

October 15, 2025

RESULT REPORT Q2 FY26 | Sector: Insurance (Life)

HDFC Life Insurance

GST impact emerges as a margin monitorable

Our view – Management aims to mitigate GST impact in 2 quarters

VNB margin – Calculated VNB margin declined both sequentially as well as on yearly basis: Calculated VNB margin for 2QFY26 was 24.1%, down -22 bps QoQ and -99 bps YoY. The gross impact on VNB margin due to a 10% rise in acquisition cost is 3%. Management stated that they would be having conversations with distributors both from a perspective of commission as well a product mix with a margin backdrop. The impact will be mitigated over 2-3 quarter and the attempt would be to wrap it up in 2 quarters. The company is capacitated for 16-18% but is growing at 10% and this may continue to be a drag on margin. Par mix has gone up but is close to company average margin whereas one fourth of ULIP business happens at higher sum assured which more than makes up. Non-Par mix has gone down due to pricing discipline. Management expects a pick of Non-Par business in the second half and Non-Par margin will be better due to increase in yield at the longer end of curve.

APE growth – APE growth was in single digit on YoY basis but management reiterated guidance: Total APE growth in 2QFY26 was 8.6% YoY within which Individual APE growth in 2QFY26 was 8.7% YoY. The company is sticking to its earlier guidance of overall growth being in the early teens. Retail protection APE for 2QFY26 grew by 27% YoY. The month of September saw a 50% rise in retail protection, which seems to be driven by the GST rate cut. The banca channel de-grew by around -6.7% YoY in individual APE in 2QFY26 whereas the Agency channel grew by around 24.8% YoY in 2QFY26.

We maintain an 'ADD' rating on HDFL with a revised price target of Rs 870: We value HDFL at 2.5x FY27 P/EV for an FY26E/27E/28E RoEV profile of 16.4%/16.6%/16.7%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See "Our View" above for elaboration and insight)

- **VNB growth:** The VNB growth was 24.7%/7.6% QoQ/YoY, driven higher sequentially by APE growth.
- **Expense control:** Expense ratio declined/rose -69bps/52bps QoQ/YoY to 21.8%, driven QoQ by decrease of -96bps in Opex ratio and 27bps increase in Commission ratio.
- **Persistency:** 13th month ratio fell -170bps YoY to 80.8% while 61st month ratio fell -500bps YoY to 62.9.0%

Exhibit 1: Result table

Rs mn	Q2 FY26	Q2 FY25	% yoy	Q1 FY26	% qoq
NBP	89,494	80,964	10.5%	72,721	23.1%
Renewal premium	103,371	88,310	17.1%	76,030	36.0%
Income from investments	14,101	116,108	-87.9%	145,950	-90.3%
Surplus/(Deficit)	(1,722)	5,104	-133.7%	834	-306.4%
PAT	4,472	4,330	3.3%	5,465	-18.2%
Expense ratio	21.8%	21.3%	52bps	22.5%	-69bps
37th mo. Persistency*	70.2%	73.1%	-290bps	69.3%	90bps
Total APE	41,880	38,580	8.6%	32,250	29.9%
Individual APE	36,940	33,970	8.7%	27,770	33.0%
VNB	10,090	9,380	7.6%	8,090	24.7%
VNB Margin	24.1%	24.3%	-22bps	25.1%	-99bps

Source: Company, YES Sec-Research, *N.B. Regular and Limited Pay

Recommendation : **ADD**

Current Price : Rs 761

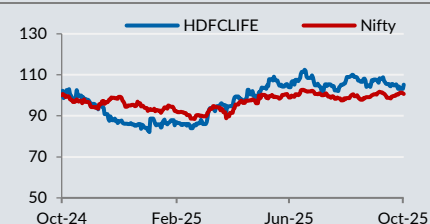
Target Price : Rs 870

Potential Return : +14%

Stock data (as on October 15, 2025)

Nifty	25,324
52 Week h/l (Rs)	821 / 584
Market cap (Rs/USD mn)	1602757 / 18230
Outstanding Shares (mn)	2,156
6m Avg t/o (Rs mn):	2,126
Div yield (%):	0.3
Bloomberg code:	HDFCLIFE IN
NSE code:	HDFCLIFE

