



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Orange
Right Quality (RQ)	Green with check	Grey	Orange
Right Valuation (RV)	Green with check	Grey	Orange
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

Company details

Market cap:	Rs. 1,32,661 cr
52-week high/low:	Rs. 761 / 511
NSE volume: (No of shares)	33.8 lakh
BSE code:	540777
NSE code:	HDFCBANK
Free float: (No of shares)	106.8 cr

Shareholding (%)

Promoters	50.3
FII	25.1
DII	13.7
Others	10.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-1.9	-5.5	-19.1	0.7
Relative to Sensex	5.3	4.3	-7.7	1.9

Source: Mirae Asset Sharekhan Research, Bloomberg

HDFC Life Insurance Company Ltd

Outlook steady, risk reward favorable

Insurance	Sharekhan code: HDFCLIFE		
Reco/View: Buy	↔	CMP: Rs. 616	Price Target: Rs. 870 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- We reiterate a Buy on HDFC Life with an unchanged PT of Rs. 870 as APE & VNB outlook remains steady; risk-reward has turned attractive as regulatory risk seems to be adequately priced-in.
- Management is of the view that it falls within the stipulated limits based on new business premium received with regards to the share of bancassurance channel. However, if limits are prescribed on capping the share of promoter bank or on overall APE basis, then more diversification/ partnerships would be required.
- Thus, focus is on diversifying distribution channel with higher investments in proprietary channels and not to be over-dependent on any single channel.
- Company is reasonably confident to deliver 18-20% APE growth and a VNB growth of upwards of 15% over the next couple of quarters. Stock trades at 2.0x/ 1.7x its FY2026E/ FY2027E EVPS.

HDFC Life continues guide for 18-20% APE growth and >15% VNB growth in the next couple of quarters. APE growth remained healthy at 20% y-o-y while VNB grew by 14% y-o-y in 9MFY25. Overall, the outlook is steady but frequent regulatory changes/news flows has led to long underperformance for the whole sector. However, amid noise on frequent regulatory change, the operating environment is turning benign. This is a positive development for all the large franchise. Recently, due to the new surrender value regulations, some of the life insurers took price hikes, listing mandate has push other industry players to focus on profitability, etc. Additionally, HDFC Life has made significant investments in expanding the distribution network in the last 15-18 months which is leading to higher growth, especially in tier-2 and tier-3 cities. Focus remains on diversifying distribution channel with higher investments in proprietary channels and not to be over-dependent on any single channel. Management is optimistic about the competitive intensity improving and gaining market share over the medium term. We believe APE & VNB outlook remains steady and risk-reward has turned attractive as regulatory risk seems to be adequately priced-in.

- Healthy growth & margin trajectory expected:** The company has made significant investments in expanding the distribution network in the last 15-18 months which is likely to sustain healthy APE growth. The company does not see the recent capital market volatility impacting the growth trajectory. It continues guide for an 18-20% APE growth and focus remains on higher than mid-teen absolute VNB growth. VNB margins were lower at 25.1% in 9MFY25 vs 26.5% in 9MFY24. VNB margins have broadly bottomed-out as – a) Product mix is unlikely to turn adverse from hereon; b) non-par segment share is gradually improving; c) The impact of surrender regulations has been managed well, within the guided range.
- Focus on improving distribution channel:** APE growth has been broad based across distribution channels in 9MFY25. Bancassurance channel's APE growth was healthy at 16% y-o-y led by stable counter share from parent bank. Agency/ direct channel grew by 17%/24% y-o-y, although company has lagged its peers in agency channel growth in the last 15-18 months. Significant investments made in expanding the agency channel in the last 15-18 months especially in tier-2 and tier-3 cities are likely to bear results over the coming quarters. Focus remains on diversifying distribution channel with higher investments in the proprietary channels/ partnerships and not to be over-dependent on any single channel.
- Capping of Bancassurance share:** Management is of the view that it falls within the stipulated limits based on new business premium received with regards to the share of bancassurance channel. But, if limits are prescribed on capping share of promoter bank or on overall APE basis, then more diversification/ partnerships would be required. The share of bancassurance on individual APE basis is at ~60% in 9MFY25 and on premium received basis is ~35%. Since IRDA disclosures are on NBP basis, this metric is likely monitored by the regulator. Incremental focus of management is on improving product mix and optimizing manpower utilisation in the HDFC Bank channel.

