HDFC Life Insurance

India | Insurance | Result Update

Global Markets Research

16 July 2026

Margin holds; growth search continues

Rating: Buy
Target Price: INR 740
Upside: 30%
CMP: INR 569
As on 15 July 2026

HDFC Life Insurance (HDFCLIFE IN) reported APE growth of 9% YoY to INR 35.2bn — individual APE growth remains at 7% YoY and continued to lag private industry growth of 15%. Q1FY27 witnessed strong shifts in product mix, even as the HDFC Bank channel stays subdued. Retail protection remains the standout, growing 42% YoY, while non-par savings and annuities recovered sharply and ULIP demand held up. VNB rose 8.7% YoY to INR 8.8bn, with VNB margin near stable at 25.0%, down 10bp YoY), management targets VNB margin to remain at current levels as it targets individual APE to grow in line with private companies. We recommend **Buy** with a target price of INR 740.

HDFC Bank recovery in sight; proprietary channels drive growth: Bancassurance remains soft in Q1, with a channel mix at 57% and business broadly flat YoY as HDFC Bank volume continues to be weak. However, management struck a markedly more constructive tone: it characterized the earlier weakness as a temporary bout of irrational competition and it chose to sit out, noting competition has currently normalized and HDFCLIFE's counter share has largely recovered to a year ago levels. With HDFC Bank still ~47% of retail APE, normalization is the key swing factor for FY27 growth. Meanwhile, proprietary channels did the heavy lifting — agency grew 21% YoY (aided by branch expansion, with sub-24-month branches currently ~16% of agency APE), channels ex-HDFC Bank rose 17%, and proprietary channels together grew 20%+. This reinforces reduced single-distributor dependence; management reiterated an aspiration to grow at least in line with the industry, with VNB tracking APE.

Product mix turns; margin holds at ~25%: The mix shift was the quarter's real story. Non-par savings rebounded, with mix up ~220bp YoY to 18.6% (~22% of individual APE), as pricing competition eased and the rate & product backdrop improved; management flagged an exit run-rate near 25%. Annuities more than doubled YoY to ~9% of APE, led by variable annuity (AGNI), currently ~half of annuity sales at above-average margin. ULIP remains strong (mix 37.2%, up 450bp YoY) and retail protection extended its run, up 42% YoY (mix was up 160bp to 6.8%), although H2 growth should moderate on high base. The main drag was par, which nearly halved YoY off an elevated Q1FY26 base. VNB margin held at 25.0% with the residual GST drag was down to ~60bp and set to neutralize in the upcoming quarters; management remains growth-first, opting to reinvest mix-led margin upside rather than maximize it in the P&L. We build in ~11.8% APE CAGR and ~15.1% VNB CAGR during FY26-29E.

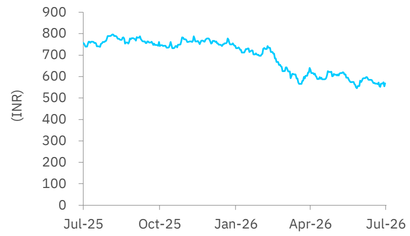
Recommend Buy with a TP of INR 740: We value the franchise on appraisal value approach; we recommend **Buy** with a TP of INR 740 based on 1.9x March 2028E EVPS of INR 386, implying ~30% upside to the CMP. We believe HDFCLIFE has faced increased competition in its non-par-guaranteed savings segment; as this intensity eases driven by HDFCLIFE improving the IRR for the products, we expect the product mix to become more favorable aiding in margin improvement, alongside growth converging towards industry levels. Further, we believe any material rationalization in first-year commissions by the IRDAI will pose a downside risk to our estimates.

