

HDFC Life Insurance

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2153
M.Cap.(INRb)/(USDb)	1550.3 / 18.2
52-Week Range (INR)	761 / 511
1, 6, 12 Rel. Per (%)	8/3/11
12M Avg Val (INR M)	2794

Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Net Premiums	696.2	816.2	944.6
PBT	18.7	21.8	24.7
Surplus / Deficit	10.4	11.2	12.8
Sh. PAT	18.0	21.8	24.7
NBP gr - APE (%)	15.8	17.2	16.7
Premium gr (%)	12.6	17.0	15.7
VNB margin (%)	25.6	26.0	26.5
RoEV (%)	16.8	16.9	17.0
Total AUMs (INRt)	3.5	4.3	5.1
VNB (INRb)	39.6	47.2	56.1
EV per share	257.6	301.2	352.4

Valuations

P/EV (x)	2.8	2.4	2.0
P/EVOP (x)	19.6	16.7	14.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	50.3	50.3	50.4
DII	13.7	13.2	6.6
FII	25.2	25.7	31.3
Others	10.8	10.8	11.8

FII includes depository receipts

CMP: INR720 **TP:INR850 (+18%)** **Buy**

VNB margin beats estimate; APE growth weak

- HDFC Life Insurance (HDFCLIFE) reported APE of INR51.9b (in line) in 4QFY25, up 10% YoY, driven by 9%/13% YoY growth in individual/group APE. For FY25, APE grew 16% YoY to INR154.8b.
- VNB grew 12% YoY to INR13.8b (in line) in 4QFY25, resulting in 13% YoY growth in FY25 VNB to INR39.6b. VNB margin for 4QFY25 came in 30bp above our estimate at 26.5% vs. 26.1% in 3QFY25/4QFY24, driven by higher rider attachment in ULIPs and sales of longer-term policies. For FY25, VNB margin was at 25.6% (vs. 26.3% in FY24).
- PAT increased 16% YoY to INR4.8b (15% miss) in 4QFY25. For FY25, PAT grew 15% YoY to INR18b, driven by back-book surplus.
- APE growth is expected to moderate in FY26 to mid-teens. VNB margins will remain range-bound as the company continues to invest the surplus in agent productivity enhancement and technology transformation.
- We have trimmed our VNB margin assumptions by 20bp/30bp in FY26/27, keeping our APE and EV estimates unchanged. We estimate HDFCLIFE to deliver a 19% VNB CAGR over FY25-FY27E and margins to gradually trend higher going ahead. **Reiterate BUY with a TP of INR850 (based on 2.4x FY27E EV).**

VNB margin expands as product-level margins improve

- For 4QFY25, HDFCLIFE reported 15% YoY growth in gross premium to INR240b (in line), driven by 9%/15% YoY growth in first-year/ renewal premium. For FY25, gross premium grew 13% YoY to INR710b.
- Overall APE growth of 8% YoY was driven by strong growth of 270%/63% YoY in group/par business, while ULIP/annuity maintained stable momentum (+15%/31% YoY). This was offset by 18% YoY decline in non-par APE.
- Individual APE growth was 14% YoY, led by 22%/59% YoY growth in ULIP/Par segment. Share of ULIPs was 40% in overall APE and 45% in individual APE vs. 31%/36% in 3QFY25.
- While the share of ULIP remained higher in 4QFY25, VNB margin improved 40bp YoY on account of persistency improvement, a higher level of protection in ULIPs, and an increase in sales of long-term products.
- The overall channel mix between banca/agents/direct/broker has remained largely steady at 65%/20%/8%/7%, with the agency channel's contribution rising on account of branch expansion, strong agent addition and improved agent efficiency.
- For FY25, the persistency ratio for 13th month was stable, while for 61st month improved 1,000bp to 63.5%.
- Total AUM as of Mar'25 increased by 15% YoY to INR3.3t, with AUM mix for Debt: Equity at 69:31 as of 12MFY25.
- Embedded Value (EV) grew 17% YoY to INR554.2b at the end of FY25, reflecting RoEV of 16.7%. Solvency ratio improved to 194% on account of sub-debt raise of INR20b.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- Management expects traditional products to perform well, aided by lower interest rates and equity market uncertainty in FY26.
- Apart from the HDFC Bank channel's support in the sales of higher-margin ULIPs, multiple levers are available for VNB margin improvement, with pricing discipline as the most important aspect. The company also has cost-control measures and cost-efficiency opportunities through process automation.
- The company is undergoing a technology transformation by building real-time service capabilities, which will result in a temporary rise in costs, but customer experience will be elevated and long-term digital leadership will be achieved.

