

HDFC Life Insurance

Estimate change	
TP change	
Rating change	

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2156
M.Cap.(INRb)/(USDb)	1641.1 / 18.6
52-Week Range (INR)	821 / 584
1, 6, 12 Rel. Per (%)	-3/-1/6
12M Avg Val (INR M)	2211

Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Net Premiums	696.2	807.4	934.3
PBT	18.7	18.1	21.5
Surplus / Deficit	10.4	8.4	10.3
Sh. PAT	18.0	18.1	21.5
NBP gr - APE (%)	15.8	14.4	16.7
Premium gr (%)	12.6	16.0	15.7
VNB margin (%)	25.6	24.3	26.0
RoEV (%)	16.8	15.4	16.5
Total AUMs (INRt)	3.4	4.1	4.8
VNB (INRb)	39.6	43.0	53.7
EV per share	257.6	297.3	346.5
Valuations			
P/EV (x)	3.0	2.6	2.2
P/EVOP (x)	20.7	19.0	15.4

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	50.3	50.3	50.4
DII	14.6	14.1	11.3
FII	24.8	25.0	26.7
Others	10.4	10.6	11.7

FII includes depository receipts

CMP: INR761

TP: INR910 (+20%)

Buy

Performance in line; a 0.5% impact of GST on VNB margin

- HDFC Life Insurance (HDFCLIFE) reported an APE of INR41.9b (in line) in 2QFY26, up 9% YoY. This was led by a 9%/7% YoY growth in individual/group APE. For 1HFY26, APE grew 10% YoY to INR74.1b.
- HDFCLIFE's VNB grew 8% YoY to INR10.1b in 2QFY26 (in line), resulting in a VNB margin of 24.1% (vs. our estimate of 24%). For 1HFY26, VNB grew 10% YoY to INR18.2b, leading to a VNB margin of 24.5% (flat YoY).
- For 2QFY26, HDFCLIFE reported a 3% YoY growth in shareholders' PAT to INR4.5b (6% miss), supported by a 14% increase in back-book profits. For 1HFY26, its PAT grew 9% YoY to INR9.9b while EV at the end of 1HFY26 was at INR595.4b (RoEV of 14.2%).
- Going forward, management expects mid-teens growth, which should be better than the industry. VNB growth should normalize from FY27, supported by operational adjustments and distribution realignments over the next 2-3 quarters to mitigate the loss of input tax credit. The expectation is to end 4QFY26 with a stable VNB margin.
- We trim our VNB margin assumptions by 70bp for FY26, considering the impact of the loss of input tax credit. We have factored in a 0.5% EV hit on the back book, leading to a 0.6% decline in our FY26/FY27/FY28 EV estimates. **We roll over to Sep'27E EV to arrive at our TP of INR910 (based on 2.4x Sep'27E EV). Reiterate BUY.**

Improving trends in the protection segment

- For 2Q, HDFCLIFE posted a 14% YoY growth in gross premium to INR192.9b (in line), led by 17%/11% YoY growth in renewal/single premium.
- Overall APE growth of 9% YoY was driven by an 82%/44%/20% YoY growth in Par/ULIP/Term business, while non-par and group business reported a YoY decline of 53%/10%. Individual APE witnessed a YoY increase in contribution from ULIP/Par/Term to 45%/27%/8%.
- The share of ULIPs in total APE increased to 40%, reflecting the rising demand for ULIPs. However, the gradual shift towards higher sum assured ULIPs with rider attachments has helped in maintaining the VNB margin despite rising ULIP contributions.
- The share of the par segment increased to 24% from 14% in 2QFY25 on account of new product offerings. The share of the non-par segment dipped to 15% (35% in 2QFY25) but is expected to improve going forward, with attractiveness increasing owing to declining interest rates and rising demand for guaranteed solutions.
- The protection segment is experiencing traction as the share of total APE has grown from 12% in 2QFY25 to 13% in 2QFY26. In terms of new business premium, the share of term has increased to 28.2% from 26.6% in 2QFY25. The segment witnessed ~3x growth compared to overall company growth, contributing positively to VNB margin. Retail protection grew 50% post-GST exemption from 22nd Sep'25.

