

April 17, 2025

RESULT REPORT Q4 FY25 | Sector: Insurance (Life)

HDFC Life Insurance

Product margin expansion a positive outcome

Our view – Management guides for improved margin in the long-term

VNB margin – Calculated VNB margin improved on sequential basis on the back of improved product margins: Calculated VNB margin improved 48 bps QoQ to 26.5% in 4Q. The sequential improvement in margin was driven by inherent product level margin improvement. For ULIP product, margin was better since there was more attachment of protection, higher sum assured and improved persistency. Par margin is lower than Non-Par margin but the differential has narrowed due to long-term products and improved persistency. Non-Par margin for the company will improve in a lower interest rate scenario. Agency scaling up gives the company fixed cost leverage, which is positive for margin. Over the long-term, after tech transformation is complete, the margin should move upward.

APE growth – APE growth was 10% YoY and 45% QoQ, with a reasonable overall outlook for FY26: Total APE growth in FY25 was 16% YoY within which Individual APE growth in FY25 was 18% YoY. Non-par savings has grown by 25% YoY in FY25. Overall, the company growing faster than the industry is par for the course. The company expects traditional products to perform well in FY26, aided by lower interest rates and equity market uncertainty. Non-Par growth should be good as the rate environment becomes more conducive due to rate cuts. Par product growth has also done well, growing upward of 40%, which is likely to continue, given the volatility in equities. Retail protection APE for FY25 grew by 25% YoY. Retail protection growth can be driven by more rider attachment, higher sum assured and retail products. Group protection was held back due to credit life being impacted due to weak MFI disbursement. Also, on group term life, the company will remain calibrated and there are no targets as such.

We maintain an 'ADD' rating on HDFL with a revised price target of Rs 825: We value HDFL at 2.4x FY27 P/EV for an FY26E/27E RoEV profile of 17.0%/17.2%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See "Our View" above for elaboration and insight)

- **VNB growth:** The VNB growth was 48%/11.5% QoQ/YoY, driven higher sequentially by growth in APE.
- **Expense control:** Expense ratio de-grew -269bps/-105bps QoQ/YoY to 18.1%, QoQ driven lower by decrease of -203bps in Opex ratio
- **Persistency:** 37th month ratio rose 180bps QoQ at 73.6% and 61st month ratio rose 570bps QoQ to 63.5%

Exhibit 1: Result table

Rs mn	Q4 FY25	Q4 FY24	% yoy	Q3 FY25	% qoq
NBP	109,692	95,316	15.1%	78,994	38.9%
Renewal premium	130,623	114,060	14.5%	93,756	39.3%
Income from investments	180	72,514	-99.8%	1,921	-90.6%
Surplus/(Deficit)	1,633	2,728	-40.1%	(1,935)	-184.4%
PAT	4,765	4,117	15.8%	4,149	14.8%
Expense ratio	18.1%	19.1%	-105bps	20.8%	-269bps
37th mo. Persistency*	73.6%	73.2%	40bps	71.8%	180bps
Total APE	51,860	47,270	9.7%	35,690	45.3%
Individual APE	46,330	42,380	9.3%	31,220	48.4%
VNB	13,760	12,340	11.5%	9,300	48.0%
VNB Margin	26.5%	26.1%	43bps	26.1%	48bps

Source: Company, YES Sec-Research, *N.B. Regular and Limited Pay

Recommendation : **ADD**

Current Price : Rs 720

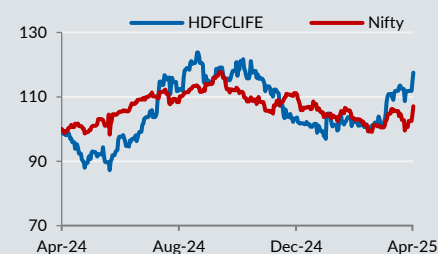
Target Price : Rs 825

Potential Return : +15%

Stock data (as on April 17, 2025)

Nifty	23,852
52 Week h/l (Rs)	761 / 511
Market cap (Rs/USD mn)	1516830 / 17767
Outstanding Shares (mn)	2,152
6m Avg t/o (Rs mn):	2,142
Div yield (%):	0.3
Bloomberg code:	HDFCLIFE
NSE code:	HDFCLIFE

Stock performance



	1M	3M	1Y
Absolute return	14.3%	12.1%	19.1%

Shareholding pattern (As of Dec'24 end)

Promoter	50.3%
FII+DII	38.9%
Others	10.8%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	825	775