Stock performance



	1M	3M	1Y
Absolute return	-2.1%	0.6%	6.6%

Shareholding pattern (As of Sept'25 end)

Promoter	50.3%
FII+DII	39.3%
Others	10.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	870	875

Financial Summary

Rs mn	FY26E	FY27E	FY28E
APE	175,530	203,803	236,707
% yoy	13.4%	16.1%	16.1%
VNB	43,882	51,970	61,544
VNB Margin	25.0%	25.5%	26.0%
Reported PAT	21,183	23,499	26,177
% yoy	17.5%	10.9%	11.4%
EPS (Rs)	9.8	10.9	12.2
EV/Share (Rs)	297.6	344.8	400.5
RoEV	16.4%	16.6%	16.7%
P/EV (x)	2.6	2.2	1.9
P/VNB (x)	37.3	31.5	26.6

Δ in earnings estimates

Rs bn	FY26E	FY27E	FY28E
VNB (New)	43.9	52.0	61.5
VNB (Old)	45.2	53.0	62.1
% change	-2.9%	-1.9%	-1.0%

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COMPREHENSIVE CON-CALL HIGHLIGHTS

VNB margin

- **VNB Margin level and VNB**
 - VNB in 2QFY26 has grown 7.6% YoY to Rs 10.09bn.
 - VNB margin for 2QFY26 was 24.1% down by -22bps YoY.
- **GST rate cut**
 - **Impact**
 - The gross impact on VNB margin due to a 10% rise in acquisition cost is 3%.
 - 0.9% impact for quarter or 0.5% for half year represents one-sixth of business.
 - **Mitigation**
 - Management stated that they would be having conversations with distributors both from a perspective of commission as well a product mix with a margin backdrop.
 - The impact will be mitigated over 2-3 quarter, and the attempt would be to wrap it up in 2 quarters.
- **Fixed cost absorption**
 - The company is capacitised for 16-18% but is growing at 10%.
 - This may continue to be a drag on margin.
- **Product mix nuance**
 - Par mix has gone up but is close to company average margin.
 - One fourth of ULIP business happens at higher sum assured which more than makes up.
 - Non-Par mix has gone down due to pricing discipline.
- **Non-Par pricing**
 - The company had previously stayed away from aggressive pricing in a market of high competitive intensity and let go of business.
 - The demand environment for Non-Par has improved due to the rate movement of the past 2-3 months.
 - Management expects a pick of Non-Par business in the second half.
 - Non-Par margin will be better due to increase in yield at the longer end of curve.
- **Guidance**
 - Earlier, the company had guided for neutral margin from a 25.6% base in FY25.
 - Now, the GST impact will have to be neutralized over 2 quarters.

Overall Premium Aspects

- Individual APE growth in 2QFY26 was 8.7% YoY. Individual APE grew at a robust 2-yr CAGR of 20%
- Total APE growth in 2QFY26 was 8.6% YoY.
- The company's 6MFY26 private market share was 16.6% and overall market share was 11.9%.
- **Guidance**
 - The company is sticking to its earlier guidance of overall growth being in the early teens.

(Con call takeaways continue on the next page)

Product growth and mix

- **Product mix – on Individual APE for H1FY26**
 - Linked – 42%
 - Par – 29%
 - Non par savings – 18%
 - Protection – 7%
 - Annuities – 4%
- **Non-par savings**
 - The Non-par savings have de-grown by -53.3% YoY in 2QFY26.
- **Protection**
 - Retail protection APE for 2QFY26 grew by 27% YoY.
 - The month of September saw a 50% rise in retail protection.
 - This seems to be driven by the GST rate cut.
- **Annuities**
 - Annuities business has gone up 16%.

Solvency ratio

- **Decline in ratio**
 - The Solvency Ratio stood at 192% as of June.
 - The dividend payout impacted the ratio by 4.5% points.
 - The retirement of sub debt worth Rs 6bn impacted the ratio by 6% points.
 - The GST rate cut has impacted solvency by 150 bps.
 - The rest of the impact came from higher growth on long-term individual protection and other new business strain.
- **Comfortable level**
 - The company has historically been comfortable in a band of 180-185%
 - The company is looking to raise sub debt worth Rs 7.5bn this quarter.
 - Once risk-based solvency regime is implemented in 12-18 months, the regime will become less conservative.
 - The is comfortable to operate in a range of 170-180%.