Valuation and view

- HDFCLIFE aims to maintain a balanced product mix and enhance sum assured of ULIPs, along with higher rider attachment to achieve improvement in underlying margins. While product innovation, improved agent productivity and enhanced customer experience through tech transformation will have a short-term impact on profitability, it will boost market share with respect to the number of policies in the long term.
- We have trimmed our VNB margin assumptions by 20bp/30bp in FY26/27, keeping our APE and EV estimates unchanged. We estimate HDFCLIFE to deliver a 19% VNB CAGR over FY25-FY27E and margins to gradually trend higher going ahead. **Reiterate BUY with a TP of INR850 (based on 2.4x FY27E EV).**

Quarterly Performance

Policy holder's A/c (INR b)	FY24				FY25				FY25	FY25E	V/s est	YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4Q			
First year premium	18.5	25.7	26.8	40.1	23.6	32.5	29.7	44.0	129.8	44.5	-1.2	9.5	48.1
Growth (%)	8.4%	5.9%	-1.7%	-10.1%	27.4%	26.8%	10.8%	9.5%	16.8%	10.8%			
Renewal premium	58.0	78.4	84.0	114.1	64.1	88.3	93.8	130.6	376.8	130.9	-0.2	14.5	39.3
Growth (%)	13.8%	13.5%	16.8%	23.3%	10.5%	12.7%	11.7%	14.5%	12.7%	14.8%			
Single premium	40.2	45.4	44.5	55.2	40.4	48.4	49.3	65.7	203.9	68.7	-4.3	19.1	33.3
Growth (%)	24.0%	14.7%	-4.6%	-6.6%	0.6%	6.8%	10.8%	19.1%	10.1%	24.5%			
Gross premium inc.	116.7	149.4	155.3	209.4	128.1	169.3	172.8	240.3	710.4	244.1	-1.6	14.8	39.1
Growth (%)	16.2%	12.5%	6.5%	6.7%	9.7%	13.3%	11.3%	14.8%	12.6%	16.6%			
Surplus/(Deficit)	2.1	2.3	0.6	2.7	5.6	5.1	-1.9	1.6	10.4	1.3	21.6	-40.1	-184.4
Growth (%)	0.9%	-7.2%	-81.4%	-52.3%	165.7%	122.6%	NA	-40.1%	34.5%	-51%			
PAT	4.2	3.8	3.7	4.1	4.8	4.3	4.1	4.8	18.0	5.6	-14.8	15.9	14.8
Growth (%)	15.4%	15.5%	15.8%	14.6%	15.0%	14.9%	13.7%	15.9%	14.9%	36.1%			
Key metrics (INRb)													
New business APE	23.3	30.5	31.9	47.3	28.7	38.6	35.7	51.9	154.8	51.9	0.0	9.7	45.3
Growth (%)	12.8	6.8	-2.1	-8.4	23.1	26.7	11.8	9.7	16.5%	9.7			
VNB	6.1	8.0	8.6	12.3	7.2	9.4	9.3	13.8	39.6	13.6	1.1	11.5	48.0
Growth (%)	17.8	4.0	-2.2	-18.3	17.7	17.1	8.6	11.5	13.2%	-43.3			
AUM (INR b)	2,533	2,649	2,797	2,922	3,102	3,249	3,287	3,363	3,363	3,631	-7.4	15.1	2.3
Growth (%)	18.7	17.8	19.6	22.4	22.5	22.7	17.5	15.1	15.1%	24.2			
Key Ratios (%)													
VNB Margins (%)	26.2	26.2	26.8	26.1	25.1	24.3	26.1	26.5	25.6	26.2	29bp	43bp	48bp

