

HDFC Life's H1FY26 performance was on expected lines, with largely in-line APE at Rs74.1bn (+10.2% YoY), while VNB margin at 24.5% was in line with consensus' and our estimates. During H1, VNB margin was impacted by 1) increased contribution of ULIPs partially offset by increased share of the Protection business; 2) enhanced margin profile across products led by longer tenure and higher sum assured; and 3) discipline in the pricing of Non-Par products. The management remains optimistic about the growth recovery in H2, led by demand recovery owing to the GST rate cut; it retained its FY26 guidance of APE growth to the early teens. While the management expects ~3% gross impact on VNB margins owing to GST ITC losses, it plans to mitigate the impact by adjusting commissions and driving operating efficiencies. To bake in the Q2 developments, we marginally cut our APE estimates while we lower VNB margin projections by ~20-50bps over FY26-28E. We retain BUY on HDFCLIFE with an unchanged Sep-26E TP of Rs850, implying FY27E P/EV of 2.5x.

In-line APE and VNB margin lead to VNB coming on expected lines

For H1FY26, APE at Rs74.1 grew 10.2% YoY and was largely in line with our estimate of Rs74.3bn. VNB margin at 24.5% (-10bps YoY) was in line with consensus/our estimates of 24.5%/24.4%, respectively. VNB margin was impacted by increased share of ULIPs partially offset by higher share of Protection products. Resultantly, VNB at Rs18.2bn (+9.8% YoY) was largely in line with our estimate of Rs18.1bn. Embedded Value at Rs595.4bn increased 14.2% YoY vs our estimate of Rs594.2bn. Solvency ratio in H1 declined drastically to 175%, largely owing to dividend payout, repayment of subordinated debt, higher share of Protection business, and GST ITC loss-related impact.

The management is confident of nullifying GST ITC loss impact on VNB margin in 2-3 quarters

The mgmt said that gross impact of the GST ITC losses on VNB margin would be ~300bps on annualized basis. However, impact of GST ITC losses would be mitigated by renegotiating the commissions and via operational adjustments led by increased cost efficiencies. Further, while engaging with distributors, the mgmt plans to jointly focus on finalizing a suitable product mix toward uplifting the margin profile. Additionally, growth is expected to pick up in Non-Par products, given the movement in interest rates. However, the mgmt will remain watchful of the pricing environment. With the GST rate cut, protection is expected to witness healthy growth which will also support overall VNB margin. Further, product-level margins are expected to enhance, with focus on longer-term and higher sum-assured products. Overall, the mgmt expects VNB margin to normalize by start-FY27. APE growth is expected to pick up in H2, on demand recovery.

We retain BUY with unchanged TP of Rs850

Following the developments in Q2FY26, we tweak our estimates which results in ~1% cut in APE estimates, while we lower VNB margin by ~20-50bps over FY26-28E which leads to a ~1-3% cut in VNB. We retain BUY on the stock with unchanged Sep-26E TP of Rs850, implying FY27E P/EV of 2.5x as we recognize the franchise strength, and the management's established track record to navigate through external challenges.

Target Price – 12M	Sep-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	11.7

Stock Data	HDFCLIFE IN
52-week High (Rs)	821
52-week Low (Rs)	584
Shares outstanding (mn)	2,156.1
Market-cap (Rs bn)	1,641
Market-cap (USD mn)	18,634
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	2,050.6
ADTV-3M (USD mn)	23.3
Free float (%)	49.6
Nifty-50	25,323.6
INR/USD	88.1

