

**BUY**

TP: Rs 775 | ▲ 28%

**HDFC LIFE**

| Insurance

| 18 April 2024

**Subdued quarter**

- **HDFC Life’s APE growth muted in FY24 despite traction in Tier-2/-3 cities; cut our estimates by 8% each for FY25/FY26**
- **ULIP share continues to increase in the APE mix; VNB margins declined 130bps YoY to 26.3% in FY24**
- **TP revised to Rs 775 (from Rs 850) as we value the company at a lower 2.6x FY26E P/EV (vs 2.8x); maintain BUY**

**Mohit Mangal**

research@bobcaps.in

**APE growth muted:** HDFC Life’s individual and overall APE remained flat YoY as at end-FY24. However, this was due to a higher base and excluding the one-time business of Rs 10bn in Mar’23, growth would have been higher. Further, the individual APE market share slipped to 15.4% at end-FY24 YTD from 16% in FY23, though the company retained its #2 rank among private peers. We lower our APE estimates by 8% each for FY25 and FY26 and now factor in 15% CAGR over FY24E-FY26E to Rs 176bn.

**VNB margin declines:** HDFC Life generated VNB of Rs 35bn (-5% YoY) with margin falling 130bps to 26.3% at end-FY24. Higher ULIP share and one-time fixed cost of Rs 10bn are the major reasons for the margin decline. We cut VNB margins by 50bps to 26.5% for FY25 and retained 27% for FY26. We lower our VNB by 10%/8% for FY25/FY26 and now expect a 17% CAGR over FY24-FY26 to Rs 48bn.

**ULIP business gains traction:** Owing to buoyant equity markets, share of ULIPs in individual APE rose to 35% in FY24 (19% in FY23). Non-par APE fell to 30% from 45%, but maintained around this number over the last 3 quarters (cumulative). The share of protection rose to 5% in FY24 from 4% in FY23 though par share fell to 23% from 27%.

**Some green shoots:** On the positive, (i) Tier-2/-3 cities recorded growth of 13% against overall growth of 1% in FY24 (ii) ~63% market share in the HDFC Bank channel at end-FY24 compared to 56% in FY23, non-HDFC Bank partnership also witnessed traction (iii) added 80,000 agents and 75 branches in FY24 with 85-90% in Tier-2/-3 cities and (iv) no material impact of final surrender value regulations.

**Maintain BUY:** HDFC Life is trading at 2.0x FY26E P/EV. Baking in Q4, we value the stock at a lower 2.6x FY26E P/EV (from 2.8x) – a 30% discount to the long-term mean – while lowering our FY24-FY26 APE estimates by 8% each for FY25/FY26 and embedded value (EV) estimates by ~1% each. This yields a lower TP of Rs 775 (from Rs 850). We maintain BUY given robust demand in Tier-2/-3 markets, rising market share in the HDFC Bank channel and new distribution partnerships.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 606
Market cap	US\$ 15.7bn
Free float	48%
3M ADV	US\$ 35.2mn
52wk high/low	Rs 711/Rs 511
Promoter/FPI/DII	52%/26%/8%

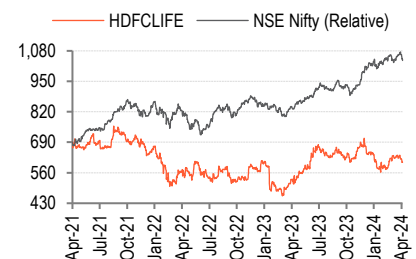
Source: NSE | Price as of 18 Apr 2024

**Key financials**

Y/E 31 Mar	FY24P	FY25E	FY26E
NBP (Rs mn)	2,96,314	3,40,964	3,95,518
APE (Rs mn)	1,32,910	1,51,745	1,76,024
VNB (Rs mn)	34,955	40,212	47,526
Embedded Value (Rs mn)	4,74,655	5,50,536	6,39,801
VNB margin (%)	26.3	26.5	27.0
EVPS (Rs)	220.6	255.8	297.3
EPS (Rs)	7.3	7.9	9.8
Consensus EPS (Rs)	8.0	8.0	10.0
P/EV (x)	2.7	2.4	2.0

