

CMP	: INR 757
Reco	: BUY ↔
Target Price	: INR 860 ↔
Target Price Change	: No Change
Target FY27 P/VNB (x)	: 22
VNB Change FY26/ 27	: No Change

Krupal Maniar

+91 22 6911 3419
krupal.maniar@antiquelimited.com

Komal Sharma

+91 22 6911 3480
komal.sharma@antiquelimited.com

Market data	
Sensex	: 82,571
Sector	: Life Insurance
Market Cap (INR bn)	: 1,630.8
Market Cap (USD bn)	: 19.003
O/S Shares (mn)	: 2,154.7
52-wk HI/LO (INR)	: 821/584
Avg. Daily Vol ('000)	: 3,053
Bloomberg	: HDFCLIF

Source: Bloomberg

	FY25	FY26e	FY27e
P/VNB (x) - Implied	27.1	21.1	16.0
P/EV (x)	2.9	2.5	2.2
P/EVOP	21.1	18.1	15.6
P/B	10.4	9.5	8.7
P/E	92.7	81.8	71.9

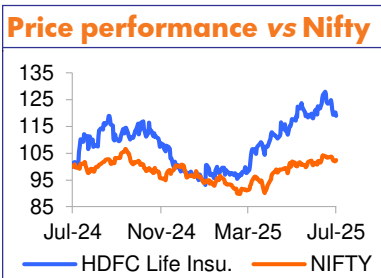
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	1	7	27	19
Relative	(0)	0	19	16

Source: Bloomberg

Shareholding pattern	
Promoters	: 50%
Public	: 50%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

1QFY26 RESULT REVIEW

HDFC Life Insurance Company

Market share gains continue with stable profitability

HDFC Life Insurance Company (HDFCLIFE) reported a strong 1QFY26 with VNB growth of 12.7% YoY and individual APE growth of 12.5% YoY outperforming industry growth and broadly in line with our estimates. ULIP mix remained stable at 38%, while par product share rose to 32% (from 16% YoY) as new and refreshed products gained traction. Non-par savings share moderated to 19% (from 35% YoY) of APE due to pricing discipline. Retail protection, group protection, and annuities grew 19%-20% YoY each. VNB margin rose 10 bps to 25.1% as 30 bps impact from new surrender value regulations and 60 bps impact due to lower fixed cost absorption was offset by 100 bps impact due to improved profitability in ULIPs, par saving products, and higher growth in protection and annuities. Management expects 2HFY26 to be better than 1H with flat VNB margin in FY26. While the product mix is likely to improve hereon, strategic reinvestments would continue in proprietary distribution (especially agency) and in long-term digital initiatives like Project Inspire. We maintain our FY26-27E APE and VNB estimates. We continue to expect 16%-17% APE/ VNB/ EV CAGR over FY25-27E. Maintain BUY rating with an unchanged DCF-based TP of INR 860, implying 2.5x FY27E P/EV and 22x FY27E P/VNB.

Growth remains healthy despite base effect; margins resilient

Individual APE grew 12.5% YoY to INR 27.8 bn with a two-year CAGR of 21%. Market share increased 70 bps at the overall level (to 12.1%) and 40 bps for the private sector (to 17.5%). Growth was supported by participating products and ULIPs. Retail protection grew 19% YoY and maintained a 23% two-year CAGR. Annuity remained stable at 5% of APE. Despite the regulatory impact (~30 bps hit due to surrender rule changes), VNB margin remained resilient at 25.1%, aided by better product-level profitability and higher growth in protection and annuities. Margin differentials of ULIP/ par vs. non-par has reduced, as per the management.

Product discipline prioritized; par gains offset non-par moderation

Non-par savings saw a decline due to the company consciously avoiding irrationally priced segments. Management indicated that non-par share should normalize to ~25% as pricing is rationalized across industry. Meanwhile, par products gained significant traction, particularly in Tier 2/ 3 markets, supported by refreshed offerings such as Click 2 Achieve Par Advantage. Retail protection and annuity products continued to deliver steady growth and credit life showed signs of revival driven by non-MFI segments.