Exhibit 1: Revised estimates

	New Estimates		Old Estimates		Change in Estimates (%)	
Y/E MARCH	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Premiums (INRb)	816.2	944.6	817.9	954.3	-0.2	-1.0
PBT (INRb)	21.8	24.7	20.9	24.0		
Surplus / Deficit (INRb)	11.2	12.8	18.0	20.6	-37.8	-37.7
Sh. PAT (INRb)	21.8	24.7	20.9	24.0	4.3	3.2
NBP gr - APE (%)	17.2	16.7	18.7	18.7		
Premium gr (%)	17.0	15.7	17.7	16.7		
VNB margin (%)	26.0	26.5	26.2	26.8	-0.2	-0.3
RoEV (%)	16.9	17.0	16.5	17.1		
Total AUMs (INRt)	4.3	5.1	4.3	5.1		
VNB (INRb)	47.2	56.1	48.8	59.3	-3.4	-5.4
EV per share	301.2	352.4	300	352		
Valuations						
P/EV (x)	2.4	2.0	2.1	1.8		
P/EVOP (x)	16.7	14.1	14.4	12.0		



Highlights from the management commentary

Outlook

- Management expects traditional products to perform well, aided by lower interest rates and equity market uncertainty in FY26.
- Growth in FY26 will be lower than in FY25 due to the base effect, as 1HFY25 saw robust growth of 20%, driven by ULIP traction.
- VNB margins will remain range-bound as the company continues to investing the surplus in agent productivity enhancement and technology transformation.

Business performance

- 18% YoY growth in individual APE for FY25 was in line with the stated growth aspiration, driven by 9% growth in the average ticket size and the remaining from volume growth.
- The company continues to launch innovative products with industry-first features like Click 2 Achieve Par Advantage, Sanchay Aajeevan Guaranteed Advantage, and many more in the pipeline, which should increase attractiveness for customers.
- The company has taken additional measures to maintain and improve persistency like hand-holding customers during volatile markets and the usage of data analytics to understand the trend early.

Product Mix

- MFI space remains subdued and hence, the credit protection segment witnessed weak performance. Next 1-2 quarters may remain muted for group protection due to MFI, as per management, and growth will resume from 2HFY26. Non-MFI segment will maintain growth momentum.
- Group term policies are 12-month contracts, and the company follows a calibrated approach toward underwriting feasible group term policies.

- ULIP segment remains elevated but had higher protection rider attachment. Management expects some moderation in ULIPs over the next 12 months due to volatile equity markets.
- Par segment has done well in 4Q with 41% YoY growth, and management expects the segment's contribution to remain in 20s.
- Par margins might be slightly lower than non-par margins, but if products have a longer tenure, then margin delta would be less. Delta between ULIP and par is going down, owing to higher sum assured and persistency improvement.
- Non-par mix has been in early to mid-30s for the last four years, witnessing various interest rate cycles. A flat interest rate environment is expected for the next 12 months, which will be conducive for the segment. Hence, management expects the contribution to remain in a similar range.
- Protection growth will remain faster than overall company growth, as per management, driven by correct pricing and a higher share of ULIPs with rider attachment and higher sum assured. The segment has grown 25% for the last two years and witnessed 19% YoY growth in 4QFY25 (+26% QoQ).

Financial and Operational metrics

- The company raised INR20b of sub-debt, which improved the solvency to 194%. Strong growth in back-book profits resulted in PAT growth.
- The company continues to invest in data analytics and innovation labs to identify early indicators across the value chain.
- The company is undergoing a technology transformation toward building real-time service capabilities, which will result in a temporary rise in cost, but customer experience will be elevated and long-term digital leadership is expected.
- VNB margin was affected by surrender value regulations (~30bp), offset by improvement in product margins (~40-50bp; increase in level of protection in ULIP and longer-term products sold). As a result, VNB margin improved 20bp YoY in 4QFY25.
- Apart from the HDFC Bank channel's support in the sales of higher-margin ULIPs, multiple levers are available for VNB margin improvement, with pricing discipline as the most important aspect. The company also has cost-control measures and cost-efficiency opportunities through process automation.