Channel growth and mix

- **Bancassurance**
 - The banca channel de-grew by around -6.7% YoY in individual APE in 2QFY26.
 - **HDFC Bank**
 - The company has more or less maintained its share.
 - The focus is on improving margin while retaining share.
- **Agency**
 - Agency channel grew by around 24.8% YoY in 2QFY26.
 - The company added around 50,000 new agents in 2QFY26.

Embedded value

- **Embedded value**
 - EV has risen 14% YoY to Rs 595.4 bn.
- **Return on embedded value**
 - The operating RoEV amounted to 15.8%.

(Con call takeaways continue on the next page)

Solvency

- The solvency ratio amounted to 175% as of Sept 2025.

Persistency

- The 13th month persistency amounted to 80.8%, down by -170bps YoY.
- The 61st month persistency amounted to 62.9%, down by 500bps YoY.

AUM

- The total asset under management stood at Rs 3,600 bn, up 11% YoY.

Exhibit 2: Quarterly Actuals Vs Estimates

Q2FY26 (Rs. mn)	Actuals	Estimates	Diff, %
New Business Premium	89,494	87,565	2.2
Total APE	41,880	41,952	(0.2)
VNB	10,090	10,635	(5.1)

Source: Company, YES Sec – Research

Exhibit 3: Other Business Parameters

Particulars	Q2 FY26	Q2 FY25	% yoy	Q1 FY26	% qoq
APE by Product (Rs mn)					
ULIP	16,626	11,736	41.7%	10,553	57.5%
Par	9,880	4,849	103.8%	8,886	11.2%
Non par saving	6,372	13,649	-53.3%	5,276	20.8%
Non par protection	2,864	2,038	40.5%	1,666	71.9%
Annuity	1,200	1,699	-29.4%	1,389	-13.6%
Total Individual APE	36,940	33,970	8.7%	27,770	33.0%
Group	4,940	4,610	7.2%	4,480	10.3%
Total APE	41,880	38,580	8.6%	32,250	29.9%

Product Mix (% in APE)					
ULIP	39.7%	30.4%	928bps	32.7%	698bps
Par	23.6%	12.6%	1102bps	27.6%	-396bps
Non par saving	15.2%	35.4%	-2016bps	16.4%	-115bps
Non par protection	6.8%	5.3%	155bps	5.2%	167bps
Annuity	2.9%	4.4%	-154bps	4.3%	-144bps
Total individual	88.2%	88.1%	15bps	86.1%	210bps
Group	11.8%	11.9%	-15bps	13.9%	-210bps

APE by Channel (Individual APE, Rs mn)					
Bancassurance	21,517	23,067	-6.7%	16,662	29.1%
Brokers & others	4,894	898	445.2%	4,166	17.5%
Agency	7,205	5,775	24.8%	4,443	62.1%
Direct	3,325	4,230	-21.4%	2,499	33.0%

Channel mix (% in APE)					
Bancassurance	58%	68%	-966bps	60%	-175bps
Brokers & others	13%	3%	1061bps	15%	-175bps
Agency	20%	17%	250bps	16%	350bps
Direct	9%	12%	-345bps	9%	0bps

Persistency*					
13 month	80.8%	82.5%	-170bps	82.7%	-190bps
61 month	62.9%	67.9%	-500bps	61.0%	190bps

Expense ratio					
Commission ratio	12.4%	11.2%	119bps	12.1%	27bps
Opex ratio	9.5%	10.1%	-67bps	10.4%	-96bps

Solvency					
Solvency ratio	175.0%	181.0%	-600bps	192.0%	-1700bps

Source: Company, YES Sec – Research, *N.B. Regular and Limited Pay, Both YoY and QoQ numbers are comparable

