

# HDFC Life Insurance (HDFCLIFE)

Insurance

BUY

CMP(₹): 757

Fair Value(₹): 925

Sector View: **Attractive**

NIFTY-50: 25,196

July 15, 2025

## Remains on steady track

HDFC Life's business performance remains steady, with 13% APE growth and stable margins in 1QFY26. An interplay of a low 2H base, savings product mix (shift to non-par from par), upside from ULIPs (if any), increasing rider penetration/protection growth and investments in new business will drive overall VNB for the year. Competition in partnership channels and pickup of momentum in agency remain monitorable. Retain BUY with an FV of Rs925.

### VNB up 13% yoy in 1QFY26

HDFC Life reported 13% APE growth (KIE estimate of 15% yoy) and flat yoy margins. The share of non-par declined by 1,350 bps to 16.4%, replaced by the par business following a new product launch in this segment. The protection business was steady at 14% of APE, with a decline in group protect in the MFI segment offset by others. Product-level margins expanded 100 bps despite the shift to par (which has lower-than-company-level margins) from the margin-accretive non-par segment due to the increase in riders and higher profitability across lines; investments in new segments (leading to higher expenses, 0.6%) and the impact of surrender value guidelines (0.3%) offset the benefits.

### FY2026 may be a moderate year

HDFC Life remains upbeat on the rest of FY2026, as (1) a low base for 2HFY26E will boost yoy APE growth, (2) low momentum in MFI business anniversaries in 2QFY26E and (3) the share of non-par business will improve from current low levels. ULIP business is holding on better than initial expectations, even as the company remains calibrated on this segment. The above positives will likely be balanced by sluggishness in the agency business and inch-up in competitive intensity. Overall business activity is subdued, posing risk to growth in credit protect. The company continues to invest in growth, implement agency transformation programs and curtail business in select lower-ticket cohorts. Notably, agency business across large players has been weak since 2HFY25 and remains a cause for concern. HDFC Life's agency (16% of APE) business growth was weak at 6% yoy, stepping down yoy in ULIPs. Bancassurance (60% of APE) growth was also low at 11%, likely reflecting competition; the company stepped up on par business, retaining higher ULIP share in this channel. Non-bank alliances (including brokers' 15% of APE) were up 30%; ULIPs picked up, likely encouraged by strong persistency of its partners.

### Retain BUY with unchanged FV of Rs925

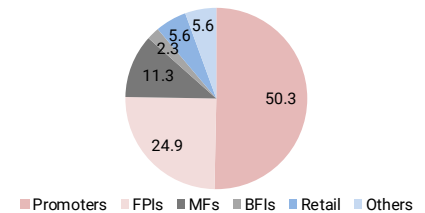
We are revising up our VNB estimates by 0.5% and EV by 1-1.1%, reflecting marginally higher APE and higher investment variance in FY2026E. We expect the company to deliver ~17% operating RoEV with 18% VNB CAGR during FY2025-28E. HDFC Life has managed the business well, toggling products, variants, channels and investments in growth to deliver stable and predictable outcomes while staying away from disruptive competition. HDFC Life remains our preferred pick in the private life insurance sector; we retain an AV-based FV of Rs925 (2.5X EV).

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	757/925/BUY
52-week range (Rs) (high-low)	821-584
Mcap (bn) (Rs/US\$)	1,631/19.0
ADTV-3M (mn) (Rs/US\$)	2,338/27.2

##### Shareholding pattern (%)



##### Price performance (%)

	1M	3M	12M
Absolute	1	7	19
Rel. to Nifty	(1)	(1)	16
Rel. to MSCI India	(1)	(1)	19

##### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	8.4	9.8	11.3
EPS growth (%)	15.3	15.7	15.5
P/E (X)	89.8	77.6	67.2
P/B (X)	11.1	10.4	9.8
BVPS (Rs)	68.2	72.6	77.6
RoE (%)	12.4	13.9	15.0
Div. yield (%)	0.2	0.3	0.4
NII (Rs bn)	271	288	337
PPOP (Rs bn)	434	461	497
Net profits (Rs bn)	18	21	24

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of July 15, 2025

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Exhibit 1: HDFC Life—quarterly summary, March fiscal year-end, 1QFY26

