

# Top Diwali Picks 2019



# Bajaj Auto

-	
CMP	₹3088
TARGET	₹3529



# Dabur

CMP	₹473
TARGET	₹495



### **HDFC Bank**

CMP	₹1229				
TARGET	₹1370				



#### HUL

CMP	₹2117		
TARGET	₹2418		



#### Marico

CMP	₹395			
TARGET	₹435			



# Whirlpool

CMP	₹2191		
TARGET	₹2470		



#### SBI Life Insurance

CMP	₹989		
TARGET	₹1145	Ī	



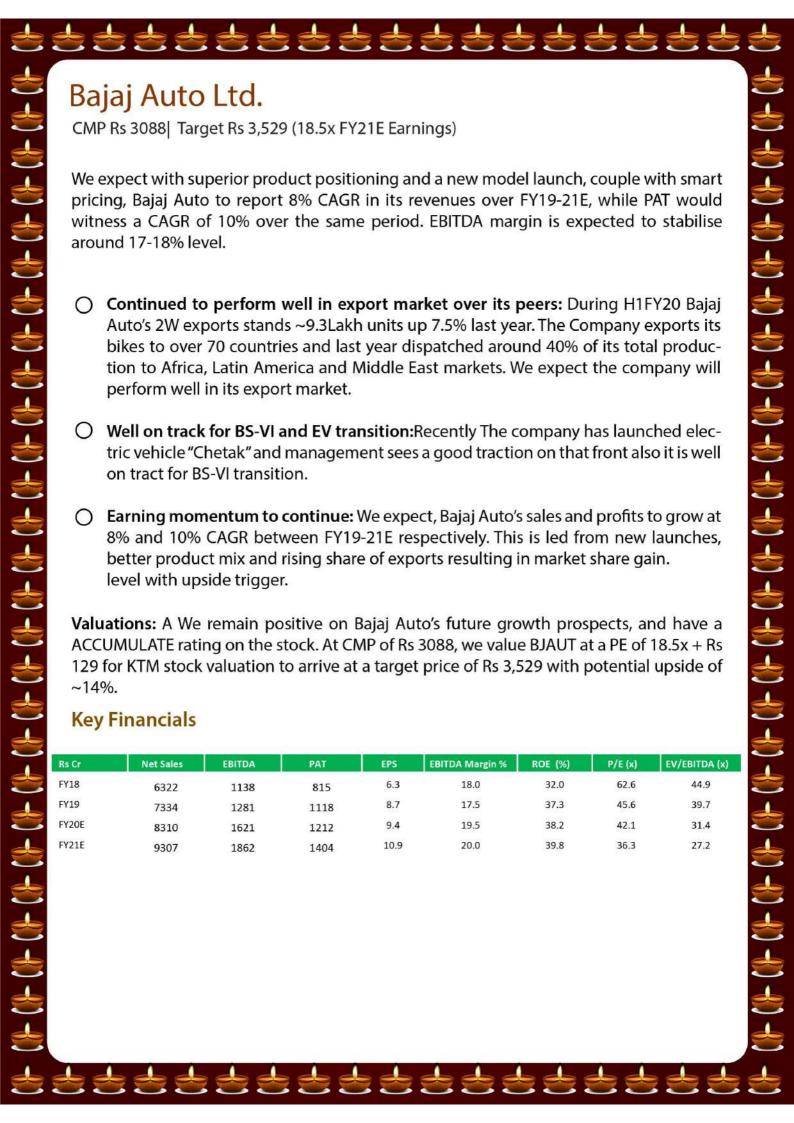
# HDFC Life Insurance

CMP	₹611
TARGET	₹707



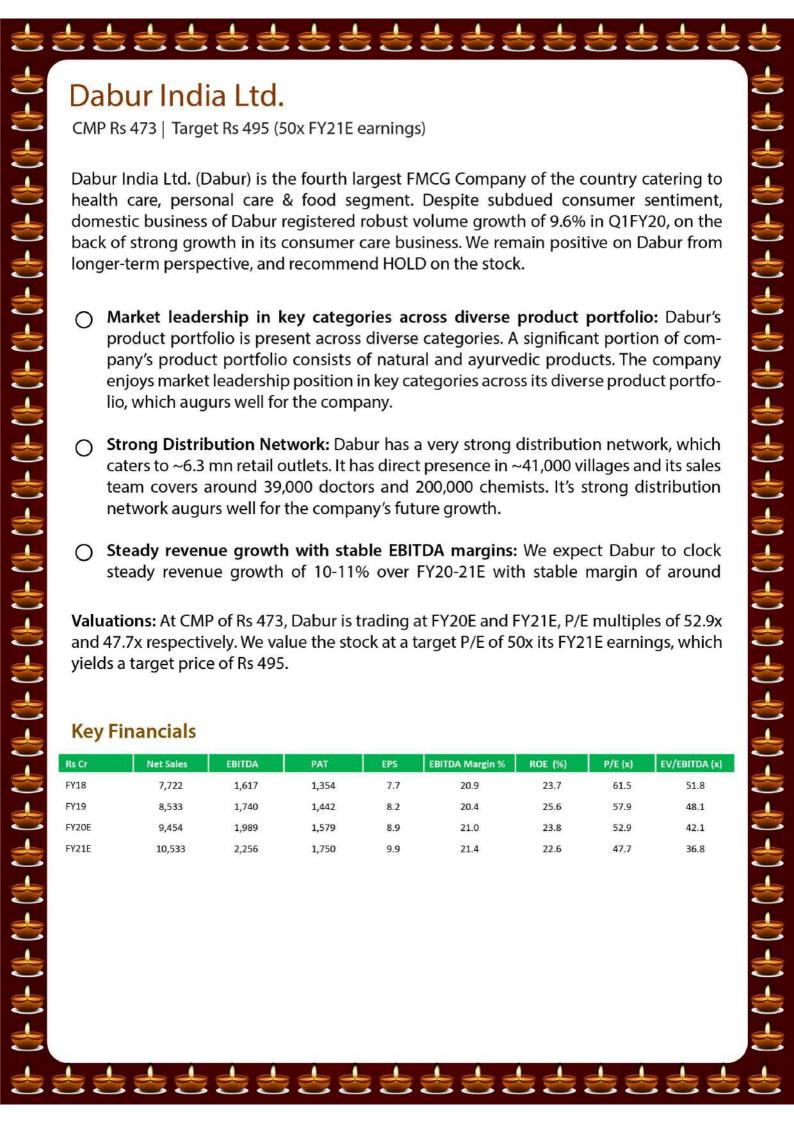
#### ICICI General Insurance

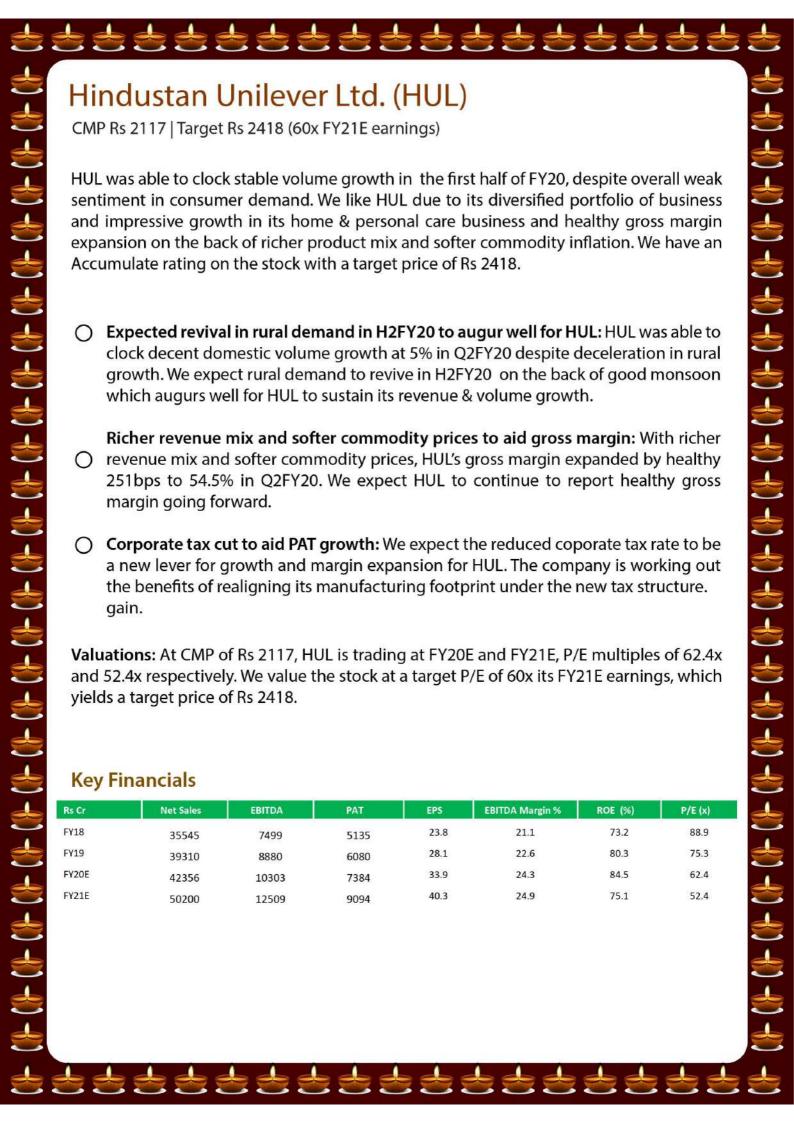
CMP	₹1295
TARGET	₹1424



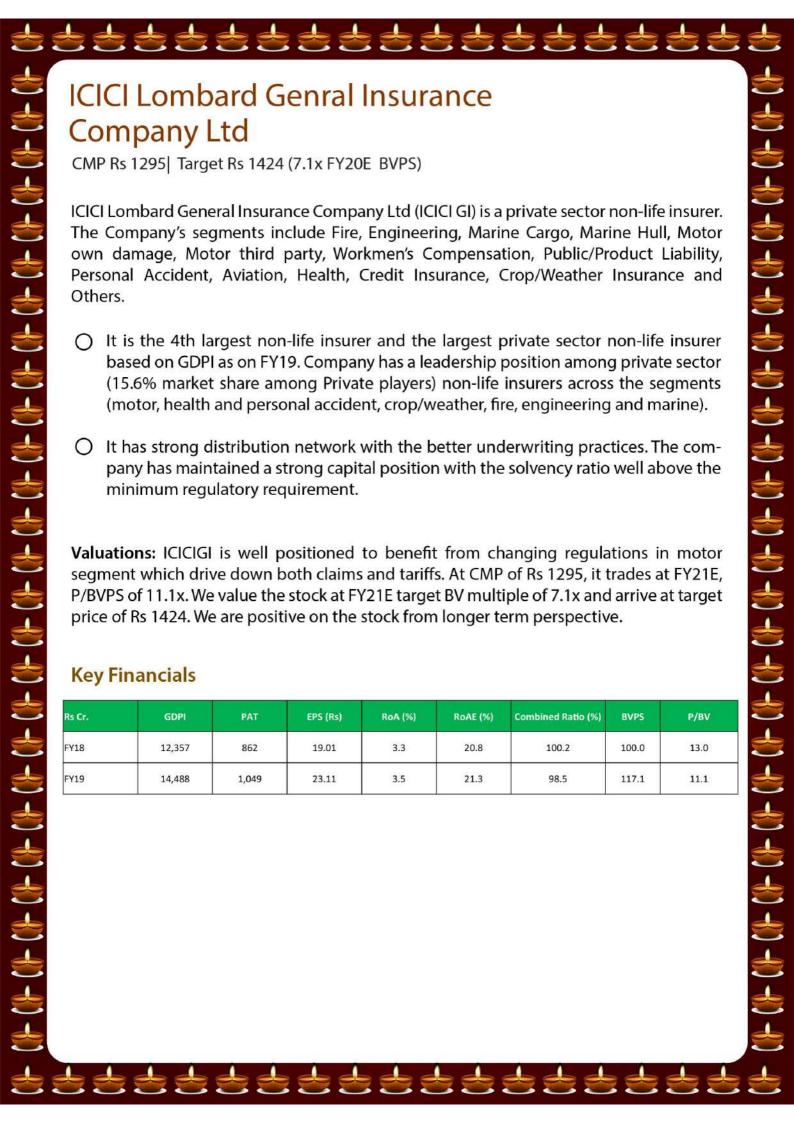








Rs Cr.	NII	PPOP	PAT	NIM (%)	ROE (%)	RoA (%)	GNPA (%)	P/ABV (x)
FY17A	33,139	25,732	14,550	4.10%	17.90%	1.90%	1.10%	4.2
FY18A	40,095	32,625	17,487	4.40%	17.90%	1.80%	1.30%	4.7
FY19A	48,243	39,750	21,078	4.40%	16.50%	1.80%	1.40%	4.6
FY20E	54,948	45,617	26,256	4.30%	16.50%	2.00%	1.40%	4.1
FY21E	64,289	54,061	30,114	4.30%	16.60%	1.90%	1.40%	3.7