- On an individual APE basis, the banca/agency/direct channels witnessed a YoY growth of 12%/25%/19%. HDFC's counter share remained stable, while wallet share among other banks is improving compared to 1QFY26, according to the management.
- HDFCLIFE's persistency ratios have declined YoY across all cohorts except 49th-month persistency, which improved to 70.1% from 69.2% in 2QFY25.
- As of Sep'25, total AUM increased by 11% YoY to INR3.6t.
- Embedded Value (EV) grew 14.2% YoY to INR595.4b as of Sep'25, with operating RoEV for 1HFY26 at 15.8%. The solvency ratio for the quarter stood at 175% and is expected to improve to 180-185% post-debt raising in 2HFY26.
- HDFCLIFE's commission ratios have seen an increase YoY to 12% (10.9% in 2QFY25), offset by operational efficiencies, resulting in a rise in overall expense ratio to 21.3% from 20.9% in 2QFY25.

Highlights from the management commentary

- Around 80% of September's new business was issued post-GST changes, showing early signs of stronger growth post-GST changes.
- HDFCLIFE plans to raise INR7.5b of debt in 2HFY26, which is expected to enhance solvency by around 7%. Solvency levels dipped due to 1) dividend payout – 4.5%, 2) subordinated debt repayment – 6%, 3) GST impact – 1.5%, and 4) new business strain. Management aims to maintain solvency within the 180–185% range.
- About 50% of the input tax credit loss arises from distributor commissions, with the remainder stemming from technology and outsourcing expenses. Management is actively engaging with vendors and distributors to share costs and optimize efficiency.

Valuation and view

- HDFCLIFE maintains an industry-leading growth trajectory along with a stable VNB margin driven by a diversified product mix, rising sum assured (especially in ULIPs), and improving rider attachments. While the impact of input tax credit loss will dampen the profitability in the short run, a strong growth trajectory, improving product-level margin, and cost optimization measures should help normalize its VNB margin.
- We trim our VNB margin assumptions by 70bp for FY26, considering the impact of the loss of input tax credit. We have factored in a 0.5% EV hit on the back book, resulting in a 0.6% decline in our FY26/27/28 EV estimates. **We roll over to Sep'27E EV to arrive at our TP of INR910 (based on 2.4x Sep'27E EV).**

Reiterate BUY.

Quarterly performance

Policyholder's A/c (INR b)	FY25				FY26				FY25	FY26E	V/s est	YoY (%)	QoQ (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
First-year premium	23.6	32.5	29.7	44.0	25.5	35.8	34.9	52.2	129.8	148.3	36.0	-0.7	10.0	40.4
Growth (%)	27.4	26.8	10.8	9.5	8.2	10.0	17.4	18.7	16.8	14.3	10.8			
Renewal premium	64.1	88.3	93.8	130.6	76.0	103.4	110.3	151.4	376.8	441.1	101.4	1.9	17.1	36.0
Growth (%)	10.5	12.7	11.7	14.5	18.6	17.1	17.6	15.9	12.7	17.1	14.9			
Single premium	40.4	48.4	49.3	65.7	47.2	53.7	56.3	77.4	203.9	234.6	54.0	-0.5	10.9	13.7
Growth (%)	0.6	6.8	10.8	19.1	16.8	10.9	14.2	17.7	10.1	15.1	11.4			
Gross premium inc.	128.1	169.3	172.8	240.3	148.8	192.9	201.4	281.0	710.4	824.0	191.5	0.7	13.9	29.7
Growth (%)	9.7	13.3	11.3	14.8	16.1	13.9	16.6	16.9	12.6	16.0	13.1			
Surplus/(Deficit)	5.6	5.1	-1.9	1.6	0.8	-1.7	4.2	5.1	10.4	8.4	2.6	-165.1	-133.7	-306.4
Growth (%)	165.7	122.6	-415.7	-40.1	-85.2	-133.7	-317.7	212.3	35	-19.2	-48			
PAT	4.8	4.3	4.1	4.8	5.5	4.5	3.6	4.5	18.0	18.1	4.8	-5.9	3.3	-18.2
Growth (%)	15.0	14.9	13.7	15.9	14.4	3.3	-12.9	-5.3	14.9	0.2	9.7			
Key metrics (INRb)														
New business APE	28.7	38.6	35.7	51.9	32.3	41.9	41.7	61.3	154.8	177.1	42.7	-1.9	8.6	29.9
Growth (%)	23.1	26.7	11.8	9.7	12.5	8.6	16.8	18.1	16.5	14.4	10.6			
VNB	7.2	9.4	9.3	13.8	8.1	10.1	9.8	15.0	39.6	43.0	10.2	-1.3	7.8	25.0
Growth (%)	17.7	17.1	8.6	11.5	12.7	7.8	5.4	9.3	13.2	8.6	9.2			
AUM (INR b)	3,102	3,249	3,287	3,363	3,559	3,600	3,816	4,062	3,363	4,062	3,773	-4.6	10.8	1.2
Growth (%)	22.5	22.7	17.5	15.1	14.7	10.8	16.1	20.8	15.1	20.8	16.1			
Key Ratios (%)														
VNB Margins (%)	25.0	24.3	26.1	26.5	25.1	24.1	23.5	24.5	25.6	24.3	24.0	14bp	-17bp	-96bp