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

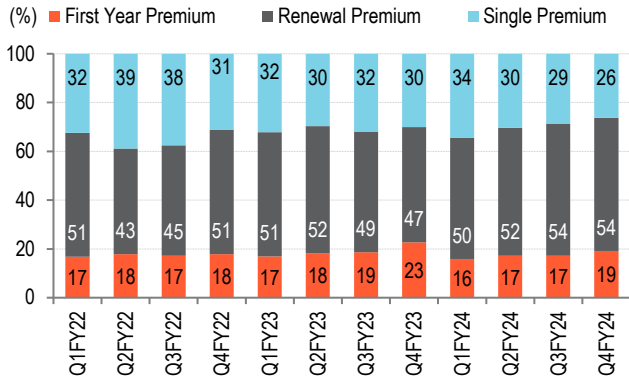
**Stock performance**



Source: NSE

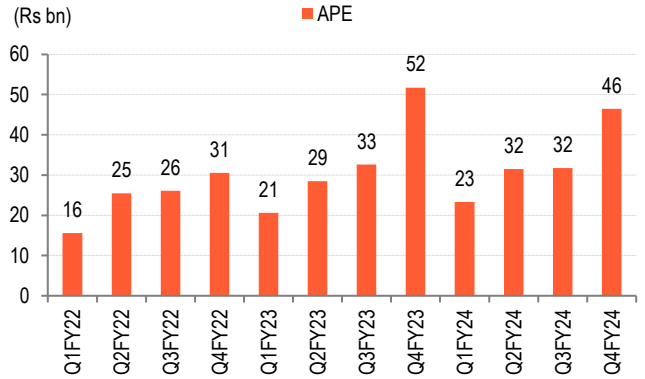


**Fig 1 – Gross premium grew 7% YoY in Q4; pressure on NBP but renewal premium growth strong**



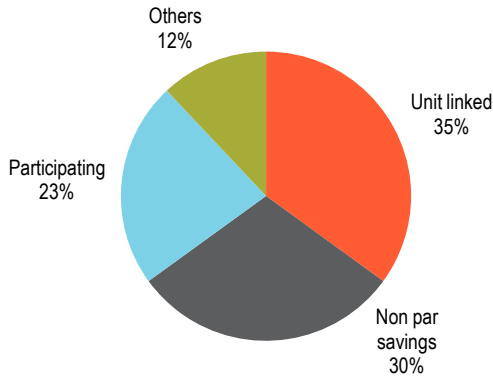
Source: Company, BOBCAPS Research

**Fig 2 – APE declined 10% YoY in Q4 on higher base**



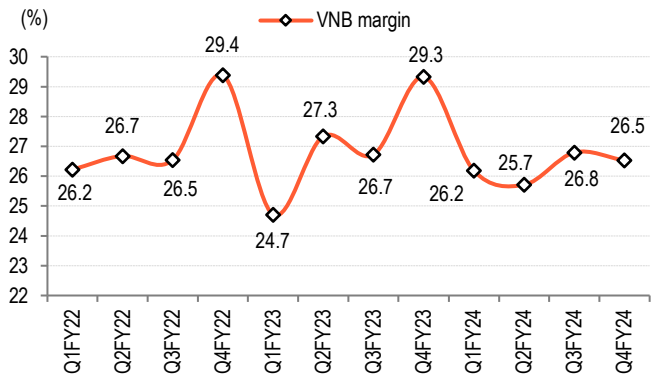
Source: Company, BOBCAPS Research

**Fig 3 – HDFC Life product mix (individual APE-based) shows ULIP having a higher share at end FY24**



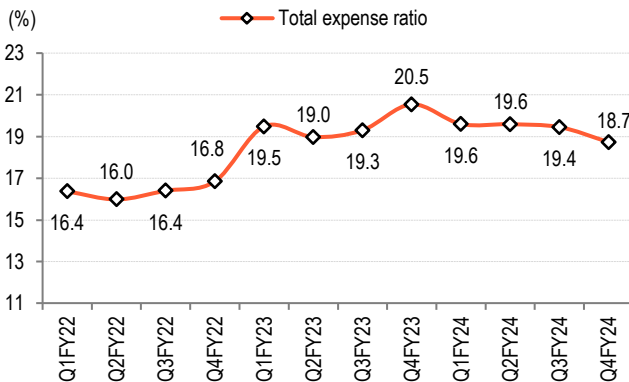
Source: Company, BOBCAPS Research

**Fig 4 – VNB margin stood at 26.5% in Q4**



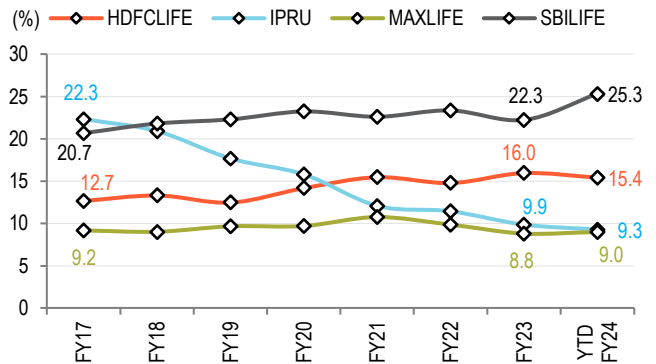
Source: Company, BOBCAPS Research

