

CMP: Rs 598

Rating: Not rated

Stock Info

NSE	HDFCLIFE
Bloomberg	HDFCLIFE IN
Sector	Life Insurance
Face Value (Rs)	10
Equity Capital (Rs Cr)	2,018
Market Cap (Rs Cr)	1,20,637
52w H/L (Rs)	646 / 344

Shareholding Pattern

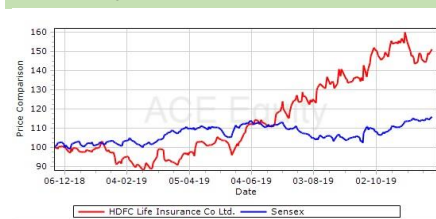
	%
(As on June, 2019)	
Promoters	71.2
FII	15.9
DII	8.5
Public & Others	8.5

Source: NSE, Arihant Research

Stock Performance (%)

	3m	6m	12m
HDFCLIFE	15.5	46.4	52.0
BSE 200	9.6	1.2	11.1

HDFCLIFE v/s SENSEX



Source: ACE Equity, Arihant Research

Particulars (in Cr)	FY18	FY19
Embedded Value	15,216	18,301
PAT	1,109	1,277
Opex ratio (%)	13.5	13.2
RoE (%)	26.0	24.6
EPS (Rs)	5.5	6.3
BVPS (Rs)	23.6	28.0

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 has major focus on protection business. Company has a well-diversified business with ULIP constituting 55% of total APE, Par business-18%, Non-Par-15%, Term insurance-7% and Annuity-5%. As on March 31, 2019, the promoters - HDFC Ltd. and Standard Life - hold 51.5% and 24.7% respectively in HDFC Life. The balance equity is held by public shareholders.

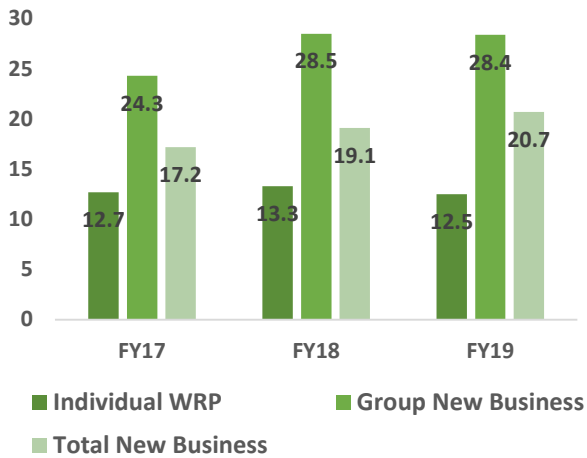
Key Extracts from Annual Report:

- Embedded Value (EV) is the sum of adjusted net asset value and the present value of future profits of a firm. Company's EV increased from Rs 15,216 cr at FY18 to Rs 18,301 cr at FY19, registering a growth of 20%.
- Total premium during FY19 was Rs 29,186 Cr compared to Rs 23,564 Cr during FY18, registering a sustainable growth of 24%, primarily due to healthy new business growth of 32% and growth of 16% in renewal premium.
- The total new business premium increased to Rs 14,971 Cr, showcasing a growth of 32% over previous year (Rs 11,349 Cr in FY18), while group new business premium showcased strong growth of 36% to end at Rs 7,327 Cr in FY19.
- AUM stood at Rs 1,25,552 Cr in FY19, registering a growth of 18% over previous year.
- Company's Value of new business (VNB) grew by 20% to Rs 1,537 cr in FY19 from 1,282 cr in FY18. VNB margin improved from 23.2% in FY18 to 24.6% in FY19.
- Company's solvency ratio reduced from 192% In FY18 to 188% in FY19, mainly because of capital infusion in one of its subsidiary. Regulatory requirement of solvency ratio is 150%.
- Persistency ratios continue to be steady across various cohorts. The 13th month persistency based on total premium including individual and group business was stable at 87%. The 61st month persistency improved from 51% in previous year to 52% during FY 2019.
- Customer centricity and profitability continue to be the key focus areas in FY19, reflected in the balanced product mix across Linked (UL), Participating and Non Participating segments.
- In FY19 product mix stood at 21%/6%/5%/24%/44% for UL/Par/Non-Par/Group/Protection from 26%/12%/3%/24%/35% in FY18 respectively.

Risk and Concerns:

The life insurance industry faces a number of risks primarily due to rapidly evolving customer behaviour and demographic profile and dynamic macroeconomic conditions. The financial conditions and future prospects of companies may be significantly affected by factors such as market fluctuations, changes in tax rates or interest rates. Risks also exist in the form of a change in the relationship with key distribution partners.