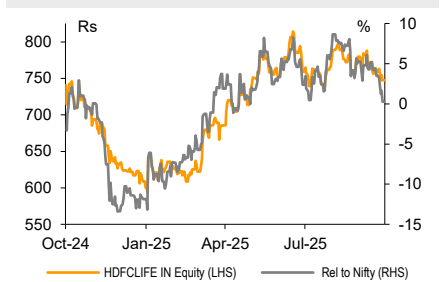
Shareholding, Jun-25

Promoters (%)	50.3
FPIs/MFs (%)	24.8/14.6

Price Performance

(%)	1M	3M	12M
Absolute	(2.1)	0.6	6.6
Rel. to Nifty	(3.0)	0.1	5.4

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	808,732	936,354	1,086,241
APE	132,910	154,790	174,186	201,513	233,177
VNB	35,010	39,620	43,510	51,750	60,076
VNB margin (%)	26.3	25.6	25.0	25.7	25.8
APE growth (%)	(0.3)	16.5	12.5	15.7	15.7
VNB growth (%)	(4.7)	13.2	9.8	18.9	16.1
Adj. EPS (Rs)	7.4	8.5	9.2	10.5	12.1
EV	474,690	554,310	638,857	737,745	850,276
EVOP	69,210	79,220	86,525	103,014	117,568
Op. RoEV (%)	17.5	16.7	15.6	16.1	15.9
EVPS (INR)	220.7	257.5	296.7	342.7	394.9
P/EV (x)	3.4	3.0	2.6	2.2	1.9
P/EVOP (x)	23.5	20.5	18.8	15.8	13.8

Source: Company, Emkay Research

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Exhibit 1: HDFC Life – H1/Q2FY26 Financial Performance

(Rs bn)	H1FY26	H1FY25	YoY %	H1FY26E	Var %	Consensus	Var %	Q2FY26	Q2FY25	YoY %	Q2FY26E	%Var
APE	74.1	67.2	10.2	74.3	-0.3	74.8	-0.9	41.9	38.6	8.6	42.1	-0.5
--o/w Savings	63.8	58.5	9.0					36.2	33.9	6.8		
--o/w Protection	10.4	8.7	18.7					5.7	4.7	21.3		
Protection APE (% of total APE)	14.0	13.0	1.0ppts					13.6	12.2	1.4ppts		13.6ppts
Value of New Business	18.2	16.6	9.8	18.1	0.2	18.3	-0.7	10.1	9.4	7.6	10.0	0.4
New Business Margin (%)	24.5	24.6	-0.1ppts	24.4	0.1ppts	24.5	0.0ppts	24.1	24.3	-0.2ppts	23.9	0.2ppts
Embedded Value	595.4	521.1	14.2	594.2	0.2							
EV Operating Profit	39.8	36.5	9.0									
Operating RoEV (%)	15.8	17.4	-1.6ppts									
New Business Premium (NBP)	162.2	145.0	1.9					89.5	81.0	10.5		
Renewal premium	179.4	152.4	17.6					103.4	88.3	17.1		
Gross written premium	341.6	297.4	9.6					192.9	169.3	13.9		
PAT	9.9	9.1	9.1	10.3	-3.4			4.5	4.3	3.3	4.8	-7.3
AUM	3,600	3,249	10.8	3,708	-2.9							
Solvency ratio (%)	175	181	-6.0ppts									

Source: Company, Emkay Research

Exhibit 2: Appraisal methodology-based valuation for HDFC Life

Parameter (Rs bn)	Value
FY25E-40E APE CAGR	11.7%
FY25E-40E VNB CAGR	11.6%
Terminal growth rate	5.0%
Cost of Equity	13.0%
FY26 EV	639
Present value of future VNB	1,103
Appraisal Value - Mar-26E	1,734
Share count (mn)	2,153
Appraisal value per share - Mar-26E (Rs)	805
Price target Sep-26E (Rs)	850

Source: Company, Emkay Research

Exhibit 3: Implied valuation multiple for HDFC Life

Target price multiple on FY27 estimates	Rs850
P/EV	2.5x
RoEV (%)	16.1
P/EVOP	17.5x
Implied FY27E VNB multiple	23.0x
Current price multiple on FY27 estimates	Rs761
P/EV	2.2x
RoEV (%)	16.1
P/EVOP	15.7x
Implied FY27E VNB multiple	19.3x

