

April 21, 2025

Margin trend on track; growth could remain volatile

About the stock: HDFC Life is among the most dominant players in the Indian life insurance industry with a strong distribution network, parentage, operating metrics.

- Balanced product mix with focus on non-par, protection & annuity business
- Industry leading VNB margins of ~25-26%

Q4FY25 performance: HDFC Life delivered healthy growth in new business premium accretion at ~10% YoY to ₹5186 crore in Q4FY25, driven by ULIP, par and annuity business. Individual Annualized Premium Equivalent (APE) growth remained in-focus (18% growth in FY25), gaining 70 bps in market share at 11.1%. Increase in commission expense has been offset by tighter control on operational expense, keeping overall management expense at 17.9%. Earnings increased 15.8% YoY to ₹476 crore in Q4FY25, while FY25 PAT was up 15% at ₹1802 crore. Value of New Business (VNB) grew by 11.5% YoY to ₹1376 crore, VNB margin expanded by ~40 bps to 26.5%. Sequential revival was witnessed in margins owing to improvement in margins on ULIP (due to higher rider attached), restructuring of commission structure and product repricing. AUM expanded to ₹3,36,282 crore, up 15% YoY, while embedded value increased by 17% YoY to ₹55,423 crore.

Investment Rationale

- Linked business remains robust; growth outlook maintained: APE growth remained a tad slower at 10% YoY, primarily due to moderation in non-par segment. Linked business witnessed higher growth, amid buoyancy in capital market, keeping share of linked broadly stable at ~40% in Q4FY25. While impact of volatile equities could be ruled out, healthy product pipeline, focus on customer accretion and improving penetration in tier 2 & 3 markets is expected to enable continued business growth with long term outlook at 16-17% CAGR, though 1H FY25 is expected to witness moderation owing to base effect.
- Margin improvement in Q4FY25; range bound trajectory ahead: VNB margin witnessed an uptick of 40 bps in Q4FY25 to 26.5%, with impact owing to surrender regulations, being offset by repricing of products, revised distributor payout and higher protection attached to unit linked products. While levers for gradual improvement in margins exists (sale of higher tenure products, rider attachment, improving persistency), VNB investment in tech and distribution is expected to keep VNB margin range bound. Expect VNB margins at 25-26% in FY26-27E.

Rating and Target Price

- Continued steady performance on growth as well on margins remains on track. Business growth with balanced product mix, distribution in Tier 2 & 3 cities and steady margins is seen to aid performance. Diversification in distribution is underway without any substantial impact anticipated.
- Valuing the stock at 2.4x FY27E EV, we revise target at ₹ 830 and maintain Buy recommendation.

Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22- FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
New business premium	24155	29085	29631	33811	12%	37759	44178	14%
APE	9664	13100	12963	15262	16%	17356	20713	16%
Total premium	45962	57533	63076	71683	16%	80661	93469	14%
PAT	1208	1360	1569	4460		2033	2332	
EV	30048	39526	47468	55478		64247	74537	
P/E (x)	125.9	113.8	98.7	34.7		76.2	66.4	
P/BV (x)	9.8	11.9	10.6	9.8		9.0	8.3	
P/IEV (x)	5.1	3.9	3.3	2.8		2.4	2.1	
RoEV (%)	19.0	19.7	17.5	16.8		16.4	16.6	

Source: Company, ICICI Direct Research



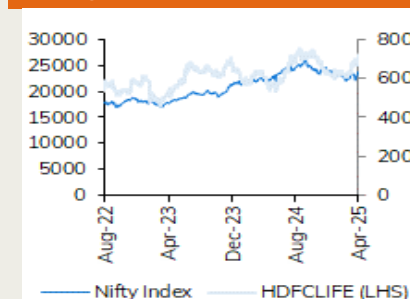
Particulars

Particulars	Amount
Market Capitalisation	₹1,55,026 crore
EV	₹55,423 crores
AUM	₹3,36,282 crore
52 week H/L	761/ 511
Net worth	₹16,155 crore
Face value	₹ 10

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Promoters	50.4	50.4	50.4	50.4	50.4	50.3
FII	30.5	31.3	30.0	26.6	25.6	25.1
DII	6.9	6.6	7.9	11.2	13.3	13.3
Public	12.2	11.8	11.6	11.8	10.8	11.3

