

April 17, 2026

Cautious strategy weighs on growth, revival expected in FY27E..

About the stock: HDFC Life is among the most dominant players in Indian life insurance industry with strong distribution network, parentage, operating metrics.

- Balanced product mix with focus on non-par, protection & annuity business
- Industry leading VNB margins of ~25-26%

Q4FY26 performance: HDFC Life reported a muted Q4FY26 performance, with moderation in growth and margins amid GST-led disruption and banca channel weakness. Individual APE growth remained subdued at ~7% YoY at ₹14,635 crore in FY26, reflecting slowdown in Q4, while retail protection continued to see strong traction (~43% YoY), supporting overall business quality. VNB stood at ₹4,034 crore (2% YoY) with VNB margin declining ~140 bps YoY to 24.2%, impacted by GST, surrender norms and slower growth weighing on fixed cost, though margins were partly supported by favourable product mix. PAT increased by 6% YoY to ₹1,910 crore. Embedded value increased to ~₹62,139 crore (12% YoY) with operating RoEV steady at ~15%, while solvency remained comfortable at ~177%.

Investment Rationale

- Growth recovery contingent on banca normalization and product mix recalibration:** Business growth remained muted in FY26 with APE growth at ~7% YoY, impacted by weaker banca traction in Q4 and sharp moderation in non-par savings to ~18% (vs ~32% in FY25). However, underlying trends remain healthy with strong momentum in retail protection (~43% YoY) and steady traction in ULIPs (~44% mix) and par products (~25% mix), indicating improving business quality. With expected normalization in banca channel, continued penetration in Tier-2/3 markets, and pickup in non-par savings aided by favourable yield environment and calibrated pricing, management expects growth recovery from FY27, targeting mid-teens APE growth over the medium term.
- Drag in VNB margins though normalisation expected in FY27E:** VNB margin moderated to ~24.2% in FY26 (down ~140 bps YoY), impacted by GST-led input tax credit loss, surrender value regulations (~130 bps), lower cost absorption due to weak volumes (90 bps) and change in persistency related assumptions (~40 bps). Management expects to progressively improve margins through higher protection mix (~7%), improved rider attachments and recovery in non-par products with margins likely to stabilize and trend towards pre-GST levels (~25%) over FY27-28E. Further, management anticipates long term persistency to remain broadly stable, supporting growth and margins.

Rating and Target Price

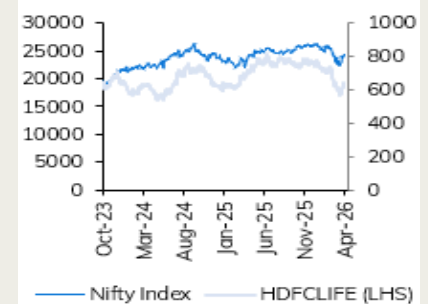
Selective approach amid elevated competition and soft banca channel led to moderation in premium accretion, however, focus on increasing geographic penetration and customer service is seen to aid gradual uptick in business growth. Strategy to increase protection mix, higher rider attachment and operating leverage, with traction in business, is seen to drive margins, though pace could remain gradual. Factoring near term challenges, we revise our estimates assigning 1.9x FY28E EV and thus our target price revises from ₹860 to ₹750. Maintain Buy rating.

**Particulars**

| Particulars | Amount |
|-----------------------|-----------------|
| Market Capitalisation | ₹1,33,006 crore |
| EV | ₹62,139 crore |
| AUM | ₹3,75,198 crore |
| 52 week H/L | ₹ 821 / 555 |
| Net worth | ₹17,696 crore |
| Face value | ₹ 10 |

Shareholding pattern

| | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
|-----------|--------|--------|--------|--------|
| Promoters | 50.3 | 50.3 | 50.3 | 50.2 |
| FII | 25.0 | 25.0 | 25.0 | 24.3 |
| DII | 14.1 | 14.1 | 14.1 | 15.2 |
| Public | 10.6 | 10.6 | 10.6 | 10.3 |

Price Chart**Key risks**

- Slower than anticipated VNB margin recovery
- Regulatory headwinds remain a risk

