

HOLD

TP: Rs 700 | ▲ 8%

HDFC LIFE

| Insurance

| 22 July 2023

Healthy quarter but positives priced in; maintain HOLD

- Key overhang dispelled with consummation of HDFC-HDFC Bank merger and parent's stake raise to >50%
- Maintains #2 position in private life insurance space; VNB margin weak in Q1 at 26.2% – we retain our forecast of 26.5% for FY24/FY25
- TP raised to Rs 700 (vs. Rs 600) on a higher 2.8x (vs. 2.4x) FY25E P/EV; retain HOLD

Mohit Mangal

research@bobcaps.in

Well positioned: HDFC Life's (merged) gross premium grew 16% YoY to Rs 117bn in Q1FY24 and APE grew 13% to Rs 23.3bn. NBP market share expanded from 20.8% at end-FY23 to 21.3% in Q1FY24, with the company retaining its #2 rank among private peers. Management has guided for a stronger H2FY24 as it makes further inroads into tier-2/3 cities. The completion of the HDFC-HDFC Bank merger has also removed a key stock overhang. The increase in the parent bank's stake to over 50% is another boost to investor confidence. HDFC Life expects to increase the bank's wallet share as the parent-subsidary relationship spurs synergies.

Protection business gains traction; non-par moderates: HDFC Life remains focused on a balanced product mix. Non-par APE fell from an abnormal high of 38% of total APE at end-FY23 to 27% in Q1FY24 as the purchase of these products had been preponed last fiscal owing to the removal of tax exemption from Apr'23. The share of protection plans improved from 13% in FY23 to 18% with a strategy of further tapping the parent and agency channels to sell more, especially in smaller towns and cities.

VNB margin, APE estimates unchanged: The company (post Exide Life merger) generated a VNB margin of 26.2% and VNB of Rs 6.1bn for Q1FY24 and expects the merged entity to be margin-neutral by FY24-end. We continue with an unchanged VNB margin forecast of 26.5% for both FY24 and FY25 with a 7% VNB CAGR over FY23-FY25 to Rs 42bn. The company reiterated that VNB growth would come from higher APE and not margin expansion. We continue to model for a 10% APE CAGR over FY23-FY25 to Rs 160bn.

Retain HOLD: HDFC Life is trading at 2.6x FY25E P/EV. We value the stock at a higher 2.8x FY25E P/EV (2.4x earlier) – a 30% discount to the long-term mean – for a new TP of Rs 700 (vs. Rs 600) to bake in positives from consummation of the HDFC-HDFC Bank merger and the large 50%+ stake now held by the parent, along with the below-expected tax policy impact on big-ticket insurance plans. We also factor in the negatives of a weak VNB margin and high expense ratios, which explains our steep discount to the mean multiple. Considering that our TP offers just 8% upside, we retain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 647
Market cap	US\$ 16.8bn
Free float	48%
3M ADV	US\$ 36.8mn
52wk high/low	Rs 691/Rs 458
Promoter/FPI/DII	52%/26%/8%

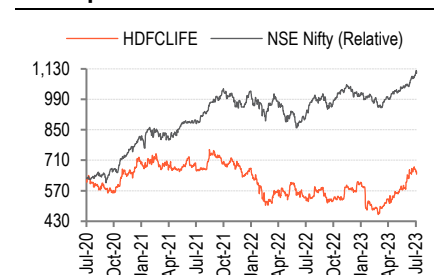
Source: NSE | Price as of 21 Jul 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NBP (Rs mn)	2,90,851	3,38,082	3,74,392
APE (Rs mn)	1,33,400	1,38,132	1,60,231
VNB (Rs mn)	36,818	36,605	42,461
Embedded Value (Rs mn)	3,94,988	4,59,855	5,35,768
VNB margin (%)	27.6	26.5	26.5
EVPS (Rs)	185.0	215.4	251.0
EPS (Rs)	6.4	7.1	7.7
Consensus EPS (Rs)	6.4	7.6	9.0
P/EV (x)	3.5	3.0	2.6

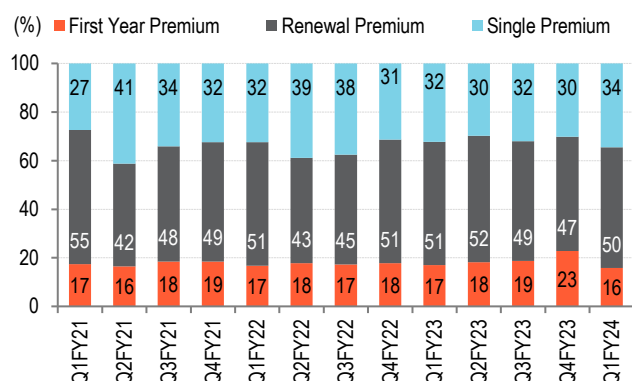
Source: Company, Bloomberg, BOBCAPS Research

