

**Moderate growth with focus on increasing market share**

QIFY24 Result Update | Sector: Insurance | July 24, 2023

**BUY**

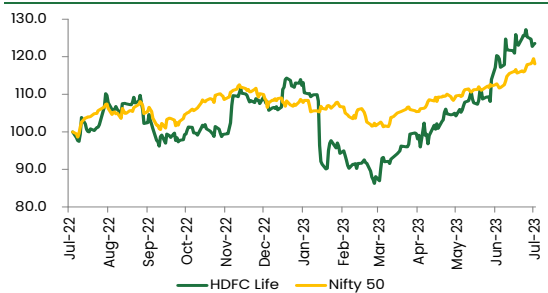
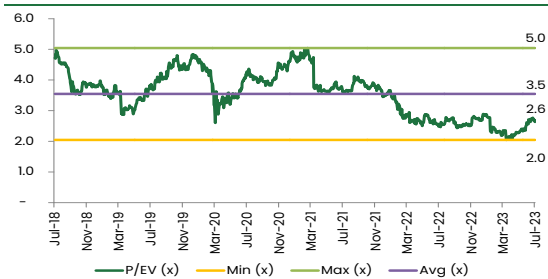
<b>CMP (Rs)</b>	647
<b>Target Price (Rs)</b>	779
<b>Potential Upside</b>	20.4%
<b>Sensex</b>	66,684
<b>Nifty</b>	19,745

**Key Stock data**

<b>BSE Code</b>	540777
<b>NSE Code</b>	HDFCLIFE
<b>Bloomberg</b>	HDFCLIFE:IN
<b>Shares o/s, Cr (FV 10)</b>	215.0
<b>Market Cap (Rs Cr)</b>	64,003
<b>3M Avg Volume</b>	4,939,832
<b>52 week H/L</b>	691/458

**Shareholding Pattern**

(%)	Dec-22	Mar-23	Jun-23
<b>Promotor</b>	50.3	50.3	50.3
<b>FII</b>	30.2	29.9	30.9
<b>DII</b>	6.2	6.6	6.2
<b>Public</b>	13.3	13.2	12.6
<b>Others</b>	0.1	0.1	0.0

**1 year relative price performance**

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

**Research Analyst**
**Akshay Tiwari**

akshay.tiwari@religare.com

**Stable top-line growth; expansion continues:** HDFC Life premium income growth in QIFY24 remained moderate and in line with expectations at 17% YoY which was driven by single premium growth of 24% YoY. Net commission costs increased as the focus remains on increasing the agency network and expanding geographically. Annualized Premium Equivalent (APE) increased by 13% YoY which was driven by increase in individual APE growth of 12% YoY. Value of new business (VNB) growth was decent at 18% YoY as the focus remains on increasing the market share.

**Uptick in protection and ULIP plans:** The product mix remains balanced with uptick in protection and ULIP plans. With regards to APE, ULIP and protection plans increased by 100bps each and on NBP basis protection plans increased by 500bps. The management believes that the uptick in protection plans is sustainable in the long run as it sees interest amongst customers for the protection plans.

**Margins slightly under pressure:** VNB margins in QIFY24 was 26.2% which declined by 307bps QoQ. The decline in margin was mainly due to increasing proportion of protection plans in the product mix. The management estimates VNB margin to see improvement going forward as the business grows and guided VNB margin at ~30% in FY24E.

**Growing bancassurance and agency distribution network:** On an APE basis, the bancassurance channel saw a growth of 500bps YoY to 61% in policy sales which can be attributed to the merger of parent entity and HDFC Life becoming direct subsidiary of HDFC Bank. Agency network increased by 400bps YoY as the company plans to increase its distribution reach by adding more agents. The management believes that the agency network will continue to see growth going forward as it penetrates geographically.

**Increasing market share:** The private insurer's market share in the individual WRP was 16.4% as against 15.8% in QIFY23 while the New Business Premium market share was 21.3% increasing from 19.7% in QIFY23. The company has seen increase in market share with regards to both product mix and distribution mix. The management remains focused on increasing its market share and remain the top 3 insurance company. The company aims at increasing its market share in individual policies as the margin remains higher.

