

HDFC Life Insurance (HDFCLIFE) - BUY

Company Update

Current Market Price (CMP)

Rs.718

Target Price

Rs.840

Rationale:

- In our recent meeting, we discussed HDFC Life's agency strategy in detail with its agency head.
- Co. will likely continue calibrated agency growth, while balancing profitability and quality of business.
- We expect gradual ramp-up over the next few quarters after being weak in FY24 and Q1FY25
- Co. is better-placed even as the industry keenly watches the impact of surrender penalty guidelines.
- Retain BUY; FV Rs840 (rollover from Rs805)

Company update:

Positives:

- Co. stepped up on agency force from FY16-17. It has made substantial investments by adding about 150 new branches in the past 12 months.
- After integration, HDFC Life lifted the agency average ticket size of Exide Life to about Rs80,000-85,000 from Rs55,000-60,000 per policy before the merger.
- As per management, the agency business has higher persistency than the banca channel.
- Co is confident of mitigating any margin impact due to surrender guidelines through restructuring of distributor payouts.

Negatives:

- Co's agency growth has been slower at 14% in Q1FY25 and down 9% in FY24.

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For detailed report dated 25th Sept 2024. Note: CMP & valuation may differ due to difference in dates.



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