469	799	1,167	1,448	1,746
Investment Inc.	783	1,015	1,037	1,064	1,091
Total Income	2,252	1,814	2,204	2,511	2,838
% change	25.2	-19.4	21.5	14.0	13.0
Other Expenses	100	125	121	136	156
Contri to Technical A/c	879	125	162	187	217
Total Expenses	979	250	283	323	373
PBT	1,272	1,564	1,921	2,189	2,464
% change	7.8	22.9	22.8	13.9	12.6
Tax	-88	-5	20	23	26
Tax Rate (%)	-6.9	-0.3	1.1	1.1	1.1
Reported PAT	1,360	1,569	1,901	2,166	2,438
Adj*					
Adj PAT	1,360	1,569	1,901	2,166	2,438
% change	12.6	15.3	21.2	13.9	12.6
No. of shares (cr)	214	215	215	215	215
Adj EPS (Rs)	6.4	7.3	8.8	10.1	11.3
% change	8.0	14.4	21.3	13.9	12.6
DPS (Rs.)	1.9	2.0	2.7	3.0	3.4

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Per Share (Rs.)					
EPS	6.4	7.3	8.8	10.1	11.3
DPS	1.9	2.0	2.7	3.0	3.4
EVPS	185.1	220.6	256.3	297.0	343.8
Earnings (%)					
RoE	10.5	11.0	13.5	13.8	14.0
RoEV	19.7	17.5	17.0	16.9	16.8
Valuation (x)					
P/E (x)	78.4	86.8	69.0	60.5	53.8
P/EV (x)	2.7	2.9	2.4	2.1	1.8
Div. Yield (%)	0.4	0.3	0.4	0.5	0.6
Exps. (% of premium)					
Commission	5.1	8.5	9.2	9.2	9.1
Operating Expenses	14.9	11.1	11.9	11.5	11.3
Total Expenses	20.7	20.1	21.6	21.1	20.8
Margin (%)					
New Business	27.6	26.3	25.3	25.4	25.3
Solvency (%)					
Solvency	203.0	187.0	193.0	192.0	191.0



Recommendation Summary (last 3 years)



Dates	Rating	Target
23-Jul-21	BUY	760
27-Oct-21	BUY	790
3-Jun-22	BUY	750
31-Oct-22	BUY	650
24-Feb-23	HOLD	520
31-Jul-23	HOLD	703
19-Jun-24	BUY	710
23-Oct-24	BUY	800
30-Jan-25	BUY	722

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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