Market Share of HDFC Life (%)

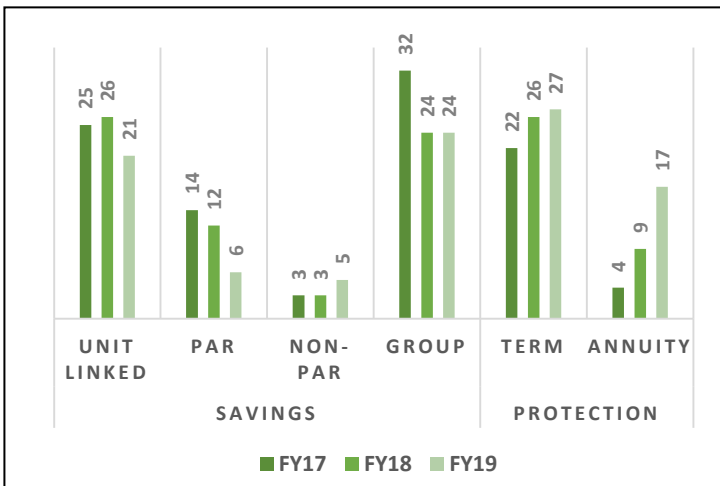


About the Industry

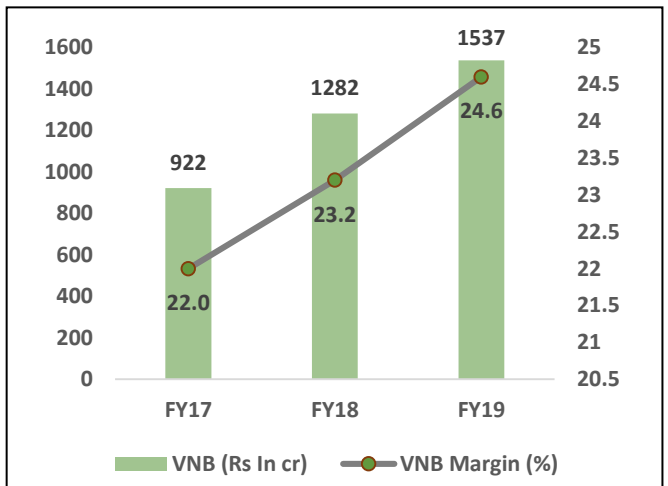
The life insurance industry has evolved considerably catering to the changing macro-economic landscape, customer needs and technological developments. During FY19, life insurance industry grew by 11% to garner Rs 2,147 Bn of new business premium against Rs 1,939 Bn in the previous financial year.

The private insurers posted growth of 12% in individual business while group business saw strong growth of 36%. LIC recorded a growth of 5% in individual business and 10% in group business. However, private insurers continued to further consolidate market share in FY19 with the fifth consecutive year of greater than 50% share of the market. Market share of the private insurers has increased from a low of 36.5% in FY12 to 58% in FY19 based on Individual WRP.

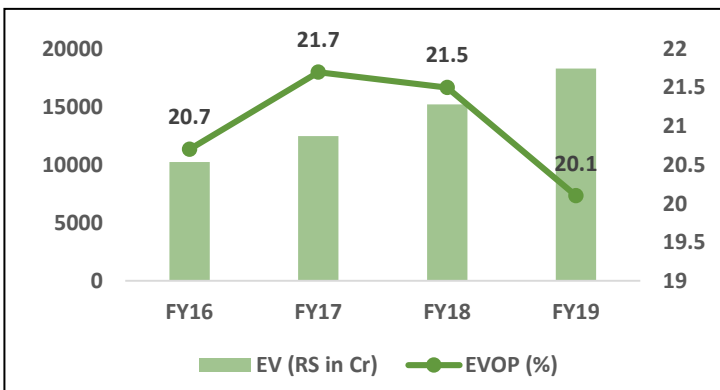
Product Mix (%)



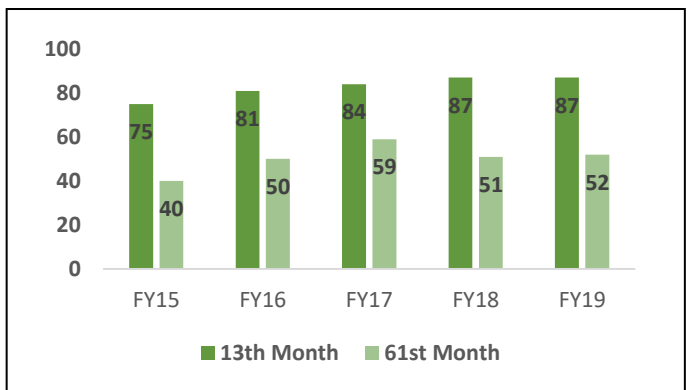
VNB and VNB Margin



EV & EVOP



Persistency Ratio (%)



VNB: Value of new business, EV: Embedded Value, EVOP: Embedded value operating profit

Performance Highlights:

- HDFC Life has a market share of 15.2% on the basis of Individual WRP and 22.4% on the basis of NBP for H1FY20.
- Persistency ratio (13M / 61M) improved from 87%/50% in H1FY19 to 89%/54% in H1FY20.
- HDFC Life has a balanced product mix with share of ULIPs, participating, non-participating and protection at 10%, 18%, 15% and 46% of NBP, respectively, in Q2FY20.
- It reported AUM of Rs 1,310 bn at Q2FY20 and solvency ratio of 192%, above the regulatory threshold of 150%.
- HDFC Life has tried to maintain a well-diversified distribution mix, with bancassurance channel accounting for 54% for H1FY20, 15% contribution by agency channel, 21% by direct channel and 10% by Broker and other channels.

