

HDFC LIFE INSURANCE

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	761
12 month price target (INR)	910
52 Week High/Low	821/584
Market cap (INR bn/USD bn)	1,603/18.1
Free float (%)	49.6
Avg. daily value traded (INR mn)	2,042.6

SHAREHOLDING PATTERN

(%)	Jun-25	Mar-25	Dec-24
Promoter	50.3	50.3	50.3
FII	24.8	25.0	25.1
DII	14.6	14.1	13.7
Pledge	-	-	-

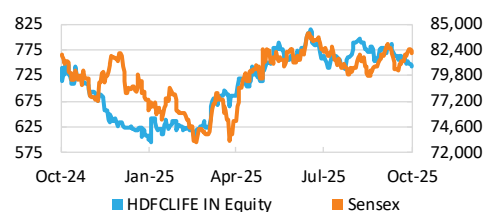
FINANCIALS

Year to March	FY25A	FY26E	FY27E	FY28E
APE	154,790	176,107	205,957	240,336
VNB	39,620	42,325	52,023	59,541
VNB margin (%)	25.6	24.0	25.3	25.5
EV	554,230	643,910	740,364	854,068
APAT	18,108	21,680	26,152	30,505
FDEPS	8.4	10.3	12.4	14.4
RoEV (%)	17.4	17.2	16.0	16.4
P/EV (x)	3.0	2.5	2.2	1.9
P/E (x)	90.5	74.2	61.5	52.8

CHANGE IN ESTIMATES

INR bn	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
APE	176.1	206.0	0.8	2.1
VNB	42.3	52.0	(7.3)	(1.9)
VNB Margin (%)	24.0	25.3	-210bp	-104bp
Embedded value	643.9	740.4	(0.5)	(0.7)

PRICE PERFORMANCE



GST transition ahead

HDFCLIFE's total APE growth in Q2FY26 came in moderate at 8.7% YoY (-1.0% versus estimate). Both retail/group businesses grew evenly at 8.8%/7.4% YoY. Impact of non-availability of GST ITC, revised surrender norms and lower fixed cost absorption was partially offset by higher protection sale (24.1% YoY), rider attachments and longer tenure products. VNB margin fell 25bp YoY to 24.1%. Consequently, VNB came in at INR10.1bn, up 7.6% YoY i.e. 3.7% below estimate.

Given muted growth and pressure on margins, we are cutting FY27E/28E VNB and VNB margin by 1.9%/0.4% and 104bp/86bp, respectively. We are slightly tweaking TP to INR910 (earlier INR920) with FY27E/28E P/EV of 2.2x/1.9x; retain 'BUY'.

ITC non-availability to hurt margins in H2, but again improve in FY27E

In Q2FY26, HDFCLIFE posted total APE growth of 8.7% YoY (on a high base of 26.8% YoY) as retail/group APE rose 8.8%/7.4% YoY. Growth was driven mainly by PAR/ULIP products (+107.5%/42.7% YoY); this led to a rise in share in individual product mix for PAR/ULIP to 27.2%/45.5% (+1,294bp/1,079bp YoY and -464/771bp QoQ) on APE basis. Management said growth seemed moderate due to high base of Q2FY25 and they expected stronger growth in H2FY26. Group annuity business grew strongly at 4.2x YoY while group protection rose just 8.2% YoY. Management said the slowdown in group protection was largely due to slower credit growth mainly in MFI segment though trends have started to improve. For Q2, agency/direct channel posted 24.9%/34.7% YoY growth while banca channel grew just 7% YoY; non-bank alliances channel fell 2.1% YoY. H1FY26 VNB margins fell -10bp YoY to 24.5%. Management added that a drag on margin due to GST impact (-50bp YoY), revised surrender norms (-30bp YoY) and fixed cost absorption (-60bp YoY) was partially offset by new business profile (+130bp YoY) i.e. impact of NPAR repricing (+40bp YoY) and other measures such as mix and rider attachments. They said on an annualised basis, gross impact of ITC non-availability will be 3%, which will be slightly offset by volume growth, measures of repricing and pass on to distributors and vendors. They expect to resolve the GST impact over H2FY26E and log normalised margin by FY27E.

H1FY26 operating RoEV at 15.9%; PAT improves 9.9% YoY

For H1FY26, backbook surplus/new business strain increased 14.2%/16.6% YoY; overall underwriting surplus improved 2.2% YoY. IEV rose 14.2% YoY to INR595.4bn as economic variance of INR6.9bn aided EV. Operating RoEV for H1 came in at 15.9%. H1FY26 renewal premium growth was healthy at 17.7% YoY while PAT increased 9.1% YoY to INR9.9bn. HDFCLIFE reported an AUM of INR3.6tn (+10.8% YoY).

