

3R MATRIX

	+	=	-
Right Sector (RS)			
Right Quality (RQ)			
Right Valuation (RV)			

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

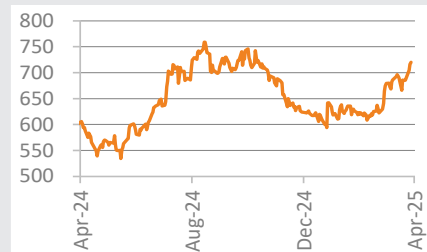
Company details

Market cap:	Rs. 1,53,336 cr
52-week high/low:	Rs. 761 / 511
NSE volume: (No of shares)	32.7 lakh
BSE code:	540777
NSE code:	HDFCLIFE
Free float: (No of shares)	106.8 cr

Shareholding (%)

Promoters	50.3
FII	25.0
DII	14.1
Others	10.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

()	1m	3m	6m	12m
Absolute	13.0	10.9	-1.9	17.7
Relative to Sensex	6.0	7.3	0.0	9.0

Source: Mirae Asset Sharekhan Research, Bloomberg

HDFC Life Insurance Company Ltd

Mixed Q4, outlook stable

Insurance	Sharekhan code: HDFCLIFE		
Reco/View: Buy	↔	CMP: Rs. 712	Price Target: Rs. 870 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- In Q4, APE grew by 10% y-o-y (below estimates) led by modest growth in individual APE (~9% y-o-y) although it was healthy at 16% y-o-y for FY25.
- On the positive side, VNB margins were better than expectations; they improved ~40 bps y-o-y to 26.5% in Q4 (vs estimates of ~26.1%) led by better product level margins in ULIP and par products.
- Management guided for modest APE growth in H1FY26 and likely to pick up over the H2. Endeavour is to grow APE ahead of industry average and VNB margins are expected to remain range-bound with positive bias.
- Stock trades at 2.4x/ 2.0x its FY2025E/ FY2026E/ FY2027E EVPS. We maintain a Buy with an unchanged PT of Rs. 870.

APE grew by 9% y-o-y in Q4FY25, while VNB grew by 12% y-o-y. For FY25, APE grew 16% y-o-y, Individual APE grew by 18% and value of new business (VNB) grew by 13% y-o-y. VNB margins improved to 26.5% (up 40 bps y-o-y) versus estimates of 26.1% in Q4 driven by better product level margins in ULIP and par products. For FY25, margins dipped to 25.6% from 26.3% in FY24. The dip was mainly due to adverse product mix (~50 bps) and new surrender guidelines (~20 bps). In FY25, APE growth was primarily led by savings products - ULIP (32% y-o-y), non-par savings (26% y-o-y) and group savings (17% y-o-y). Retail protection APE grew 18% YoY, driven by strong growth across all city tiers, while Credit Protect remained weak due to MFI stress. In terms of distribution mix, Bancassurance channel's APE growth was modest at 7% y-o-y. Agency/ direct channel grew by 18%/8% y-o-y in FY25. Persistency trends were strong in most of the buckets. Solvency ratio was at 194% vs 188% q-o-q. Embedded Value (EV) grew by 17% y-o-y in FY25 with RoEV at 16.8%.

Key positives

- Persistency trends remained strong across most buckets.
- Agency business has started to deliver benefit of the investments, delivering 21% y-o-y growth in Q4FY25 and 18% y-o-y for FY2025.

Key negatives

- Credit protect segment remained impacted due to challenges in MFI segment.
- Operating RoEV fell by 90 bps y-o-y to 17.5% in Q4FY25 driven by negative operating variance and moderate VNB growth.

Management Commentary

- APE growth will be modest in H1FY26 due to higher base and likely to pick up over the H2. Endeavour is to grow APE ahead of industry average and VNB margins are expected to remain range-bound with positive bias.
- Management has guided for APE/VNB to double over the next four-five years implying a 16-17% CAGR.
- A favourable product mix may aid VNB margin performance, but the same would be invested in distribution and technology.
- Click to Achieve Par Advantage product launched in Q3 boosted Par segment sale in Q4.
- Counter share at HDFC bank is steady at ~65%.

Our Call

Valuation - Maintain Buy with unchanged PT of Rs. 870 - HDFC Life trades at 2.4x/ 2.0x its FY2026E/ FY2027E EVPS. The company remains focused on maintaining a balanced product mix across businesses with leadership in product launches. A 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. Valuation seems to be reasonable, considering the expected 15%/17%/17% APE/VNB/EV CAGR over FY2025-FY2027E.

Key Risks

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

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
APE	13,336	13,291	15,479	17,800	20,500
VNB	3,674	3,501	3,962	4,620	5,440
VNB Margin (%)	27.5	26.3	25.6	26.0	26.5
EV	39,527	47,468	55,423	64,700	75,500
PAT	1,368	1,574	1,811	2,050	2,350
EPS (Rs.)	6.4	7.3	8.4	9.5	10.9
ROEV (%)	19.9	20.1	16.8	16.5	16.5
P/EV (x)	3.9	3.2	2.8	2.4	2.0
P/VNB (x)	41.7	43.7	38.7	33.2	28.2

Source: Company; Mirae Asset Sharekhan estimates

Result Snapshot (Consolidated)

Particulars						Rs cr
	Q4FY25	Q4FY24	Q3FY25	y-o-y (%)	q-o-q (%)	
New Business Premium	10,980	9,535	7,906	15.2		38.9
Net Premium	23,843	20,534	16,832	16.1		41.7
APE	5,186	4,727	3,569	9.7		45.3
VNB	1,376	1,234	930	11.5		48.0
VNB Margins	26.5%	26.1%	26.1%	+40 bps		+40 bps

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – 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, balancing growth and margins

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 the medium to long-term prospects.

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

HDFC Life trades at 2.4x/ 2.0x its FY2026E/ FY2027E EVPS. The company remains focused on maintaining a balanced product mix across businesses with leadership in product launches. A 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. Valuation seems to be reasonable, considering the expected 15%/17%/17% APE/VNB/EV CAGR over FY2025-FY2027E.

Peer Comparison

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HDFC Life Insurance Company	712	1,53,336	33.2	28.2	2.4	2.0	16.5	16.5
ICICI Prudential Life Insurance	603	87,121	32.1	28.2	1.6	1.4	13.3	13.5

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, but regulatory risk persists. 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	3.49
4	FMR LLC	2.73
5	Vanguard Group Inc/The	1.92
6	Capital Group Cos Inc/The	1.91
7	Blackrock Inc	1.80
8	CAMAS INV PTE LTD	1.70
9	SBI Funds Management Ltd	1.55
10	Nippon Life India Asset Management	1.40

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

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 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

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Chief Compliance Officer: Mr. Joby John Meledan; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.