**Valuation:** We remain positive on HDFC Life Insurance as it is seeing growth on all its product segments. The company is seeing improvement on market share and also its persistency ratio going higher. The growing support from its parent bank will benefit the company in the long run as it will provide cross-selling opportunities which will derive more business going forward. The company believes that the coming quarters in FY24 will see growth in all fronts and remains positive on the growth outlook. We estimate APE/NBP/VNB to grow at a CAGR of 17%/20%/26% over FY23-25E. We maintain a Buy rating on the insurance company while increasing our target price upwards to Rs 779. We value the company based on 3x of its FY25E embedded value per share.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net premiums	45,397	56,764	70,299	86,815
Total Income	65,394	70,705	97,042	117,885
Commission	2,008	2,887	3,205	3,933
Surplus/(deficit) before tax	1,144	1,518	1,989	2,407
Surplus/(Deficit) for the period	960	1,359	1,781	2,155
Embedded value (EV)	32,952	39,516	45,425	52,848
EV per share	161.0	183.8	211.3	245.9
P/EV	4.0	3.5	3.1	2.6

Source : RBL Research

**Con-call highlights:** 1) The company is growing at 1.5x of the private insurance industry with regards to the individual WRP despite the strong march quarter. 2) Retail protection plans increased by 45% in QIFY24. 3) For FY24, the company expects margins to be similar to FY23 new business margins. 4) VNB expansion will be led by APE growth rather than significant margin expansion. 5) Protection plan pickup – The management believes that the uptick in protection plan is sustainable in the long run. 6) Tech transformation – The company estimates it a Rs 250cr outlay, out of which Rs 50cr was expensed last year and plans to spend Rs 100cr each in this year and next fiscal year. 7) The numbers of policies above Rs 5 lakhs premium remains in high single digits.

Net premium income growth of 16.6% YoY in QIFY24

#### Policyholders account – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
<b>Net premium income</b>	<b>11,507.9</b>	<b>9,870.1</b>	<b>16.6</b>	<b>19,426.6</b>	<b>(40.8)</b>
Income from investments (Net)	11,630.7	(3,301.1)	-	1,189.5	877.8
Other income	86.4	59.6	45.0	267.7	(67.7)
<b>Total</b>	<b>23,242.9</b>	<b>6,680.2</b>	<b>247.9</b>	<b>21,426.4</b>	<b>8.5</b>
Net commission	662.9	400.7	65.4	1,111.4	(40.4)
Employees remuneration and welfare expenses	899.2	665.2	35.2	897.3	0.2
Other operating expenses	731.5	895.2	(18.3)	2,022.7	(63.8)
Expenses of Management	2,293.5	1,961.1	17.0	4,031.4	(43.1)
Provisions and taxes	8,095.0	7,296.8	10.9	11,205.1	(27.8)
Benefits Paid	8,095.0	7,296.8	10.9	11,205.1	(27.8)
Change in actuarial liability	12,565.2	(2,956.5)	-	5,270.9	138.4
Surplus/Deficit	212.8	247.8	(14.1)	571.8	(62.8)
Bonus paid	477.6	330.3	44.6	1,659.6	(71.2)
<b>Total Surplus</b>	<b>690.5</b>	<b>578.1</b>	<b>19.4</b>	<b>2,231.5</b>	<b>(69.1)</b>

Source : RBL Research

Bonus paid increased by 44.6% YoY in QIFY24

#### Shareholders account – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Transfer from Policyholders' Account	232.7	261.4	(11.0)	583.9	(60.1)
Investment Income	232.8	121.2	92.2	196.0	18.8
Other income	9.5	6.1	57.4	63.2	(84.9)
Expenses other than insurance business	45.7	29.3	56.0	31.5	45.2
Transfer of funds to policyholders account	17.9	51.7	(65.4)	542.6	(96.7)
Profit before tax	418.1	330.4	26.6	269.8	55.0
Provisions for tax	1.4	1.6	(12.7)	(88.9)	-
Profit after tax	416.7	328.8	26.7	358.7	16.2