**Fig 5 – Overall expense ratio at 18.7% in Q4; commission ratio remained high**



Source: Company, BOBCAPS Research

**Fig 6 – Individual APE market share contracted in YTD FY24 but HDFC Life retains #2 position**



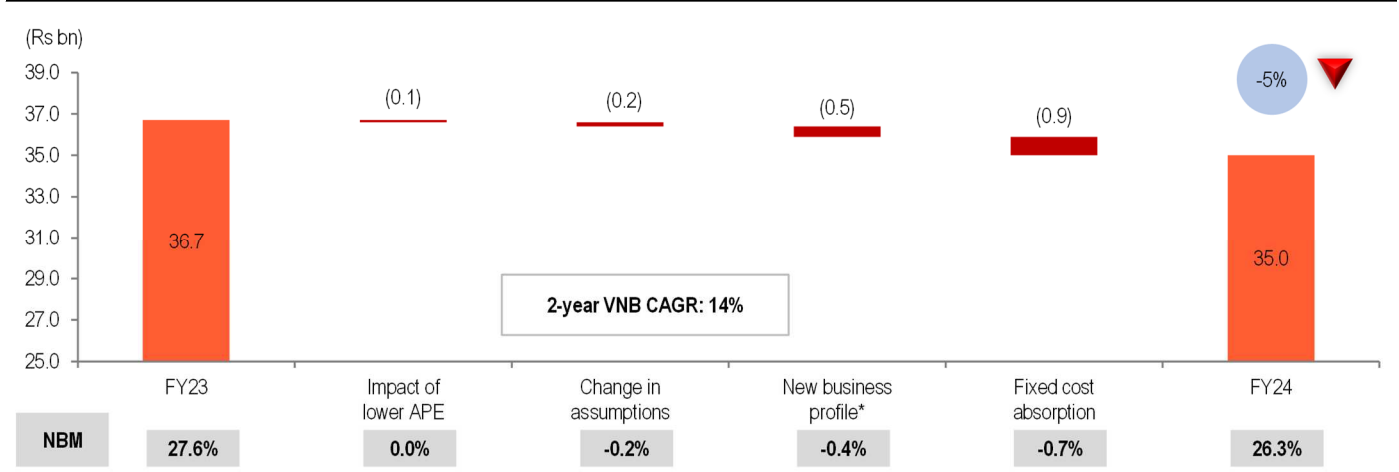
Source: IRDA, BOBCAPS Research

**Fig 7 – HDFC Life’s distribution mix based on individual APE shows bancassurance gaining traction**

(%)	Q1FY22	H1FY22	9MFY22	FY22	Q1FY23	H1FY23	9MFY23	FY23	Q1FY24	H1FY24	9MFY24	FY24
Bancassurance	56.0	60.0	61.0	60.0	56.0	61.0	59.0	56.0	61.0	65.0	64.0	65.0
Brokers and Others	6.0	6.0	6.0	6.0	7.0	7.0	9.0	11.0	8.0	7.0	6.0	6.0
Agency	15.0	13.0	14.0	14.0	16.0	15.0	18.0	20.0	20.0	18.0	18.0	18.0
Direct	23.0	21.0	19.0	19.0	22.0	17.0	15.0	13.0	12.0	11.0	11.0	11.0