Distribution expansion intact; agency transformation underway

All channels posted double-digit growth. The agency channel grew 10% YoY and remains a key focus area, with 23,000 new agents added in 1QFY26. The company is undertaking a transformation initiative to improve agent lifecycle, training, activation, and productivity using technology and analytics. HDFC Bank's contribution to APE remained stable at ~65%+. Non-bank alliances saw healthy expansion with over 40 new tie-ups, including NBFCs and ecosystem partners.

Operational metrics and capital position remains strong

Persistency remained healthy across cohorts. The 13-month persistency stood at 86%, marginally lower YoY due to reduction in high-ticket policies following tax regulation changes. However, this has been already factored into assumptions and did not materially affect embedded value/ operating variance. Notably, 61-month persistency improved to 64% (up from 56% YoY). Operating return on EV (RoEV) stood at 16.3% on a rolling 12-month basis. The solvency ratio remained strong at 192%. Total AUM rose to INR 3.56 trn, up 15% YoY, while HDFC Pension AUM crossed INR 1.3 trn.

Investment Summary

We forecast 16%-17% APE/ VNB CAGR over FY25-27E. HDFC Life continues to deliver consistent compounding in EV and VNB while investing in long-term capabilities across distribution and technology. The company is well-positioned to outpace the industry in FY26 and beyond with its balanced product mix, high persistency, and diversified channels. At 2.2x FY27E P/EV and 16x FY27E P/VNB, valuations are attractive. We maintain BUY with an unchanged target price of INR 860.

Earnings Call Takeaways

1. **Strong start to FY26 despite macroeconomic uncertainty**
 - Management described 1QFY26 as a solid start to the year, with 12.5% YoY individual APE growth and 12.7% VNB growth, outperforming both overall and private sector industry growth.
2. **VNB margin resilient at 25.1%**
 - Despite a 30 bps drag due to new surrender value regulations, margins held up due to:
 - Higher protection attachment/ riders in ULIPs
 - Improved par product profitability due to longer tenor
 - Higher growth in protection and annuities
3. **ULIP demand surprises positively**
 - Contrary to expectations of a slowdown, ULIP growth remained strong supported by buoyant equity markets.
 - The company maintained ULIP mix (~38%) and enhanced protection features within ULIPs to improve profitability.
4. **A conscious decision to non-prioritize non-par**
 - HDFC Life consciously vacated high-volume non-par segments due to irrational market pricing.
 - Expect non-par contribution to recover to mid-20s share later during the year as pricing stabilizes.
5. **Protection business continues to deliver**
 - Retail protection grew 19% YoY; two-year CAGR stood at 23%.
 - Credit Protect business showed recovery, aided by better disbursement and expansion into non-MFI lending.
6. **Persistency trends mixed but stable**
 - 13M persistency dipped to 86% (vs. 88% YoY) due to lower share of large-ticket ULIPs post-tax changes.
 - 61M persistency improved sharply to 64% (from 56% YoY), indicating better long-term customer retention.
 - Operating variances from persistency/ mortality were minimal as assumptions were already updated to reflect trends.
7. **Distribution strength – agency transformation underway**
 - All channels recorded growth; HDFC Bank share stable at ~65%.
 - Agency grew ~10% YoY despite macro headwinds; management is running a “transformation program” focused on activation, training, lifecycle value, and digital tracking.
 - Added 23,000 new agents in 1QFY26.
 - Group business returned to growth as non-MFI credit life picked up, offsetting MFI headwinds.
8. **Technology-led investments under Project Inspire**
 - A long-term, multi-year program aimed at improving real-time servicing, cross-sell efficiency, customer and partner engagement through analytics and personalization.
 - Temporary cost impact expected as legacy systems co-exist with new stack.
9. **FY26 outlook**
 - Management reiterated 1HFY26 could remain soft, due to high base and external macro factors.
 - Confident that 2HFY26 will see a rebound in growth.
 - Aims to outpace industry growth and maintain 25%–26% VNB margin range through mix and operational efficiency.

