

**Below guidance growth, however, positive outlook maintained for FY25**

Q4FY24 Result Update | Sector: Insurance | April 19, 2024

**BUY**

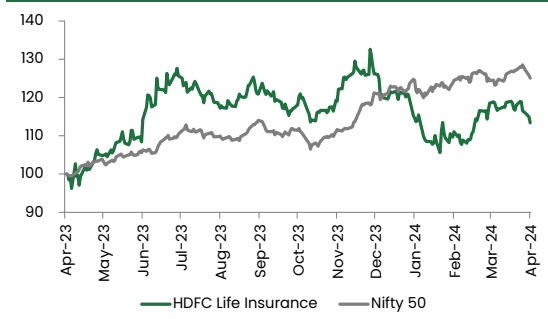
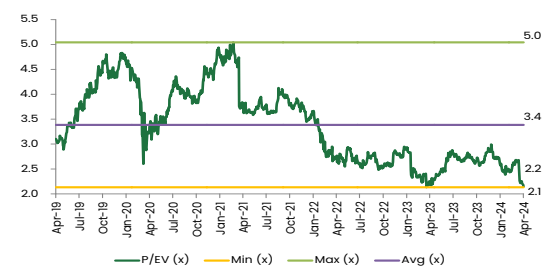
<b>CMP (Rs)</b>	<b>608</b>
<b>Target Price (Rs)</b>	<b>725</b>
<b>Potential Upside</b>	<b>19.3%</b>
<b>Sensex</b>	72,489
<b>Nifty</b>	21,996

**Key Stock data**

<b>BSE Code</b>	500209
<b>NSE Code</b>	INFY
<b>Bloomberg</b>	INFO:IN
<b>Shares o/s, Cr (FV 5)</b>	415.0
<b>Market Cap (Rs Cr)</b>	589,111
<b>3M Avg Volume</b>	6,530,282
<b>52 week H/L</b>	1,733/1,185

**Shareholding Pattern**

(%)	Jun-23	Sep-23	Dec-23
Promoter	50.3	50.4	50.4
FII	30.9	30.5	31.3
DII	6.2	6.9	6.6
Public	12.6	12.2	11.8

**1 year relative price performance**

**1 year P/EV Forward (x)**

**Research Analyst**
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**Single digit growth in premium income:** HDFC Life Insurance reported net premium income growth of 5.7% YoY, as the first-year premium and single premium reported a de-growth of 10% YoY and 7% YoY, respectively while renewal premium grew by 23% YoY. Owing to the de-growth in first year premium and single premium Annualized Premium Equivalent (APE) during the quarter declined by 8.4% YoY to Rs 4,727cr while New Business Premium (NBP) declined by 8.1% YoY to Rs 9,531cr. Going forward, the management remains optimistic on the premium growth of the company as expect to grow in line with the industry.

**Decline in VNB margin:** During the quarter, VNB margin declined by 72bps QoQ/317bps YoY to 26.1%. The decline in margin has been mainly due to increase in proportion of ULIP, protection and increase in commission expenses. Net commission expenses reported a growth of 73.5% QoQ/94.7% YoY to Rs 2,164cr. For FY24, VNB margin of 26.3% was lower than the management guidance of 28-30%.

**ULIP products continue to see traction:** On an APE mix, proportion of ULIP products increased by 400bps QoQ/1500bps YoY to 31% while on NBP mix it grew by 300bps QoQ/700bps YoY to 15%. The increase in ULIP plans can be attributed to the positive market returns and tax benefits on the underlying products. Along with ULIPs, protection plans also saw a surge in the NBP mix by 300bps YoY, however, declined by 200bps QoQ. Non participating proportion which saw a decline on YoY saw an increase in the QoQ basis by 200bps in the APE mix and 100bps in NBP mix. Increase in non-par products shall help in maintaining margins and keeping the product mix diversified.