	1QFY26	1QFY25	4QFY25	% change		2026E	2025	YoY	2027E
				1QFY25	4QFY25			(%)	
<b>Policyholder's account (Rs mn)</b>									
Premium	148,874	128,147	240,442	16	(38)	836,000	710,751	18	953,123
First	25,595	23,617	44,064	8	(42)	152,169	130,030	17	178,078
Renewal	76,060	64,106	130,645	19	(42)	433,365	376,829	15	500,631
Single	47,219	40,424	65,733	17	(28)	224,465	203,892	10	247,113
Net premium	145,394	125,484	238,430	16	(39)	822,999	698,370	18	939,473
Commissions (I)	17,507	14,703	25,824	19	(32)	92,366	78,379	18	105,438
First	14,265	8,398	21,569	70	(34)		58,629		
Renewal	1,295	1,069	1,996	21	(35)		5,896		
Single	1,947	5,236	2,258	(63)	(14)		13,854		
Operating expenses (II)	15,216	12,750	17,285	19	(12)	73,740	62,574	18	84,176
Expenses of management (I+II)	32,723	27,452	43,109	19	(24)	166,106	140,952	18	189,614
Other income and trf. to shareholders a/c	1,433	745	1,034	92	39	13,439	3,922	243	13,439
Provisions and service taxes	1,627	135	1,822	1,108	(11)	32,417	(167)	NM	36,993
Benefits paid	87,207	88,531	110,965	(1)	(21)	460,442	394,977	17	560,292
Net flows	25,270	10,111	83,568	150	(70)	177,474	166,529	7	166,012
Income on investments	146,023	141,271	190	3	76,795	276,067	259,548	6	323,626
Change in liabilities	170,446	145,741	82,096	17	108	439,584	415,546	6	472,250
Surplus/deficit	847	5,642	1,662	(85)	(49)	13,957	10,531	33	17,388
<b>Appropriations</b>									
Transfer to shareholders account	3,676	2,679	2,495	37	47	13,345	10,069	33	16,626
FFA	(2,829)	2,963	(833)	(195)	NM	612	462	33	762
<b>Shareholders account</b>									
Transfer from policyholders	3,676	2,679	2,495	37	47	13,345	10,069	33	16,626
Total income	3,427	2,734	3,488	25	(2)	12,568	12,011	5	13,768
Investment income	3,215	2,583	3,287	24	(2)	11,857	11,300	5	13,057
Other expenses	773	346	751	124	3	4,180	2,102	99	5,292
Any other item	694	76	374	814	86	-	1,199	(100)	-
PBT	5,636	4,992	4,859	13	16	21,733	18,779	16	25,102
Tax	152	202	106	(25)	44	777	671	16	897
PAT	5,484	4,790	4,754	14	15	20,956	18,108	16	24,205
Tax rate (%)	2.7	4.0	2.2	-134 bps	53 bps	3.6	3.6		3.6

Source: Company, Kotak Institutional Equities estimates

### Underwriting profit up 11% yoy in 1QFY26

Exhibit 2: PAT and solvency ratio for HDFC Life, March fiscal year-ends, 2021-25, 1QFY25-1QFY26 (Rs bn)

	Merged	Merged	Merged	Merged	Merged	YoY	Merged					YoY
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	(%)	2021	2022	2023	2024	2025	(%)
PAT	4.8	4.4	4.1	4.8	5.5	14.5	13.6	12.1	13.6	15.7	18.0	14.6
Underwriting profits	2.7	1.9	2.1	2.4	3.0	11.1	7.3	4.4	5.9	6.7	9.1	35.8
New business strain	(11.5)	(11.4)	(12.7)	(16.8)	(13.3)	NM	(25.0)	(30.5)	(38.3)	(45.5)	(52.4)	15.2
Existing business surplus	14.2	13.3	14.8	19.1	16.3	14.8	32.3	34.9	44.2	52.2	61.4	17.6
Shareholder's surplus	2.2	2.3	2.0	2.5	2.4	9.1	6.3	7.7	7.7	8.9	9.0	1.1
Solvency (%)	186	181	188	194	192	600 bps	201	176	203	187	186	-100 bps

Source: Company, Kotak Institutional Equities

### 4QFY25 highlights

- ▶ **Strong PAT growth.** HDFC Life reported PAT growth of 14.5% yoy in 1QFY26. Higher new business strain (up 15.7% yoy) was partially offset by existing business surplus (up 14.8%), leading to moderate 11.1% yoy growth in underwriting profits. Solvency ratio was comfortable at 192%.
- ▶ **Expenses inch up.** Expense of management growth (up 19% yoy) outpaced APE growth, leading to 85 bps yoy rise in cost-to-APE ratio to 31%; cost-to-AAUM ratio also inched up 14 bps yoy to 3.8%. HDFC Life has expanded branches and invested in distribution, leading to rise in expenses.
- ▶ **Moderate growth and stable margins in 1Q.** HDFC Life reported moderate APE growth and yoy flat margins, leading to 12.7% yoy VNB growth. APE growth was moderate at 12.5% yoy in 1QFY26 compared to 16.5% reported in FY2025, as management chose to protect margins.
  - NoP declined 2% yoy likely due to weakness in low-ticket size business. Management highlighted that they cut the low-ticket business following poor experience.
- ▶ **Improvement in product-level margins.** Drag from the new surrender value guidelines (down 30 bps) and lower fixed cost absorption (down 60 bps) were offset by better new business profile (up 100 bps), leading to yoy flat margins. Despite shift in product mix toward par (up 1,380 bps yoy) from non-par (down 1380 bps yoy), new business profile has improved, likely driven by higher product-level margins; the company increased rider attachments—sum assured growth was high at 16%.