Quarterly performance

Table 1: Actual vs. estimated performance

(INR bn)	Actual	Estimated	% Variance
APE	32.3	32.6	(1.0)
VNB	8.1	8.3	(2.9)
VNB margin (%)	25.1	25.6	-47bps

Source: Company, Antique

Table 2: Quarterly financials

(INR mn)	1QFY26	1QFY25	YoY%	4QFY25	QoQ%
Policyholders' account					
Gross written premium	1,48,751	1,28,109	16.1	2,40,316	-38.1
Net earned premium	1,44,661	1,25,096	15.6	2,37,656	-39.1
Investment income	1,45,950	1,41,244	3.3	180	80,893.1
Other income	739	731	1.0	-9	-7,958.5
Total revenue	2,91,349	2,67,072	9.1	2,37,826	22.5
Commission expense	17,492	14,703	19.0	25,814	-32.2
Operating expenses	15,099	12,672	19.1	17,199	-12.2
Benefits cost	2,58,590	2,34,069	10.5	1,94,185	33.2
Total expense	2,91,181	2,61,444	11.4	2,37,198	22.8
Surplus/Deficit	168	5,627	-97.0	629	-73.2
Shareholder's account					
Transfer from policyholder's account	3,663	2,665	37.5	2,467	48.5
Investment income	3,202	2,572	24.5	3,274	-2.2
Other income	0	0		0	33.3
Expenses	1,260	262	381.6	879	43.4
Profit before tax	5,607	4,975	12.7	4,862	15.3
Tax expense	142	198	-28.5	97	46.7
Profit after tax	5,465	4,777	14.4	4,765	14.7

Source: Company, Antique

Table 3: Key assumptions

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E
NBP	242	291	296	334	376	424
APE	98	133	133	155	180	209
VNB	27	37	35	40	47	55
EV	300	395	475	554	645	751
EVOP	44	65	69	79	92	107
ROEV	16.6%	21.6%	17.5%	16.7%	16.7%	16.6%
VNB Margin	27.4%	27.5%	26.3%	25.6%	25.9%	26.2%

YoY growth (%)	FY24	FY25	FY26E	FY27E	CAGR	CAGR
					FY19-24	FY24-27E
NBP	2	13	13	13	15	13
APE	0	16	16	16	16	16
VNB	-5	13	17	18	18	16
EV	20	17	16	16	21	17
EVOP	7	14	16	16	18	16

Source: Company, Antique

Table 4: Maintain BUY with a target price of INR 860 using Appraisal Value framework

Particular	INR bn
FY27E VNB	55
Target VNB multiple (x)	22
Structural Value	1,204
FY26E EV	645
Appraisal value - Mar-27	1,849
Share count (bn)	2.15
Appraisal value per share (INR) - Mar-27	860

Source: Company, Antique

Table 5: Reverse DCF to deduce VNB growth assumptions over 15 years

Parameter (INR bn)	Value
FY25E-40E APE CAGR	11.5%
FY25E-40E VNB CAGR	11.6%
Terminal growth rate	6.25%
Cost of Equity	11.5%
FY26E EV	600
Present value of future VNB	1,250
Appraisal Value - Mar'27	1,850
Share count (mn)	2,149
Appraisal value per share (INR) - Mar'27	860
Price target (INR) - Mar'27	860

