

Stable performance and outlook

Life Insurance ▶ Result Update ▶ April 18, 2025

CMP (Rs): 720 | TP (Rs): 775

HDFCLIFE reported an overall steady performance in growth (Retail APE YoY growth – FY25: 18%; Q4FY25: 9.7%) and profitability (FY25 VNB margin: 25.6%; VNB growth: 13% YoY) despite the headwinds from new surrender regulation implementation and decline in the MFI-linked Credit Life segment. Notwithstanding the intermittent short-term volatilities owing to the challenging macro environment and regulatory landscape changes, the management remains confident of doubling key performance metrics over 4 years – to help achieve this, it continues to invest in building capabilities and driving innovation. To account for the Q4 developments and future guidance, we marginally tweak our FY26-27 estimates which leads to a broadly unchanged (ie around +/-1%) VNB and EV. We reiterate BUY on the stock, with unchanged Mar-26E TP of Rs775 (implying FY27E P/EV: 2.2x).

Satisfactory APE growth and healthy VNB margin delivery

HDFC Life delivered a steady performance in FY25, with 16.5% APE growth at Rs154.8bn (Emkay: Rs156.8bn) and VNB margin at 25.6% vs our estimate of 25%. The company clocked in better-than-industry retail APE growth of 18% in FY25. For Q4FY25, APE grew 9.7% YoY and was 3.8% lower than our estimate, whereas VNB margin at 25.9% was better than our estimate of 25%. Driven by better margin delivery and offset by lower-than-expected APE growth, VNB for FY25 at Rs39.6bn (+13.2% YoY) was 1.7% higher than our estimate, while Q4FY25 VNB grew 11.5% and was 2.1% higher than our estimate. FY25 Embedded Value at Rs552.4bn grew 16.4% YoY, in line with our estimate. For FY25, PAT at Rs18bn grew 15% YoY and was 1.5% higher than our estimate, while Q4FY25 PAT at Rs4.8bn (+15.8% YoY) was higher than our estimate of Rs4.4bn.

The management remains confident of doubling key metrics every four years

Driven by its strong brand, distribution, and execution capabilities, HDFC Life has doubled its key metrics over FY21-25. While FY25 saw a host of challenges, including implementation of the new surrender regulations and slowdown in the credit protection business driven by a slowdown in MFI disbursements, the company reported a satisfactory better-than-industry APE growth while delivering healthy margins. Though the short-term environment remains challenging given the volatile macro-economic conditions and regulatory shifts, the management remains confident about its ability to double the key metrics over the next four years. Going forward, the management expects the protection segment to continue tracking the growth trajectory, while it believes non-par products should see better growth given the conducive interest rate environment. Further, the management continues to address the whitespaces driven by product innovation, aiding APE growth going forward. While the management continues to invest in building capabilities and driving innovation, VNB margins are likely to remain range-bound.

We reiterate BUY with unchanged Mar-26E TP of Rs775

To reflect the Q4 developments, we tweak our FY26-27 estimates which results in a ~3% APE cut, while a 40-50bps rise in VNB margin is causing a ~1% cut in VNB. We introduce FY28 estimates. Given HDFC Life's strong brand, distribution strength, and product innovation, we retain BUY and Mar-26E TP of Rs775, implying FY27E P/EV of 2.2x.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	7.6

Stock Data	HDFCLIFE IN
52-week High (Rs)	761
52-week Low (Rs)	511
Shares outstanding (mn)	2,153.0
Market-cap (Rs bn)	1,550
Market-cap (USD mn)	18,158
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	2,104.7
ADTV-3M (USD mn)	24.7
Free float (%)	49.6
Nifty-50	23,851.7
INR/USD	85.4

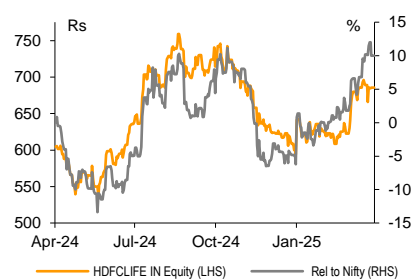
Shareholding, Dec-24

Promoters (%)	50.3
FPIs/MFs (%)	25.1/13.7

Price Performance

(%)	1M	3M	12M
Absolute	14.3	12.1	19.1
Rel. to Nifty	7.9	9.1	10.6

1-Year share price trend (Rs)



