

October 16, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current FY26E	FY27E	Previous FY26E	FY27E
Rating	BUY		BUY	
Target Price	900		900	
NBP-APE (Rs mn)	1,71,949	1,97,444	1,74,276	2,01,320
% Chng.	(1.3)	(1.9)		
VNB (Rs mn)	41,268	48,374	44,440	52,142
% Chng.	(7.1)	(7.2)		
EV (Rs mn)	6,43,018	7,47,807	6,46,154	7,54,953
% Chng.	(0.5)	(0.9)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
NBP (Rs mn)	333,653	381,143	438,017	505,398
APE (Rs mn)	150,150	171,949	197,444	227,536
VNB (Rs mn)	39,600	41,268	48,374	56,429
Margin (%)	25.6	24.0	24.5	24.8
Embedded Value (Rs mn)	554,300	643,018	747,853	870,442
EVOP (Rs mn)	79,200	87,112	101,815	118,009
RoEV (%)	16.7	15.7	15.8	15.8
P/EV (x)	3.0	2.5	2.2	1.9

Key Data

52-W High / Low	Rs.821 / Rs.585
Sensex / Nifty	82,605 / 25,324
Market Cap	Rs.1,641.3bn/ \$ 18,637.1m
Shares Outstanding	2,156.1m
3M Avg. Daily Value	Rs.2,050.6m

Shareholding Pattern (%)

Promoter's	50.28
Foreign	24.75
Domestic Institution	14.58
Public & Others	10.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.0)	8.1	6.6
Relative	(3.0)	(0.5)	5.5

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Pick-up in volume to offset the drag on margin

Quick Pointers:

- 9% APE growth in Q2; expect a run-rate of 12% in H2
- Q2 VNB Margin lower at 24.1% due to drag from GST exemption

2QFY26 APE growth was mild at 9% YoY; however, uptick in retail protection post GST rationalization is a key positive. Sustained momentum in ULIP and PAR, pick-up in credit life and recovery in NPAR is likely to result in a better run-rate in H2FY26E at 12% YoY and we build an overall APE growth of 14.5%/14.8% for FY26/ FY27E. 2QFY26 VNB margin contracted to 24.1% (H1FY26 VNB Margin at 24.5%) due to the impact of GST exemption. We expect FY26E margin to trend lower at 24%; however strong growth in retail protection volume and improved margin profile in ULIP is likely to offset some of the drag. While we have trimmed our VNB margin estimates for FY26/FY27E, we remain confident of delivery on growth. We value HDFC Life using the Appraisal Value framework and maintain BUY with a TP of Rs 900 (2.6x FY27E P/EV).

- Expect APE growth of 14.5% in FY26E:** HDFC Life saw a mild growth of 9% YoY in 2QFY26 APE, largely driven by ULIP (+44% YoY) and PAR business (+82% YoY). Term business saw a strong uptick of 49% YoY in 2QFY26 post GST rationalization driven by new launches (Click2Protect Super). Company is seeing green-shoots in the Credit life segment and expects strong growth in H2. NPAR saw a de-growth of 64% YoY on account of pricing aggression and increased competitive intensity. However, it expects to stabilize the business in subsequent quarters as partnerships remain intact. ULIP/PAR/NPAR/Protection/Annuity comprised 42%/29%/18%/7%/4% of Individual APE in 2QFY26. Company has grown 10% YoY in H1FY26 and expects strong momentum in Retail Protection (+27% YoY in H1FY26) to sustain. We build a run-rate of 12% YoY for H2FY26E led by strong growth in retail protection, credit life and recovery in NPAR, resulting in overall APE growth of 14.5% for FY26E. Over the long term, we build an APE CAGR of 15% over FY25-28E.
- Volume growth to compensate for drag on margin:** 2QFY26 VNB grew 7.6% YoY to Rs 10.1bn. However, VNB margin contracted to 24.1% for 2QFY26 (vs. 24.3% in 2QFY25) due to the impact of GST exemption and drag of fixed cost absorption. While the commentary indicated a gross impact of ~300 bps on FY26 margin due to the loss of Input Tax Credit on GST, it is engaging with distributors to mitigate the same over the next 2-3 quarters. Strong growth in retail protection volume in H2 and improved margin profile in ULIP is likely to offset some of the drag of GST exemption and fixed cost absorption. We build a VNB margin of 24% for FY26E, considering a moderate impact of GST exemption. Post FY26E, we expect VNB margin to improve to 24.5%/ 24.8% in FY27E/ FY28E as the share of protection and NPAR increases.