Stock performance

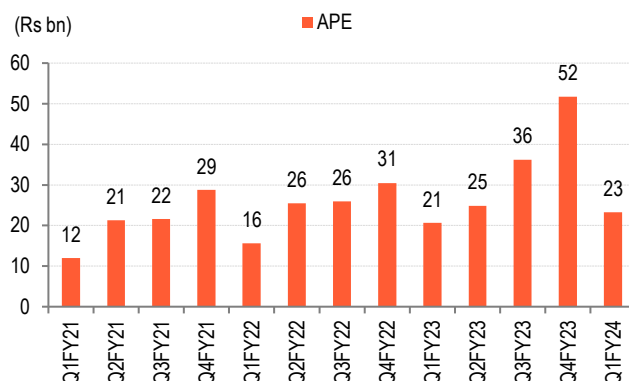


Source: NSE

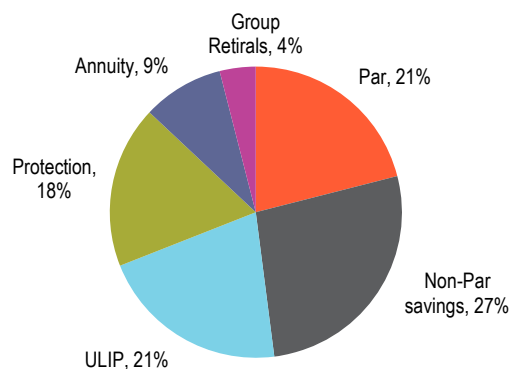


Fig 1 – Q1FY24: Single premium products posted comparatively higher growth


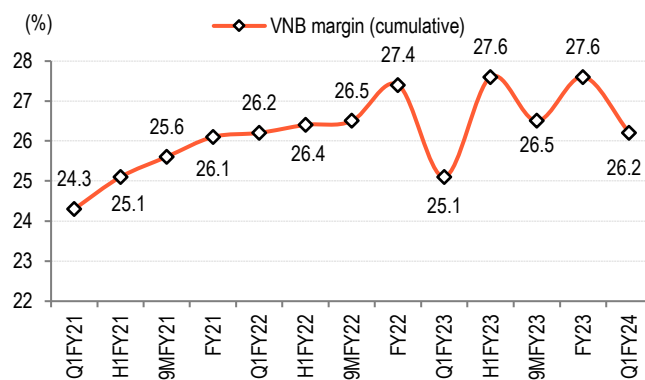
Source: Company, BOBCAPS Research

Fig 2 – APE grew 13% YoY in Q1 post-merger


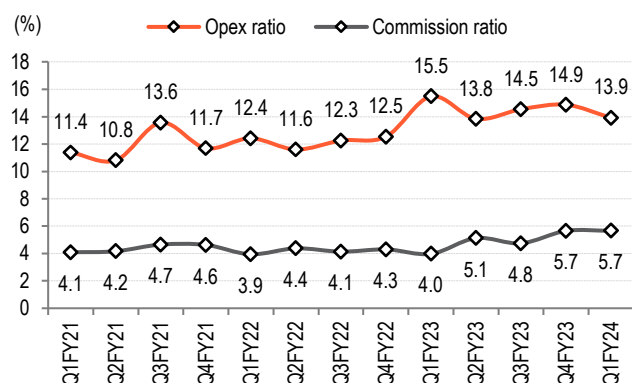
Source: Company, BOBCAPS Research

Fig 3 – Product mix post-merger (APE-based) shows non-par savings at a relatively low 27% in Q1