HDFC Life Insurance: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
GWP	630,765	710,449	823,820	956,744	1,112,486
APE	132,910	154,790	178,391	206,410	238,885
VNB	35,010	39,620	45,708	53,407	62,300
VNB margin (%)	26.3	25.6	25.6	25.9	26.1
APE growth (%)	(0.3)	16.5	15.2	15.7	15.7
VNB growth (%)	(4.7)	13.2	15.4	16.8	16.7
Adj. EPS (Rs)	7.4	8.5	9.7	11.0	12.8
EV	474,690	554,310	642,086	742,582	857,331
EVOP	69,210	79,220	91,495	104,923	120,159
Op. RoEV (%)	17.5	16.7	16.5	16.3	16.2
EVPS (INR)	220.7	257.5	298.2	344.9	398.2
P/EV (x)	3.3	2.8	2.4	2.1	1.8
P/EVOP (x)	22.2	19.4	16.8	14.7	12.8

Source: Company, Emkay Research

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Exhibit 1: HDFCLIFE – FY25/Q4FY25 Financial Result summary

(Rs bn)	FY25	FY24	YoY %	FY25	Var %	Q4FY25	Q4FY24	YoY %	Q4FY25E	% Var
APE	154.8	132.9	16.5	156.8	-1.3	51.9	47.3	9.7	53.9	-3.8
--o/w Savings	137.5	115.2	19.3			47.9	42.5	12.8		
--o/w Protection	17.3	17.7	-1.9			4.0	4.8	-17.5		
Protection APE (% of total APE)	11.2	13.3	-2.1ppts			7.6	10.1	-2.5ppts		7.6ppts
Value of New Business	39.6	35.0	13.2	39.3	0.7	13.8	12.3	11.5	13.5	2.1
New Business Margin (%)	25.6	26.3	-0.7ppts	25.1	0.5ppts	26.5	26.1	0.4ppts	25.0	1.5ppts
Embedded Value	552.4	474.7	16.4	551.7	0.1					
EV Operating Profit	79.2	69.2	14.5							
Operating RoEV (%)	16.7	17.5	-0.8ppts							
New Business Premium (NBP)	333.7	296.3	1.9	329.6		109.7	95.3	15.1		
Renewal premium	376.8	334.5	17.6	378.7		130.6	114.1	14.5		
Gross written premium	710.4	630.8	9.6	708.4		240.3	209.4	14.8		
PAT	18.0	15.7	14.9	17.7	1.5	4.8	4.1	15.8	4.4	7.5
AUM	3,363	2,922	15.1	3,361	0.0					
Solvency ratio (%)	194	187	7.0ppts							

Source: Company, Emkay Research

Exhibit 2: Appraisal methodology-based valuation for HDFC Life

Parameter (Rs bn)	Value
FY25E-40E APE CAGR	10.9%
FY25E-40E VNB CAGR	10.9%
Terminal growth rate	5.0%
Cost of Equity	13.0%
FY26 EV	642
Present value of future VNB	1,059
Appraisal Value - Mar-26E	1,693
Share count (mn)	2,153
Appraisal value per share - Mar-26E (Rs)	786
Target Price - Mar-26E (Rs)	775

Source: Company, Emkay Research

Exhibit 3: Implied valuation multiples for HDFC Life

Target price multiple on FY27 estimates	Rs775
P/EV	2.2x
RoEV (%)	16.3
P/EVOP	15.7x
Implied FY27E VNB multiple	19.2x
Current price multiple on FY27 estimates	Rs720
P/EV	2.1x
RoEV (%)	16.3
P/EVOP	14.6x
Implied FY27E VNB multiple	17.0x

