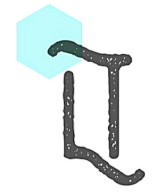




Sar utha ke jiyo!



LIQUID TALK

Research Analyst
MEGHA MARIUM

HDFC LIFE INSURANCE COMPANY LIMITED

JUNE 19, 2021

CURRENT PRICE : 709 | TARGET PRICE : 900 | TARGET PERIOD : 12 MONTHS

Incorporated : August 14, 2000

Claim Settlement Rate : 99.04%

Dividend Yield : 0.28%

52W High / Low : 746 / 514

Face Value : 10

PE Ratio / Industry PE : 105 / 61.7

HDFC Life Insurance Company is engaged in carrying on the business of life insurance. The Company offers a range of individual and group insurance solutions. The portfolio comprises of various insurance and investment products such as Protection, Pension, Savings, etc. HDFC Life is incorporated as a JV between HDFC and Standard Life Aberdeen and is one of India's leading life insurance companies.

Recent News

Life insurers report 5.5% decline in new premiums in May - 08 Jun 2021

HDFC Life Q4 new premiums jump 45% - 27 Apr 2021

HDFC Life Q4 results: Net profit muted on Covid-related provisions - 26 Apr 2021

Source : *The Economic Times*



Business Overview

Besides consistently being among the top three private life insurers in terms of profitability based on VNB margin the company has also consistently been among the top three private life insurers in terms of market share based on total new business premium. HDFC Standard Life was the first private sector life insurer to obtain registration from the IRDAI and was established as a joint venture between HDFC (one of India's leading housing finance institutions) and Standard Life Aberdeen plc (one of the world's largest investment companies) initially through its wholly owned subsidiary, The Standard Life Assurance Company and now through its wholly owned subsidiary Standard Life Mauritius.

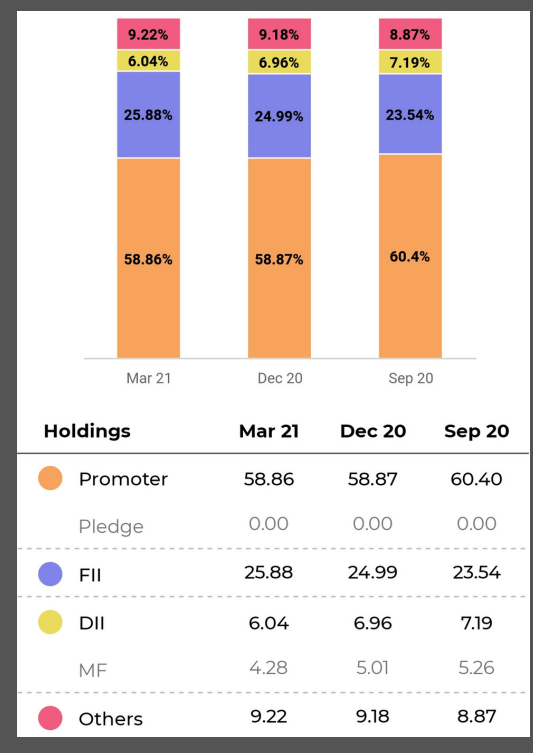
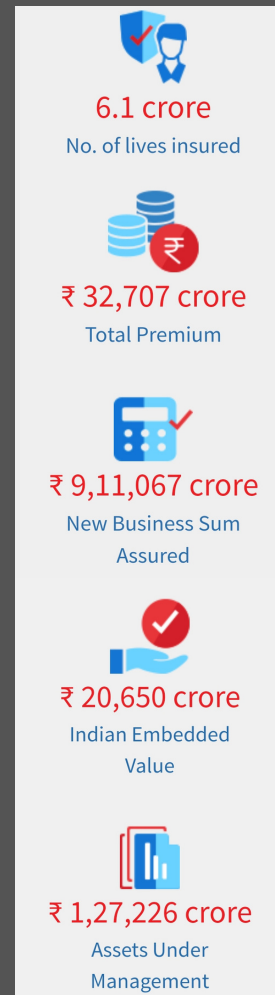
Currently the Company has 413 branches across India and a broad diversified product portfolio covering five principal segments across the individual and group categories namely participating non-participating protection term non-participating protection health other nonparticipating and unit-linked insurance products. The Product portfolio comprises 35 individual and 11 group products as well as eight optional rider benefits. HDFC Life's products include Protection, Pension, Savings, Investment, Health along with Children and Women plans.

Corporate Leadership

Ms. Vibha Padalkar - Managing Director & CEO

After completing her Chartered Accountancy with the CA Institute of England and Wales, Vibha moved to Indai in 1993 and worked in various Finance departments across number of Industries. She has been with HDFC Life for over 10 years.

As of today, 19th June 2021, there is no negative or derogatory news about him or any of the company's top management officials.



Financial Performance

Measure	2017	2018	2019	2020
ROE (%)	23.17	23.38	22.64	19.07
EBITDA Margin (%)	89.4	86.78	78.47	78.84
Net Profit Margin (%)	87.24	85.39	77.66	77.84
Current Ratio	15.92	3	3.09	3.44
Debt to Equity	0	0	0	0
Basic EPS (Rs.)	4.44	5.52	6.34	6.43

Most Key Financial Indicators reflect a fairly good performance through the last 4 financial years. While operating indicators like the EBITDA Margin & Net Profit Margins have fallen marginally across the 4 years.

