

ISSUE DETAIL :

Type	100% Book Building
Issue Size	Rs. 8695 Crore
Offer Price	*Rs (275 - 290) / Share
Min App Size	50 Shares
Issue Open	7-Nov-17
Issue Close	9-Nov-17
Shares Offer	29.9 Cr.
Face Value	Rs 10
Lead Mgrs	CLSA India Pvt Ltd, Credit Suisse Securities (India) Pvt Ltd, Edelweiss Capital Ltd, HDFC Bank Ltd, IIFL Holdings, IDFC Bank, UBS Securities
Listing	BSE, NSE
Registrar	Karvy Computershare Pvt Ltd
Market Cap (Post Issue)	50626.1

No of shares (Post & Pre Issue)

Noof Shares(Pre Issue)	20089,73,222
Offer for Sale	2998,27,818
Fresh Issue made	
No of Shares(Post Issue)	20089,73,222

COMPANY OVERVIEW:

HDFC Standard Life Insurance Company Ltd (HDFC Life), incorporated in 2000, is Mumbai based long-term life insurance provider . It is a joint venture between Housing Development Finance Corporation Ltd (HDFC), one of India's leading housing finance institution and Standard Life Aberdeen PLC, leading well known provider of financial savings & investments services in the United Kingdom.

HDFC Life offers a wide range of individual and group insurance solutions including Protection, Pension, Savings & Investment and Health, along with Children's and Women's Plan. Company has a broad, diversified product portfolio covering five principal segments across the individual and group categories, namely participating, non-participating protection term . As on Sept 2017, its product portfolio comprised of 32 individual and 10 group products as well as 8 optional rider benefits.

HDFC Life sells policies through a multi channel network. This includes direct sales through own branches, Insurance agents, Partner Banks and through other financial institutions. HDFC Life has over 414 branches and 15,406 full-time employees located across India. Company has over 58,147 individual agents.

HDFC Life's focus on creating a multi-channel distribution platform has resulted in increased market share in terms of total new business premium from 15.8% in FY15 to 17.2% in FY17.

Company Strengths

- ☒ Company has Strong parentage and a trusted brand that enhances appeal to consumers . Company is joint venture between HDFC & Standard Life Aberdeen plc . Both are well known in their respective business areas.
- ☒ Company has a healthy balance sheet and delivered a Return on Equity of 25.6%, Return on Invested Capital of 40.7% and Operating Return on Embedded Value of 21.7% during Fiscal 2017 . Company had a solvency ratio of 200.5%, above the minimum 150% solvency ratio required under IRDAI regulation . This strong financial performance and leading position in the industry will allow to take advantage of growth opportunities in the under-penetrated Indian life insurance sector
- ☒ Company offer individual and group customers access to products through diversified distribution network which comprises four distribution channels, namely bancassurance, individual agents, direct, and brokers and others . This Growing and profitable multi-channel distribution footprint that provides market access across various consumer segments in India
- ☒ Company committed to providing a differentiated and superior customer service experience to customers across the life of an insurance policy, from product development to customer on-boarding and policy issuance to customer service and claims settlement.

OBJECTS OF ISSUE:

Particulars
To achieve the benefits of listing the Equity Shares on the Stock Exchanges
To carry out the sale of Offered Shares by the Selling Shareholders.

RECOMMENDATION :

India accounts for about 2 per cent of the world's life insurance premiums despite being the second most populous nation. Considering the low penetration of Insurance in India we are bullish on the overall Insurance sector. HDFC Standard Life's Premium income has grown at a CAGR of 13% for last 4 years with its share of new business premium increased from 15.8% in FY2015 to 17.2% in FY2017. The product mix is nearly 53% in favour of non-linked product. Its has Operating Return on Embedded Value (RoEV) at 21.7% which is among the best in the industry. The 13th Month persistency ratio is 80.9%. The company is being offered at 4.1times Embedded value compared to SBI life Insurance at 4.2times and ICICI Pru at 3.2times. We recommend **SUBSCRIBE for Long Term.**