Source : RBL Research

PAT increased by 26.7% YoY in QIFY24

Increasing share of ULIP and participating product in product mix

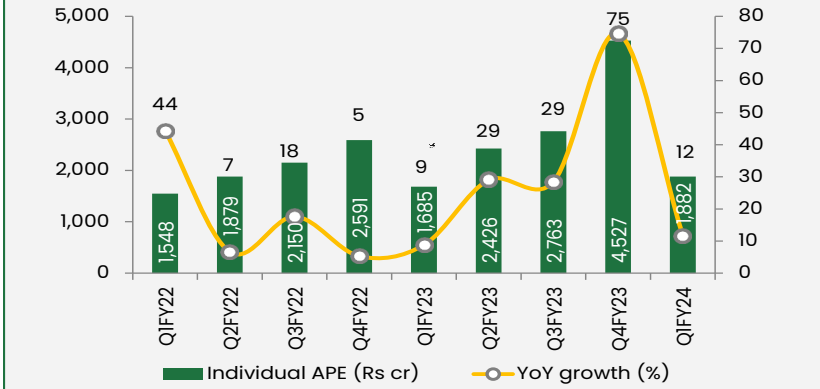
Production plans saw an increase in product mix on NBP basis

Particulars	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
<b>Product mix - APE (%)</b>					
Participating	21.0	24.0	-300bps	23.0	-200bps
Non Participating	27.0	28.0	-100bps	38.0	-1100bps
ULIP	21.0	20.0	100bps	16.0	500bps
Protection	18.0	17.0	100bps	13.0	500bps
Annuity	9.0	7.0	200bps	6.0	300bps
Group	4.0	4.0	0bps	3.0	100bps
<b>Product mix - NBP (%)</b>					
Participating	8.0	9.0	-100bps	10.0	-200bps
Non Participating	11.0	13.0	-200bps	19.0	-800bps
ULIP	9.0	9.0	0bps	8.0	100bps
Protection	37.0	32.0	500bps	29.0	800bps
Annuity	19.0	23.0	-400bps	20.0	-100bps
Group	16.0	13.0	300bps	14.0	200bps
<b>Channel mix - APE (%)</b>					
Bancassurance	61.0	56.0	500bps	56.0	500bps
Direct	12.0	22.0	-1000bps	13.0	-100bps
Agency	20.0	16.0	400bps	20.0	0bps
Brokers	8.0	7.0	100bps	11.0	-300bps

