

BUY**TP: Rs 918 | ▲ 24%****HDFC LIFE**

| Insurance

| 16 January 2026

GST impact to moderate

- **HDFCLIFE performance was marginally below our expectations, APE was at Rs 39.7bn vs our estimate of Rs 40.4bn**
- **VNB margin stood at 24% vs. 26.1% in Q3FY25 vs our estimate of 24.2%, expect to offset the GST impact by Q4FY26**
- **We maintain BUY on HDFCLIFE with TP to Rs 918 (earlier Rs 933), implying 2.4x in its Dec'27 P/EV. HDFCLIFE remains our top pick**

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APE and VNB margin below our expectations: HDFCLIFE performance was marginally below our expectations. APE came in at Rs 39.7bn (up 11% YoY) vs. our estimate of Rs 40.4bn. Notably, the company's total APE growth was also below the private industry growth of 14% in Q3FY26. Additionally, APE growth in 9MFY26 (up 11% YoY) improved vs 1HFY26 growth (up 10% YoY), indicating a pickup in business after GST changes. Management expects the growth momentum to sustain in the ensuing quarters as well. VNB margin stood at 24% vs. 26.1% in Q3FY25 vs our estimate of 24.2%. However, the company was able to maintain VNB margins on a sequential basis.

VNB margin stable sequentially: VNB margin remained stable sequentially. This was primarily on account of significant growth in the retail protection (up 40% YoY), higher rider attachment to ULIPs and an improved margin profile across products, supported by longer policy tenures and higher sum assured and favourable yield curve movements. Absolute VNB grew muted by 3% YoY in Q3FY26 (up 7% YoY in 9MFY26) to Rs 9.6bn vs. our estimate of Rs 9.8bn.

Expected GST ITC loss impact on VNB margins moderates: Management reiterated confidence in nullifying the impact of unavailability of ITC by Q4FY26. Previously, in Q2FY26, the company guided for a 300bps impact on VNB margin which has now been revised downward to 200bps. Further, it reiterated its long-term guidance of doubling its VNB every 4 years.

Maintain BUY: We expect a short-term impact from GST implementation and ITC disallowance for HDFCLIFE. VNB margin remained stable during the quarter. Management plans to offset this through multiple strategies over the next 3-6 months. The company targets mid-teen APE growth and aims to outpace industry growth in FY26E. Further, the company expects growth in retail protection to sustain coupled with a pickup in non-par and credit life segments. We believe HDFCLIFE is well positioned to navigate these headwinds. We maintain BUY with a revised TP of Rs 918 (earlier Rs 933), valuing stock at 2.4x Dec'27 P/EV and continue to prefer it as our top pick.

Key changes

	Target	Rating
	▼	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 743
Market cap	US\$ 17.6bn
Free float	50%
3M ADV	US\$ 20.9mn
52wk high/low	Rs 821/Rs 584
Promoter/FPI/DII	50%/25%/13%

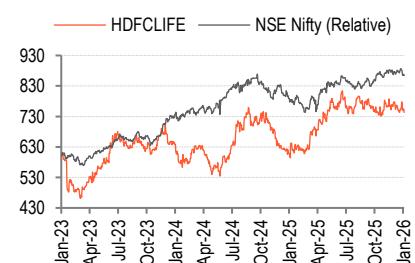
Source: NSE | Price as of 14 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	3,33,653	3,92,346	4,51,197
APE (Rs mn)	1,54,790	1,74,139	1,99,389
VNB (Rs mn)	39,626	41,984	49,418
Embedded Value (Rs mn)	5,54,230	6,38,031	7,35,971
VNB margin (%)	25.6	25.0	25.7
EVPS (Rs)	257.4	296.3	341.8
EPS (Rs)	8.4	9.9	11.1
Consensus EPS (Rs)	-	-	-
P/EV (x)	2.9	2.5	2.2