### APE up 12.5% yoy, margins flat yoy

Exhibit 3: APE, VNB, VNB margin and EV, March fiscal year-ends, 1QFY25-1QFY26, 2023-25 (Rs bn)

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Estimate	Act vs	2023	2024	2025
						1QFY26	KIE			
APE	28.7	38.6	35.7	51.9	32.3	33.0	(2.2)	133.4	132.9	154.8
Growth yoy (%)	23.1	26.7	11.8	9.7	12.5			36.7	(0.3)	16.5
VNB	7.2	9.4	9.3	13.8	8.1	8.2	(1.7)	36.7	35.0	39.6
Growth yoy (%)	17.7	17.1	8.6	11.5	12.7			37.3	(4.7)	13.2
VNB margin (%)	25.1	24.3	26.1	26.5	25.1	25.0	13 bps	27.5	26.3	25.6
EV	496	521	532	554	584			395	475	554

Source: LI Council, IRDA, Kotak Institutional Equities

### Improvement in new business profile supports margins

Exhibit 4: VNB movement, March fiscal year-ends, 2021-25, 1QFY25-1QFY26

	2021	2022	Merged	Merged	Merged	Merged	Merged
			2023	2024	2025	1QFY25	1QFY26
VNB for prior year (Rs bn)	19.2	21.9	26.8	36.7	35.0	6.1	7.2
<b>Impact of higher APE (Rs bn)</b>	<b>2.5</b>	<b>3.6</b>	<b>9.8</b>	<b>(0.1)</b>	<b>5.7</b>	<b>1.4</b>	<b>0.9</b>
APE growth (%)	13.0	16.6	36.7	(0.3)	16.5	23.1	12.5
Change in assumptions (Rs bn)	(0.6)	(0.8)	0.1	(0.2)	-	(0.1)	-
New business profile (Rs bn)	1.2	1.3	0.9	(0.5)	(0.9)	(0.4)	0.3
Impact of surrender regulations (Rs bn)					(0.3)		(0.1)
Expense impact (Rs bn)	(0.5)	0.8	(0.8)	(0.9)	0.1	0.1	(0.2)
Closing VNB (Rs bn)	21.9	26.8	36.8	35.0	39.6	7.2	8.1
<b>VNB margin (%)</b>	<b>26.1</b>	<b>27.4</b>	<b>27.5</b>	<b>26.3</b>	<b>25.6</b>	<b>25.1</b>	<b>25.1</b>

Source: Company, Kotak Institutional Equities

### Operating RoEV of 14% in 1QFY26

Operating RoEV moderated 110 bps yoy to 13.6% in 1QFY26, likely driven by lower operating variance and moderate VNB growth of 12.7% yoy. Management highlighted that assumptions on persistency have been trued up over the past year and incrementally the operating variances will remain muted. Investment variance was up Rs9.6 bn in 1QFY26 compared to negative variance of Rs9.9 bn reported in 2HFY25, likely driven by buoyant equity markets.

**Operating RoEV of 14% in 1QFY26**

Exhibit 5: EV walk, March fiscal year-ends, 2025-28E, 1QFY25-1QFY26 (Rs bn)

	Merged 1QFY25	Merged 2QFY25	Merged 3QFY25	Merged 4QFY25	Merged 1QFY26	YoY (%)	Merged Next 9MFY25	Merged Next 9MFY26	YoY (%)	Merged 2025	Merged 2026E	Merged 2027E	Merged 2028E
<b>Opening EV</b>	<b>475</b>	<b>496</b>	<b>521</b>	<b>532</b>	<b>554</b>	<b>17</b>	<b>496</b>	<b>584</b>	<b>18</b>	<b>475</b>	<b>554</b>	<b>645</b>	<b>752</b>
Methodology/assumption ch:	0.0	0.0	0.0	0.0	0.0	NM	-	-	NM	0.0	0.0	0.0	0.0
<b>VNB</b>	<b>7.2</b>	<b>9.4</b>	<b>9.3</b>	<b>13.8</b>	<b>8.1</b>	<b>12</b>	<b>32.4</b>	<b>38.6</b>	<b>19</b>	<b>39.6</b>	<b>46.7</b>	<b>55.3</b>	<b>65.4</b>
Expected return in force	9.3	9.6	9.7	9.9	10.6	14	29.2	33.7	16	38.5	44.3	51.6	60.2
Operating variance	0.9	0.2	0.3	(0.3)	0.1	(89)	0.3	1.5	500	1.2	1.6	1.8	1.8
<b>Investment variance</b>	<b>4.0</b>	<b>9.6</b>	<b>(8.1)</b>	<b>(1.8)</b>	<b>9.6</b>	<b>140</b>	<b>(0.4)</b>	<b>(6.6)</b>	<b>NM</b>	<b>3.6</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
ESOP and dividend payouts	0.0	0.0	0.3	0.1	0.9	NM	(3.2)	(5.4)	NM	(3.2)	(4.5)	(5.0)	(5.5)
<b>Closing EV</b>	<b>496</b>	<b>521</b>	<b>532</b>	<b>554</b>	<b>584</b>	<b>18</b>	<b>554</b>	<b>645</b>	<b>16</b>	<b>554</b>	<b>645</b>	<b>752</b>	<b>877</b>
EVOP	17.4	19.2	19.3	23.4	18.8	8	61.8	73.8	19	79.2	92.6	108.7	127.3
RoEV	6.0	6.7	2.9	5.4	7.1	106 bps	15.6	14.1	-150 bps	16.8	16.4	16.5	16.6
<b>Operating RoEV</b>	<b>14.7</b>	<b>15.4</b>	<b>14.8</b>	<b>17.5</b>	<b>13.6</b>	<b>-110 bps</b>	<b>16.6</b>	<b>16.9</b>	<b>25 bps</b>	<b>16.7</b>	<b>16.7</b>	<b>16.8</b>	<b>16.9</b>
<b>Other details</b>													
APE	28.7	38.6	35.7	51.9	32.3	13	126.1	147.3	17	154.8	179.6	210.1	245.8
YoY (%)	23	27	12	10	13					16	16	17	17
VNB	7.2	9.4	9.3	13.8	8.1	13	32.4	38.6	19	39.6	46.7	55.3	65.4
YoY (%)	18	17	9	12	13					13	18	18	18
<b>VNB margins (%)</b>	<b>25.1</b>	<b>24.3</b>	<b>26.1</b>	<b>26.5</b>	<b>25.1</b>	<b>3 bps</b>	<b>25.7</b>	<b>26.2</b>	<b>48 bps</b>	<b>25.6</b>	<b>26.0</b>	<b>26.3</b>	<b>26.6</b>
<b>Effective unwinding rate (%)</b>	<b>7.8</b>	<b>7.7</b>	<b>7.4</b>	<b>7.4</b>	<b>7.7</b>	<b>-19 bps</b>	<b>7.8</b>	<b>7.7</b>	<b>-13 bps</b>	<b>8.1</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>