Research Analyst

Vishal Namolia
vishal.namolia@icicisecurities.com

Parth Chintkindi
parth.chintkindi@icicisecurities.com

Key Financial Summary

| (₹ Crore) | FY24 | FY25 | FY26 | 3 year CAGR (FY23- FY26) | FY27E | FY28E | 2 year CAGR (FY26-28E) |
|----------------------|--------|--------|--------|--------------------------|--------|---------|------------------------|
| New business premium | 29,631 | 33,395 | 36,096 | 7.5% | 40,776 | 46,166 | 13.1% |
| APE | 12,963 | 15,045 | 16,641 | 8.3% | 18,729 | 20,969 | 12.3% |
| Total premium | 63,076 | 71,075 | 79,387 | 11.3% | 88,528 | 100,440 | 12.5% |
| PAT | 1,569 | 1,852 | 1,910 | | 2,177 | 2,471 | |
| EV | 47,468 | 55,423 | 62,139 | | 73,351 | 84,202 | |
| P/E (x) | 84.7 | 71.8 | 69.7 | | 61.2 | 54.0 | |
| P/BV (x) | 9.1 | 8.2 | 7.6 | | 7.0 | 6.4 | |
| P/IEV (x) | 2.8 | 2.4 | 2.1 | | 1.8 | 1.6 | |
| RoEV (%) | 17.5 | 16.7 | 15.9 | | 15.5 | 15.4 | |

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and outlook

- Individual APE growth moderated to ~7% YoY in FY26; Q4 growth impacted by GST-led disruption, banca weakness and deferment in demand.
- VNB margin declining ~140 bps YoY to 24.2%, impacted by GST-related headwinds, surrender regulations and lower cost absorption due to weak volumes. PAT increased by 6% YoY to ₹1,910 crore.
- Long term strategy to double VNB margin in 3-4 years remains intact aided by disciplined pricing, normalization of margins and alteration in business mix.
- Despite near-term volatility, management reiterated confidence in medium-term compounding, targeting ~1.8–2x growth over a 4-year horizon.
- Normalised VNB growth guided at ~9–10% CAGR, adjusting for GST and regulatory impact.

Product mix & Profitability

- Product mix: ULIP ~44%, Par ~25%, Non-par ~18%, Term ~7%, Annuity ~5%
- Protection mix expanded (~200 bps YoY to ~7.2%), with increasing contribution (~10% including riders), improving overall business quality.
- Retail protection strong: +43% YoY (FY26); Q4 growth at ~46%
- Non-par savings demand was weaker than expected due to pricing discipline; management expects gradual recovery with favourable yield curve.
- Annuity segment gained traction, with new product innovation (AGNI – variable annuity) opening incremental growth opportunities.
- Medium-term mix expected to shift towards protection, annuity and non-par, supporting margin accretion.
- 13-month persistency down ~200 bps YoY (mix-led); stabilised in Q4. 61-month persistency improved (~64%), indicating strong long-term book quality

Margins and profitability

- VNB stood at ₹4,034 crore (2% YoY) with VNB margin at ~24.2% (~140 bps YoY).
- Margin compression driven by:
 - ~130 bps GST & surrender regulation impact
 - ~90 bps fixed cost absorption (lower Q4 growth)
 - ~40 bps persistency assumption changes
 - Partially offset by favourable product mix (~120 bps benefit).
- GST impact has moderated from ~300 bps to ~110–200 bps range, with further reduction expected over next few quarters.
- Management expects margin normalisation toward pre-GST levels by FY27, supported by mix improvement, repricing and operating leverage.
- Key margin levers: higher protection mix, improved rider attachment, recovery in non-par, operating leverage and lower cost per policy.

Distribution channel

- Agency channel outperformed, growing ~500 bps ahead of company; supported by branch expansion and hiring.
- ~250 branches added in last ~2.5 years; focus shifting to productivity
- Bancassurance channel volatile, especially Q4; impacted by competitive intensity and pricing discipline.

Solvency & other updates

- Solvency ratio stood at ~177%; company plans to raise up to ₹1,000 crore capital from parent, adding ~900 bps buffer.
- IFRS (Ind-AS 117) expected to improve transparency and curb irrational pricing
- Embedded Value rose ~15% YoY to ₹62,139 crore.