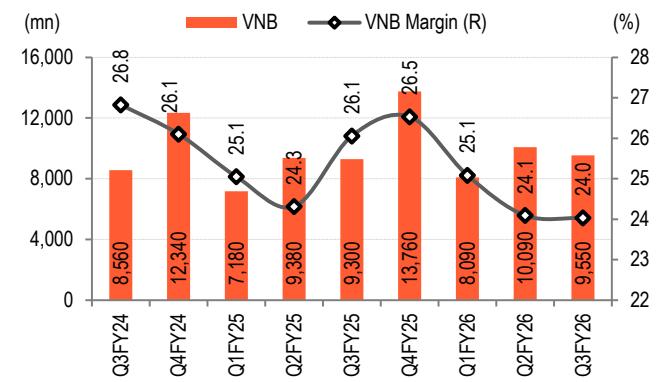
Source: Company, Bloomberg, BOBCAPS Research

Stock performance

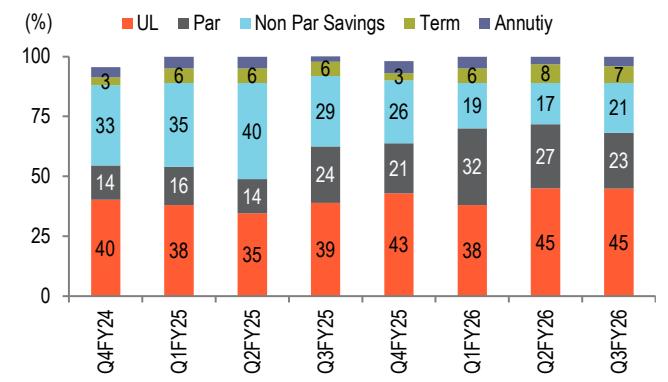


Source: NSE

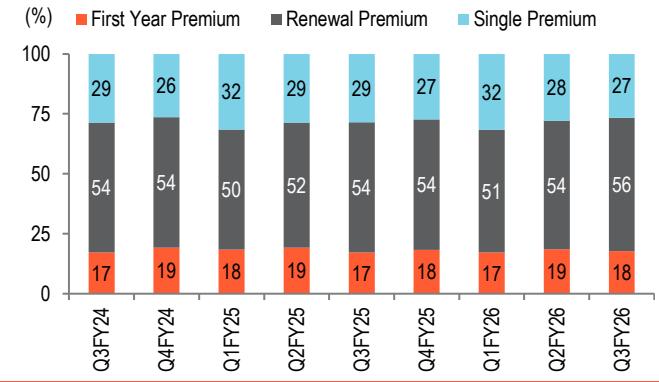


Fig 1 – VNB margin came in at 24% in Q3FY26

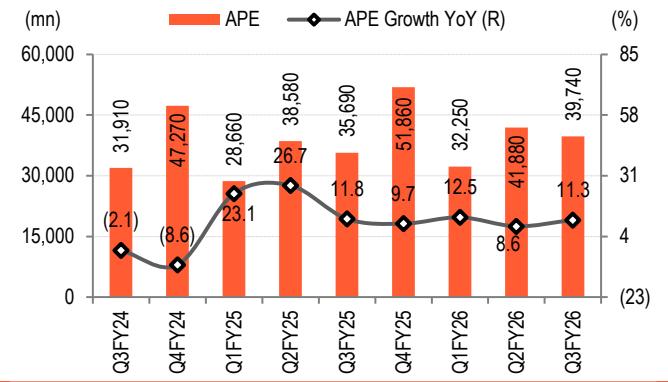
Source: Company, BOBCAPS Research

Fig 2 – ULIP demand continues to remain strong

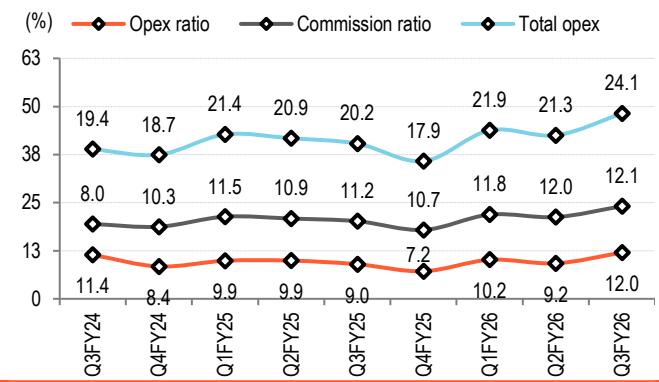
Source: Company, BOBCAPS Research

Fig 3 – Renewal premium constitutes 56% to gross premium income

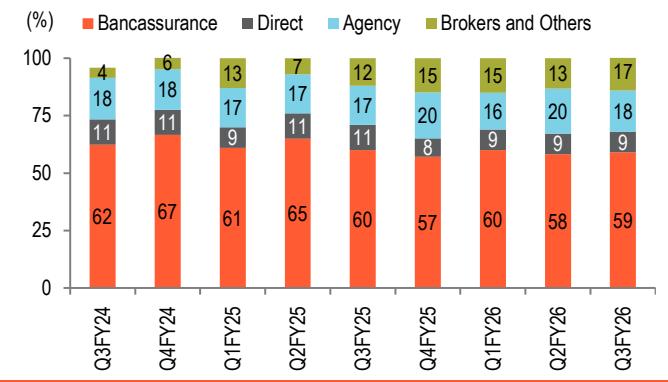
Source: Company, BOBCAPS Research

Fig 4 – APE grew by 11.3% at Rs 39,740 mn

Source: Company, BOBCAPS Research

Fig 5 – Opex ratio increased in Q3FY26 due to unavailability of input tax credit

Source: Company, BOBCAPS Research

Fig 6 – Agency channel delivered healthy double-digit growth in Q3FY26 and 9MFY26

Source: Company, BOBCAPS Research

Fig 7 – Policyholder's account

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY24	YoY (%)
Gross premium income	1,88,034	1,72,750	8.8	1,92,865	(2.5)	7,10,449	6,30,765	12.6
First Year Premium	33,245	29,688	12.0	35,795	(7.1)	1,29,761	1,11,108	16.8
Renewal Premium	1,04,745	93,756	11.7	1,03,371	1.3	3,76,796	3,34,451	12.7
Single Premium	50,044	49,306	1.5	53,700	(6.8)	2,03,892	1,85,205	10.1
Reinsurance	5,610	5,037	11.4	5,092	10.2	14,288	11,173	27.9
Net premium income	1,82,424	1,67,713	8.8	1,87,773	(2.8)	6,96,161	6,19,592	12.4
Income from investments (Net)	1,06,507	1,921	-	14,101	-	2,59,453	3,83,543	(32.4)
