

HDFC Life Insurance | BUY

In line results

HDFC Life reported another quarter of steady 13% VNB growth, in line with JMFe. Total APE of INR 32bn was in line, while margins were a very slight disappointment at 25.1%, flattish YoY, against JMFe of 20bps expansion. The company saw a 39% contraction in non-par APE with customers taking to new par variants offered and more attractively priced products from peer insurers. We believe the product mix shift from ULIPs to non-par is only delayed and the company has multiple levers to raise margin profile, including higher growth, recovery in non-par volumes and a pick-up in credit life in 2HFY26. We retain our margin estimates and raise growth for FY26/FY27e by <1%. While the company commands a premium valuation to peers, it trades at 1SD below its mean valuations despite its consistent VNB growth. We expect the company to deliver 15%+ APE growth in FY26/FY27e, with a margin improvement of 100bps by FY27e over FY25 levels. We largely maintain our EV estimates and value the company at 2.5x FY27e EVPS of INR 348 to get a revised Target Price of INR 855 (up from INR 850). We reiterate BUY.

- **Steady growth in Ind/Total APE of 13% each:** HDFC Life reported Individual APE growth of 13% (2.3% beat on JMFe) well above private industry growth of 8.3% (Reported industry data). Demand for ULIP product continued during 1Q26 with growth of 12.2% YoY. While non-par growth suffered at -39% YoY, par segment compensated with strong growth of 124% YoY in 1Q26. Individual APE growth from banca channel was mild at 11% YoY. Placid growth in agency channel (+6% YoY) was compensated by strong growth of 23% YoY in other channels (including non-bank alliances and direct channel). We expect Ind APE to clock 15.5% CAGR over FY25-FY27e.
- **A slight miss on margin due to negative impact of fixed cost absorption:** Despite a 60bps negative impact of fixed cost absorption, margins remained stable at 25.1% (flat YoY) as the new business profile improved YoY. Par products have done well in 1Q26 on the back of newer product propositions. Mgmt. expects FY26 margins to remain range bound as the company ploughs back profits for growth. Higher Sum Assured and rider attachment in ULIPs, longer product terms and improved persistency are expected to prevent margin deterioration. We believe the product mix shift from ULIPs to non-par is only delayed and the company has multiple levers to raise margin profile going ahead.
- **Valuations and view:** At CMP, the company trades at valuations of 2.5/2.2x FY26/FY27e EV, implying 18/15x FY26/FY27e EVOP. While the company commands a premium valuation to peers – justified for its balanced product mix and consistency in growth and EV/VNB outcomes, it trades >1SD below its mean valuations. As we expect the company to deliver 15%+ APE growth in FY26/FY27e, with a margin improvement of 100bps by FY27e over FY25 levels, we expect the stock to rerate as the year progresses and growth catches for the company and the industry. We largely maintain our EV estimates, value the company at 2.5x FY27e EVPS of INR 348 to get a revised Target Price of INR 855 (up from INR 850). We reiterate BUY.

Financial Summary

INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	132.9	154.8	178.4	206.3	239.0
Growth YoY (%)	-0.3%	16.5%	15.3%	15.6%	15.9%
Individual APE	115.1	136.2	157.0	181.7	210.9
NBP	296.3	352.6	409.0	474.5	545.6
Opex + Commissions	121.6	140.6	163.1	195.9	218.2
VNB	35.0	39.6	46.9	54.9	64.6
Growth YoY (%)	-4.6%	13.1%	18.5%	16.9%	17.7%
VNB margins	26.3%	25.6%	26.3%	26.6%	27.0%
Op ROEV (%)	20.9%	17.4%	17.2%	16.8%	16.8%
P/EVx	3.4x	2.9x	2.5x	2.2x	1.9x

Source: Company, JM Financial



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(We acknowledge the support services of **Dev Jogani** in preparation of this report)

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	855
Upside/(Downside)	12.9%
Previous Price Target (12M)	850
Change	0.6%

