

BUY
 TP: Rs 794 | ▲ 26%

HDFC LIFE

| Insurance

| 17 April 2026

Margins impacted, growth to stabilise

- HDFCLIFE performance was marginally below our expectations with APE growth and VNB margins lower by 2.8% and 19bps respectively
- Guided for APE growth to be marginally faster than private players; absolute VNB growth to be in line with APE growth, going forward
- We maintain BUY on HDFCLIFE with TP to Rs 794 (earlier Rs 907), implying 2.1x in its Mar'28 P/EV. HDFCLIFE remains our top pick

APE and VNB margins were below our expectations: HDFCLIFE performance was below our expectations. APE came in at Rs 52.5 bn (up 1.3% YoY) vs our estimate of Rs 54.1 bn in Q4FY26. For FY26, APE grew 8% YoY to Rs 166.4 bn. VNB margin stood at 24% vs 26.5% in Q4FY25 vs our estimate of 24.2%. For FY26, VNB margin was at 24.2% — a contraction of 140bps. This was primarily on account of ITC unavailability and surrender value regulations. Excluding these impacts, VNB margin would have been at 25.5% in FY26.

Way forward: The GST impact has come down to 190bps in Q4FY26 compared to estimate of 300bps on margins. The management had earlier indicated that the impact would neutralise by FY26; however, this has been further delayed by another 3-4 months to Jun'26. Management expects APE growth to normalise in FY27 and plans to outpace the industry growth, maintaining absolute VNB growth in line with APE growth, going forward. It indicated that the company will not aim to push VNB margins back to 25.5% aggressively, at the cost of growth. Broadly, over a 3Y horizon, management foresees margin expansion, driven by better product mix and operating leverage.

Product mix: ULIP share in the product mix increased to 46.1% in Q4FY26 vs. 44.8% in Q3FY26 and 44% in FY26 vs. 39% in FY25. This was primarily on account of higher sum assured through rider attachments or higher base cover. The company anticipates a gradual rebalancing of its product mix with non-par gaining share going forward.

Maintain BUY: We expect a short-to-medium-term impact from GST implementation and ITC disallowance for HDFCLIFE. Management plans to offset this through multiple strategies over the next 3-4 months. APE growth is expected to normalise in FY27, and from thereon, outpace industry growth. Further, the company expects retail protection growth 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 794 (earlier Rs 907), valuing stock at 2.1x Mar'28 P/EV and continue to prefer it as our top pick.

Vijiya Rao
 Research Analyst
 Niraj Jalan
 Research Analyst

Rutam Yellapurkar
 Research Associate
 research@bobcaps.in

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 632
Market cap	US\$ 14.5bn
Free float	50%
3M ADV	US\$ 24.4mn
52wk high/low	Rs 821/Rs 555
Promoter/FPI/DII	50%/25%/13%

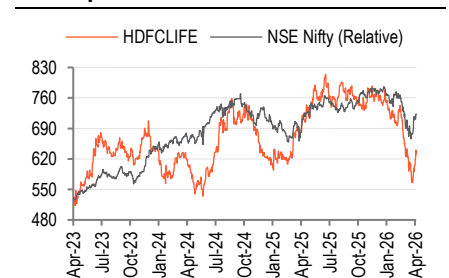
Source: NSE | Price as of 16 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NBP (Rs mn)	3,60,959	4,27,222	4,91,305
APE (Rs mn)	1,66,410	1,86,379	2,12,472
VNB (Rs mn)	40,340	39,832	46,336
Embedded Value (Rs mn)	6,21,400	7,07,567	8,07,013
VNB margin (%)	24.2	24.5	25.0
EVPS (Rs)	288.3	328.2	374.4
EPS (Rs)	8.9	9.3	10.1
Consensus EPS (Rs)	8.8	10.5	12.0
P/EV (x)	2.2	1.9	1.7

