

August 16, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
HDFC Life Insurance Co. Ltd.	Life Insurance	538	BUY	590	10%

Key Stock Data

BSE Script Code	HDFCLIFE
NSE Script Code	HDFCLIFE
No. of shares	201.7
FV (Rs.)	10
MCAP (Rs.)	1,08076 Crs
MCAP (\$)	1543 Crs
52 Week High	Rs. 545
52 week Low	Rs. 345
Time Frame	6 months

HDFC Life Insurance Co.Ltd. (HDFCLIFE) is established in 2000 as a joint venture between HDFC Ltd., one of India's leading housing finance institution and Standard Life Aberdeen, a global investment company. HDFCLIFE is one of India's leading life insurance companies, offering a range of individual and group insurance solutions that meet various life stage needs of customers. The products include Protection, Pension, Savings & Investments, Health, etc.

Investments Rationale**1. Steep rise in ABP growth on account of product launches**

On account of new product launch, the NBP (New Business Premium) increased by 46% on a yearly basis thereby growing APE (Annualized Premium Equivalent) by good 66% too on a yearly basis to Rs. 1590 Crs. Renewal growth was slower at 10% to Rs. 2,610 Crs in 1QFY20 as against Rs. 2380 in 1QFY19.

2. Clear roadmap to risk management

The Management reiterated its strategy on the push toward protection and longevity of businesses on account of deferred annuities as future growth drivers for the company. According to management, it is using prudent Asset Liability Management (ALM) approach during the crucial time of liquidity crisis.

Outlook & Valuations

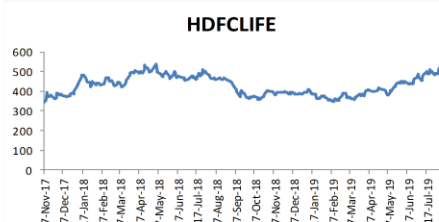
HDFCLIFE has reported strong set of earnings coupled by strong return ratios. The insurance space which the company operates into is at a very nascent stage in India. The largest demographic in the nation makes the insurance space very attractive from the long term horizon. On this account we have a BUY on the stock, as currently the stock is trading at premium valuation of 65.14 on FY21E basis, we feel the premium valuations will sustain on account of twin benefit the stock enjoys which include good corporate governance group and inelastic demand for the product, Hence we would like to allot a PE multiple of 70x on FY21 EPS of Rs. 8.26 per share to arrive at a target price of Rs.590.

Key Financial

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
Net Pre. Earned	0.80	10.19	18.92	34	60
Total Income	1018	1310	1667	2084	2563
PAT	887	1107	1276	1459	1666
EPS	4.42	5.52	6.34	7.23	8.26
PE	121.72	97.46	84.86	74.40	65.14

Shareholding Pattern

Promoters	74.49%
DII's	3.59%
FII's	11.75%
Others	10.17%

2 years Price Chart

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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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