Financials

Year to March (INR mn)	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
APE	41,880	38,540	8.7	32,250	29.9
VNB	10,090	9,380	7.6	8,090	24.7
VNB margin (%)	24.1	24.3	-25bp	25.1	-99bp
EV	595,500	521,100	14.3	583,600	2.0

Financial Statements

Policyholder AC (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total Premium earned	698,370	826,250	980,580	1,151,315
Commission	78,445	73,570	88,114	99,889
Operating expenses	62,508	77,014	90,854	105,548
Provisions and taxes	(167)	9,350	10,273	11,281
Benefits Paid	394,977	477,307	542,768	625,109
Other income	2,849	3,065	3,298	3,548
Transfer from shareholders AC	1,073	966	869	782
Net Cash Flow	166,529	193,042	252,739	313,819
Income from Investments	259,548	255,019	311,434	359,573
Change in valuation of liabilities	415,546	436,411	548,940	654,537
Surplus/(deficit) after tax	10,531	11,650	15,233	18,855
Transfer to shareholders AC	10,069	10,485	13,709	16,969

Shareholders AC (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Transfer from Policyholders' a/c	10,069	10,485	13,709	16,969
Investment income and other Income	12,011	14,938	16,505	17,985
Total income	22,080	25,423	30,215	34,954
Expenses	2,200	2,530	2,910	3,346
Contribution to Policyholders' a/c	975	966	869	782
Provisions other than taxation	126	138	152	167
Profit before tax	18,779	21,789	26,284	30,658
Taxes	671	109	131	153
PAT	18,108	21,680	26,152	30,505

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	21,530	21,530	21,530	21,530
Reserve and surplus	135,557	151,816	171,430	194,309
Net worth	157,086	173,346	192,960	215,839
Borrowings	29,500	29,500	29,500	29,500
Credit/debit balance in fair value a/c	4,460	4,817	5,202	5,618
Policyholders' a/c	3,193,439	3,629,850	4,178,790	4,833,327
Funds for future appropriation	12,576	13,741	15,265	17,150
Total Liabilities	3,397,062	3,851,254	4,421,717	5,101,435
Investments	3,363,988	3,814,972	4,381,916	5,057,770
Loans	23,783	26,161	28,777	31,655
Fixed assets + DTA	6,086	6,436	6,786	7,136
Net current assets	3,204	3,685	4,238	4,873
Goodwill	0	0	0	0
Total Assets	3,397,062	3,851,254	4,421,717	5,101,435

Source: Company and Nuvama estimates

Key metrics (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
NBP	333,923	448,022	545,633	654,756
APE	154,790	176,107	205,957	240,336
VNB	39,620	42,325	52,023	59,541
EV	554,230	643,910	740,364	854,068
EVOP	79,220	85,100	102,992	121,330
PAT	18,108	21,680	26,152	30,505
FDEPS (INR)	8.4	10.3	12.4	14.4
FDBVPS (INR)	72.9	82.0	91.3	102.1
Growth (YoY %)				
NBP	12.7	34.2	21.8	20.0
APE	16.5	13.8	17.0	16.7
VNB	13.2	6.8	22.9	14.5
EV	16.8	16.2	15.0	15.4
EVOP	14.5	7.4	21.0	17.8
PAT	15.0	19.7	20.6	16.6
FDEPS	14.9	22.0	20.6	16.6
FDBVPS	10.4	12.4	11.3	11.9
Expense ratios (%)				
Commissions/TWRP	11.2	8.9	9.0	8.7
Opex/TWRP	9.0	9.3	9.3	9.2
Total expenses/TWRP	20.2	18.2	18.3	17.8
Efficiency ratios (%)				
VNB Margin	25.6	24.0	25.3	25.5
ROEV return	17.4	17.2	16.0	16.4
Operating RoEV	16.7	15.4	16.0	16.4
Non-operating RoEV	0.8	1.8	0	0
RoAA	0.6	0.6	0.6	0.6
RoAE	12.1	13.1	14.3	14.9

Valuation

Year to March	FY25A	FY26E	FY27E	FY28E
P/E (x)	90.5	74.2	61.5	52.8
P/ABV (x)	10.4	9.3	8.3	7.5
P/EV (x)	3.0	2.5	2.2	1.9
P/VNB Multiple (x)	29.4	25.6	19.1	14.7
P/EVOP (x)	20.7	19.3	15.9	13.5
P/VIF (x)	4.2	3.7	3.3	2.9
P/AUM (x)	0.5	0.4	0.4	0.3

Valuation on TP

Year to March	FY25A	FY26E	FY27E	FY28E
P/E (x)	108.3	88.8	73.6	63.1
P/ABV (x)	12.5	11.1	10.0	8.9
P/EV (x)	3.5	3.0	2.6	2.3
P/VNB Multiple (x)	37.5	33.2	25.3	19.9
P/EVOP (x)	24.7	23.0	19.0	16.1
P/VIF (x)	5.0	4.4	4.0	3.5
P/AUM (x)	0.6	0.5	0.4	0.4

Exhibit 1: Total APE increases 8.7% YoY; VNB margin falls 25bp YoY to 24.1%

Particulars (INR bn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%/bp)	QoQ (%/bp)
Total APE	38.5	35.7	51.9	32.3	41.9	8.7	29.9
Individual APE	33.9	31.2	46.3	27.8	36.9	8.8	33.0
Group APE	4.6	4.5	5.5	4.5	4.9	7.4	10.3
Protection APE share (%)	12.3	13.0	7.0	14.0	14.0	174bp	-
New Business Premium	81.0	79.0	109.7	72.7	89.5	10.5	23.1
Renewal Premium	88.3	93.8	130.6	76.0	103.4	17.0	36.0
VNB (calculated for Qtr)	9.4	9.3	13.8	8.1	10.1	7.6	24.7
VNB Margin (%) calculated	24.3	26.1	26.5	25.1	24.1	(25)bp	(99)bp
FYTD VNB	16.6	25.9	39.6	8.1	18.2	9.8	124.7
FYTD VNB Margin (%)	24.6	25.1	25.6	25.1	24.5	(10)bp	(56)bp