Source: Company, Emkay Research

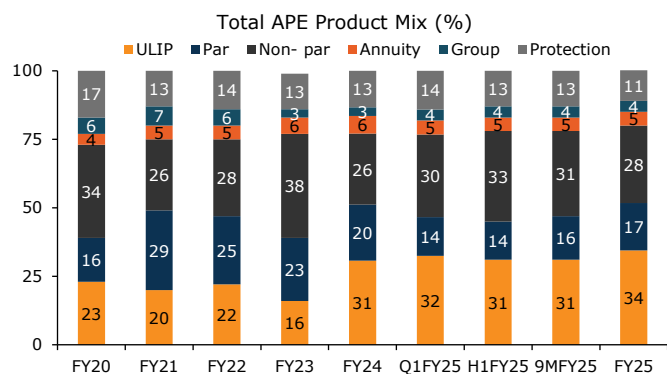
Exhibit 4: Changes in estimates

(Rs bn)	FY26E			FY27E			FY28E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	183.4	178.4	-2.7	212.1	206.4	-2.7	NA	238.9	NM
VNB	46.2	45.7	-1.2	53.8	53.4	-0.7	NA	62.3	NM
VNB Margin (%)	25.2	25.6	0.4ppts	25.4	25.9	0.5ppts	NA	26.1	NM
EVOP	90.2	91.5	1.4	103.1	104.9	1.8	NA	120.2	NM
EV	638.0	642.1	0.6	736.5	742.6	0.8	NA	857.3	NM
PAT	21.7	20.9	-3.6	24.2	23.7	-2.0	NA	27.6	NM