Key data

Key data	
Bloomberg	HDFCLIFE IN
Reuters Code	HDFL.NS
Shares outstanding (mn)	2,172
Market cap (INR bn/USD mn)	1,236/12,835
EV (INR bn/USD mn)	1,247/12,950
ADTV 3M (INR mn/USD mn)	3,329/35
52 week high/low	815/543
Free float (%)	50

Note: as on 15 July 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
Promoter	50.3	50.3	50.2	50.2
% Pledge	0.0	0.0	0.0	0.0
FII	24.8	24.8	24.3	22.5
DII	14.6	14.6	15.2	17.3
Others	10.4	10.3	10.3	10.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(0.5)	(6.3)	(4.5)
HDFC Life Insurance	(11.2)	(23.5)	(24.9)
NSE Mid-cap	3.3	0.4	1.2
NSE Small-cap	11.7	11.7	0.6

Source: Bloomberg

Key financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
APE (INR mn)	154,790	166,410	185,506	207,647	232,474
YoY (%)	16.5	7.5	11.5	11.9	12.0
VNB (INR mn)	39,620	40,340	46,880	53,576	61,570
VNB margin (%)	25.6	24.2	25.3	25.8	26.5
VNB per share (INR)	18.4	18.8	21.8	24.9	28.6
EVOP per share (INR)	36.8	38.8	45.0	52.0	59.8
EV per share (INR)	257.8	288.9	338.0	389.1	448.0
Operating RoEV (%)	16.7	15.0	15.6	15.4	15.4
P/VNB (x)	30.9	30.3	26.1	22.8	19.9
P/EVOP (x)	15.4	14.7	12.7	10.9	9.5
P/EV (x)	2.2	2.0	1.7	1.5	1.3

Note: Pricing as on 15 July 2026; Source: Company, Elara Securities Estimate

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Financials (YE March)

Movement in EV (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Opening EV	474,700	554,200	621,400	726,878	836,789
Assumption changes	-	-	-	-	-
Value of New Business	39,620	40,340	46,880	53,576	61,570
Discount unwind	38,400	43,600	49,797	58,235	67,028
Operating Variance	1,200	(600)	-	-	-
Operating EV Earnings	79,220	83,340	96,678	111,811	128,598
Economic Variance	3,600	(17,900)	10,700	-	-
Total EV Earnings	82,820	65,440	107,378	111,811	128,598
Closing EV	554,320	621,340	726,878	836,789	963,487
RoEV Tree	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Unwind as % of opening EV	8.1	7.9	8.0	8.0	8.0
VNB as % of opening EV	8.3	7.3	7.5	7.4	7.4
Operating variances as % of opening EV	0.3	(0.1)	-	-	-
Assumption changes as % of opening EV	-	-	-	-	-
Operating RoEV (%)	16.7	15.0	15.6	15.4	15.4
Margin Profile	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
VNB (INR mn)	39,620	40,340	46,880	53,576	61,570
YoY %	13.2	1.8	16.2	14.3	14.9
APE (INR mn)	154,790	166,410	185,506	207,647	232,474
YoY %	16.5	7.5	11.5	11.9	12.0
VNB margin (%)	**25.6**	**24.2**	**25.3**	**25.8**	**26.5**
APE by segment - mix (%)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Savings					
Non-Linked	44.9	37.8	33.6	39.0	39.2
Unit Linked	34.3	38.7	38.9	32.9	32.4
Annuity	4.4	5.1	8.8	9.1	9.4
Group Savings	5.4	4.5	4.7	4.5	4.4
Savings APE	89.0	86.1	86.0	85.5	85.3
Retail	4.4	6.3	7.0	7.7	8.2
Group	6.6	7.6	7.0	6.8	6.5
Protection APE	11.0	13.9	14.0	14.5	14.7
Profit & Loss Account (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Gross Premium Written	**710,647**	**794,536**	**895,091**	**1,009,864**	**1,140,857**
Investment income	262,283	205,225	258,790	287,842	320,673
Commission paid	78,394	91,234	114,923	140,517	167,937
Expenses	62,372	77,145	88,716	102,024	117,327
Claims/benefits paid	393,459	383,234	421,665	455,124	491,237
Change in actuarial liability	415,156	424,335	497,435	571,378	645,147
Profit after tax	9,063	2,430	19,172	15,158	24,625
Balance Sheet (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Sources of funds					
Shareholder's equity	161,256	176,961	221,764	265,386	323,682
Borrowings	-	-	-	-	-
Fair value change - Policyholders	-	-	-	-	-
Revaluation Reserves	-	-	-	-	-
Policyholder's liabilities	3,221,829	3,608,994	3,920,919	4,361,073	4,858,498
Funds for Future Appropriation	12,256	4,064	5,006	6,040	7,853
Current Liabilites & Provisions	-	-	-	-	-
Total Liabilities & Equity	3,395,342	3,790,018	4,147,689	4,632,499	5,190,033
Application of capital					
Shareholder's investments	183,863	200,549	212,581	225,336	238,856
Policyholder's investments	2,162,671	2,499,515	2,803,532	3,232,504	3,731,933
Linked investments	1,016,282	1,051,916	1,093,993	1,137,753	1,183,263
Other Assets	32,526	38,039	37,582	36,906	35,981
Total Assets	3,395,342	3,790,018	4,147,689	4,632,499	5,190,033
Valuations	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
P/EV (x)	2.2	2.0	1.7	1.5	1.3
P/VNB (x)	30.9	30.3	26.1	22.8	19.9
P/EVOP (x)	15.4	14.7	12.7	10.9	9.5
VNB multiple (x)	16.9	14.9	10.6	7.2	4.2