Source: Company, Nuvama Research

Exhibit 2: PAR/ULIP share in APE mix improves 1,143bp/957bp YoY to 24.0%/40.1%

Particulars	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%/bp)	QoQ (%/bp)
APE Product mix (INR bn)							
Individual Savings	30.3	27.8	41.9	24.6	33.2	9.6	35.0
PAR	4.8	7.5	9.6	8.8	10.1	107.5	13.6
Non-PAR	13.7	8.7	12.6	5.3	6.4	(53.5)	20.8
ULIP	11.8	11.7	19.7	10.5	16.8	42.7	60.1
Group savings	1.6	1.4	3.7	1.5	0.7	(55.9)	(54.1)
Protection	4.7	4.6	3.6	4.5	5.9	24.1	29.9
Individual Protection	1.9	1.8	2.2	1.8	2.5	34.8	42.2
Group Protection	2.9	2.9	1.4	2.8	3.4	17.2	22.0
Annuity	1.9	1.8	2.6	1.6	2.1	8.7	29.9
Individual Annuity	1.8	1.6	2.2	1.4	1.2	(31.7)	(13.6)
Group Annuity	0.2	0.2	0.4	0.2	0.9	421.8	299.2
Total	38.5	35.7	51.9	32.3	41.9	8.7	29.9
APE Product mix (%)							
Individual Savings	78.7	78.0	80.7	76.3	79.4	67bp	302bp
PAR	12.6	20.9	18.5	27.4	24.0	1,143bp	(343)bp
Non-PAR	35.5	24.3	24.3	16.4	15.2	(2,033)bp	(115)bp
ULIP	30.6	32.8	37.9	32.5	40.1	957bp	759bp
Group savings	4.1	4.0	7.2	4.7	1.6	(242)bp	(302)bp
Protection	12.3	13.0	7.0	14.0	14.0	174bp	-
Individual Protection	4.8	5.0	4.3	5.5	6.0	116bp	52bp
Group Protection	7.4	8.0	2.7	8.5	8.0	58bp	(52)bp
Annuity	5.0	5.0	5.0	5.0	5.0	-	-
Individual Annuity	4.6	4.5	4.3	4.3	2.9	(169)bp	(144)bp
Group Annuity	0.4	0.5	0.7	0.7	2.1	169bp	144bp
Total	100	100	100	100	100		

Source: Company, Nuvama Research

Exhibit 3: Share of Agency improves 263bp YoY to 10.6% on NBP basis while Banca share declines 186bp YoY to 25.7%

Particulars	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%/bp)	QoQ (%/bp)
Channel mix NBP basis (INR bn)							
Banca	(15.4)	NA	NA	16.7	23.0	3.1	37.6
Agency	(5.1)	NA	NA	5.1	9.5	46.8	86.8
Non-Bank Alliances	(3.2)	NA	NA	3.6	6.1	50.6	67.7
Direct	(7.7)	NA	NA	8.0	9.8	9.5	23.1
Group	(32.6)	NA	NA	39.3	41.0	4.9	4.5
Total NBP	(64.0)	NA	NA	72.7	89.5	10.5	23.1
Channel Mix-NBP basis (%)							
Banca	24.0	NA	NA	23.0	25.7	(186)bp	272bp
Agency	8.0	NA	NA	7.0	10.6	263bp	363bp
Non-Bank Alliances	5.0	NA	NA	5.0	6.8	181bp	181bp
Direct	12.0	NA	NA	11.0	11.0	(10)bp	-
Group	51.0	NA	NA	54.0	45.8	(247)bp	(816)bp
Total	100	NA	NA	100	100		

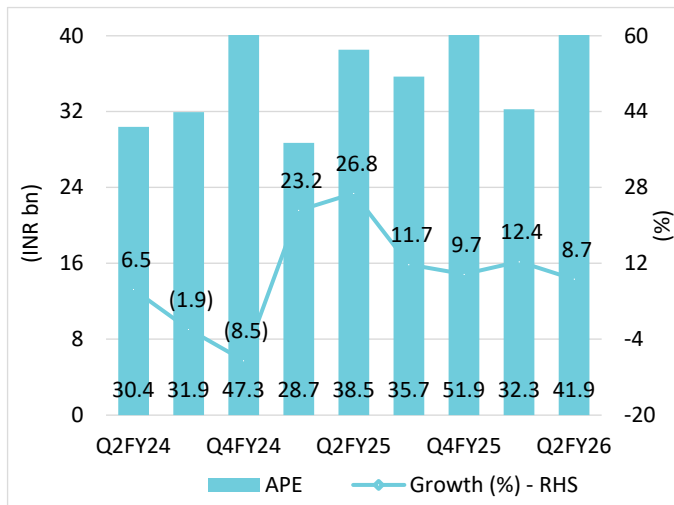
Source: Company, Nuvama Research

Exhibit 4: Persistency declines 290bp/600bp YoY in 49/61 month cohort and improves 20bp/110bp YoY in 13/25 month cohort