Financial Summary

Rs mn	FY25	FY26E	FY27E
APE	154,790	179,643	208,550
% yoy	16.5%	16.1%	16.1%
VNB	39,620	47,605	56,309
VNB Margin	25.6%	26.5%	27.0%
Reported PAT	18,021	21,183	23,499
% yoy	14.9%	17.5%	10.9%
EPS (Rs)	8.4	9.8	10.9
EV/Share (Rs)	257.4	299.3	348.7
RoEV	16.7%	17.0%	17.2%
P/EV (x)	2.8	2.4	2.1
P/VNB (x)	39.1	32.6	27.5

Δ in earnings estimates

Rs bn	FY25E	FY26E	FY27E
VNB (New)	NA	47.6	56.3
VNB (Old)	NA	47.9	55.7
% change	NA	-0.7%	1.1%

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COMPREHENSIVE CON-CALL HIGHLIGHTS

VNB margin

- **Margin levels**
 - VNB in FY25 has grown 13% YoY to Rs 39.62bn.
 - VNB margin for FY25 was 25.6% compared with 26.3% for FY24.
- **Sequential improvement in margin**
 - The sequential improvement in margin was driven by inherent product level margin improvement.
 - For ULIP product, margin was better since there was more attachment of protection, higher sum assured and improved persistency.
- **Long-term guidance**
 - After tech transformation is complete, the margin should move upward.
 - **ULIP margin**
 - ULIP margin can improve further with more protection attachment and sale of longer-term ULIP product.
- **Par margin**
 - Par margin is lower than Non-Par margin but the differential has narrowed due to long-term products and improved persistency.
- **Fixed cost leverage**
 - Agency scaling up gives the company fixed cost leverage, which is positive for margin.
- **Non-Par margin**
 - Non-Par margin for the company will improve in a lower interest rate scenario.

Overall premium growth

- **Key outcomes**
 - The 11MFY25, individual WRP has grown by 20% YoY for the company as against 17% for the private sector industry.
 - Individual APE growth in FY25 was 18% YoY.
 - Total APE growth in FY25 was 16% YoY.
 - The company's 11MFY25 private market share was 15.7% and overall market share was 11.1%.
 - 3/4th of the new customers in FY25 have bought for the first time from the company.
- **Guidance**
 - Overall, the company growing faster than the industry is par for the course.
 - The company expects traditional products to perform well in FY26, aided by lower interest rates and equity market uncertainty.

Product growth and mix

- **Non-Par savings**
 - The Non-par savings have grown by 25% YoY in FY25.
 - Non-Par growth should be good as the rate environment becomes more conducive due to rate cuts.

(Con call takeaways continue on the next page)

- **Protection**
 - The growth in protection for 4Q was 19%, which is healthy.
 - There was no change in terms of product preferences.
 - Within agency, protection growth has been 50% and the share of term in agency has touched 14% compared with 4% for banca.
 - Protection will grow faster than overall company growth.
 - **Retail protection**
 - Retail protection APE for FY25 grew by 25% YoY.
 - Retail protection growth can be driven by more rider attachment, higher sum assured and retail products.
 - The management is confident of growth in retail protection.
 - **Group protection**
 - **Credit life**
 - Group protection was held back due to credit life being impacted due to weak MFI disbursement,
 - MFI will remain impacted for a couple of more quarters, through non-MFI including housing finance is doing well.
 - **Group term life**
 - On group term life, the company will remain calibrated and there are no targets as such.
- **Product mix – on Individual APE for FY25**
 - Linked – 39%
 - Non par savings – 32%
 - Par – 19%
 - Protection – 5%
 - Annuities – 5%
- **Annuity business**
 - Annuity and protection together contributed 41% to overall NBP.
 - The company has launched 'Sanchay Aajeevan Guaranteed Advantage'
- **Par business**
 - The strong sequential growth in the segment was driven by the launch of new product 'Click to Achieve Par advantage'.
 - Par product growth has done well, growing upward of 40%, which is likely to continue, given the volatility in equities.

Channel growth and mix

- **Bancassurance**
 - The banca channel grew by around 18% YoY in individual APE in FY25.
 - **HDFC Bank**
 - The counter share on HDFC Bank was stable at around 65%.
 - HDFC Bank contributes 47% to total APE and about 40% to individual NBP.
 - The company will focus on enhancing the profitability of the HDFC Bank channel through multi-pronged approach encompassing product mix optimization, heightened focus on cross-selling and up-selling initiatives and leveraging digital resources.
- **Agency**
 - Agency channel grew at a healthy rate of 15% YoY.
 - The term business within the agency channel grew by 50% YoY.