Our Call

Valuation – Maintain Buy with unchanged PT of Rs. 870: HDFC Life trades at 2.0x/ 1.7x its FY2026E/ FY2027E EVPS. The company remains focused on maintaining a balanced product mix across businesses with leadership in product launches. Benign competitive environment, new product launches, strong traction in non-PAR segment, focus on tier II/tier III geographies, other bancassurance partnerships and investments in agency channel will support growth. We believe APE & VNB outlook remains steady along with risk-reward has turned attractive as regulatory risk seems to be adequately priced in.

Key Risks

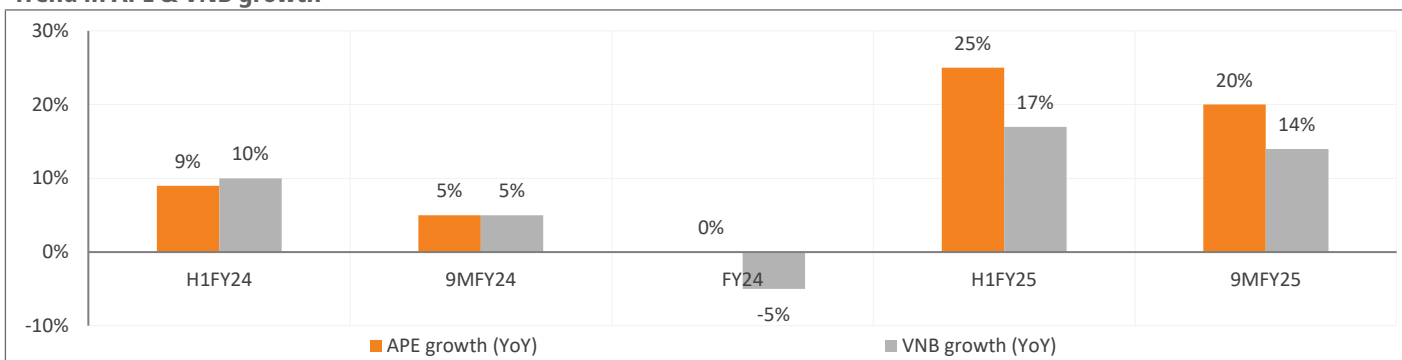
Slower APE growth, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
APE	13,336	13,291	16,000	18,800	22,000
VNB	3,674	3,501	4,100	4,850	5,720
VNB Margin (%)	27.5	26.3	25.6	25.8	26.0
EV	39,527	47,468	56,500	65,500	76,000
PAT	1,368	1,574	1,790	2,040	2,350
EPS (Rs.)	6.4	7.3	8.3	9.4	10.9
ROEV (%)	19.9	20.9	17.0	17.0	17.0
P/EV (x)	3.3	2.8	2.3	2.0	1.7
P/VNB (x)	35.9	37.7	32.3	27.3	23.2

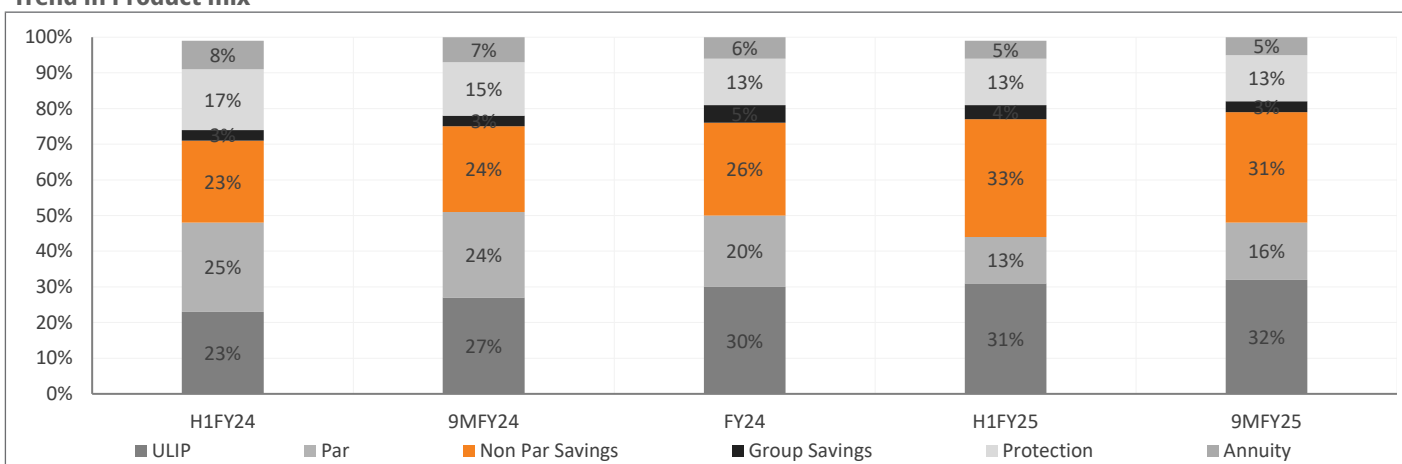
Source: Company; Mirae Asset Sharekhan estimates