Particulars	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%/bp)	QoQ (%/bp)
AUM (INR bn)	3,249	3,287	3,363	3,559	3,600	10.8	1.2
- Equity (%)	35.0	33.0	31.0	32.0	31.0	(400)bp	(100)bp
- Debt (%)	65.0	67.0	69.0	68.0	69.0	400bp	100bp
Persistency (%)							
13th month persistency	82.5	81.9	82.7	86.0	82.7	20bp	(330)bp
25th month persistency	76.3	75.4	77.4	79.0	77.4	110bp	(160)bp
37th month persistency	73.1	71.8	71.2	73.0	71.2	(190)bp	(180)bp
49th month persistency	73.1	68.1	70.2	71.0	70.2	(290)bp	(80)bp
61st month persistency	67.9	57.8	61.9	64.0	61.9	(600)bp	(210)bp
Solvency Ratio (%)	181	188	194	192	175	(600)bp	(1,700)bp

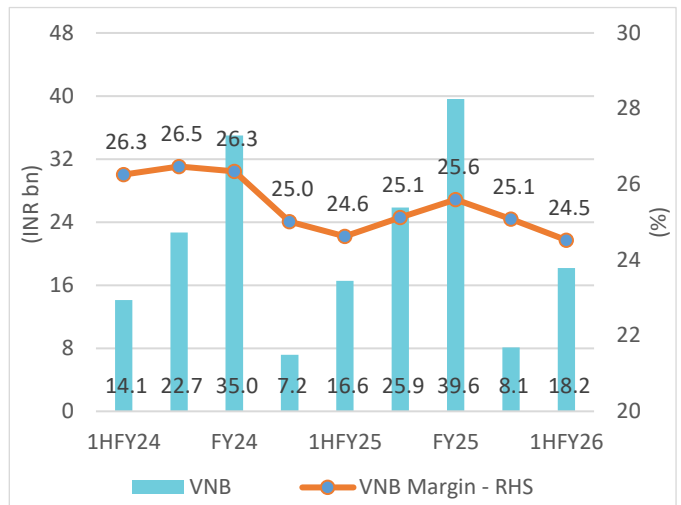
Source: Company, Nuvama Research

Exhibit 5: APE increases 8.7% YoY in Q2 to INR8.7bn



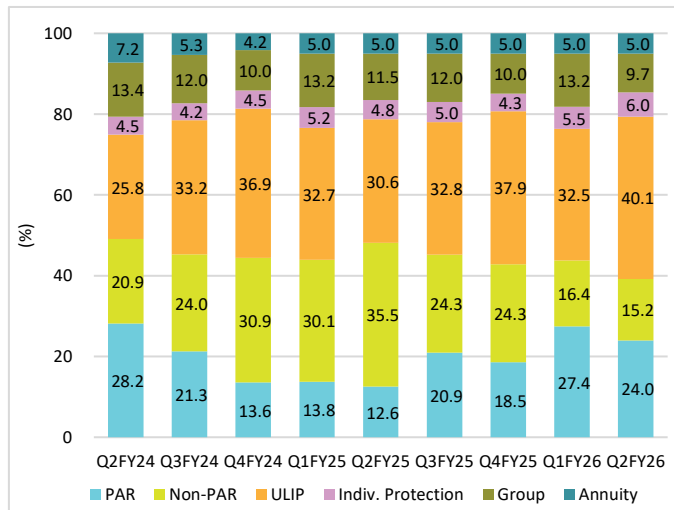
Source Source: Company, Nuvama Research

Exhibit 6: VNB margin falls 10bp YoY to 24.5% in H1



Company, Nuvama Research

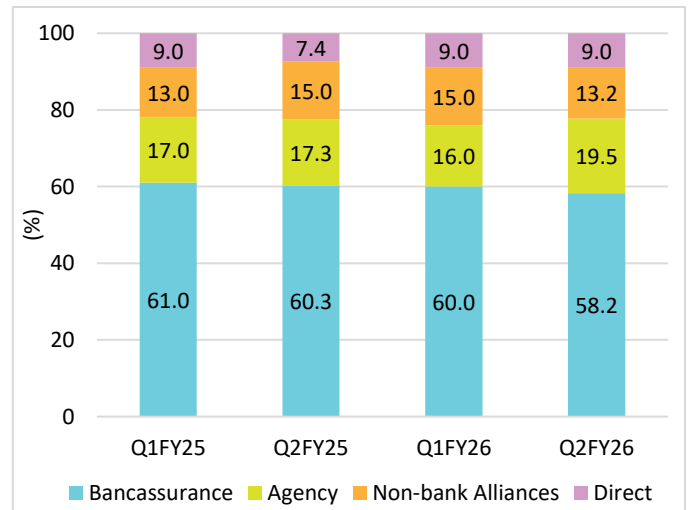
Exhibit 7: ULIP share in mix improves 957bp YoY to 40.1%