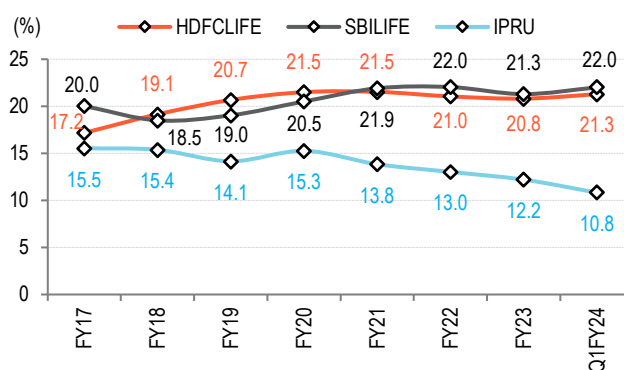
Source: Company, BOBCAPS Research

Fig 4 – VNB margin dips in Q1


Source: Company, BOBCAPS Research

Fig 5 – Both opex and commission ratios moved up


Source: Company, BOBCAPS Research

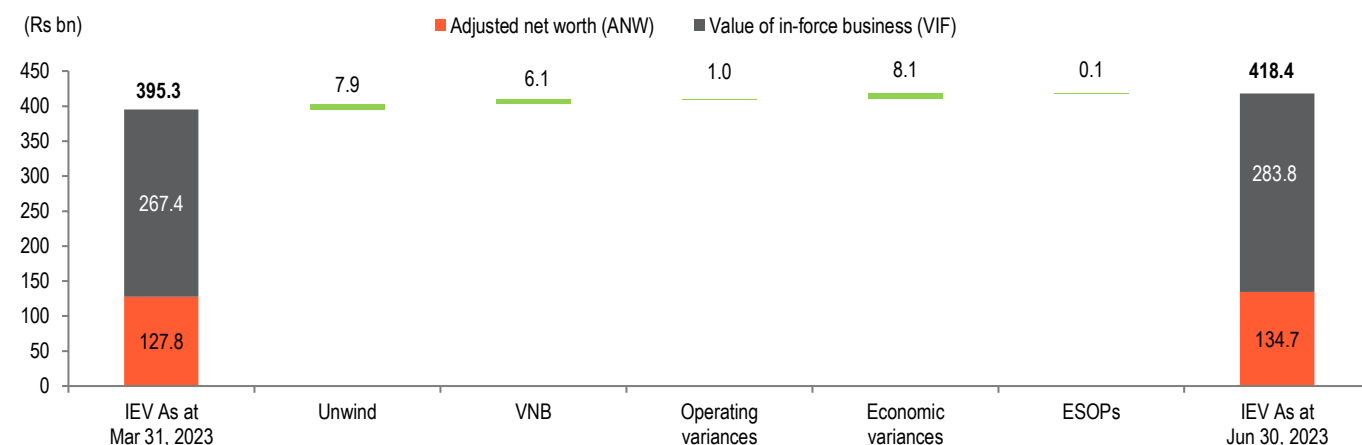
Fig 6 – NBP market share has inched up


Source: IRDA, BOBCAPS Research

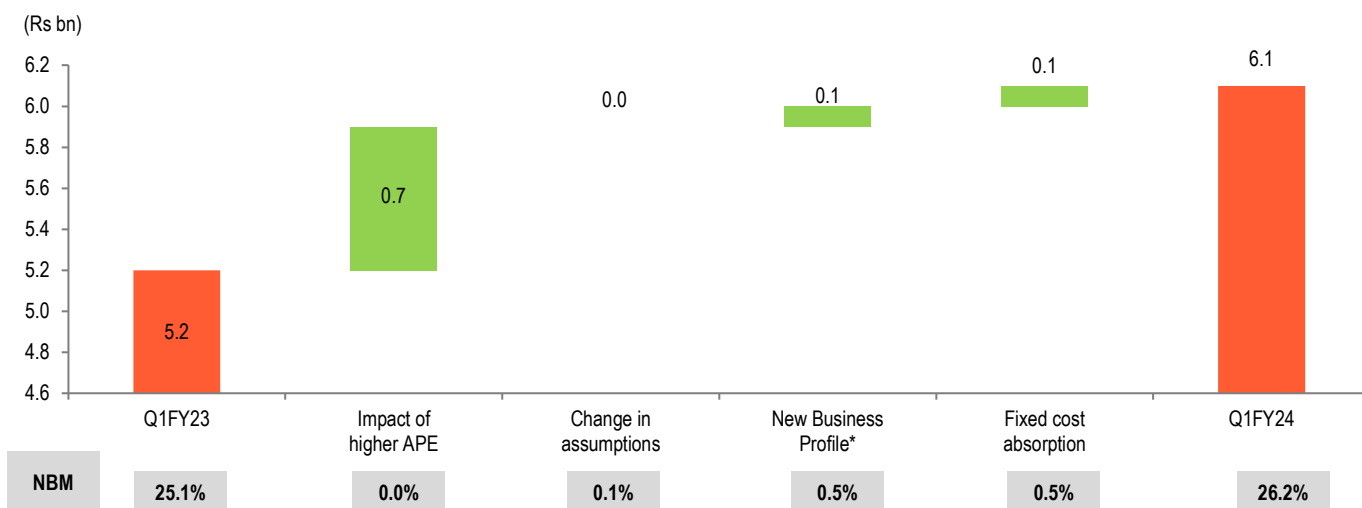
Fig 7 – Distribution mix based on individual APE: Agency gaining traction but direct channel on the lower side