Source: Company, Bloomberg, BOBCAPS Research

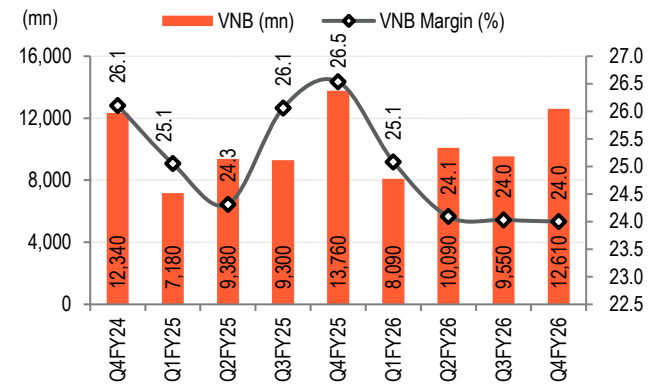
Stock performance



Source: NSE

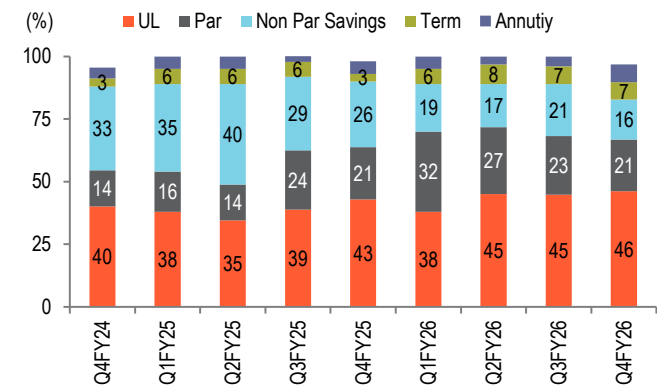


Fig 1 – VNB margin came in at 24% in Q4FY26



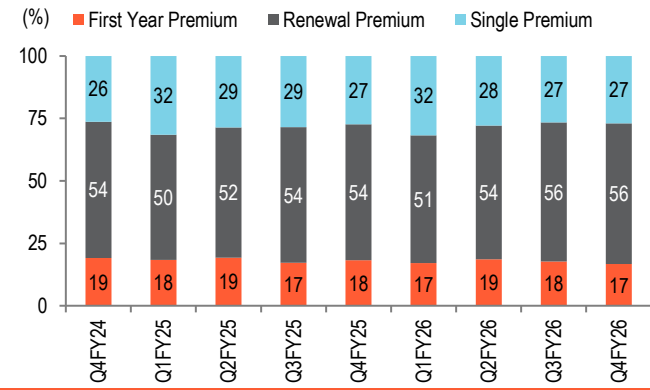
Source: Company, BOBCAPS Research

Fig 2 – ULIP demand remains strong



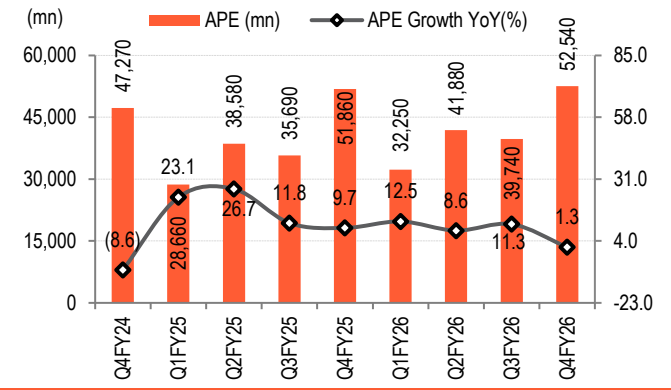
Source: Company, BOBCAPS Research

Fig 3 – Renewal premium grew robust by 13.9% in Q4FY26



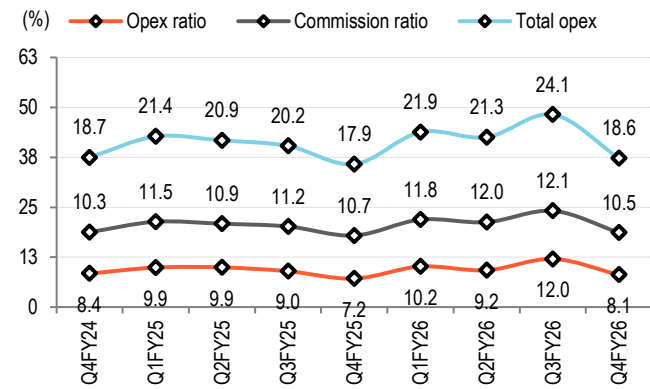
Source: Company, BOBCAPS Research

Fig 4 – APE grew by 1.3% at Rs 52,540 mn in Q4FY26



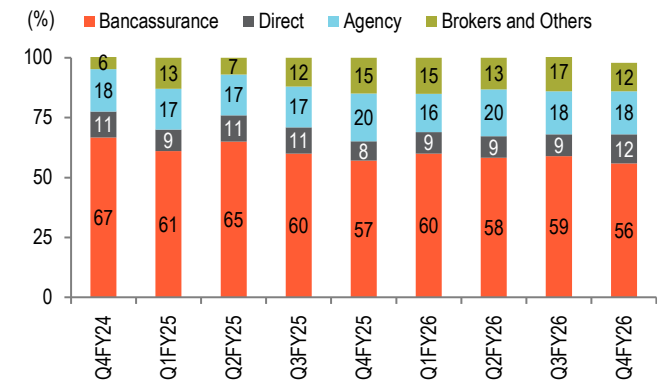
Source: Company, BOBCAPS Research

Fig 5 – Opex ratio increased moderated in Q4FY26 at 18.6%



Source: Company, BOBCAPS Research

Fig 6 – Agency channel grew ~500bps faster vs company growth, contributing 18% in Q4FY26



Source: Company, BOBCAPS Research

Fig 7 – Policyholder's account

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Gross premium income	2,64,221	2,40,316	9.9	1,88,034	40.5	7,93,871	7,10,449	11.7
First Year Premium	44,252	43,960	0.7	33,245	33.1	1,38,793	1,29,761	7.0
Renewal Premium	1,48,765	1,30,623	13.9	1,04,745	42.0	4,32,911	3,76,796	14.9
Single Premium	71,204	65,733	8.3	50,044	42.3	2,22,166	2,03,892	9.0
Reinsurance	5,927	2,660	122.8	5,610	5.7	20,719	14,288	45.0
Net premium income	2,58,294	2,37,656	8.7	1,82,424	41.6	7,73,152	6,96,161	11.1
Income from investments (Net)	(64,806)	180	-	1,06,507	-	2,01,752	2,59,453	(22.2)
Other income	1,031	768	34.3	909	13.4	3,473	2,830	22.7
Contribution of funds from Shareholders' A/c	2,798	227	-	539	-	4,487	1,004	-
Total	1,97,317	2,38,831	(17.4)	2,90,380	(32.0)	9,82,865	9,59,448	2.4
Commission on								
First Year Premium	14,923	21,560	(30.8)	11,451	30.3	53,702	58,603	(8.4)
Renewal Premium	2,138	1,996	7.1	1,759	21.6	6,744	5,896	14.4
Single Premium	10,791	2,258	377.9	9,507	13.5	30,823	13,854	122.5
Others	0	0	-	0	-	0	0	-
Net Commission	27,852	25,814	7.9	22,717	22.6	91,269	78,353	16.5
