



# HDFC Life Insurance

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR640 TP: INR750 (+16%) BUY**

## APE up 23% YoY, VNB margins 100bp below estimate

### Guides for doubling APE/VNB in four years

- HDFC Life Insurance (HDFCLIFE) in 1QFY25 reported lower-than-expected VNB margins at 25% (est. 26%), with absolute VNB increasing 18% YoY to INR7.2b (in line with estimate).
- Total APE grew 23% YoY to INR28.7b (4% higher than estimates) in 1QFY25 as ULIP/non-par grew 88%/37% YoY.
- EV grew 19% YoY to INR496b, while solvency was at 186% vs. 200% in 1QFY24. The company has received approval to raise INR20b via sub-debt, which will improve solvency.
- 1Q PAT at INR4.8b grew 15% YoY but was 8% below our estimate.
- We have raised our APE growth estimates but lowered our VNB margin assumptions based on 1Q performance and the guidance. We now estimate HDFCLIFE to deliver an ~18% VNB CAGR over FY24-26 and steady margin in the range of 25-26%. **Maintain BUY with a TP of INR750 (premised on 2.5x Mar'26E EV).**

### Strong growth of 88% YoY in ULIPs

- Total premium rose 9.7% YoY to INR128.1b (7% miss), with new business premium up 9.1% YoY and renewal premium up 10.5% YoY.
- Total APE grew 23% YoY to INR28.7b in 1QFY25, with individual APE at INR24.7b (up 31% YoY). Based on total APE, ULIPs grew 88% YoY and Non-Par products surged 37% YoY. Par/Protection/Annuity segments witnessed a decline of 18%/3%/32% YoY.
- VNB grew 18% YoY (in line), with margins missing our estimates by 100bp at 25% (120bp decline YoY) in 1QFY25.
- On the distribution front, based on individual APE, the share of banca was stable at 65%, while agency channel made up 17%. The share of direct and broker channels stood at 11% and 7%, respectively.
- EV grew 19% YoY to INR496b. Total AUM increased 22.5% YoY to INR3.1t, while the solvency ratio stood at 186% (200% in 1QFY24)

### Highlights from the management commentary

- The company aims to double its APE and VNB in the next four years. APE growth will be driven by the HDFC Bank channel and agency channel, where investments have been made. VNB growth will come from a favourable mix (share of ULIPs to decline) and higher rider attachments.
- HDFCLIFE expects a 100bp impact on VNB margins from surrender charges, considering no changes by the company in the new environment. The impact is relatively lower as it assumes miniscule surrender profits in VNB margin calculations.
- HDFCLIFE expects moderation in share of ULIPs to continue as new product launches in other segments pick up momentum. Strong growth was seen in non-par products, especially in new variants in click-to-achieve segment.

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2151
M.Cap.(INRb)/(USDb)	1372.4 / 16.4
52-Week Range (INR)	711 / 511
1, 6, 12 Rel. Per (%)	2/-7/-30
12M Avg Val (INR M)	2672

### Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Premiums	619.6	737.4	880.3
Surplus / Deficit	7.8	9.1	12.4
Sh. PAT	15.7	16.6	20.7
NBP gr- unwt'd (%)	1.9	18.0	18.0
NBP gr - APE (%)	-1.0	21.6	18.0
Premium gr (%)	9.6	19.0	19.4
VNB margin (%)	26.3	25.8	26.1
RoEV (%)	20.1	16.7	16.5
Total AUMs (INRt)	2.9	3.5	4.1
VNB (INRb)	35.0	40.6	48.5
EV per share	220	257	300
<b>Valuations</b>			
P/EV (x)	2.9	2.5	2.1
P/EPVP (x)	19.8	17.2	15.0

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	50.4	50.4	50.3
DII	7.9	6.6	6.6
FII	30.1	31.3	29.9
Others	11.6	11.8	13.2

FII Includes depository receipts