(%)	Q1FY21	H1FY21	9MFY21	FY21	Q1FY22	H1FY22	9MFY22	FY22	Q1FY23	H1FY23	9MFY23	FY23	Q1FY24
Bancassurance	59.0	60.0	63.0	61.0	56.0	60.0	61.0	60.0	56.0	61.0	59.0	56.0	61.0
Brokers and Others	5.0	6.0	6.0	7.0	6.0	6.0	6.0	6.0	7.0	7.0	9.0	11.0	8.0
Agency	12.0	13.0	12.0	13.0	15.0	13.0	14.0	14.0	16.0	15.0	18.0	20.0	20.0
Direct	24.0	21.0	19.0	19.0	23.0	21.0	19.0	19.0	22.0	17.0	15.0	13.0	12.0

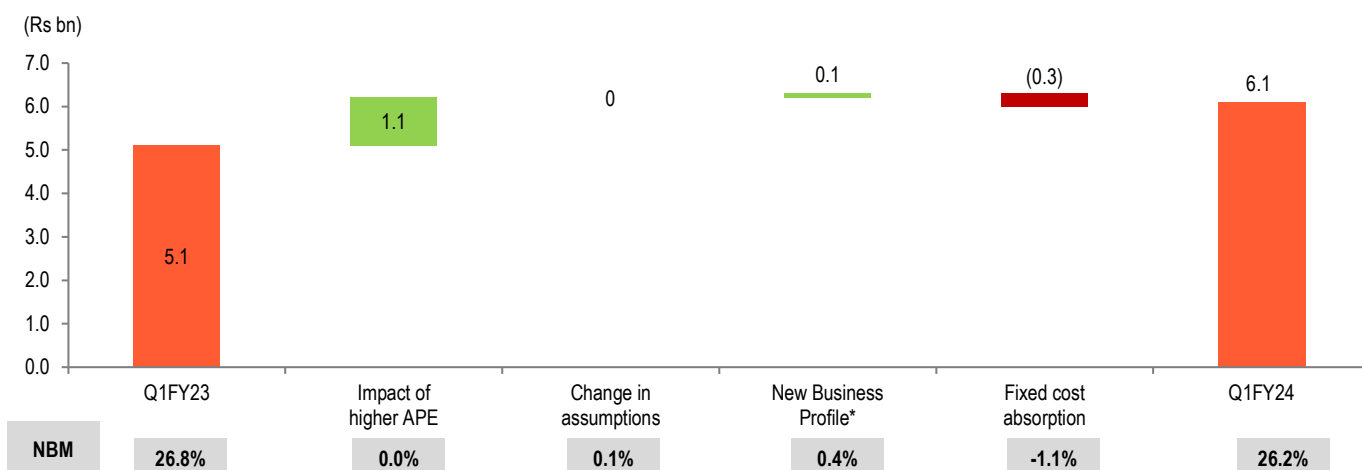
Source: Company, BOBCAPS Research | Note: FY23 data is post-merger with Exide Life and hence not comparable

Fig 8 – Higher economic variance boosts embedded value

Source: Company, BOBCAPS Research | Note: Data for the merged entity; IEV – Indian Embedded Value

Fig 9 – VNB walkthrough including Exide Life in Q1FY23 base

Source: Company, BOBCAPS Research | *Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple, etc. | Note: VNB – Value of New Business; NBM – New Business Margin; Numbers may not add up due to rounding off

Fig 10 – VNB walkthrough excluding Exide Life in Q1FY23 base

Source: Company, BOBCAPS Research | *Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple, etc. | Note: VNB – Value of New Business; NBM – New Business Margin; Numbers may not add up due to rounding off