Source: Company, Kotak Institutional Equities estimates

**Sharp shift toward par**

- ▶ **ULIP growth curtailed.** Buoyant equity markets led to strong demand for ULIPs but HDFC Life likely chose to curtail growth in the segment to protect margins. Resultantly, ULIP growth remained moderate at 13% yoy in 1QFY26. As per management, increased attachment rate and sum assured have reduced the gap in product-level margins between ULIP, par and non-par.
- ▶ **Sharp rise in par.** Par growth shot up to 125% yoy in 1QFY26 and 59% yoy in 4QFY25 compared to 21% decline reported in 9MFY25. As per management, the growth was driven by Click2Achieve par advantage and relaunched retirement product.
- ▶ **Non-par down 39% yoy.** Non-par APE declined 39% yoy in 1QFY26 and 14% in 4QFY25 due to weak demand. G-Sec yields have moderated by 45-60 bps during Jan-Jun 2025, this has likely prompted HDFC Life to reprice its non-par products.
- ▶ **Group protection picks up.** Group protection APE was up 13% yoy during the quarter as credit protect volumes picked up. Decline in MFI disbursements has moderated and non-MFI disbursements have picked up, supporting overall credit protect APE.
- ▶ **Retail protection growth inches up.** Retail protection growth picked up to 13% yoy in 1QFY26 from 2% in 4QFY25 and 12% in 3QFY25, likely driven by new launches.

**Strong growth in par**

**Exhibit 6: Product mix, March fiscal year-ends, 2022-25, 1QFY25-1QFY26**

	Merged 1QFY25	Merged 2QFY25	Merged 3QFY25	Merged 4QFY25	Merged 1QFY26	Merged 2022	Merged 2023	Merged 2024	Merged 2025
<b>APE (Rs bn)</b>									
Savings	22.9	30.9	30.4	46.8	25.8	79	110	110	131
Individual savings	22.0	30.2	28.7	41.7	24.7	73	104	101	123
ULIPs	9.4	11.7	12.2	19.9	10.6	21	22	40	53
Par	3.9	4.8	7.4	9.7	8.9	25	31	26	26
Non-par	8.6	13.6	9.2	12.1	5.3	27	51	35	44
Group savings	1.0	0.7	1.6	5.1	1.1	7	6	9	8
Protection	4.0	4.7	4.6	3.6	4.5	13	18	17	17
Individual protection	1.5	2.0	1.9	1.4	1.7	5	5	6	7
Group protection	2.5	2.7	2.8	2.2	2.8	9	13	12	10
Annuity	1.7	3.0	0.7	1.4	1.9	5	6	6	7
<b>Overall APE</b>	<b>28.7</b>	<b>38.6</b>	<b>35.7</b>	<b>51.9</b>	<b>32.3</b>	<b>98</b>	<b>133</b>	<b>133</b>	<b>155</b>
<b>Share of total APE (%)</b>									
Savings	80.0	80.0	85.1	90.2	80.0	81	82	83	85
Individual savings	76.6	78.3	80.5	80.4	76.6	74	78	76	79
ULIPs	32.7	30.4	34.0	38.3	32.7	22	16	30	34
Par	13.8	12.6	20.7	18.7	27.6	25	23	20	17
Non-par	30.1	35.3	25.7	23.4	16.4	28	38	26	28
Group savings	3.4	1.7	4.6	9.8	3.4	7	5	6	5
Protection	14.0	12.3	13.0	7.0	14.0	14	13	13	11
Individual protection	5.2	5.3	5.3	2.7	5.2	5	3	4	4
Group protection	8.8	7.0	7.7	4.3	8.8	9	10	9	7
Annuity	6.0	7.7	1.9	2.7	6.0	5	4	4	4
<b>Growth yoy (%)</b>									
Savings	30	32	11	13	13	15	38	(0)	19
Individual savings	39	33	13	12	13	16	43	(2)	21
ULIPs	99	50	13	17	13	27	2	86	32
Par	(19)	(43)	7	59	125	1	26	(14)	(2)
Non-par	39	115	17	(14)	(39)	24	90	(33)	26
Group savings	(46)	(8)	(13)	22	12	12	(9)	40	(3)
Protection	(6)	1	17	(17)	13	24	34	(3)	(1)
Individual protection	31	31	12	2	13	(5)	(1)	26	18
Group protection	(19)	(13)	22	(26)	13	48	53	(13)	(11)
Annuity	23	26	14	2	13	17	17	1	18
<b>Overall APE</b>	<b>23</b>	<b>27</b>	<b>12</b>	<b>10</b>	<b>13</b>	<b>17</b>	<b>37</b>	<b>(0)</b>	<b>16</b>