Benefits Paid (Net)	1,11,509	1,10,404	1.0	91,638	21.7	3,83,234	3,93,459	(2.6)
Change in actuarial liability	31,003	81,959	(62.2)	1,53,375	(79.8)	4,24,335	4,15,156	2.2
Surplus/Deficit	4,429	1,633	171.2	(123)	-	3,418	10,430	(67.2)

Source: Company, BOBCAPS Research

Fig 8 – Shareholder's account

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Transfer from Policyholders' Account	4,707	2,467	90.8	1,409	-	11,931	9,968	19.7
Investment Income	3,779	3,274	15.4	4,187	(9.7)	14,776	11,251	31.3
Other income	0	0	-	1		2	1	14.3
Expenses other than those related to insurance business	663	532	24.5	608	9.0	2,524	1,429	76.6
Transfer of funds to Policyholders' Account	2,798	227	-	539	-	4,487	1,004	-
Provisions for diminution in value of investments	163	119	36.8	21	-	147	126	17.0
Profit before tax	4,862	4,862	0.0	4,428	9.8	19,550	18,661	4.8
Provisions for tax	(94)	97	-	220	-	451	640	(29.6)
Profit after tax and before Extraordinary items	4,957	4,765	4.0	4,207	17.8	19,100	18,021	6.0

Source: Company, BOBCAPS Research

Earnings Call Highlights

Business Highlights

- HDFCLIFE reported strong gross premium income growth of 9.9% YoY in Q4FY26, primarily driven by robust performance in renewal premium, which increased by 13.9%. Single premium and first year premium income grew 8.3% and 0.7% respectively.
- Management highlighted that FY26 numbers were below expectations. This was mainly due to the slowdown in Q4FY26, driven by unabsorbed GST, temporary softness in the bancassurance channel, and demand deferment in March given the global uncertainty.
- PAT for FY26 rose by 6% to Rs 19.1 bn, and excluding the one-time labour code impact, growth would have been 16%.
- Solvency ratio stood at 177%. Board approval to raise up to Rs 10 bn via a preferential issue to parent HDFC Bank, has been taken — which will add ~900 bps to solvency.
- The GST-related margin impact is easing, with an impact of around 190 bps in Q4FY26; management expects it to be largely neutralised as the company enters FY27.