Fig 11 – Policyholders' account

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Gross premium income	1,16,728	1,00,497	16.2	1,96,261	(40.5)	5,75,334	4,59,628	25.2
First Year Premium	18,514	17,087	8.4	44,673	(58.6)	1,13,239	80,544	40.6
Renewal Premium	58,041	51,005	13.8	92,542	(37.3)	2,84,483	2,18,080	30.4
Single Premium	40,173	32,405	24.0	59,047	(32.0)	1,77,612	1,61,005	10.3
Reinsurance	1,930	2,025	(4.7)	1,996	(3.3)	7,694	5,664	35.9
Net premium income	1,14,798	98,472	16.6	1,94,266	(40.9)	5,67,640	4,53,965	25.0
Income from investments (Net)	1,16,287	(33,026)	(452.1)	11,895	877.6	1,25,975	1,92,159	(34.4)
Other income	863	595	45.0	2,677	(67.8)	4,644	1,765	163.1
Contribution of funds from Shareholders' A/c	179	83	116.6	5,426	(96.7)	8,795	5,694	54.5
Total	2,32,126	66,123	251.1	2,14,264	8.3	7,07,055	6,53,584	8.2
Commission on								
First Year Premium	4,088	2,633	55.3	8,683	(52.9)	20,292	13,681	48.3
Renewal Premium	830	745	11.4	1,361	(39.0)	5,222	3,301	58.2
Single Premium	1,593	533	198.7	850	87.4	2,767	2,062	34.2
Rewards	106	93	14.1	221	(52.0)	588	359	63.9
Net Commission	6,617	4,004	65.3	11,114	(40.5)	28,869	19,403	48.8
Expenses of Management	22,881	19,581	16.9	40,314	(43.2)	84,664	53,591	58.0
Provision for taxes	1,125	1,022	10.1	3,478	(67.7)	5,349	5,541	(3.5)
Benefits Paid (Net)	80,728	72,741	11.0	1,12,051	(28.0)	3,88,723	3,18,637	22.0
Change in actuarial liability	1,25,636	(29,555)	NA	52,709	138.4	1,85,862	2,46,815	(24.7)
Surplus/Deficit	2,118	2,100	0.9	5,718	(63.0)	13,589	9,597	41.6

Source: Company, BOBCAPS Research

Fig 12 – Shareholders' account

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Transfer from Policyholders' Account	2,317	2,508	(7.6)	5,839	(60.3)	14,689	10,093	45.5
Investment Income	2,317	1,202	92.8	1,960	18.2	7,197	7,894	(8.8)
Expenses other than those related to insurance business	354	244	45.4	315	12.7	1,246	825	51.1
Transfer of funds to Policyholders' Account	179	83	116.6	5,426	(96.7)	8,795	5,694	54.5
Provisions for diminution in value of investments ⁶	(65)	(227)	(71.2)	(8)	749.4	247	333	(26.0)
Profit before tax	4,166	3,611	15.4	2,698	54.4	12,724	11,801	7.8
Provisions for tax	13	11	16.7	(889)	(101.4)	877	276	218.4
Profit after tax and before extraordinary items	4,153	3,600	15.4	3,587	15.8	13,601	12,077	12.6

Source: Company, BOBCAPS Research

Fig 13 – Key ratios and growth metrics

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
NBP	58,687	49,492	18.6	1,03,720	(43.4)	2,90,852	2,41,548	20.4
APE	23,300	20,600	13.1	51,700	(54.9)	1,33,400	97,580	36.7
Opex ratio (%)	13.9	15.5	(157bps)	14.9	(94bps)	14.7	12.2	245bps
Commission ratio (%)	5.7	4.0	168bps	5.7	1bps	5.0	4.2	80bps
Expense ratio (%)	19.6	19.5	12bps	20.5	(94bps)	19.7	16.4	325bps
VNB margin (%) - Cumulative	26.2	25.1	110bps	27.6	(140bps)	27.6	27.4	20bps
Solvency ratio (%)	200.0	183.0	1,700bps	203.0	(300bps)	203.0	176.0	2,700bps

Source: Company, BOBCAPS Research

Earnings call highlights

Business highlights

- Parent HDFC had increased its stake in HDFC Life to 50.4%. Now that the merger of HDFC Bank (HDFCB) with HDFC has been completed, the company has become a fully owned subsidiary of the bank.
- The number of policies with premium above Rs 0.5mn stood in single high digits at end-Q1FY24, 1-2% lower than Q1FY23 despite the unfavourable tax change.
- HDFC Life continues to maintain a balanced product mix with non-participating savings at 33% of individual APE, participating products at 26%, and ULIPs at 25%. Annuity and protection were at 9% and 6% respectively.
- APE stood at Rs 23.3bn at end-Q1FY24, of which 81% or Rs 18.8bn comprised individual APE. APE grew 13% YoY in Q1 whereas individual APE grew 12% on a merged basis (including Exide Life), aided by policy growth (~9%) and average ticket size (3%).
- NBP clocked in at Rs 59bn at end-Q1FY24 and renewal premium totalled Rs 58bn. In Q1FY23, these numbers were Rs 50bn and Rs 51bn respectively.
- Annuity contributed 19% of NBP mainly driven by increased demand for limited pay annuity product systematic retirement plans.
- Tier-2 and tier-3 cities surprised positively with reasonable average ticket size.

- In ULIPs, 65-70% of the surplus is being generated within the first five years of the product being sold as opposed to only 20-25% for traditional products which are more back-ended in nature.