Note: Pricing as on 15 July 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

Particulars	Units	Q1FY26	Q1FY27	Change (%)	FY24	FY25	FY26
RNB	INR mn	30,224	32,916	8.9	129,629	150,316	161,518
IRNB	INR mn	27,172	29,223	7.5	113,764	133,637	143,884
APE	INR mn	32,250	35,150	9.0	132,900	154,790	166,410
VNB	INR mn	8,090	8,790	8.7	35,000	39,620	40,340
VNB Margin	**%**	**25.1**	**25.0**	**-0.1**	**26.3**	**25.6**	**24.2**
Product Mix							
PAR	*%*	*27.6*	*12.7*	*-14.9*	*19.9*	*16.7*	*22.0*
NPS	*%*	*16.4*	*18.6*	*2.2*	*26.0*	*28.2*	*15.8*
NPT	*%*	*5.2*	*6.8*	*1.6*	*4.3*	*4.4*	*6.3*
ANN	*%*	*4.3*	*9.3*	*5*	*6.1*	*4.4*	*5.1*
ULI	*%*	*32.7*	*37.2*	*4.4*	*30.3*	*34.3*	*38.7*
Group Fund	*%*	*5.1*	*6.3*	*1.2*	*4.7*	*5.4*	*4.5*
Group Term	*%*	*8.8*	*9.2*	*0.4*	*8.7*	*6.6*	*7.6*
APE/RNB	%	106.7	106.8	0.1	102.5	103.0	103.0
Total Cost/APE	%	101.1	110.9	9.8	91.5	90.9	101.2
Total cost excluding renewal commission/APE	%	97.0	105.9	8.9	87.6	87.1	97.1
Total cost exc Comm/APE	%	46.8	50.8	4	51.9	40.3	46.4
Total cost excluding renewal commission/Ind APE	%	112.7	125.4	12.7	101.1	99.0	110.4
Total cost excluding renewal commission/Weighted APE	%	71.6	80.8	9.2	60.8	60.1	70.5

Source: Company, Elara Securities Research

Conference call key takeaways

HDFC Bank recovery becoming increasingly visible

- Management's confidence around the HDFC Bank channel was noticeably stronger than in the previous quarters.
- While business through HDFC Bank remains subdued during Q1 because of weak bank-level volume, management says competition has normalized and HDFCLIFE 's counter share has recovered to levels seen a year ago.
- Management emphasized the issue was never structural but rather a temporary period of irrational competition that it chose not to participate in. As HDFC Bank's own growth normalizes, it expects the channel to progressively contribute meaningfully for the rest of FY27.
- Importantly, HDFC Bank still contributes 47% of retail APE, making the recovery in this channel one of the key swing factors for FY27 growth.

