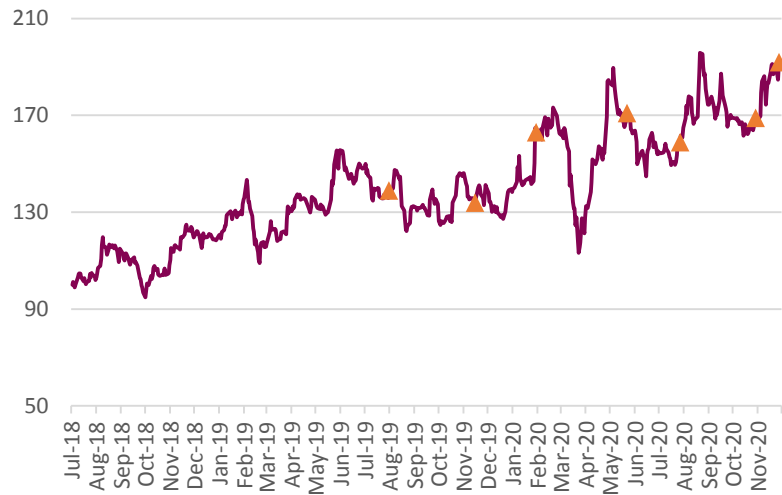


- ❑ Life insurance companies were hit hard due to the Covid-19 induced lockdown and had recorded a decline in premium in Q1FY21. Insurers faced challenges in terms of renewal collection and client acquisitions through physical distribution network. However, the industry witnessed improvement in Q2FY21 with gradual lifting up of the lockdown and restarting of economic activities. Also, insurance companies benefited from their continued efforts towards pushing their online channels and other digital platforms for customer acquisition and uninterrupted services.
- ❑ During Q2FY21, HDFC Life Insurance Company Ltd. reported 34.8% year-over-year (y/y) increase in gross premium to Rs.101,825million, driven by strong growth in new business premium as well as renewal premium. Net premium income (net of reinsurance) grew 34.9% y/y to Rs.100,567million in the quarter. Consolidated profit after tax increased 6.1% y/y to Rs.3,278 million as new business strain was offset by continued profit from back book. Also, solvency ratio came in at 203% as of Sep 30, 2020, increasing from 190% as of Jun 30, 2020, as the company raised sub debt of Rs. 6,000 million. The ratio continues to exceed the regulatory requirement of 150%.
- ❑ Notably, the company registered 2% growth inH1-FY21 compared to private industry de-growth of 11%. Further, continuing with the growth momentum, HDFC Life reported more than 50% y/y growth in new business premium in the month of October 2020. Also, the company remained top player among the private insurers space with a market share of 22.9%, based on new business premium.
- ❑ In terms of macro scenario, life insurance companies look to benefit as the COVID-19 crisis created further awareness about the necessity of life insurance among the general public which should augment demand for policies. Infact, the industry is witnessing increase in demand across products, particularly term plans and annuity products.
- ❑ We remain optimistic on the long term growth prospects of HDFC Life given its sound capital position, solid product mix, well-diversified distribution network and significant growth potential in the domestic life insurance industry. Additionally, the company's focus on targeting new geographies and customer segments, enhancing product offering and bolstering digital capabilities should support growth. We continue to remain positive on the company and maintain our **BUY** rating with a revised target price of **Rs.745 per share**.

HDFCLIFE Rating History & Price Chart



HDFCLIFE Rating Details

Date	Rating	Target Price	Share Price
31-July-2019	BUY	574	494
15-Nov-2019	BUY	710	578
30-Jan-2020	BUY	710	600
22-May-2020	BUY	605	495
27-Jul-2020	HOLD	685	633
29-Oct-2020	BUY	685	586
30-Nov-2020	BUY	745	665

Source: Ace Equity, Anand Rathi Research

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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