VNB

- VNB stood at Rs 40.3 bn, reflecting 1.8% YoY growth. Excluding the GST impact and surrender regulation changes, VNB growth is broadly aligned with APE growth.
- VNB margins for FY26 stood at 24.2%, YoY decline of 140bps. Excluding the GST and surrender value impact, margins would have been flat at 25.5%. The margin drop was driven by GST and surrender value impact (-130 bps), fixed-cost absorption drag due to softer than expected topline growth in Q4FY26 (-90 bps), and persistency assumption strengthening (-40 bps), partially offset by a better product mix (+120 bps).
- Focus remains on growing VNB in line with APE in FY27. The company expects margins to improve, primarily driven by continued growth in protection, higher rider attachments, recovery in non-par savings, further enhancement in ULIP protection mix.

Product and Channel Mix

- Individual APE composition for FY26: ULIP 44%, Non-PAR Savings 18%, Participating 25%, Term 7%, Annuity 5%.
- Protection grew 32% YoY for FY26, driven by lower post-GST pricing and a stronger portfolio. Retail protection mix increased by around 160 bps YoY to 6.4%.
- The company expects non-par savings to gain share in FY27, with protection and annuity to grow ahead of the company average.
- Rider attachment on ULIPs has grown 5-6x over the past 18 months. One-fourth of ULIP business now comes with higher sum assured multiples.
- Credit protect saw a healthy rebound in H2FY26, driven by recovery in MFI segment and robust credit growth.
- Agni, the first variable annuity product, has meaningfully increased the annuity share and generates margins higher than the company average.
- The agency channel grew about 500 bps faster than the company delivering returns on multi-year investments in branch expansion and talent acquisition, with the focus now shifting from expansion to productivity, activation, and branch-level profitability.
- Tier 2 and Tier 3 markets grew faster than Tier 1, with over 72% of new customers in FY26 being new to HDFC Life.

Embedded Value

- Embedded Value stood at Rs 621.4 bn. Operating Return on EV for FY26 was 15% (15.4% on a normalised basis).
- Negative operating assumption change is primarily driven by 13M persistency, with no material impact from other cohorts.
- In the EV walk, the GST impact on existing business is reflected as other operating change or variance.
- Management highlighted that the loss of input tax credit on future renewal commissions payable and higher expenses due to changes in the new labour code, 2025 are captured in Other non-operating variances.

Others

- Over 70% of new customers were first-time HDFC Life buyers.
- Board approval has been obtained to seek forbearance for FY27 under INDAS 117 (IFRS), with the full adoption aimed for FY28 onwards.
- HDFC Pension Fund Management (wholly-owned subsidiary) holds a 43% market share. HDFC International Re continues steady reinsurance performance from Gift City.
- Vibha Padalkar's current term (3+5 = 8 years) ends in September 2026.

Valuation Methodology

We expect a short-to-medium-term impact from GST implementation and ITC disallowance for HDFCLIFE. Management plans to offset this through multiple strategies over the next 3-4 months. APE growth is expected to normalise in FY27 and from thereon, outpace the industry growth. 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. Considering the macro environment and its impact on ULIP sales, we lower our target multiple to 2.1x (from 2.3x) on Mar'28 P/EV. We maintain BUY with a revised TP of Rs 794 (earlier Rs 907), valuing stock at 2.1x Mar'28 P/EV and continue to prefer it as our top pick.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
APE	1,86,379	2,12,472	2,42,218	1,98,518	2,27,303	-	(6.1)	(6.5)	-
VNB Margin (%)	24.5	25.0	25.7	25.3	25.9	-	(80bps)	(90bps)	-