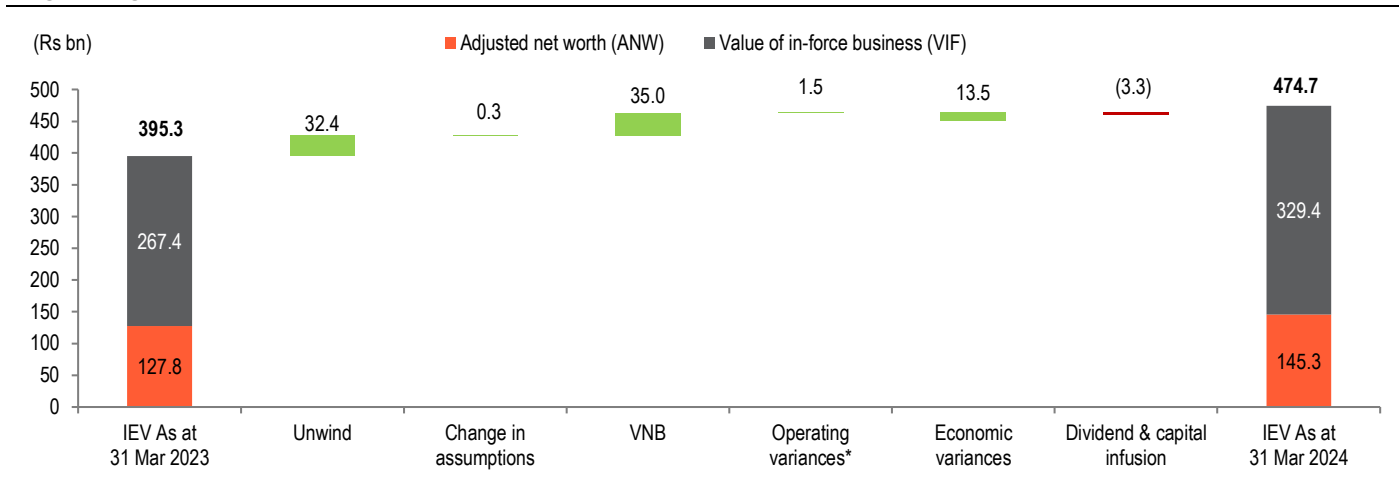
Source: Company, BOBCAPS Research

**Fig 8 – VNB declined 5% YoY in FY24 owing to business mix and fixed costs; VNB margins remained subdued**



Source: Company, BOBCAPS Research | \*Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple, etc. | Note: VNB – Value of New Business; NBM – New Business Margin

**Fig 9 – Higher economic variance boosts embedded value**



Source: Company, BOBCAPS Research | \* Operating Variance split as on March 31, 2024: Mortality variance: 0.2, Persistency variance and others: 0.8, Expenses: 0.4 | Note: IEV- Indian Embedded Value

**Fig 10 – Policyholders' account**

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Gross premium income</b>	<b>2,09,376</b>	<b>1,96,261</b>	<b>6.7</b>	<b>1,55,259</b>	<b>34.9</b>	<b>6,30,765</b>	<b>5,75,334</b>	<b>9.6</b>
First Year Premium	40,146	44,673	(10.1)	26,792	49.8	1,11,108	1,13,239	(1.9)
Renewal Premium	1,14,060	92,542	23.3	83,962	35.8	3,34,451	2,84,483	17.6
Single Premium	55,170	59,047	(6.6)	44,505	24.0	1,85,205	1,77,612	4.3
Reinsurance	4,494	1,996	125.2	2,905	54.7	11,173	7,694	45.2
<b>Net premium income</b>	<b>2,04,881</b>	<b>1,94,266</b>	<b>5.5</b>	<b>1,52,353</b>	<b>34.5</b>	<b>6,19,592</b>	<b>5,67,640</b>	<b>9.2</b>
Income from investments (Net)	72,514	11,895	509.6	1,13,698	(36.2)	3,83,543	1,25,975	204.5
Other income	784	2,677	(70.7)	704	11.4	3,357	4,642	(27.7)
Contribution of funds from Shareholders' A/c	747	5,426	(86.2)	193	287.6	1,251	8,797	(85.8)
<b>Total</b>	<b>2,78,926</b>	<b>2,14,264</b>	<b>30.2</b>	<b>2,66,948</b>	<b>4.5</b>	<b>10,07,743</b>	<b>7,07,054</b>	<b>42.5</b>
<b>Commission on</b>								
First Year Premium	13,485	8,904	51.4	6,747	99.9	31,511	20,880	50.9
Renewal Premium	1,896	1,361	39.4	1,275	48.7	5,219	5,222	(0.1)
Single Premium	6,240	850	634.2	4,435	40.7	15,833	2,767	472.3
<b>Net Commission</b>	<b>21,621</b>	<b>11,114</b>	<b>94.5</b>	<b>12,457</b>	<b>73.6</b>	<b>52,563</b>	<b>28,868</b>	<b>82.1</b>
Expenses of Management	39,225	40,314	(2.7)	30,197	29.9	68,075	84,693	(19.6)
Provision for taxes	1,176	3,478	(66.2)	1,015	15.9	(1,805)	5,319	(133.9)
Benefits Paid (Net)	1,24,205	1,12,051	10.8	98,661	25.9	3,96,965	3,88,723	2.1
Change in actuarial liability	1,11,560	52,709	111.7	1,36,837	(18.5)	4,84,194	1,85,862	160.5
<b>Surplus/Deficit</b>	<b>2,728</b>	<b>5,718</b>	<b>(52.3)</b>	<b>613</b>	<b>345.2</b>	<b>7,751</b>	<b>13,589</b>	<b>(43.0)</b>

Source: Company, BOBCAPS Research

**Fig 11 – Shareholders' account**

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Transfer from Policyholders' Account	3,027	5,839	(48.1)	1,293	134.2	7,991	14,689	(45.6)
Investment Income	2,526	1,960	28.8	2,811	(10.1)	10,022	7,197	39.2
Other income	31	632	(95.1)	0	NA	131	632	(79.3)
Expenses other than those related to insurance business	334	315	6.3	273	22.4	1,209	1,246	(3.0)
Transfer of funds to Policyholders' Account	747	5,426	(86.2)	193	287.6	1,251	8,797	(85.8)
Profit before tax	4,497	2,698	66.7	3,668	22.6	15,638	12,722	22.9
Provisions for tax	381	(889)	(142.8)	18	2,049.7	(50)	(877)	(94.3)
<b>Profit after tax and before extraordinary items</b>	<b>4,117</b>	<b>3,587</b>	<b>14.8</b>	<b>3,651</b>	<b>12.8</b>	<b>15,689</b>	<b>13,599</b>	<b>15.4</b>