**Growing banca network:** The insurance company continues to see bancassurance as the main channel for selling of its policies. During the quarter, bancassurance share in the overall channel mix increased by 100bps QoQ/900bps YoY. The banca channel contributes 65% of the overall mix. The company sees the parent bank as the biggest banca partner and continue to collaborate with other banks and financial institutions for selling of its products. Other channels such as direct/agency/brokers which remained flat on QoQ basis declined by 200bps/200bps/500bps YoY. In the last 2 years, agency count has increased by 14% CAGR while during the year it on-boarded 80,000 agents. The agency channel helps to penetrate in tier 2/3 cities as currently the company drives 2/3 of its total business from the non-tier-1 cities. The company shall continue to onboard new agents going forward.

**Valuation and outlook:** HDFC Life Insurance reported premium growth and VNB margins below companies guidance mainly due to the impact of the high ticket size policies which impacted premium. Going forward, the insurance company continues to diversify it's portfolio and increase agents count while collaborating with banks for the distribution of its products. In FY25, the company aims to grow in par with the industry growth and maintain its leadership position in the industry. We maintain Buy rating on HDFC Life, however, reduce our target price to **Rs 725** valuing the company at 2.6x of its FY26E embedded value per share.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net premiums	56,764	62,112	72,248	81,944
Total Income	70,705	101,625	103,225	119,565
Commission	2,887	5,262	3,933	4,372
Surplus/(deficit) before tax	1,518	614	1,536	1,539
Surplus/(Deficit) for the period	1,359	550	1,375	1,378
Embedded value (EV)	39,527	44,592	50,786	60,440
EV per share (Rs)	183.9	207.5	236.3	281.2
P/EV (x)	3.3	2.9	2.6	2.2

Source : RBL Research

**Concall highlights:** 1) The company's pension subsidiary saw 70% YoY growth in the AuM. 2) The company awaits direction from the regulator regarding the IFRS 17 and said that phase 1 has been submitted by the company. The company expects IFRS 17 to be implemented in the next 24-36 months. 3) The company declared dividend of Rs 2/share which is an outlay of Rs 430cr. 4) In the last 11 months, number of policies sold increased by 11% YoY while on a standalone it increased by 14% YoY. 5) The company announced appointment of Mr Keki Mistry as the chairman of the company following Deepak's Parekh decision to step down as Chairman and Managing Director. The board also appointed Mr Venkatraman Srinivasan as the addition independent director of the company.

Net premium income increased by 5.7% YoY mainly due to renewal premium

Total surplus during the quarter declined by 3.1% YoY mainly due to increase in commission costs

PAT increased by 14.8% YoY due to increase in investment income

#### P&L Account Quarterly - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Net premium income	20,534	19,427	5.7	15,273	34.4
Income from investments (Net)	7,254	1,190	509.8	11,372	(36.2)
Other income	79	268	(70.6)	71	11.5
<b>Total</b>	<b>27,945</b>	<b>21,426</b>	<b>30.4</b>	<b>26,735</b>	<b>4.5</b>
Net commission	2,164	1,111	94.7	1,247	73.5
Employees remuneration and welfare expenses	729	897	(18.7)	793	(8.0)
Other operating expenses	1,037	2,023	(48.7)	987	5.2
<b>Expenses of Management</b>	<b>3,931</b>	<b>4,031</b>	<b>(2.5)</b>	<b>3,026</b>	<b>29.9</b>
Provisions and taxes	(0)	251	-	(2)	-
Benefits Paid	12,458	11,205	11.2	9,895	25.9
Change in actuarial liability	11,160	5,271	111.7	13,686	(18.5)
<b>Surplus/Deficit</b>	<b>276</b>	<b>572</b>	<b>(51.8)</b>	<b>64</b>	<b>332.1</b>
Bonus paid	1,886	1,660	13.6	767	145.9
<b>Total Surplus</b>	<b>2,162</b>	<b>2,231</b>	<b>(3.1)</b>	<b>830</b>	<b>160.5</b>