Other income	909	706	28.7	795	14.4	2,830	3,357	(15.7)
Contribution of funds from Shareholders' A/c	539	(1,199)	-	485	11.3	1,004	1,251	(19.7)
Total	2,90,380	1,69,141	71.7	2,03,153	42.9	9,59,448	10,07,743	(4.8)
Commission on								
First Year Premium	11,451	16,000	(28.4)	13,078	(12.4)	58,603	31,511	86.0
Renewal Premium	1,759	1,446	21.6	1,552	13.4	5,896	5,219	13.0
Single Premium	9,507	1,878	406.1	8,579	10.8	13,854	15,833	(12.5)
Others	0	0		0	-	0	0	-
Net Commission	22,717	19,325	17.6	23,209	(2.1)	78,353	52,563	49.1
Benefits Paid (Net)	91,638	91,792	(0.2)	93,289	(1.8)	3,93,459	3,96,965	(0.9)
Change in actuarial liability	1,53,375	43,005	256.6	69,792	119.8	4,15,156	4,84,194	(14.3)
Surplus/Deficit	(123)	(1,935)	-	(1,722)	-	10,430	7,751	34.6

Source: Company, BOBCAPS Research

Fig 8 – Shareholder's account

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY24	YoY (%)
Transfer from Policyholders' Account	1,409	982	43.4	2,152	(34.5)	9,968	7,991	24.7
Investment Income	4,187	2,718	54.0	3,609	16.0	11,251	10,022	12.3
Other income	1	0	-	0		1	131	-
Expenses other than those related to insurance business	608	445	36.6	638	(4.6)	1,429	1,209	18.2
Transfer of funds to Policyholders' Account	539	(1,199)	-	485	11.3	1,004	1,251	(19.7)
Provisions for diminution in value of investments	21	7	213.2	(15)	-	126	45	181.4
Profit before tax	4,428	4,448	(0.5)	4,654	(4.9)	18,661	15,638	19.3
Provisions for tax	220	299	(26.2)	183	20.7	640	(50)	-
Profit after tax and before Extraordinary items	4,207	4,149	1.4	4,472	(5.9)	18,021	15,689	14.9

