

HDFC LIFE INSURANCE COMPANY LTD
Feb-21
Industry: Life Insurance
Target Rs. 820
Recommendation: Hold / Accumulate
Accumulation Range: 650-670
Key Data

Date	11.2.2021
BSE Code	540777
NSE Code	HDFCLIFE
52 Week High (Rs)	731
52 Week Low (Rs)	339
Market Cap (Rs Cr)	145342
Face Value	10
Cmp Rs	719

Q3FY21 Result Update:

Continuous expansion in the market share: HDFC Life carried on an expansion in their market share in the private sector. It continues to rank amongst top private players in individual and group segments. It's market share increased by nearly 214 bps from 14.3% to 16.4% with Individual WRP registering a growth of 19% in Q3. For 9M basis it grew by 8% against private industry de-growth of 6%. Renewal premium growth of 22% with stable 13th month persistency is also a positive indicator.

Diversified distribution mix: HDFC Life has maintained a profitable product suite, with strong commitment towards tapping the immense protection and retirals opportunity in India which is expected to fuel growth across market cycles. The product mix for Q3FY21 stands at ULIPS (23%), participating policies (35%), Non par savings (30%), protection (7%) and remaining annuity (5%). It has recorded stellar growth in retail protection (17%) and growth annuity (42%) whilst maintaining their focus on profitability. HDFC Life has experienced a change in its product mix with continued focus on protection business.

Improvement in new business margins & solvency position: HDFC Life has delivered strong performance across all key metrics and have continued to sustain profitability. HDFC Life's individual APE has shown decent growth of 6% increasing from Rs 4390 Cr in 9M FY20 to Rs 4660 Cr during 9M FY21. Overall APE showed a growth of over 4% to end at Rs 5490 Cr for 9M FY21. New business margins came at 25.6% on the back of higher growth and favourable product mix. It could narrow down opex ratio at 12.1% for 9M FY21 compared to 13.7% in same period last year. PAT increased by 6% to Rs 1040 Cr against for 9M FY21. Solvency margins improved to 202% vs 184% in 9M FY20.

Consistent share of proprietary channels: HDFC Life's diversified distribution mix is underpinned by the strong growth of their proprietary channels, coupled with steady performance across our corporate partners. Current AUM stands at Rs 1,65,620 Cr against Rs 1,36,450 showing a decent up move of 21%. They continued to grow stronger and in turn have increased reliance on banca overall in 9M FY21. Banca mix increased further to 63% of retail business supporting sharp premium growth. It delivered 22% jump in its premium. It is developing multiple channels of growth to drive need-based selling. We expect their continued new product propositions to cater to the changing customer behaviour and needs will put them in a good position to harness the long term growth in their business.

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding Dec 2020

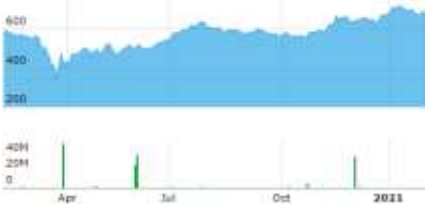
Promoters	58.87%
Public	41.10%

Promoters/ Management

Mr. Deepak Parekh	Chairman
Mr. Keki Mistry	Director
Mr. Renu Karnad	Director
Mr. Niraj Shah	CFO
Mrs. Vibha Padalkar	CEO

Key Ratios

Mcap/EV x	5.80
Mcap/AUM	88%
Embedded Value Rs Cr	25050

Price Chart

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Mview:

We believe HDFC Life offers the best in class investment opportunity to accumulate for long term. We see huge opportunity for insurance industry amid COVID-19 and believe people would start realizing the importance of insurance and the backing it provides in the trying times like the recent ones. HDFC Life continued to be the market leaders in terms of total new business received premium. Q3 FY21 results were mixed, with operational results coming below estimates, but gain in market share with NBM margins improvement sequentially was encouraging with steady recovery from Covid-19 impact. On overall basis we expect HDFC Life to deliver healthy CAGR growth in between 18-20% in overall business parameters over FY21-22E, 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.

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 december 31, 2020 it had 37 individual and 13 group products in its portfolio, along with 7 optional rider benefits, catering to a diverse range of customer needs.

QUARTERLY FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q3FY21	Q2FY21	QoQ	Q3FY20	YoY		9M FY21	9M FY20	YoY
Transfer from Policy Holders	128	216	-41%	168	-24%		696	742	-6%
Income from investments	145	139	4%	115	26%		383	351	9%
Other income	1	1		0			2	1	163%
Total A	274	356	-23%	283	-3%		1081	1094	-1%
Expenses other than those directly related to biz	20	16		7			43	19	126%
Bad debts	0	0		0			0	0	#DIV/0!
Provisions	-13	7		3			-20	19	-205%
Contribution to policyholders fund	10	7		9			17	30	-43%
Total B	17	30		19			40	68	-41%
PBT	257	326	-21%	265	-3%		1041	1026	1%
provision for tax	2	0		13			2	44	-95%
PAT	255	326	-22%	251	2%		1039	982	6%
EPS	1.30	1.62	-20%	1.24	5%		5.16	4.89	6%

TECHNICAL OUTLOOK





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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