Exhibit 1: Our revised estimates

Y/E MARCH	New Estimates			Old Estimates			Change in Estimates (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Premiums (INRb)	807.4	934.3	1,081.9	807.4	934.3	1,081.9	-	-	-
PBT (INRb)	18.1	21.5	24.6	20.2	22.6	25.9			
Surplus / Deficit (INRb)	8.4	10.3	11.6	10.6	11.4	12.8	-20.4	-10.2	-10.0
Sh. PAT (INRb)	18.1	21.5	24.6	20.2	22.6	25.9	-10.7	-5.1	-4.9
NBP gr - APE (%)	14.4	16.7	16.7	14.4	16.7	16.7			
Premium gr (%)	16.0	15.7	15.8	16.0	15.7	15.8			
VNB margin (%)	24.3	26.0	26.5	25.0	26.0	26.5	-0.7	-	-
RoEV (%)	15.4	16.5	16.7	16.1	16.5	16.7			
Total AUMs (INRt)	4.1	4.8	5.6	4.1	4.8	5.6			
VNB (INRb)	43.0	53.7	63.9	44.3	53.7	63.9	-2.8	-	-
EV per share	297.3	346.5	404.4	299	349	407	-0.6	-0.6	-0.5



Highlights from the management commentary

Business performance

- HDFC Life outperformed both the overall industry and private peers, leading to an increase in overall market share to 11.9% and 16.6% within the private sector for 1HFY26. Going forward, the company expects mid-teens growth, which should be better than the industry.
- Notably, 70% of new customers in 1HFY26 were first-time buyers, indicating strong franchise expansion and penetration gains.
- Around 80% of September's new business was issued post-GST changes, showing early signs of stronger growth post-GST changes.
- HDFCLIFE plans to raise INR7.5b of debt in 2HFY26, which is expected to enhance solvency by around 7%. Solvency levels dipped due to 1) dividend payout – 4.5%, 2) subordinated debt repayment – 6%, 3) GST impact – 1.5%, and 4) new business strain. Management aims to maintain solvency within the 180–185% range.
- HDFC Pension retained leadership with a 43% market share, delivering 30% YoY growth.
- Tier-2/3 cities continue to form a strong growth engine, contributing ~70% of new business, and this mix is expected to remain steady.

VNB margin and product mix

- Before accounting for GST, VNB margin stood at 25%, which moderated slightly to 24.5% including the GST impact.
- Management expects normalized VNB growth from FY27, supported by operational adjustments and distribution realignments over the next 2–3 quarters to mitigate the loss of input tax credit. The expectation is to end 4QFY26 with a stable VNB margin.
- The company aims to improve product-level margins by increasing the share of high-sum-assured and high-margin ULIP products, offsetting the GST-related impact over time.
- The protection business surged 3x the company's overall growth, contributing positively to margins. Annuities grew 16% YoY, maintaining strong momentum.
- Higher sum assured in ULIPs and rider attachment options helped sustain margin levels despite the rising ULIP and Par share.
- ULIPs continued to witness strong inflows, aided by buoyant equity markets and sustained demand for market-linked returns.
- Demand for non-par savings picked up and is expected to accelerate further, supported by yield curve movements and customer preference for guaranteed solutions. Pricing was aggressive in the past, but the company expects rationalization going ahead.
- Retail protection growth outpaced the overall business, with early signs of improved traction post-GST. Individual retail term premiums grew over 50% after GST implementation, while credit protect saw a rebound in September.
- The variable annuity product is in the discussion stage with the regulator and expected to launch by 4QFY26.