Source: Company, BOBCAPS Research

Earnings call highlights

Business Highlights

- HDFCLIFE reported robust gross premium income growth of 8.8% YoY in Q3FY26, primarily driven by strong performance in the first year and renewal premium, which increased by 12% and 11.7% respectively. Single premium income grew 1.5% in Q3FY26.
- Over 70% of new customers acquired during the period were first-time buyers.
- The credit life segment rebounded strongly, recording growth of 25% YoY in Q3FY26. The MFI segment showed a pickup in Q3FY26, supported by a favourable base, while the non-MFI segments continued to deliver steady growth.
- Profit after tax for 9MFY26 increased by 7% to Rs 14.1 bn, and excluding the one-time labour code impact, growth would have been 15%.
- There is a one-time impact arising from changes under the new labour codes following the rollout of GST, which has affected EV and PAT. The impact amounts to Rs 980 mn and has been reflected in the Embedded Value.
- HDFC Life grew faster in Q3FY26 vs H1FY26, driven by increased volumes with no. of policies growing in double digits.
- Retail sum assured grew 33% over the 9MFY26 and 55% in Q3FY26, primarily supported by higher rider attachment and increased sum assured multiples in ULIPs.
- Individual APE grew 11% YoY in 9MFY26, translating into 2year CAGR of 17%.
- Market share in Individual WRP expanded by around 20 bps to 10.9% in 9MFY26.
- The company expects strong growth in FY27, supported by continued demand in Protection and sustained demand across the savings segments.

VNB Margin

- VNB margin declined from 25.1% in 9MFY25 to 24.4% in 9MFY26, primarily due to a positive 1.1% impact from the new business profile, -0.5% from expenses, -0.2% from surrender regulations, and -1.1% from GST; however, management expects an improvement in Q4. Management highlighted that the 1.1% GST impact covers only 3.5 months, while the impact for Q3FY26 was 1.9%.
- VNB growth, excluding GST impact and surrender regulation change would have been 13% for 9MFY26 and 11% for Q3FY26. However, VNB grew 7.2% and 2.7% in 9MFY26 and Q3FY26 respectively.
- Management reiterated that the target of doubling VNB over 4-4.5 years remains intact.

Impact of GST rate cuts

- Management highlighted the ongoing negotiations with distributors has been completed and the company has moved on with revised commercials.
- Management reiterated its confidence in offsetting the impact of the unavailability of ITC by Q4FY26.

Product and Channel Mix

- First-time buyers accounted for a higher share in Protection, contributing over 80%, with many customers opting for higher sum assured covers.
- ULIPs continued to experience strong traction, supported by favourable equity sentiments, while participating products maintained steady demand.
- The agency channel delivered healthy double-digit growth in Q3FY26 and 9MFY26.
- Counter-share with HDFC Bank remained stable this quarter, while partnerships with other banks showed steady performance in Q3FY26.
- The banca channel experienced lower growth this year; however, the company expects strong growth going forward.

Persistency ratio

- Overall operating variance is negative, primarily due to lower 13th-month persistency and reduced collections, but this was partially offset by an improvement in 61st-month persistency.
- Non-linked persistency has declined materially on a high base, driven by the sale of high ticket-size policies following changes in tax rules.
- Non-linked persistency was around 85–86% before accounting for high ticket-size policies. For ticket sizes as high as Rs 50 mn, the persistency ratio stands at 95%.

Valuation Methodology

We expect a short-term impact from GST implementation and ITC disallowance for HDFCLIFE. VNB margin remained stable during the quarter. Management plans to offset this through multiple strategies over the next 3-6 months. The company targets mid-teen APE growth and aims to outpace industry growth in FY26E. Further, Growth in Retail Protection is likely to sustain, coupled with pick up in non-par and credit life segments. We believe HDFCLIFE is well positioned to navigate these headwinds. We maintain BUY with a revised TP of Rs 918 (earlier Rs 933), valuing the stock at 2.4x Dec'27 P/EV, and continue to prefer it as our top pick.