Price Chart



Key risks

- Rapid moderation in unit linked business amid volatility in equities remains a risk
- Competitive intensity impacting business growth & IRR

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

CA Parth Chintkindi
parth.chintkindi@icicisecurities.com

Concall highlights and outlook

Guidance and Product mix

- Management reaffirmed its ambition to double APE and VNB every 4–4.5 years, translating to ~16–17% CAGR
- H1FY26 growth may be moderate due to a high base in H1FY25 (APE growth of 30%+ in 1H FY25). Growth momentum expected to rebound in H2FY26
- Individual APE product mix includes - ULIP at 39%, Non-par savings at 32%, Participating products at 19% and Annuity at 5%.
- For 11MFY25, market share improved by 70 bps YoY to 11.1% (overall industry) and 30 bps to 15.7% (private sector).
- Individual APE grew by 18% YoY in FY25, in line with guidance. Growth was driven equally by an increase in policies written and higher average ticket size. The policy count grew faster than both the overall market and the private sector.
- Protection business (retail and group) expected to see tailwinds in H2FY26 as MFI disbursements picks up.
- Nearly 75% of new customers onboarded in FY25 were first-time buyers.
- Participating products grew over 40%, aided by Click 2 Achieve Par launch.
- Non-par products posted 25% YoY growth and are expected to perform well in case of conducive environment.
- Management remains confident of sustained retail APE growth, citing a strong product pipeline, ongoing channel productivity enhancements and improving persistency.

Margins

- Steady 30–32% mix expected to benefit from rate cut, supporting margin accretion in FY26 for non-par products
- Margin expected to remain range-bound in near term due to investments in tech (Project Inspire) and agency transformation.
- Key Margin Levers:
 - Product repricing and longer tenure sales (especially in ULIPs and par).
 - Higher rider attachment, especially in bank and digital channels.
 - Persistency improvements, aided by analytics, early warning indicators and customer engagement.
 - Tight cost control and operating efficiency

Bancassurance and Surrender norms

- HDFC Bank counter share remained stable at ~65%, accounting for ~47% of retail APE.
- Management views bancassurance and agency architecture as central to long-term penetration strategy; no adverse impact anticipated from regulatory changes.
- No imminent change to bancassurance architecture; IRDAI recognizes banca's key role in "Insurance for All" by 2047, as banca channel has 6–10x more branches than the insurance sector.
- HDFC Life is proactively enhancing complaint handling and disclosures for vulnerable segments

Other

- Onboarded 40+ partners (e.g., Mirae Asset, Sundaram Finance, Aditya Birla Finance, Northern Arc, Repco Home Finance etc) supporting broader distribution diversification.
- 30,000+ agents added in FY25; 117 new branches added, taking total to 650.
- Launched Click 2 Achieve Par and SAGA (Sanchay Aajeevan Guaranteed Advantage)—targeted at pension savings with dual guarantees. SAGA has opened a younger demographic (~40s), with annuity option flexibility and joint life benefits.

