

### Steady quarter

HDFC Life's consistent run continued in Q1FY26 with decent APE growth, both on overall and individual basis. VNB margin met our expectations, coming in at 25.1% in Q1FY26. The focus continues on maintaining an optimal product mix. Participating products (+117% YoY) and ULIP (+16% YoY) remained the key drivers of APE growth. Retail Protection growth remained strong whereas credit life business saw recovery aided by higher disbursement and attachment rates. We expect APE to clock 15% CAGR over FY25-28 whereas VNB margin is expected to be between 25.8% to 26.0% over the forecasted period. We expect EV to clock 16% CAGR over FY25-FY28. We rollover the valuation to H1FY28 valuing the company at an unchanged multiple of 2.5x on Sep'27E P/EV for a revised target price (TP) of Rs925 (vs Rs865), reflecting a 22% upside. Maintain BUY.

#### Steady quarter

HDFC Life's overall APE grew 13% YoY to Rs32bn (CentE Rs33bn) in Q1FY26 supported by higher ticket sizes. Individual APE grew at a similar 13% to Rs28bn. The individual APE market share increased about 40bps to 17.5% at end Q1FY26 and the company retained its #2 rank among the private peers. We introduce FY28 numbers and expect APE to clock 15% CAGR over FY25-28 to Rs236bn. EV grew 18% YoY to Rs584bn. We now expect EV to clock 16% CAGR over FY25-FY28 to Rs856bn.

#### Participating product segment more than doubled

The share of ULIP remained range-bound with 33% share at end Q1FY26. The share of participating products more than doubled to 27% from 14%, largely driven by the success of new product propositions. In contrast, the non-par APE share declined sharply to 17% from 30%, as the company chose to avoid irrational pricing practices. The share of both, protection and annuity business remained fairly stable.

#### VNB margin on expected lines

HDFC Life's VNB margin of 25.1% for Q1FY26 was in line with our estimate (25%). The VNB margin saw a net movement of +10 bps, with a 30 bps negative impact from surrender values and a 60 bps drag from fixed costs, partially offset by a 100 bps positive impact from favorable business mix. We have incorporated 25.8%/25.9%/26.0% VNB margin for FY26/FY27/FY28. Absolute VNB CAGR should be 15% over FY25-FY28 to Rs61bn (13% YoY in Q1FY26 to Rs8.1bn).

#### Strong distribution network; focus on agency channel

Bancassurance, which accounted for 60% of individual APE in Q1FY26, continues to be the main distribution channel. Direct channel and Agency channel accounted for 9% and 16%, respectively. Moreover, agency transformation program should help better productivity from that channel. The company continues to invest in Project Inspire that will continue to get rolled out through FY26.

#### Maintain BUY

HDFC Life had a decent quarter with steady growth. We roll over the valuation to Sep'27. The stock is trading at 2.0x H1FY28E P/EV. Baking in the positives of high VNB margin, optimal product mix and strong market share and brand pedigree, we continue to maintain our target multiple of 2.5x on H1FY28 P/EV - a ~30% discount to the long-term mean, leading to a revised target price of Rs925 (vs Rs865). Maintain BUY. Top pick.

**Key risks:** Change in regulations, adverse economic events and change in persistency.

### Financial and valuation summary

YE Mar (Rs mn)	1QFY26A	1QFY25A	YoY (%)	4QFY25A	QoQ (%)	FY26E	FY27E	FY28E
NBP	72,721	64,003	13.6	1,09,692	(33.7)	3,70,575	4,12,983	4,61,842
Renewal	76,030	64,106	18.6	1,30,623	(41.8)	4,26,086	4,84,415	5,53,226
Net Premium	1,44,661	1,25,096	15.6	2,37,656	(39.1)	7,82,320	8,81,245	9,96,797
APE	32,250	28,660	12.5	51,860	(37.8)	1,77,625	2,04,316	2,35,581
VNB	8,100	7,180	12.8	13,760	(41.1)	45,836	52,816	61,228
VNB Margin (%)	25.1	25.0		26.5		25.8	25.9	26.0
Opex ratio (%)	10.2	9.9		7.2		8.3	7.9	7.5
Commission ratio (%)	11.8	11.5		10.7		9.0	8.9	8.7
Expense ratio (%)	21.9	21.4		17.9		17.3	16.8	16.3
P/EV						2.5	2.2	1.9
P/VNB						21.6	16.9	12.6

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

### Result Update

India | Insurance

15 July, 2025

### BUY

Price: Rs757

Target Price: Rs925

Forecast return: 22%

Institutional Research

#### Market Data

Bloomberg:	HDFCLIFE IN
52-week H/L:	761/511
Market cap:	Rs1629.3bn
Shares Outstanding:	2152.8mn
Free float:	44.1%
Avg. daily vol. 3mth:	34,91,140

Source: Bloomberg

#### Changes in the report

Rating:	NA
Target price:	Rs865 to Rs925
EVPS:	FY26E:Rs298.0 to Rs297.3 FY27E:Rs345.6 to Rs343.6

Source: Centrum Broking

#### Shareholding pattern

	Mar-25	Dec-24	Sep-24	Jun-24
Promoter	50.3	50.3	50.3	50.4
FIIs	25.0	25.1	25.6	26.6
DIIIs	14.1	13.7	13.3	11.2
Public/other	10.6	10.9	10.8	11.8

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY26	Actual Q1FY26	Variance (%)
APE	32,876	32,250	-1.9
VNB	8,208	8,100	-1.3
VNB margin (%)	25.0	25.1	15bps

Source: Bloomberg, Centrum Broking



**Mohit Mangal**

91-22-4215 9110

mohit.mangal@centrum.co.in



**Harsh Hulsogi**

91-22-4215 9110

harsh.hulsogi@centrum.co.in

Insurance