Key Data – HDFCLIFE IN

Current Market Price	INR757
Market cap (bn)	INR1,630.8/US\$19.0
Free Float	45%
Shares in issue (mn)	564.1
Diluted share (mn)	564.1
3-mon avg daily val (mn)	INR2,338.2/US\$27.2
52-week range	821/584
Sensex/Nifty	82,571/25,196
INR/US\$	85.8

Price Performance

%	1M	6M	12M
Absolute	0.5	27.4	186.
Relative*	-0.4	18.8	16.0

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways

■ VNB margins

- Margins flattish YoY despite a movement from non-par to par growth due to fixed cost absorption impact of 0.6%
 - In 4QFY25 concall, management had highlighted that the insurer expects FY26 margins to remain range bound as the company ploughs back profits for growth;
 - As growth picks up as the year progresses, lower impact of fixed cost absorption should result in improved margins;
 - Further, par products had done well in 1Q on the back of newer product propositions. As the non-par share in savings business normalises, margins can improve.

■ Products

- Growth led by ticket size expansion with strong preference for ULIPs and par products, expect growth to be increasingly driven by number of policies growth as the year progresses;
- Inherent margins in ULIPs and par have improved – ULIPs with higher Sum Assured multiples and par with longer tenures;
- Expect non-par to return to favour with steepening yield curve. In 1Q, the company stayed away from irrational pricing in the segment;
- Par picked up with new product propositions in Click2Achieve Par Advantage and growth in a relooked annuity product;
- Annuity and retail protection growth steady;
- Group credit life has grown on an overall basis even as the business coming from MFI segment contracted. This was the result of entering newer products with existing distribution partners, in addition to partner addition;
- While the gap in product-level margins between ULIPs, par and non-par products has reduced and there is enhanced pricing pressure in annuity and non-par segments, non-par products continue to provide higher margins than ULIPs and par products.

■ FY26 growth

- 1Q growth was in line with expectations given the strong base of 1QFY25;
- The insurer expects growth to pick up as the year progresses, which will also reduce the negative hit to VNB margins due to fixed cost absorption (0.6% impact on 1Q margins);
- Aspiration is to continue outpacing industry growth.

■ Channels

- Business from branches opened in last 18 months is at a high single digit – in line with company expectations;
- On concerns on growth from bancassurance channel, the company mentioned that specific concerns on mis-selling are being addressed at an industry level, in addition to the company's own efforts.

■ Persistency

- 13th month persistency has reduced by 4pps+ with lower persistency observed in the lower ticket sized products, since higher ticket product saw weak growth post taxation.

■ HDFC Bank channel

- Counter share remained steady – 65% counter share maintained in FY25 (per 4QFY25 concall);
- The insurer has achieved alignment with parent bank on selling higher protection, protection share in retail APE for other channels is double the 3-4% from HDFC Bank;
- Improving profitability of the channel by product mix optimisation, increased cross-sell and upsell, superior customer service and leveraging the bank's digital resources remains the focus.