# **HDFC Life Insurance Company Ltd**

HDFC Life is one of the India's leading private life insurance companies, offers a range of individual and group insurance solutions Products. The company is a JV with HDFC Ltd and Standard Life Aberdeen. It majorly major focus on protection business. Company has a well diversified business with ULIP constituting 55% of total APE, Par business - 18%,

- Better product mix with focus on APE growth and maintaining VNB margins: HDFC Life is consistently displayed stellar performance on account of APE growth and strong VNB margins (29.8% in Q1FY20) led by better product mix (focus on non-par savings and protection) than lower margin ULIPS.
- Superior profitability and strong ratios to create strong visibility: As of FY19, HDFC Life reported VNB margins of 24.6%, which is significantly higher than its peers (SBI Life 17.7% & ICICI PruLife 17%). It has consistently delivered double digit RoEV (Return on embedded value) above 21% in the last 3 years compared to its peers.
- Earning momentum to continue: We expect, Bajaj Auto's sales and profits to grow at 8% and 10% CAGR between FY19-21E respectively. This is led from new launches, better product mix and rising share of exports resulting in market share gain.

Valuations: As Indian Insurance market is under penetrated So, we expect improving economy would lead to increasing share of life insurance market. HDFC Life is well poised to grab this opportunity as it has strong distribution network and high VNB margin business with improving profitability. We are positive on the stock for long term perspective and have a target price of Rs 707. We value the stock at P/EV multiple of 5.9x to its FY21E

Rs Cr.	Gross Premium Income	PAT	EPS (Rs)	VNB Margin (%)	RoE (%)	RoEV (%)	P/EV	P/BV
FY18	23,564	1,109	5.5	23.2	26.0	21.5	8.1	25.9
FY19	29,186	1,277	6.3	24.6	24.6	20.1	6.7	21.8