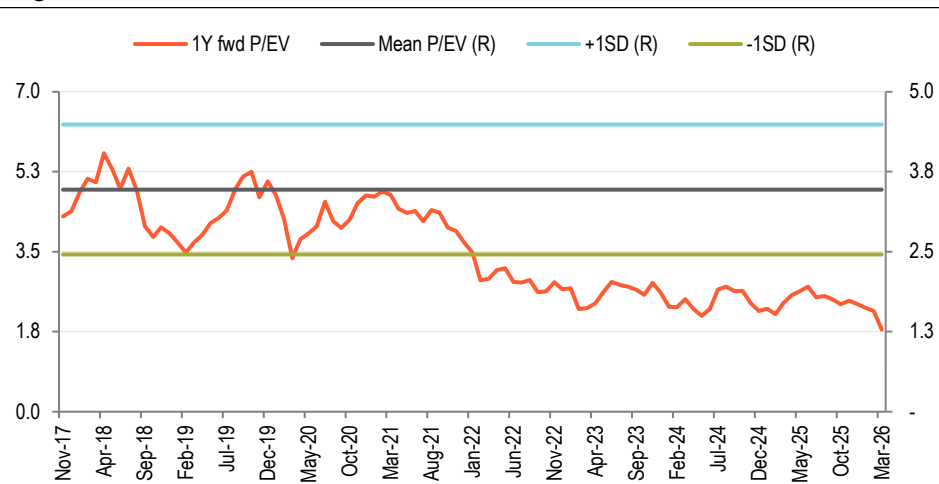
Source: BOBCAPS Research

Fig 10 – Actual vs Estimates

(Rs mn)	Q4FY26A	Q4FY26E	Actual vs. Estimates (%)
Gross Premium	2,64,221	2,76,710	(4.5)
APE	52,540	54,068	(2.8)
VNB	12,610	13,079	(3.6)
VNB Margin	24.0	24.2	(19bps)

Source: 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)	FY25A	FY26A	FY27E	FY28E	FY29E
Gross premium income	7,10,449	7,93,871	9,08,982	10,45,329	12,04,219
First year premium	1,29,761	1,38,793	1,63,617	1,88,159	2,16,759
Renewal premium	3,76,796	4,32,911	4,81,760	5,54,024	6,38,236
Single premium	2,03,892	2,22,166	2,63,605	3,03,145	3,49,224
Net written premium	6,96,161	7,73,152	8,86,257	10,19,196	11,80,249
Income from investments	2,59,453	2,01,752	2,30,844	2,64,066	2,96,773
Other Income	3,834	7,961	9,379	11,055	13,037
Total income	9,59,448	9,82,865	11,26,481	12,94,318	14,90,059
Commissions	78,353	91,269	1,02,222	1,18,577	1,37,549
Operating expenses	62,218	76,909	86,138	97,336	1,09,990
Benefits and bonuses paid	3,93,459	3,83,234	4,59,880	5,51,857	6,62,228
Change in liabilities (net)	4,15,156	4,24,335	4,66,768	5,13,445	5,64,790
Others	-	-	-	-	-
Total expenses	9,49,186	9,75,747	11,15,009	12,81,215	14,74,557
Surplus before tax	10,263	7,118	11,472	13,103	15,502
Provision for tax	(5,882)	941	1,786	2,007	2,269
Surplus after tax	10,430	3,418	9,686	11,096	13,233
Trf to shareholders' a/c	9,968	11,931	9,686	11,096	13,233
Balance being FFA	462	(8,513)	-	-	-

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Trf from policyholders' a/c	9,968	11,931	9,686	11,096	13,233
Income from investments	11,251	14,776	19,223	21,212	22,909
Contr. to policyholders' fund	1,004	4,487	5,385	6,462	7,754
Others	(1,554)	(2,670)	(3,099)	(3,601)	(4,188)
PBT	18,661	19,550	20,425	22,245	24,199
Provision for taxation	640	451	471	513	558
PAT	18,021	19,100	19,955	21,732	23,642
Dividend+Interim div.+DDT	4,521	4,527	4,527	4,527	4,527