Channel mix:

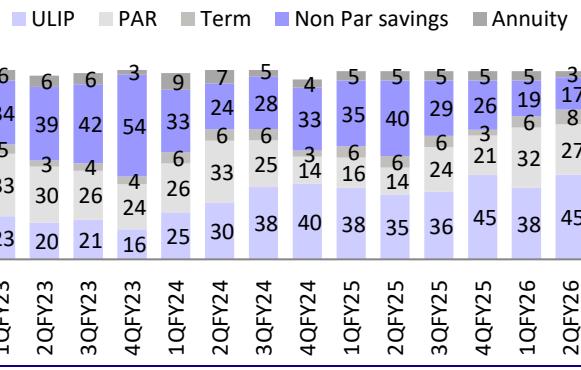
- HDFC Life's counter share with HDFC Bank remained stable, while other bancassurance partnerships expanded, broadening its distribution footprint. The growth for banks beyond HDFC Bank was lower in 1HFY26 due to lower wallet share in 1Q, post which there has been improvement.
- The broker channel growth is driven by protection products and increased wallet share among key brokers. The broking channel now contributed 9% of APE, and management expects this contribution to remain steady in the near term.

GST reforms:

- The company has passed on the full benefit of the GST exemption to customers, improving product affordability and stimulating demand.
- The loss of input tax credit will exert short-term margin pressure, but management is confident of offsetting this impact through cost optimization, vendor discussions, and distributor negotiations within the next 2–3 quarters.
- About 50% of the input tax credit loss arises from distributor commissions, with the remainder stemming from technology and outsourcing expenses. Management is actively engaging with vendors and distributors to share costs and optimize efficiency.
- The biggest impact of input tax credit loss is on ULIP because of the cap on charges. HDFC Life witnessed a 0.5% impact on VNB in 2QFY26 and expects 3% impact on gross basis for the full year.
- Despite 2H being seasonally stronger, management expects some lag in recovery as the input tax credit loss is gradually absorbed. Nevertheless, increased growth momentum, product innovation, and calibrated margin levers are expected to drive VNB normalization from FY27.