VNB margin

- On a merged basis (incl. Exide Life), VNB margin stood at 26.2% in Q1FY24 vs. 25.1% in Q1FY23, with VNB up 18% YoY to Rs 6.1bn.
- Higher traction in the protection business did not translate to better margins in Q1 as sales of other products such as non-par and par fell whereas comparatively lower margin-products such as ULIPs have inched up.
- Margin neutrality (due to the merger) is guided by the end of FY24.
- The company expects APE growth to be better in H2FY24, aiding a return to FY23 VNB margins by the end of this fiscal. Management expects VNB expansion in FY24 to be supported by APE growth and not margin gains.

Protection business

- Overall protection business growth has been strong at 35% YoY in Q1 on NBP basis. Retail protection grew 45% YoY.
- Management expects protection growth to be sustainable because of higher retail sales activation across geographies. Moreover, the company is contemplating selling more ROP (Return of Premium) products in tier-2/3 cities. HDFC Life has been able to maintain market share across most of its credit life (group) partners and with their loan disbursements growing, it is able to increase its business too.

Embedded value (EV)

- Embedded value stood at Rs 418bn with EVOP of 16% at end-Q1.
- EV had a positive economic variance of Rs 8.1bn. The effect is broadly split between the impact of equity and debt with both being positive. In equity, the stock markets rallied by ~10% for the quarter as compared to 2-2.5% expected, leading to an upside of ~Rs 5bn. On the debt side, the short-end curve flattened compared to Mar'23, raising the value.
- Operating variance continues to be positive and in line with management assumptions.

Distribution channel

- The bancassurance channel grew 25% YoY in Q1 based on individual APE. Its share in individual APE improved from 56% in FY23 to 61% at end-Q1FY24 owing not only to HDFCB but also to a good show from other bank partners such as Yes Bank, IDFC Bank and Bandhan Bank.
- With HDFCB as promoter, the company believes that synergies would further be enhanced. HDFCB has 45-50% share in overall APE.
- Brokers' share in individual APE fell from 11% in FY23 to 8% in Q1FY24 as they typically sell high-ticket par and non-par products that have slowed down.

- The company added 15,000 agents in Q1FY24 for a total of ~200,000 agents. It now has 483 branches and 48 digital branches, with plans to add ~75 new touchpoints in tier-2/3 cities.

Persistency

- The 13th and 61st month persistency ratios were healthy at 87% and 53% respectively in Q1FY24 vs. 87% and 52% in Q1FY23, despite inroads into tier-2/3 towns. Over the last three years, persistency has improved from 89% to 92% in tier-1 markets, from 84% to 87% in tier-2, and from 80% to 84% in tier-3.
- Persistency of the standalone Exide Life business remains inferior to that of the company but has begun improving by ~400bps on almost every cohort.

Others

- HDFC Life will continue with Project Inspire (tech innovation), spending Rs 1bn in each of FY24 and FY25
- In Q1, it launched new products in the pension and ULIP categories.
- The solvency ratio was 200% as on Jun'23.

Valuation methodology

HDFC Life has delivered a healthy Q1FY24 and increased its NBP market share from 20.8% in FY23 to 21.3% to retain its #2 position in the private life insurance space close on the heels of SBI Life. Consummation of the HDFC-HDFC Bank merger and the parent's stake increase to over 50% dispels a key overhang on the stock. We continue to factor in VNB margins of 26.5% for both FY24 and FY25, a 7% VNG CAGR to Rs 42bn and a 10% APE CAGR to Rs 160bn over FY23-FY25.

HDFC Life is currently trading at 2.6x FY25E P/EV. We value the stock at a higher 2.8x FY25E P/EV (2.4x earlier) – a 30% discount to the long-term mean – for a new TP of Rs 700 (vs. Rs 600) to bake in positives from consummation of the merger and the parent's increased stake, along with the softer tax policy impact on big-ticket insurance plans. We also factor in the negatives of a weak VNB margin and high expense ratios, which explains our steep discount to the mean multiple. Considering that our TP offers just 8% upside, we retain our HOLD rating.