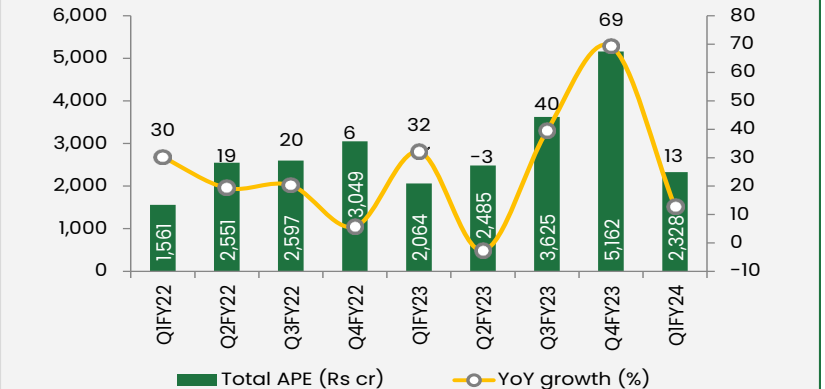
Source : RBL Research

Story in charts

Individual APE grew by 12% YoY in Q1FY24

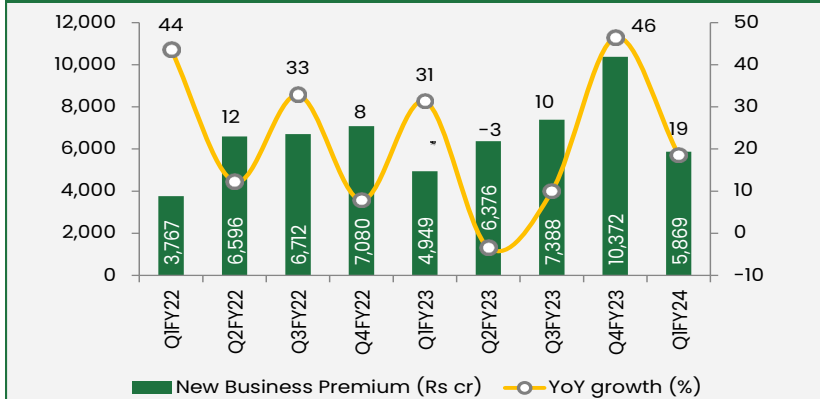


APE grew moderately by 13% YoY in Q1FY24

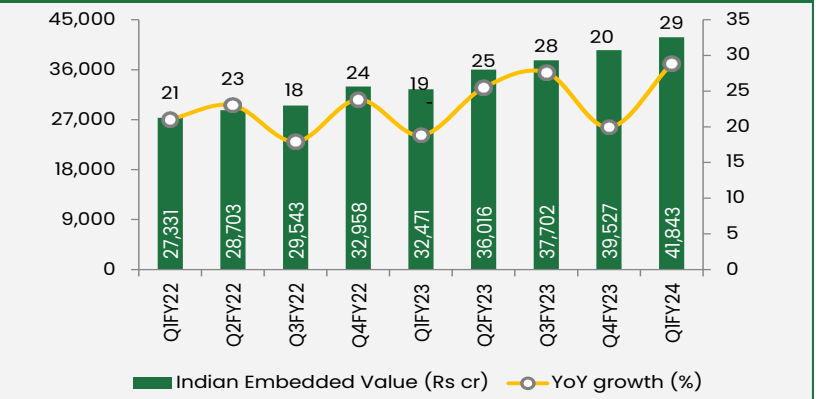


Source : RBL Research

New Business Premium increased by 19% YoY in Q1FY24

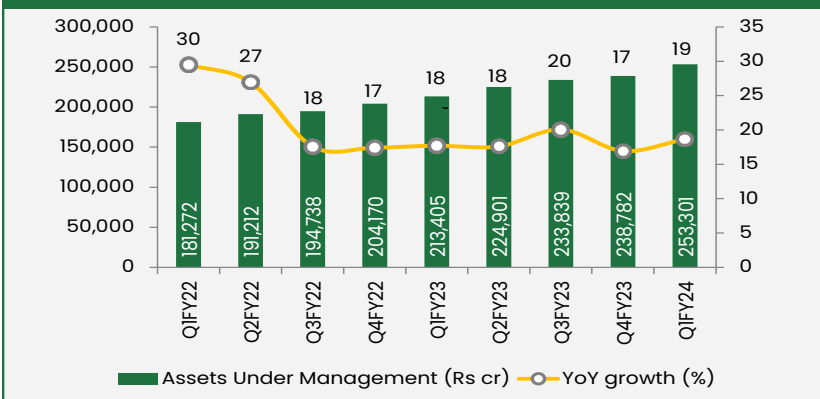


Indian Embedded Value continuing its growth momentum

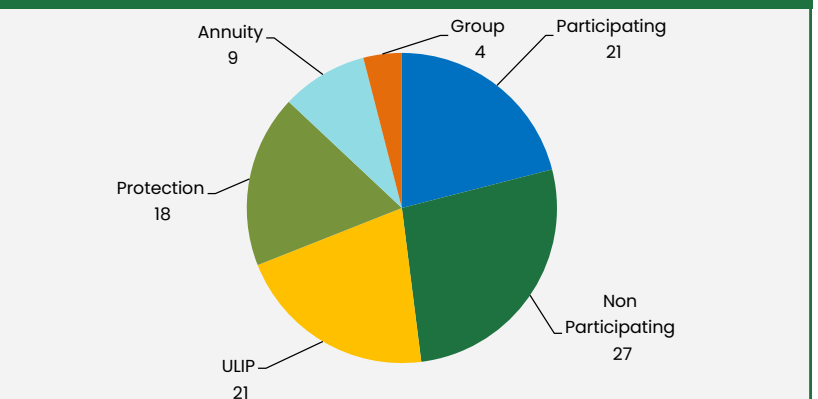


Source : RBL Research

AuM grew by 19% YoY in Q1FY24

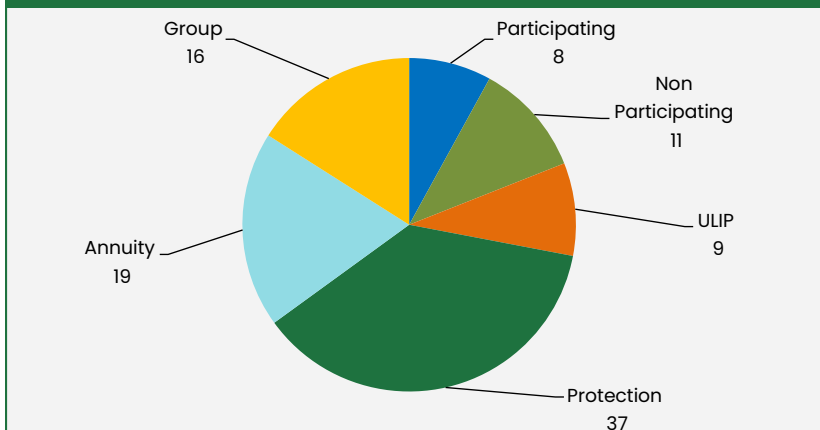


Product Mix - APE

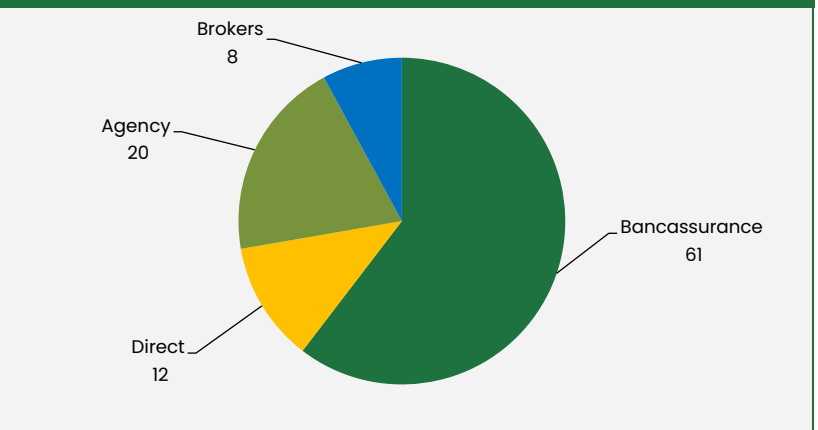


Source : RBL Research

Product Mix - NBP



Channel Mix - Based on APE



Source : RBL Research

**Technical account – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net premiums</b>	<b>45,397</b>	<b>56,764</b>	<b>70,299</b>	<b>86,815</b>
Investment income	19,998	13,941	24,822	29,276
Contribution from the Shareholders' A/c	554	879	901	680
Other Income	810	1,344	1,020	1,115
<b>Total Income</b>	<b>65,394</b>	<b>70,705</b>	<b>97,042</b>	<b>117,885</b>