Note: as a % of total APE

Source: Company, Nuvama Research

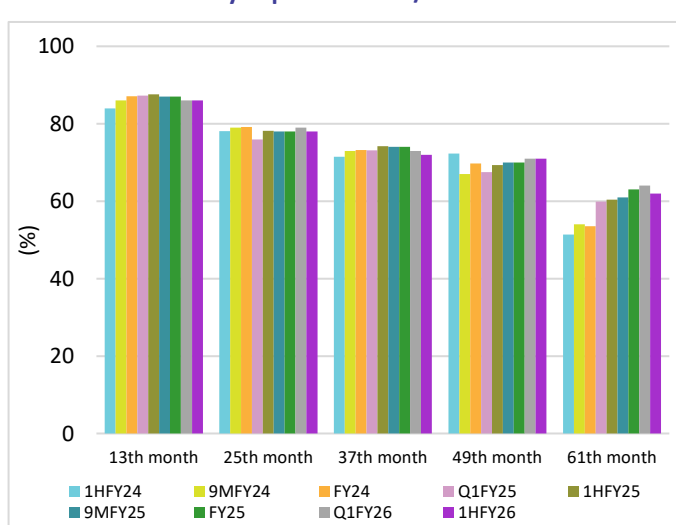
Exhibit 8: Share of banca declines 207bp YoY to 58.2%



Note: as a % of individual APE

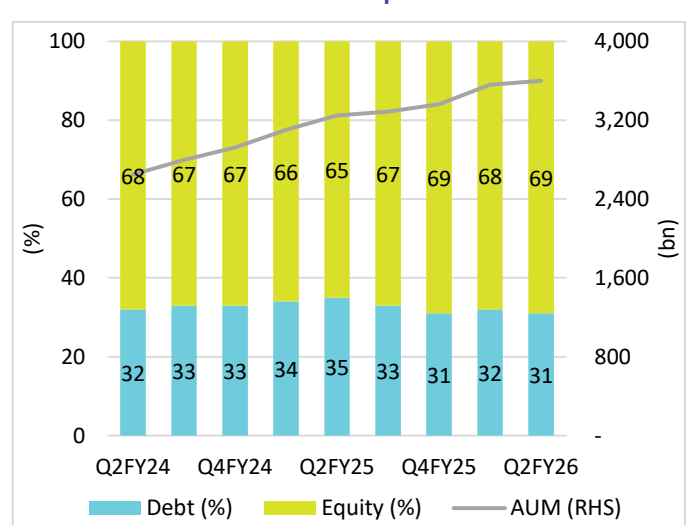
Source: Company, Nuvama Research

Exhibit 9: Persistency improves in 13th/25th month cohort in H126



Source: Company, Nuvama Research

Exhibit 10: Debt share in AUM improves to 69%



Source: Company, Nuvama Research

Exhibit 11: Income statement: PAT increases 9.1% YoY to INR9.9bn in H1FY26

Re-arranged income statement (INR bn)	Q2FY25	Q1FY26	Q2FY26	YOY(%)	QoQ(%)	H1FY25	H1FY26	YoY(%)	FY26E	FY27E	FY28E
Policyholder's account											
Reported APE	38.5	32.3	41.9	8.7	29.9	67.2	74.1	10.2	176.1	206.0	240.3
Premiums											
- First Year Premium	32.5	25.5	35.8	10.0	40.4	56.1	61.3	9.2	145.9	168.2	194.3
- Renewal Premium	88.3	76.0	103.4	17.1	36.0	152.4	179.4	17.7	389.1	447.3	511.5
- Single Premium	48.4	47.2	53.7	10.9	13.7	88.9	100.9	13.6	302.1	377.4	460.5
Net premium income	165.7	144.7	187.8	13.3	29.8	290.8	332.4	14.3	826.3	980.6	1,151.3
Commissions											
- First Year Premium	12.6	14.2	13.1	3.4	(8.2)	21.0	27.3	29.9	43.8	53.8	60.2
- Renewal Premium	1.4	1.3	1.6	12.1	19.8	2.5	2.8	16.1	24.9	28.2	32.2
- Single Premium	4.5	1.9	8.6	91.4	340.5	9.7	10.5	8.3	4.8	6.0	7.4
Net commissions and rewards	18.5	17.5	23.2	25.4	32.7	33.2	40.7	22.5	73.6	88.1	99.9
Operating expenses related to insurance business	16.8	15.1	17.8	5.9	17.9	29.5	32.9	11.6	77.0	90.9	105.5
Provisions and taxes	(3.5)	1.6	0.8	NM	(51.7)	(3.4)	2.4	NM	9.3	10.3	11.3
Benefits paid	103.0	86.8	93.3	(9.4)	7.5	191.3	180.1	(5.8)	477.3	542.8	625.1
Other income and trf to shareholders	2.6	1.4	1.3	(50.8)	(8.9)	3.3	2.7	(19.5)	4.0	4.2	4.3
Net cash flow	33.5	25.0	54.0	61.0	115.5	43.6	79.0	81.4	193.0	252.7	313.8
Investment income	116.1	145.9	14.1	(87.9)	(90.3)	257.4	160.1	(37.8)	255.0	311.4	359.6
Change in liabilities	144.5	170.2	69.8	(51.7)	(59.0)	290.2	240.0	(17.3)	436.4	548.9	654.5
Surplus	5.1	0.8	(1.7)	(133.7)	(306.4)	10.7	(0.9)	(108.3)	11.6	15.2	18.9
- transfer to shareholders	3.9	3.7	2.2	(44.2)	(41.3)	6.5	5.8	(10.8)	10.5	13.7	17.0
- FFA	1.2	(2.8)	(3.9)	(410.0)	NM	4.2	(6.7)	(259.1)	1.2	1.5	1.9
Shareholder's account											
Transfer from policyholder's account	3.9	3.7	2.2	(44.2)	(41.3)	6.5	5.8	(10.8)	10.5	13.7	17.0
Investment income	2.7	3.2	3.6	34.2	12.7	5.3	6.8	29.5	14.9	16.5	18.0
Expenses including trfs	2.2	1.3	1.1	(48.9)	(12.1)	2.4	2.4	(2.5)	3.6	3.9	4.3
PBT	4.4	5.6	4.7	6.4	(17.0)	9.4	10.3	9.7	21.8	26.3	30.7
Taxes	0.0	0.1	0.2	299.6	28.7	0.2	0.3	32.9	0.1	0.1	0.2
PAT	4.3	5.5	4.5	3.3	(18.2)	9.1	9.9	9.1	21.7	26.2	30.5
FDEPS (INR)	2.05	2.58	2.11	3.3	(18.2)	4.3	4.7	9.1	10.3	12.4	14.4