Distribution

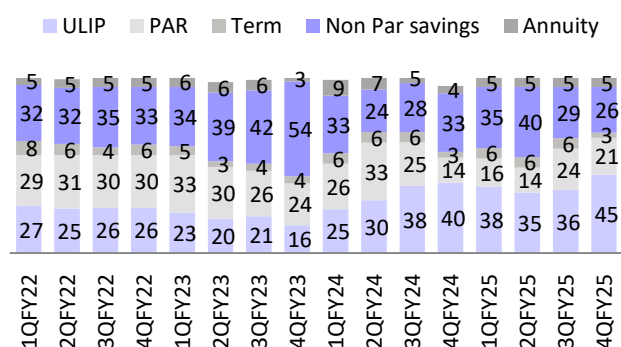
- Counter share of HDFC Bank remains steady at 65%.
- Term business within agency channel grew 50%+ YoY.
- 30,000 new agents added during the year. The company added 200 branches in two years (117 in FY25), taking the branch count to 650. 40 new banca partners were onboarded in FY25.
- The company wants to improve the mix of ULIP with higher sum assured and rider attachment with longer terms in the HDFC Bank channel, which can increase profitability even if ULIP share increases.
- Agency growth has been driven by branch expansion, strong agent addition and agent efficiency. Some business is coming from inorganic portion as well.

EV Walk

- There was a non-material impact of assumption changes on operating variances, but no mortality changes.
- The retirement of first tranches of sub-debt is in the next couple of months, so it will have to see if capital infusion is required to maintain solvency.

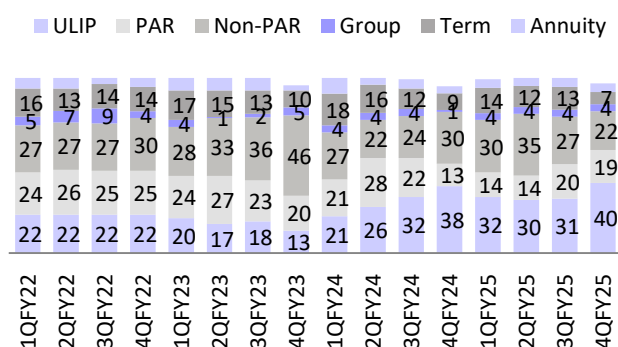
Key exhibits

Exhibit 2: Share of ULIP increases YoY to 45% of individual APE



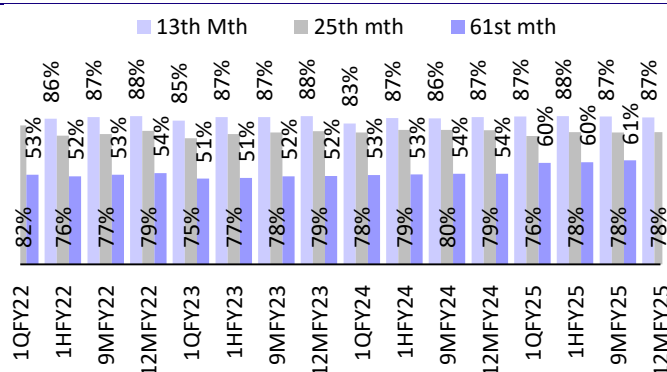
Source: MOFSL, Company

Exhibit 3: Share of Non-par Savings/Annuity/Protection at 22%/5%/7% of total APE, respectively