ANNUAL FINANCIALS

Exhibit 4: Policyholder account

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net premium	619,592	696,161	789,284	904,190	1,039,028
Income from investments	383,543	259,453	412,474	479,360	556,804
Other income	3,357	2,830	3,113	3,424	3,767
Contri from shareholders A/C	1,251	1,004	1,105	1,215	1,336
Total income	1,007,743	959,448	1,205,976	1,388,190	1,600,935
Commission	52,563	78,353	86,821	99,461	114,293
Employee expenses	32,420	31,980	35,818	40,116	44,930
Other opex	36,590	30,238	39,464	45,210	51,951
Benefits paid	396,965	393,459	509,189	588,313	687,146
Change in valuation of liability	484,194	415,156	512,501	588,476	672,428
Others	3,183	5,715	5,225	5,985	6,878
Provision for Tax	-5,924	-5,882	3,322	3,830	4,423
Surplus/(Deficit)	7,751	10,430	13,636	16,800	18,887
Transfer to shareholders A/C	7,991	9,968	11,392	13,032	14,924

Source: Company, YES Sec – Research

Exhibit 5: Shareholder account

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Transfer from Policyholders' account	7,991	9,968	11,392	13,032	14,924
Income from Investments	10,022	11,251	12,898	13,890	15,024
Total A	18,013	21,219	24,290	26,922	29,948
Expenses (apart from insurance)	1,209	1,429	1,572	1,730	1,903
Contribution to Policyholders' Acc	1,251	1,004	1,105	1,215	1,336
Others	45	126	0	0	0
Total B	2,505	2,559	2,677	2,945	3,239
Profit/(Loss) before tax	15,638	18,661	21,615	23,979	26,711
Provision for Taxation	-50	640	432	480	534
Profit/(Loss) after tax	15,689	18,021	21,183	23,499	26,177

Source: Company, YES Sec – Research

Exhibit 6: Balance sheet

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Funds:					
Share Capital	21,509	21,530	21,530	21,530	21,530
Reserve and surplus	125,008	139,726	156,553	175,703	197,531
Policyholders' Funds					
Policy Liabilities	1,813,745	2,175,728	2,549,040	2,985,800	3,496,820
Provision for Linked Liabilities	921,145	977,434	1,113,160	1,264,691	1,433,873
Discontinued policies	34,137	38,780	38,780	38,780	38,780
Funds for future appropriation	12,115	12,576	14,821	18,588	22,551
Sources of Funds	2,937,293	3,395,342	3,923,452	4,534,660	5,240,652
Investments - Shareholders	148,819	183,863	197,533	213,172	231,081
Investments Policyholders	2,773,382	3,178,952	3,695,622	4,293,718	4,986,346
Fixed Assets + Loans	23,131	29,794	29,794	29,794	29,794
Net Current Assets	-8,038	2,733	503	-2,024	-6,568
Misc. Expenditure	-	-	-	-	-
Application of funds	2,937,293	3,395,342	3,923,452	4,534,660	5,240,652

Source: Company, YES Sec – Research

Exhibit 7: Embedded Value Walk

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	395,260	474,670	554,270	640,639	742,394
Unwind of Discount	32,360	38,400	44,342	51,251	59,392
Value of New Business	35,010	39,600	43,882	51,970	61,544
Operating Assumption Changes	1,860	1,200	2,494	2,883	3,341
Economic Variance	13,530	3,600	0	0	0
Dividend & ESOP	(3,350)	(3,200)	(4,349)	(4,349)	(4,349)
Closing EV	474,670	554,270	640,639	742,394	862,321

Source: Company, YES Sec – Research

Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Annual Premium Equivalent	175,530	203,803	236,707	175,530	203,803	236,707	0.0	0.0	0.0
Value of new business	43,882	51,970	61,544	45,199	52,989	62,136	(2.9)	(1.9)	(1.0)

