

September 10, 2024

Ref. No.: HDFC Life/CA/2024-25/78

**Listing Department**  
**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No C/1, Block G,  
Bandra-Kurla Complex,  
Bandra (East),  
Mumbai- 400 051

**Listing Department**  
**BSE Limited**  
Sir PJ Towers,  
Dalal Street,  
Fort,  
Mumbai – 400 001

NSE Symbol: HDFCLIFE

BSE Security Code: 540777

Dear Sir/ Madam,

**Sub: Intimation of Credit Rating for the Subordinate Debt Programme**

We refer to our intimation dated July 15, 2024 with regard to 'Outcome of the Board Meeting held on July 15, 2024', *inter alia* informing about the in-principle approval accorded by the Board of Directors for raising of funds through issuance of Non-Convertible Debentures ("NCDs") in the nature of Subordinated Debt Instrument upto ₹ 2,000 crore (Rupees two thousand crore only), in one or more tranches, over a period of 12 months, on private placement basis.

In furtherance to the above and pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that Credit Rating Agencies viz., ICRA Limited and CARE Ratings Limited have assigned following ratings for the proposed Subordinate Debt Programme of ₹ 2,000 crore (Copies of the rating letters are enclosed as Annexure):

Name	Date of publishing rating letter	Rating
ICRA Limited	September 9, 2024	[ICRA] AAA (Stable)
CARE Ratings Limited	September 10, 2024	CARE AAA (Stable)

In addition to the above, we wish to inform that ICRA Limited has reaffirmed the rating viz., [ICRA] AAA (Stable) for the existing Subordinate Debt Programme of Rs 950 crore (Rupees nine fifty crore only).

This is for your information and appropriate dissemination.

Thanking you,

**For HDFC Life Insurance Company Limited**

**Narendra Gangan**  
**General Counsel, Chief Compliance Officer &**  
**Company Secretary**

Encl.: As above

HDFC Life Insurance Company Limited

Corporate & Registered Office:

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DO NOT prefix any country code e.g. +91 or 00.

www.hdfclife.com



September 09, 2024

## HDFC Life Insurance Company Limited: Rating assigned/reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed
Subordinated Debt Programme	950.00	950.00	[ICRA]AAA (Stable); reaffirmed
Subordinated Debt Programme	-	2,000.00	[ICRA]AAA (Stable); assigned
<b>Total</b>	<b>950.00</b>	<b>2,950.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating factors in HDFC Life Insurance Company Limited's (HDFC Life) established market position as the second largest private life insurer with a market share of 10.4% in FY2024 {11.3% in 4M FY2025; in terms of individual annualised premium equivalent (APE)<sup>1</sup>}, a balanced product mix, diversified distribution network, and strong persistency supporting its profitability. The profitability remains healthy with average RoE<sup>2</sup> and RoEV<sup>3</sup> of 12.7% and 18.1%, respectively, in the last five years (FY2020-FY2024). The company's solvency profile, supported by healthy internal accruals, remained comfortable at 1.86 times as on June 30, 2024 compared to the regulatory requirement of 1.50 times.

The rating also considers HDFC Life's strong parentage with HDFC Bank ([\[ICRA\]AAA \(Stable\)/\[ICRA\] A1+](#)) holding a majority stake of 50.37% as on June 30, 2024. Following the amalgamation of erstwhile Housing Development Finance Corporation Ltd (e-HDFC) with HDFC Bank, HDFC Life became a subsidiary of HDFC Bank with effect from July 1, 2023. The rating considers the strategic importance of the company to the bank, its representation on the company's board of directors and the presence of a shared brand name, strengthening ICRA's belief that the bank will provide support as and when required. While HDFC Life does not have an exclusive distribution partnership with HDFC Bank, it has a strong counter share of ~63% in terms of the individual APE in the bank in FY2024, which has increased after it became its subsidiary. Before the merger, e-HDFC had increased its stake in HDFC Life to more than 50% after HDFC Bank had received regulatory approval to hold a stake of more than 50% in HDFC Life.

While HDFC Life has recorded healthy growth in YTD FY2025 in the individual business, which was largely impacted in FY2024 due to regulatory headwinds, its ability to continue growing this business will be a driver of its overall profitability. The profitability and solvency may remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

The Stable outlook reflects HDFC Life's strong brand recall, diversified distribution network and balanced product mix, which enable it to maintain its market position. It also reflects the expectation that the company will receive support from HDFC Bank, if required, and will maintain its solvency level above the negative rating trigger.