Agency channel continues to emerge as the primary growth engine

- Agency remains the strongest performing proprietary channel, growing 21% YoY, comfortably ahead of company growth.
- Management attributed this to investments made in the past two years through:
  - Branch expansion
  - Agent productivity
  - Training
  - Deeper penetration in Tier II & III markets
- New branches opened in the last 24 months currently contribute roughly 16% of agency APE vs high single digits in the past year, indicating that operating leverage from these investments is beginning to materialize.

- Another encouraging trend is the improving business mix within the agency, with protection and annuity contributing a significantly larger share of sales, supporting profitability alongside growth.

Growth remains broad-based despite temporary HDFC Bank weakness

- Management says channels excluding HDFC Bank grew 17%, while proprietary channels delivered 20%+ growth.
- This reinforces management's view the company is no longer dependent on a single distributor for growth and that the broader distribution franchise remains healthy.
- Accordingly, management reiterated its aspiration to grow at least in line with the industry while retaining VNB growth broadly in line with APE growth during FY27.

Non-par business recovering as competitive intensity eases

- Management believes non-par is finally showing signs of recovery after a difficult FY26.
- Improvement has been driven by several factors:
    - Normalization of competitive pricing
    - Better interest-rate environment
    - Improving customer preference toward guaranteed products
    - Calibrated product repositioning.
- Non-par mix improved to 22% during Q1 and is already running at ~25% on an exit basis, with management expecting gradual improvement for the rest the year.
- Unlike earlier quarters, management sounded more constructive on the outlook for guaranteed savings products.

Variable annuity emerging as a meaningful growth opportunity

- Variable annuity has quickly become one of the most encouraging product developments.
- The category currently accounts for nearly half of annuity sales, with management indicating:
    - Margins are above the company average
    - Customer acceptance has exceeded expectations
    - Further product innovation is likely as regulations evolve
- Management believes variable annuity materially expands the addressable retirement market by appealing to younger customers willing to accept limited investment variability in exchange for higher long-term retirement income.

Margin philosophy remains growth-first

- Management spent considerable time explaining why headline VNB margin have yet to expand vs peers despite improvement in product mix.
- According to management, three external events interrupted the natural margin expansion cycle:
    - Taxation changes on high-ticket policies
    - Surrender value regulations
    - GST changes.

- Excluding these regulatory disruptions, management believes underlying economics have steadily improved.
- It expects VNB margin to remain around the current levels of ~25%, with any underlying margin improvement likely to be reinvested into growth rather than maximized in the P&L.
- The remaining GST impact has reduced to roughly 60 bps, which management expects to offset in the upcoming quarters.

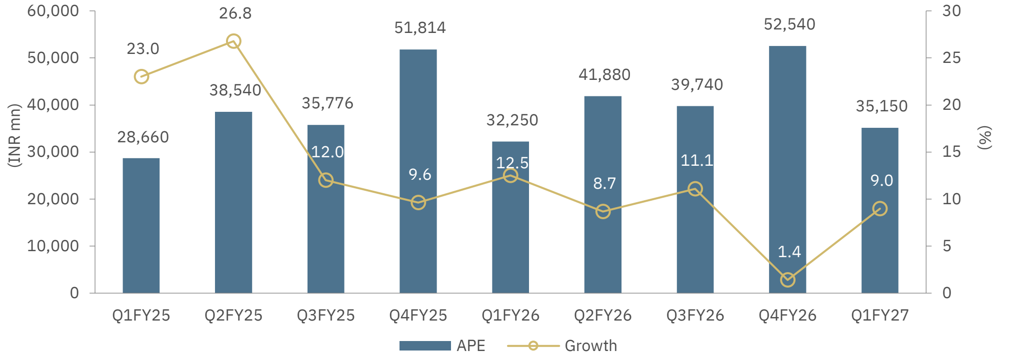
Protection remains a structural growth driver