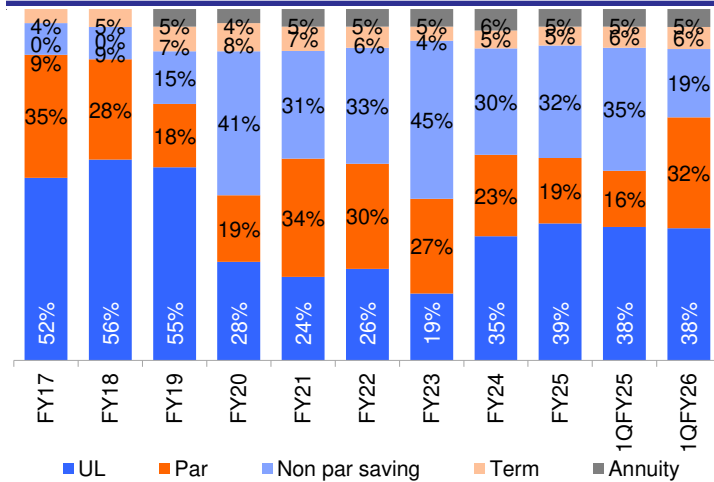
Source: Company, Antique

Table 6: Arriving at implied P/EV

Implied target multiple on FY27E	860
P/EV	2.5x
RoEV (%)	16.6
P/EVOP	16.6x
Implied FY27E VNB multiple	22x

