HDFC Life Insurance Co Ltd (HDFSTA)

CMP: ₹ 569 | Target: ₹ 700 (23%) | Target Period: 12 months | BUY

July 16, 2026

VNB margin stable; revival in growth anticipated in H2FY27...

About the stock: HDFC Life is among the most dominant players in Indian life insurance industry with strong distribution network, parentage, operating metrics.

- Balanced product mix with focus on non-par, protection & annuity business
- Industry leading VNB margins of ~25-26%

Q1FY27 performance: HDFC Life reported slower premium growth in Q1FY27, while margins remained largely steady, supported by a favourable product mix. Total APE increased 9% YoY to ₹3,515 crore, supported by healthy group business. Growth outside HDFC Bank channel remained strong, with the agency channel growing 21% YoY and non-bank partnerships sustaining healthy momentum, while HDFC Bank channel remained broadly flat YoY. Product mix improved, with proportion of non-par 22%, retail protection at 8%, annuity at 11% and ULIP stable at 44%. VNB increased 9% YoY to ₹879 crore, while VNB margin remained broadly stable at 25%. Solvency improved to 185%, while 13-month persistency moderated to 84% (vs 86% in Q1FY26) and 61-month persistency improved to 65% (vs 64% in Q1FY26). PAT increased 12% YoY to ₹611 crore, while embedded value rose 13% YoY to ~₹65,860 crore.

Investment Rationale

- **Growth in focus as channel headwinds ease:** HDFC Life's growth has lagged peers over the past few quarters, with Individual APE growing 7% YoY in Q1FY27, largely due to intense competition and weaker traction in the HDFC Bank channel. With competitive intensity easing and corrective measures beginning to yield results, management expects to gradually regain counter share within HDFC Bank channel in coming quarters, while the agency (+21% YoY) and non-bank partnership channels continue to sustain healthy momentum. Supported by strong growth in retail protection (+42% YoY), improving non-par mix (22%; ~25% run-rate) and a balanced product mix (ULIP 44%, annuity 11%), the company has reiterated its FY27 guidance of growing in-line with or ahead of the industry (~15%), while management continues to prioritise growth over margin expansion.

- **VNB margins to remain range-bound amid growth focus:** HDFC Life delivered VNB margin of 25% in Q1FY27 despite residual GST impact of ~60 bps (ex-GST margin 25.6%), reflecting the benefits of favourable business profile and disciplined pricing. Management expects the remaining GST impact to be fully neutralised over the coming quarters through operating leverage and business mix optimisation; however, incremental margin gains are likely to be reinvested to accelerate growth, keeping VNB margins broadly range-bound around current levels. With operating RoEV at 14.7%, EV growing 13% YoY to ₹65,860 crore, and comfortable 185% solvency ratio, medium term outlook remains optimistic.

Rating and Target Price

We believe most near-term headwinds are largely priced in, while an improvement in growth execution could support a gradual re-rating. Strategy to increase protection mix, higher rider attachment and operating leverage, with traction in business, is seen to drive margins, though pace could remain gradual. Factoring all, we revise our target from ₹750 to ₹700, valuing the business at ~1.8x FY28E EV. Maintain Buy rating.

Result Update

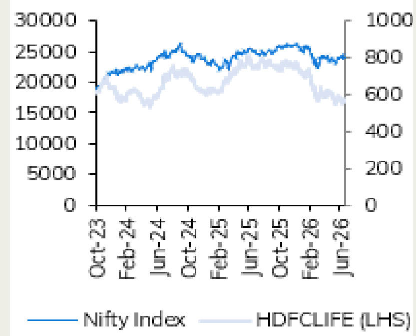
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,23,527 crore
EV	₹65,860 crore
AUM	₹4,00,870 crore
52 week H/L	₹ 815 / 543
Net worth	₹ 19,562 crore
Face value	₹ 10

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	50.3	50.3	50.2	50.2
FII	25.0	25.0	24.3	22.5
DII	14.1	14.1	15.2	17.3
Public	10.6	10.6	10.3	10.0

Price Chart



Key risks

(i) Slower than anticipated growth

(ii) Adverse regulatory headwinds

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Parth Chintkindi
parth.chintkindi@icicisecurities.com

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	3 year CAGR (FY23- FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
New business premium	29,939	33,365	36,096	7.5%	40,446	46,192	13.1%
APE	13,762	15,015	16,641	8.3%	18,002	20,377	10.7%
Total premium	65,492	71,045	79,387	11.3%	88,469	100,028	12.2%
PAT	1,569	1,815	1,910		2,293	2,509	
EV	47,468	55,423	62,139		71,334	81,888	
P/E (x)	77.5	67.0	69.7		53.5	48.9	
P/BV (x)	8.3	7.5	6.9		6.4	5.9	
P/IEV (x)	2.6	2.2	2.0		1.7	1.5	
RoEV (%)	17.5	16.7	14.0		15.4	15.4	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and outlook

- Individual APE grew 7% YoY, while overall APE increased 9% YoY to ₹3,515 crore, translating into a healthy 2-year CAGR of ~11%. Retail private market share stood at 16.3%, supported by strong customer acquisition and double-digit policy growth.
- Retail protection remained the key growth driver, with 42% YoY growth, while Credit Protect grew 19% YoY aided by recovery in the MFI segment.
- Assets under management crossed the ₹4 lakh crore milestone for HDFC Life, while consolidated AUM (including HDFC Pension) stood at ~₹5.8 lakh crore.
- Policy count grew in double digits and ahead of industry, supported by broad-based customer acquisition; nearly 70–75% of new policies by count are sourced from Tier 2/3 markets.
- 13th-month persistency moderated ~200 bps YoY to 84%, impacted by softer ULIP collections, lower-ticket business, seasonality and specific cohorts.
- 61st-month persistency improved by ~100 bps YoY to 65%, with management expecting gradual improvement in overall persistency through customer engagement and product interventions.

Product mix & Profitability

- Product mix remained diversified: ULIP ~44%, non-par savings ~22%, par ~15%, retail protection ~8% and annuity ~11% of individual APE.
- Non-par savings improved from ~18–19% in FY26 to ~22% in Q1FY27 and crossed the mid-20s on an exit run-rate basis, aided by calibrated repricing, favourable yields and reduced competitive intensity.
- Annuity mix more than doubled from ~5% to ~11%, led by the variable annuity proposition launched in Q4FY26; variable annuity now constitutes just under half of the annuity portfolio.
- ULIP demand remained resilient despite market volatility; management does not expect any meaningful increase or decline in ULIP mix from current levels.
- ULIP profitability has improved through higher protection and rider attachment, making margins more attractive than plain-vanilla ULIPs.

Margins and profitability

- VNB increased ~9% YoY to ₹879 crore, while VNB margin stood at 25%. Excluding the residual GST impact, underlying VNB margin stood at 25.6%.
- Management highlighted that underlying margins continue to improve, with historical margin moderation primarily driven by tax changes on high-ticket policies, surrender value regulations and GST.
- Remaining GST impact has reduced to ~60 bps, with management confident of complete neutralisation through pricing actions, product mix optimisation and operating leverage over the coming quarters.

Distribution channel

- Agency channel continued to outperform, growing 21% YoY, supported by improving productivity, deeper distribution and strong protection and annuity traction. Newly opened branches contributed ~16% of agency APE.
- Business through the HDFC Bank channel remained subdued due to lower bank volumes; however, counter-share improved during the quarter and returned close to Q1FY26 levels. HDFC Bank contributed 47% of retail APE.

- Non-HDFC Bank bancassurance channels grew ~15% YoY, benefiting from easing competitive intensity, while non-bank partnerships maintained stable market share.
- Management indicated new agency branches typically achieve break-even in ~18 months (12–18 months in larger markets and 18–30 months in smaller markets).