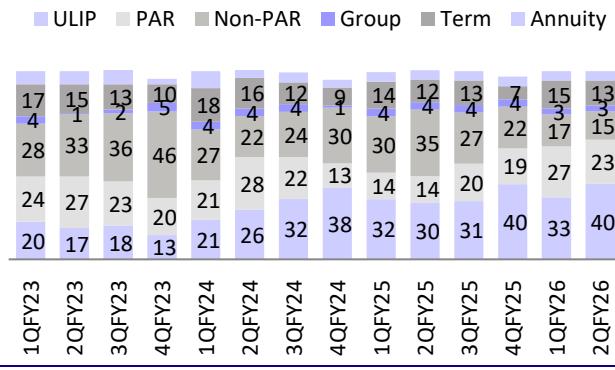
Key exhibits

Exhibit 2: Share of term improved YoY to 8% of individual APE



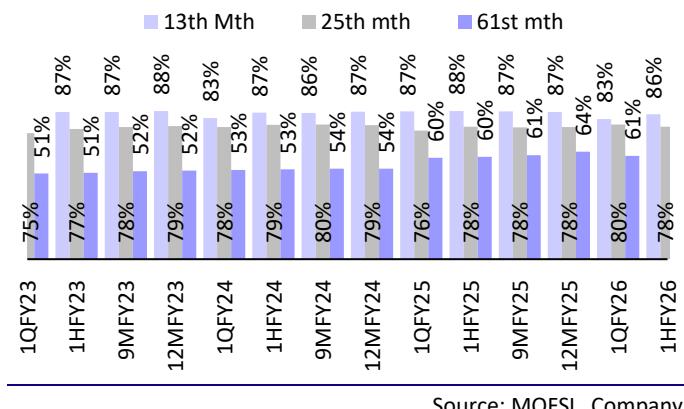
Source: MOFSL, Company

Exhibit 3: Share of ULIP/Par/Non-par/Term at 40%/23%/15%/13% of total APE



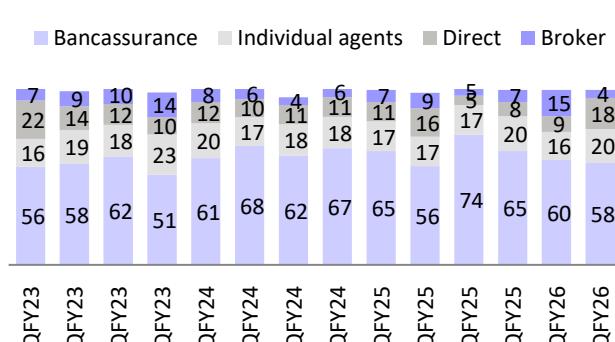
Source: MOFSL, Company

Exhibit 4: Improving trends in the 61st persistency ratio



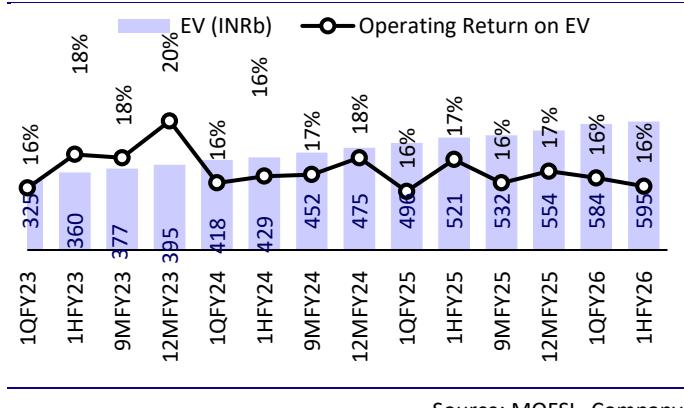
Source: MOFSL, Company

Exhibit 5: Distribution mix for individual APE



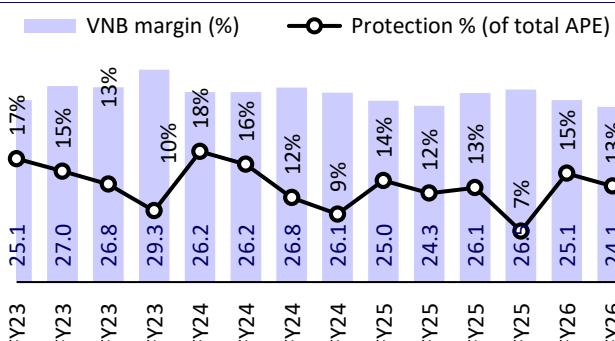
Source: MOFSL, Company

Exhibit 6: Operating RoEV healthy at 16%



Source: MOFSL, Company

Exhibit 7: VNB margin at 24.1% for 2QFY26



Source: MOFSL, Company

Exhibit 8: Net premium income grew 13.3% YoY

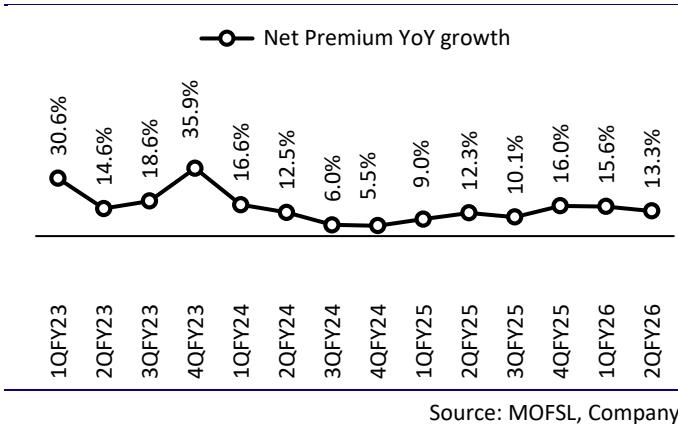


Exhibit 9: Proportion of premium trends among first-year, single, and renewal premiums