Key Quarterly Financials:

Particulars (Rs in Bn)	H1FY19	H1FY20	% Change
New Business Premium (Individual + Group)	62.9	79.1	26%
Renewal Premium (Individual + Group)	56.1	61.8	10%
Total Premium	119.0	140.9	18%
Individual APE	21.0	28.7	37%
Overall APE	25.1	34.7	38%
Group Premium (NB)	32.0	40.2	26%
Profit After Tax	6.7	7.3	9%
Policyholder Surplus	5.4	5.5	2%
Shareholder Surplus	1.3	1.8	38%
Dividend Paid	-	-	-
Assets Under Management	1132.3	1310.1	16%
Indian Embedded Value	163.8	201.2	23%
Net Worth	54.1	64.0	18%
NB (Individual and Group Segment) Lives Insured (mn.)	21.6	28.7	33%
New Business Sum Assured	2618.2	4386.6	68%
No. of Individual Policies (NB) sold (In '000)	439.3	420.4	-4%

Peer Group Comparison:

(Rs in cr.)	SBI Life			HDFC Life			ICICI Prudential		
	FY18	FY19	%Change	FY18	FY19	%Change	FY18	FY19	%Change
GWP	25,354	32,989	30.1%	23,564	29,186	23.9%	27,069	30,930	14.3%
PAT	1,150	1,327	15.4%	1,109	1,277	15.1%	1,620	1,141	-29.6%
EPS	11.5	13.3	15.4%	5.5	6.3	14.6%	11.3	8.0	-29.1%
NBP	10,966	13,792	25.8%	11,349	14,971	31.9%	8,402	8,140	-3.1%
VNB	1,385	1,719	24.1%	1,282	1,537	19.9%	1,286	1,328	3.3%
VNB Margin (%)	16.2	17.7	-	23.2	24.6	-	16.5	17.0	-
IEV	19,070	22,402	17.5%	15,216	18,301	20.3%	18,788	21,623	15.1%

Profit and Loss Account:

Particulars (Rs in cr.)	FY18	FY19	% Change
Policyholders' Account			
Gross premium income	23,564	29,186	23.9%
Net premium income	23,371	28,924	23.8%
Income from investments (net)	8,595	9,027	5.0%
Other income	71	123	72.9%
Contribution from the Shareholders a/c	157	309	97.2%
Income on unclaimed amount of policyholders	41	52	28.1%
Total income	32,234	38,436	19.2%
Commissions	1,075	1,118	4.0%
Brokerage	-	-	
Operating expenses related to insurance business	3,159	3,814	20.7%
Service tax/GST charge on linked charges	297	340	14.4%
Provisions for tax	176	227	29.2%
Provision for diminution in the value of investments (net)	5	74	-
Provisions (other than taxation) - Others	-6	16	
Total expenses	4,706	5,588	18.8%
Payment to policy holders	13,111	13,989	6.7%
Increase in actuarial liability	13,322	17,507	31.4%
Surplus/(deficit) from operations	1,095	1,351	23.4%
Shareholders' Account			
Total income under Shareholders Account	1,139	1,327	16.6%
Profit /(loss) before tax	1,127	1,290	14.5%
Provisions for tax	18	13	-26.2%
Profit/ (loss) after tax	1,109	1,277	15.1%
Profit /(loss) carried to Balance sheet	2,394	3,274	36.8%
Miscellaneous			
(A) Policyholders account:			
Total funds	1,01,086	1,19,227	17.9%
Total Investments	1,02,533	1,20,502	17.5%
Yield on investments (%)	7.60	7.66	0.8%
(B) shareholders account :			
Total funds	4,749	5,656	19.1%
Total Investments	4,070	5,050	24.1%
Yield on investments (%)	7.53	7.73	2.7%
Yield on total investments	7.59	7.66	0.9%
Paid up equity capital	2,012	2,017	0.3%
Net worth	4,749	5,656	19.1%
Total Assets	1,05,835	1,24,883	18.0%
Basic earnings per share (Rs)	5.53	6.34	14.6%
Diluted earnings per share (Rs)	5.5	6.32	14.9%
Book value per share (Rs)	23.6	28.03	18.8%

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Stock Rating Scale Absolute Return

BUY	>20%	
ACCUMULATE	12% to 20%	
HOLD	5% to 12%	
NEUTRAL	-5% to 5%	
REDUCE		-5% to -12%
SELL	<-12%	

Research**Analyst****Contact****Website****Email Id****Registration No.**

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