

Research Report on HDFC Life Insurance Company Ltd.



Market Capitalization : ₹ 1,30,672 Cr.

Current Market Price:608 Rs.

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About the Company:

HDFC Life Insurance Company Limited ('HDFC Life') is a listed life insurance company promoted by HDFC Bank Limited ("HDFC Bank"), India's leading private bank. As on March 31, 2024, HDFC Bank held 50.37% in HDFC Life. Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as protection, pension, savings, investment, annuity and health.



About the Company:

Key product innovations across categories in FY24

NEW
HDFC Life Click 2 Achieve
A Non-Linked, Non-Participating, Individual, Savings Life Insurance Plan



NEW
HDFC Life Click 2 Protect Elite
A Non-Linked, Non-Participating, Individual, Pure Risk Premium Life Insurance Plan



Secure your family's future with the power of enhanced¹ protection and market-linked returns

NEW
HDFC Life Smart Protect Plan
A Non-Participating, Individual Life Unit-Linked Insurance Plan



HDFC Life Sanchay Legacy
A Non-Participating, Non-linked, Pure Risk Premium/Savings Individual Life Insurance Plan

Now available with new & improved additional features

Get Early RoP³ benefit & higher accumulation rate for death benefit!



Retire smart, with guaranteed* regular income and manage inflation with increasing pension!

NEW
HDFC Life Smart Pension Plus
A Non-Linked, Non-Participating Individual/Group Annuity Savings Plan



Secure your future and meet today's goals with an immediate income solution.

HDFC Life Sampurna Jeevan
A Non-Linked Participating Individual Life Insurance Savings Plan

Cash Bonus from* 1 POLICY MONTH



About the Company:

- Ranked amongst the top 3 life insurers across individual and group businesses.
- 15.4% Private market share based on individual WRP.
- 99.7% Overall claim settlement ratio
- 83 Products
- 11.7 lakh Number of individual policies issued

₹ 2.92 lakh crore

Assets Under Management



₹ 1,569 crore

Profit after tax



26.3%

New business margin



History of the Company:

2000 : Incorporation: HDFC Life was incorporated as HDFC Standard Life Insurance Company Limited, a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd.), India's leading housing finance institution, and Standard Life Aberdeen, a global investment company. This was part of India's initiative to open up the insurance sector to private players.

2001: Commencement of Operations

2001-2010: Product and distribution Expansion

2004: Launched ULIP

2005: Launched Click to protect

: Launched the brand tagline

2010: Brand relaunched as 'HDFC Life' with new logo and identity.

2011: Established a wholly owned subsidiary on June 20, 2011 - HDFC Pension - to operate the pension fund business under the National Pension System.

2016: Incorporated the first international subsidiary in the UAE -HDFC International Life & Re to operate the reinsurance business

History of the Company:

2017: The Company had a successful IPO to become a public limited company, which was subscribed over 3.8 times

November 17, 2017, the Company's shares were listed on BSE & NSE.

2019: Changed corporate name from "HDFC Standard Life Insurance Company Limited" ('HDFC Life') to "HDFC Life Insurance Company Limited".

2020: HDFC Life became the newest member of the Nifty 50 Index in July 2020.

2022: HDFC Life completed the first ever merger and acquisition (M&A) transaction in the Indian Life Insurance sector with erstwhile Exide Life in October 2022.



Management of the Company:

Board of Directors



Mr. Keki M. Mistry

Non-Executive Chairman

Mr. Keki M. Mistry is the Non-Executive Director of HDFC Bank Ltd. He is currently the Chairman of CII National Council on Corporate Governance, and a member of the Primary Markets Advisory Committee set up by the Securities and Exchange Board of India (SEBI). He was also a member of the Committee of Corporate Governance set up by SEBI. He is Director on the Boards of several other prominent companies, including HDFC Group companies. He has vast experience in housing finance, real estate and infrastructure sector.

Mr. Kaizad Bharucha

Non-Executive, Nominee Director

Mr. Kaizad Bharucha is the Deputy Managing Director of HDFC Bank Ltd. He is on our Board as Nominee Director of HDFC Bank Ltd. since November 28, 2023. He is a career banker with more than 35 years of experience. He has a vast experience in Risk Management, Credit Management, Banking and Business Management, and has represented HDFC Bank Ltd. as a member of the working group on banking related committees.

Management of the Company:

Executive Committee



Ms. Vibha Padalkar

MD & CEO

Vibha Padalkar is the MD & CEO of HDFC Life. Under her stewardship, the Company continues to deliver across key metrics – a consistent, predictable and sustained performance across business cycles, ending with an AUM of ₹ 2.9 trillion as on March 31, 2024. She also spearheaded the first M&A in the Indian life insurance industry. Vibha joined the Company in 2008 and prior to assuming charge as the MD & CEO in 2018, Vibha was the ED & CFO and instrumental in the successful listing of HDFC Life in 2017. She is also a member of the Executive Committee (EC) of the Life Insurance Council.

Vibha qualified as a member of the Institute of Chartered Accountants of England and Wales in 1992 and is also a member of the Institute of Chartered Accountants of India.

Over the years, Vibha has been the recipient of various awards which includes the 'CA Business Leader - For Large Corporates - BFSI' at the 15th ICAI Awards by The Institute of Chartered Accountants of India. She has also been felicitated with awards by ET Prime Women Leadership Awards and IMA India. She featured in the 'Top 30 Most Powerful Women in Business' list by Business Today for six consecutive years (2018 to 2023). In 2021, Fortune International recognised Vibha as one of the 'Most Powerful Women in Business'. Vibha has been featured in Fortune India's list of 'Most Powerful Women' for 2021, 2022 and 2023. She also has been featured in the 'Most Valuable CEOs' list by Business World for 2022 & 2023 and in their list of 'Most Influential Women in Business' for 2022. In 2024, Vibha has been recognised with the SKOCH CEO's Choice Award as the 'CEO of the Year' in the insurance sector by SKOCH Forums. Vibha has also been featured in India Today's prestigious 'The She List' in 2024.

Management of the Company:



Mr. Suresh Badami

Deputy Managing Director

Suresh has been associated with HDFC Life since October 2013. Prior to joining HDFC Life, he was associated with Dunlop India Limited, ICI India Limited, Cogensis Networks Private Limited, Max Ateev Limited and ICICI Bank Limited. Suresh has 30 years of experience in sales & business across varied industries, including 21+ years in Banking & Financial Services.

He holds a Bachelor's degree in Science from Bangalore University and a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar.