Summary of key players in the Pension market below

FUND	AUM(Rs Cr.)			Subscribers		
	E (Tier I)	C (Tier I)	G (Tier I)	E (Tier I)	C (Tier I)	G (Tier I)
SBI Pension Fund	1026.32	703.62	1263.35	26220.3	26288	26282.7
ICICI Pension Fund	544.66	365.95	422.44	12845.5	12863.3	12482.4
HDFC Pension Fund	466.67	288.48	376.86	15385.6	15326.9	15108.5
LIC Pension Fund	199.82	124.7	144.96	5540.6	5561.9	5705
UTI RETIRMENT	129.64	81.94	122.9	3949.3	3940.2	3841.7

FUND	% Since Inception Annualized Returns		
	E (Tier I)	C (Tier I)	G (Tier I)
SBI Pension Fund	9.50%	11.30%	10.20%
ICICI Pension Fund	11.80%	11.20%	9.10%
HDFC Pension Fund	16.60%	11.90%	11.40%
LIC Pension Fund	13.70%	11.90%	12.70%
UTI RETIRMENT	11.60%	9.90%	8.90%

COMPETITIVE RISKS

- ☑ Any adverse change to HDFC Life's relationships with its Bancassurance partners, including HDFC Bank, could have a material adverse impact on its business. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.
- ☑ The regulatory and policy environment in which Company operate continues to evolve and remains subject to changes which may be beyond control . The financial condition, results of operations and prospects may be affected if company is unable to suitably respond to and comply with changes in applicable law and policy. The Changes in regulation and compliance requirements could have a material adverse effect on business, financial condition, results of operations and prospects.
- ☑ A significant proportion of HDFC Life's total new business premiums are generated by unit-linked products and participating products. Any regulatory changes or market developments that adversely impacts sales of such products could have a material adverse effect on its business
- ☑ Company and certain of its subsidiaries , Directors, Promoters and Group Companies are involved in certain legal proceedings which, if determined against company, may adversely affect its business and financial condition.
- ☑ Misconduct by agents, employees, distribution partners or other third parties could result in violations of law, regulatory sanctions, litigation or serious reputational or financial loss to as well as financial loss to customers. It could harm brand and reputation, or lead to regulatory sanctions or litigation against company
- ☑ They may be unable to implement growth strategies and develop and distribute an appropriate product mix for specific customer segments through multiple distribution channels. A significant growth in new business, while potentially beneficial for business in the long term, could result in us incurring significant losses in the short term, thereby affecting results of operations and financial condition.

Financials Snap Shot

Income Statement							Rs in Crores
Y/E March	FY13	FY14	FY15	FY16	FY17	H1FY18	
Premium	11,502	12,063	14,830	16,313	19,445	9,140	
Reinsurance ceded	-56	-86	-67.45	-134	-171	-89	
Income from Investments							
Interest, Dividends & Rent	1,778	2,354	2,861	3,473	4,068	2,357	
Profit on sale / redemption of investments	1,595	1,297	3,807	3,755	3,894	2,057	
(Loss on sale / redemption of investments)	-655	-882	-592	-985	-390	-129	
Transfer / Gain on revaluation / Change in Fair val	-198	2,283	6,140	-4,471	3,584	1,017	
Amortisation of (premium)/discount on investments	21	20	33	19	-15	-24	
Other Income	26	24	32	59	42	54	
Income on Unclaimed amount of Policyholders	0	0	0	0	62	25	
Contribution from the Shareholders' Account	2	217	47	38	35	7	
TOTAL (A)	14016	17291	27091	18066	30554	14415	
Commission	647	514	623	702	792	404	
Operating Expenses related to Insurance Business	1,216	1,281	1489	1872	2385	1283	
Provision for tax	51	152	119	175	152	22	
Provisions (other than taxation)							
(a) For diminution in the value of investments (net)	0	26	-7.16	-2.04	12.24	-0.5	
(b) Others - Provision for standard and non-standard assets	0	1.88	4.65	5.22	-5.97	-5.95	
Service tax/Goods & Services Tax on linked charges	128	134	153.18	185.39	216.07	131.73	
TOTAL (B)	2042	2108	2382	2937	3552	1834	
Benefits Paid	3,903	4,662	8,162	8,177	9,842	5,486	
Interim Bonuses Paid	2.51	4.61	10	8	15	8	
Terminal Bonuses Paid	16.19	28.31	62	57	143	87	
Change in valuation of liability in respect of life policies							
Gross	3,626	4,713	5119	4864	8031	4488	
Amount ceded in Reinsurance	-934	-529	-180	258	-50	-336	
Amount accepted in Reinsurance							
Unit Reserve	4,290	4,941	9,404	614	8,053	2,132	
Funds for Discontinued Policies	433	933	1,309	193	21	198	
TOTAL ©	11336	14753	23886	14170	26055	12063	
SURPLUS / (DEFICIT (D) = (A) - (B) - ©	638	430	822	960	948	518	
Amounts transferred from the Policyholders' Account	390	765	671	718	786	456	
Income from Investments							
(a) Interest, Dividends & Rent - Gross	48	100	151	166	187	107	
(b) Profit on sale / redemption of investments	23	16	55	14	62	53	
(c) (Loss) on sale / redemption of investments	0	0	-3	-9	-15	-33	
(d) Amortisation of (premium) / discount on investments	-0.32	0.84	0.78	-0.2	-3.2	-3.31	
Other Income	0	0	0.01	10.57	0.08	13.34	
TOTAL (A)	461	881	874	900	1,017	592	
Expenses	7.78	15.74	23	25.38	76.75	14.14	
For diminution in the value of investments	0	5.86	-0.05	3.26	-4.35	-0.27	
Contribution to the Policyholders' Fund	1.9	217.33	46.69	38	35.39	7.42	
Profit / (Loss) before tax	451	643	805	833	909	571	
Provision for Taxation	4.24	-82.77	19.07	16.59	22.01	16.77	
Profit / (Loss) after tax	447	725	785	817	887	554	