Source : RBL Research

#### Shareholders account - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
<b>Transfer from Policyholders' Account</b>	<b>306</b>	<b>584</b>	<b>(47.5)</b>	<b>131</b>	<b>133.1</b>
Investment Income	254	196	29.4	282	(10.1)
Other income	17	63	(73.7)	12	39.7
<b>Expenses other than insurance business</b>	<b>47</b>	<b>31</b>	<b>49.4</b>	<b>40</b>	<b>18.0</b>
Transfer of funds to policyholders account	79	543	(85.4)	19	310.1
<b>Profit before tax</b>	<b>450</b>	<b>270</b>	<b>66.8</b>	<b>369</b>	<b>21.8</b>
Provisions for tax	38	(89)	-	2	-
<b>Profit after tax</b>	<b>412</b>	<b>359</b>	<b>14.8</b>	<b>368</b>	<b>12.0</b>

Source : RBL Research

ULIP plans portion in APE mix increased by 400bps QoQ/1500bps YoY to 31%

Particulars	Q4FY24	Q4FY23	Y-o-Y (bps)	Q3FY24	Q-o-Q (bps)
<b>Product mix - APE (%)</b>					
Participating	20.0	23.0	-300bps	24.0	-400bps
Non Participating	26.0	38.0	-1200bps	24.0	200bps
<b>ULIP</b>	<b>31.0</b>	<b>16.0</b>	<b>1500bps</b>	<b>27.0</b>	<b>400bps</b>
Protection	13.0	13.0	0bps	15.0	-200bps
Annuity	6.0	6.0	0bps	7.0	-100bps
Group	3.0	3.0	0bps	4.0	-100bps
<b>Product mix - NBP (%)</b>					
Participating	9.0	10.0	-100bps	10.0	-100bps
Non Participating	12.0	19.0	-700bps	11.0	100bps
<b>ULIP</b>	<b>15.0</b>	<b>8.0</b>	<b>700bps</b>	<b>12.0</b>	<b>300bps</b>
Protection	32.0	29.0	300bps	34.0	-200bps
Annuity	16.0	20.0	-400bps	18.0	-200bps
Group	16.0	14.0	200bps	15.0	100bps
<b>Channel mix - APE (%)</b>					
<b>Bancassurance</b>	<b>65.0</b>	<b>56.0</b>	<b>900bps</b>	<b>64.0</b>	<b>100bps</b>
Direct	11.0	13.0	-200bps	11.0	0bps
Agency	18.0	20.0	-200bps	18.0	0bps
Brokers	6.0	11.0	-500bps	6.0	0bps

Source : RBL Research

APE/NBP/VNB reported a decline of 8.4%/8.1%/18.3% YoY

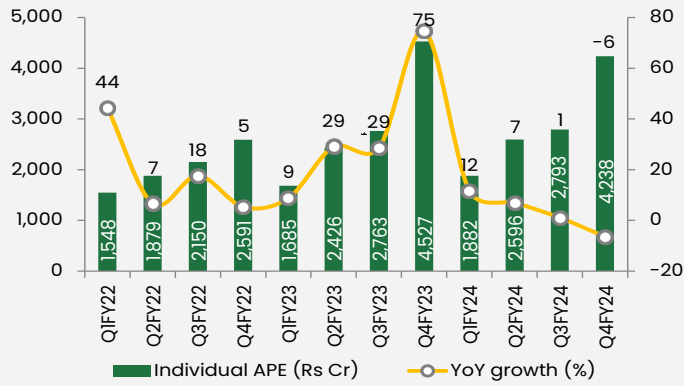
#### Business parameters - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Individual APE	4,238	4,527	(6.4)	2,793	51.7
<b>Total APE</b>	<b>4,727</b>	<b>5,162</b>	<b>(8.4)</b>	<b>3,191</b>	<b>48.1</b>
New Business Premium	9,531	10,372	(8.1)	7,130	33.7
Renewal Premium	11,406	9,254	23.3	8,396	35.9
<b>Assets Under Management</b>	<b>292,220</b>	<b>238,782</b>	<b>22.4</b>	<b>279,707</b>	<b>4.5</b>
Indian Embedded Value	47,468	39,527	20.1	45,173	5.1
<b>Value of new business</b>	<b>1,234</b>	<b>1,511</b>	<b>(18.3)</b>	<b>856</b>	<b>44.2</b>
VNB Margin (%)	26.1	29.3	-317bps	26.8	-72bps