Fig 14 – Revised estimates

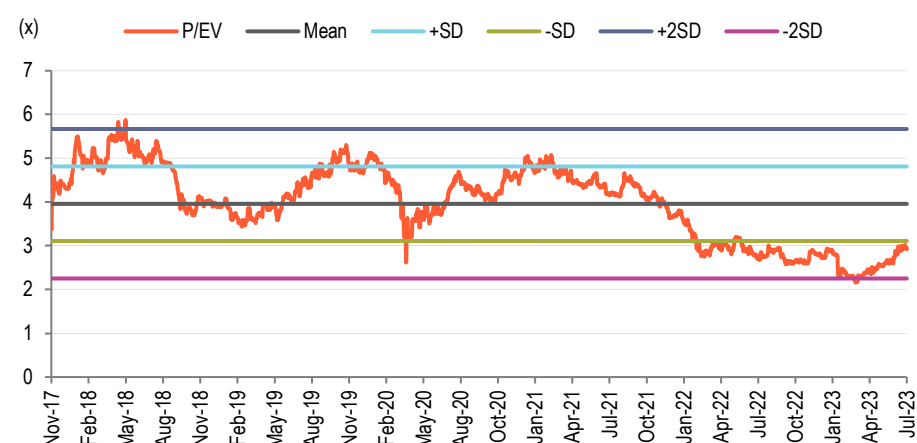
(Rs bn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Gross Premium	676	758	676	758	-	-
Net Premium	667	747	667	747	-	-
VNB	37	42	37	42	-	-
APE	138	160	138	160	-	-
Embedded Value (EV)	460	536	458	532	0.4	0.8
VNB Margin (%)	26.5	26.5	26.5	26.5	-	-

Source: BOBCAPS Research

Fig 15 – Valuation summary

Particulars	
Embedded Value (FY25E) (Rs bn)	536
PV of Future business (Rs bn)	1,024
Total value (Rs bn)	1,559
Current P/EV (FY25E) (x)	2.6
Implied P/EV (FY25E) (x)	2.8
Implied Target Price (Rs)	700
Current Price (Rs)	647
Upside (%)	8.1

Source: BOBCAPS Research

Fig 16 – 1Y fwd P/EV – Trading around -1SD

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **Change in regulatory framework:** Any unfavourable change in regulations can impact business growth. For example, currently ULIP proceeds are taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in income tax rate of insurance companies can adversely impact profitability.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the growth of ULIPs. Although insurance companies are opting for a balanced product mix, many of them have sizeable business coming from ULIPs.
- **Increasing interest rates:** The guaranteed return businesses can be affected by an increase in interest rates as other financial instruments (e.g. deposits) become more attractive. HDFC Life had ~38% share of non-par in the total APE mix as of FY23.
- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. The shareholders' equity and earnings and policyholders' funds may be affected by fair value revaluation of bonds held in investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years even if they have been taken for longer durations. Policies can also be surrendered in case of job loss, monetary requirements, etc., which lowers the persistency ratios.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HDFC Life	HDFCLIFE IN	16.8	647	700	HOLD
ICICI Prudential Life	IPRU IN	9.6	551	518	SELL
LIC	LICI IN	48.9	636	775	BUY
SBI Life	SBILIFE IN	15.7	1,291	1,520	BUY

Source: BOBCAPS Research, NSE | Price as of 21 Jul 2023

Glossary

Glossary of Abbreviations			
APE	Average Premium Equivalent	NBP	New Business Premium
EOM	Expenses of Management	ROEV	Return on Embedded Value
EV	Embedded Value	ROP	Return of Premium
EVOP	Embedded Value Operating Profit	RWRP	Retail Weighted Received Premium
HNI	High Net Worth Individuals	ULIP	Unit Linked Insurance Plan
IRDA	Insurance Regulatory and Development Authority	VNB	Value of New Business

Source: BOBCAPS Research

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Gross premium income	3,85,835	4,59,628	5,75,334	6,76,146	7,57,927
First year premium	68,584	80,544	1,13,239	1,13,154	1,33,232
Renewal premium	1,84,769	2,18,080	2,84,483	3,38,064	3,83,535
Single premium	1,32,482	1,61,005	1,77,612	2,24,928	2,41,159
Net written premium	3,81,223	4,53,965	5,67,640	6,66,771	7,47,395
Income from investments	3,26,776	1,92,159	1,25,975	3,00,813	3,27,144
Other Income	4,420	7,460	13,439	14,343	15,316
Total income	7,12,418	6,53,584	7,07,054	9,81,927	10,89,855
Commissions	17,104	19,403	28,868	35,533	39,912
Operating expenses	43,974	53,591	84,693	95,238	1,06,878
Benefits and bonuses paid	2,25,748	3,18,637	3,88,723	4,59,597	5,07,206
Change in liabilities (net)	4,08,296	2,46,815	1,85,862	3,67,255	4,08,624
Others	0	0	0	0	0
Total expenses	6,95,122	6,38,446	6,88,146	9,57,623	10,62,619
Surplus before tax	17,296	15,137	18,908	24,304	27,236
Provision for tax	6,311	5,541	5,319	9,492	10,372
Surplus after tax	10,984	9,597	13,589	14,811	16,863
Trf to shareholders' a/c	9,910	10,093	14,689	13,801	15,563
Balance being FFA	1,075	(497)	(1,101)	1,010	1,300