Trend in APE & VNB growth



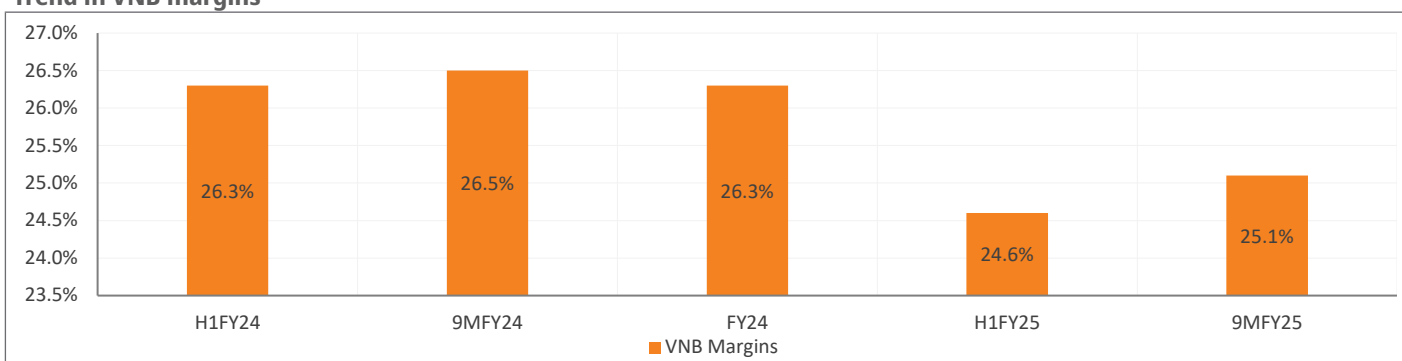
Source: Company; Mirae Asset Sharekhan Research

Trend in Product mix



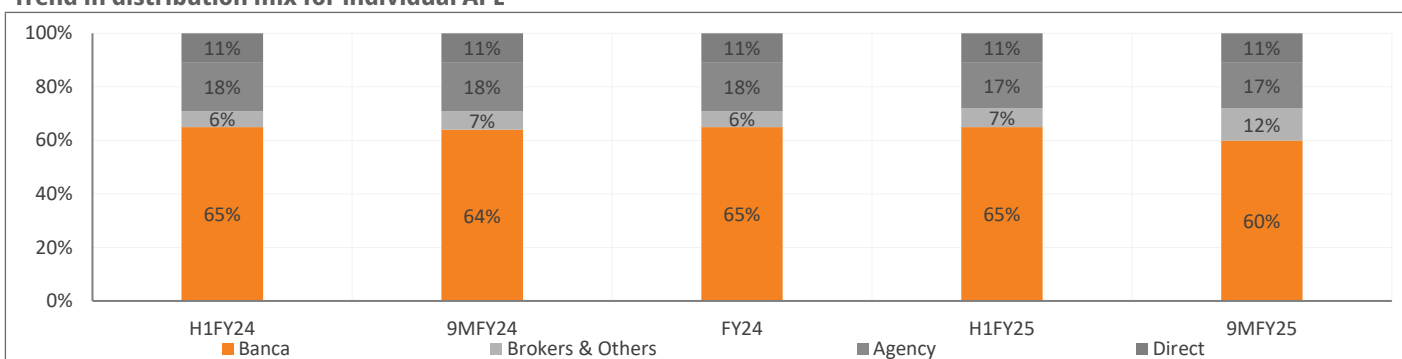
Source: Company; Mirae Asset Sharekhan Research