Source: Company, Emkay Research

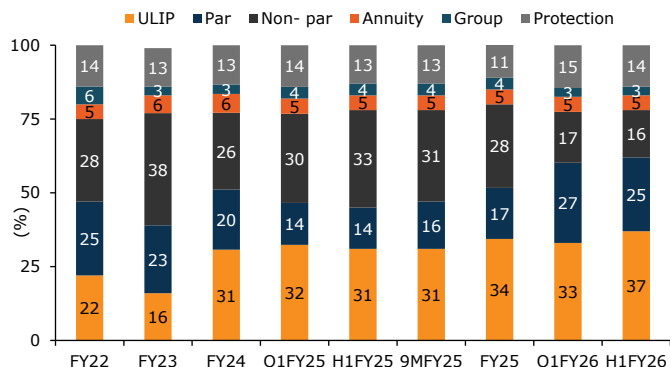
Exhibit 4: Changes in estimates

Rs bn	FY26E			FY27E			FY28E		
	Old	Revised	%Change	Old	Revised	%Change	Old	Revised	%Change
APE	175.1	174.2	-0.5	202.6	201.5	-0.5	234.4	233.2	-0.5
VNB	44.6	43.5	-2.5	52.6	51.7	-1.5	60.9	60.1	-1.3
VNB Margin (%)	25.5	25.0	-0.5ppts	25.9	25.7	-0.3ppts	26.0	25.8	-0.2ppts
EVOP	87.6	86.5	-1.3	103.9	103.0	-0.8	118.5	117.6	-0.8
EV	639.8	638.9	-0.1	739.3	737.7	-0.2	852.4	850.3	-0.3
PAT	20.8	19.9	-4.0	23.5	22.5	-4.3	27.4	26.1	-4.5

Source: Company, Emkay Research

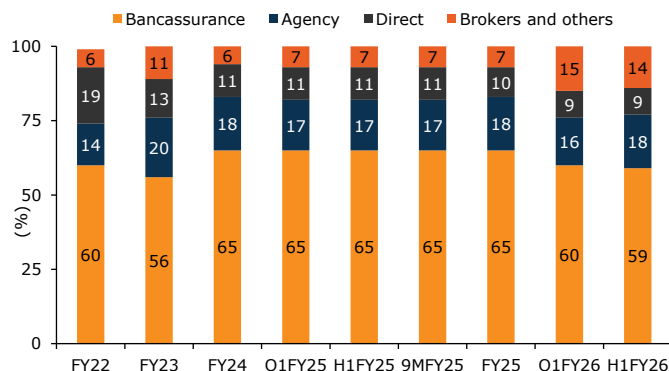
Story In Charts

Exhibit 5: Share of ULIP increased to 37% while contribution of the Protection segment inched up by 1%



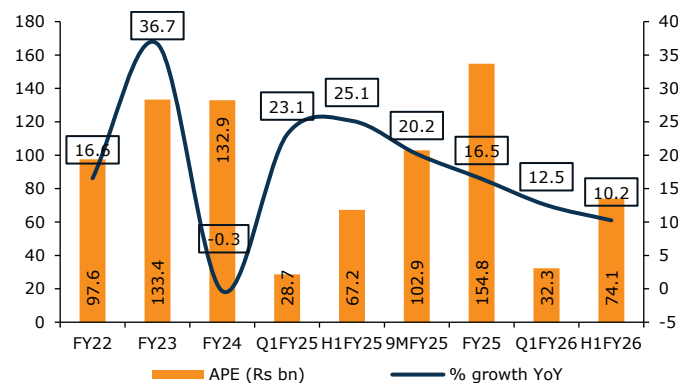
Source: Company, Emkay Research

Exhibit 6: Banca remains the top contributor to the channel mix



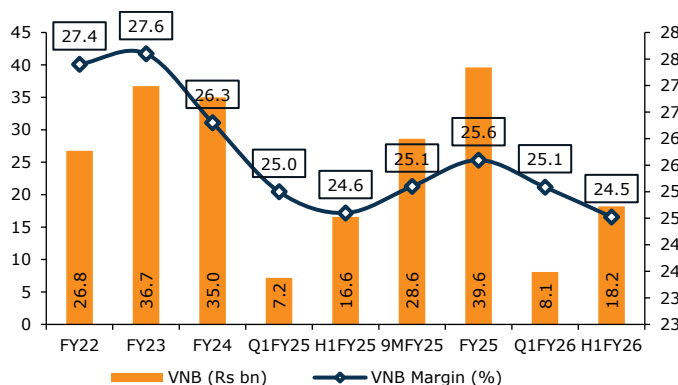
Source: Company, Emkay Research; Note: During Q1FY26, the company has merged the Brokers and Non-Bank Corporate Agents – now called Non-Bank Alliances