### Key rating drivers and their description

#### Credit strengths

**Strong promoter profile** – HDFC Bank held a 50.37% stake in HDFC Life as on June 30, 2024. Following the amalgamation of e-HDFC with and into HDFC Bank, the bank became the promoter of the company. HDFC Bank is a systemically important as well as the largest private sector bank in India. With a presence in banking, insurance, and asset management, the HDFC Group is

<sup>1</sup> APE is the sum of the annualised first year premiums on the regular premium policies and 10% of the single premiums

<sup>2</sup> Return on equity (RoE) = Profit after tax/Closing equity for that period

<sup>3</sup> Return on embedded value = Embedded value operating profit/Opening embedded value

an important part of the Indian financial services sector. HDFC Life benefits from the bank's strong brand recognition. As on March 31, 2024, HDFC Bank had a robust distribution network of 8,738 branches spread across the country. This enables HDFC Life to leverage the bancassurance channel to source business, with HDFC Life having a wallet share of ~63% of individual APE in HDFC Bank in FY2024. HDFC Bank's majority stake, its representation on HDFC Life's board of directors and the presence of a shared brand name strengthen ICRA's belief that the bank will provide support to the company as and when required.

**Leading market position with balanced product mix and diversified distribution network** – HDFC Life is the second largest private life insurer with a market share of 10.4% in terms of individual APE and 7.9% in terms of the overall new business premium (NBP) in FY2024 (11.3% and 7.6%, respectively, in 4M FY2025). The company has a balanced and diversified product mix with unit linked insurance plans (ULIPs) accounting for 29.7% of the individual NBP in FY2024, followed by non-participating (non-par) at 24.7%, annuity at 23.6%, participating (par) at 18.0% and protection at 4.0%. Within group, the portfolio largely comprises group protection (59.8% of the group NBP; both credit life and group term) with a sizeable portion of the credit life business coming from HDFC Bank. The product mix is likely to remain diversified with the company looking at growth across segments.

The company's growth is supported by the diversified distribution network with bancassurance and corporate agents accounting for 54.7% of the individual NBP in FY2024, followed by proprietary channel (40.2%), and brokers and others (5.1%). The share of the bancassurance channel increased in FY2024, driven by the rise in HDFC Bank's wallet share to ~63% from 56% in the previous year. HDFC Life has a diversified distribution mix with over 300 partners, including traditional partners such as non-banking financial companies (NBFCs), microfinance institutions (MFIs) and small finance banks (SFBs) along with new ecosystem partners. The new ecosystem partners or alternative distribution channels include health, e-commerce, auto, telecom, mutual funds and fintech companies. HDFC Life operates through ~600 branches across the country and has better cross-selling and upselling opportunities after becoming a subsidiary of HDFC Bank.

**Healthy profitability supports capitalisation** – HDFC Life's absolute value of new business (VNB) grew at a strong pace and stood at Rs. 3,501 crore in FY2024 (Rs. 1,919 crore in FY2020), supported by the growth in the APE as well as VNB margin. The embedded value (EV) increased to Rs. 49,611 crore as on June 30, 2024 (Rs. 20,650 crore as on March 31, 2020), with operating RoEV of 16-20% in the last five years. The VNB margin remained healthy at 25.0% in Q1 FY2025 (26.3% and 27.6% in FY2024 and FY2023, respectively) despite the shift in the product mix with the increase in the share of ULIP and the decline in the share of the higher-margin non-par segment in individual business. The VNB margin was supported by the increase in protection and the attachment of a higher amount of protection cover to ULIPs. Going forward, the improvement in the absolute VNB will largely depend on the growth in the APE.

HDFC Life's reported profitability has historically been healthy with a return on equity (RoE) of more than 15%. The profitability was, however, impacted in FY2022 with adjusted RoE (excluding shares issued to Exide Life) of 12.7% mainly due to the higher net Covid death claims of ~Rs. 818 crore. The annualised RoE, on a merged basis, moderated to 10.4% in FY2023 and 10.7% in FY2024 because of the equity infusion of Rs. 2,000 crore and the increase in the share of the long-term savings and protection businesses, which have a higher reserving requirement in the initial years leading to higher new business strain. The 13th and 61st month persistency ratios stood at 87.9% and 55.7%, respectively, in Q1 FY2025 (87.1% and 53.5%, respectively, in FY2024)<sup>4</sup>.