Exhibit 1. HDFC Life 1QFY26: Quarterly trends in key parameters

Quarterly	1Q25	4Q25	1Q26	YoY (%)	QoQ %	JMFe	Variance (%)
Total APE	28,660	51,860	32,250	12.5%	-37.8%	32,125	0.4%
Individual Savings	21,956	41,777	24,636	12.2%	-41.0%		
- ULIPs	9,375	19,887	10,519	12.2%	-47.1%		
- Par	3,947	9,712	8,858	124.4%	-8.8%		
- Non-par	8,635	12,178	5,259	-39.1%	-56.8%		
Annuity	1,234	2,321	1,384	12.2%	-40.4%		
Individual protection	1,480	2,232	1,750	18.2%	-21.6%		
Individual APE	24,670	46,330	27,770	12.6%	-40.1%	27,137	2.3%
Group APE	3,990	5,530	4,480	12.3%	-19.0%	4,988	-10.2%
- Group protection	2,647	2,548	2,927	10.6%	14.9%		
- Group savings	1,343	2,982	1,553	15.6%	-47.9%		
Total Savings + Annuity	24,533	47,080	27,574	12.4%	-41.4%		
Total protection	4,127	4,780	4,676	13.3%	-2.2%		
EV	496,100	554,230	583,550	17.6%	5.3%	584,713	-0.2%
VNB	7,180	13,760	8,090	12.7%	-41%	8,127	-0.5%
VNB margins (%)	25.0%	26.5%	25.1%	0.0%	-1.4%	25.3%	-0.2%
Savings mix (%)							
- ULIPs	42.7%	47.6%	42.7%	0.0%	-4.9%		
- Par	18.0%	23.2%	36.0%	18.0%	12.7%		
- Non-par	39.3%	29.2%	21.3%	-18.0%	-7.8%		
Channel mix - Ind APE (YTD)							
Banca	61.0%	66.9%	60.0%	-1.0%	-6.9%		
Agency	17.0%	19.9%	16.0%	-1.0%	-3.9%		
Others	22.0%	13.1%	24.0%	2.0%	10.9%		

Source: Company, JM Financial

Exhibit 2. HDFC Life: Trend in EV walk

Embedded value (INR bn)	FY24	FY25	FY26e	FY27e	FY28e
Opening IEV	395.3	474.7	554.3	645.9	750.3
Core EVOP	67.4	78.0	90.9	105.7	123.5
- Unwind	32.4	38.4	44.0	50.8	59.0
- VNB	35.0	39.6	46.9	54.9	64.6
Variances	12.0	1.6	0.7	(1.3)	(2.0)
- Operating	1.8	1.2	1.2	1.2	1.0
- Economic & dividends	10.2	0.4	-0.5	-2.5	-3.0
Closing IEV	474.7	554.3	645.9	750.3	871.8

Source: Company, JM Financial

Exhibit 3. HDFC Life: Key ratios in EV walk

Embedded value (INR bn)	FY24	FY25	FY26e	FY27e	FY28e
Core EVOP	17.1%	16.4%	16.4%	16.4%	16.5%
- Unwind	8.2%	8.1%	7.9%	7.9%	7.9%
- VNB	8.9%	8.3%	8.5%	8.5%	8.6%
Operating Variances	0.5%	0.3%	0.2%	0.2%	0.1%
Operating RoEV %	17.5%	16.7%	16.6%	16.5%	16.6%
Economic Variances & dividends	2.6%	0.1%	-0.1%	-0.4%	-0.4%
IEV Growth %	20.1%	16.8%	16.5%	16.2%	16.2%

Source: Company, JM Financial

Exhibit 4. HDFC Life: VNB margin trajectory

VNB walk	1Q25	2Q25	3Q25	4Q25	1Q26
Opening VNB margins	26.2%	26.2%	26.5%	26.3%	25.0%
- Impact of surrender norms	0.0%	0.0%	-0.1%	-0.2%	-0.3%
- Change in assumptions	-0.2%	-0.2%	-0.2%	0.0%	0.0%
- Impact of higher APE	0.0%	0.0%	0.0%	0.0%	0.0%
- New business profile	-1.3%	-1.8%	-1.4%	-0.6%	1.0%
- Fixed Cost absorption	0.3%	0.4%	0.3%	0.1%	-0.6%
Final VNB margins	25.0%	24.6%	25.1%	25.6%	25.1%