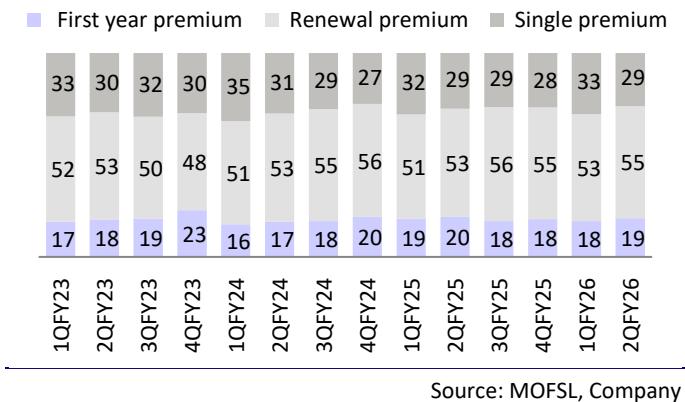


Exhibit 10: Trend in underwriting profit and shareholders' surplus

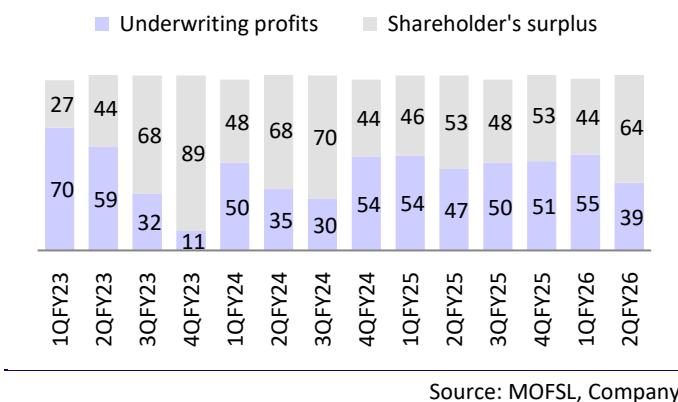


Exhibit 11: Solvency ratio stood at 175% in 2QFY26

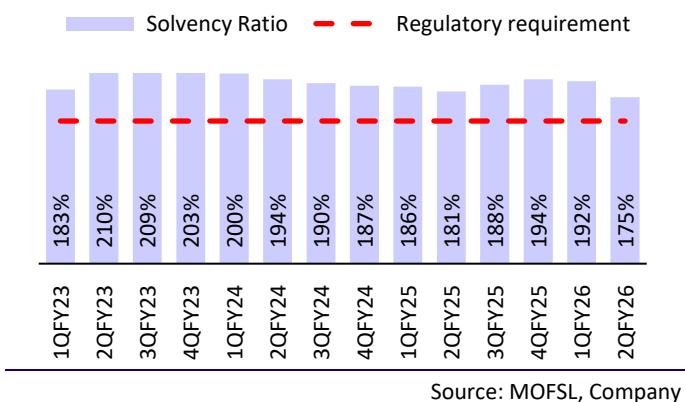
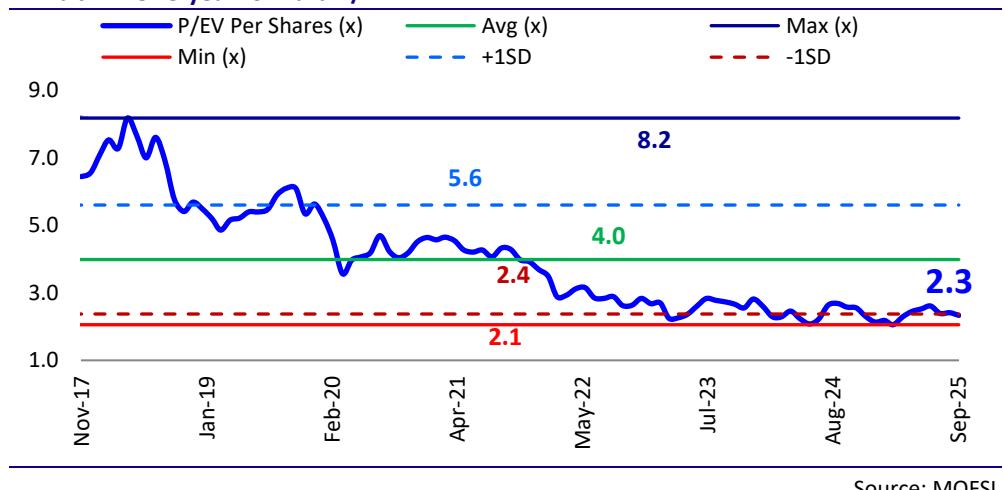