Source: Company, BOBCAPS Research

**Fig 12 – Key ratios and growth metrics**

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
NBP	95,316	1,03,720	(8.1)	71,297	33.7	2,96,314	2,90,851	1.9
APE	46,404	51,700	(10.2)	31,692	46.4	1,32,900	1,33,400	(0.4)
Opex ratio (%)	8.4	14.9	(647bps)	11.4	(302bps)	10.9	14.7	(372bps)
Commission ratio (%)	10.3	5.7	466bps	8.0	230bps	8.3	5.0	332bps
Expense ratio (%)	18.7	20.5	(181bps)	19.4	(72bps)	19.3	19.7	(41bps)
VNB margin (%)	26.5	29.3	(279bps)	26.8	(26bps)	26.3	27.5	(121bps)
Solvency ratio (%)	187.0	203.0	(1,600bps)	190.0	(300bps)	187.0	203.0	(1,600bps)

Source: Company, BOBCAPS Research

## Earnings call highlights

### Business highlights

- HDFC Life's APE/ individual APE declined 10%/6% YoY in Q4 to Rs 46bn/ Rs 42bn. If we exclude the one-off business of Rs 10bn in Mar'23, growth in individual APE was 20% YoY in Q4. Individual APE/ overall APE remained flat YoY to Rs 115bn/ Rs 133bn in FY24.
- HDFC Life's NBP declined 8% YoY to Rs 95bn at end-Q4, whereas renewal grew 23% YoY to Rs 114bn. At end-FY24, NBP grew 2% YoY to Rs 296bn whereas renewals grew 18% to Rs 334bn.
- Management expects the private sector to grow by 12-15% and the company to grow in the higher band with the aim to grow beyond the range specified.
- HDFC Life recorded an uptick of 11% YoY in the number of individual policies sold during 11MFY24. Growth momentum continued across ticket sizes up to Rs 0.5mn with robust growth of 22% in Q4 and 19% for FY24.
- Policies with premium greater than Rs 0.5mn was 12% of APE at the start of the year which has gone down to 6-7% (excluding ULIPs).
- The trend of higher traction in Tier-2 and -3 cities continues, with APE growth of 13% against overall company growth of 1%.
- The solvency ratio stood at 187% as on Mar'24, while the 13<sup>th</sup> and 61<sup>st</sup> month persistency ratios were healthy at 87% and 53% respectively in FY24 vs. 87% and 52% in FY23. The 13<sup>th</sup> month persistency across Tier-2/-3 cities was 300-400bps lower than Tier-1. Management anticipates a shift in 13<sup>th</sup> month persistency going forward, influenced by product mix and prevalent customer segments.

### Product mix

- HDFC Life intends to maintain a balanced product mix. However, with markets doing well, ULIPS trended higher in the overall mix. The non-par savings constituted 30% of individual APE, with participating products at 23%, ULIPs at 35%, and annuity plans at 6% and protection plans at 5%.
- The annuity and protection businesses put together contributed to about 50% of NBP in FY24.
- In the individual APE product mix, ULIP increased significantly to 35% in FY24 from 19% in FY23 and it has the highest new business strain because reserves are linked to the value of fund.

### VNB margin

- VNB margin declined 130bps YoY to 26.3% in FY24, with VNB declining 5% YoY to Rs 35bn.
- The VNB margin decline of 130bps includes impact of 40bps from new business profile (higher ULIP share) and 70bps from fixed cost absorption (one-time Rs 10bn investment). The remaining 20bps was due to change in assumptions. However, higher product level margin profile on account of longer tenure, higher sum assured

multiples, and rider attachments has helped counter the impact of product mix to some extent.

- Margin in the protection business though healthy is lower than that registered 3-4 years ago.

### Protection business

- Protection plans constituted 5% of the individual APE mix at end-FY24 vs. 4% in FY23. Retail protection grew 27% YoY based on individual APE with momentum expected to sustain in FY25.
- Tier-1 protection in FY24 grew by 26%, Tier-2 by 22%, and Tier-3 by 32%. Additionally, there is only a 10% difference in ticket sizes between each tier.
- The company's 'Credit Protect' product clocked 13% YoY growth in FY24. Management stated that growth would have been higher but for lower bank loan disbursements.