Source: Company, Kotak Institutional Equities

**Par picked up through agency channel**

Exhibit 7: Product-wise channel mix, March fiscal year-ends, 1QFY25-1QFY26, 2024-25 (%)

	1QFY25	1QFY26	YoY (bps)	2024	2025	YoY (bps)
<b>Agency</b>						
ULIP	28	20	(800)	26	26	-
Par	23	40	1,700	29	26	(300)
Non-par	36	25	(1,100)	33	33	-
Term	9	11	200	7	10	300
Annuity	4	4	-	4	5	100
<b>Banca</b>						
ULIP	43	43	-	40	43	300
Par	13	36	2,300	23	19	(400)
Non-par	39	17	(2,200)	30	33	300
Term	2	3	100	2	2	-
Annuity	3	2	(100)	5	3	(200)
<b>Direct</b>						
ULIP	30	35	500	43	37	(600)
Par	14	18	400	10	14	400
Non-par	22	13	(900)	22	19	(300)
Term	9	8	(100)	6	8	200
Annuity	25	26	100	20	22	200
<b>Non-bank alliances</b>						
ULIP	33	42	900	18	37	1,900
Par	20	15	(500)	27	15	(1,200)
Non-par	29	27	(200)	35	35	-
Term	16	14	(200)	15	11	(400)
Annuity	2	2	-	3	2	(100)
<b>Company</b>						
ULIP	38	38	-	35	39	400
Par	16	32	1,600	23	19	(400)
Non-par	35	19	(1,600)	30	32	200
Term	6	6	-	5	5	-
Annuity	5	5	-	6	5	(100)

Source: Company, Kotak Institutional Equities

**Moderate growth in agency and bancassurance, non-banks support overall growth**

- ▶ **Muted growth in agency channel.** Agency APE growth was muted at 5.9% yoy despite significant investments in agency force made by HDFC Life in the past. Renegotiation/restructuring of commissions post implementation of surrender values has likely impacted growth in the channel. Similar trends are visible across insurers.
- ▶ **Bancassurance growth was moderate.** Bancassurance APE growth was moderate at 10.7% yoy in 1QFY26 (7% yoy in 4QFY25, 17% in 3QFY25, 25% in 2QFY25 and 40% in 1QFY25). Traction for newly launched par products likely supported volumes in the channel. Share of par was up 2,300 bps yoy to 36% during the quarter.
- ▶ **Non-banks report strong growth.** Non-bank alliances reported strong 30% yoy APE growth, driven by strong growth in ULIPs. Share of ULIPs in this channel was up 900 bps yoy to 42%.

**Non-bank alliances support overall growth**

Exhibit 8: Channel mix, March fiscal year-ends, 1QFY25-1QFY26, 2024-25 (%)

	1QFY25	1QFY26	YoY (%)	2024	2025	YoY (%)
<b>Individual APE (Rs bn)</b>						
Agency	4	4	6	21	25	18
Bancassurance	15	17	11	68	80	18
Direct	2	2	13	13	11	(14)
Non-bank alliances	3	4	30	14	20	48
<b>Overall</b>	<b>25</b>	<b>28</b>	<b>13</b>	<b>115</b>	<b>136</b>	<b>18</b>
<b>Mix (%)</b>						
Agency	17	16	-100 bps	18	18	0 bps
Bancassurance	61	60	-100 bps	59	59	0 bps
Direct	9	9	0 bps	11	8	-300 bps
Non-bank alliances	13	15	200 bps	12	15	300 bps