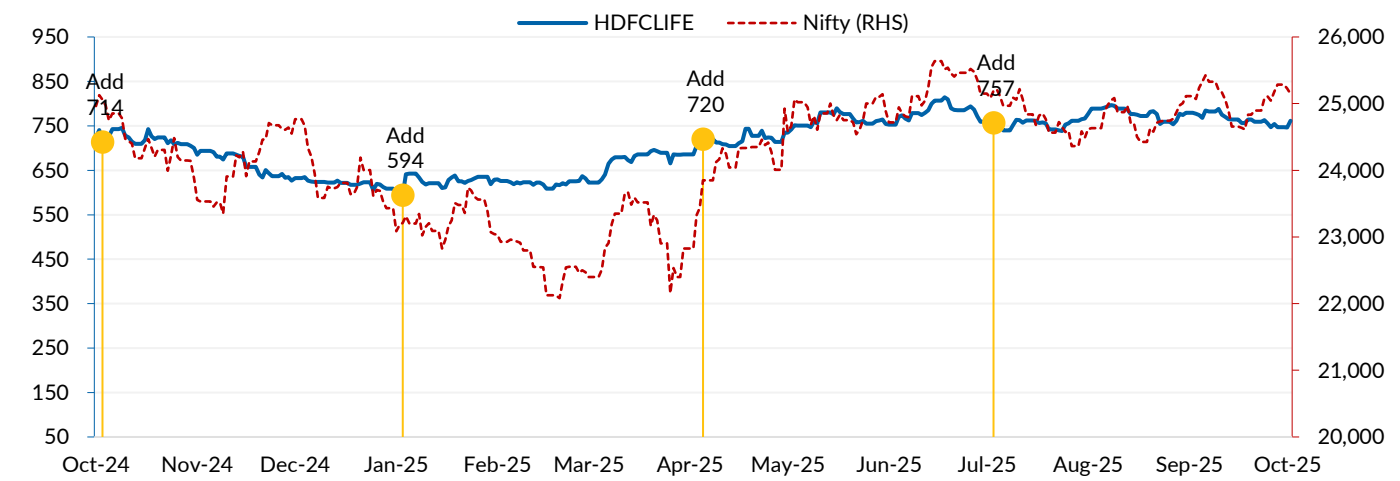
Source: Company, YES Sec – Research

Exhibit 9: Ratio analysis

Y/e 31 Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth (%) - P&L					
New business premium	1.9%	12.6%	13.4%	16.1%	16.1%
Renewal premium	17.6%	12.7%	13.7%	13.6%	14.3%
Net premium	9.2%	12.4%	13.4%	14.6%	14.9%
PAT	15.3%	14.9%	17.5%	10.9%	11.4%
VNB	-4.7%	13.2%	10.8%	18.4%	18.4%
Growth (%) - Balance Sheet					
Total AUM	22.4%	15.1%	15.8%	15.8%	15.8%
Total Assets	22.6%	15.6%	15.6%	15.6%	15.6%
Embedded value	20.1%	16.8%	15.6%	15.9%	16.2%
Profitability ratios (%)					
VNB Margins	26.3%	25.6%	25.0%	25.5%	26.0%
Commission ratio	8.5%	11.3%	11.0%	11.0%	11.0%
Opex ratio	11.1%	8.9%	9.5%	9.4%	9.3%
Expense ratio	19.6%	20.2%	20.5%	20.4%	20.3%
Conservation Ratio	84.1%	84.6%	84.6%	84.6%	84.6%
Return ratios (%)					
ROE	10.7%	11.2%	11.9%	11.9%	11.9%
RoEV	17.5%	16.7%	16.4%	16.6%	16.7%
RoA	0.6%	0.6%	0.6%	0.6%	0.5%
Investment Return (%)					
Invest. Yield - Sh.	7.2%	6.8%	6.8%	6.8%	6.8%
Invest. Yield - Ph.	15.3%	8.7%	12.0%	12.0%	12.0%
Solvency					
Solvency Ratio	187%	194%	195%	195%	195%
Underwriting					
Claims ratio	64.1%	56.5%	64.5%	65.1%	66.1%
Claims / AUM	13.6%	11.7%	13.1%	13.1%	13.2%
Per share data (Rs)					
EPS	7.3	8.4	9.8	10.9	12.2
VNBPS	16.28	18.40	20.38	24.14	28.59
BVPS	68.1	74.9	82.7	91.6	101.7
EVPS	220.7	257.4	297.6	344.8	400.5
Valuation (x)					
P/E	104.3	90.9	77.3	69.7	62.6
P/VNB	46.8	41.4	37.3	31.5	26.6
P/BV	11.2	10.2	9.2	8.3	7.5
P/EV	3.4	3.0	2.6	2.2	1.9

Source: Company, YES Sec – Research

Recommendation Tracker



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Name of the Research Analyst : Shivaji Thapliyal, Hemant Kadian, Himanshu Barot

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