- Retail protection continues to significantly outperform the overall business, growing 42% YoY.
- Management expects growth rates to moderate during H2 because of high base, but it reiterated protection remains one of its highest strategic priorities.
- Growth continues to be supported by:
    - Agency
    - Non-bank alliances
    - Aggregators
    - Improving credit life demand
- Management remains focused on increasing protection penetration rather than maximizing short-term growth percentages.

Capital position comfortable despite higher protection mix

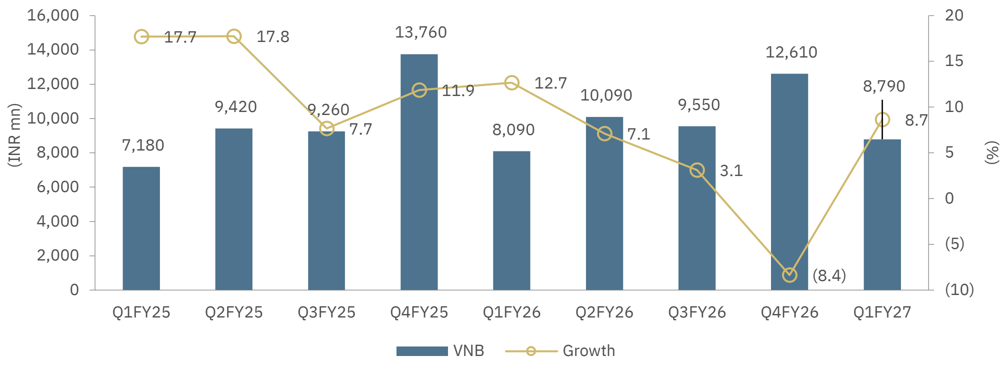
- Following the preferential capital raise, solvency improved to 185%, providing adequate capacity to support business growth.
- Management remains comfortable with the current capital position while awaiting implementation of the Risk-Based Capital Framework.

Exhibit 2: APE grows 9.0% YoY to INR 35.2bn



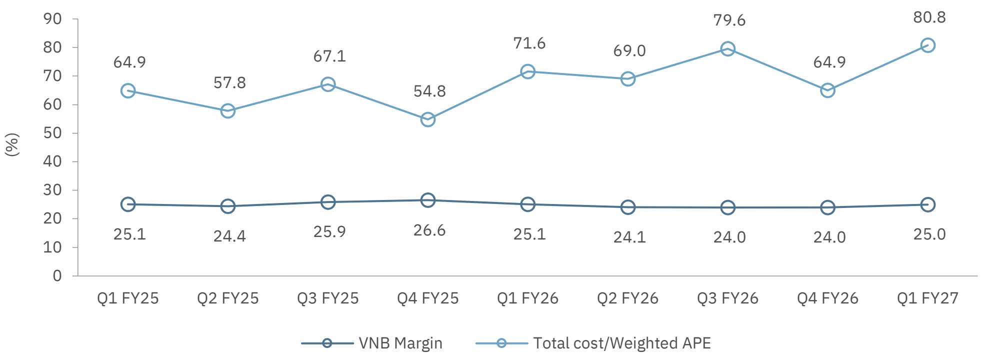
Source: Company, Elara Securities Research