Exhibit 7: HDFC Life reported 10.2% growth in APE during H1FY26



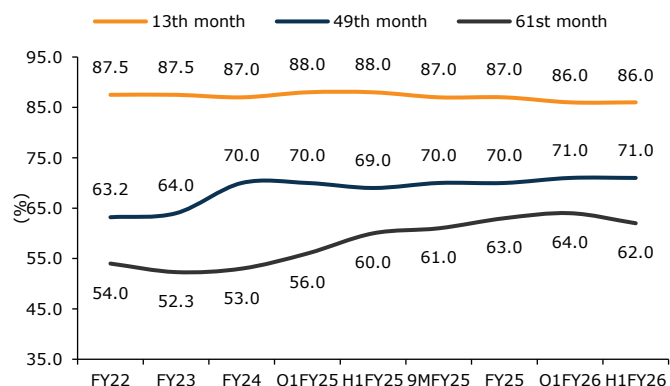
Source: Company, Emkay Research

Exhibit 8: HDFC Life has seen largely stable VNB margin on YoY basis



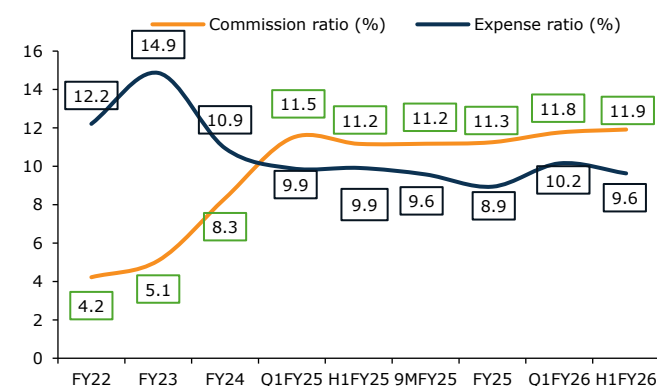
Source: Company, Emkay Research

Exhibit 9: The 13M persistency fell YoY, while the 61M persistency witnessed YoY improvement



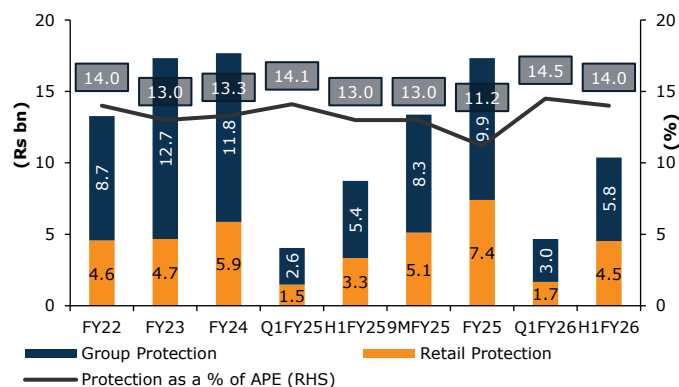
Source: Company, Emkay Research

Exhibit 10: Expense ratios have been broadly stable YoY

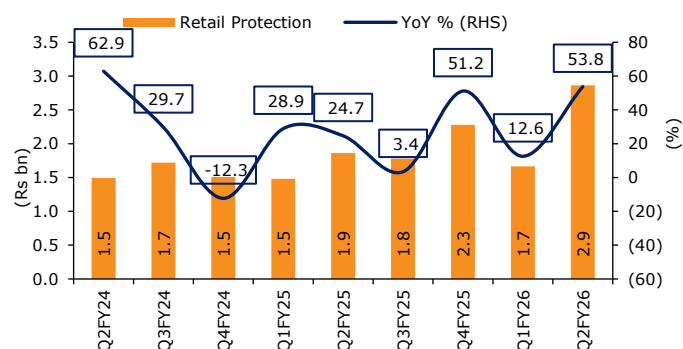


Source: Company, Emkay Research

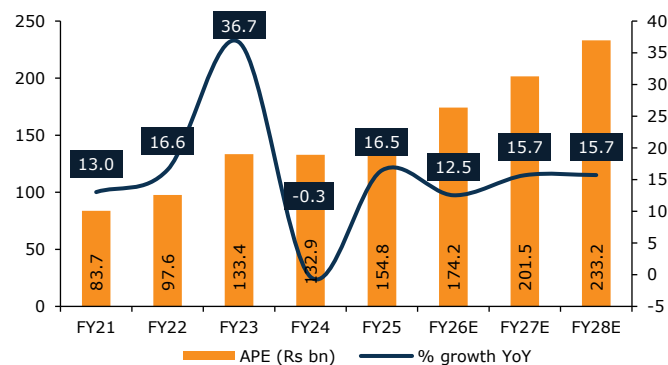
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 11: Contribution of Protection in the product mix increases marginally on YoY basis