- **EV growth of 14% YoY; plans to raise capital in H2:** Embedded Value grew by 14% YoY to Rs595.4bn, driven by positive VNB growth, favourable unwind, operating and economic variances. Company saw a ~1% impact on EV due to GST exemption and Operating RoEV on a rolling 12-month basis stood at 15.8%. Persistency trends remained stable -13M/25M/37M/49M/61M persistency at 86%/78%/72%/71%/62% respectively. AUM grew by ~11% YoY to Rs3,600bn. Solvency Ratio reduced to 175% due to (1) dividend payout (2) repayment of Rs 6bn subordinated debt (3) higher share of protection business and (4) impact of GST exemption. Company is planning to raise upto Rs 7.50 bn of sub-debt in one or more tranches in H2, with a migration to risk-based capital approach over the next 12 months, freeing up some capital to fund growth.
- **Strengthening banca; focus on agency intact:** Banca/agency/direct/brokers & others contributed 58%/20%/13%/9% to Individual APE in 2QFY26. Banca APE grew -3% YoY due to slower growth in non-HDFC Bank partners. Company maintained a stable counter-share within HDFC Bank. Agency grew 25% YoY and the company added 51k agents in H1FY26. Expense of Management (EoM) ratio stood at 21.8% for 2QFY26 (vs. 21.3% in 2QFY25) and we expect opex to be elevated over the near-term as the company invests in new capabilities (Project Inspire).

Exhibit 1: Q2FY26 Result Overview

Financials (Rs mn)	2QFY26	2QFY25	YoY gr. (%)	1QFY26	QoQ gr. (%)
NBP	89,494	80,964	10.5	72,721	23.1
Net premium	187,773	165,697	13.3	144,661	29.8
Investment & other income	15,380	118,709	(87.0)	147,354	(89.6)
Total income	203,153	284,406	(28.6)	292,015	(30.4)
Net commission	23,209	18,512	25.4	17,492	32.7
Opex	17,800	16,814	5.9	15,099	17.9
Total mgmt expenses	41,008	35,325	16.1	32,591	25.8
GST	1,211	1,190	1.8	1,267	(4.4)
Provision for taxes	34	(4,707)	(100.7)	402	(91.4)
Claims	93,289	102,986	(9.4)	86,798	7.5
Change in actuarial liability	69,792	144,535	(51.7)	170,165	(59.0)
Total cost	204,875	279,302	(26.6)	291,181	(29.6)
Surplus/(deficit)	(1,722)	5,104	(133.7)	834	(306.4)
T/f to s/hs' account	2,152	3,854	(44.2)	3,663	(41.3)
Investment & other income	3,609	2,688	34.3	3,203	12.7
Total income	5,761	6,542	(11.9)	6,866	(16.1)
Non-insurance expenses	638	254	150.6	616	3.6
T/f from p/hs' account	2,152	3,854	(44.2)	3,663	(41.3)
PBT	4,655	4,376	6.4	5,607	(17.0)
Taxes	183	46	299.6	142	28.7
PAT	4,472	4,330	3.3	5,465	(18.2)
AUM (Rs bn, Reported)	3,600	3,249	10.8	3,559	1.2
APE	41,880	38,580	8.6	32,250	29.9
Value of New Business	10,090	9,380	7.6	8,090	24.7

Source: Company, PL

Exhibit 2: Actual performance v/s. our Estimates

(Rs mn)	2Q FY26	2Q FY25	YoY gr. (%)	1Q FY26	QoQ gr. (%)	2Q FY26E	% Var.
APE	41,880	38,580	8.6	32,250	29.9	41,133	1.8
VNB	10,090	9,380	7.6	8,090	24.7	10,078	0.1
VNB Margin (%)	24.1	24.3	-20 bps	25.1	-100 bps	24.5	-41 bps

Source: Company, PL

Exhibit 3: Appraisal Value Framework

	Value (Rs mn)
FY27 VNB	48,374
VNB Multiple	26.8x
Structural Value - (A)	1,294,428
Embedded Value, F26E - (B)	643,018
Appraisal Value- (A) + (B)	1,937,446
No. of shares o/s (#)	2,153.0
Value per share (Rs)	900
Implied P/EV, F27E	2.6x