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Trf from policyholders' a/c	9,909	10,093	14,689	13,801	15,563
Income from investments	6,476	7,894	7,197	11,451	11,660
Contr. to policyholders' fund	2,868	5,694	8,797	9,237	9,699
Others	19	(492)	(368)	(492)	(629)
PBT	13,535	11,801	12,722	15,523	16,895
Provision for taxation	(66)	(276)	(877)	388	422
PAT	13,601	12,077	13,599	15,135	16,473
Dividend+Interim div.+DDT	4,085	4,135	4,056	5,337	5,337

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity	86,377	1,54,859	1,29,868	1,39,437	1,50,573
Policyholders' funds	15,90,416	18,30,312	22,06,290	25,73,545	29,82,169
FFA	9,906	9,409	12,354	14,207	15,912
Others	1,09,119	1,09,313	1,28,737	1,38,757	1,52,056
Total liabilities	17,95,817	21,03,892	24,77,249	28,65,947	33,00,710
Shareholders' funds	85,421	1,52,379	1,31,319	1,54,957	1,78,200
Policyholders' funds	9,05,378	10,83,110	14,64,485	17,52,130	20,96,546
Assets to cover linked liab.	7,47,595	8,06,215	7,92,015	8,31,615	8,73,196
Others	57,423	62,188	89,430	1,27,245	1,52,768
Total assets	17,95,817	21,03,892	24,77,249	28,65,947	33,00,710

Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
AUM (Rs mn)	17,38,390	20,41,704	24,00,000	27,48,057	31,58,601
NBP (Rs mn)	2,01,066	2,41,548	2,90,851	3,38,082	3,74,392
APE (Rs mn)	83,700	97,580	1,33,400	1,38,132	1,60,231
VNB (Rs mn)	21,846	26,737	36,818	36,605	42,461
VNB margin (%)	26.1	27.4	27.6	26.5	26.5
Embedded value (Rs mn)	2,66,200	3,00,470	3,94,988	4,59,855	5,35,768
ROEV (%)	18.5	16.6	19.6	17.8	17.7
ROE (%)	17.6	10.0	9.6	11.2	11.4
Opex ratio (%)	11.9	12.2	14.7	14.0	14.0
Cost ratio (%)	16.3	16.4	19.7	19.3	19.3
Solvency ratio (%)	201.1	175.7	203.2	199.5	200.4
EPS (Rs)	6.7	5.9	6.4	7.1	7.7
BVPS (Rs)	42.7	75.7	60.8	65.3	70.5
EVPS (Rs)	131.6	146.8	185.0	215.4	251.0

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

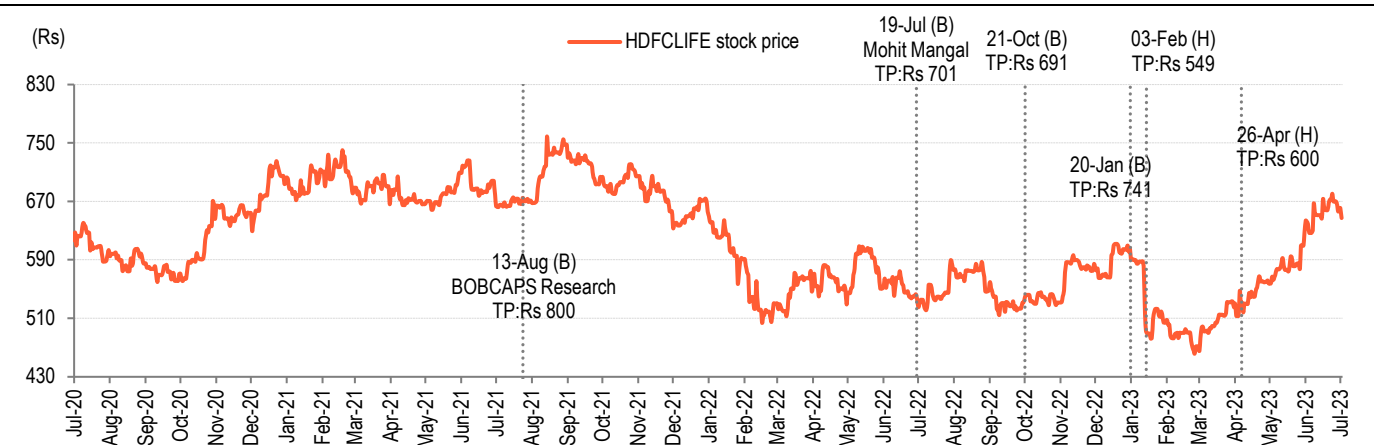
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HDFC LIFE (HDFCLIFE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.