The company's solvency profile was mainly supported by healthy internal accruals with no equity capital infusion (except through employee stock ownership plans – ESOPs) in the 11 years till FY2022. The capital infusion of Rs. 2,000 crore in FY2023 was to support the acquisition of Exide Life (which involved a cash payment of Rs. 726 crore) and build a cushion, thus improving the solvency to 2.03 times on a merged basis (compared to 1.76 times as on March 31, 2022). The solvency was comfortable at 1.86 times as on June 30, 2024 (compared to the regulatory requirement of 1.50 times). The company has additional headroom for raising subordinated debt of ~Rs. 2,022 crore as of June 30, 2024, and is looking to raise Rs. 2,000-crore sub-debt, which will boost the solvency to 2.08 times on a proforma basis.

The ability to maintain prudent asset-liability management, to mitigate the interest rate risk arising from the deployment of future policy premiums at remunerative rates, and achieve operating experience (such as persistency, mortality, operating

<sup>4</sup> Persistency ratios are as per public disclosures

costs, and interest rates), in line with the assumptions at the time of policy underwriting, will remain the key driver of the long-term profitability and capitalisation.

### Credit challenges

**Ability to maintain NBP growth in individual segment** – The growth in FY2024 was lower for the industry (individual NBP growth of 3.7% in FY2024), largely on account of the headwinds due to the change in taxation, given the Budget announcement regarding taxation on returns from life policies with a premium of more than Rs. 5 lakh per annum applicable after March 2023. In FY2024, the company's individual NBP growth was 2.0%, trailing the 7.4% growth observed among private players. However, HDFC Life's individual NBP surged by 29.3% in 4M FY2025 on a year-on-year (YoY) basis (higher than the 14.0% growth reported by private players), partly supported by the lower base of the previous year.

The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on the overall growth and profitability of the sector. The impact of the recent regulatory changes, leading to an increase in the surrender values of life insurance policies, on the commission structure, persistency ratios and profitability will remain monitorable. With the VNB margin growth expected to remain limited, APE growth is likely to be the driver of the absolute VNB growth. ICRA, however, takes note of HDFC Life's balanced product mix and diversified distribution network, which are likely to support its growth.

### Environmental and social risks

Life insurance companies like HDFC Life typically invest in long-term debt securities and equity and have broadly diversified portfolios that include exposure to sectors affected by environmental risks. However, active portfolio management mitigates this risk. While pollution and other environmental damage could somewhat affect mortality rates in the long run, the overall trend towards increased environmental regulation mitigates this risk. Life insurers, which underwrite policies only in a limited region, could be more affected by natural and man-made disasters. However, HDFC Life does not face such risks, given its large scale and diversified business.

As for social risks, even as life spans have generally increased, changing lifestyles, rising obesity levels and pandemic/other disease-induced mortalities could have an adverse impact on the long-term mortality/morbidity rates. Thus, future claims could exceed current estimates. Increase in mortality rates could adversely impact the company's financial performance as it would be required to increase the reserving against possible future claims on the business written in the past. Other social risks stem from the potential mishandling of sensitive customer data and privacy breaches. This could impact the credit profile in the form of regulatory penalties or reputational damage. Human capital risks are also quite high for life insurance companies, like HDFC Life, with challenges that concern the recruitment and retention of key employees.

### Liquidity position: Superior

The company's net premium (excluding ULIP) stood at Rs. 47,253 crore in FY2024 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 22,541 crore in the last few years. As a result, its operating cash flows have remained positive, leading to growth in its investment book. Additionally, investments in Central and state government securities stood at Rs. 1,31,853 crore, accounting for 63.7% of the total investments (excluding ULIP) as on June 30, 2024, further supporting the policyholder's liability. The shareholders' investment of Rs. 15,526 crore also remains superior in relation to the sub-debt outstanding of Rs. 950 crore as on June 30, 2024.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – A rating downgrade for HDFC Bank or a decline in the strategic importance of HDFC Life to HDFC Bank or in the expectation of support from the promoter could impact the rating. Additionally, a decline in the company's solvency ratio below 1.70 times on a sustained basis would be a negative factor.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology – Life Insurance</a> <a href="#">Rating Approach – Consolidation</a> <a href="#">Rating Approach – Implicit Parent or Group Support</a>
Parent/Group support	Parent/Group company: HDFC Bank Limited (HDFC Bank)  The rating factors in the high likelihood of support from HDFC Bank, given the shared brand name and HDFC Life’s position as a subsidiary of the bank.
Consolidation/Standalone	For arriving at the rating, ICRA has used the standalone financials of HDFC Life. However, in line with ICRA’s consolidation approach, ICRA has factored in the capital requirement of HDFC Life’s subsidiaries, which are listed in Annexure II.