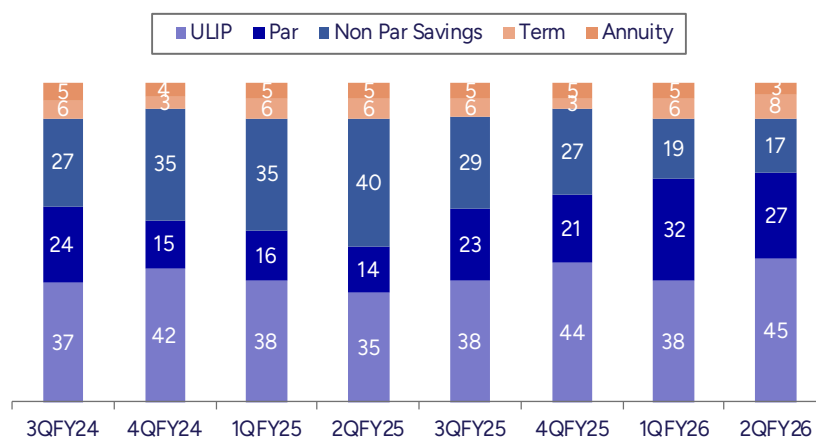
Source: PL

Q2FY26 Concall Highlights

- Company's market share improved by 90 bps overall to 11.9% and by 30 bps in the private sector to 16.6%
- The solvency ratio stood at 175%, reflecting the combined impact of ~4.5% reduction due to dividend payout, ~6% impact from the repayment of Rs6bn in subordinated debt, ~150bps impact from the recent GST changes and balance due to increased protection business
- Company plans to raise up to Rs7.5bn in subordinated debt in H2, aiming to boost the solvency ratio by ~7% towards the targeted ~180% range
- Tier 2 and 3 markets outpaced Tier 1 in growth and the company targets a contribution of 65%-70% of APE from these geographies over the next 5 years
- Individual retail policies saw traction in Sep-25 led primarily by the protection segment due to GST cuts. Company onboarded 50,000 agents with 80% in Tier 2/3 markets in H1FY26
- Management indicated that the decline in 13M /37M persistency was driven by a shift in ticket sizes, on account of strong growth from tier 2/3 markets
- Banca growth outside HDFC Bank was low in H1FY26, although Q2 showed improvement compared to Q1
- Company plans to launch the variable annuity product by Q4FY26 post regulatory approvals
- GST disallowance is expected to cause a 3% impact on the margin on a gross basis, with major effect possibly in ULIPs; however, the company aims to neutralize this impact in VNB by FY27

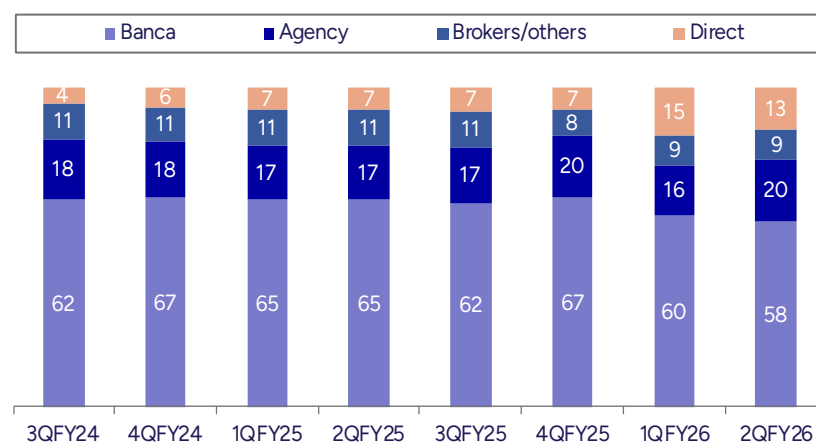
- To mitigate the impact of GST, the company is engaging with distributors and vendors, focusing on optimizing the product mix and planning new product launches
- VNB margin in H1FY26 considers the adverse impact of GST norms (-0.5%), surrender regulations (-0.3%) and fixed cost absorption (-0.6%) which is offset by increase in new business (+0.9%) and the impact of delay in re-pricing (+0.4%) in FY25
- Embedded value as of H1FY26 stood at Rs595.4bn which includes the impact of GST disallowance of Rs2.6bn; Value of in-force business grew by 16% YoY to Rs424.6bn
- Product mix by Ind. APE for UL / Non par savings / Annuity/ Protection / Par stood at 42%/ 18%/ 4%/ 7%/ 29% while the distribution mix by Ind. APE for Banca/ Agency/ Nonbank alliances/ Direct stood at 59%/ 18%/ 14%/ 9%