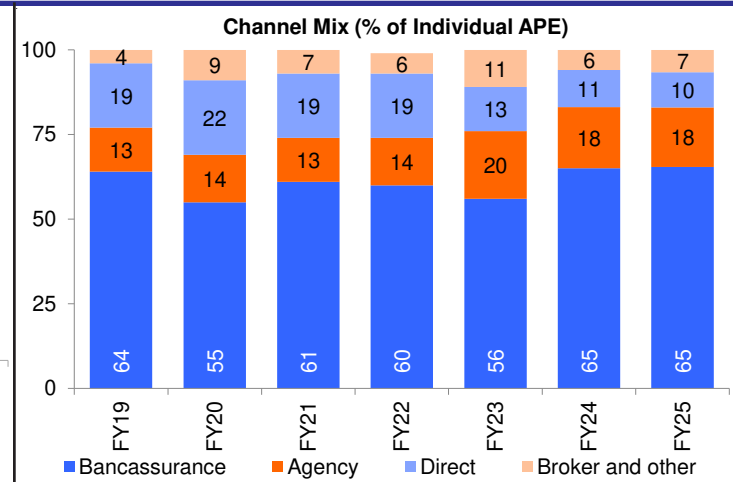
Source: Company, Antique

Exhibit 1: Share of ULIP remains stable at 38%



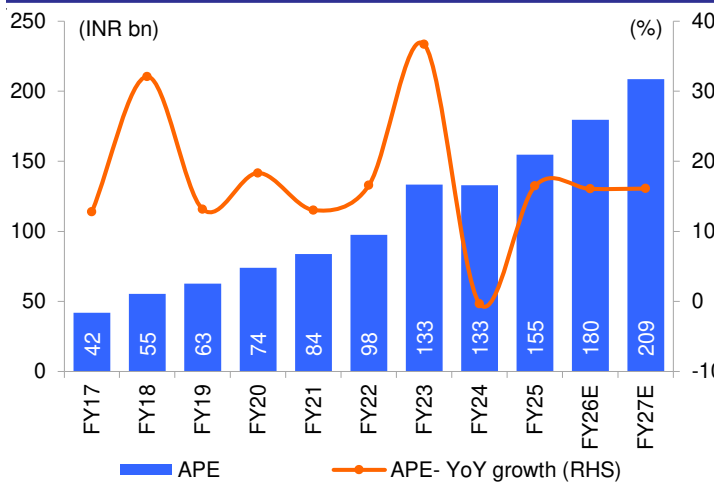
Source: Company, Antique

Exhibit 2: HDFCB counter share stable at 65%



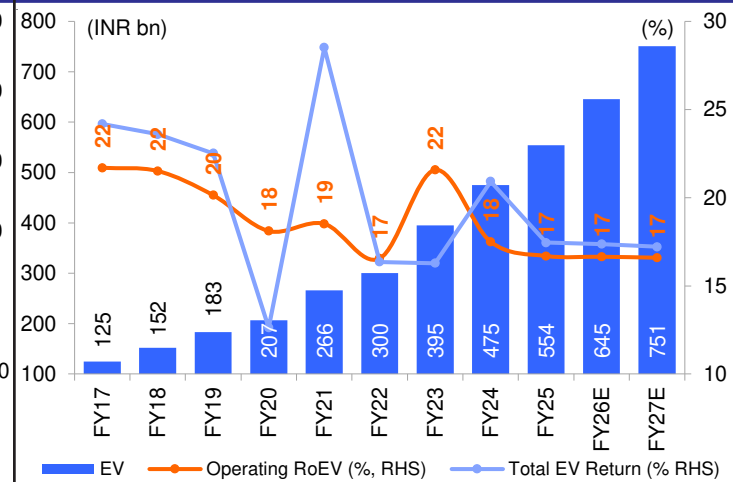
Source: Company, Antique

Exhibit 3: APE expected to grow at 16% CAGR over FY24-27E



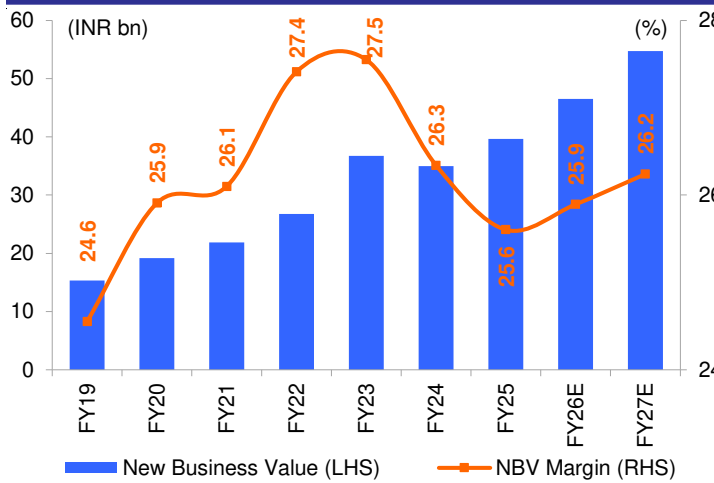
Source: Company, Antique

Exhibit 4: EV expected to grow at 17% CAGR over FY24-27E



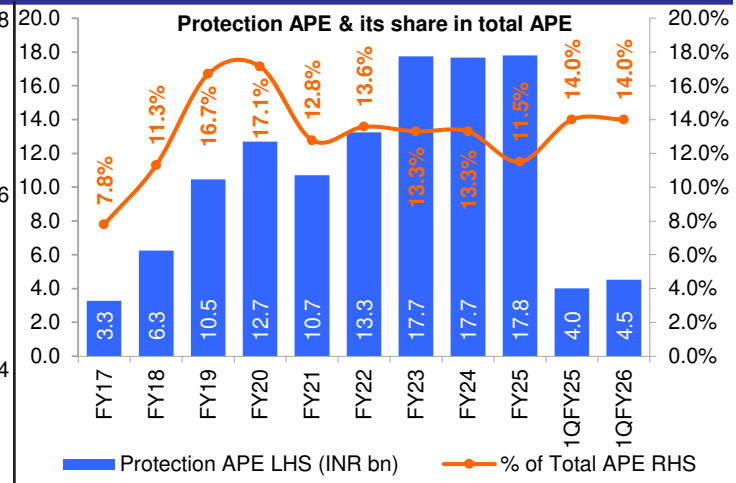
Source: Company, Antique

Exhibit 5: VNB margin expected to remain range-bound



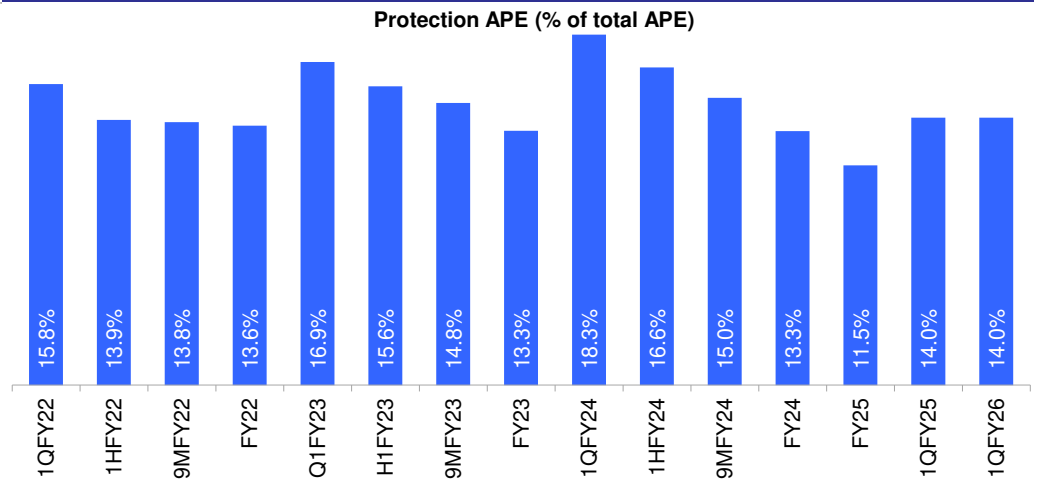
Source: Company, Antique

Exhibit 6: Protection APE has been inching up



Source: Company, Antique