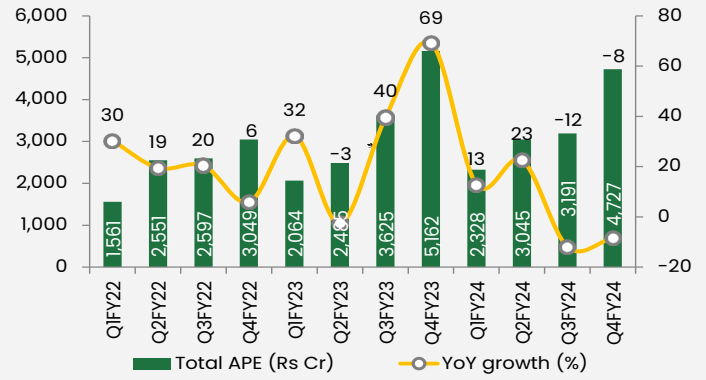
Source : RBL Research

### Story in charts

**Individual APE declined by 6% YoY**

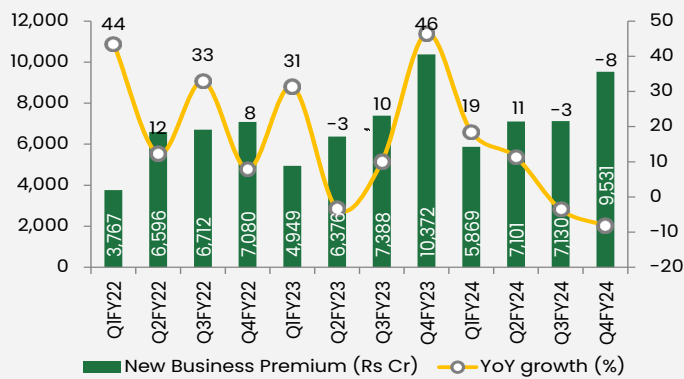


**Total APE reported a decline of 8% YoY**

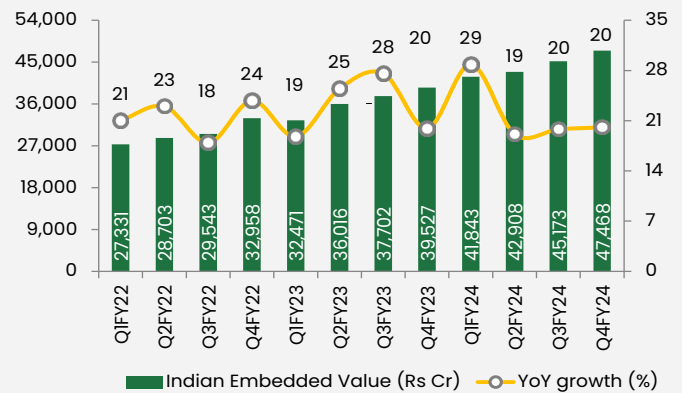


Source : RBL Research

**New business premium declined by 8% YoY**

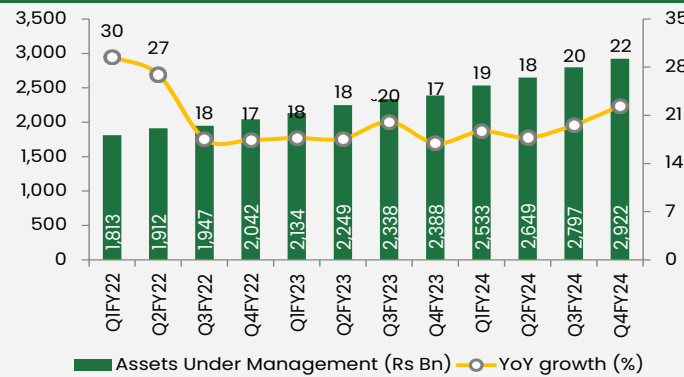


**Embedded value reported healthy growth of 20% YoY**

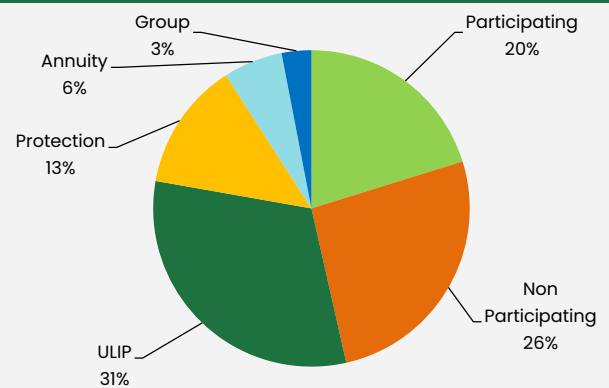


Source : RBL Research

**AuM reported healthy growth of 22% YoY**

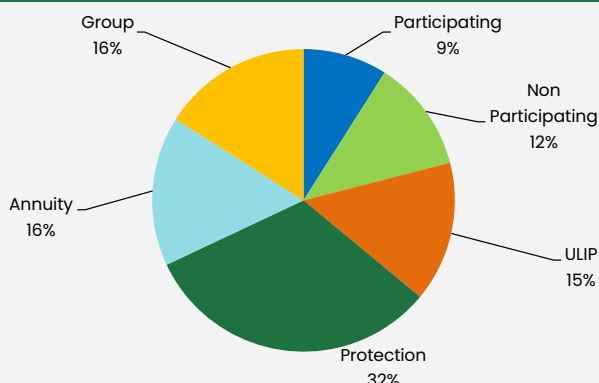


**ULIP product has the highest share in the APE mix**

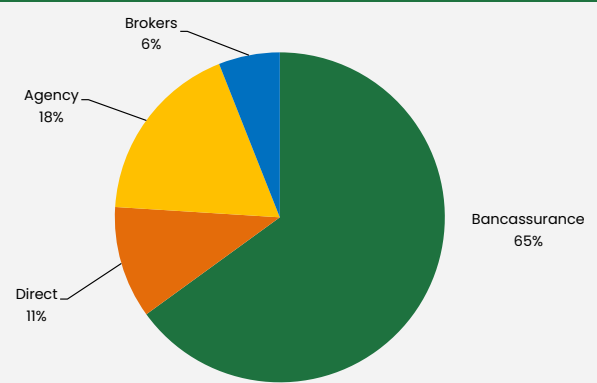


Source : RBL Research

**Protection plans having highest share in NBP mix**



**Bancassurance channel being major channel for selling policies**



Source : RBL Research

### Technical account- consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net premiums</b>	<b>56,764</b>	<b>62,112</b>	<b>72,248</b>	<b>81,944</b>
Investment income	13,941	38,363	29,765	36,382
Contribution from the Shareholders' A/c	879	129	98	100
Other Income	1,344	1,020	1,115	1,139
<b>Total income</b>	<b>70,705</b>	<b>101,625</b>	<b>103,225</b>	<b>119,565</b>
Commissions	2,828	5,262	3,933	4,372
Operating expenses	8,437	6,922	9,801	11,983
Service tax on linked charges	464	578	676	711
<b>Total expenses</b>	<b>11,729</b>	<b>12,762</b>	<b>14,410</b>	<b>17,066</b>
Benefits paid	38,872	39,805	53,710	53,589
Change in valuation of life reserves	18,586	48,444	33,569	47,371
<b>Surplus/(deficit) before tax</b>	<b>1,518</b>	<b>614</b>	<b>1,536</b>	<b>1,539</b>
Provision For Tax & Others	159	64	161	161
<b>Surplus/(Deficit) for the period</b>	<b>1,359</b>	<b>550</b>	<b>1,375</b>	<b>1,378</b>