Exhibit 3: VNB rises 8.7% YoY to INR 8.8bn



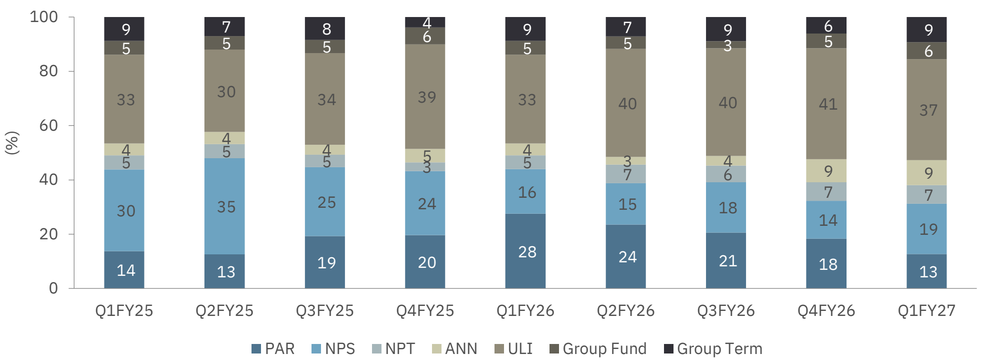
Source: Company, Elara Securities Research

Exhibit 4: VNB margin holds at 25.0%



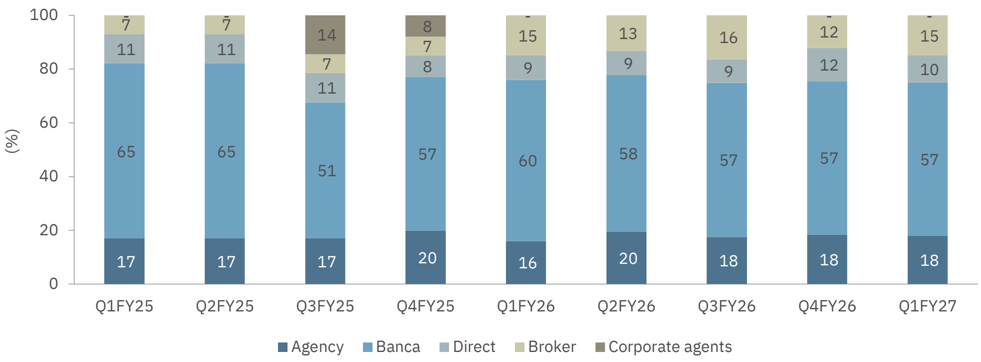
Note: Total cost excludes renewal commission; Source: Company, Elara Securities Research

Exhibit 5: ULIP and non-par savings gain share as par slumps



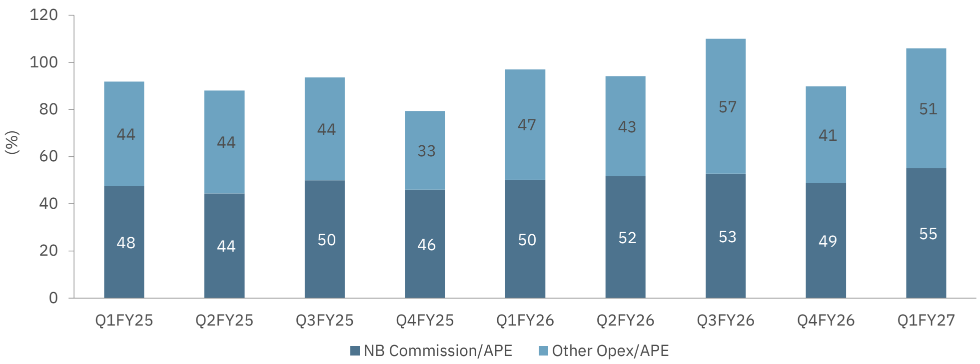
Source: Company, Elara Securities Research

Exhibit 6: Bancassurance eases to 57% as agency share rises



Source: Company, Elara Securities Research

Exhibit 7: NB commission and opex ratios both rise YoY driven by favorable product mix shift