Source: Company, JM Financial

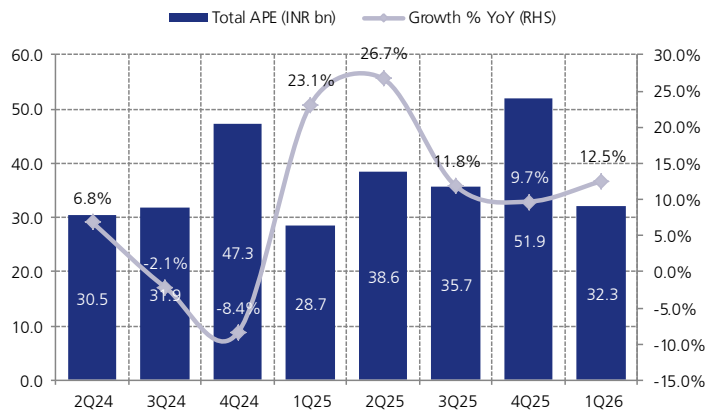
Exhibit 5. HDFC Life: Change in estimates - JMFe

HDFC Life (INR bn)	FY26 old	FY26 new	Change %	YoY growth	FY27 old	FY27 new	Change %	YoY growth
Total APE	178.0	178.4	0.2%	15.3%	205.3	206.3	0.5%	15.6%
Ind APE	156.6	157.0	0.3%	15.3%	180.7	181.7	0.6%	15.7%
VNB	46.8	46.9	0.2%	18.4%	54.6	54.9	0.4%	16.9%
VNB margin %	26.3%	26.3%	0.0%	0.7%	26.6%	26.6%	0.0%	0.3%
EV	645.8	645.9	0.0%	16.5%	750.0	750.3	0.0%	16.2%