Source: Company, Emkay Research; Note: NM = Not meaningful

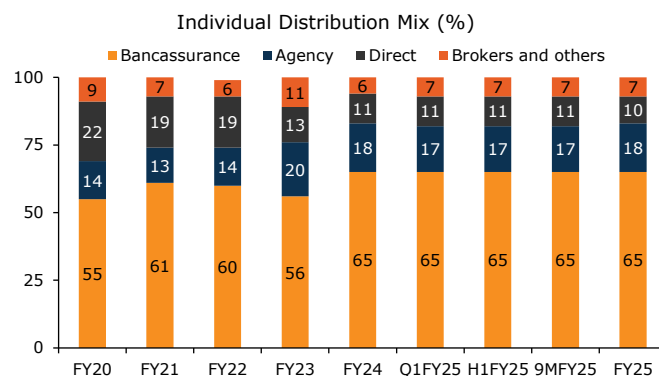
Story in charts

Exhibit 5: With steady demand, ULIP commands 34% share



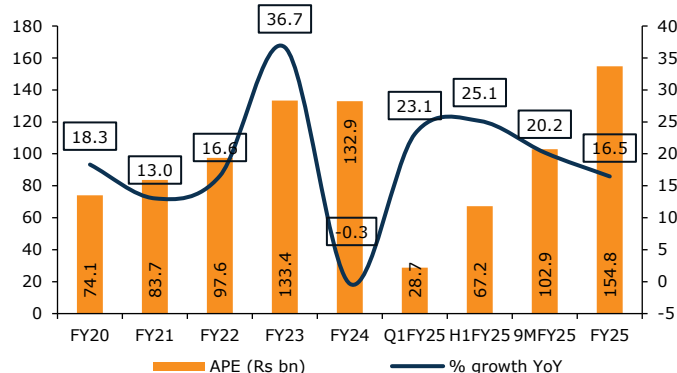
Source: Company, Emkay Research

Exhibit 6: The Banca channel's contribution is stable



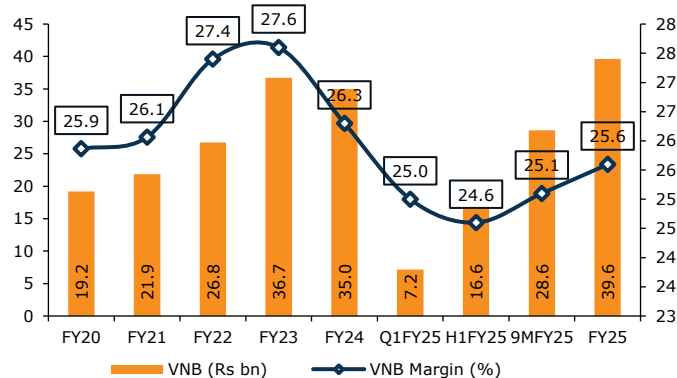
Source: Company, Emkay Research

Exhibit 7: HDFC Life delivers 16.5% APE growth during FY25



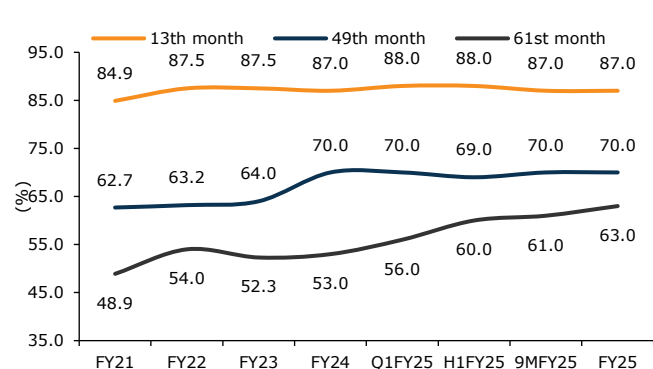
Source: Company, Emkay Research

Exhibit 8: VNB margin improves sequentially to 25.6%



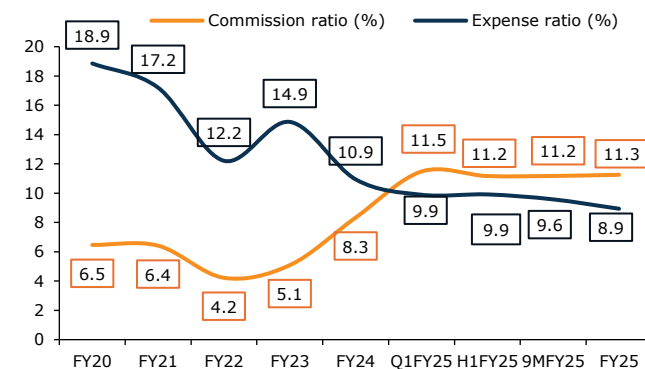
Source: Company, Emkay Research

Exhibit 9: 61st month persistency witnesses YoY and sequential improvement

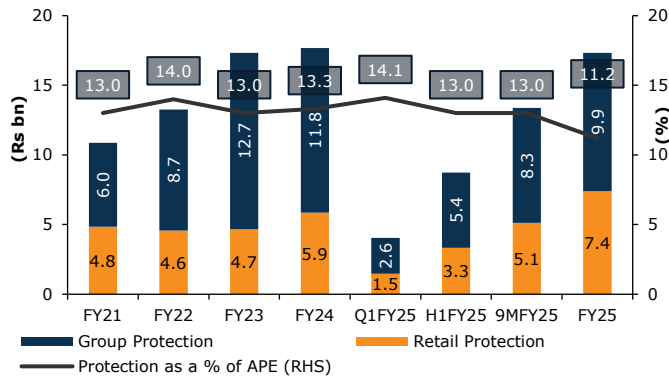


Source: Company, Emkay Research

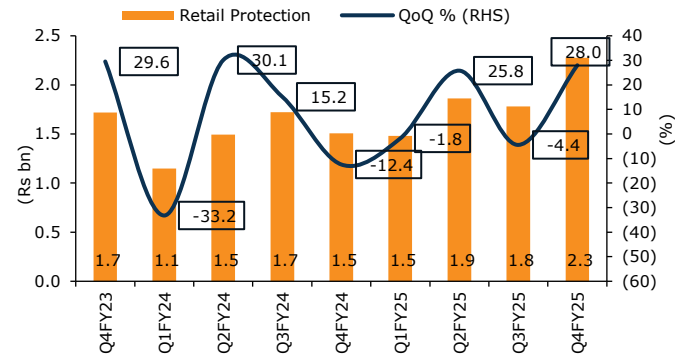
Exhibit 10: Expense ratio witnesses sequential improvement