Source: Company, Nuvama Research

Exhibit 12: QoQ analysis of change in IEV; closing IEV expands 14.3% YoY to INR595.5bn

Particulars (INR bn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Opening EV	496.0	521.2	532.6	554.2	583.5	17.6	5.3
VNB	9.4	9.3	13.7	8.1	10.1	7.4	24.7
Unwind	9.6	9.7	9.8	10.6	10.9	13.5	2.8
Expected return on existing business	0.0	0.0	0.0	0.0	0.0	#DIV/0!	#DIV/0!
Variance in operating experience	0.2	0.3	(0.2)	0.1	-	(100.0)	(100.0)
Change in operating assumptions	0.0	0.0	0.0	0.0	-2.6	#DIV/0!	#DIV/0!
IEV operating earnings	19.2	19.3	23.3	18.8	18.4	(4.2)	(2.1)
Economic variances	9.6	(8.2)	(1.8)	9.6	(2.7)	(128.1)	(128.1)
Total IEV earnings	28.8	11.1	21.5	28.4	15.7	(45.5)	(44.7)
Dividend and capital injections	(3.6)	0.3	0.1	0.9	(3.7)	2.8	(511.1)
Closing EV	521.2	532.6	554.2	583.5	595.5	14.3	2.1

Source: Company, Nuvama Research

Exhibit 13: Operating RoEV declines 287bp YoY to 12.6%

Particulars (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Operating RoEV	15.5	14.8	17.5	13.6	12.6	(287)bp	(96)bp
Non-operating RoEV	7.7	(6.3)	(1.4)	6.9	(1.9)	(959)bp	(878)bp
RoEV return %	23.2	8.5	16.1	20.5	10.8	(1,246)bp	(974)bp

Source: Company, Nuvama Research

Exhibit 14: EV movement

Particulars (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Opening IEV	329,580	395,270	474,680	554,230	643,910	740,364
VNB / Value added by new business during the period	36,744	35,010	39,620	42,325	52,023	61,261
Expected return on existing business	26,244	32,400	38,450	42,676	50,869	59,969
Variance in Operating experience	1,552	1,500	1,150	100	100	100
Mortality / morbidity	0	0	0	0	0	0
Expenses	0	0	0	0	0	0
Persistency	1,552	1,500	1,150	100	100	100
Others	1,552	0	0	0	0	0
Change in operating assumptions	350	300	0	0	0	0
Other operating variance	0	0	0	0	0	0
IEV operating earnings	64,890	69,210	79,220	85,100	102,992	121,330
Economic variances	(15,940)	13,500	3,570	10,000	0	0
From actual return in excess of expected real-world return	0	0	0	0	0	0
From change in economic assumption	0	0	0	0	0	0
Other non-operating variances	0	0	0	0		
Total IEV earnings	48,950	82,710	82,790	95,100	102,992	121,330
Merger with Exide	0	0	0	0		
Capital contributions / dividend payouts	16,740	(3,300)	(3,240)	(5,420)	(6,538)	(7,626)
Closing IEV	395,270	474,680	554,230	643,910	740,364	854,068