Source: Company, JM Financial

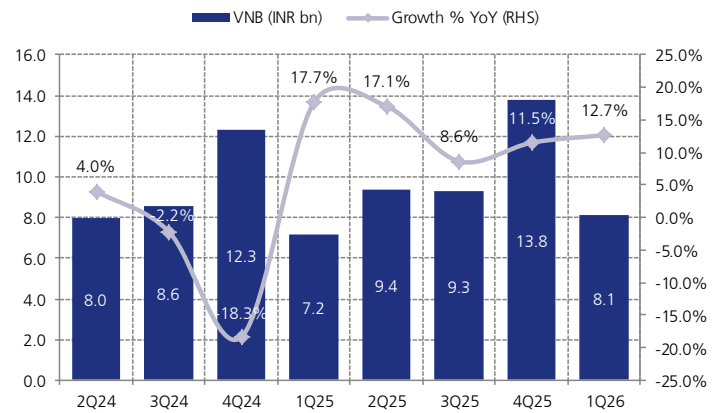
Quarterly Chart

Exhibit 6. Total APE: 12.5% YoY growth in total APE for 1QFY26



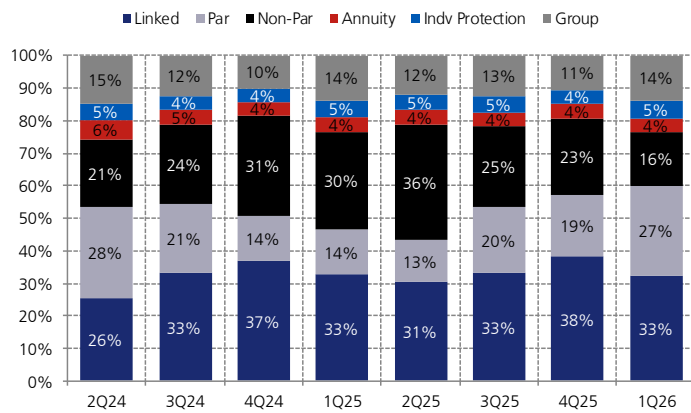
Source: Company, JM Financial

Exhibit 7. VNB margins increased to 12.7% for 1QFY26



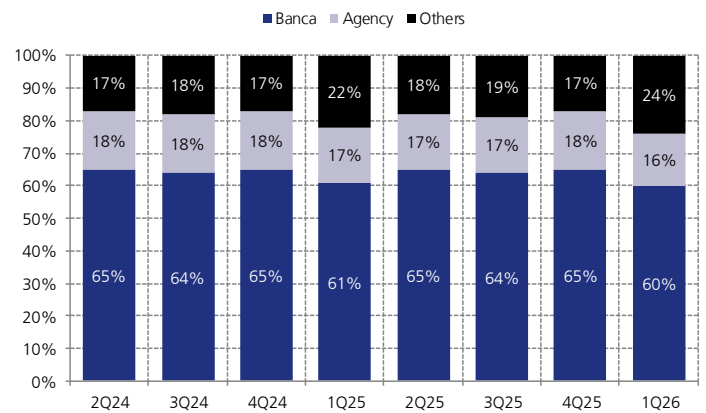
Source: Company, JM Financial

Exhibit 8. Non-Par share increased in 1QFY26



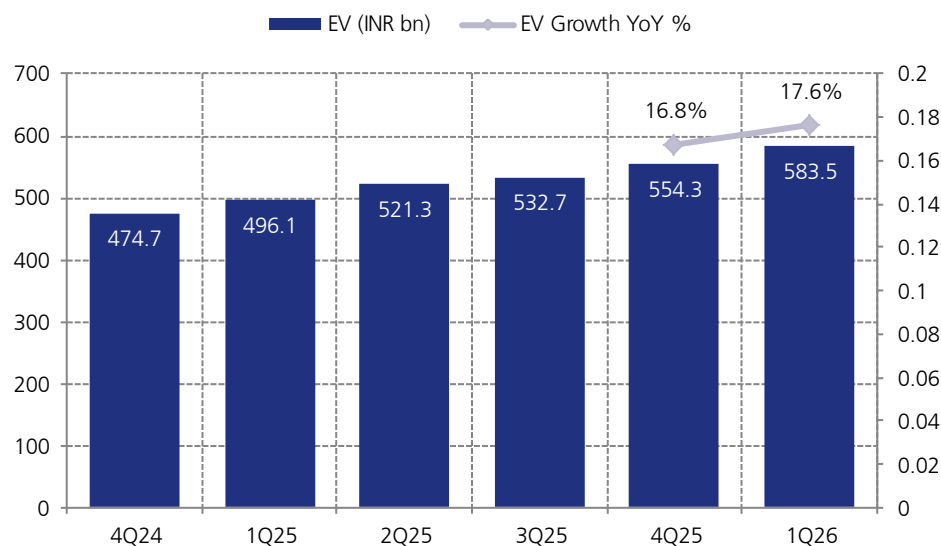
Source: Company, JM Financial

Exhibit 9. Pressure on Banca; share declined to 60% in 1QFY26



Source: Company, JM Financial

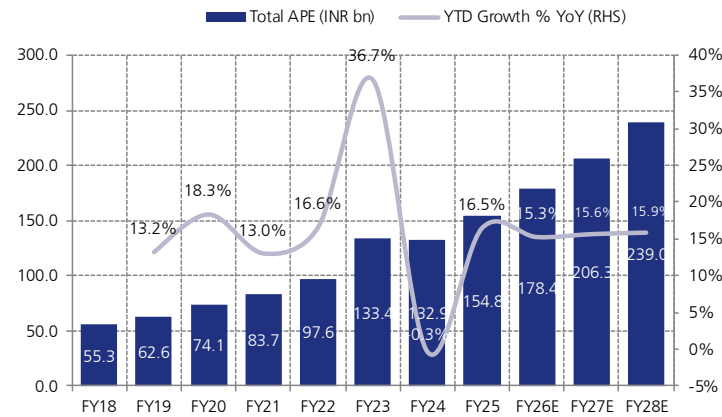
Exhibit 10. Operating RoEV at 11.9% for 1QFY26