Exhibit 4: Product mix (Ind. APE basis) (%)



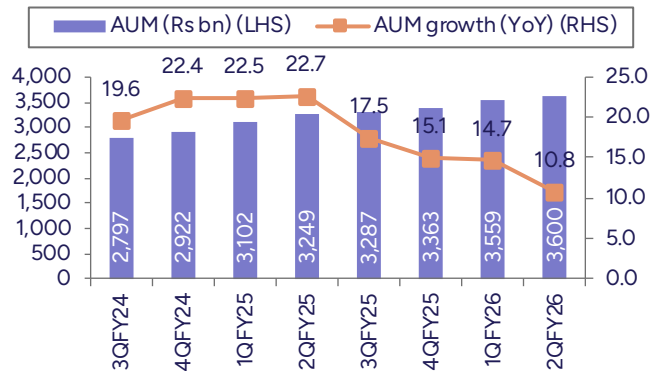
Source: Company, PL

Exhibit 5: Distribution mix (Ind. APE basis) (%)



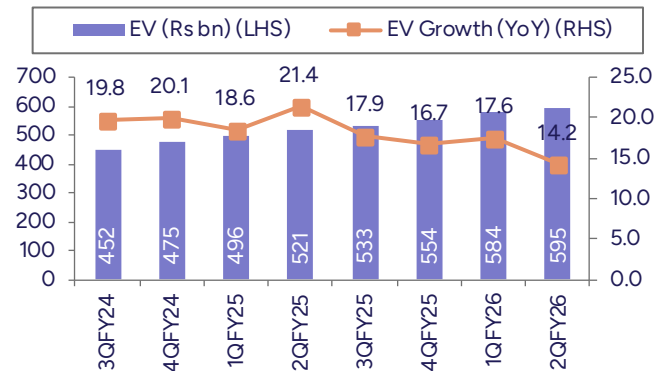
Source: Company, PL

Exhibit 6: AUM and AUM growth (% YoY)



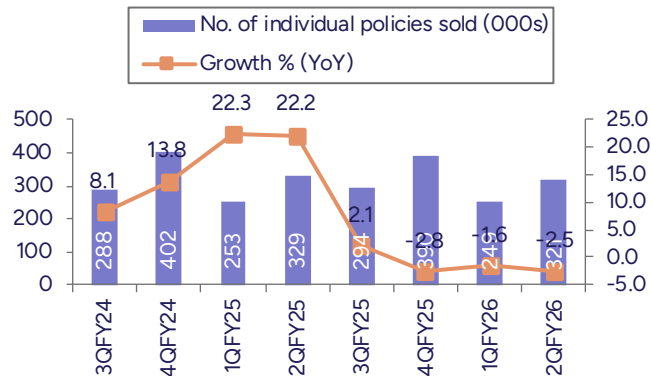
Source: Company, PL

Exhibit 7: EV and EV growth (% YoY)



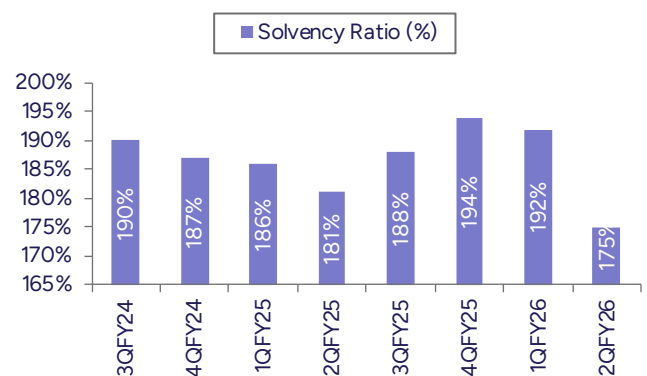
Source: Company, PL

Exhibit 8: No. of individual policies sold (000s)