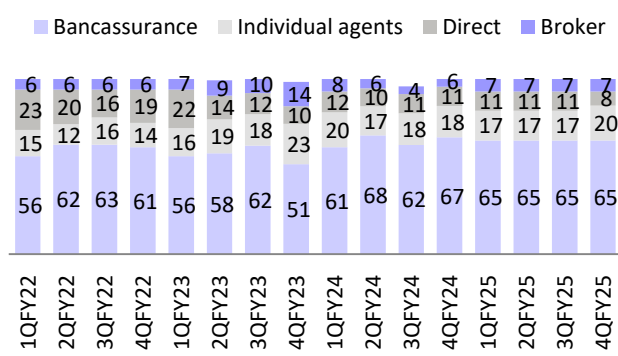
Source: MOFSL, Company

Exhibit 4: Improving trends in persistency ratios



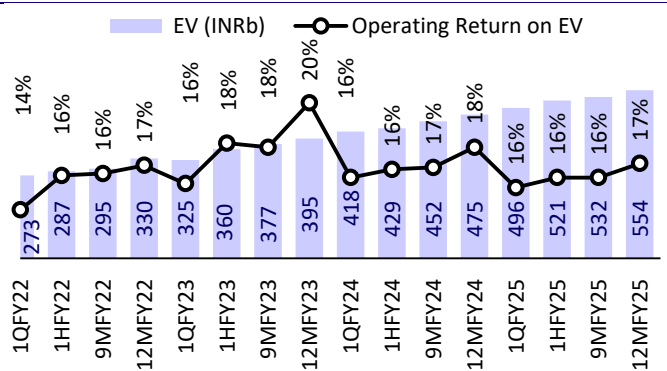
Source: MOFSL, Company

Exhibit 5: Distribution mix for individual APE



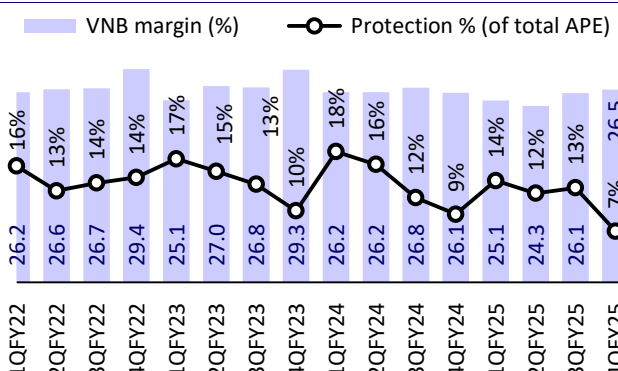
Source: MOFSL, Company

Exhibit 6: Operating RoEV healthy at 17%



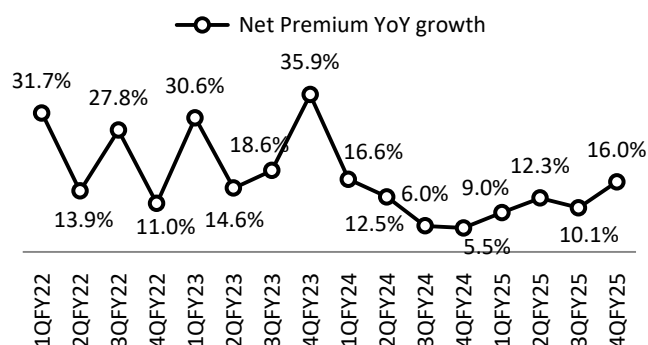
Source: MOFSL, Company

Exhibit 7: VNB margin at 26.5% for 4QFY25



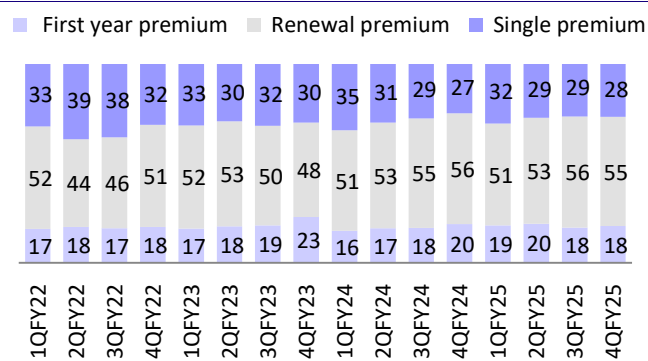
Source: MOFSL, Company

Exhibit 8: Net premium income grew 16% YoY



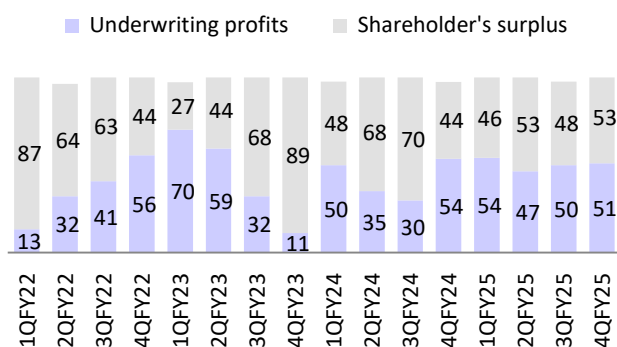
Source: MOFSL, Company

Exhibit 9: Proportion of premium trends among first year, single, and renewal premiums