Source: Company, JM Financial

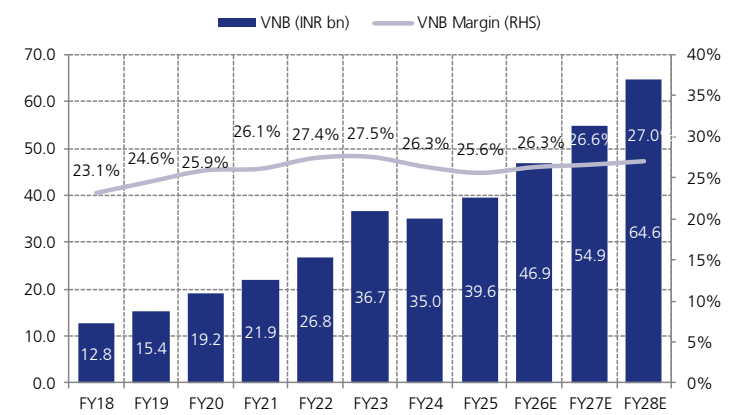
Annual Charts

Exhibit 11. Total APE: 16.5% YoY growth in total APE for FY25



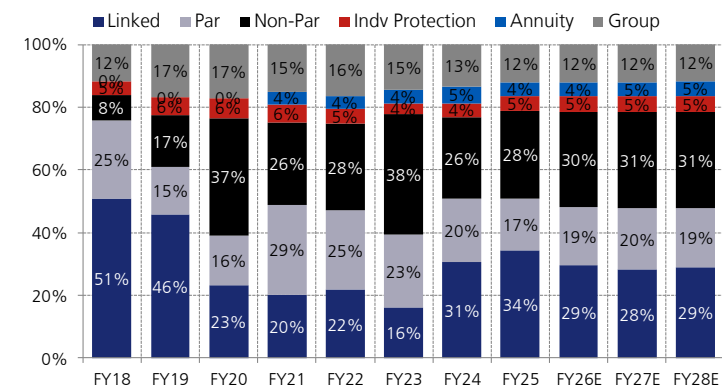
Source: Company, JM Financial

Exhibit 12. VNB margins tapered to 25.6% for FY25



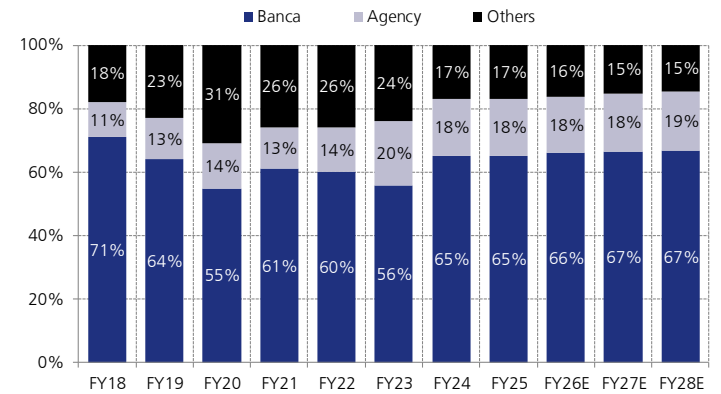
Source: Company, JM Financial

Exhibit 13. Linked and Non-Par share increased in FY25



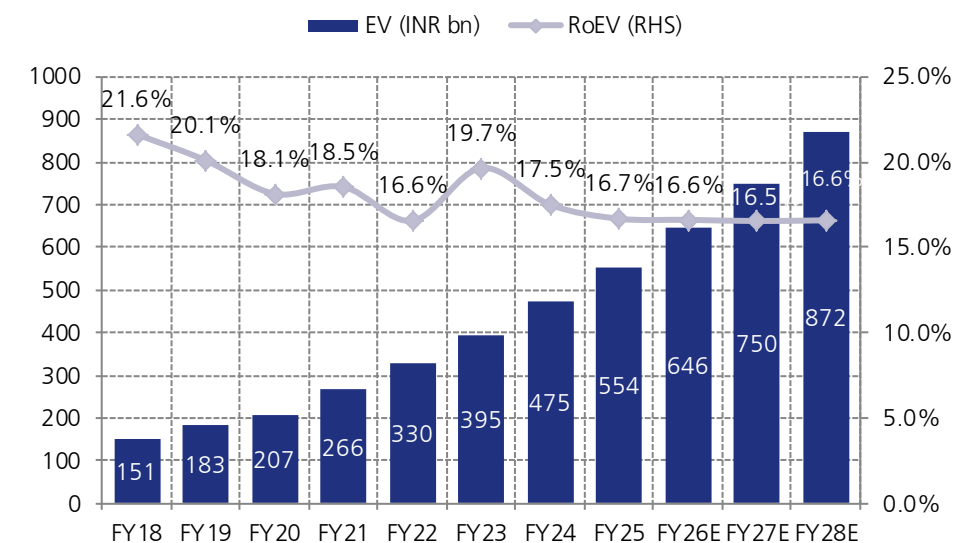
Source: Company, JM Financial

Exhibit 14. Pressure on Banca; share constant at 65% in FY25



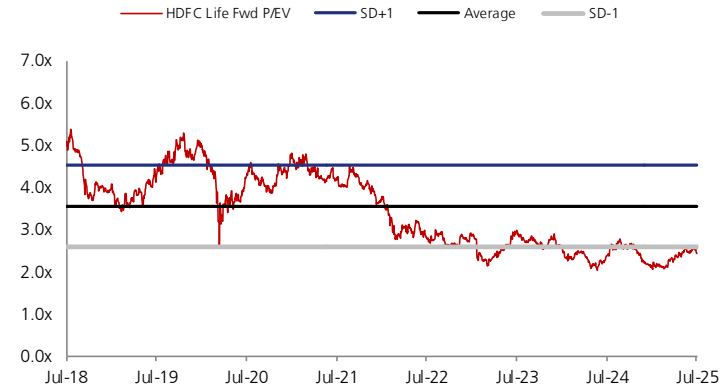
Source: Company, JM Financial

Exhibit 15. Operating RoEV at 16.7% for FY25



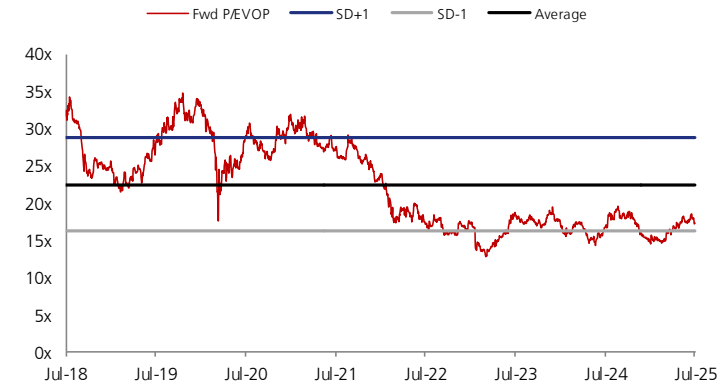
Source: Company, JM Financial

Exhibit 16. Stock has de-rated below 1SD from historical P/EV mean



Source: Company, JM Financial

Exhibit 17. Stock trades 1 SD below its historical P/EVOP mean



Source: Company, JM Financial

Financial Tables (Standalone)

Technical Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	630,765	710,449	812,482	927,657	1,065,118
Net premiums	619,592	696,161	796,142	909,001	1,043,697
Investment income	383,543	259,453	285,473	314,020	342,567
Other Income	4,608	3,834	4,218	4,639	5,103
Total Income	1,007,743	959,448	1,085,832	1,227,660	1,391,368
Commissions	52,563	78,353	91,556	113,625	125,244
Operating expenses	69,011	62,218	71,550	82,283	92,980
Provisions & Taxes	-2,741	-167	-10	-12	-13
Total expenses	118,833	140,404	163,097	195,897	218,210
Benefits paid	396,965	393,459	442,642	493,546	572,513
Change in valuation of life reserves	484,194	415,156	467,880	523,792	583,504
Total Benefits	881,158	808,615	910,522	1,017,337	1,156,017
Surplus/(Deficit) for the year	7,751	10,430	12,213	14,426	17,140