Mr. Niraj Shah

Executive Director & Chief Financial Officer

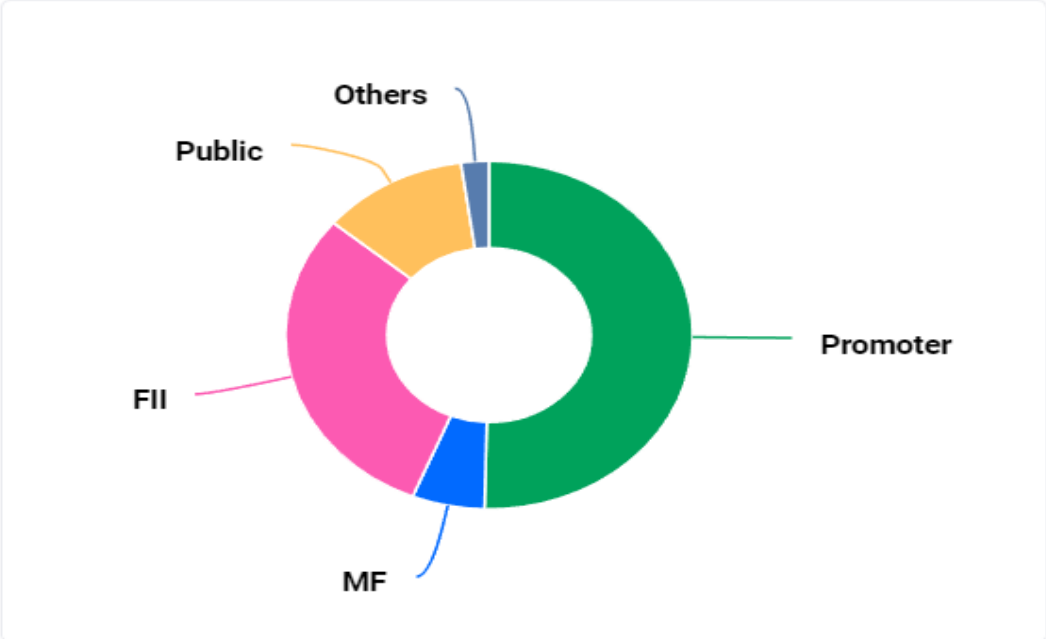
Niraj has been associated with HDFC Life since February 2019 and oversees Finance, Product development and Process excellence. He has over two decades of experience in financial services, primarily in Life Insurance, Corporate Finance Advisory and Audit. Prior to joining HDFC Life, Niraj was associated with PNB MetLife, ICICI Prudential Life, EY and BNP Paribas.

He holds a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore and is a member of the Institute of Chartered Accountants of India.

Shareholding Pattern

Numbers in percentages

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Promoters +	80.93%	76.14%	63.69%	58.86%	51.53%	50.31%	50.37%
FIs +	8.92%	10.52%	21.07%	25.67%	26.31%	29.85%	30.03%
DIs +	2.41%	3.40%	6.08%	6.25%	7.81%	6.42%	7.93%
Public +	7.69%	9.92%	9.13%	9.20%	14.32%	13.36%	11.64%
Others +	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
No. of Shareholders	3,40,297	3,99,373	5,30,777	7,42,196	10,34,124	10,05,702	8,58,844



Industrial Analysis:

Growth of the Indian Economy

	FY 2021-22	FY 2022-23	FY 2023-24 (E)
Real GDP growth (%)	9.1	7.0	7.6

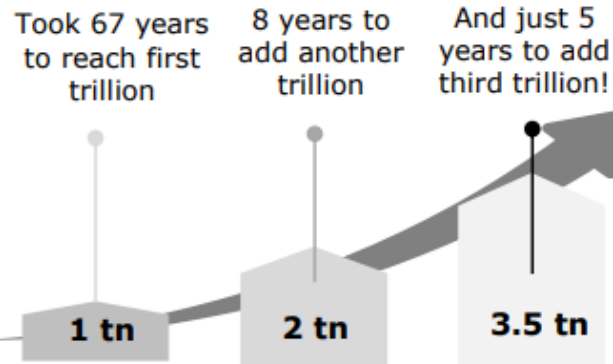
India is currently the fastest growing top ten economies in the world (basis GDP). IMF projects India's GDP growth at 6.8% in FY 2024-25.

Industrial Analysis:

India – poised for sustainable growth

Fifth largest and fastest growing economy

India's GDP (in USD)¹



Demographic dividend- youngest economy¹

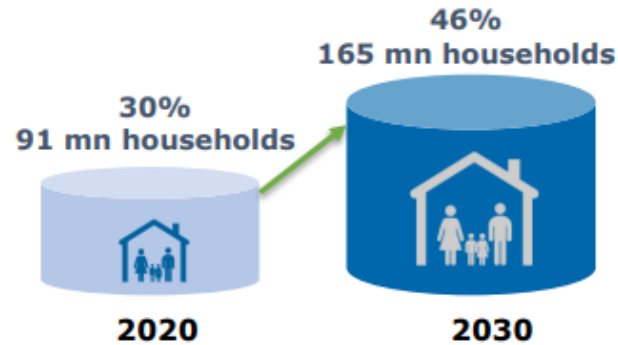


"At average age of 29 years, India to remain the youngest economy till 2070"

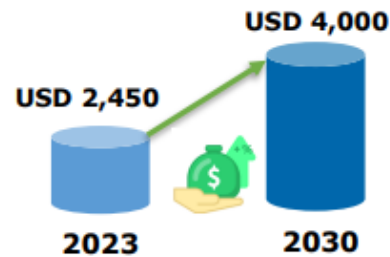
India surpassed Q3 growth expectations, growing by 8.4%. Expected to be third largest economy by 2030²

Rising affluence

India's middle income segment as % of all households³



India's per capita income



India's per capita income is likely to grow by nearly 70% by 2030⁴

Investment in physical and digital building blocks to further drive growth



1.45 lakh kms

- Total length of National Highways, an increase of 59% in past 9 years⁴
- 2nd largest road network after USA



134 bn

- Transactions worth Rs ~2 trn processed via UPI in FY24, relatively growth in tier 2 and 3



- Total PLI outlay of >\$26bn
- Capex distributed evenly across sectors and geographies⁵



- GFCF⁶ to be >30% over the next 5 years⁵
- Bank credit to be 60% of GDP by FY30 from 50% currently⁵