Financials Snap Shot

Balance Sheet						Rs in Crores
Y/E March	FY13	FY14	FY15	FY16	FY17	H1FY18
SHAREHOLDERS' FUNDS:						
Share Capital	1,995	1,995	1,995	1,995	1,998	2,006
Share application money received pending allotment of shares	0	0	0	0	0	1
Reserves and Surplus	196	165	548	1,149	1,796	2,408
Credit / (Debit) Fair Value Change Account	-10	3	-2	-41	32	49
Total	2,181	2,163	2,541	3,103	3,826	4,464
POLICYHOLDERS' FUNDS						
Credit / (Debit) Fair Value Change Account	-78	31	61	54	398	567
Policy Liabilities						
i) relating to Life insurance business	10156	14340	19279	24401	32382	36534
ii) relating to Reinsurance business	0	0	0	0	1	4
Provision for Linked Liabilities	27549	30208	33474	38560	43029	44144
Add: Fair value change	246	2528	8666	4194	7777	8795
Provision for Linked Liabilities	27795	32736	42140	42754	50806	52939
Funds for discontinued policies						
Discontinued on account of non-payment of premium	533	1455	2753	2953	2979	3178
Others	5.21	17	28	20	15	14
Total Provision for Linked & Discontinued Policyholders Liabilities	28,333	34,207	44,920	45,727	53,800	56,131
Sub-Total	38,410	48,578	64,261	70,181	86,581	93,236
Funds for Future Appropriations	344	226	415.46	705.48	866.78	929.11
Funds for future appropriation -	305	87	49	0	0	0
TOTAL	649	313	464	705	867	929
APPLICATION OF FUNDS						
INVESTMENTS:						
Shareholders'	856	1614	2195	2554	3231	3703
Policyholders'	11,215	14,706	19908	25863	34692	39686
Assets held to cover Linked Liabilities	28,333	34,207	44,920	45,727	53,800	56,131
LOANS	78.22	47.68	125.64	93.07	47.86	16
FIXED ASSETS	282	290	352	347	353	344
Cash and Bank Balances	464	445	573	727	797	280
Advances and Other Assets	690	966	1234	1233	2174	2067
CURRENT ASSETS	1154	1411	1807	1960	2972	2347
CURRENT LIABILITIES	1493	1428	2009	2513	3775	3558
PROVISIONS	29	27	33	42	47	41
Sub-Total (B)	1522	1456	2042	2554	3822	3599
NET CURRENT ASSETS	-368.03	-45.19	-235.44	-593.87	-850.36	-1251.80
Key Ratios						
EPS	2.23	3.61	3.91	4.07	4.42	
Book Value Per share	10.86	10.77	12.66	15.46	19.06	
Valuation(x)						
P/E (Upper Band)	130.21	80.29	74.14	71.29	65.66	
P/E (Lower Band)	123.47	76.13	70.30	67.61	62.26	
Price / Book Value	26.70	26.92	22.91	18.76	15.22	
ROE	21%	34%	31%	26%	23%	