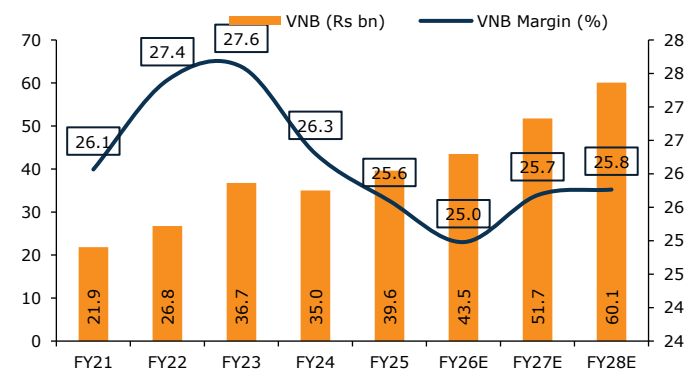
Source: Company, Emkay Research

Exhibit 12: Retail Protection has witnessed strong 54% YoY growth during Q2FY26

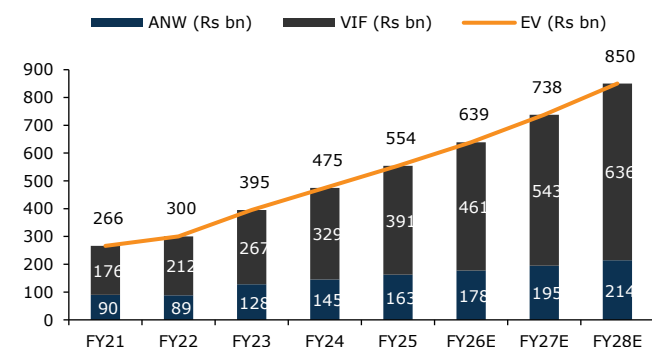
Source: Company, Emkay Research

Exhibit 13: We expect HDFC Life to deliver ~13% APE growth in FY26E

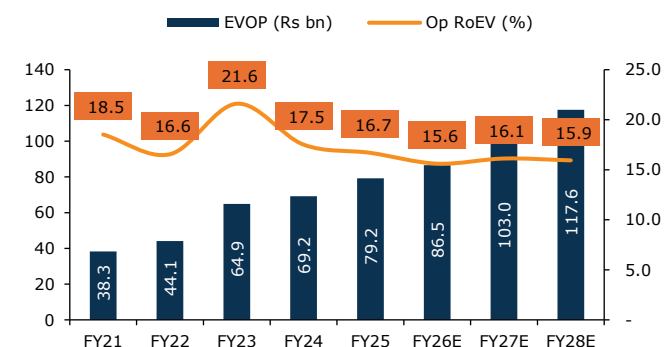
Source: Company, Emkay Research

Exhibit 14: We expect VNB margin to remain in the 25-26% range over FY26-28E

Source: Company, Emkay Research

Exhibit 15: HDFC Life is expected to deliver EV of Rs850bn by FY28E

Source: Company, Emkay Research

Exhibit 16: HDFC Life's RoEV is expected to remain in the ~16% range

Source: Company, Emkay Research

Earnings Conference Call Highlights

- The company's solvency was impacted by a 4.5% reduction due to dividend payout, a 6% impact from subordinated debt repayment, and a 1.5% impact resulting from the loss of GST input tax credit, with the remaining impact attributed to higher growth in the protection segment.
- The management plans to raise Rs7.5bn in subordinated debt during the quarter and to maintain solvency levels in the range of 170–185%.
- While the company has initiated discussions to negotiate commissions with distributors, it also plans to have discussions with distributors with respect to joint focus on optimizing the product mix for improved margins. It also plans to explore the potential introduction of new products during such conversations.
- The annualized impact of GST input tax credit-related losses is estimated to be around 3% on VNB margins; however, this figure represents the gross impact, assuming no mitigating measures are implemented by the company.
- The management expects VNB margins to normalize by the end of FY26 or the beginning of FY27, supported by the corrective actions undertaken by the company.
- The management expects some increase in Non-Par sales in the H2, driven by interest rate movements that make this product category more attractive to customers. However, the company remains cautious about the overall pricing environment.
- The Protection business has recorded 27% growth, contributing to an improvement in overall VNB margins. The Par mix has increased, albeit not adversely affected margins. In the ULIP segment, around 25% of the business has higher sum-assured, leading to better margins. Additionally, strong pricing discipline has supported healthy margins in the Non-Par products.
- The management aims to increase the share of higher sum assured and higher-margin ULIP products – expected to support overall margins.
- The management retained its growth guidance and expects growth in FY26 to be in the early teens.
- The Credit Protection business has shown healthy growth, with early signs of recovery in the MFI sector. Additionally, strong performance in the Annuity segment has contributed to robust growth in single premiums.
- The management believes the product mix within the broker channel is stable in terms of growth, and margins in this channel are higher than the company's overall margin levels.
- The counter share at HDFC Bank is stable. The agency channel delivered healthy growth while maintaining a double-digit protection mix, with 80% of new agents added from Tier 2 and Tier 3 geographies.
- The management remains confident about the long-term growth potential of the life insurance sector and is optimistic about a recovery in H2, supported by improved demand and positive customer sentiment.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

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	808,732	936,354	1,086,241
Net premium	619,592	696,161	792,468	917,524	1,064,396
Investment income	383,543	259,453	276,073	315,174	360,989