Source: Company, JM Financial

Shareholder's Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Transfer from the Policyholders' Account	7,991	9,968	12,213	14,426	17,140
Investment income	10,022	11,251	12,650	14,093	15,945
Other income	131	1	2	2	2
Total income	18,143	21,220	24,865	28,521	33,087
Operating expenses	1,254	1,555	1,732	1,891	2,076
Contribution to the policyholders A/C	1,251	1,004	1,148	1,311	1,505
Profit before tax	15,638	18,661	21,985	25,319	29,506
Tax	-50	639.60	659.54	253.19	295.06
Profit after tax	15,689	18,021	21,325	25,066	29,211

Source: Company, JM Financial

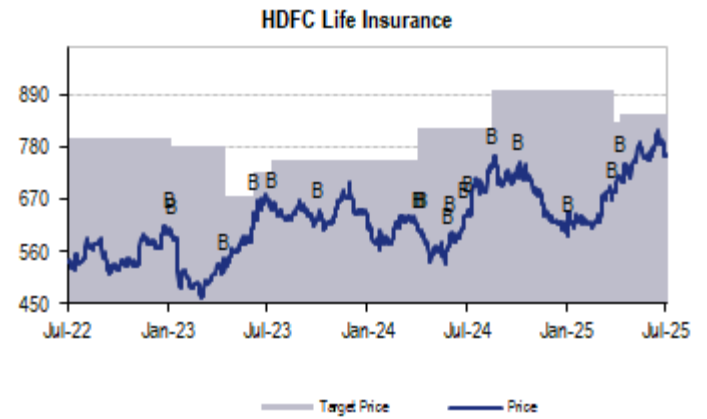
Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Investments	148,819	183,863	211,443	243,159	279,633
Policyholders' Investments	1,817,966	2,162,671	2,595,205	3,114,246	3,737,095
Unit linked Investments	955,416	1,016,282	1,212,424	1,434,297	1,696,774
Loans	18,972	23,783	26,399	29,303	32,526
Fixed assets	4,158	6,011	6,552	7,141	7,784
Net Current Assets / (Liab)	-8,038	2,733	1,972	3,705	10,602
Total Assets	2,937,293	3,395,342	4,053,994	4,831,852	5,764,414
Borrowings	9,500	29,500	39,500	39,500	39,500
Fair Value Change Account	60,257	67,950	67,950	67,950	67,950
Policy Liabilities	1,753,488	2,107,778	2,529,333	3,035,200	3,642,240
Linked Liabilities	955,416	1,016,282	1,219,538	1,463,445	1,756,134
FFA	12,115	12,576	15,092	18,110	21,732
Total Liabilities	2,790,776	3,234,086	3,871,413	4,624,205	5,527,556
Share Capital	21,509	21,530	21,530	21,530	21,530
Reserves and surplus	120,503	135,266	156,591	181,657	210,867
Fair Value Change Account	4,505	4,460	4,460	4,460	4,460
Shareholder's equity	146,517	161,256	182,581	207,647	236,857

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Oct-21	Buy	800	
24-Jan-22	Buy	800	0.0
16-Jan-23	Buy	780	-2.5
20-Jan-23	Buy	780	0.0
27-Apr-23	Buy	675	-13.5
20-Jun-23	Buy	725	7.4
21-Jul-23	Buy	750	3.4
15-Oct-23	Buy	750	0.0
17-Apr-24	Buy	819	9.2
18-Apr-24	Buy	819	0.0
22-Apr-24	Buy	819	0.0
10-Jun-24	Buy	819	0.0
13-Jun-24	Buy	819	0.0
9-Jul-24	Buy	819	0.0
15-Jul-24	Buy	819	0.0
29-Aug-24	Buy	900	9.9
16-Oct-24	Buy	900	0.0
15-Jan-25	Buy	900	0.0
7-Apr-25	Buy	830	-7.8
20-Apr-25	Buy	850	2.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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