Exhibit 1: Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
First Year Premium	4,396.0	4,014.6	9.5	2,968.8	48.1	Individual segment in focus; ULIP garnered traction
Renewal Premium	13,062.3	11,406.0	14.5	9,375.6	39.3	Healthy persistency aid renewals
Single Premium	6,573.3	5,517.0	19.1	4,930.6	33.3	
Net Premium income	23,765.6	20,488.1	16.0	16,771.3	41.7	
Income from Investments	117.5	7,404.5	-98.4	142.8	-17.7	Rise in rates and decline in equities impacted
Total revenue	23,883.1	27,892.6	-14.4	16,914.1	41.2	
Commission	2,581.4	2,162.1	19.4	1,932.5	33.6	Comission ratio broadly stable
Operating expenses	1,719.9	1,760.5	-2.3	1,553.3	10.7	Opex under tight control
Management Expenses	4,301.3	3,922.5	9.7	3,485.8	23.4	Total expense ratio higher at 17.9%
Benefits paid	11,040.4	12,420.5	-11.1	9,179.2	20.3	
Change in Actuarial Liability	8,195.9	11,156.0	-26.5	4,300.5	90.6	
Total Expenses	19,236.3	23,576.5	-18.4	13,479.6	42.7	
Surplus/ (deficit)	177.8	272.5	-34.8	-227.1	-178.3	VNB margins for Q4FY25 at 26.5% vs 26.1% in Q4FY24
Transfer to SH's A/c	286.6	286.6	0.0	286.6	0.0	
Transfer to SH's A/c	246.7	302.7	-18.5	98.2	151.1	
Investment income	327.4	255.7	28.0	271.9	20.4	
Profit/ (loss) before tax	486.2	449.7	8.1	444.8	9.3	
PAT	476.5	411.7	15.8	414.9	14.8	Investment income aided earnings
Key Metrics						
NBP	10,969.2	9,531.6	15.1	7,899.4	38.9	
AUM	3,36,281.5	2,92,220.1	15.1	3,28,684.0	2.3	Healthy AUM growth at 15%
IEV	55,423.0	47,468.0	16.8	53,246.0	4.1	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement
₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Premiums earned - Net	61959.2	69616.1	79592.5	92231.7
Interest, Dividends & Rent	15811.5	16072.9	18358.0	20973.3
Others income (incl. MTM)	460.8	3385.5	3792.7	4250.9
Total Revenue	78,231	90,189	1,01,743	1,17,456
Commission	5256.3	7835.3	8800.5	10199.1
Operating expenses	6901.1	4336.8	4942.7	5707.8
Benefits paid (Net)	39696.5	39345.9	48985.3	56687.8
Change in valuation of policy liab	48419.4	41515.6	33646.8	37266.2
Provision for tax	-592.4	-588.2	-384.9	-447.3
Surplus/(deficit) after tax	775.1	1043.0	1259.1	1572.7
Transfer to Shareholders' account	799	967	1,158	1,447

(₹ Crore)	FY24	FY25	FY26E	FY27E
Amounts transferred from Policyholders'	799.1	966.8	1158.3	1446.9
Income from investments	1002.2	1125.1	1304.6	1327.1
Total	1,814	2,092	2,463	2,774
Total expenses	250.5	225.8	345.0	345.0
Profit before Tax	1563.8	1866.1	2117.9	2429.0
Provision for tax	-5.0	64.0	84.7	97.2
PAT	1,569	1,802	2,033	2,332

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Valuation				
Diluted EPS (₹)	7.3	20.7	9.5	10.8
BV (₹)	68.1	73.8	80.0	86.9
EV per share	220.7	257.9	298.7	346.5
P/E	98.7	34.7	76.2	66.4
P/BV	10.6	9.8	9.0	8.3
P/IEV	3.3	2.8	2.4	2.1
Efficiency Ratios (%)				
Commission expenses as a % of Gross Premium	8.3	8.1	8.0	7.9
Management expenses as a % of Gross Premium	19.3	20.2	17.0	17.0
Return Ratios and capital (%)				
Return on Net worth	18.2	18.2	18.2	18.2
Operating RoEV	17.5	17.5	17.8	17.8
Key Ratios (%)				
VNB Margin	26.3	25.5	25.7	25.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet
₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Share capital	2151	2151	2151	2151
Reserve and surplus	12050	13255	14581	16039
Credit/[debit] fair value change	451	466	483	502
Networth	14652	15872	17215	18692
Policyholders' funds	276916	321244	387576	468298
Funds for Future Appropriations	2161	2841	2941	3067
Total Liabilities	293729	339957	407733	490058
Applications of Funds				
Shareholders' investments	14882	16370	18007	19808
Policyholders' investments	181797	203612	223973	250850
Asset held to cover linked liab	95542	105096	115605	127166
Loans	1897	2430	2963	3496
Fixed assets - net block	416	424	433	441
Deferred tax asset				
Net current assets	-804	12024	46751	88296
Total Assets	293729	339957	407733	490058

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
NBP	29631	33811	37759	44178
Growth (%)	2	14	12	17
Linked	14733	17966	21044	25082
Growth (%)	19	22	17	19
Non Linked	48344	53717	59617	68388
Growth (%)	7	11	11	15
APE	12963	15262	17356	20713
Growth (%)	-3	18	14	19
VNB	3501	3960	4573	5501
Growth (%)	-5	13	15	20
EV	47468	55478	64247	74537
Growth (%)	20	17	16	16
AUM	292220	325078	357586	397824
Growth (%)	22	11	10	11
PH Funds	181797	203612	223973	250850
Growth (%)	24	12	10	12
SH Funds	14882	16370	18007	19808

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Parth Parmeshwar Chintkindi, Chartered Accountant, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report