(Con call takeaways continue on the next page)

- The company added around 30,000 new agents in FY25.
- The company added 117 branches in FY25 and the total branch count stands at 650.
- The company has added 40 new partners in FY25.

Embedded Value

- **Embedded value**
 - EV has risen 17% YoY to Rs 554.23bn.
- **Return on embedded value**
 - The operating RoEV amounted to 16.7%.
- **Variances**
 - The impact due to mortality is close to zero.
 - There is a small non-material impact due to assumption changes.
 - The variance and assumption changes impact are both positive.

Operating expenses

- **Investments**
 - If the company gets a favourable upflit from product mix, it will plough back into investments.
 - The key investments being made by the company are in the agency and other prop channel and in technology (Project Inspire).
 - **Project Inspire**
 - This is the company's technology transformation initiative.
 - There would be near-term rise in cost, but the transformation will unlock meaningful efficiencies and elevate customer experience.

Solvency

- The solvency ratio amounted to 194% as of March 2025.
- The company has raised Rs 20bn of Sub debt in 2 tranches during the year.
- The impact of Risk-Based Capital implementation will be quite positive for the company.
- The company will be retiring the first tranche of sub debt in a couple of months and will examine whether that will have to be replenished.

Persistency

- The 13th month persistency amounted to 86.9%, down by -20bps YoY.
- The 61st month persistency amounted to 63.5%, up by 1000bps YoY.

HDFC Pension

- AUM was at Rs 1.156 trillion.
- The private market share was at 43%.

Dividend

- The board has recommended a final dividend of Rs 2.10 per equity share.
- The aggregate payout will be Rs 4.52bn.

Exhibit 2: Quarterly Actuals Vs Estimates

Q4FY25 (Rs. mn)	Actuals	Estimates	Diff, %
New Business Premium	109,692	113,462	(3.3)
Total APE	51,860	52,139	(0.5)
VNB	13,760	13,587	1.3

Source: Company, YES Sec – Research

Exhibit 3: Other Business Parameters

Particulars	Q4 FY25	Q4 FY24	% yoy	Q3 FY25	% qoq
APE by Product (Rs mn)					
ULIP	20,195	17,652	14.4%	11,809	71.0%
Par	9,861	6,581	49.9%	7,219	36.6%
Non par saving	12,441	14,719	-15.5%	8,856	40.5%
Non par protection	1,471	1,493	-1.5%	1,820	-19.2%
Annuity	2,361	1,936	22.0%	1,517	55.7%
Total Individual APE	46,330	42,380	9.3%	31,220	48.4%
Group	5,530	4,890	13.1%	4,470	23.7%
Total APE	51,860	47,270	9.7%	35,690	45.3%
Product Mix (% in APE)					
ULIP	38.9%	37.3%	160bps	33.1%	585bps
Par	19.0%	13.9%	509bps	20.2%	-121bps
Non par saving	24.0%	31.1%	-715bps	24.8%	-82bps
Non par protection	2.8%	3.2%	-32bps	5.1%	-226bps
Annuity	4.6%	4.1%	46bps	4.2%	30bps
Total individual	89.3%	89.7%	-32bps	87.5%	186bps
Group	10.7%	10.3%	32bps	12.5%	-186bps
APE by Channel (Individual APE, Rs mn)					
Bancassurance	30,115	27,804	8.3%	20,293	48.4%
Brokers & others	3,243	2,499	29.8%	2,185	48.4%
Agency	9,238	7,496	23.2%	5,307	74.1%
Direct	3,734	4,581	-18.5%	3,434	8.7%
Channel mix (% in APE)					
Bancassurance	65%	66%	-61bps	65%	0bps
Brokers & others	7%	6%	110bps	7%	0bps
Agency	20%	18%	225bps	17%	294bps
Direct	8%	11%	-275bps	11%	-294bps
Persistence*					
13 month	86.9%	87.1%	-20bps	81.9%	500bps
61 month	63.5%	53.5%	1000bps	57.8%	570bps
Expense ratio					
Commission ratio	10.9%	10.6%	31bps	11.5%	-66bps
Opex ratio	7.2%	8.6%	-136bps	9.3%	-203bps
Solvency					
Solvency ratio	194.0%	187.0%	700bps	188.0%	600bps