Fig 9 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
APE	1,74,139	1,99,389	1,76,461	2,02,400	(1.3)	(1.5)
VNB Margin (%)	25.0	25.7	25.2	25.7	(20bps)	0bps

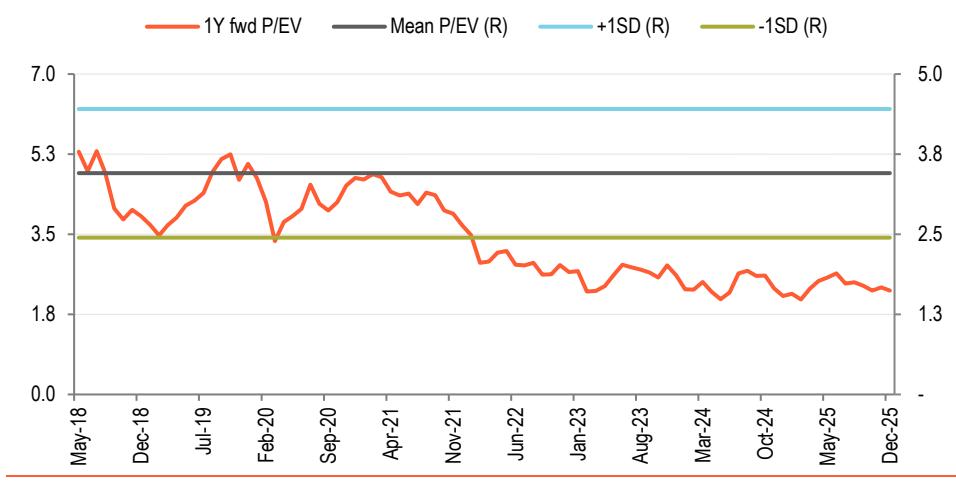
Source: BOBCAPS Research

Fig 10 – Actual vs Estimates

(Rs mn)	Q3FY26A	Q3FY26E	Actual vs. Estimates (%)
Gross Premium	1,88,034	1,99,283	(5.6)
APE	39,740	40,439	(1.7)
VNB	9,550	9,767	(2.2)
VNB Margin	24.0	24.2	(12bps)

Source: Company, BOBCAPS Research

Fig 11 – P/EV Band



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **Change in regulatory framework:** Any unfavourable change in regulations can affect business growth.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper growth of ULIPs. Although insurance companies are opting for balanced product mixes, many of them have sizeable business coming from ULIPs.
- **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 also be affected by fair value revaluation of bonds held in investment portfolios.

Glossary

Glossary of Abbreviations

APE	Annual 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
IRDAI	Insurance Regulatory and Development Authority	VNB	Value of New Business

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	6,30,765	7,10,449	8,34,778	9,59,994	11,05,913
First year premium	1,11,108	1,29,761	1,50,260	1,72,799	1,99,064
Renewal premium	3,34,451	3,76,796	4,42,432	5,08,797	5,86,134
Single premium	1,85,205	2,03,892	2,42,086	2,78,398	3,20,715
Net written premium	6,19,592	6,96,161	7,96,591	9,14,201	10,50,994
Income from investments	3,83,543	2,59,453	3,36,085	3,81,682	4,06,003
Other Income	4,608	3,834	4,147	4,490	4,864
Total income	10,07,743	9,59,448	11,36,823	13,00,372	14,61,862
Commissions	52,563	78,353	89,322	1,01,827	1,17,102
Operating expenses	69,011	62,218	69,684	79,440	90,958
Benefits and bonuses paid	3,96,965	3,93,459	4,60,347	5,39,527	6,04,270
Change in liabilities (net)	4,84,194	4,15,156	5,02,338	5,62,619	6,30,133
Others	-	-	-	-	-
Total expenses	10,02,732	9,49,186	11,21,692	12,83,413	14,42,463
Surplus before tax	5,011	10,263	15,131	16,959	19,398
Provision for tax	(5,924)	(5,882)	1,956	2,130	2,334
Surplus after tax	7,751	10,430	13,175	14,829	17,065
Trf to shareholders' a/c	7,991	9,968	12,648	13,939	16,041
Balance being FFA	(240)	462	-	-	-