Source: Company, Elara Securities Research

Exhibit 8: Valuation

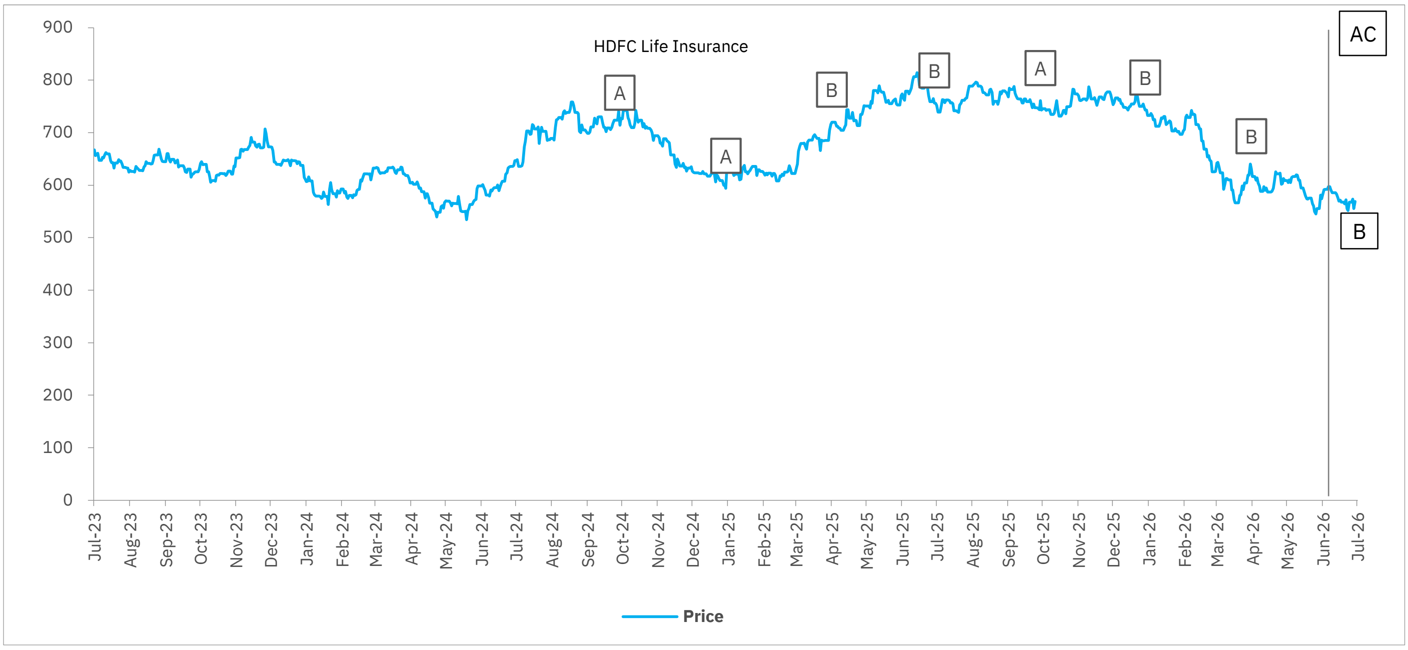
Required Return (%)	**12.0**
Terminal growth (%)	5.0
FY27E ROEV (%)	17.3
FY27E EVPS (INR)	333.9
FY28E EVPS (INR)	386.0
P/EV (x)	1.9
TP (INR)	740

Source: Elara Securities Estimate

Key Risks

- IRDAI commission rationalization could adversely impact earnings and profitability.
- Delayed recovery in HDFC Bank channel could keep APE growth below industry levels.
- Higher-than-expected competition in non-par savings could weigh on product mix, margins, and growth.

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
21-Jan-2022	Buy	880	641
26-Apr-2022	Buy	700	550
19-Jul-2022	Buy	740	536
15-Oct-2024	Accumulate	810	714
15-Jan-2025	Accumulate	700	594
17-Apr-2025	Buy	870	720
15-Jul-2025	Buy	890	757
15-Oct-2025	Accumulate	890	761
14-Jan-2026	Buy	890	743
16-Apr-2026	Buy	760	632
15-Jul-2026*	Buy	740	569

*AC=Analyst change

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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