Other income	4,608	3,834	1,505	1,405	1,305
Total revenue	1,007,743	959,448	1,070,046	1,234,103	1,426,691
Commission expense	52,563	78,353	89,192	102,285	117,520
Operating expense	69,011	62,218	69,819	79,992	91,818
Benefits paid (net)	396,965	393,459	453,540	516,866	590,982
Change in reserves	484,194	415,156	445,684	521,632	611,777
Total expenses	999,991	949,019	1,057,108	1,219,470	1,410,583
Surplus/Deficit	7,751	10,430	12,938	14,633	16,107
Trf from policyholders acct	7,991	9,968	12,365	13,985	15,394
Shareholders' results	7,647	8,693	8,379	9,457	11,844
PBT	15,638	18,661	20,744	23,442	27,238
Extraordinary items	-	-	-	-	-
Tax expense	(50)	640	830	938	1,090
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	15,689	18,021	19,914	22,505	26,149
PAT growth (%)	15.3	14.9	10.5	13.0	16.2
Adjusted PAT	15,689	18,021	19,914	22,505	26,149
Diluted EPS (Rs)	7.3	8.4	9.3	10.5	12.2
Diluted EPS growth (%)	15.3	14.9	10.5	13.0	16.2
DPS (Rs)	1.9	2.0	2.3	2.6	3.1
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	174,186	201,513	233,177
VNB	35,010	39,620	43,510	51,750	60,076
VNB margin (%)	26.3	25.6	25.0	25.7	25.8
APE growth (%)	(0.3)	16.5	12.5	15.7	15.7
VNB growth (%)	(4.7)	13.2	9.8	18.9	16.1
Operating ratios (%)					
NB commission/APE	35.6	41.7	41.3	41.0	40.8
Commissions/TWRP	11.3	14.9	14.9	14.9	15.0
Total exp ratio/TWRP	26.2	26.7	26.5	26.6	26.7
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	11.8	12.2	12.9
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	154,655	171,534	191,145
Net worth	146,517	161,256	176,185	193,064	212,675
Borrowings	9,500	29,500	31,000	31,000	31,000
Policy liabilities	1,753,488	2,107,778	2,533,243	3,039,109	3,640,046
Provision for linked liab	921,145	977,434	1,106,861	1,256,460	1,429,626
FFA	12,115	12,576	13,149	13,797	14,510
Current liab and provision	86,665	94,842	110,396	130,206	153,452
Total liabilities & Equity	2,937,293	3,395,342	3,858,027	4,397,185	5,029,287
Shareholders' Investment	148,819	183,863	200,885	220,130	242,491
Policyholder Investment	1,817,966	2,162,671	2,464,633	2,818,052	3,232,547
Assets to cover linked liab.	955,416	1,016,282	1,158,180	1,324,258	1,519,038
Current assets	79,739	98,724	112,178	127,854	146,234
Total Assets	2,937,293	3,395,342	3,858,027	4,397,185	5,029,287
BV/Share (INR)	68.1	74.9	81.8	89.7	98.8
EV/share (INR)	220.7	257.5	296.7	342.7	394.9
EVOP/share (INR)	32.4	37.1	40.5	48.2	55.1
Embedded value	474,690	554,310	638,857	737,745	850,276
ANW	145,300	162,830	177,759	194,638	214,249
VIF	329,390	391,480	461,098	543,107	636,027
VIF share in EV (%)	69.4	70.6	72.2	73.6	74.8
Total AUM	2,922,201	3,362,815	3,823,698	4,362,441	4,994,076
Investment yield (%)	14.8	8.6	8.0	8.0	8.1
Yield on PH funds (%)	15.3	8.7	8.1	8.1	8.1
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)	103.6	90.2	81.6	72.2	62.2
P/B (x)	11.2	10.2	9.3	8.5	7.7
P/EV (x)	3.4	3.0	2.6	2.2	1.9
P/EVOP (x)	23.5	20.5	18.8	15.8	13.8
Implied P/VNB (x)	33.2	27.4	23.0	17.4	13.1
Dividend yield (%)	0.3	0.3	0.3	0.3	0.4
EV account and RoEV					
Opening EV	395,280	474,690	554,310	638,857	737,745
Premium unwind	32,400	38,400	44,287	49,764	55,991
VNB	35,010	39,620	43,510	51,750	60,076
Operating variance	1,800	1,200	(1,272)	1,501	1,501
EVOP	69,210	79,220	86,525	103,014	117,568
Investment variance	13,500	3,600	3,000	1,500	1,500
Capital movement	(3,300)	(3,200)	(4,979)	(5,626)	(6,537)
Other changes	0	0	0	0	0
Closing EV	474,690	554,310	638,857	737,745	850,276
Change in EV	79,410	79,620	84,547	98,888	112,531
RoEV (%)	17.5	16.7	15.6	16.1	15.9
Operating RoEV (%)	17.5	16.7	15.6	16.1	15.9
EVOP growth (%)	6.6	14.5	9.2	19.1	14.1
EV growth (%)	20.1	16.8	15.3	15.5	15.3
Core operating RoEV (%)	17.5	16.7	15.6	16.1	15.9
Unwind rate (%)	8.2	8.1	8.0	7.8	7.6
VNB-to-opening EV (%)	8.9	8.3	7.8	8.1	8.1