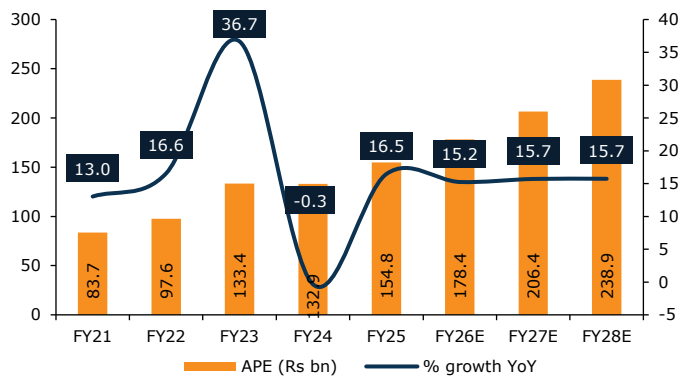
Source: Company, Emkay Research

Exhibit 11: Protection contributes to 11.2% of APE

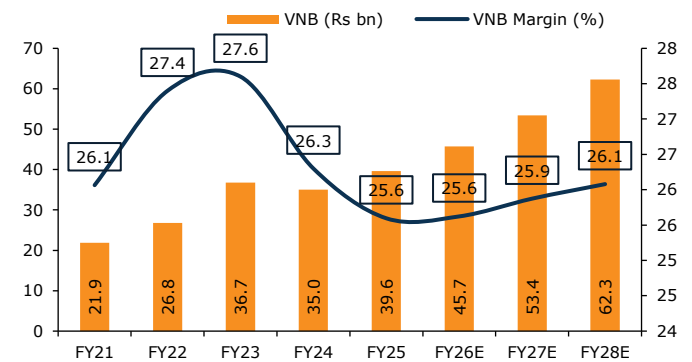
Source: Company, Emkay Research

Exhibit 12: Retail Protection witnesses 28% QoQ growth during Q4FY25

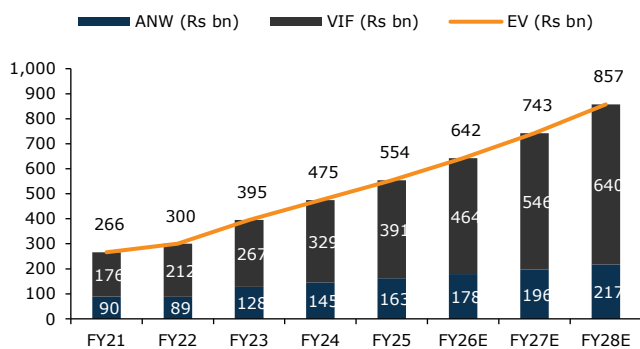
Source: Company, Emkay Research

Exhibit 13: We expect HDFC Life to deliver 15-16% APE growth over FY26-28E

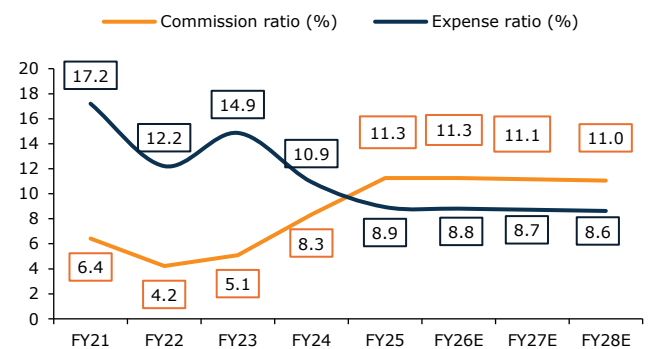
Source: Company, Emkay Research

Exhibit 14: VNB margins to see gradual improvement over FY26-28E

Source: Company, Emkay Research

Exhibit 15: We expect HDFC life to deliver EV of Rs857bn by FY28E

Source: Company, Emkay Research

Exhibit 16: We expect cost ratios to be largely stable going forward

Source: Company, Emkay Research

Earnings conference call highlights

- The company has doubled all the key metrics between FY21 and FY25 and, going forward, the management remains confident of doubling the key metrics over coming four years too.
- ULIP demand remained strong during Q4FY25, despite the volatile markets. The management expects traditional products to perform well led by the lower interest rate scenario and uncertainty in equity markets. The Credit Protection business saw a slowdown, on account of the slowdown in MFI disbursements.
- While the company maintained its counter share at the HDFC Bank channel, HDFC Bank's contribution to HDFC Life's APE stood at 47%.
- The management expects moderate growth in H1FY26, driven by a high base and continued slowdown in MFI disbursements; however, H2FY26 should see growth even out.
- Protection has grown 25% in recent years; the management expects growth in the protection business next year as well and to log higher than company-level growth.
- The management mentioned that Banca is a considerably important channel for achieving 'Insurance for all by 2047'. While the banca channel has 6-10x more branches than the insurance sector, letting go of these touch points would reflect poorly on the industry.
- Key areas of investment in the Agency and Proprietary channels include a combination of Branches, Training, People, PayScale, and Technology driving an improvement in the quality of people in the Agency channel.
- While margins will remain range bound, any uplift will be invested back into the business toward distribution and technology.