Trend in VNB margins



Source: Company; Mirae Asset Sharekhan Research

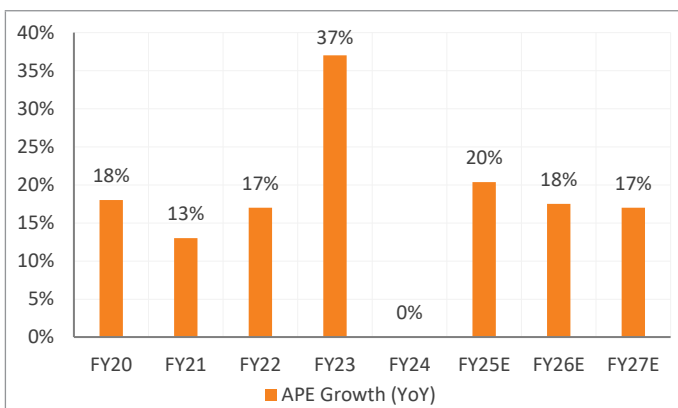
Trend in distribution mix for individual APE



Source: Company; Mirae Asset Sharekhan Research

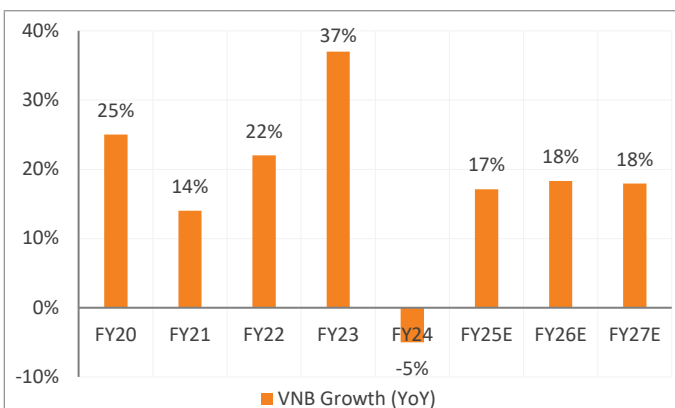
Financials in charts

Trend in APE growth



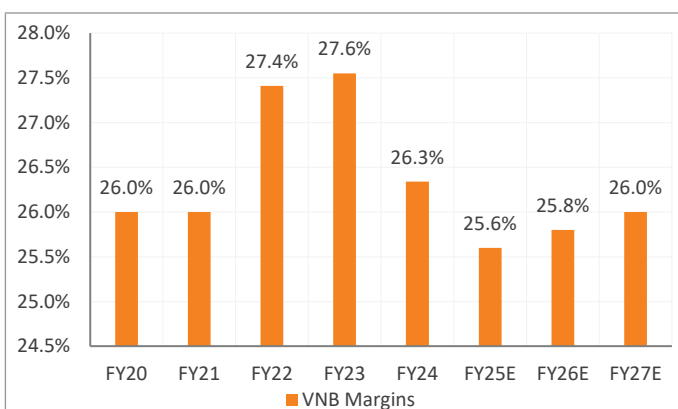
Source: Company; Mirae Asset Sharekhan Research

Trend in VNB growth



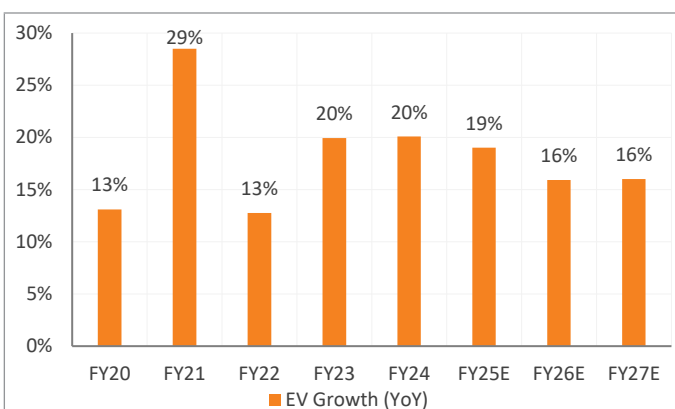
Source: Company; Mirae Asset Sharekhan Research

Trend in VNB margins



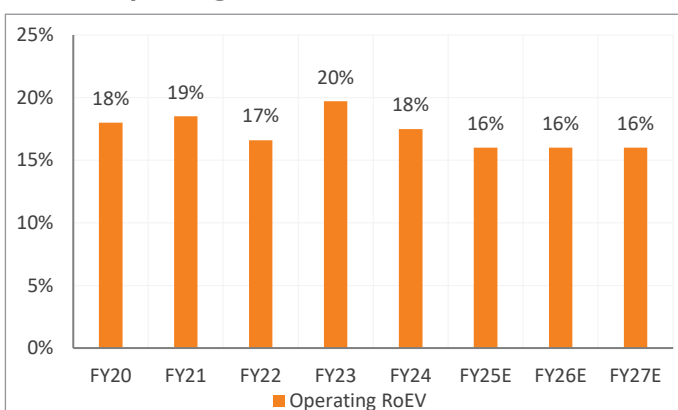
Source: Company; Mirae Asset Sharekhan Research