Exhibit 7: Protection APE witnessing signs of improvement every quarter



Source: Company, Antiqué

Table 7: Protection and Par dominate in 1QFY26

Total APE	1QFY25	1QFY26	% YoY
ULIP	9,286	10,643	14.6
Par	4,012	8,708	117.0
Non-par	8,713	5,483	-37.1
Annuity	1,433	1,613	12.5
- Retail	1,234	1,416	14.8
- Group	200	196	-1.6
Group retirals	1,146	968	-15.6
Protection	4,012	4,838	20.6
- Retail	1,480	1,750	18.2
- Group	2,532	3,088	21.9
Total APE	28,660	32,250	12.5

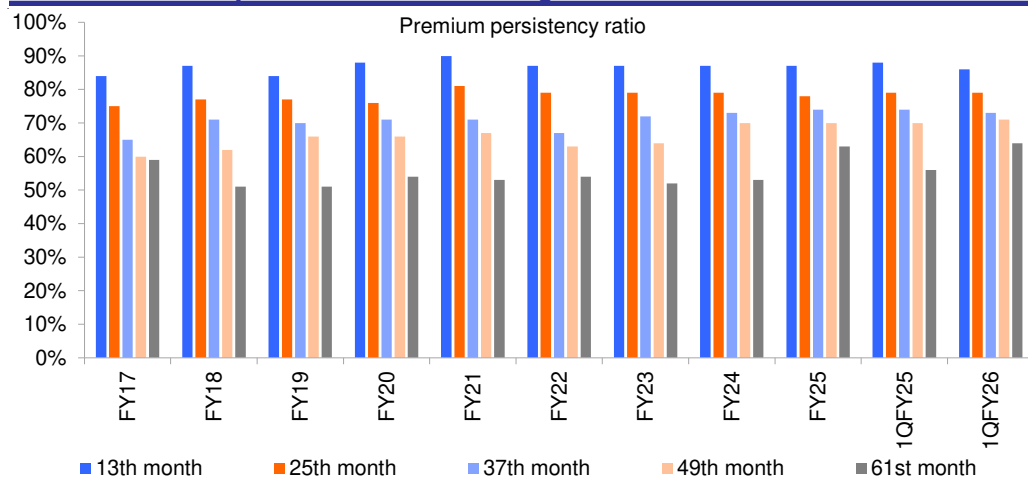
Source: Company, Antiqué

Table 8: VNB margin remains stable at 25.1% supported by higher protection attachment in ULIPs, improved par product profitability, and fixed cost absorption from scale

Profitability	1QFY25	1QFY26	% YoY
VNB	7,180	8,090	12.7
VNB margin (%)	25.1	25.1	3bps
RoEV	15.5	16.3	80bps