- Over four years (FY21-25), the company has almost doubled the key metrics (Renewal Premium, Annuity, Protection, AUM, EV) – the management remains committed to delivering these numbers ahead too, over 4-4.5 years. Margins should start moving upward, with the investments and tech transformation now behind.
- The company is mulling taking forward the mix of ULIP in HDFC Bank, and is working on increasing the sum assured and adding more riders and protection benefits which will help improve margins.
- Par margins might be lower than non-par, but margin delta has not been as high in the past given the longer term of par products.
- Project Inspire is a long-term project. The objective is to create a specific moat for the company, driven by seamless integration with partners. With better integration, the company will be able to handle higher volumes and enhance the experience for channel partners as well.
- The company will see retirement of the first tranche of debt in the next few months, and the management will take a call on whether to renew it.
- While the company saw robust growth in H1FY25 (a high base for H1FY26), dimensions could be different in FY26 given macro uncertainties. VNB growth will not be as back ended as APE growth for FY26.

HDFC Life Insurance: Standalone Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross premium	630,765	710,449	823,820	956,744	1,112,486
Net premium	619,592	696,161	807,252	937,503	1,090,113
Investment income	383,543	259,453	276,529	316,681	363,834
Other income	4,608	3,834	1,505	1,405	1,305
Total revenue	1,007,743	959,448	1,085,286	1,255,589	1,455,253
Commission expense	52,563	78,353	90,856	104,513	120,359
Operating expense	69,011	62,218	71,121	81,734	94,036
Benefits paid (net)	396,965	393,459	453,540	518,468	594,675
Change in reserves	484,194	415,156	456,958	536,349	630,177
Total expenses	999,991	949,019	1,071,328	1,239,731	1,437,697
Surplus/Deficit	7,751	10,430	13,958	15,858	17,555
Trf from policyholders acct	7,991	9,968	13,340	15,156	16,778
Shareholders' results	7,647	8,693	8,404	9,541	12,012
PBT	15,638	18,661	21,745	24,697	28,790
Extraordinary items	-	-	-	-	-
Tax expense	(50)	640	870	988	1,152
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	15,689	18,021	20,875	23,709	27,639
PAT growth (%)	15.3	14.9	15.8	13.6	16.6
Adjusted PAT	15,689	18,021	20,875	23,709	27,639
Diluted EPS (Rs)	7.3	8.4	9.8	11.1	12.9
Diluted EPS growth (%)	15.3	14.9	15.8	13.6	16.6
DPS (Rs)	1.9	2.0	2.4	2.8	3.2
Dividend payout (%)	26.0	23.9	25.0	25.0	25.0
Effective tax rate (%)	(0.3)	3.4	4.0	4.0	4.0
Shares outstanding (mn)	2,151	2,153	2,153	2,153	2,153