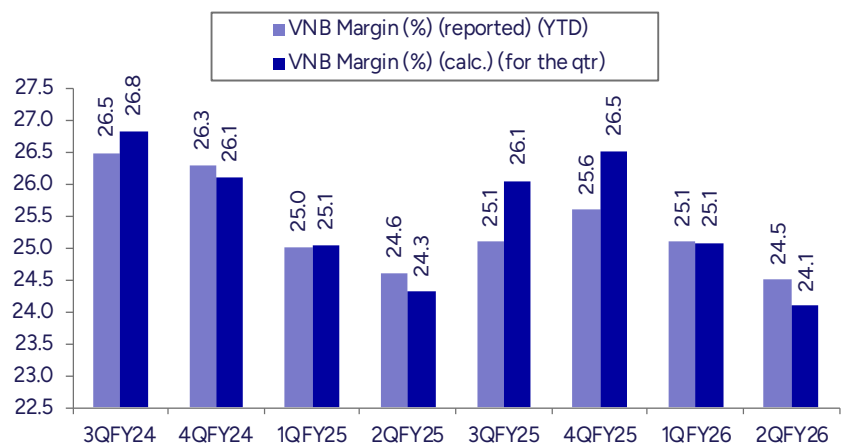
Source: Company, PL

Exhibit 9: Solvency ratio (%)



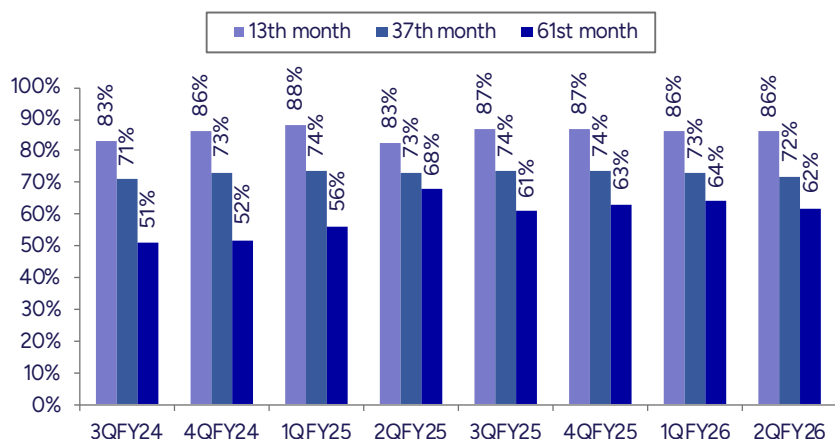
Source: Company, PL

Exhibit 10: VNB margin trajectory (%)



Source: Company, PL

Exhibit 11: Persistency Trends (%)



Source: Company, PL

Exhibit 12: Persistency across channels (YTD)

	9MFY24	FY24	Q1FY25	H1FY25	9MFY25	FY25	Q1FY26	H1FY26
Agency								
13m	87%	88%	89%	88%	88%	87%	86%	86%
25m	79%	79%	79%	78%	78%	78%	80%	80%
37m	71%	71%	71%	72%	72%	73%	72%	72%
49m	67%	68%	69%	66%	67%	68%	68%	69%
61m	54%	55%	58%	63%	63%	64%	65%	62%
Banca								
13m	85%	87%	87%	87%	87%	86%	86%	85%
25m	78%	78%	77%	77%	77%	77%	78%	77%
37m	71%	72%	73%	73%	73%	72%	71%	71%
49m	68%	69%	69%	68%	68%	69%	70%	69%
61m	54%	53%	55%	59%	59%	61%	61%	59%
Direct and broker								
13m	86%	87%	88%	90%	90%	88%	88%	88%
25m	78%	78%	77%	78%	78%	77%	78%	79%
37m	69%	69%	71%	74%	74%	72%	71%	74%
49m	66%	67%	68%	68%	67%	66%	68%	73%
61m	58%	59%	59%	61%	61%	62%	62%	62%
Overall								
13m	86%	87%	88%	88%	87%	87%	86%	86%
25m	79%	79%	79%	78%	78%	78%	79%	78%
37m	73%	73%	74%	74%	74%	74%	73%	72%
49m	68%	70%	70%	69%	70%	70%	71%	71%
61m	54%	53%	56%	60%	61%	63%	64%	62%