Exhibit 1: Variance Analysis

| | Q4FY26 | Q4FY25 | YoY (%) | Q3FY26 | QoQ (%) | Comments |
|-------------------------------|--------------|--------------|--------------|--------------|-----------------|---|
| First Year Premium | 4,425.2 | 4,396.0 | 0.7 | 3,324.5 | 33.1 | Muted new business traction amid banca weakness and continued pricing discipline |
| Renewal Premium | 14,876.5 | 13,062.3 | 13.9 | 10,474.5 | 42.0 | Healthy persistency trends and steady renewal |
| Single Premium | 7,120.4 | 6,573.3 | 8.3 | 5,004.4 | 42.3 | |
| Net Premium income | 25,829.4 | 23,765.6 | 8.7 | 18,242.4 | 41.6 | |
| Income from Investments | -6,097.8 | 117.5 | NA | 10,795.6 | NA | Volatility driven by mark-to-market losses in equity/debt |
| Total revenue | 19,731.7 | 23,883.1 | -17.4 | 29,038.0 | -32.0 | |
| Commission | 2,785.2 | 2,581.4 | 7.9 | 2,271.7 | 22.6 | |
| Operating expenses | 2,140.1 | 1,719.9 | 24.4 | 2,261.0 | -5.3 | Continued investments in distribution (agency expansion, partnerships) and technology initiatives |
| Management Expenses | 4,925.2 | 4,301.3 | 14.5 | 4,532.7 | 8.7 | |
| Benefits paid | 11,150.9 | 11,040.4 | 1.0 | 9,163.8 | 21.7 | |
| Change in Actuarial Liability | 3,100.3 | 8,195.9 | -62.2 | 15,337.5 | -79.8 | Sharp decline (-62% YoY) due to base effect and normalization post earlier regulatory impacts |
| Total Expenses | 14,251.2 | 19,236.3 | -25.9 | 24,501.3 | -41.8 | |
| Surplus/ (deficit) | 442.9 | 163.3 | 171.2 | -12.3 | -3,712.3 | |
| Transfer to SH's A/c | 470.7 | 246.7 | 90.8 | 140.9 | 234.0 | |
| Investment income | 377.9 | 327.4 | 15.4 | 418.8 | -9.8 | |
| Profit/ (loss) before tax | 486.2 | 486.2 | 0.0 | 442.8 | 9.8 | |
| PAT | 495.7 | 476.5 | 4.0 | 420.7 | 17.8 | Modest growth (+4% YoY) impacted by GST-related |
| Key Metrics | | | | | | |
| NBP | 11,545.6 | 10,969.2 | 5.3 | 8,328.9 | 38.6 | Subdued new business traction amid banca slowdown |
| AUM | 375,198 | 336,282 | 11.6 | 377,652 | -0.6 | |
| IEV | 62,139.0 | 55,423.0 | 12.1 | 61,565.0 | 0.9 | |

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

| (₹ Crore) | FY25 | FY26 | FY27E | FY28E |
|---|-------------|-------------|--------------|--------------|
| Premiums earned - Net | 69616.1 | 77315.2 | 87309.2 | 99048.9 |
| Interest, Dividends & Rent | 25945.3 | 20175.2 | 21837.5 | 25031.8 |
| Others income (incl. MTM) | 383.4 | 796.1 | 4183.3 | 4692.4 |
| Total Revenue | 95,945 | 98,286 | 113,330 | 128,773 |
| Commission | 7835.3 | 9126.9 | 10351.9 | 11737.2 |
| Operating expenses | 6221.8 | 7690.9 | 8787.9 | 9944.1 |
| Benefits paid (Net) | 39345.9 | 38323.4 | 44876.7 | 51344.1 |
| Change in valuation of policy liab | 41515.6 | 42433.5 | 42746.3 | 46540.5 |
| Provision for tax | -588.2 | 94.8 | -265.1 | -313.3 |
| Surplus/(deficit) after tax | 1043.0 | 341.8 | 1190.0 | 1443.5 |
| Transfer to Shareholders' account | 967 | 1,193 | 1,095 | 1,328 |
| (₹ Crore) | FY25 | FY26 | FY27E | FY28E |
| Amounts transferred from Policyholders' | 966.8 | 1193.1 | 1094.8 | 1328.1 |
| Income from investments | 1125.1 | 1477.6 | 1518.4 | 1590.7 |
| Total | 2,092 | 2,671 | 2,613 | 2,919 |
| Total expenses | 225.8 | 715.7 | 345.0 | 345.0 |
| Profit before Tax | 1866.1 | 1955.0 | 2268.2 | 2573.7 |
| Provision for tax | 64.0 | 45.1 | 90.7 | 102.9 |
| PAT | 1,802 | 1,910 | 2,177 | 2,471 |