Exhibit 12: One-year forward P/EV



Financials and valuations

Technical account (INRm)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Premiums	3,85,835	4,59,628	5,75,334	6,30,765	7,10,449	8,24,014	9,53,444	11,04,149
Reinsurance Ceded	(4,612)	(5,664)	(7,694)	(11,173)	(14,288)	(16,572)	(19,175)	(22,205)
Net Premiums	3,81,223	4,53,964	5,67,640	6,19,592	6,96,161	8,07,442	9,34,270	10,81,943
Income from Investments	3,26,776	1,92,160	1,25,975	3,83,543	2,59,453	3,39,560	3,63,241	4,21,960
Other Income	4,420	7,460	13,439	4,608	3,834	4,218	4,639	5,103
Total income (A)	7,12,418	6,53,584	7,07,054	10,07,743	9,59,448	11,51,220	13,02,151	15,09,006
Commission	17104	19403	28869	52563	78353	89833	104703	122057
Operating expenses	45,860	56,125	84,374	69,010	62,218	69,684	76,652	84,318
Total commission and opex	62,964	75,528	1,13,242	1,21,574	1,40,571	1,59,517	1,81,355	2,06,375
Benefits Paid (Net)	2,25,748	3,18,637	3,88,723	3,96,965	3,93,459	4,65,570	5,46,114	6,40,428
Chg in reserves	4,08,296	2,46,815	1,85,862	4,84,194	4,15,156	5,09,543	5,54,811	6,39,461
Prov for doubtful debts	1,682	1,162	4,047	3,183	5,715	6,678	7,808	9,134
Total expenses (B)	6,98,690	6,42,142	6,91,875	10,05,915	9,54,901	11,41,308	12,90,089	14,95,398
(A) - (B)	13,729	11,442	15,180	1,828	4,547	9,912	12,061	13,608
Prov'n for tax	2,744	1,845	1,591	-5,924	-5,882	1,487	1,809	2,041
Surplus / Deficit	10,985	9,597	13,589	7,752	10,429	8,425	10,252	11,567
Shareholder's a/c (INRm)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Transfer from technical a/c	9,909	10,093	14,689	7,991	9,968	8,425	10,252	11,567
Income From Investments	6,476	7,894	7,197	10,022	11,251	12,452	14,320	16,468
Total Income	16,385	17,987	22,519	18,144	21,220	20,879	24,574	28,037
Other expenses	637	825	1,246	1,209	1,429	1,572	1,730	1,903
Contribution to technical a/c	2,586	5,694	8,795	1,251	1,004	1,105	1,215	1,336
Total Expenses	2,850	6,186	9,794	2,505	2,559	2,815	3,097	3,406
PBT	13,535	11,801	12,724	15,639	18,661	18,063	21,477	24,630
Prov'n for Tax	66	275	877	50	(640)	-	-	-
PAT	13,601	12,077	13,601	15,689	18,021	18,063	21,477	24,630
Growth	5%	-11%	13%	15%	15%	0%	19%	15%
Balance sheet (INRm)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Fund								
Share Capital	20,229	21,159	21,526	21,509	21,536	21,536	21,536	21,536
Reserves And Surplus	64,074	1,32,852	1,08,146	1,20,503	1,35,260	1,57,633	1,83,419	2,12,359
Shareholders' Fund	86,377	1,54,859	1,29,868	1,46,517	1,61,256	1,83,629	2,09,415	2,38,355
Policy Liabilities	8,55,230	10,43,425	14,32,696	17,53,488	21,07,778	25,26,900	30,04,143	35,66,880
Prov. for Linked Liab.	7,09,635	7,65,190	7,53,836	9,21,145	9,77,434	12,33,557	13,99,206	15,94,777
Funds For Future App.	47,866	50,435	50,533	46,386	51,424	56,567	62,223	68,446
Current liabilities & prov.	65,159	62,287	83,030	87,777	95,992	1,05,591	1,16,150	1,27,765
Total	17,95,817	21,03,892	24,79,222	30,25,071	34,91,333	40,84,708	47,69,601	55,74,686
Application of Funds								
Shareholders' inv	85,421	1,52,379	1,31,319	1,48,819	1,83,863	2,11,443	2,43,159	2,79,633
Policyholders' inv	9,05,378	10,83,110	14,64,485	18,17,966	21,62,671	25,93,960	30,96,758	36,97,235
Assets to cover linked liab.	7,47,595	8,06,215	7,92,015	9,55,416	10,16,282	11,38,235	12,74,823	14,27,802
Loans	4,240	6,428	15,853	18,972	23,783	26,161	28,777	31,655
Fixed Assets	3,401	3,427	3,802	4,158	6,011	6,311	6,627	6,958
Current assets	49,781	52,333	71,748	79,739	98,724	1,08,597	1,19,457	1,31,402
Total	17,95,817	21,03,892	24,79,222	30,25,071	34,91,333	40,84,708	47,69,601	55,74,686