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity	1,61,256	1,76,961	39,896	57,101	76,215
Policyholders' funds	31,53,161	35,29,583	41,97,707	50,01,034	59,67,635
FFA	12,576	4,064	4,389	4,740	5,119
Others	68,348	79,411	85,877	93,207	1,01,516
Total liabilities	33,95,342	37,90,018	43,27,869	51,56,082	61,50,486
Shareholders' funds	1,83,863	2,00,549	2,26,620	2,44,749	2,64,329
Policyholders' funds	21,62,671	24,99,514	29,74,422	35,39,562	42,12,079
Assets to cover linked liab.	10,16,282	10,51,916	12,09,704	13,79,062	15,72,131
Others	-	-	-	-	-
Total assets	33,95,342	37,90,018	43,27,869	51,56,082	61,50,486

Key Metrics

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
AUM (Rs mn)	33,62,815	37,51,979	44,10,746	51,63,374	60,48,540
NBP (Rs mn)	3,33,653	3,60,959	4,27,222	4,91,305	5,65,983
APE (Rs mn)	1,54,790	1,66,410	1,86,379	2,12,472	2,42,218
VNB (Rs mn)	39,620	40,340	39,832	46,336	54,302
VNB margin (%)	25.6	24.2	24.5	25.0	25.7
Embedded value (Rs mn)	5,54,230	6,21,400	7,07,567	8,07,013	9,22,244
ROEV (%)	16.7	15.0	14.6	14.7	14.8
ROE (%)	11.7	11.3	18.4	44.8	35.5
Opex ratio (%)	8.8	9.7	9.5	9.3	9.1
Cost ratio (%)	19.8	21.2	20.7	20.7	20.6
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	8.4	8.9	9.3	10.1	11.0
BVPS (Rs)	75.0	82.2	18.5	26.5	35.4
EVPS (Rs)	257.4	288.3	328.2	374.4	427.8

Source: Company, BOBCAPS Research

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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: **INH000000040 (Perpetual)**
 SEBI Stock Broker Registration No: **INZ000159332**
 SEBI Depository Participant Registration No: **IN-DP-728-2022**
 SEBI Merchant Banker Registration No: **INM000009926**
 Phone: +91-22-61389300
 Name of the Compliance Officer: Mr. Sameer Khobrekar
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
 For any queries or grievances, you may contact the Grievance Officer.
 Name of the Grievance Officer: Mr. Manoj Pawar
 Email ID: head-customer@bobcaps.in; Phone no: 0+91-22-69417333

Brand Name: **BOBCAPS**
 Website: <https://www.bobcaps.in/>
 CIN: **U65999MH1996GOI098009**



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

BUY – Expected return >+15%

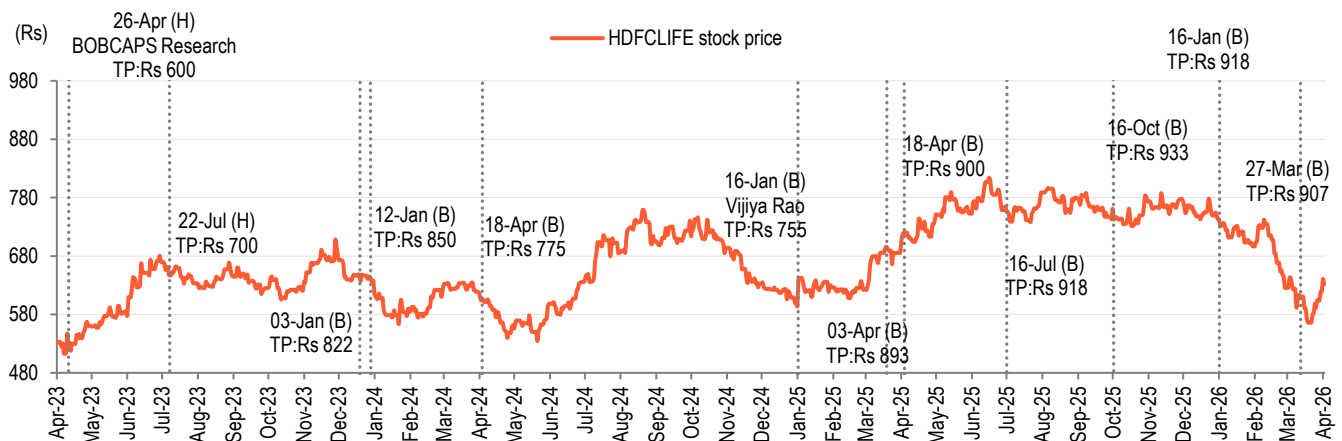
HOLD – Expected return from -6% to +15%

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

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