Source: Company, Antiqué

Exhibit 8: Persistency metrics continues to strengthen



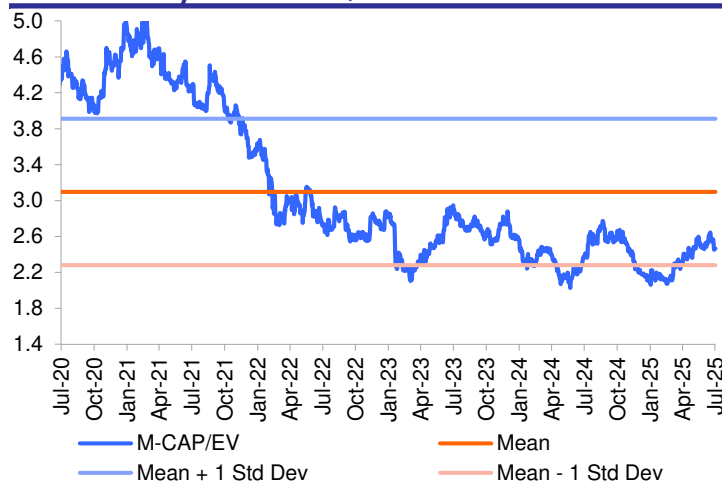
Source: Company, Antique

Table 9: Underwriting profit grew 11% YoY due to back book surplus

Underwriting profit breakup (INR bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	9MFY25	FY25	1QFY26
Backbook surplus	19.1	25.5	29.9	32.3	34.9	44.2	52.22	42.3	61.4	16.3
New business strain	-10.6	-16.5	-19.1	-25.0	-30.5	-38.3	-45.5	-35.6	-52.4	-13.3
Total	8.5	9.0	10.8	7.3	4.4	5.9	6.7	6.7	9.0	3.0

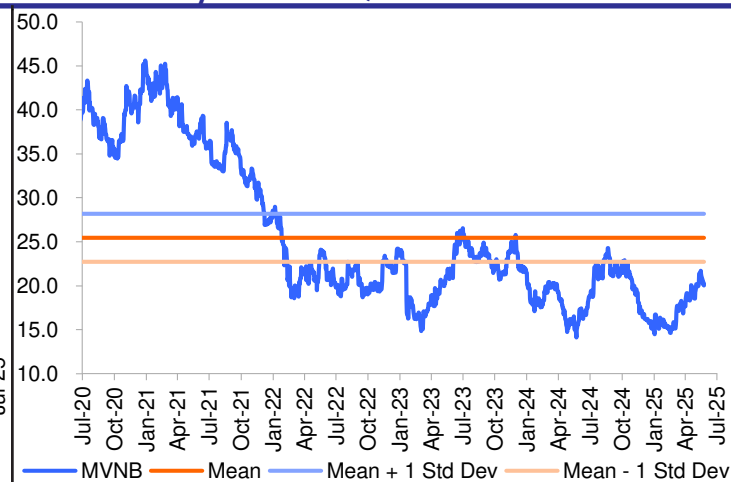
Source: Company, Antique

Exhibit 9: One-year forward P/EV



Source: Company, Antique

Exhibit 10: One-year forward P/VNB



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
Policyholder/INR' account					
Gross written premium	5,75,334	6,30,765	7,10,449	8,01,609	9,09,294
Net earned premium	5,68,850	6,19,592	6,96,161	7,85,488	8,91,008
Investment income	1,19,455	3,83,543	2,59,453	4,60,345	5,42,812
Other income	13,439	4,608	3,834	4,476	5,124
Total revenue	7,01,744	10,07,743	9,59,448	12,50,309	14,38,944
Commission expense	27,101	52,563	78,353	89,978	1,03,847
Operating expenses	81,199	69,011	62,218	70,201	79,632
Benefits cost	5,65,528	8,81,158	8,08,615	10,76,437	12,37,658
Total expense	6,79,436	9,99,991	9,48,246	12,34,627	14,18,880
Surplus/Deficit	22,308	7,751	11,202	15,682	20,064
Shareholders' account					
Transfer from policyholder account	14,808	7,991	9,968	12,182	14,564
Investment income	6,803	10,022	11,251	12,550	13,765
Expenses / Trf to policyholder	9,566	2,505	2,559	3,471	4,128
Profit before tax	12,677	15,638	18,661	21,260	24,200
Tax expense	-877	-50	640	850	968
Profit after tax	13,555	15,689	18,021	20,410	23,232

