

HDFC LIFE INSURANCE COMPANY LTD
May-21
Industry: Life Insurance
Target Rs. 807
Recommendation: Hold / Accumulate
Accumulate Range: 650-670
Key Data

Date	10.5.2021
BSE Code	540777
NSE Code	HDFCLIFE
52 Week High (Rs)	746
52 Week Low (Rs)	464
Market Cap (Rs Cr)	134433
Face Value	10
Cmp Rs	673

Q4FY21 Result Update:

Continuous expansion in the market share: HDFC Life carried on an expansion in their market share in the private sector through consistent product innovation. Its ranking improved to no 2 in terms of Individual WRP helping its market share expand by 130 bps from 14.2% to 15.5%. Their private market share within the group and overall new business segment stood at 27.6% and 21.5% respectively. It is developing multiple channels of growth to drive need-based selling.

Steady expansion in VNB margins & solvency position: HDFC Life has ensured sustainable and profitable growth by identifying and tapping new profit pools. It has been able to show strong growth in renewal premium. With New business margins and VNB margins being steady it was able to achieve 26.1% and 27% in FY21 respectively on the back of higher growth and favourable product mix. It's solvency position came at 201% in FY21 vs 184% in FY20. PAT increased by 5% to Rs 1360 Cr against for FY21. Persistency ratio also improved for 13th month and 61st month which came at 91.4% and 54.6% respectively showing amount of business retained during the quarter. 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.

Focus on diversified channel mix: HDFC Life has maintained a balanced 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 Q4FY21 stands at ULIPS (24%), participating savings (34%), Non par savings (31%), protection (7%) and remaining annuity (5%). Their focus on the retiral segment resulted in 46% growth in the Annuity business. Its direct channel mix is delivering increasing support followed by agency channel. HDFC Life's AUM stood at Rs 1,73,800 Cr against Rs 1,65,620 showing a decent up move of 5%. They continued to grow stronger with the help of increasing persistency across key channels and segments. Its continuous focus on technology and customer centricity has enabled them to maintain business continuity through FY21.

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2021

Promoters	58.86%
Public	41.11%

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	5.05
Mcap/AUM	77%
Embedded Value Rs Cr	26617

Price Chart

Research Team
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Mview:

We continue to remain positive on the company maintaining superior balanced product mix across the business emphasising more on product innovation. We see huge opportunity for insurance industry amid COVID-19 and believe Covid survivors will opt for life insurance in the country. HDFC Life continued to be the market leaders in terms of total new business received premium. The company's has focused on diversified product & distribution mix with target to generate high margin and high AI technology driven which makes HDFC Life ahead of the curve in peers. In Q4 we saw net profit muted on account Covid-related provisions which will remain same in near term. Given the resurgence of Covid and the looming uncertainty around economic and market momentum, the company will continue to maintain a cautiously optimistic stance for FY22E and evaluate its approach dynamically. 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. Hence we advice investors to "ACCUMULATE" a long-term compounding growth story.

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, 2021 it had 36 individual and 12 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	Q4FY21	Q3FY21	QoQ	Q4FY20	YoY		FY21	FY20	YoY
Transfer from Policy Holders	283	128	121%	457	-38%		980	1199	-18%
Income from investments	273	145	88%	88	210%		656	446	47%
Other income	1	1		19			3	20	-84%
Total A	557	274	104%	565	-1%		1639	1665	-2%
Expenses other than those directly related to biz	26	20		11			22	18	21%
Bad debts	0	0		0			0	0	-
Provisions	-17	-13		179			-37	198	-119%
Contribution to policyholders fund	241	10		75			259	105	147%
Total B	250	17		264			243	321	-24%
PBT	307	257	20%	300	2%		1396	1344	4%
provision for tax	-9	2		-27			-7	16	-140%
PAT	316	255	24%	327	-4%		1402	1328	6%
EPS	1.58	1.30	22%	1.54	3%		6.74	6.43	5%

TECHNICAL OUTLOOK





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

MEHTA EQUITIES LTD

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