### Embedded value (EV)

- EV stood at Rs 475bn (+20% YoY) as on Mar'24, with an operating return on EV (EVOP) of 17.5%.
- EV had a positive economic variance of Rs 13.5bn at end-FY24 of which Rs12bn was equity and the remaining was fixed income securities.

### Distribution channel

- The bancassurance channel share in individual APE improved from 56% in FY23 to 65% at end-FY24. HDFC Life had ~63% market share in the HDFC Bank channel at end-FY24 as compared to 56% in FY23.
- Brokers' share in individual APE fell to 6% in FY24 from 11% in FY23 and agency share fell to 18% from 20% as agents typically sell high-ticket par and non-par products where demand has slowed. However, the high quality million-dollar round table (MDRT) agents have increased year over year.
- The company added more than 80,000 agents in FY24 and is focused on strengthening its distribution network by expanding branches (75 additions). About 85-90% of the agents and branches is from Tier-2 and -3 cities.

### Regulatory changes

- The clarity on the implementation of IFRS by the regulator is awaited. However, the company does not expect a significant change in business due to this standard.
- HDFC Life believes the final surrender value regulation will not have any material impact on the company.

### Others

- The board has recommended a final dividend of Rs 2 per share – an aggregate payout of about Rs 4.3bn.

## Valuation methodology

HDFC Life's market share (individual APE) decreased to 15.4% at the end of FY24YTD, from 16% at end-FY23, indicating the company's growth struggles. While we recognise that the #2 player plans to maintain a well-balanced product mix and has a clear growth strategy that includes further expansion into Tier-2 and -3 cities as well as new partnerships, we are waiting to see the numbers. Second, because lower margin products like ULIP growth has been stronger than higher margin products like non-par, retail protection, etc, we predict VNB margins will be muted. Moreover, overall growth could be impacted.

Following the Q4FY24 results, we have lowered VNB margin by 50bps to 26.5% for FY25, but retain our 27% margin estimate for FY26. Considering the lower-than-expected numbers, we reduce our absolute VNB by 10%/8% for FY25/FY26 and APE estimates by 8% for each year. We now pencil in a 17% VNB CAGR over FY24-FY26 to Rs 48bn and a 15% APE CAGR to Rs 176bn.

HDFC Life is trading at 2.0x FY26E P/EV. We value the stock at a lower 2.6x FY26E P/EV (2.8x earlier) – a 30% discount to the long-term mean yielding a revised TP of Rs 775 (from Rs 850) – maintain BUY for 28% upside potential.

Our multiple is at a premium to private listed peers under our coverage as we factor in the positives from higher market share in the HDFC Bank channel, innovative launches, stable ticket size, a balanced product mix and pickup in demand from Tier-2/-3 markets. We also factor in the negatives of a slight contraction in market share and high expense ratios, which explain our discount to the mean multiple.

**Fig 13 – Revised estimates**

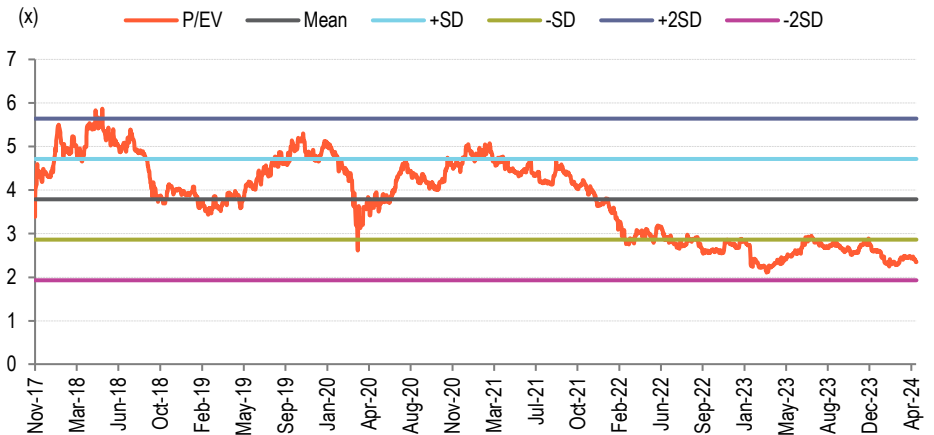
(Rs bn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Gross Premium	719	826	761	880	(5.5)	(6.2)
Net Premium	710	815	751	869	(5.5)	(6.2)
VNB	40	48	45	52	(9.8)	(8.1)
APE	152	176	165	192	(8.1)	(8.1)
Embedded Value (EV)	551	640	555	647	(0.8)	(1.2)
VNB Margin (%)	26.5	27.0	27.0	27.0	(50bps)	0bps