Trend in EV growth



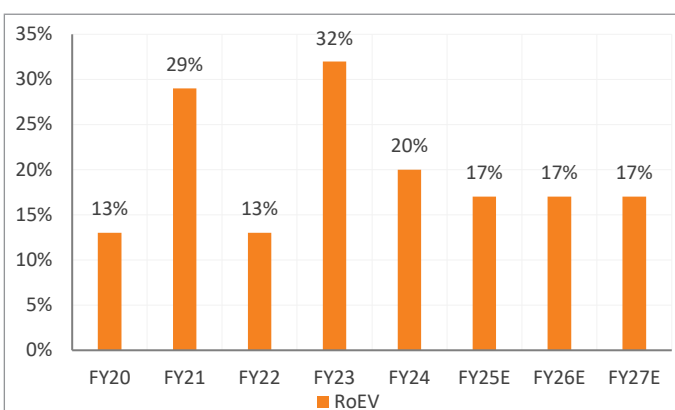
Source: Company; Mirae Asset Sharekhan Research

Trend in Operating RoEV



Source: Company; Mirae Asset Sharekhan Research

Trend in RoEV



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Large opportunity, regulatory risk persists

Insurance penetration is still low in India as compared to international benchmarks. Factors such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap; and credit protection products are still at an early stage and has the potential to grow multi-fold as penetration of retail loans improves in the country. Hence, we believe the insurance sector has a huge growth potential in India. Against this backdrop, we believe that strong players with the right mix of products, services, and distribution are likely to gain disproportionately from the opportunity. However, regulatory changes/ competition, may impact growth and profitability.

■ Company Outlook – Taking measured steps

HDFC Life is well-placed with a superior product mix and a strong distribution channel. Scaling up the non-par business, higher share from protection segment and investments in overall product portfolio/ distribution channel will likely help sustain market share gains in the medium term. We stay positive on medium to long-term prospects.

■ Valuation – Maintain Buy with unchanged PT of Rs. 870

HDFC Life trades at 2.0x/ 1.7x its FY2026E/ FY2027E EVPS. The company remains focused on maintaining a balanced product mix across businesses with leadership in product launches. Benign competitive environment, new product launches, strong traction in non-PAR segment, focus on tier II/tier III geographies, other bancassurance partnerships and investments in agency channel will support growth. We believe APE & VNB outlook remains steady along with risk-reward has turned attractive as regulatory risk seems to be adequately priced in.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HDFC Life Insurance Company	616	1,32,661	27.3	23.2	2.0	1.7	17.0	17.0
ICICI Prudential Life Insurance	550	79,418	27.6	23.0	1.4	1.3	14.4	14.3

Source: Company; Mirae Asset Sharekhan Research

About company

Established in 2000, HDFC Life is a leading life insurance solutions provider. The company offers a range of individual and group insurance solutions that meet various customer needs such as protection, pension, savings, investment, and health. HDFC Life stands out among its peers with its strong parentage, robust brand recall, along with advantages that come with an industry leader sister concern bank, which has an attractive retail business and gives deep client penetration and arguably the best means to channelize growth for the insurance business.

Investment theme

We believe the insurance business has significant growth opportunities. Regulatory risk persists but that is largely priced in. HDFC Life is well placed with superior product mix and strong distribution channel. By virtue of its bancassurance partnerships, products, digital strength, and industry-leader status, HDFC Life should be able to deliver steady VNB and EV CAGR over the long term (aided by high margins in the protection business and improvement in persistency trends).

Key Risks

Slower APE growth, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Additional Data

Key management personnel

Name	Designation
Ms. Vibha Padalkar	MD & CEO
Mr. Niraj Shah	ED & CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Bank Ltd	50.32
2	EXIDE INDUSTRIES LTD	4.04
3	ICICI Prudential Asset Management	3.48
4	FMR LLC	2.71
5	Capital Group Cos Inc/The	1.91
6	Vanguard Group Inc/The	1.90
7	Blackrock Inc	1.80
8	CAMAS INV PTE LTD	1.70
9	SBI Funds Management Ltd	1.59
10	Nippon Life India Asset Management	1.39

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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