Source : RBL Research

### Shareholders account - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Transfer from policyholder's a/c</b>	<b>1,469</b>	<b>561</b>	<b>1,615</b>	<b>1,718</b>
Investment income	720	1,324	1,455	1,693
Other income	63	68	79	81
<b>Total income</b>	<b>2,252</b>	<b>1,953</b>	<b>3,149</b>	<b>3,491</b>
Total expenses	979	996	1,122	1,280
<b>Profit before tax</b>	<b>1,272</b>	<b>957</b>	<b>2,027</b>	<b>2,211</b>
Tax	(88)	38	81	88
<b>Profit after tax</b>	<b>1,360</b>	<b>919</b>	<b>1,946</b>	<b>2,123</b>

Source : RBL Research

### Balance Sheet - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share capital	2,153	2,151	2,151	2,151
Reserves and surplus	10,821	12,065	14,045	16,206
Fair value change account	20	451	513	582
<b>Shareholder's equity</b>	<b>12,993</b>	<b>14,666</b>	<b>16,709</b>	<b>18,938</b>
Borrowings	950	950	950	950
Fair value change account	1,976	6,026	5,570	6,403
Policy liabilities	143,345	175,444	162,174	186,425
Linked liabilities	79,201	95,547	129,277	134,776
Funds for future appropriations	1,235	1,211	21,834	30,907
<b>Total liabilities</b>	<b>226,708</b>	<b>279,178</b>	<b>319,804</b>	<b>359,461</b>
<b>Total liabilities and shareholders equity</b>	<b>239,701</b>	<b>293,845</b>	<b>336,514</b>	<b>378,399</b>
<b>Shareholders investments</b>	<b>13,193</b>	<b>14,685</b>	<b>12,388</b>	<b>13,817</b>
Policyholders investments	146,449	182,053	193,110	228,072
<b>Unit linked investments</b>	<b>79,201</b>	<b>95,547</b>	<b>129,277</b>	<b>134,776</b>
Loans	1,585	1,897	1,600	1,785
Fixed assets	382	420	376	417
<b>Net current assets/ (liabilities)</b>	<b>(1,110)</b>	<b>(757)</b>	<b>(237)</b>	<b>(468)</b>
<b>Total assets</b>	<b>239,701</b>	<b>293,845</b>	<b>336,514</b>	<b>378,399</b>

Source : RBL Research

## IEV movement - consolidated

Particulars, Rs bn	FY23	FY24	FY25E	FY26E
<b>Opening IEV</b>	<b>32,958</b>	<b>39,527</b>	<b>44,592</b>	<b>50,786</b>
Unwind	2,620	3,543	4,355	4,960
Change in operating assumptions	40	48	54	62
<b>VNB</b>	<b>3,674</b>	<b>3,501</b>	<b>4,139</b>	<b>4,893</b>
Operating variances	150	150	150	150
Dividend and capital injection	1,670	(270)	(352)	(412)
<b>Closing IEV</b>	<b>39,527</b>	<b>44,592</b>	<b>50,786</b>	<b>60,440</b>

Source : RBL Research

## Ratios - consolidated

Valuation (x)	FY23	FY24	FY25E	FY26E
P/EV	3.3	2.9	2.6	2.2
P/VNB	35.6	37.3	31.6	26.7
P/B	10.1	8.9	7.8	6.9

Source : RBL Research

## Business Parameters - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>AuM</b>	<b>238,782</b>	<b>292,220</b>	<b>322,903</b>	<b>365,247</b>
Indian Embedded Value	39,527	44,592	50,786	60,440
<b>APE</b>	<b>13,336</b>	<b>13,291</b>	<b>15,331</b>	<b>17,726</b>
<b>VNB</b>	<b>3,674</b>	<b>3,501</b>	<b>4,139</b>	<b>4,893</b>
<b>NBP</b>	<b>29,085</b>	<b>29,631</b>	<b>33,976</b>	<b>38,258</b>
<b>VNB margin (%)</b>	<b>27.5</b>	<b>26.3</b>	<b>27.0</b>	<b>27.6</b>
<b>EV per share (Rs)</b>	<b>183.9</b>	<b>207.5</b>	<b>236.3</b>	<b>281.2</b>
VNB per share (Rs)	17.1	16.3	19.3	22.8
BVPS (Rs)	60.5	68.2	77.7	88.1
EPS (Rs)	6.3	4.3	9.1	9.9

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**  
 .....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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