Source: BOBCAPS Research

**Fig 14 – Valuation summary**

Particulars	
Embedded Value (FY26E) (Rs bn)	640
PV of Future business (Rs bn)	1,021
<b>Total value (Rs bn)</b>	<b>1,661</b>
Current P/EV (FY26E) (x)	2.0
Implied P/EV (FY26E) (x)	2.6
Implied Target Price (Rs)	773
<b>Implied Target Price (Round off) (Rs)</b>	<b>775</b>
Current Price (Rs)	606
Upside (%)	27.9

Source: BOBCAPS Research

**Fig 15 – 1Y fwd P/EV – Trading between -1SD and -2SD**


## Key risks

Key downside risks to our estimates are:

- **Change in regulatory framework:** Any unfavourable change in regulations can affect business growth. For example, ULIP proceeds are currently taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in income tax rate for insurance companies could adversely impact profitability, in our view.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the growth of ULIPs. Although insurance companies are opting for balanced product mixes, many of them have sizeable business coming from ULIPs.
- **Increasing interest rates:** Guaranteed-return businesses could be affected by an increase in interest rates as other financial instruments (e.g. deposits) become more attractive.
- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. The shareholders' equity and earnings and policyholders' funds may also be affected by fair value revaluation of bonds held in investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years even if they have been taken for longer durations. Policies can also be surrendered in case of job loss and monetary requirements, among other factors, which lowers the persistency ratios.



## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HDFC Life	HDFCLIFE IN	15.7	606	775	BUY
ICICI Prudential Life	IPRU IN	10.5	603	595	HOLD
LIC	LICI IN	74.0	961	1,140	HOLD
SBI Life	SBILIFE IN	17.7	1,457	1,970	BUY

Source: BOBCAPS Research, NSE | Price as of 18 Apr 2024

## Glossary

Glossary of Abbreviations			
<b>APE</b>	Annual Premium Equivalent	<b>NBP</b>	New Business Premium
<b>EOM</b>	Expenses of Management	<b>ROEV</b>	Return on Embedded Value
<b>EV</b>	Embedded Value	<b>ROP</b>	Return of Premium
<b>EVOP</b>	Embedded Value Operating Profit	<b>RWRP</b>	Retail Weighted Received Premium
<b>HNI</b>	High Net Worth Individuals	<b>ULIP</b>	Unit Linked Insurance Plan
<b>IRDAI</b>	Insurance Regulatory and Development Authority	<b>VNB</b>	Value of New Business

Source: BOBCAPS Research

## Financials

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
<b>Gross premium income</b>	<b>4,59,628</b>	<b>5,75,334</b>	<b>6,30,765</b>	<b>7,19,434</b>	<b>8,25,752</b>
First year premium	80,544	1,13,239	1,11,108	1,27,688	1,48,118
Renewal premium	2,18,080	2,84,483	3,34,451	3,78,470	4,30,234
Single premium	1,61,005	1,77,612	1,85,205	2,13,276	2,47,401
<b>Net written premium</b>	<b>4,53,965</b>	<b>5,67,640</b>	<b>6,19,592</b>	<b>7,10,050</b>	<b>8,14,942</b>
Income from investments	1,92,159	1,25,975	3,83,543	3,95,228	4,47,460
Other Income	7,460	13,439	4,608	6,930	7,506
<b>Total income</b>	<b>6,53,584</b>	<b>7,07,054</b>	<b>10,07,743</b>	<b>11,12,208</b>	<b>12,69,908</b>
Commissions	19,403	28,868	52,563	52,417	60,145
Operating expenses	53,591	84,693	68,075	89,504	1,02,756
Benefits and bonuses paid	3,18,637	3,88,723	3,96,965	4,59,216	5,36,050
Change in liabilities (net)	2,46,815	1,85,862	4,84,194	4,89,964	5,45,738
Others	0	0	0	0	0
<b>Total expenses</b>	<b>6,38,446</b>	<b>6,88,146</b>	<b>10,01,796</b>	<b>10,91,101</b>	<b>12,44,688</b>
<b>Surplus before tax</b>	<b>15,137</b>	<b>18,908</b>	<b>5,947</b>	<b>21,107</b>	<b>25,220</b>
Provision for tax	5,541	5,319	(1,805)	11,375	12,873
<b>Surplus after tax</b>	<b>9,597</b>	<b>13,589</b>	<b>7,751</b>	<b>9,732</b>	<b>12,347</b>
Trf to shareholders' a/c	10,093	14,689	7,991	8,675	11,580
Balance being FFA	(497)	(1,101)	(240)	1,056	767