## About the company

HDFC Life Insurance Company Limited started its operations in 2000 and was a joint venture between HDFC Limited and Abrdn (Mauritius Holdings) 2006 Limited (formerly Standard Life (Mauritius Holdings) 2006 Limited). HDFC Life was listed on the stock exchanges in November 2017. Abrdn (Mauritius Holdings) 2006 Limited sold its stake over the years and its remaining stake of 1.66% in the company was sold in May 2023. Following the amalgamation of HDFC Limited with and into HDFC Bank, HDFC Life became a subsidiary of HDFC Bank from July 1, 2023. HDFC Bank is one of the three systemically important banks and the largest private sector bank in India.

HDFC Life provides life insurance, pension, savings, investment, annuity and health insurance to individuals and groups. Its products are offered under the participating, non-participating, and unit linked lines of business. HDFC Life’s products are distributed through its ~600 branches along with individual agents, corporate agents, banks, brokers, and online channels.

## Key financial indicators

	Audited	Audited	Unaudited
HDFC Life Insurance Company Limited	FY2023 <sup>^</sup>	FY2024	Q1 FY2025
Gross direct premium	55,924	63,076	12,811
PAT	1,356	1,569	478
Net worth <sup>#</sup>	12,987*	14,652	15,334
Total investments <sup>@</sup>	1,59,580	1,96,678	2,06,915
13th month persistency	87.5%	87.1%	87.9%
61st month persistency	52.3%	53.5%	55.7%
Solvency ratio (times)	2.03	1.87	1.86

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

<sup>^</sup> FY2023 numbers are as per public disclosures; <sup>\*</sup>Net worth declined in FY2023 due to the reduction in reserves and surplus by Rs. 5,469 crore on account of the impact of the (erstwhile) Exide Life merger, which allowed the adjustment of the negative amalgamation reserve of Rs. 4,837 crore arising out of the merger with the share premium and brought forward losses of erstwhile Exide Life of Rs. 632 crore; <sup>#</sup>Net worth includes fair value change account; <sup>@</sup>Investments exclude linked investments

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for past three years**

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Sep 09, 2024	Date	Rating	FY2024		FY2023		FY2022	
						Date	Rating	Date	Rating	Date	Rating
<b>Issuer Rating</b>	Long term	-	[ICRA]AAA (Stable)	15-Apr-24	[ICRA]AAA (Stable)	11-Jul-23	[ICRA]AAA (Stable)	26-May-22	[ICRA]AAA (Stable)	30-Jun-21	[ICRA]AAA (Stable)
	-	-	-	-	-	21-Apr-23	[ICRA]AAA (Stable)	-	-	-	-
<b>Subordinated Debt Programme</b>	Long Term	600.0	[ICRA]AAA (Stable)	15-Apr-24	[ICRA]AAA (Stable)	11-Jul-23	[ICRA]AAA (Stable)	26-May-22	[ICRA]AAA (Stable)	30-Jun-21	[ICRA]AAA (Stable)
	-	-	-	-	-	21-Apr-23	[ICRA]AAA (Stable)	-	-	-	-
<b>Subordinated Debt Programme</b>	Long Term	350.0	[ICRA]AAA (Stable)	15-Apr-24	[ICRA]AAA (Stable)	11-Jul-23	[ICRA]AAA (Stable)	26-May-22	[ICRA]AAA (Stable)	-	-
	-	-	-	-	-	21-Apr-23	[ICRA]AAA (Stable)	-	-	-	-
<b>Subordinated Debt Programme</b>	Long Term	2,000.0	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not Applicable
Subordinated Debt Programme	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	<b>Issuer Rating</b>	NA	NA	NA	NA	[ICRA]AAA (Stable)
INE795G08019	<b>Subordinated Debt Programme</b>	Jul-29-2020	6.67%	Jul-29-2030*	600.0	[ICRA]AAA (Stable)
INE795G08027	<b>Subordinated Debt Programme</b>	Jun-22-2022	8.20%	Jun-22-2032*	350.0	[ICRA]AAA (Stable)
NA <sup>#</sup>	<b>Subordinated Debt Programme</b>	NA	NA	NA	2,000.0	[ICRA]AAA (Stable)