Commissions	1,940	2,828	3,205	3,933
Operating expenses	5,613	8,437	13,459	15,965
Service tax on linked charges	15	464	578	676
<b>Total expenses</b>	<b>7,568</b>	<b>11,729</b>	<b>17,243</b>	<b>20,574</b>
Benefits paid	31,864	38,872	41,284	45,635
Change in valuation of life reserves	24,682	18,586	36,526	49,270
<b>Surplus/(deficit) before tax</b>	<b>1,144</b>	<b>1,518</b>	<b>1,989</b>	<b>2,407</b>
Provision For Tax & Others	185	159	208	252
<b>Surplus/(Deficit) for the period</b>	<b>960</b>	<b>1,359</b>	<b>1,781</b>	<b>2,155</b>

Source : RBL Research

**Shareholders account – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Transfer from policyholder's a/c</b>	<b>1,009</b>	<b>1,469</b>	<b>1,836</b>	<b>2,228</b>
Investment income	813	720	824	855
Other income	19	63	68	79
<b>Total income</b>	<b>1,799</b>	<b>2,252</b>	<b>2,728</b>	<b>3,162</b>
Total expenses	619	979	991	1,002
<b>Profit before tax</b>	<b>1,180</b>	<b>1,272</b>	<b>1,737</b>	<b>2,160</b>
Tax	(28)	(88)	(120)	(149)
<b>Profit after tax</b>	<b>1,208</b>	<b>1,360</b>	<b>1,857</b>	<b>2,309</b>