The Current Ratio has gotten better through the years, ensuring good solvency. The Debt in the company has been negligible and therefor the Debt Equity ratio has maintained close to zero. While this makes it a near debt free company, the company could have raised some amount of Debt to leverage a better ROE. The Return on Equity - a measure of Net Income divided by Shareholders' Equity - has fallen after a marginal rise in 2018.

During 2020, the life insurance industry grew by 21% growth in new business premium. Private insurers grew by 5% in individual business and 19% in group business. LIC recorded growth of 8% in individual business and 39% in group business.

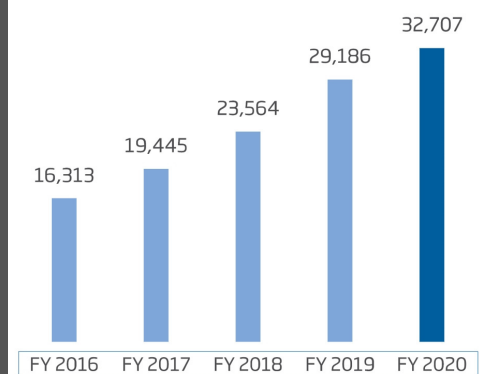
In Rs. Crores	ACTUAL			FORECASTED	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	1,309.72	1,666.94	1,686.62	1,821.55	2,131.21
Net Profit	1,107.20	1,277.93	1,277.93	1,380.16	1,614.79
Basic EPS (₹)	5.52	6.34	6.34	6.85	8.01

YoY Revenue rise of 8% in 2021 & 17% rise in 2022*

*Forecasted using weighted average growth rates and significantly conservative approach to 2020-21 growth rates considering the Covid-19 setbacks and economic slowdown.

Total Premium

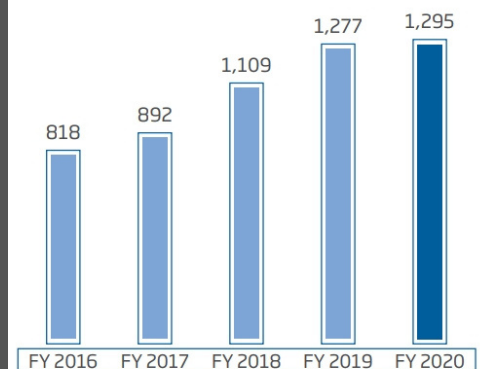
(₹ crore)



19% CAGR

Profit After Tax

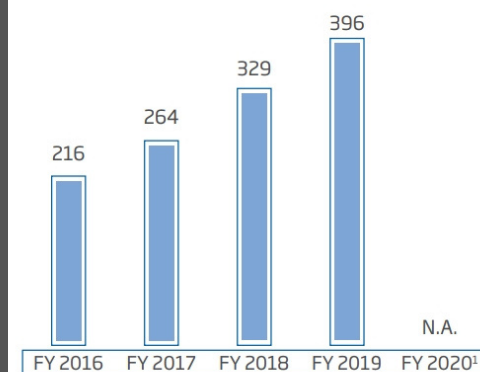
(₹ crore)



12% CAGR

Dividend Paid

(₹ crore)



Peer Analysis

Name	CMP Rs.	P/E	Div Yld %	NP Qtr Rs.Cr.	EPS 12M Rs.	Current Ratio	Debt / Eq	Sales growth %	ROE %
HDFC Life Insur.	709.20	105.38	0.28	319.06	6.73	0.78	0.07	140.6	17.63
SBI Life Insuran	982.55	67.5	0.25	532.38	14.56	1.69	0	87.03	15.21
ICICI Pru Life	580.00	114.58	0.34	62.51	6.66	1.04	0.1	295.19	7.63
ICICI Lombard	1,534.00	47.35	0.26	345.68	32.4	0.24	0.06	-2.14	21.6
General Insuranc	201.65	17.94	0	931.35	11.24	0.57	0	-1.05	-3.37
New India Assura	173.50	17.43	0	232.96	9.95	0.45	0	6.58	6.97
V-Guard Industri	264.55	57.19	0.45	68.34	4.63	2.38	0.01	8.74	18.08

Among Peers, HDFC Life Insurance has one of the highest PE Ratio, suggesting a high price to comparatively low earnings. Sales growth % is the highest and recent quarter's Net Profit is only one among the higher ones. Comparatively, with a consistently high ROE, HDFC Life Insurance currently seems to be a relatively high performer.

Recommendation

HDFC Life Insurance Ltd. according to a thorough fundamental and technical analysis is an investment option that should easily fetch 25-30% growth in share price within the next one year.

As of **June 19, 2021**, at a price of **Rs. 709**, the recommendation is to **buy** the shares until a **target price of Rs. 900** for the target duration of **12 months** from date, ending **June 18, 2022**, yielding a **return of 25+%**.



Share Price Movement of HDFC Life Insurance Ltd. across the last 5 years