Source: Company, Nuvama Research

Exhibit 15: EV and VNB margin sensitivity

Particulars	FY24		FY25		H1FY26	
	% Change in VNB Margin	% Change in EV	% Change in VNB Margin	% Change in EV	Change in VNB margin	% Change in EV
Increase by 100bps in the reference rates	(1.2)	(2.7)	(1.4)	(2.7)	(1.2)	(2.5)
Decrease by 100bps in the reference rates	0.8	2.6	0.9	2.6	0.9	2.5
10% decrease in equity values	(0.2)	(1.5)	(0.2)	(1.4)	(0.3)	(1.5)
10% increase in the discontinuance rates	(0.6)	(0.1)	(0.9)	(0.1)	(1.5)	(0.3)
10% decrease in the discontinuance rates	0.6	0.1	0.9	0.1	1.5	0.3
10% increase in maintenance expenses	(0.6)	(0.9)	(0.8)	(0.9)	(0.7)	(0.9)
10% decrease in maintenance expenses	0.6	0.9	0.8	0.9	0.7	0.9
10% increase in acquisition expenses	(3.2)	NA	(2.5)	NA	(2.4)	NA
10% decrease in acquisition expenses	3.2	NA	2.5	NA	2.4	NA
10% increase in mortality/ morbidity rates	(1.5)	(1.2)	(1.6)	(1.2)	(1.7)	(1.2)
10% decrease in mortality/ morbidity rates	1.5	1.2	1.6	1.2	1.7	1.2
Tax rates increased to 25%	(5.1)	(9.3)	(4.5)	(9.5)	(4.5)	(9.3)

Source: Company, Nuvama Research

Exhibit 16: Change in estimates

(INR bn)	Earlier			Revised			Change (%/bp)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
APE	174.7	201.7	233.4	176.1	206.0	240.3	0.8	2.1	3.0
VNB	45.7	53.0	61.5	42.3	52.0	61.3	(7.3)	(1.9)	(0.4)
VNB Margin (%)	26.1	26.3	26.4	24.0	25.3	25.5	-210bps	-104bps	-86bps
Embedded Value	647.3	745.3	860.0	643.9	740.4	854.1	(0.5)	(0.7)	(0.7)
Operating RoEV (%)	16.0	16.1	16.4	15.4	16.0	16.4	-60bps	-11bps	2bps
Target Price (INR)	920			910			(1.1)		
Rating	Buy			Buy					

Source: Company, Nuvama Research

Q2FY26 conference call: Key highlights

Growth outlook

Management said that APE growth in Q2FY26 was in line with expectations. Growth ahead shall be driven by higher ticket sizes, traction in ULIPs and improvement in policy volumes. However, FY26 growth is likely to moderate to early teens versus 18–20% in FY25 though the GST exemption could aid momentum. About 80% of the September business was issued post September 21. NOP growth was weak in H1 as the company consciously slowed lower-ticket sales to protect profitability while the >INR0.1 mn segment posted steady growth. Two-year NOP CAGR stood at 9%.

VNB margin

Management indicated that a drag on margin due to GST impact, revised surrender norms and fixed cost absorption was partially offset by higher protection product sales, rider attachment, longer-tenure products and improvement in inherent product margin. They said that higher sum assured products now comprise >1/4th of ULIP product sale. On annualised basis, gross impact of ITC non-availability will be 3%, which will be slightly offset by volume growth. The company's new business margin for H1FY26 was 25% before GST impact and 24.5% after GST impact, which is in line with FY25 margin.

Change in GST regulation

Management said that to mitigate the impact of non-availability of ITC, the company is renegotiating commission rates and product mix with distributors, revisiting vendor costs and planning new product launches. The GST exemption is likely to further support growth. Management expects to offset the GST impact over the next two–three quarters and achieve normalised VNB margins by FY27. The biggest impact of ITC non-availability is likely in the ULIP segment.

Product mix

ULIP

Management noted that ULIP performed well in Q2FY26. While product designs evolve with changing customer preferences, there have been no recent changes in the ULIP product structure.

PAR and NPAR

NPAR sales were temporarily moderated as the company stayed away from irrational pricing. However, with improving yields, management expects a rebound. NPAR business will gain traction amid favourable yield curve

Retail protection

The company launched “Click 2 Protect Supreme,” a comprehensive product offering life, illness, and disability cover with flexible payout options and features such as Smart Exit and Income Boost. Retail protection logged over 50% growth in September following the GST changes.

Group protection

In credit protect, the MFI segment showed signs of revival, with growth resuming in September.

Variable annuity product will be launched in Q4FY26.

Distribution channels

Agency

Agent addition remained strong, with 50,000 agents onboarded in H1FY26. The company is investing in technology and training to enhance ground-level monitoring and agent lifecycle management. These initiatives are expected to support higher volumes without proportionate headcount increases, while maintaining a focus on branch-level profitability. Management also indicated that margin from agency channel is higher because of better product mix.

Banca

Counter share with HDFC Bank remained stable, with continued focus on maintaining margins alongside growth in the bancassurance channel. Retail protection APE in the banca channel grew 40% YoY, and future growth is likely to broadly track HDFC Bank's business momentum. The company witnessed slower growth in non-HDFC bank partners; while counter share was lower in Q1FY26, it improved sequentially in Q2.

Solvency

Management mentioned that solvency declined from 192% in June to 175% in September, primarily due to the dividend payout (–4.5%), redemption of INR6bn subordinate debt (–6%), and the GST impact (–1.5%). The remaining decline was attributed to higher growth in long-term protection products and new business strain. The company plans to raise INR7.5bn of subordinate debt and considers a 175–185% solvency ratio as a comfortable range.

Company Description

HDFC Life has been consistently rated as one of the top players in India's life insurance sector on APE as well as NBP. It was set up in FY2000 as a joint venture between HDFC and Standard Life Aberdeen. The company offers a range of individual and group insurance solutions that meet various customer needs such as protection, pension, savings, investment and health, catering to a diverse range of customers. It was listed on NSE and BSE in FY18.