Source : RBL Research

**Balance Sheet – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share capital	2,116	2,153	2,153	2,153
Reserves and surplus	13,413	10,821	24,816	43,463
Fair value change a/c	85	20	41	69
<b>Shareholder's equity</b>	<b>15,613</b>	<b>12,993</b>	<b>27,010</b>	<b>45,685</b>
Borrowings	600	950	950	950
Fair value change account	2,277	1,976	2,498	3,112
Policy liabilities	121,017	143,345	181,255	225,744
Linked liabilities	82,934	79,201	96,413	97,757
Funds for future appropriations	1,345	1,235	-39,760	-84,885
<b>Total liabilities</b>	<b>208,173</b>	<b>226,708</b>	<b>241,357</b>	<b>242,677</b>
<b>Total liabilities and shareholders equity</b>	<b>223,787</b>	<b>239,701</b>	<b>268,367</b>	<b>288,362</b>
<b>Shareholders investments</b>	<b>9,765</b>	<b>13,193</b>	<b>11,383</b>	<b>12,388</b>
Policyholders investments	124,493	146,449	165,577	193,110
<b>Unit linked investments</b>	<b>82,934</b>	<b>79,201</b>	<b>96,413</b>	<b>97,757</b>
Loans	1,272	1,585	1,368	1,489
Fixed assets	5,984	382	358	313
<b>Net current assets/ (liabilities)</b>	<b>-661</b>	<b>-1,110</b>	<b>-6,731</b>	<b>-16,694</b>
<b>Total assets</b>	<b>223,787</b>	<b>239,701</b>	<b>268,367</b>	<b>288,362</b>

Source : RBL Research

**IEV movement - consolidated**

Particulars, Rs Bn	FY22	FY23	FY24E	FY25E
Opening IEV	26,617.0	32,952.0	39,516.0	45,425.0
Unwind	2,300.0	2,620.0	3,141.9	3,611.7
Change in operating assumptions	(70.0)	40.0	48.0	55.1
VNB	2,675.0	3,674.0	4,666.0	5,879.1
Operating variances	150.0	150.0	229.9	339.3
Dividend and capital injection	(930.0)	1,670.0	(270.0)	(270.0)
Other components	2,260.0	-	-	-
Closing IEV	32,952.0	39,516.0	45,425.0	52,848.4

Source : RBL Research

**Key ratios - consolidated**

Particulars	FY22	FY23	FY24E	FY25E
<b>Valuation (x)</b>				
P/EV	4.0	3.5	3.1	2.6
P/VNB	49.5	37.9	29.8	23.7
P/B	8.5	10.7	5.2	3.0
P/EV	4.0	3.5	3.1	2.6

Source : RBL Research

**Business Parameters - consolidated**

Particulars, Rs Bn	FY22	FY23	FY24E	FY25E
AuM	204,170	238,782	314,093	339,221
Indian Embedded Value	32,952	39,516	45,425	52,848
APE	9,758	13,336	15,504	18,268
VNB	2,675	3,674	4,666	5,879
NBP	24,155	29,085	34,667	41,899
VNB margin (%)	27.4	27.5	30.1	32.2
EV per share (Rs)	161.0	183.8	211.3	245.9
VNB per share (Rs)	13.1	17.1	21.7	27.4
BVPS (Rs)	76.3	60.5	125.7	212.5
EPS (Rs)	5.9	6.3	8.6	10.7

Source : RBL Research

## Research Team

Name	Email ID
Siddarth Bhamre	<a href="mailto:siddarth.bhamre@religare.com">siddarth.bhamre@religare.com</a>
Ajit Mishra	<a href="mailto:ajit.mishra@religare.com">ajit.mishra@religare.com</a>
Manoj Vayalar	<a href="mailto:manoj.vayalar@religare.com">manoj.vayalar@religare.com</a>
Nirvi Ashar	<a href="mailto:nirvi.ashar@religare.com">nirvi.ashar@religare.com</a>
Gaurav Arora	<a href="mailto:gaurav.arora3@religare.com">gaurav.arora3@religare.com</a>
Akshay Tiwari	<a href="mailto:akshay.tiwari@religare.com">akshay.tiwari@religare.com</a>
Abhijeet Banerjee	<a href="mailto:abhijeet.banerjee@religare.com">abhijeet.banerjee@religare.com</a>
Gaurav Sharma	<a href="mailto:gauravsharma2@religare.com">gauravsharma2@religare.com</a>
Rohan Shah	<a href="mailto:rohan.shah@religare.com">rohan.shah@religare.com</a>

Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: <https://www.religareonline.com/disclaimer>

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

**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.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Research Disclaimer: <https://www.religareonline.com/disclaimer>