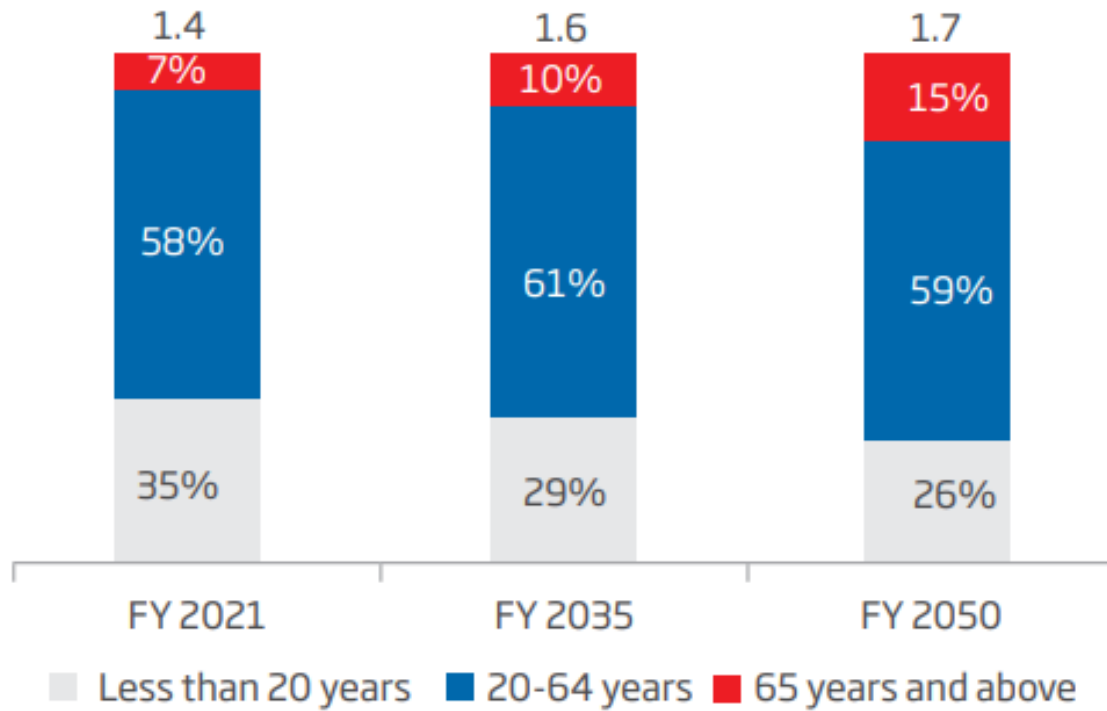
The government will boost capital investment outlay by 33% to \$120bn in FY24

Industrial Analysis:

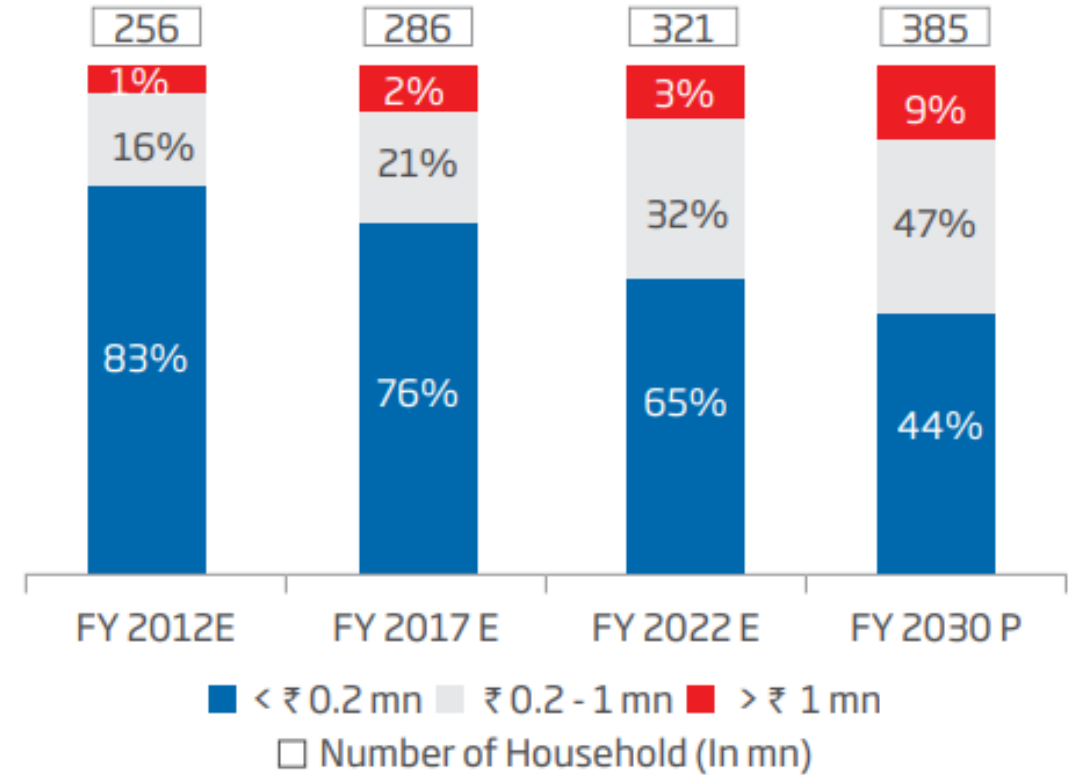
Key Opportunities

I. Growing workforce and burgeoning middle-class

Population composition (bn)



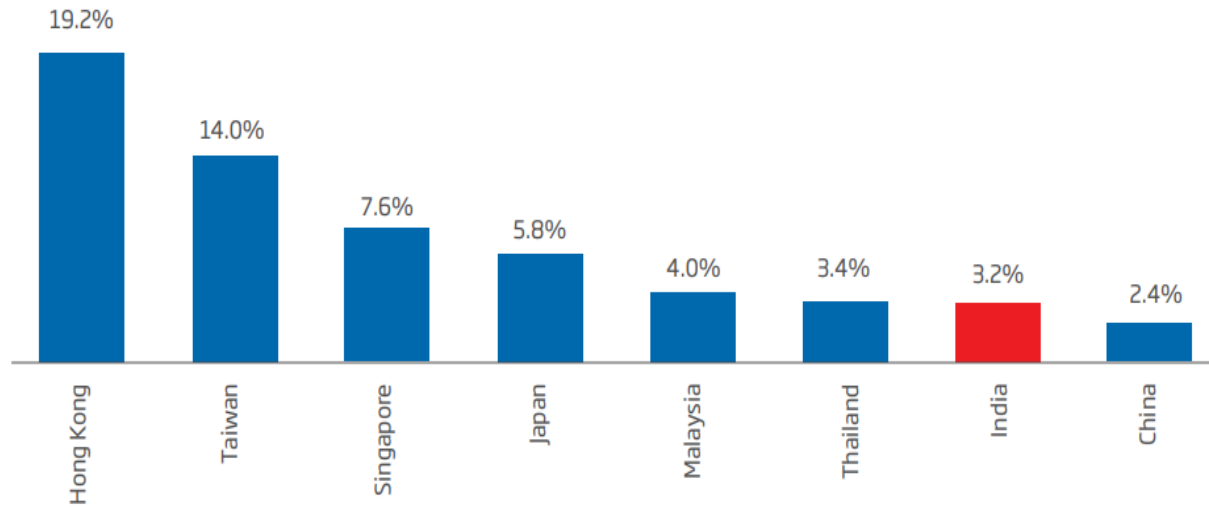
Households distribution by income



Industrial Analysis:

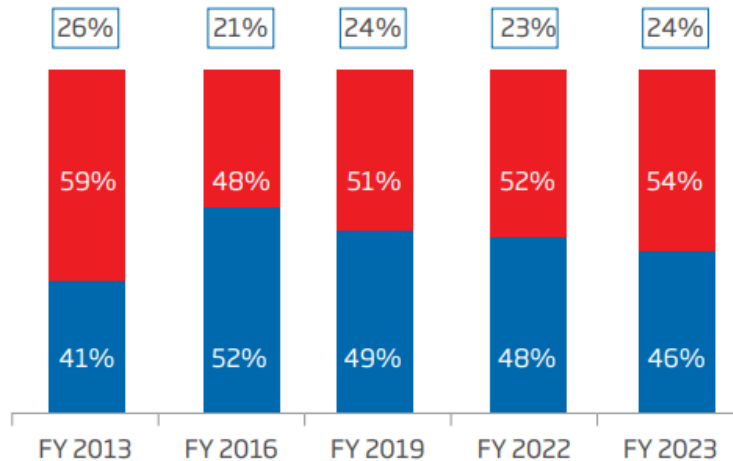
II. Low insurance penetration

Life Insurance penetration¹ (FY 2022)

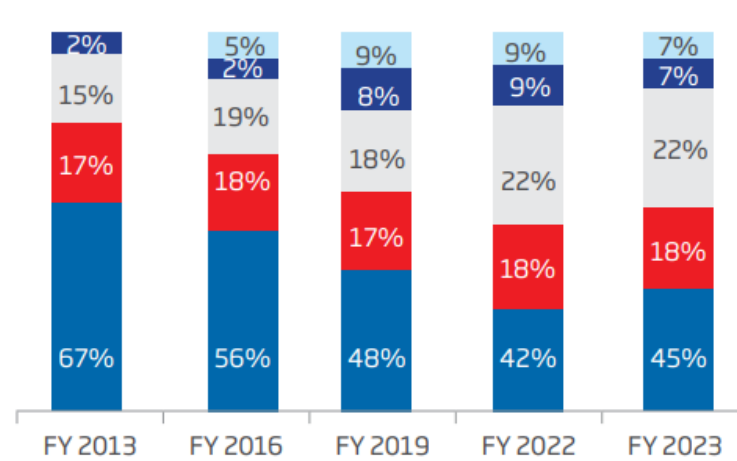


III. Financialisation of savings

Household savings composition



Financial savings mix



■ Gross financial savings ■ Physical savings

□ Household savings as % of GDP

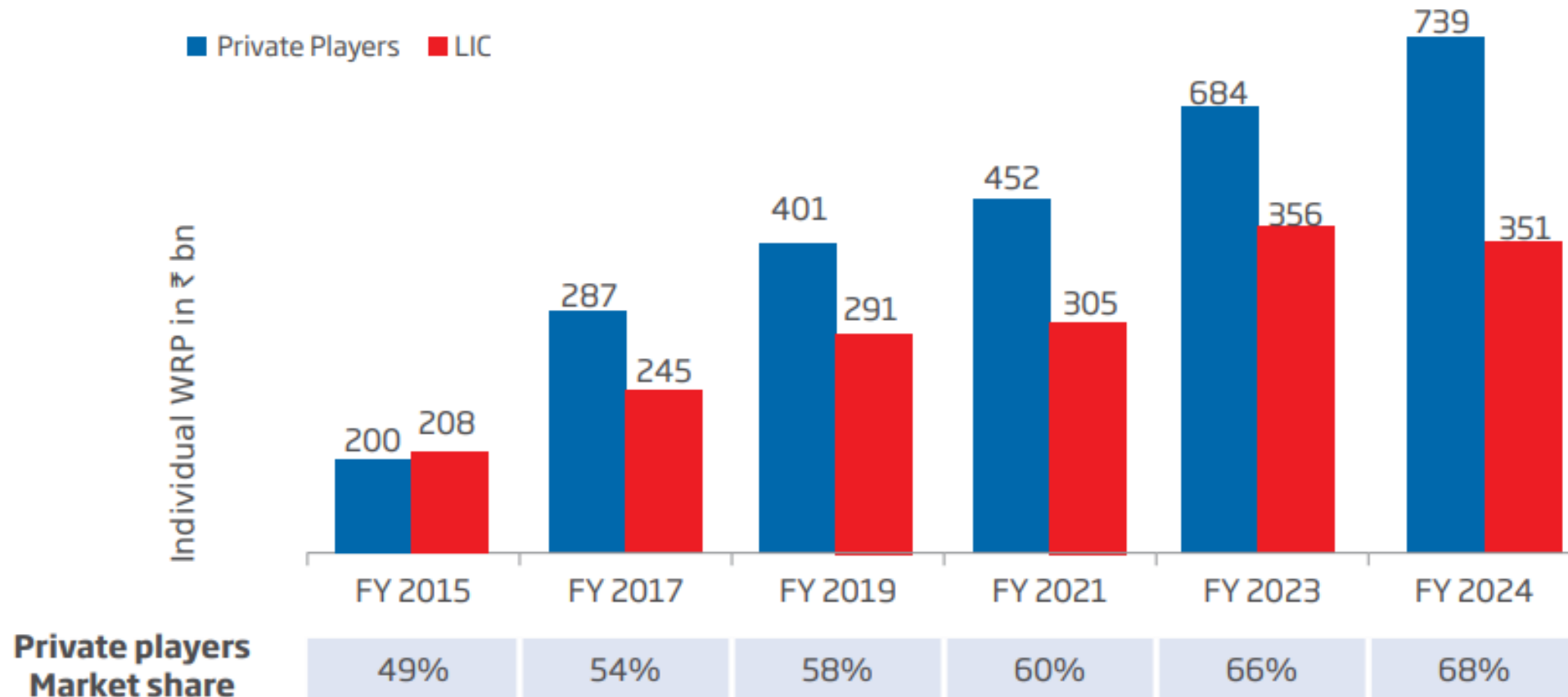
■ Currency & Deposits ■ Insurance ■ Pension ■ Shares & debenture ■ Small saving

Industrial Analysis:

LIFE INSURANCE INDUSTRY OVERVIEW

Overview

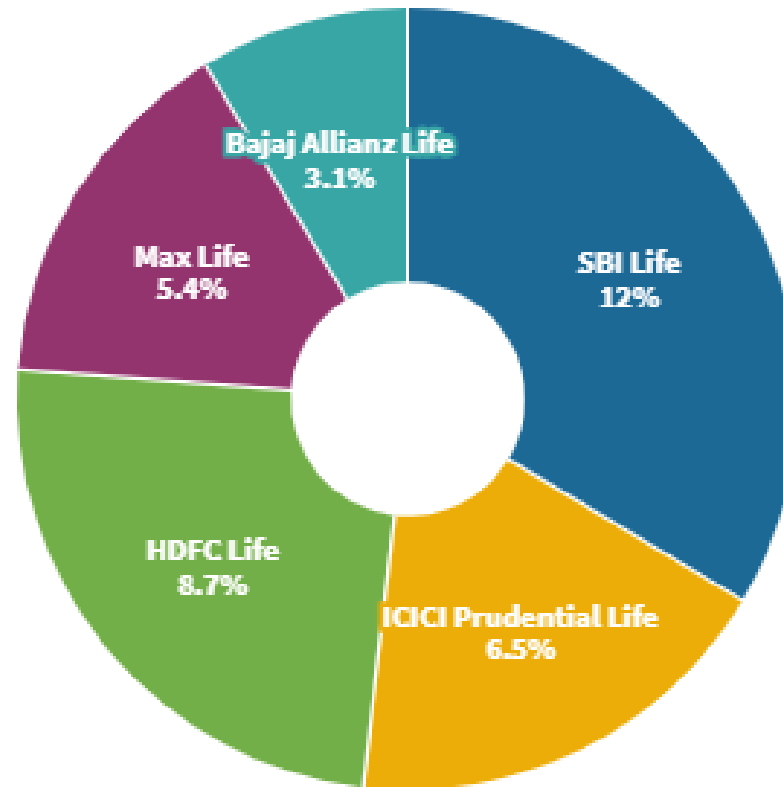
The life insurance industry has evolved considerably over the last decade with private players steadily gaining market share in terms of individual WRP. There have been significant changes in distribution strategy as well as product portfolio, with technology becoming a key enabler.



Source: IRDAI and Life Insurance Council

Market share of top private insurance companies

■ SBI Life ■ ICICI Prudential Life ■ HDFC Life ■ Max Life ■ Bajaj Allianz Life



Source: JM Finance report

Financial Highlights:

Revenue & Scale



Individual APE	Rs. Bn	115.1
	Growth ¹	1%
	2-year CAGR	14%



Renewal premium	Rs (Bn.)	334.5
	Growth	18%



AUM	Rs (Bn.)	2,922
	Growth	22%



IEV	Rs (Bn.)	474.7
	EVOP	17.5%

Profitability & Cost



Value of New Business (VNB)	Rs (Bn.)	35.0
	Growth	-5%
	2-year CAGR	14%



New Business Margin (NBM)	CY	26.3%
	PY	27.6%



Profit After Tax (PAT)	Rs (Bn.)	15.7
	Growth	15%



Total exp. ratio ²	CY	19.4%
	PY	19.8%

Customer & Capital



13 th month persistency	CY	87%
	PY	87%



Claim settlement ratio (FY24)	Overall	99.7%
	Individual	99.5%

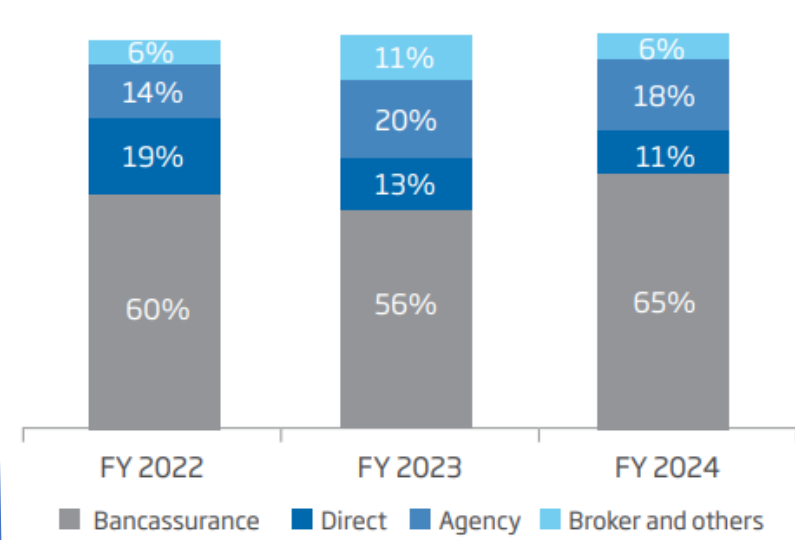
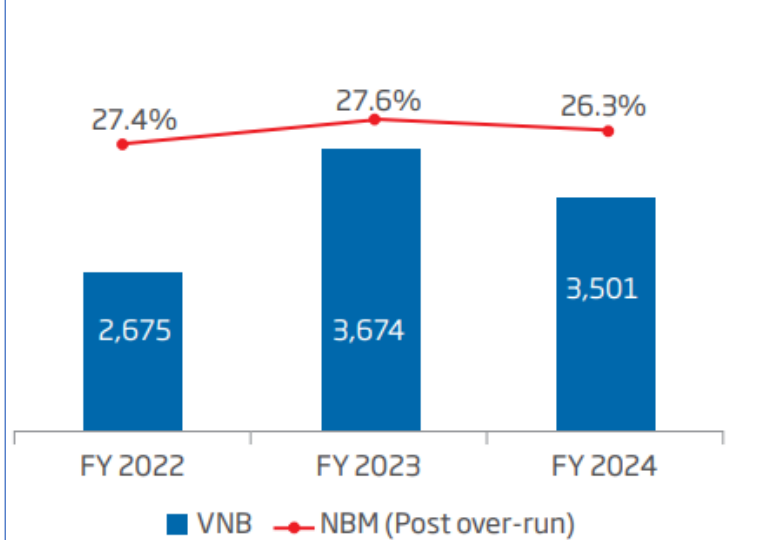
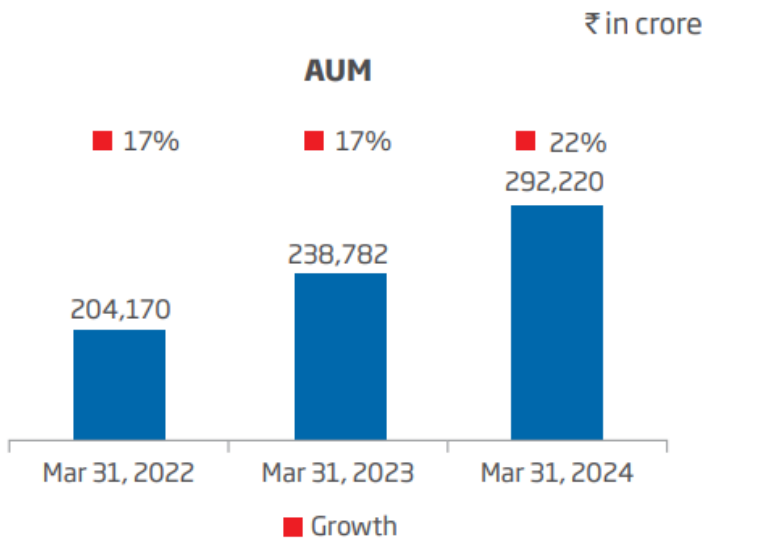