Source: Company, Kotak Institutional Equities

**Strong growth across agency and bancassurance channels in FY2025**

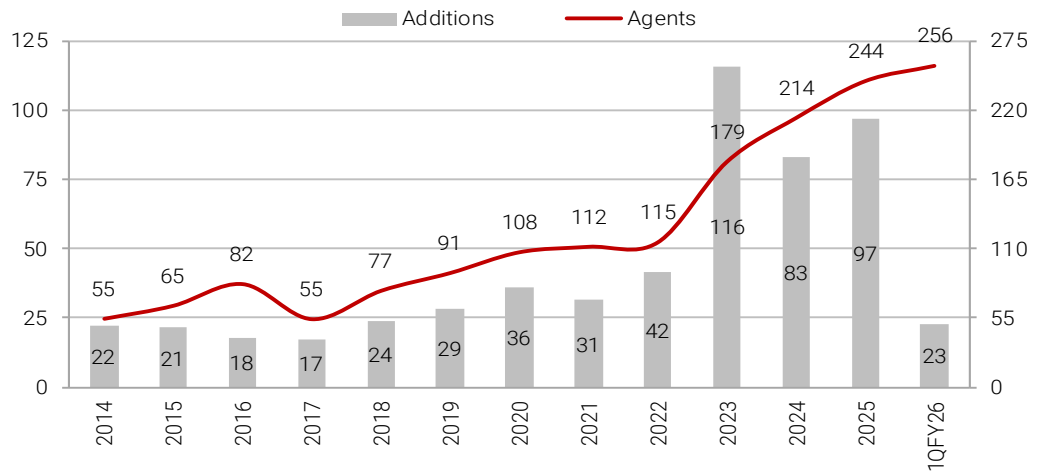
Exhibit 9: Channel mix, March fiscal year-ends, 2018-25 (%)

	2018	2019	2020	2021	2022	Merged 2023	Merged 2024	Merged 2025
<b>Individual APE (Rs bn)</b>								
Individual agents	5	7	9	9	11	23	21	25
Bancassurance	35	33	34	43	49	64	75	89
Direct	7	10	14	14	16	15	13	14
Brokers and others	2	2	6	5	5	13	7	10
<b>Overall</b>	<b>49</b>	<b>52</b>	<b>61</b>	<b>71</b>	<b>81</b>	<b>114</b>	<b>115</b>	<b>136</b>
<b>Mix (%)</b>								
Individual agents	11	13	14	13	14	20	18	18
Bancassurance	71	64	55	61	60	56	65	65
Direct	14	19	22	19	19	13	11	10
Brokers and others	5	4	9	7	6	11	6	7
<b>Growth yoy (%)</b>								
Individual agents		29	27	8	24	99	(9)	18
Bancassurance		(4)	2	29	13	30	17	18
Direct		47	37	0	15	(4)	(15)	8
Brokers and others		(10)	166	(10)	(2)	156	(45)	38
<b>Overall</b>		<b>6</b>	<b>18</b>	<b>16</b>	<b>14</b>	<b>41</b>	<b>1</b>	<b>18</b>

Source: Company, Kotak Institutional Equities

**Agency force up 10% yoy**

**Exhibit 10: Individual agency size, March fiscal year-ends, 2014-25, 1QFY26 (#'000's)**



Source: Company, Kotak Institutional Equities

**Persistency trends were weak in early bucket but were expected**

Persistency trends were weak in the 13<sup>th</sup> month cohort (down 440 bps yoy) due to higher share of low-ticket business. As per management, this decline was expected and baked into the margins and EV. Sharp 750 bps yoy rise in 61<sup>st</sup> month persistency is likely driven by higher share of non-par products like Sanchay Plus in the cohort. The benefit of this rise in persistency has likely already been baked into EV and margins.

**Persistency remains strong in most buckets**

**Exhibit 11: Persistency, March fiscal year-ends, 2021 onwards (%)**

	2021	2022	2023	2024	1QFY25	1HFY25	9MFY25	2025	1QFY26	YoY
13th month	84.9	87.5	87.0	87.1	87.3	87.6	87.3	86.9	82.7	-440 bps
25th month	71.3	78.8	79.0	79.2	75.9	78.2	77.9	78.1	79.5	30 bps
37th month	65.1	67.5	72.0	73.2	73.1	74.2	74.3	73.6	69.3	-390 bps
49th month	62.7	63.2	64.0	69.7	67.5	69.3	69.7	70.2	69.9	20 bps
61st month	48.9	54.0	52.0	53.5	59.9	60.4	61.4	63.5	61.0	750 bps

Source: Company, Kotak Institutional Equities

**Exhibit 12: AUM mix, March fiscal year-ends, 2018-25, 1QFY26**

	Merged Merged Merged Merged										Merged Merged Merged Merged								
	AUM (Rs bn)										Share of total (%)								
	2018	2019	2020	2021	2022	2023	2024	2025	1QFY26		2018	2019	2020	2021	2022	2023	2024	2025	1QFY26
<b>Equity mix</b>																			
Equity	416	477	369	626	755	716	964	1,042	1,139	39	38	29	36	37	30	33	31	31	32
Debt	650	778	903	1,113	1,286	1,671	1,958	2,320	2,420	61	62	71	64	63	70	67	69	69	68