Source: Company, PL

Exhibit 13: EV walk

EV walk (Rsbn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Opening EV	429.1	451.9	474.7	496.1	521.3	532.7	554.3	583.6
+ unwinding	8.2	8.3	9.3	9.6	9.7	9.8	10.6	10.9
+ VNB	8.6	12.3	7.2	9.4	9.3	13.7	8.1	10.1
+ Change in operating assumptions	0	0.3	0	0	0	0	0	0
+ Operating variances	0.2	0.2	0.9	0.2	0.3	-0.2	0.1	0
+ Economic variance	5.4	1.6	4	9.6	-8.2	-1.8	9.6	-2.7
+ Dividend/capital injections	0.4	0.1	0	-3.6	0.3	0.1	0.9	-3.7
+ Impact of GST	0	0	0	0	0	0	0	-2.6
Closing EV	451.9	474.7	496.1	521.3	532.7	554.3	583.6	595.4

Source: Company, PL

Exhibit 14: Key Metrics

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Commission ratio (%)	11.2	11.5	10.9	12.1	12.4
Opex ratio (%)	10.1	9.3	7.2	10.4	9.5
Mgmt expense ratio (%)	21.3	20.8	18.1	22.5	21.8
Claims ratio (%)	62.2	54.7	46.5	60.0	49.7
Solvency ratio (%)	181.0	188.0	194.0	192.0	175.0
Yield on s/hs' funds					
with unrealized gains (%)	4.0	0.0	1.8	3.6	0.5
without unrealized gains (%)	1.8	1.7	1.9	1.7	2.0
Persistency (%)					
13th month	82.5	87.0	87.0	86.0	86.0
37th month	73.1	74.0	74.0	73.0	72.0
61st month	67.9	61.0	63.0	64.0	62.0
Conservation ratio (%)	84.9	84.7	84.7	86.7	85.5

Source: Company, PL

Exhibit 15: One- year forward P/EV



Source: Company, PL

Financials

Exhibit 16: Revenue Account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
FYP (first year premium)	111,108	129,761	148,706	170,714	196,663
SP (single premium)	185,205	203,892	232,437	267,303	308,735
NBP (new business premium)	296,314	333,653	381,143	438,017	505,398
RP (renewal premium)	334,451	376,796	427,664	487,536	558,229
Gross premium	630,765	710,449	808,807	925,553	1,063,627
(-) Reinsurance ceded	11,173	14,288	16,266	18,614	21,390
Net premiums	619,592	696,161	792,541	906,940	1,042,236
Investment & other income	388,151	263,287	273,810	290,424	331,491
Total income	1,007,743	959,448	1,066,350	1,197,364	1,373,727
- Commission expenses	52,563	78,353	72,793	78,672	85,090
- Operating expenses	69,011	62,218	68,749	78,672	90,408
- Provision for doubtful debts and taxes	3,183	5,715	6,393	7,197	8,147
Operating surplus	882,986	813,162	918,417	1,032,823	1,190,082
- Benefits paid (net)	396,965	369,109	444,844	504,427	574,358
- Change in reserves	484,194	415,156	440,252	486,946	570,532
Pre-tax surplus / (deficit)	1,828	28,897	33,321	41,450	45,191
Provisions for tax	-5,924	-5,882	4,998	6,218	6,779
Post-tax surplus / (deficit)	7,751	34,779	28,323	35,233	38,412

Source: Company, PL

Exhibit 17: P&L Account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
T/f from technical a/c	7,991	9,968	15,577	21,140	23,047
Investment and other income	9,104	11,252	13,370	14,661	15,394
Total income	17,095	21,220	28,948	35,801	38,441
Total expenses	5,500	2,559	8,562	8,562	8,562
PBT	15,638	18,661	20,385	27,238	29,879
Provision for tax	-50	640	699	934	1,024
PAT	15,689	18,021	19,687	26,305	28,855

Source: Company, PL

Exhibit 18: Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Shareholders' fund	146,517	161,256	142,339	169,170	198,602
Policy liabilities	2,778,661	3,221,509	3,632,591	4,119,537	4,690,069
Funds for future appropriations	12,115	12,576	12,745	14,093	15,365
Total	2,937,293	3,395,342	3,787,675	4,302,800	4,904,036
Application of Funds					
Shareholders' investments	148,819	183,863	211,443	222,015	233,116
Policyholders' investments	1,817,966	2,162,671	2,493,976	2,929,051	3,443,485
Asset held to cover linked liabilities	955,416	1,016,282	1,067,096	1,131,121	1,198,989
Net other and current assets	15,092	32,526	15,160	20,613	28,447
Total	2,937,293	3,395,342	3,787,675	4,302,800	4,904,036