Complaints per 10K policies ³	FY24	28
	FY23	35

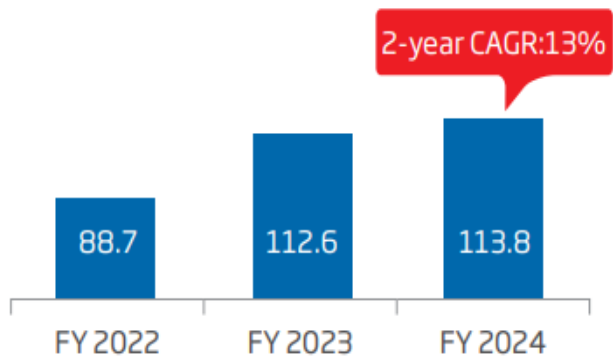
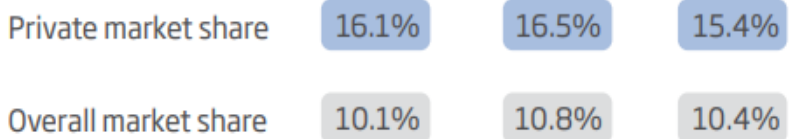


Solvency	Mar'24	187%
	Dec'23	190%

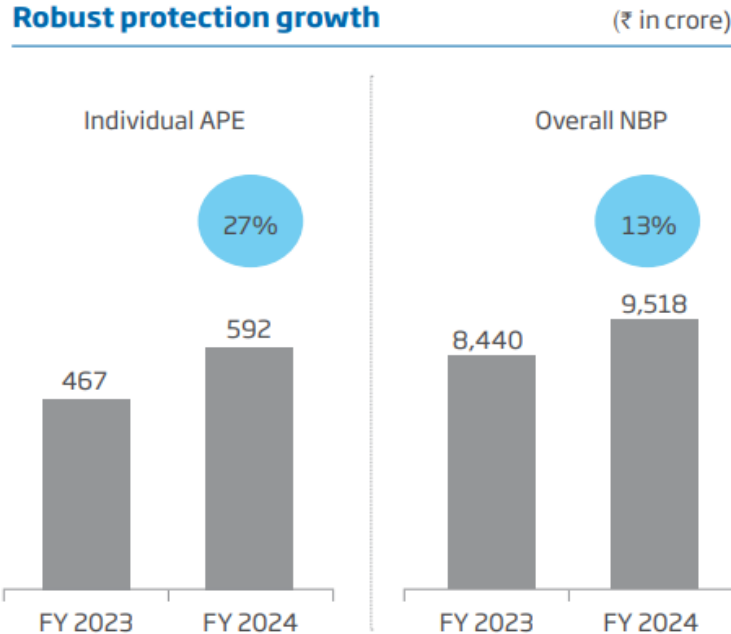
Performance trends:



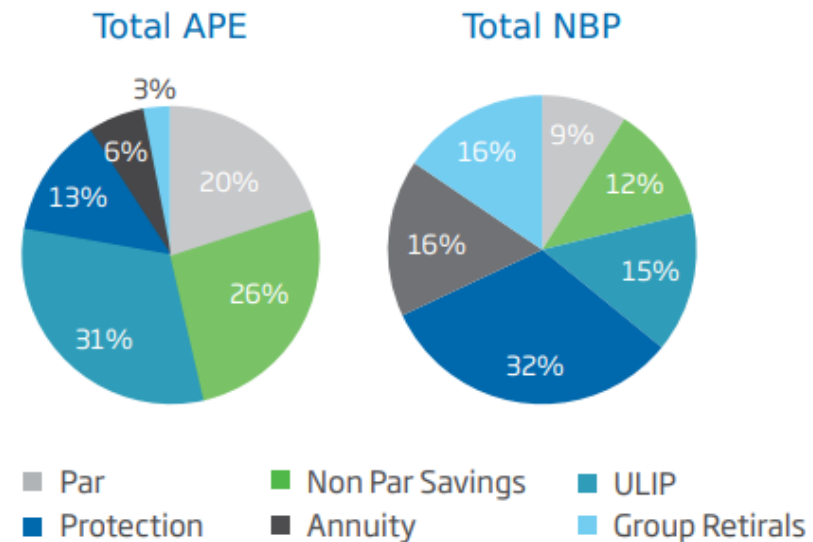
Steady individual WRP growth despite headwinds



Robust protection growth

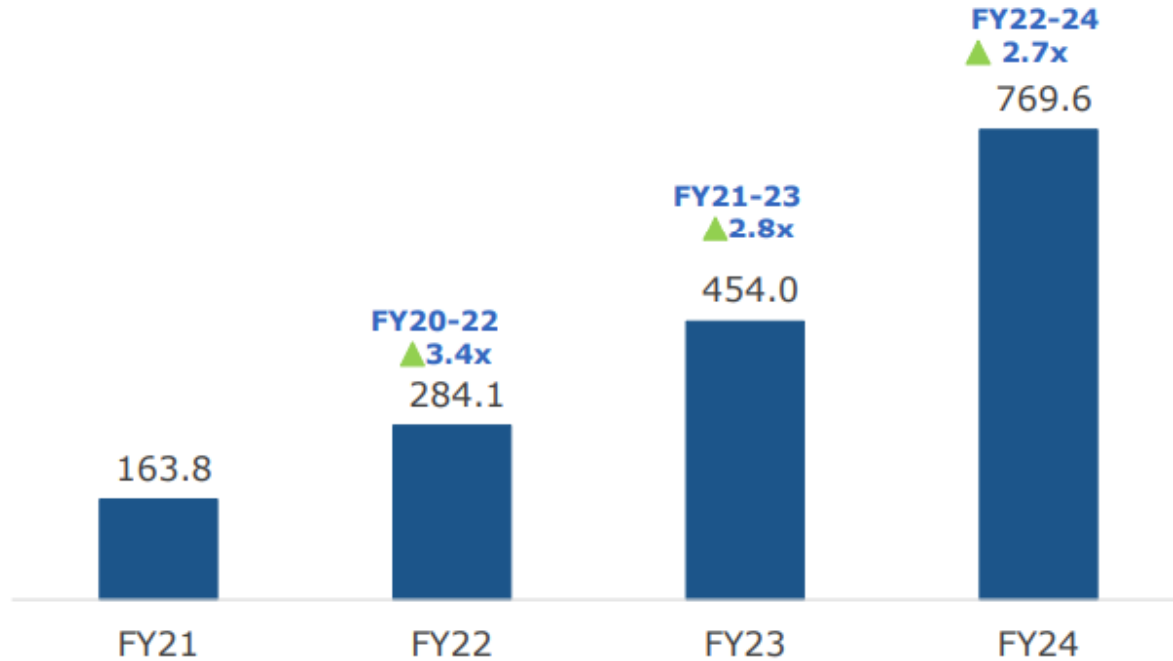


Product mix

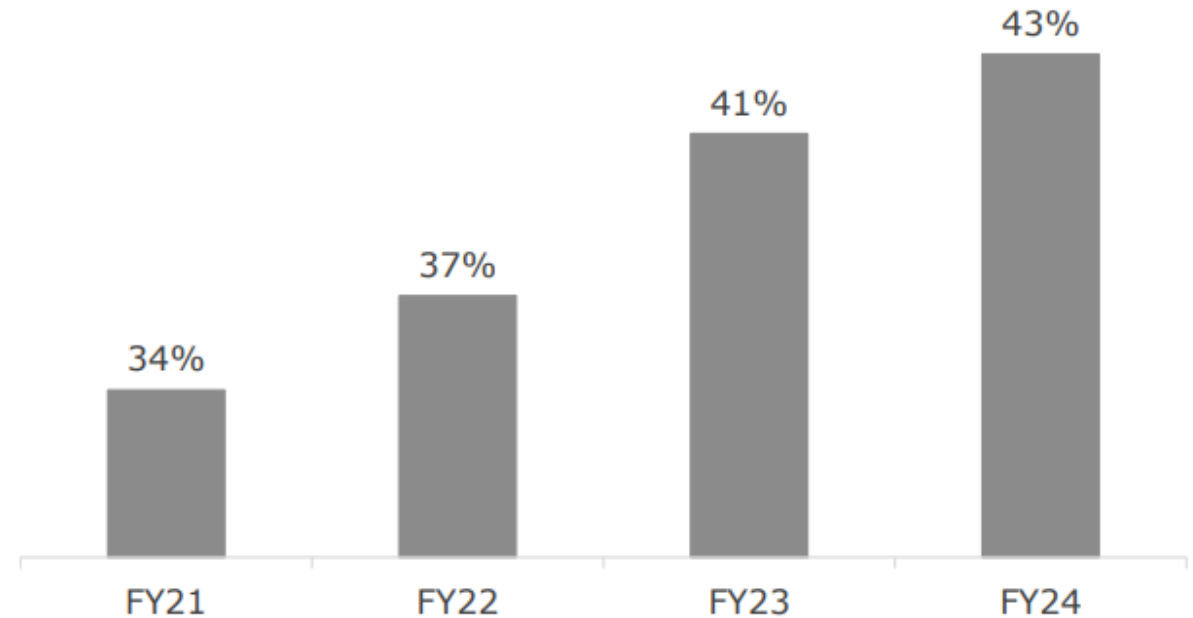


HDFC Pension Management Company

HPMC AUM (in Rs. bn)



Market share

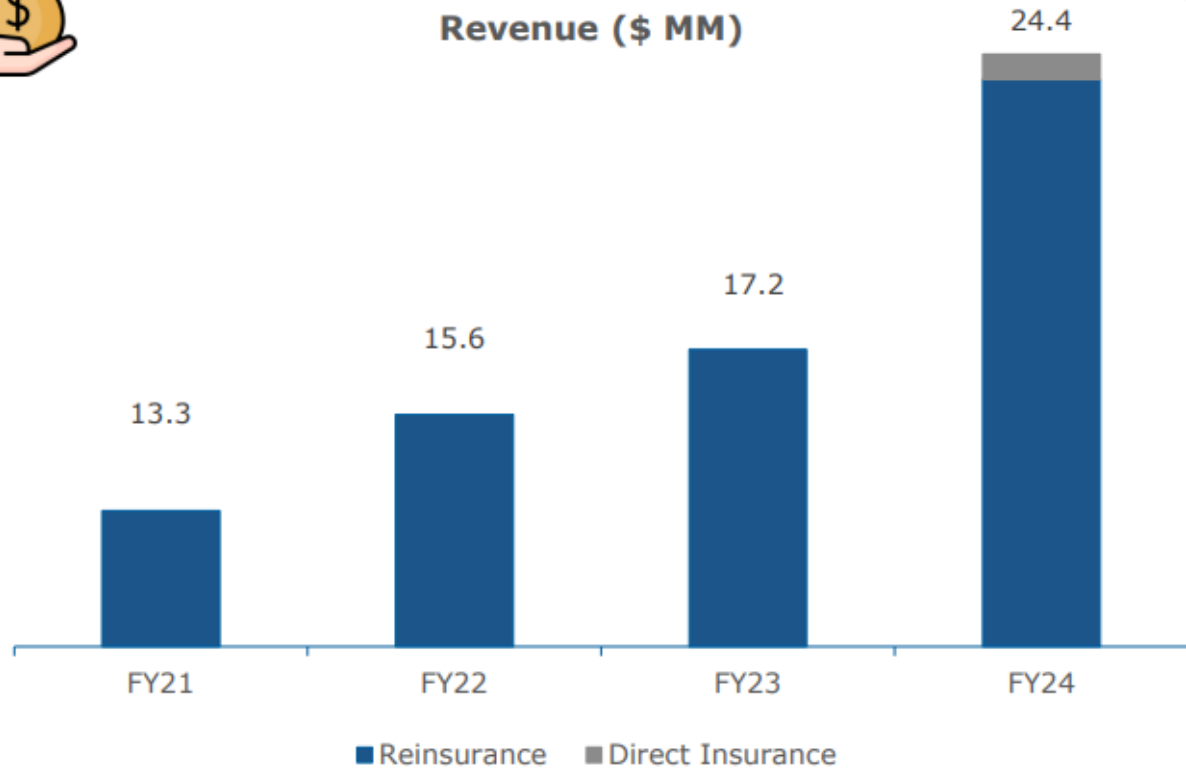


- HDFC Pension continues to be the largest Pension Fund Manager growing faster than industry in Retail and Corporate NPS AUM segment
- HDFC Pension POP is the 2nd largest POP in terms of corporate NPS¹ business & corporates empanelled
- In FY24, we have added more than 80K POP subscribers clocking a growth of more than 30%

HDFC International Life and Re Company Limited



Revenue (\$ MM)



Positive operating performance

- Reinsurance business' GWP grew by 38% YoY in FY24; Growing at a 5 year CAGR of 42%
- Favourable mortality and morbidity experience
- Array of US dollar denominated innovative life and health insurance plans launched from GIFT City to cater to the NRI diaspora

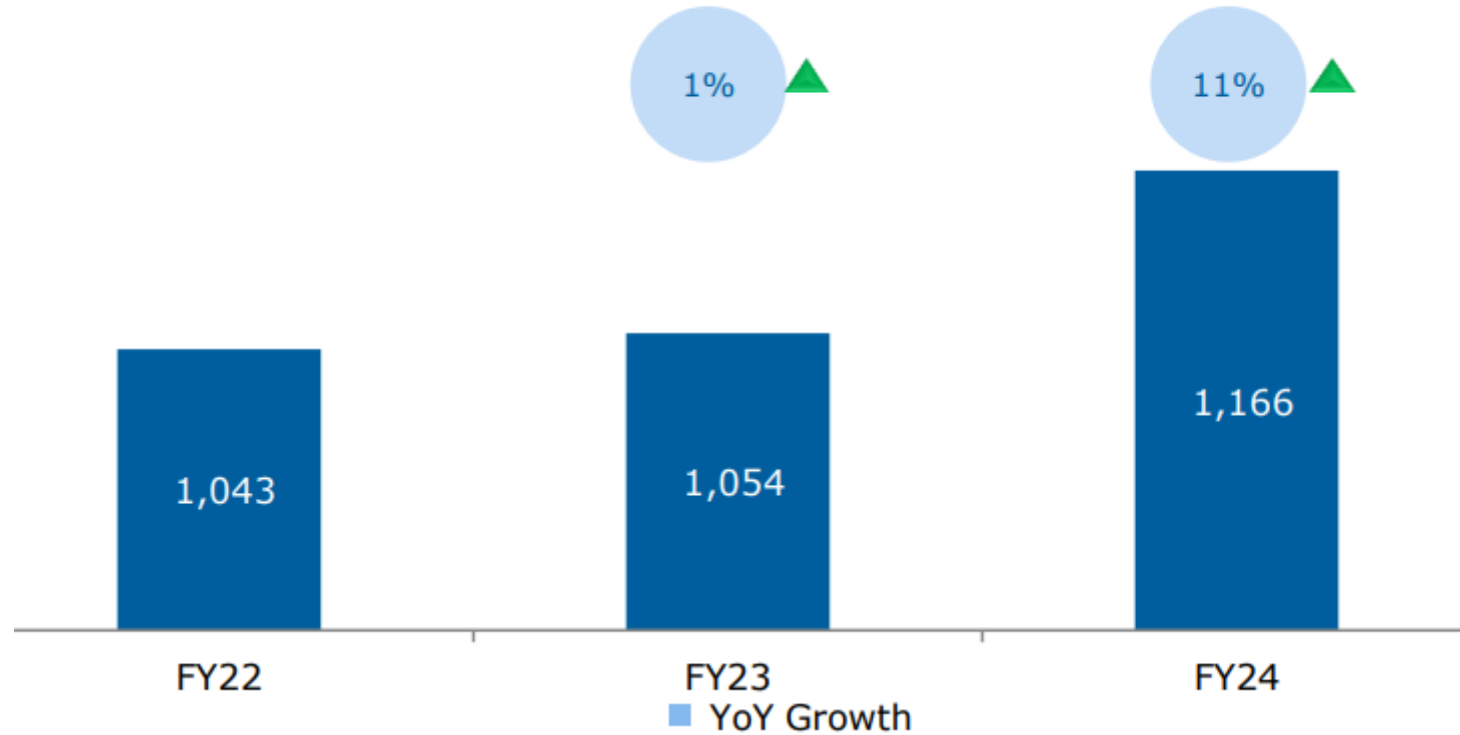


Robust financial position

- Capital adequacy ratio remains well above risk limits
- Disciplined approach to management expenses

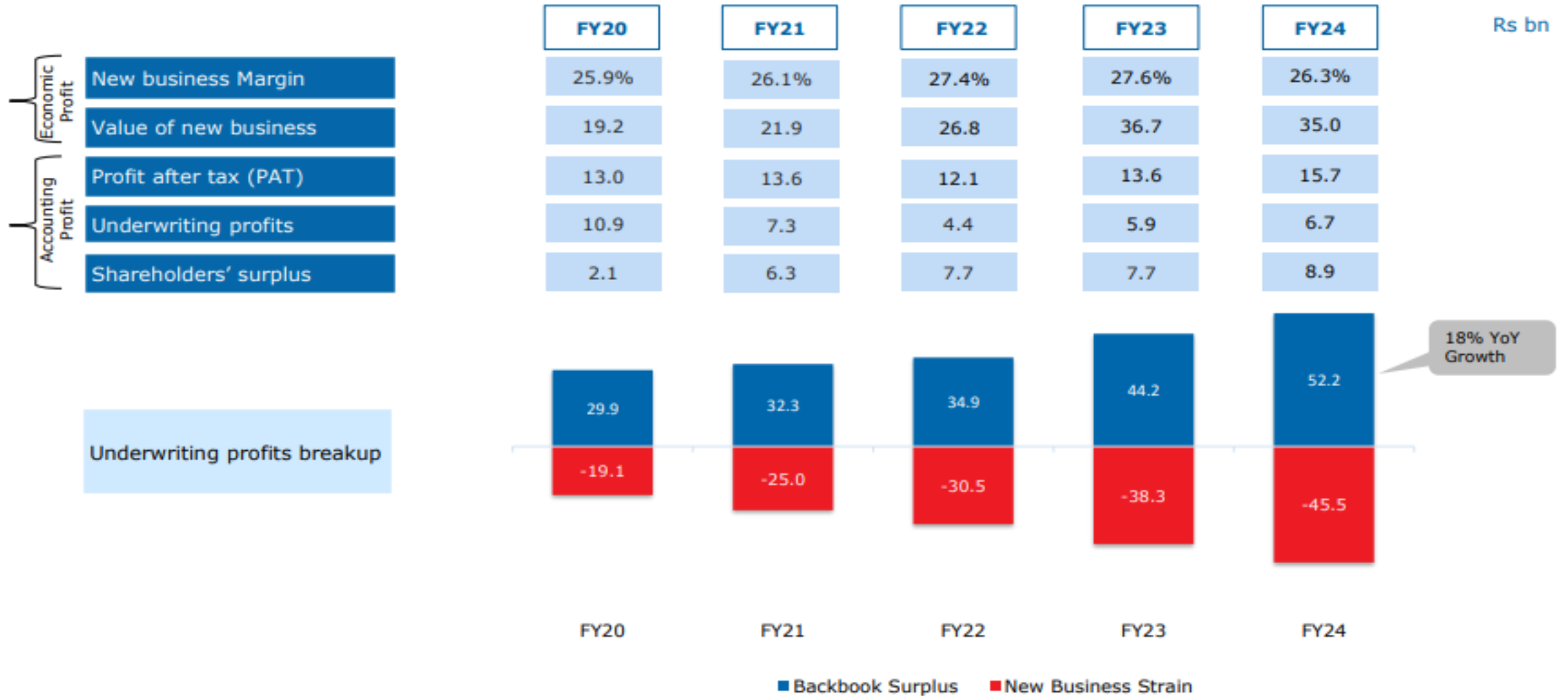
Financial Highlights:

Focus on increasing customer base (NOPs)¹



Financial Highlights:

Focus on profitable growth



Financial Highlights:

Market Cap ₹ 1,30,672 Cr.

Current Price ₹ 608

High / Low ₹ 711 / 511

Stock P/E 83.0

Book Value ₹ 68.2

Dividend Yield 0.33 %

ROCE 6.61 %

ROE 11.4 %

Face Value ₹ 10.0

Dividend yield 0.33 %

Price to book value 8.91

ROCE 6.61 %

Debt to equity 0.06

Return on equity 11.4 %

Industry PE 47.9

Current ratio 0.91

Int Coverage

OPM 0.52 %

Profit after tax ₹ 1,574 Cr.

Mar Cap ₹ 1,30,640 Cr.

Qtr Profit Var 13.7 %

Quick ratio 0.91

Industry PBV 7.65

Conclusion:

Investors are recommended to buy this stock:

Undervalued stock

Good Debt to Equity ratio

Increasing dividend per share

Focus on increasing customer base

Increasing profits

Good FCF ratio