Source: Company, Kotak Institutional Equities

**Cost ratio up 85 bps yoy in 1QFY26**

**Exhibit 13: Expense ratios, March fiscal year-ends, 2022-25, 1QFY25-1QFY26**

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	2022	2023	2024	2025	YoY (%)
<b>Key financials (Rs mn)</b>											
Premium	128,147	169,340	172,822	240,442	148,874	16	459,628	575,334	630,769	710,751	13
First year	23,617	32,599	29,750	44,064	25,595	8	80,544	113,239	111,112	130,030	17
Renewal	64,106	88,311	93,766	130,645	76,060	19	218,080	284,483	334,451	376,829	13
Single	40,424	48,430	49,306	65,733	47,219	17	161,005	177,612	185,205	203,892	10
APE	27,660	37,442	34,680	50,637	30,317	10	96,644	131,000	129,633	150,420	16
Commissions (I)	14,703	18,528	19,325	25,824	17,507	19	19,044	28,281	52,341	78,379	50
First year	8,398	12,662	16,000	21,569	14,265	70	13,681	20,292	31,289	58,629	87
Renewal	1,069	1,384	1,446	1,996	1,295	21	3,301	5,222	5,219	5,896	13
Single	5,236	4,482	1,878	2,258	1,947	(63)	2,062	2,767	15,833	13,854	(12)
Operating expenses (II)	12,750	16,906	15,633	17,285	15,216	19	56,484	85,028	69,287	62,574	(10)
Expenses of management (I)	27,452	35,433	34,958	43,109	32,723	19	75,528	113,308	121,627	140,952	16
AUM (Rs bn)	3,102	3,249	3,287	3,363	3,559	15	2,042	2,388	2,922	3,363	15
<b>Key calculated ratios (%)</b>											
Cost/APE	29.9	28.2	27.2	23.8	30.8	85 bps	24.0	27.3	26.2	26.7	53 bps
Cost/average AUM	3.6	4.6	4.3	5.2	3.8	14 bps	4.0	4.8	4.3	4.2	-1 bps
Net commission ratio	16.0	14.7	15.0	14.2	16.5	44 bps	6.1	6.8	11.3	14.9	359 bps
First year	35.6	38.8	53.8	48.9	55.7	2017 bps	17.0	17.9	28.2	45.1	1693 bps
Renewal	1.7	1.6	1.5	1.5	1.7	4 bps	1.5	1.8	1.6	1.6	0 bps
Single	13.0	9.3	3.8	3.4	4.1	-883 bps	1.3	1.6	8.5	6.8	-175 bps

Source: Company, Kotak Institutional Equities

**We model 18% VNB CAGR**

We build in moderate VNB forecasts—18% CAGR during FY2025-28E and unwinding of 8.0%, leading to 17% operating RoEV over the medium term. We model 17% APE growth in FY2026-28E, partially reflecting HDFC Life’s focus on growth and expansion to interiors. We expect secular growth across channels. Regulatory action on bancassurance business remains a downside risk to our estimates. We expect margins to expand 30 bps in FY2026E, driven largely by shift in product mix toward traditional savings products. In later years, we bake in 30 bps expansion per year driven by operating leverage.

**We model 17% operating RoEV during FY2026-28E**

**Exhibit 14: EV walk, March fiscal year-ends, 2017-28E**

	Standalone						Merged					
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
APE	41.9	55	63	74	84	98	133	133	155	181	212	248
YoY (%)	16.1	32	13	18	13	17	37	(0)	16	17	17	17
VNB	9.2	13	15	19	22	27	37	35	40	47	56	66
YoY (%)	24.3	39	20	25	14	22	37	(5)	13	18	18	18
<b>EV movement</b>												
Opening EV	102.3	125	152	183	207	266	330	395	475	554	652	760
Assumption change	1.2	2	-	(1)	(2)	(7)	0	0	-	-	-	-
VNB	9.2	13	15	19	22	27	37	35	40	47	56	66
Expected return in force	9.6	10	13	14	17	23	26	32	38	44	52	61
Operating variance	2.2	2	2	2	1	2	2	2	1	2	2	2
Mortality variance					(1)	0	0	0	1	0	0	0
Persistency variance					0	1	1	1	-	1	1	1
Expense variance and others					1	1	0	1	1	1	1	1
EVOP	22.2	27	31	33	38	44	65	69	79	93	110	128
Investment variance	2.5	3	4	(10)	21	(1)	(16)	14	4	10	3	3
Dividend payout	(2.4)	(2)	(3)	0	1	(9)	17	(3)	(3)	(5)	(5)	(6)
Closing EV	124.6	152	183	207	266	300	395	475	554	652	760	886
<b>Key ratios (%)</b>												
VNB margins	22.0	23.1	24.6	25.9	26.1	27.4	27.5	26.3	25.6	25.9	26.2	26.5
RoEV	21.8	22.0	20.3	12.9	28.8	12.9	31.5	20.1	16.8	17.7	16.5	16.6
Operating RoEV	21.7	21.5	20.1	18.1	18.5	16.6	21.6	17.5	16.7	16.8	16.8	16.9
Unwind	9.4	8.3	8.5	7.5	8.4	8.6	8.0	8.2	8.1	8.0	8.0	8.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 15: Change in estimates, March fiscal year-ends, 2026-28E (Rs bn)