Solvency & other updates

- Solvency ratio improved to 185% following the preferential capital infusion by HDFC Bank, providing adequate capital to support future growth.
- IFRS implementation remains on track, while management continues to await clarity on the Risk-Based Capital (RBC) framework.
- The company is also awaiting IRDAI's discussion paper on distribution remuneration and is implementing RBI's revised framework on third-party product distribution.
- Embedded Value increased 13% YoY to ₹65,860 crore, while Operating RoEV remained healthy at 14.7%.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
First Year Premium	2,693.4	2,550.2	5.6	4,425.2	-39.1	Slower new business traction amid banca weakness
Renewal Premium	9,023.3	7,603.0	18.7	14,876.5	-39.3	61-month persistency improved to 65% (vs 64% Q1FY26)
Single Premium	5,449.7	4,721.9	15.4	7,120.4	-23.5	
Net Premium income	16,548.0	14,466.1	14.4	25,829.4	-35.9	
Income from Investments	16,765.5	14,735.4	13.8	-6,097.8	NA	Stability in macro conditions aided income from investments
Total revenue	33,313.5	29,201.5	14.1	19,731.7	68.8	
Commission	2,100.8	1,749.2	20.1	2,785.2	-24.6	
Operating expenses	1,769.8	1,509.9	17.2	2,140.1	-17.3	Investments in distribution (agency expansion, partnerships) and technology initiatives
Management Expenses	3,870.6	3,259.1	18.8	4,925.2	-21.4	
Benefits paid	8,132.8	8,679.8	-6.3	11,150.9	-27.1	
Change in Actuarial Liability	20,979.3	17,016.5	23.3	3,100.3	576.7	
Total Expenses	29,112.2	25,696.3	13.3	14,251.2	104.3	
Surplus/ (deficit)	**312.8**	**83.4**	**275.0**	**442.9**	**-29.4**	
Transfer to SH's A/c	368.2	366.3	0.5	470.7	-21.8	
Investment income	344.3	320.3	7.5	377.9	-8.9	
Profit/ (loss) before tax	626.7	560.7	11.8	486.2	28.9	
PAT	611.4	546.5	11.9	495.7	23.4	Steady growth (12% YoY) despite GST-related headwinds
Key Metrics						
NBP	8,143.1	7,272.1	12.0	11,545.6	-29.5	Subdued new business traction amid banca slowdown
AUM	400,870	355,897	12.6	375,198	6.8	
IEV	65,860.0	58,355.0	12.9	62,139.0	6.0	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Premiums earned - Net	69616.1	77314.5	87322.8	98755.5
Interest, Dividends & Rent	25945.3	20175.2	21932.0	25146.3
Others income (incl. MTM)	383.4	361.2	397.3	437.1
Total Revenue	95,945	97,851	109,652	124,339
Commission	7835.3	9126.9	10327.0	11658.8
Operating expenses	6221.8	7690.9	8719.2	9797.2
Benefits paid (Net)	39345.9	38323.4	44073.9	50303.2
Change in valuation of policy liab	41515.6	42433.5	43956.9	47841.2
Provision for tax	-588.2	94.1	-265.4	-278.8
Surplus/(deficit) after tax	1043.0	341.8	1290.2	1467.6
Transfer to Shareholders' account	967	1,193	1,187	1,350

(₹ Crore)	FY25	FY26	FY27E	FY28E
Amounts transferred from Policyholders	966.8	1193.1	1187.0	1350.2
Income from investments	1125.1	1477.6	1681.6	1743.6
Total	2,092	2,671	2,869	3,094
Total expenses	225.8	715.7	479.9	479.9
Profit before Tax	1866.1	1955.0	2388.8	2613.9
Provision for tax	64.0	45.1	95.6	104.6
PAT	1,802	1,910	2,293	2,509

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
Diluted EPS (₹)	8.4	9.9	10.6	11.6
BV (₹)	74.9	82.0	88.6	96.5
EV per share	257.4	288.0	328.4	376.9
P/E	67.0	56.9	53.5	48.9
P/BV	7.5	6.9	6.4	5.9
P/IEV	2.2	2.0	1.7	1.5
Efficiency Ratios (%)				
Commission expenses as a % of Gross Premium	11.0	11.5	11.7	11.7
Management expenses as a % of Gross Premium	19.8	21.2	21.5	21.5
Return Ratios and capital (%)				
Opearating RoEV	16.7	14.0	15.4	15.4
Key Ratios (%)				
VNB Margin	25.6	24.2	24.5	25.0

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Share capital	2153	2158	2172	2172
Reserve and surplus	13526	15248	16773	18450
Credit/[debit] fair value change	446	289	311	337
Networth	16125	17695	19257	20960
Policyholders' funds	319201	357800	402833	451931
Funds for Future Appropriations	4208	3505	3608	3726
Total Liabilities	**339535**	**379000**	**425698**	**476616**
Applications of Funds				
Shareholders' investments	18386	20055	24066	27676
Policyholders' investments	216267	249951	284195	319719
Asset held to cover linked liab	101628	105192	112555	123811
Loans	2378	2827	3360	3893
Fixed assets - net block	601	737	752	767
Net current assets	274	238	770	751
Total Assets	**339535**	**379000**	**425698**	**476616**

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
NBP	33,365	36,095	40,446	46,192
Growth (%)	11.4	8.2	12.1	14.2
Linked	19,741	24,209	28,925	34,452
Growth (%)	34.0	22.6	19.5	19.1
Non Linked	51,304	55,177	59,544	65,576
Growth (%)	1.1	7.5	7.9	10.1
APE	15015.0	16100.9	18002.1	20376.9
Growth (%)	9.1	7.2	11.8	13.2
VNB	3,962.0	4,034.0	4,558.5	5,265.1
Growth (%)	13.2	1.8	13.0	15.5
EV	55,423	62,139	71,334	81,888
Growth (%)	16.8	12.1	14.8	14.8
AUM	336,282	375,198	420,816	471,205
Growth (%)	15.1	11.6	12.2	12.0
PH Funds	216,267	249,951	284,195	319,719
Growth (%)	19	16	14	13
SH Funds	18,386	20,055	24,066	27,676

Source: Company, ICICI Direct Research

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Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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