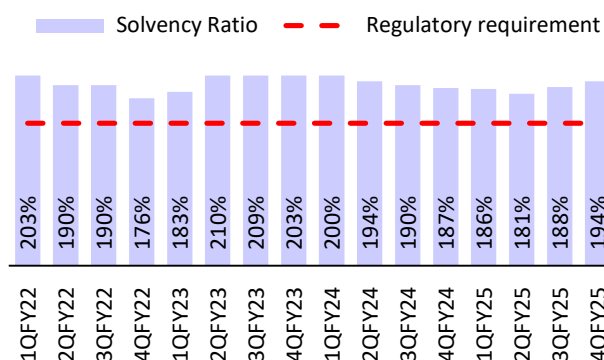
Source: MOFSL, Company

Exhibit 10: Trend in underwriting profit and shareholders' surplus



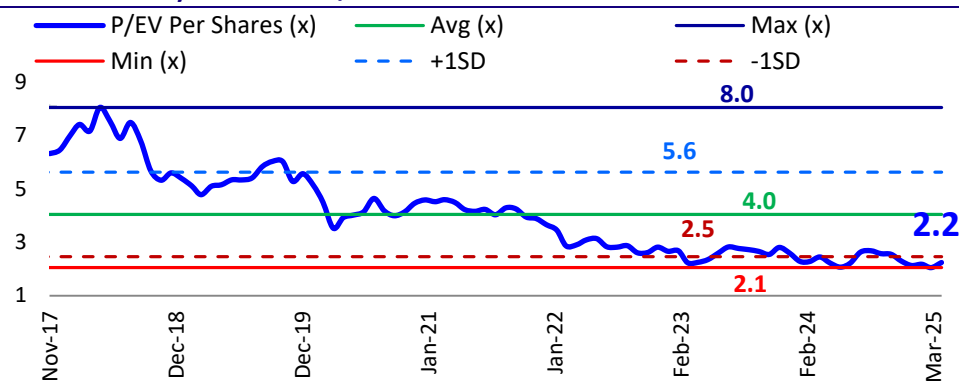
Source: MOFSL, Company

Exhibit 11: Solvency ratio stood at 194% in 4QFY25



Source: MOFSL, Company

Exhibit 12: One-year forward P/EV



Source: MOFSL, Company

Financials and valuations

Technical account (INRm)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Gross Premiums	3,27,069	3,85,835	4,59,628	5,75,334	6,30,765	7,10,449	8,30,920	9,61,614
Reinsurance Ceded	(4,833)	(4,612)	(5,664)	(7,694)	(11,173)	(14,288)	(14,718)	(17,033)
Net Premiums	3,22,236	3,81,223	4,53,964	5,67,640	6,19,592	6,96,161	8,16,202	9,44,581
Income from Investments	(33,109)	3,26,776	1,92,160	1,25,975	3,83,543	2,59,453	3,49,765	3,96,619
Other Income	3,487	4,420	7,460	13,439	4,608	3,834	4,218	4,639
Total income (A)	2,92,614	7,12,418	6,53,584	7,07,054	10,07,743	9,59,448	11,70,185	13,45,840
Commission	14912	17104	19403	28869	52563	78353	91762	106956
Operating expenses	42,669	45,860	56,125	84,374	69,010	62,218	69,684	78,046
Total commission and opex	57,581	62,964	75,528	1,13,242	1,21,574	1,40,571	1,61,446	1,85,002
Benefits Paid (Net)	1,90,215	2,25,748	3,18,637	3,88,723	3,96,965	3,93,459	4,75,279	5,38,184
Chg in reserves	24,408	4,08,296	2,46,815	1,85,862	4,84,194	4,15,156	5,13,592	5,99,742
Prov for doubtful debts	9,207	1,682	1,162	4,047	3,183	5,715	6,678	7,808
Total expenses (B)	2,81,410	6,98,690	6,42,142	6,91,875	10,05,915	9,54,901	11,56,996	13,30,735
(A) - (B)	11,204	13,729	11,442	15,180	1,828	4,548	13,189	15,104
Provn for tax	1,490	2,744	1,845	1,591	-5,924	-5,882	1,978	2,266
Surplus / Deficit	9,714	10,985	9,597	13,589	7,752	10,430	11,211	12,839
Shareholder's a/c (INRm)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Transfer from technical a/c	11,914	9,909	10,093	14,689	7,991	9,968	11,211	12,839
Income From Investments	4,378	6,476	7,894	7,197	10,022	11,251	13,440	15,002
Total Income	16,478	16,385	17,987	22,519	18,144	21,220	24,653	27,842
Other expenses	334	637	825	1,246	1,209	1,429	1,572	1,730
Contribution to technical a/c	1,047	2,586	5,694	8,795	1,251	1,004	1,105	1,215
Total Expenses	3,360	2,850	6,186	9,794	2,505	2,559	2,815	3,097
PBT	13,117	13,535	11,801	12,724	15,639	18,661	21,837	24,745