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
APE	132,910	154,790	178,391	206,410	238,885
VNB	35,010	39,620	45,708	53,407	62,300
VNB margin (%)	26.3	25.6	25.6	25.9	26.1
APE growth (%)	(0.3)	16.5	15.2	15.7	15.7
VNB growth (%)	(4.7)	13.2	15.4	16.8	16.7
Operating ratios (%)					
NB commission/APE	35.6	41.7	41.3	41.1	40.9
Commissions/TWRP	11.3	14.9	15.1	15.1	15.1
Total exp ratio/TWRP	26.2	26.7	26.8	26.9	27.0
Conservation ratio	84.1	84.6	85.0	85.0	85.0
Solvency ratio	187.0	194.0	192.0	190.0	190.0
ROE	11.4	11.7	12.3	12.8	13.5
Historical metrics					
APE mix (%)	FY24	FY25	FY26E	FY27E	FY28E
A. Retail protection	4.4	4.8	0	0	0
B. Group protection	8.9	6.4	0	0	0
C. Savings - individual	0	0	0	0	0
Par	20.3	17.3	0	0	0
Non-Par	32.4	33.3	0	0	0
ULIP	30.8	34.4	0	0	0
D. Group Savings	3.2	4.0	0	0	0
Persistency ratios (%)	-	-	-	-	-
13th Month	87.0	87.0	0	0	0
49th Month	70.0	70.0	0	0	0

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	21,509	21,530	21,530	21,530	21,530
Reserves & Surplus	125,008	139,720	155,376	173,158	193,887
Net worth	146,517	161,256	176,906	194,688	215,417
Borrowings	9,500	29,500	29,500	29,500	29,500
Policy liabilities	1,753,488	2,107,778	2,545,366	3,067,151	3,688,111
Provision for linked liab	921,145	977,434	1,109,522	1,262,615	1,440,177
FFA	12,115	12,576	13,194	13,896	14,673
Current liab and provision	86,665	94,842	112,301	132,712	156,709
Total liabilities & Equity	2,937,293	3,395,342	3,868,568	4,423,401	5,075,085
Shareholders' Investment	148,819	183,863	201,707	221,982	245,617
Policyholder Investment	1,817,966	2,162,671	2,472,272	2,835,663	3,262,624
Assets to cover linked liab.	955,416	1,016,282	1,161,769	1,332,534	1,533,171
Current assets	79,739	98,724	112,484	128,617	147,565
Total Assets	2,937,293	3,395,342	3,868,568	4,423,401	5,075,085
BV/Share (INR)	68.1	74.9	82.2	90.4	100.1
EV/share (INR)	220.7	257.5	298.2	344.9	398.2
EVOP/share (INR)	32.4	37.1	42.9	49.1	56.3
Embedded value	474,690	554,310	642,086	742,582	857,331
ANW	145,300	162,830	178,480	196,262	216,991
VIF	329,390	391,480	463,606	546,320	640,340
VIF share in EV (%)	69.4	70.6	72.2	73.6	74.7
Total AUM	2,922,201	3,362,815	3,835,748	4,390,179	5,041,413
Investment yield (%)	14.8	8.6	8.0	8.0	8.1
Yield on PH funds (%)	23.4	13.0	11.9	11.9	11.9
Yield on SH funds (%)	7.2	6.8	6.3	6.3	6.8

Source: Company, Emkay Research

Valuation & key ratios					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	98.0	85.3	73.7	64.8	55.6
P/B (x)	10.6	9.6	8.8	8.0	7.2
P/EV (x)	3.3	2.8	2.4	2.1	1.8
P/EVOP (x)	22.2	19.4	16.8	14.7	12.8
Implied P/VNB (x)	30.7	25.1	19.9	15.1	11.1
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
EV account and RoEV					
Opening EV	395,280	474,690	554,310	642,086	742,582
Premium unwind	32,400	38,400	44,287	50,015	56,358
VNB	35,010	39,620	45,708	53,407	62,300
Operating variance	1,800	1,200	1,500	1,501	1,501
EVOP	69,210	79,220	91,495	104,923	120,159
Investment variance	13,500	3,600	1,500	1,500	1,500
Capital movement	(3,300)	(3,200)	(5,219)	(5,927)	(6,910)
Other changes	0	0	0	0	0
Closing EV	474,690	554,310	642,086	742,582	857,331
Change in EV	79,410	79,620	87,776	100,496	114,749
RoEV (%)	17.5	16.7	16.5	16.3	16.2
Operating RoEV (%)	17.5	16.7	16.5	16.3	16.2
EVOP growth (%)	6.6	14.5	15.5	14.7	14.5
EV growth (%)	20.1	16.8	15.8	15.7	15.5
Core operating RoEV (%)	17.5	16.7	16.5	16.3	16.2
Unwind rate (%)	8.2	8.1	8.0	7.8	7.6
VNB-to-opening EV (%)	8.9	8.3	8.2	8.3	8.4