Source: Company, PL

Exhibit 19: Embedded Value (EV)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	395,300	474,700	554,300	643,018	747,807
Unwind	32,400	38,400	44,344	51,441	59,077
VNB	35,000	39,600	41,268	48,374	56,429
Operating variance	1,800	1,200	1,500	2,000	2,500
EV Operating Profit (EVOP)	69,200	79,200	87,112	101,815	118,006
Non-operating variance	13,500	3,600	2,000	3,500	5,000
EV Profit	82,700	82,800	89,112	105,315	123,006
Net capital injection	-3,300	-3,200	-394	-526	-577
Closing EV	474,700	554,300	643,018	747,807	870,236

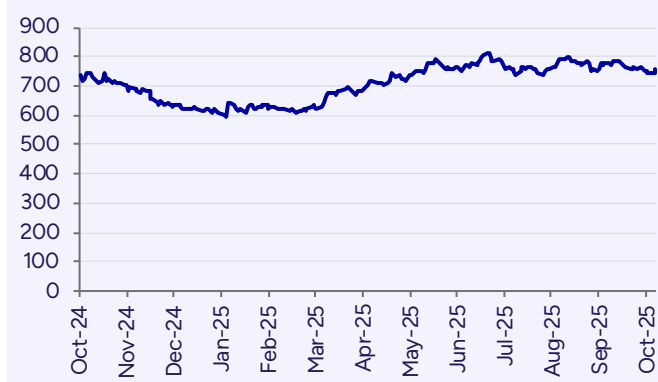
Source: Company, PL

Exhibit 20: Key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
APE	-1.0	15.8	14.5	14.8	15.2
Renewal premium	17.6	12.7	13.5	14.0	14.5
Net premium	9.2	12.4	13.8	14.4	14.9
PAT	15.3	14.9	9.2	33.6	9.7
Total AUM	22.4	15.1	12.2	13.5	13.9
Total Assets	22.6	15.6	11.6	13.6	14.0
Expense analysis (%)					
Commission ratio	8.3	11.0	9.0	8.5	8.0
Opex ratio	10.9	8.8	8.5	8.5	8.5
Claims ratio	64.1	53.0	55.0	54.5	54.0
P/hs' opex / Avg P/hs' AUM	2.7	2.1	2.0	2.1	2.1
Profitability analysis (%)					
RoA	0.6	0.6	0.5	0.7	0.6
RoE	11.6	12.1	13.4	17.4	16.1
RoEV	17.5	16.7	15.7	15.8	15.8
VNB margin	26.3	25.6	24.0	24.5	24.8
S/hs' AUM yield	6.5	6.8	6.8	6.8	6.8
P/hs' AUM yield	15.3	8.7	8.0	7.5	7.5
Balance sheet analysis					
P/hs' funds / P/hs' AUM (x)	1.0	1.0	1.0	1.0	1.0
P/hs' liabilities / Net worth (x)	18.5	20.1	23.3	25.6	24.5
Per share data (Rs)					
EPS	7.3	8.4	9.2	12.2	13.4
BVPS	66.1	72.8	64.1	76.6	90.3
EVPS	220.9	257.5	299.2	347.9	404.9
Valuation data (x)					
P/E	104.3	90.9	83.1	62.2	56.7
P/BV	11.5	10.5	11.9	9.9	8.4
P/EV	3.4	3.0	2.5	2.2	1.9

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-25	BUY	900	759
2	10-Sep-25	BUY	900	761

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	950	1,017
2	Cholamandalam Investment and Finance Company	Hold	1,550	1,632
3	HDFC Life Insurance Company	BUY	900	759
4	ICICI Prudential Life Insurance Company	BUY	725	601
5	Mahindra & Mahindra Financial Services	Hold	300	283
6	Max Financial Services	BUY	1,850	1,604
7	SBI Life Insurance Company	Hold	1,925	1,758
8	Shriram Finance	Hold	685	667
9	Sundaram Finance	Hold	4,750	4,427

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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