	New estimates			Old estimates			New versus old (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Opening EV	554	652	760	554	645	752	0.0	1.1	1.1
VNB	47	56	66	47	55	65	0.5	0.5	0.5
Expected return in force	44	52	61	44	52	60	0.0	1.1	1.1
<b>Closing EV</b>	<b>652</b>	<b>760</b>	<b>886</b>	<b>645</b>	<b>752</b>	<b>877</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>
<b>APE</b>	<b>181</b>	<b>212</b>	<b>248</b>	<b>180</b>	<b>210</b>	<b>246</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
EVOP	93	110	128	93	109	127	0.2	0.8	0.8
<b>VNB margin (%)</b>	<b>25.9</b>	<b>26.2</b>	<b>26.5</b>	<b>26.0</b>	<b>26.3</b>	<b>26.6</b>	<b>-10 bps</b>	<b>-10 bps</b>	<b>-10 bps</b>
RoEV (%)	17.7	16.5	16.6	16.4	16.5	16.6	130 bps	-5 bps	-5 bps
<b>Operating RoEV (%)</b>	<b>16.8</b>	<b>16.8</b>	<b>16.9</b>	<b>16.7</b>	<b>16.8</b>	<b>16.9</b>	<b>4 bps</b>	<b>-6 bps</b>	<b>-5 bps</b>
EV/share (Rs)	304	354	412	300	350	408	1.1	1.1	1.0

Source: Kotak Institutional Equities estimates

**We value HDFC Life at 2.5X June 2027E EV**

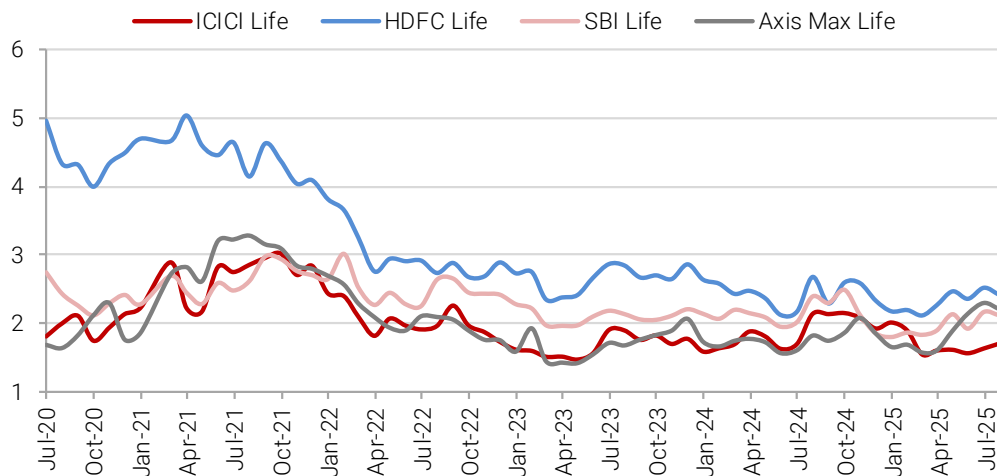
Exhibit 16: Appraisal value of HDFC Life, March fiscal year-ends, 2023-28E

	2023	2024	2025	2026E	2027E	2028E
Embedded value (EV, Rs bn)	395	475	554	652	760	886
Value of new business (VNB, Rs bn)	37	35	40	47	56	66
New business multiple (NBM, X)	20.6	20.6	20.6	20.6	20.6	20.6
Structural value (SV= VNB X NBM, Rs bn)	756	721	816	965	1,143	1,352
Appraisal value (AV= EV + SV, Rs bn)	1,151	1,195	1,370	1,618	1,903	2,238
Appraisal value/ EV (X)	2.9	2.5	2.5	2.5	2.5	2.5
Appraisal value/ VNB (X)	31	34	35	34	34	34
Value of HDFC Life (Rs/ share)	536	556	637	753	885	1,041

Source: Kotak Institutional Equities estimates

**HDFC Life's valuation premium has narrowed**

Exhibit 17: One-year forward P/EV for Life insurers, March fiscal year-ends, July 2020 - July 2025 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Exhibit 18: Valuation summary for life insurers, March fiscal year-ends, 2025-28E**

	Rating	FV (Rs)	Price (Rs)	Market cap. (Rs bn)	Price/EV (X)				Price/VNB (X)				EVOP CAGR (2025-28E) (%)	Price/EVOP (X)				Operating RoEV (%)			
					2025	2026E	2027E	2028E	2025	2026E	2027E	2028E		2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
HDFC Life	BUY	925	757	1,631	2.9	2.5	2.1	1.8	41	35	29	25	17	21	18	15	13	16.7	16.8	16.8	16.9
ICICI Prudential Life	BUY	790	670	968	2.0	1.8	1.5	1.4	41	36	31	27	17	18	14	13	11	13.1	14.0	14.0	14.1
LIC	BUY	1,260	925	5,852	0.8	0.7	0.6	0.6	58	64	65	64	10	7	9	8	8	11.4	8.4	8.2	8.2
LIC core			696	4,402	1.1	0.9	0.8	0.7	44	48	49	48	10	5	7	6	6	NA	NA	NA	NA
Max FS	BUY	1,650	1,578	545	3.0	2.6	2.2	1.8	36	30	26	22	18	20	17	14	12	19.1	18.0	18.1	18.0
SBI Life	ADD	1,900	1,825	1,829	2.6	2.2	1.9	1.6	31	27	24	21	14	16	14	12	11	20.2	18.3	17.9	17.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates