

HDFC LIFE INSURANCE COMPANY LTD

May-19

Industry: Life Insurance

Cmp Rs. 389

Recommendation: Hold/Accumulate

Revised Target Rs: 467

Key Data

Date	14-May-19
BSE Code	540777
NSE Code	HDFCLIFE
52 Week High (Rs)	547
52 Week Low (Rs)	345
Market Cap (Rs Cr)	78556
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2019

Promoters	76.14%
Public	23.84%

Promoters/ Management

Mrs. Vibha Padalkar	CEO
Mr. Deepak Parekh	Director
Mr. Keki Mistry	Director
Mr. Renu Karnad	Director
Mr. Jamshed Irani	Director

Key Ratios

Mcap/EV x	4.29
Mcap/AUM	63%
Embedded Value Rs Cr	18301

Price Chart



Research Team

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FY19 Result Update:

Product Portfolio mix: HDFC Life has maintained a balanced product mix. It remains a key focus area, coupled with an emphasis on the protection business. HDFC Life has maintained its product mix in line with the stated strategy with ULIPs contributing 55%, Par 18% and Non par 27%. HDFC Life also continued its focus on protection business. Total number of lives insured increased to Rs 5.1 Cr during FY19, registering a growth of 55% over last year. Overall new business sum assured also saw an increase of 28% during FY19.

Leader in protection business: HDFC Life's Term protection APE has shown robust growth of 67% increasing from Rs 624 Cr in FY18 to Rs 1,045 Cr during FY19. Annuity APE showed a solid growth of over 140% to end at Rs 261 Cr for FY19. Protection business share (APE) improved to 16.7% FY19 from 11.3% FY18, driven primarily by credit protection. This has been a strong driver for VNB margin expansion and VNB growth. Margins expanded from 23.2% to 24.6% in FY19, supported by 2.5% expansion due to increase in protection business.

Diversified distribution Mix: HDFC Life has a well-diversified distribution mix. HDFC Life has diversified its partners by adding other banks and NBFCs as channel partners. It is also backed by strong presence across the country through 412 HDFC Life offices, along with wide access to the branches of 266 partners, including 39 new-ecosystem partners as on FY19. Cross-selling to group customers formed 8.4% of the individual new business policies sold during FY19. Similarly, the focus on growing its agency profitably and direct channel are also reaping benefits for the company. Thus such type of diversified distribution strategy places HDFC Life in a competitive position vis a vis its peers.

Continuous improvement in profitability: HDFC Life saw an improvement at the PAT level which showed growth of 18% to Rs 1,305 Cr for FY19 against Rs 1,109 Cr in FY18. This was mainly due to conservative reserving, improving persistency and declining share of the ULIP business. HDFC Life's networth increased by 20% to Rs 5659 Cr in FY19 and also maintaining stable solvency ratio at 188% which is above industry standard of 150%. Protection and annuity businesses comprise a substantial 27% and 17% of total new business premium respectively which helps improve the margins. HDFC Life's business share has continued to improve, given the company's strong focus on the improving product mix and focus towards margin-accretive protection business segment.

Mview:

HDFCLIFE continued to be the market leaders in terms of total new business received premium with a market share of 20.7% in the private sector compared to 19.1% in the same period last year. We expect HDFCLIFE to deliver healthy CAGR growth in between 20-22% in overall business parameters over FY19-21, with improved margins. We assume return ratios to remain strong in new business margins. Hence we believe balanced product mix remains a key focus area of growth and target on growing protection business, coupled with the widening distribution reach factors justifies the valuations on higher side and will maintain the difference with listed peers and believe the stock to deliver steady returns over the medium term.

About the Company:

Incorporated in 2000, HDFC Life Insurance Company Ltd (HDFC Life) is Mumbai based life insurance provider in India. HDFC Life offers a wide range of individual and group insurance solutions including Protection, Pension, Savings & Investment and Health, along with Children's and Women's Plan. HDFC Life is a joint venture between HDFC and Standard Life Aberdeen plc. HDFC is a leading financial service provider in India offering finance for housing, banking, life and general insurance, asset management, venture capital and education loans. Standard Life is an Edinburgh based investment company offering wide range of financial services across the globe. As on March 31, 2019, it had 38 individual and 11 group products in its portfolio, along with 8 optional rider benefits, catering to a diverse range of customer needs.

FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q4FY19	Q4FY18	YoY	Q3FY19	QoQ		FY19	FY18	YoY
Transfer from Policy Holders	476	397	20%	177	169%		1213	1002	21%
Income from investments	173	97	78%	83	107%		414	280	48%
Other income	12	0		0			21	13	61%
Total A	661	494	34%	260	154%		1648	1295	27%
Expenses other than those	18	1		2			31	13	146%
Bad debts	0	0		0			0	0	
Provisions	-1	0		9			0	0	
Contribution to policyholders	298	154		-7			309	157	97%
Total B	315	155		4			340	169	101%
PBT	345	339	2%	256	35%		1308	1127	16%
provision for tax	-19	-8		11			13	18	-26%
PAT	364	347	5%	246	48%		1295	1109	17%
EPS	1.80	1.7	5%	1	48%		6.42	5.51	16%

TECHNICAL OUTLOOK

HDFC Life Insurance Company Ltd





MSEARCH

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Disclosure of Interest Statement: Analyst ownership of the stock: No

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Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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