Financials and valuations

Operating ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Investment yield	22.8%	10.8%	6.1%	15.2%	8.8%	9.9%	9.0%	8.9%
Commissions / GWP	4.4%	4.2%	5.0%	8.3%	11.0%	10.9%	11.0%	11.1%
- first year premiums	18.5%	17.0%	17.9%	28.4%	45.2%	45.2%	45.2%	45.2%
- renewal premiums	1.5%	1.5%	1.8%	1.6%	1.6%	1.6%	1.6%	1.6%
- single premiums	1.0%	1.3%	1.6%	8.5%	6.8%	6.8%	6.8%	6.8%
Operating expenses / GWP	11.9%	12.2%	14.7%	10.9%	8.8%	8.5%	8.0%	7.6%
Total expense ratio	17.6%	16.3%	16.4%	19.7%	19.3%	19.8%	19.4%	19.0%
Claims / NWP	59.2%	70.2%	68.5%	64.1%	56.5%	57.7%	58.5%	59.2%
Solvency ratio	201%	176%	203%	187%	194%	189%	184%	180%
Persistency ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
13th Month	90.0%	87.5%	87.5%	87.1%	86.9%	86.8%	86.8%	86.8%
25th Month	81.0%	78.8%	78.7%	79.2%	78.1%	78.0%	77.9%	77.9%
37th Month	71.0%	67.5%	72.4%	73.2%	73.6%	73.3%	73.2%	73.2%
49th Month	67.0%	63.2%	64.0%	69.7%	70.2%	71.2%	71.8%	72.6%
61st Month	53.0%	54.0%	52.3%	53.5%	63.5%	64.2%	65.2%	66.0%
Profitability ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
VNB margin (%)	26.1%	27.4%	27.5%	26.3%	25.6%	24.3%	26.0%	26.5%
RoE (%)	17.6%	10.0%	9.6%	11.4%	11.7%	10.5%	10.9%	11.0%
RoIC (%)	56.7%	21.6%	14.1%	14.7%	16.9%	16.9%	20.1%	23.1%
Operating ROEV (%)	18.5%	16.5%	19.7%	17.5%	16.7%	15.5%	16.7%	16.8%
RoEV (%)	28.9%	12.9%	31.5%	20.1%	16.7%	15.4%	16.5%	16.7%
Valuation data points	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total AUMs (INRb)	1,738	2,042	2,388	2,922	3,363	4,062	4,753	5,567
DPS	2.02	1.70	1.90	2.00	2.10	2.00	2.00	2.00
Dividend payout ratio (%)	0%	33.82	26.41	26.03	-0.00	23.8	20.0	17.5
EPS, INR	6.3	5.6	6.3	7.3	8.4	8.4	10.0	11.5
Value of new business (INRb)	21.9	26.7	36.7	35.0	39.6	43.0	53.7	63.9
Embedded Value (INRb)	266.2	329.4	395.1	474.5	554.1	639.5	745.3	869.8
EV per share (INR)	123.7	153.1	183.7	220.6	257.6	297.3	346.5	404.4
VIF as % of EV	66%	64%	68%	69%	71%	72%	74%	75%
P/VIF (x)	0.9	0.8	0.6	0.5	0.4	0.4	0.3	0.2
P/AUM (%)	0.9	0.8	0.7	0.5	0.5	0.4	0.3	0.3
P/EV (x)	6.0	4.9	4.1	3.4	2.9	2.6	2.2	1.9
P/EPS (x)	73.5	60.1	43.7	45.9	40.6	38.0	30.5	25.6

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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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