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	7,991	9,968	12,648	13,939	16,041
Income from investments	10,022	11,251	12,283	14,022	14,974
Contr. to policyholders' fund	1,251	1,004	1,034	1,065	1,097
Others	(1,123)	(1,554)	(1,768)	(2,048)	(2,375)
PBT	15,638	18,661	22,129	24,849	27,543
Provision for taxation	(50)	640	885	994	1,102
PAT	15,689	18,021	21,244	23,855	26,441
Dividend+Interim div.+DDT	4,304	4,521	4,521	4,521	4,521

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	1,46,517	1,61,256	1,77,972	1,97,305	2,19,225
Policyholders' funds	27,34,890	31,53,161	37,28,737	44,20,792	52,53,512
FFA	12,115	12,576	13,583	14,669	15,843
Others	43,771	68,348	73,536	79,417	86,083
Total liabilities	29,37,293	33,95,342	39,93,827	47,12,183	55,74,663
Shareholders' funds	1,48,819	1,83,863	2,12,362	2,39,969	2,59,167
Policyholders' funds	18,17,966	21,62,671	25,73,578	30,62,558	36,44,444
Assets to cover linked liab.	9,55,416	10,16,282	11,68,724	13,44,032	15,32,197
Others	-	-	-	-	-
Total assets	29,37,293	33,95,342	39,93,827	47,12,183	55,74,663

Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	29,22,201	33,62,815	39,54,664	46,46,559	54,35,807
NBP (Rs mn)	2,96,314	3,33,653	3,92,346	4,51,197	5,19,779
APE (Rs mn)	1,32,910	1,54,790	1,74,139	1,99,389	2,29,297
VNB (Rs mn)	34,955	39,626	41,984	49,418	57,494
VNB margin (%)	26.3	25.6	25.0	25.7	26.0
Embedded value (Rs mn)	4,74,680	5,54,230	6,38,031	7,35,971	8,49,821
ROEV (%)	17.5	16.7	15.9	16.1	16.1
ROE (%)	11.4	11.7	12.5	12.7	12.7
Opex ratio (%)	10.9	8.8	8.5	8.5	8.4
Cost ratio (%)	19.3	19.8	19.5	19.3	19.2
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	7.3	8.4	9.9	11.1	12.3
BVPS (Rs)	68.5	75.0	82.7	91.6	101.8
EVPS (Rs)	220.6	257.4	296.3	341.8	394.7

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

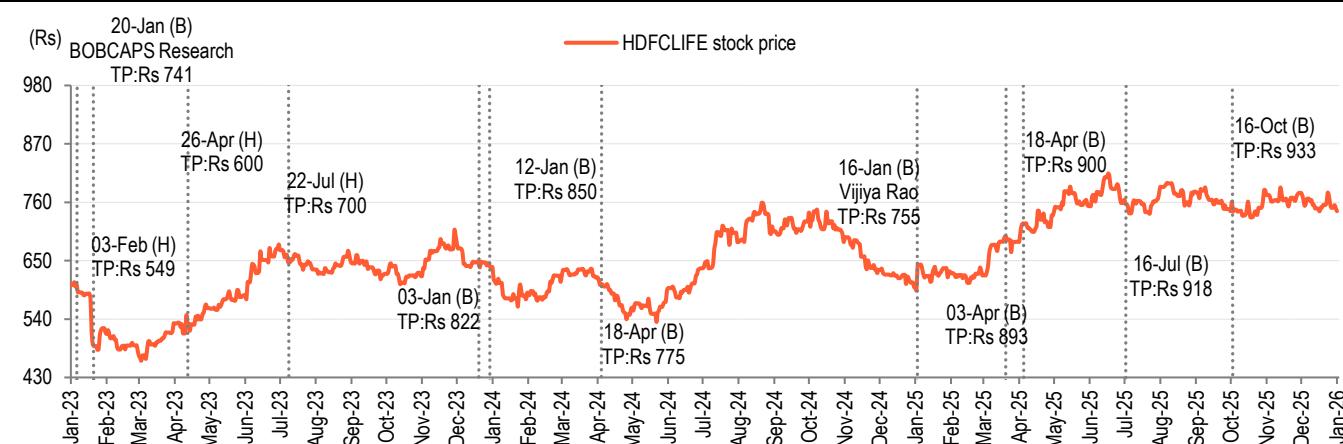
HOLD – Expected return from -6% to +15%

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

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