Prov for Tax	(165)	66	275	877	50	(640)	-	-
PAT	12,953	13,601	12,077	13,601	15,689	18,021	21,837	24,745
Growth	1%	5%	-11%	13%	15%	15%	21%	13%
Premium (INRm) & growth (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
New business prem - unwtd	1,72,385	2,01,066	2,41,548	2,90,851	2,96,314	3,33,653	3,89,346	4,52,895
New business prem - WRP	71,637	81,832	96,644	1,31,000	1,29,629	1,50,150	1,75,920	2,05,321
Renewal premium	1,54,684	1,84,769	2,18,080	2,84,483	3,34,451	3,76,796	4,41,574	5,08,719
Total premium - unwtd	3,27,069	3,85,835	4,59,628	5,75,334	6,30,765	7,10,449	8,30,920	9,61,614
New bus. growth - unwtd	15.1%	16.6%	20.1%	20.4%	1.9%	12.6%	16.7%	16.3%
New business growth - APE	18.4%	14.2%	18.1%	35.5%	-1.0%	15.8%	17.2%	16.7%
Renewal premium growth	8.8%	19.4%	18.0%	30.4%	17.6%	12.7%	17.2%	15.2%
Total prem growth - unwtd	12.1%	18.0%	19.1%	25.2%	9.6%	12.6%	17.0%	15.7%

Balance sheet (INRm)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sources of Fund								
Share Capital	20,244	20,229	21,159	21,526	21,509	21,536	21,536	21,536
Reserves And Surplus	49,675	64,074	1,32,852	1,08,146	1,20,503	1,35,260	1,61,406	1,90,461
Shareholders' Fund	69,999	86,377	1,54,859	1,29,868	1,46,517	1,61,256	1,87,403	2,16,457
Policy Liabilities	6,52,708	8,55,230	10,43,425	14,32,696	17,53,488	21,07,778	25,28,906	30,30,112
Prov. for Linked Liab.	5,08,442	7,09,635	7,65,190	7,53,836	9,21,145	9,77,434	14,93,666	16,77,701
Funds For Future App.	42,209	47,866	50,435	50,533	46,386	51,424	56,567	62,223
Current liabilities & prov.	49,769	65,159	62,287	83,030	87,777	95,992	1,05,591	1,16,150
Total	13,21,624	17,95,817	21,03,892	24,79,222	30,25,071	34,91,333	43,50,596	50,81,108
Application of Funds								
Shareholders' inv	58,555	85,421	1,52,379	1,31,319	1,48,819	1,83,863	2,11,443	2,43,159
Policyholders' inv	6,71,886	9,05,378	10,83,110	14,64,485	18,17,966	21,62,671	27,94,538	33,35,116
Assets to cover linked liab.	5,41,821	7,47,595	8,06,215	7,92,015	9,55,416	10,16,282	12,03,546	13,47,972
Loans	2,991	4,240	6,428	15,853	18,972	23,783	26,161	28,777
Fixed Assets	3,301	3,401	3,427	3,802	4,158	6,011	6,311	6,627
Current assets	43,070	49,781	52,333	71,748	79,739	98,724	1,08,597	1,19,457
Total	13,21,624	17,95,817	21,03,892	24,79,222	30,25,071	34,91,333	43,50,596	50,81,108