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

| (₹ Crore) | FY25 | FY26 | FY27E | FY28E |
|----------------------------------|---------------|---------------|---------------|---------------|
| Sources of Funds | | | | |
| Share capital | 2153 | 2159 | 2158 | 2158 |
| Reserve and surplus | 13576 | 15248 | 16427 | 18070 |
| Credit/[debit] fair value change | 446 | 289 | 487 | 510 |
| Networth | 16175 | 17696 | 19072 | 20738 |
| Policyholders' funds | 319201 | 357800 | 402156 | 450001 |
| Funds for Future Appropriations | 4176 | 3505 | 4295 | 4410 |
| Total Liabilities | 339552 | 379002 | 425522 | 475149 |
| Applications of Funds | | | | |
| Shareholders' investments | 18386 | 20055 | 22247 | 24472 |
| Policyholders' investments | 216267 | 249951 | 269599 | 301951 |
| Asset held to cover linked liab | 101628 | 105192 | 119616 | 131578 |
| Loans | 2378 | 2827 | 3444 | 3977 |
| Fixed assets - net block | 601 | 737 | 625 | 638 |
| Net current assets | 291 | 240 | 9990 | 12533 |
| Total Assets | 339552 | 379002 | 425522 | 475149 |

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|-------|-------|-------|-------|
| Valuation | | | | |
| Diluted EPS (₹) | 8.6 | 10.6 | 10.1 | 11.5 |
| BV (₹) | 75.1 | 81.4 | 88.4 | 96.1 |
| EV per share | 257.4 | 295.8 | 339.9 | 390.2 |
| P/E | 71.8 | 58.5 | 61.2 | 54.0 |
| P/BV | 8.2 | 7.6 | 7.0 | 6.4 |
| P/IEV | 2.4 | 2.1 | 1.8 | 1.6 |
| Efficiency Ratios (%) | | | | |
| Commission expenses as a % of Gross Premium | 11.0 | 11.4 | 11.7 | 11.7 |
| Management expenses as a % of Gross Premium | 19.8 | 19.9 | 21.6 | 21.6 |
| Return Ratios and capital (%) | | | | |
| Operating RoEV | 16.7 | 15.9 | 15.5 | 15.4 |
| Key Ratios (%) | | | | |
| VNB Margin | 25.6 | 24.2 | 24.5 | 25.0 |

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|------------------|---------|---------|---------|---------|
| NBP | 33,395 | 37,541 | 40,776 | 46,166 |
| Growth (%) | 12.7 | 12.4 | 8.6 | 13.2 |
| Linked | 19,771 | 23,564 | 27,149 | 31,550 |
| Growth (%) | 34.2 | 19.2 | 15.2 | 16.2 |
| Non Linked | 51,304 | 56,553 | 61,379 | 68,890 |
| Growth (%) | 6.1 | 10.2 | 8.5 | 12.2 |
| APE | 15045.1 | 17215.5 | 18729.1 | 20969.0 |
| Growth (%) | 16.1 | 14.4 | 8.8 | 12.0 |
| VNB | 3,962.0 | 4,286.3 | 4,721.0 | 5,393.5 |
| Growth (%) | 13.2 | 8.2 | 10.1 | 14.2 |
| EV | 55,423 | 63,827 | 73,351 | 84,202 |
| Growth (%) | 16.8 | 15.2 | 14.9 | 14.8 |
| AUM | 338,845 | 372,729 | 411,463 | 458,001 |
| Growth (%) | 16.0 | 10.0 | 10.4 | 11.3 |
| PH Funds | 218,830 | 240,713 | 269,599 | 301,951 |
| Growth (%) | 20 | 10 | 12 | 12 |
| SH Funds | 18,386 | 20,225 | 22,247 | 24,472 |

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Parth Chintkindi, Chartered Accountant, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report