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Trf from policyholders' a/c	10,093	14,689	7,991	8,675	11,580
Income from investments	7,894	7,197	10,022	11,199	12,878
Contr. to policyholders' fund	5,694	8,797	1,251	1,314	1,379
Others	(492)	(368)	(1,123)	(1,244)	(1,377)
<b>PBT</b>	<b>11,801</b>	<b>12,722</b>	<b>15,638</b>	<b>17,316</b>	<b>21,702</b>
Provision for taxation	(276)	(877)	(50)	433	543
<b>PAT</b>	<b>12,077</b>	<b>13,599</b>	<b>15,689</b>	<b>16,883</b>	<b>21,159</b>
Dividend+Interim div.+DDT	4,135	4,056	4,304	4,304	4,304

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Equity	1,54,859	1,29,868	1,46,517	1,54,591	1,71,446
Policyholders' funds	18,30,312	22,06,290	27,34,890	33,12,720	38,58,458
FFA	9,409	12,354	12,115	13,568	15,197
Others	1,09,313	1,28,737	1,31,548	1,62,061	1,94,715
<b>Total liabilities</b>	<b>21,03,892</b>	<b>24,77,249</b>	<b>30,25,070</b>	<b>36,42,940</b>	<b>42,39,816</b>
Shareholders' funds	1,52,379	1,31,319	1,48,819	1,71,142	1,96,813
Policyholders' funds	10,83,110	14,64,485	18,17,966	23,99,839	29,01,117
Assets to cover linked liab.	8,06,215	7,92,015	9,55,416	9,83,682	10,52,540
Others	62,188	89,430	1,02,870	88,278	89,345
<b>Total assets</b>	<b>21,03,892</b>	<b>24,77,249</b>	<b>30,25,071</b>	<b>36,42,940</b>	<b>42,39,816</b>

### Key Metrics

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
AUM (Rs mn)	20,41,704	24,00,000	30,86,990	35,98,693	42,05,087
NBP (Rs mn)	2,41,548	2,90,851	2,96,314	3,40,964	3,95,518
APE (Rs mn)	97,580	1,33,400	1,32,910	1,51,745	1,76,024
VNB (Rs mn)	26,737	36,818	34,955	40,212	47,526
VNB margin (%)	27.4	27.6	26.3	26.5	27.0
Embedded value (Rs mn)	3,00,470	3,94,988	4,74,655	5,50,536	6,39,801
ROEV (%)	16.6	19.6	17.5	16.9	17.0
ROE (%)	10.0	9.6	11.4	11.2	13.0
Opex ratio (%)	12.2	14.7	10.9	12.6	12.6
Cost ratio (%)	16.4	19.7	19.3	19.9	19.9
Solvency ratio (%)	175.7	203.2	187.4	185.0	187.9
EPS (Rs)	5.9	6.4	7.3	7.9	9.8
BVPS (Rs)	75.7	60.8	68.1	71.8	79.7
EVPS (Rs)	146.8	185.0	220.6	255.8	297.3

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo: 

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

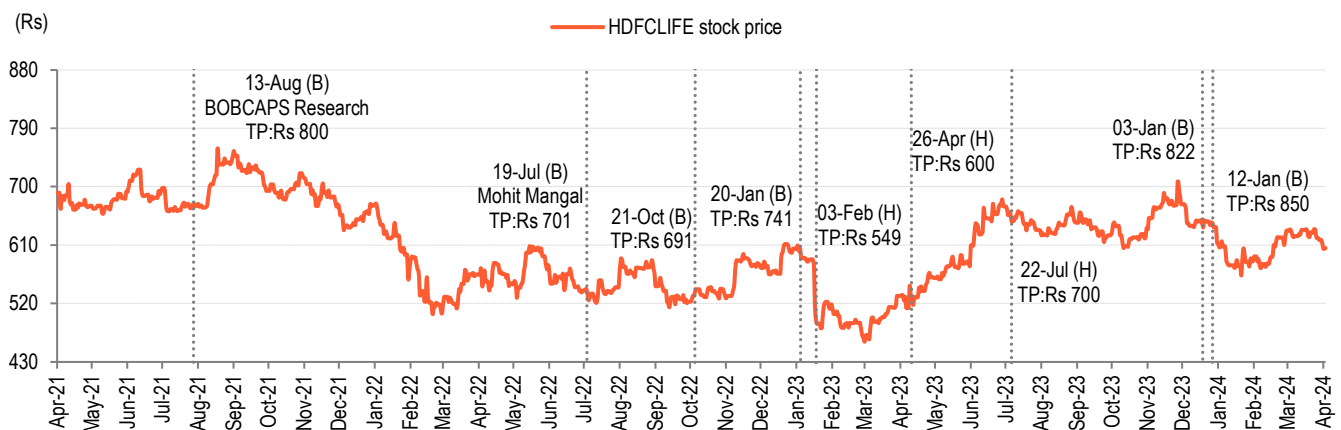
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): HDFC LIFE (HDFCLIFE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.