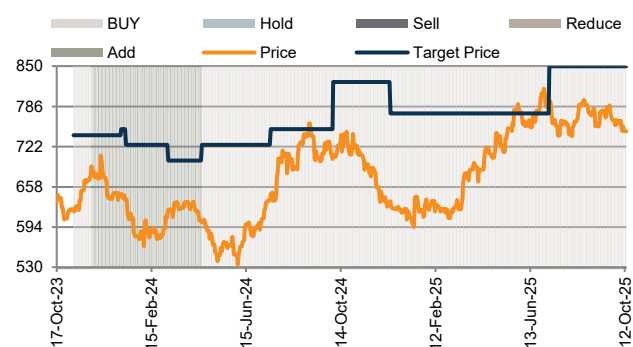
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
09-Oct-25	754	850	Buy	Avinash Singh
06-Oct-25	763	850	Buy	Avinash Singh
23-Sep-25	775	850	Buy	Avinash Singh
09-Sep-25	761	850	Buy	Avinash Singh
08-Sep-25	754	850	Buy	Avinash Singh
21-Aug-25	795	850	Buy	Avinash Singh
19-Aug-25	794	850	Buy	Avinash Singh
08-Aug-25	762	850	Buy	Avinash Singh
16-Jul-25	756	850	Buy	Avinash Singh
11-Jul-25	759	850	Buy	Avinash Singh
07-Jul-25	789	850	Buy	Avinash Singh
09-Jun-25	760	775	Buy	Avinash Singh
14-May-25	742	775	Buy	Avinash Singh
09-May-25	714	775	Buy	Avinash Singh
24-Apr-25	708	775	Buy	Avinash Singh
18-Apr-25	720	775	Buy	Avinash Singh
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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