It reported AUM of INR3.36tn for the year ended FY25 and solvency ratio of 194%, above the regulatory threshold of 150%. HDFC Life has a market share of 11.1% of individual APE (FY25). HDFC Life has one of the most balanced product mixes in the industry. On the distribution front, bancassurance contributes to around two-third of Individual APE (66%), while agency contributes ~19%. HDFC Life continues to benefit from its presence across the country with 650 branches and additional distribution touch points through 300+ partnerships.

Investment Theme

HDFC Life is among the top three private life insurer in India. It has been the unrivalled innovation champion in life insurance—particularly adoption of pure protection products and, lately, highly successful introduction of annuities, NPAR and PAR products. A premium is usually assigned to this business, considering the inherent value creation opportunity (not captured by its current fundamentals), its pension presence and prescient capacity build-up in a white space (retirement planning).

Key Risks

- Protracted weakness in capital markets affecting ULIP persistency: Limited renewals obviously hurt a largely fixed cost-quasi asset management business—through a rundown in asset size and consequent cost-driven profitability pressures.
- Interest rates and rate curves, may impact availability and attractiveness of FRAs which may consequently impact insurers ability to design and sell products. HDFCLIFE has a high percentage of sales of non-participating products (including annuities), which need to be hedged using FRAs.
- Regulatory changes may have a profound impact- especially with increased adoption of open architecture, changes in commission and expenses of management limits, use and file of products, introduction of composite insurance licenses etc.
- Technology-based disruption attempts, which may break the stronghold of existing players, if new licenses are granted.

Additional Data

Management

CEO	Vibha Padalkar
CFO	Niraj Shah
COO	Sameer Yogishwar
Other	
Auditor	B S R & Co. LLP & G.M. Kapadia & Co.

Holdings – Top 10*

	% Holding		% Holding
Exide Industire	4.04	Vanguard Group	1.90
ICICI Prudentia	2.89	Blackrock Inc	1.89
SBI Fund Manage	2.54	CAMAS INV PTE L	1.70
FMR LLC	2.49	Nippon Life Ind	1.28
Capital Group	1.91	Franklin Resour	1.27

*Latest public data

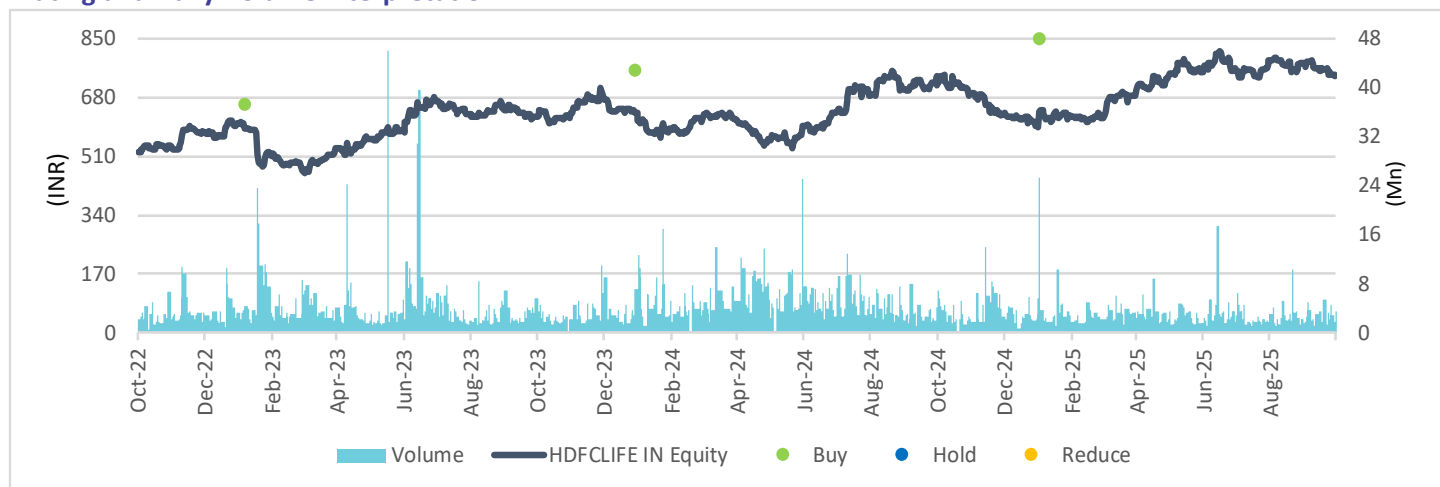
Recent Company Research

Date	Title	Price	Reco
15-Jul-25	Business as usual; <i>Result Update</i>	757	Buy
17-Apr-25	Growth moderation leads to miss; <i>Result Update</i>	716	Buy
15-Jan-25	Growth slows; margin bounces back; <i>Result Update</i>	594	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
14-Oct-25	ICICI Prudential Life	Weak print; <i>Result Update</i>
09-Oct-25	Life Insurance	Growth to improve; margins tighten; <i>Sector Update</i>
09-Oct-25	Life Insurance	Sep-25: Sales rise post-GST exemption; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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