Source: Company, YES Sec – Research, *N.B. Regular and Limited Pay, Both YoY and QoQ numbers are comparable

ANNUAL FINANCIALS

Exhibit 4: Policyholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net premium	567,640	619,592	696,161	798,149	917,338
Income from investments	125,975	383,543	259,453	413,139	481,458
Other income	4,644	3,357	2,830	3,113	3,424
Contri from shareholders A/C	8,795	1,251	1,004	1,105	1,215
Total income	707,055	1,007,743	959,448	1,215,506	1,403,435
Commission	28,869	52,563	78,353	87,796	100,907
Employee expenses	30,490	32,420	31,980	35,818	40,116
Other opex	53,884	36,590	30,238	39,907	45,867
Benefits paid	388,723	396,965	393,459	510,066	591,048
Change in valuation of liability	185,862	484,194	415,156	518,904	597,733
Others	4,047	3,183	5,715	5,283	6,072
Provision for Tax	1,591	-5,924	-5,882	3,348	3,871
Surplus/(Deficit)	13,589	7,751	10,430	14,383	17,820
Transfer to shareholders A/C	14,689	7,991	9,968	11,392	13,032

Source: Company, YES Sec – Research

Exhibit 5: Shareholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Transfer from Policyholders' account	14,689	7,991	9,968	11,392	13,032
Income from Investments	7,197	10,022	11,251	12,898	13,890
Total A	21,887	18,013	21,219	24,290	26,922
Expenses (apart from insurance)	1,246	1,209	1,429	1,572	1,730
Contribution to Policyholders' Acc	8,795	1,251	1,004	1,105	1,215
Others	-247	45	126	0	0
Total B	9,794	2,505	2,559	2,677	2,945
Profit/(Loss) before tax	12,724	15,638	18,661	21,615	23,979
Provision for Taxation	-877	-50	640	432	480
Profit/(Loss) after tax	13,601	15,689	18,021	21,183	23,499

Source: Company, YES Sec – Research

Exhibit 6: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Shareholders' Funds:					
Share Capital	21,494	21,509	21,530	21,530	21,530
Reserve and surplus	108,374	125,008	139,726	156,553	175,703
Policyholders' Funds					
Policy Liabilities	1,452,455	1,813,745	2,175,728	2,559,679	3,008,717
Provision for Linked Liabilities	753,836	921,145	977,434	1,113,160	1,264,691
Discontinued policies	38,040	34,137	38,780	38,780	38,780
Funds for future appropriation	12,354	12,115	12,576	15,567	20,355
Sources of Funds	2,396,192	2,937,293	3,395,342	3,934,837	4,559,344
Investments - Shareholders	131,319	148,819	183,863	197,533	213,172
Investments Policyholders	2,256,500	2,773,382	3,178,952	3,706,703	4,317,590
Fixed Assets + Loans	19,655	23,131	29,794	29,794	29,794
Net Current Assets	-11,283	-8,038	2,733	807	-1,212
Misc. Expenditure	-	-	-	-	-
Application of funds	2,396,192	2,937,293	3,395,342	3,934,837	4,559,344

Source: Company, YES Sec – Research

Exhibit 7: Embedded Value Walk

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Opening EV	329,580	395,260	474,670	554,270	644,362
Unwind of Discount	26,240	32,360	38,400	44,342	51,549
Value of New Business	36,740	35,010	39,600	47,605	56,309
Operating Assumption Changes	1,900	1,860	1,200	2,494	2,900
Economic Variance	(15,940)	13,530	3,600	0	0
Dividend & ESOP	16,740	(3,350)	(3,200)	(4,349)	(4,349)
Closing EV	395,260	474,670	554,270	644,362	750,770

Source: Company, YES Sec – Research

Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Annual Premium Equivalent	NA	179,643	208,550	NA	184,379	214,261	NA	(2.6)	(2.7)
Value of new business	NA	47,605	56,309	NA	47,939	55,708	NA	(0.7)	1.1