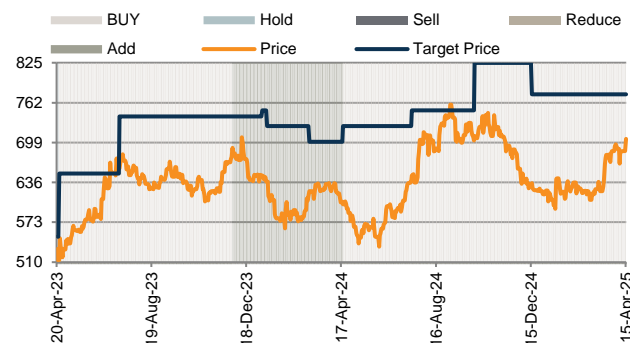
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
03-Apr-25	693	775	Buy	Avinash Singh
12-Feb-25	629	775	Buy	Avinash Singh
16-Jan-25	641	775	Buy	Avinash Singh
12-Jan-25	609	775	Buy	Avinash Singh
16-Dec-24	635	775	Buy	Avinash Singh
16-Oct-24	727	825	Buy	Avinash Singh
13-Oct-24	724	825	Buy	Avinash Singh
04-Oct-24	709	825	Buy	Avinash Singh
09-Sep-24	736	750	Buy	Avinash Singh
15-Aug-24	686	750	Buy	Avinash Singh
16-Jul-24	647	750	Buy	Avinash Singh
04-Jul-24	604	725	Buy	Avinash Singh
10-Jun-24	569	725	Buy	Avinash Singh
05-Jun-24	552	725	Buy	Avinash Singh
01-Jun-24	550	725	Buy	Avinash Singh
10-May-24	549	725	Buy	Avinash Singh
19-Apr-24	602	725	Buy	Avinash Singh
03-Apr-24	624	700	Add	Avinash Singh
26-Mar-24	627	700	Add	Avinash Singh
09-Mar-24	622	700	Add	Avinash Singh
07-Mar-24	622	700	Add	Avinash Singh
13-Jan-24	638	725	Add	Avinash Singh
09-Jan-24	641	750	Add	Avinash Singh
07-Jan-24	647	750	Add	Avinash Singh
28-Dec-23	648	740	Add	Avinash Singh
18-Dec-23	672	740	Add	Avinash Singh
07-Dec-23	678	740	Add	Avinash Singh
30-Nov-23	691	740	Add	Avinash Singh
30-Nov-23	691	740	Buy	Avinash Singh
07-Nov-23	622	740	Buy	Avinash Singh
14-Oct-23	625	740	Buy	Avinash Singh
09-Oct-23	615	740	Buy	Avinash Singh
04-Oct-23	626	740	Buy	Avinash Singh
08-Sep-23	657	740	Buy	Avinash Singh
21-Aug-23	625	740	Buy	Avinash Singh
09-Aug-23	646	740	Buy	Avinash Singh
22-Jul-23	647	740	Buy	Avinash Singh
09-Jul-23	658	740	Buy	Avinash Singh
10-Jun-23	582	650	Buy	Avinash Singh
01-Jun-23	582	650	Buy	Avinash Singh
16-May-23	560	650	Buy	Avinash Singh
27-Apr-23	518	650	Buy	Avinash Singh
23-Apr-23	513	650	Buy	Avinash Singh
21-Apr-23	513	550	Hold	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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SELL	<15% downside

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