Financials and valuations

Operating ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Investment yield	-2.7%	22.8%	10.8%	6.1%	15.2%	8.5%	9.5%	9.1%
Commissions / GWP	4.6%	4.4%	4.2%	5.0%	8.3%	11.0%	11.0%	11.1%
- first year premiums	17.9%	18.5%	17.0%	17.9%	28.4%	45.2%	45.2%	45.2%
- renewal premiums	1.6%	1.5%	1.5%	1.8%	1.6%	1.6%	1.6%	1.6%
- single premiums	1.3%	1.0%	1.3%	1.6%	8.5%	6.8%	6.8%	6.8%
Operating expenses / GWP	13.0%	11.9%	12.2%	14.7%	10.9%	8.8%	8.4%	8.1%
Total expense ratio	16.9%	17.6%	16.3%	16.4%	19.7%	19.3%	19.8%	19.4%
Claims / NWP	59.0%	59.2%	70.2%	68.5%	64.1%	56.5%	58.2%	57.0%
Solvency ratio	184%	201%	176%	203%	187%	194%	183%	180%

Persistency ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
13th Month	90.1%	90.0%	87.5%	87.5%	87.1%	86.9%	86.8%	86.8%
25th Month	80.2%	81.0%	78.8%	78.7%	79.2%	78.1%	78.0%	77.9%
37th Month	73.8%	71.0%	67.5%	72.4%	73.2%	73.6%	73.3%	73.2%
49th Month	67.2%	67.0%	63.2%	64.0%	69.7%	70.2%	71.2%	71.8%
61st Month	55.0%	53.0%	54.0%	52.3%	53.5%	63.5%	64.2%	65.2%

Profitability ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
VNB margin (%)	25.9%	26.1%	27.4%	27.5%	26.3%	25.6%	26.0%	26.5%
RoE (%)	20.8%	17.6%	10.0%	9.6%	11.4%	11.7%	12.5%	12.3%
RoIC (%)	56.8%	56.7%	21.6%	14.1%	14.7%	16.9%	20.5%	23.2%
Operating ROEV	18.2%	18.5%	16.5%	19.7%	17.5%	16.7%	16.8%	16.9%
RoEV (%)	12.8%	28.9%	12.9%	31.5%	20.1%	16.7%	16.9%	17.0%

Valuation data points	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total AUMs (INRb)	1,272	1,738	2,042	2,388	2,922	3,464	4,336	5,074
DPS		2.0	1.7	1.9	2.0	2.1	2.0	2.0
EPS, INR	6.0	6.3	5.6	6.3	7.3	8.4	10.2	11.5
Value of new business (INRb)	19.2	21.9	26.7	36.7	35.0	39.6	47.2	56.1
Embedded Value (INRb)	157.8	266.2	329.4	395.1	474.5	554.1	647.8	758.0
EV per share (INR)	73.4	123.7	153.1	183.7	220.6	257.6	301.2	352.4
VIF as % of EV	85%	66%	64%	68%	69%	71%	72%	74%
P/VIF (%)	1.2	0.9	0.7	0.6	0.5	0.4	0.3	0.3
P/AUM (%)	1.2	0.9	0.8	0.6	0.5	0.4	0.4	0.3
P/EV (x)	9.8	5.8	4.7	3.9	3.3	2.8	2.4	2.0
P/EPS (x)	119.6	113.9	128.2	113.9	98.7	85.9	70.9	62.6

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