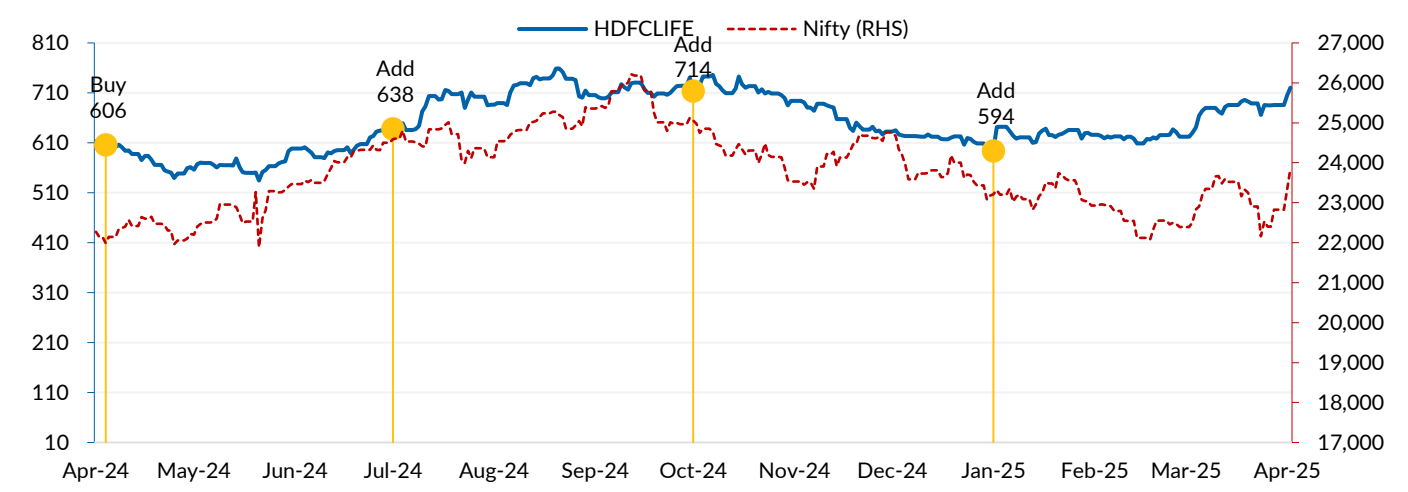
Source: Company, YES Sec – Research

Exhibit 9: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Growth (%) - P&L					
New business premium	20.4%	1.9%	12.6%	16.1%	16.1%
Renewal premium	30.4%	17.6%	12.7%	13.7%	14.3%
Net premium	25.0%	9.2%	12.4%	14.7%	14.9%
PAT	12.6%	15.3%	14.9%	17.5%	10.9%
VNB	37.3%	-4.7%	13.2%	20.2%	18.3%
Growth (%) - Balance Sheet					
Total AUM	17.0%	22.4%	15.1%	16.1%	16.0%
Total Assets	17.4%	22.6%	15.6%	15.9%	15.9%
Embedded value	31.5%	20.1%	16.8%	16.3%	16.5%
Profitability ratios (%)					
VNB Margins	27.5%	26.3%	25.6%	26.5%	27.0%
Commission ratio	5.1%	8.5%	11.3%	11.0%	11.0%
Opex ratio	14.9%	11.1%	8.9%	9.5%	9.4%
Expense ratio	19.9%	19.6%	20.2%	20.5%	20.4%
Conservation Ratio	95.3%	84.1%	84.6%	84.6%	84.6%
Return ratios (%)					
ROE	10.5%	10.7%	11.2%	11.9%	11.9%
RoEV	19.7%	17.5%	16.7%	17.0%	17.2%
RoA	0.6%	0.6%	0.6%	0.6%	0.6%
Investment Return (%)					
Invest. Yield - Sh.	5.5%	7.2%	6.8%	6.8%	6.8%
Invest. Yield - Ph.	6.1%	15.3%	8.7%	12.0%	12.0%
Solvency					
Solvency Ratio	203%	187%	194%	195%	195%
Underwriting					
Claims ratio	68.5%	64.1%	56.5%	63.9%	64.4%
Claims / AUM	16.3%	13.6%	11.7%	13.1%	13.0%
Per share data (Rs)					
EPS	6.3	7.3	8.4	9.8	10.9
VNBPS	17.09	16.28	18.40	22.11	26.15
BVPS	60.4	68.1	74.9	82.7	91.6
EVPS	183.9	220.7	257.4	299.3	348.7
Valuation (x)					
P/E	113.8	98.7	86.0	73.2	66.0
P/VNB	42.1	44.2	39.1	32.6	27.5
P/BV	11.9	10.6	9.6	8.7	7.9
P/EV	3.9	3.3	2.8	2.4	2.1

Source: Company, YES Sec – Research

Recommendation Tracker



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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit, Suraj Singhania

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