

HDFC LIFE INSURANCE COMPANY LTD

Aug-19

Industry: Life Insurance

Cmp Rs. 526

Recommendation: Hold / Accumulate

Accumulate Range: 500-508

Key Data

Date	19-Aug-19
BSE Code	540777
NSE Code	HDFCLIFE
52 Week High (Rs)	560
52 Week Low (Rs)	345
Market Cap (Rs Cr)	107226
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding June 2019

Promoters	74.49%
Public	25.48%

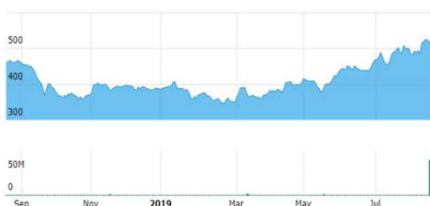
Promoters/ Management

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	5.68
Mcap/AUM	84%
Embedded Value Rs Cr	19230

Price Chart



Research Team

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Q1FY20 Result Update:

Product portfolio mix: HDFC Life has maintained a profitable product suite, with an emphasis on the protection and retirement space that is expected to fuel growth across market cycles. It has recorded stellar growth, with strong traction witnessed across savings, protection and retirement solutions whilst maintaining their focus on profitability. HDFC Life has experienced a change in its product mix with continued focus on protection business. The product mix for Q1FY20 stands at 26% from Ulip, 63% from Non par savings, 5% from Non par protection and remaining 6% from participating policies.

Expansion of their market share: HDFC Life experienced an expansion in their market share in the private sector. It stands at 25.1% in Q1FY20 as compared to 22.3% in Q1 FY19, based on total new business received premium. It is now consistently ranked amongst the top 3 private players in individual and group segments with market share of 17.5% based on Individual WRP (YoY increase of 420 bps) and remained steady at 30.0% based on Group business (on received premium) during Q1 FY20.

Continued to hold position as the margin leader: HDFC Life managed to post high growth in Credit Protect on the back of improving attachment rate and tie-ups with high quality partners. HDFC Life's Term protection APE has shown robust growth of 63% increasing from Rs 187 Cr in Q1FY19 to Rs 304 Cr during Q1FY20. Annuity APE showed a solid growth of over 69% to end at Rs 70 Cr for Q1FY20. This has been a strong driver for VNB margin expansion and VNB growth. Margins expanded from 24.2% to 29.8% in Q1FY20, supported by favourable product profile ie shift in its product mix and improving cost efficiency. All it's channel are double-digit margin profitable.

Diversified distribution Mix: The agency and the direct channel continue to grow stronger and is in turn reducing reliance on banca in Q1. In Q1FY20, banca mix dipped 9% to 56% of retail business despite the sharp premium growth. The product mix got skewed towards non par savings owing to newly launched "Jeevan Sanchay". However the product portfolio will normalise with other products growing and non par saving growth moderating. HDFC Life's active addition on agent/bank/internet distribution should be a strong plus point for future growth. In Q1FY20, the company has partnered with 230+ banks/NBFC/ Micro Finance Institutions/Small Finance Banks. It is trying to develop business with 40+ of alternative distribution partners including Airtel. This is going to be the next leg of growth.

Mview:

HDFCLIFE continued to be the market leaders in terms of total new business received premium. Q1FY20 earnings recorded a stellar topline growth, with strong traction witnessed across savings, protection and retirement solutions whilst maintaining focus on profitability. HDFCLIFE diversified distribution mix coupled with product innovation has helped to address niche customer segments and emerging profit pools on QoQ basis. On overall basis we expect HDFCLIFE to deliver healthy CAGR growth in between 20-22% in overall business parameters over FY20-21E, with improved margins. We assume healthy growth on new business is on card as India has more than 65 million white collared addressable populations and out of which only less than 5% people have covered insurance of any kind and rest is the opportunities for growth in India. We believe people are becoming more aware of insurance as a financial product and HDFCLIFE is well placed to tap the opportunity.

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 June 30, 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	Q1FY20	Q4FY19	QoQ	Q1FY19	YoY		FY19	FY18	YoY
Transfer from Policy Holders	355	476	-25%	320	11%		1213	1002	21%
Income from investments	101	173	-42%	73	38%		414	280	48%
Other income	0	12		9			21	13	61%
Total A	456	661	-31%	408	12%		1648	1295	27%
Expenses other than those directly related to biz	3	18		2			31	13	146%
Bad debts	0	0		0			0	0	
Provisions	10	-1		0			0	0	
Contribution to policyholders fund	0	298		14			309	157	97%
Total B	22	315		16			340	169	101%
PBT	434	345	26%	392	11%		1308	1127	16%
provision for tax	12	-19		12			13	18	-26%
PAT	422	364	16%	381	11%		1295	1109	17%
EPS	2.09	1.8	16%	1.89	11%		6.42	5.51	16%

TECHNICAL OUTLOOK

HDFC Life Insurance Company Ltd





MSEARCH

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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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