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
Sources of Funds					
Shareholders' Funds	1,29,868	1,46,517	1,61,256	1,76,557	1,93,981
Borrowings	9,500	9,500	29,500	29,500	29,500
Policyholders' Funds: Insurance					
reserves and provisions	22,44,469	27,69,161	31,92,009	37,82,986	44,41,521
Others	2,854	2,615	12,576	13,454	13,842
Total Liabilities	23,86,692	29,27,793	33,95,342	40,02,497	46,78,845
Application of Funds					
Shareholders' Investments	1,31,319	1,48,819	1,83,863	2,01,310	2,21,177
Policyholders' Investments	14,64,485	18,17,966	21,62,671	25,63,073	30,09,248
Assets Held to Cover Linked Liabilities	792,015	9,55,416	10,16,282	12,04,438	14,14,105
Net Current Assets (C) = (A - B)	-20,783	-17,538	2,733	3,818	3,522
Other Asset	19,655	23,131	29,794	29,858	30,793
Total Assets	23,86,692	29,27,793	33,95,342	40,02,497	46,78,845

EV Account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
EV	3,95,221	4,74,632	5,54,265	6,45,468	7,50,816
- Adjusted Net Worth	1,27,800	1,45,300	1,62,830	1,78,131	1,95,555
- Value-in-Force	2,67,421	3,29,332	3,91,435	4,67,336	5,55,261
Annualised Premium Equivalent (APE)	1,33,360	1,32,910	1,54,790	1,79,633	2,08,552
New Business value	36,740	35,010	39,632	46,515	54,725
New Business Margin (%)	27.5	26.3	25.6	25.9	26.2
EV Operating Profit	64,841	69,211	79,233	92,305	1,07,157
Operating RoEV (%)	19.7	17.5	16.7	16.7	16.6

Source: Company, Antique

Per share data

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
EPS	6.4	7.2	8.2	9.3	10.5
DPS	1.6	1.8	2.0	2.3	2.6
EVPS	184.0	217.3	249.6	290.7	338.2
BVPS	60.4	67.1	72.6	79.5	87.4
EV Op. Profit per share	30.4	31.9	35.9	41.8	48.6

Key ratio

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
Return on Equity (%)	9.5	11.4	11.7	12.1	12.5
Commission expense/TWRP (%)	6.5	11.3	14.9	15.0	15.1
Operating expenses/TWRP (%)	19.5	14.9	11.8	11.7	11.6
Total expense (% of TWRP)	26.1	26.2	26.7	26.7	26.7
Total expense (% of Avg AUM)	4.9	4.6	4.5	4.4	4.2
Conservation ratio (%)	95.3	84.1	84.6	84.0	84.0

Growth (%)

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
Net earned premium	25.3	8.9	12.4	12.8	13.4
EV	31.5	20.1	16.8	16.5	16.3
Annualised Premium Equivalent (APE)	36.7	-0.3	16.5	16.0	16.1
New Business value	37.3	4.7	13.2	17.4	17.7
EV Operating Profit	47.2	6.7	14.5	16.5	16.1

Key assumptions (INR mn)

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
NBP	291	296	334	376	424
APE	133	133	155	180	209
VNB	37	35	40	47	55
EV	395	475	554	645	751
EVOP	65	69	79	92	107
ROEV	21.6%	17.5%	16.7%	16.7%	16.6%
VNB Margin	27.5%	26.3%	25.6%	25.9%	26.2%

YoY growth (%)

NBP	20	2	13	13	13
APE	37	0	16	16	16
VNB	37	-5	13	17	18
EV	32	20	17	16	16
EVOP	47	7	14	16	16

Valuation

Year ended 31 Mar	FY23	FY24	FY25	FY26e	FY27e
P/VNB (x) - Implied	33.5	32.9	27.1	21.1	16.0
P/EV (x)	4.1	3.4	2.9	2.5	2.2
P/EVOP	24.9	23.7	21.1	18.1	15.6
P/B	12.5	11.3	10.4	9.5	8.7
P/E	119.2	104.7	92.7	81.8	71.9

Source: Company Antique