

**RESEARCH****HDFC LIFE | TARGET: Rs 755 | +27% | BUY**

A steady show, positive surprise on margins

**SUMMARY****HDFC LIFE**

- HDFCLIFE reported stronger-than-expected APE growth of 20%/12% YoY in 9MFY25/Q3FY25
- Sequential improvement in the VNB margins, aided by significant improvement in the persistency and high level of protection in ULIP
- We assume coverage of HDFCLIFE with BUY and TP of Rs 755, implying 2.4x FY26 P/EV. HDFCLIFE is our top pick

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**BUY**  
 TP: Rs 755 | ▲ 27%

**HDFC LIFE**

| Insurance

| 16 January 2025

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**Strong APE growth:** HDFCLIFE reported APE growth of 20% in 9MFY25 at Rs 102.9bn. APE grew 12% YoY in Q3FY25 vs. private sector growth of 17% YoY. The company reiterated its APE growth outlook of 18-20% in FY25 and is well on track to achieve this growth run rate and expects it to pick up in the later part of the year as the fourth quarter is seasonally a strong quarter.

**Moderate VNB margins:** For 9MFY25, the VNB margin was at 25.1%, contracting by 140bps. It declined by 63bps YoY in 3QFY25 to 26.2%. This is owing to the changes in the product mix and 10bps impact of implementation of surrender value regulations for 9M (30bps impact sequentially). VNB grew 14% YoY in 9MFY25 and 8% YoY to Rs 9.3bn in Q3FY25. VNB margin was at 24.3% in Q2FY25 primarily on account of the lag in repricing of Non-par products. Management reiterated VNB growth of more than 15% in FY25 aided by strong 4Q and stable product mix. In Q2FY25, management revised its VNB margins to the range of 15-17% for FY25E.

**Surrender regulations:** With respect to new surrender regulations, to mitigate the impact the company implemented a host of measures which includes the deferment of commission payouts, claw back and reduction of commissions and indicated that the impact of these regulations on the margins would be minimal going ahead.

**Expense ratio continues to decline:** The expense ratio came in at 20.2%, vs. 20.9% in Q2FY25 and 19.4% in Q3FY24, an improvement of 69bps QoQ.

**Maintain BUY:** We believe HDFCLIFE is well placed to achieve its APE growth outlook of 18-20% and VNB growth of 15-17% in FY25, aided by better product mix and strong growth momentum. Its incremental focus on the agency channel growth, along with increasing penetration in Tier-2 and -3 cities bodes well. We resume coverage on HDFCLIFE with BUY and TP of Rs 755 (from Rs 775), implying 2.4x FY26E P/EV. We introduce FY27 estimates, and continue to prefer HDFCLIFE as our top pick.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 594
Market cap	US\$ 14.7bn
Free float	50%
3M ADV	US\$ 26.4mn
52wk high/low	Rs 761/Rs 511
Promoter/FPI/DII	50%/25%/13%

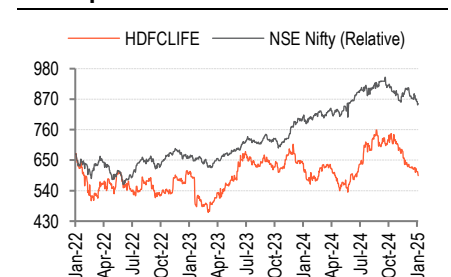
Source: NSE | Price as of 15 Jan 2025

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
NBP (Rs mn)	2,96,314	3,58,818	4,25,234
APE (Rs mn)	1,32,910	1,64,568	1,95,597
VNB (Rs mn)	34,955	42,130	51,246
Embedded Value (Rs mn)	4,74,655	5,54,175	6,48,527
VNB margin (%)	26.3	25.6	26.2
EVPS (Rs)	220.6	257.5	301.3
EPS (Rs)	7.3	8.4	10.0
Consensus EPS (Rs)	8.0	8.0	10.0
P/EV (x)	2.7	2.3	2.0

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



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**BUY** – Expected return >+15%

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**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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