Source: Company; \*HDFC Life has a call option exercisable five years from the date of allotment and at the end of every year thereafter before the redemption date, <sup>#</sup>Yet to be placed

### Key features of rated debt instrument

The rating also factors in the key features of the instrument, in line with the applicable guidelines for subordinated debt:

- » Servicing of interest is contingent on the company maintaining a solvency ratio above the level stipulated by the regulator<sup>5</sup>
- » If the interest payouts lead to a net loss or an increase in the net loss, prior approval of the regulator would be required to service the debt

### Annexure II: List of entities considered for consolidated analysis

Company Name	HDFC Life Ownership	Consolidation Approach
<b>HDFC Pension Management Company Limited</b>	100.0%	Full Consolidation
<b>HDFC International Life and Re Company Limited</b>	100.0%	Full Consolidation

Source: Company

<sup>5</sup> As per IRDAI, insurers are required to maintain a minimum solvency ratio of 1.50 times



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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



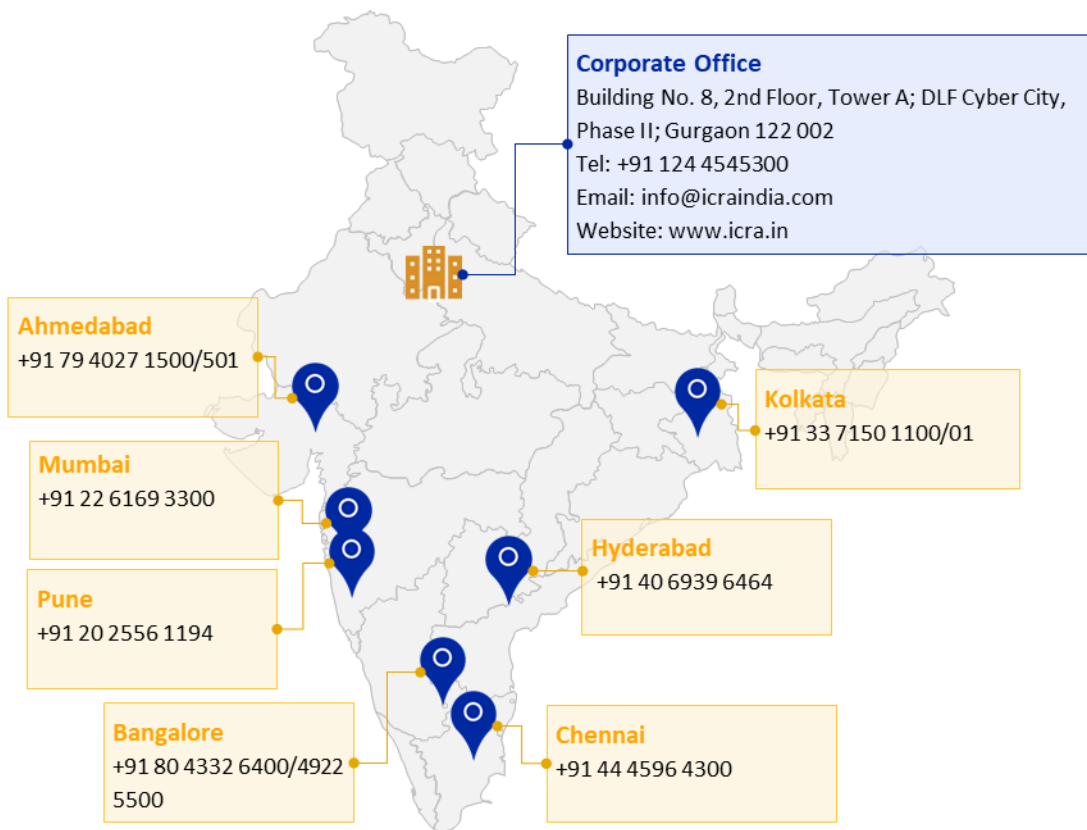
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### Branches



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## HDFC Life Insurance Company Limited

September 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Subordinated Debt	2,000.00	CARE AAA; Stable	Assigned

Details of instruments/facilities in Annexure-1.

CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument.

Interest payable on subordinate debt will be subject to the following:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

Any delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.

### Rationale and key rating drivers

The rating assigned to HDFC Life Insurance Company Limited (HDFC Life) derives strength from its strong parentage (HDFC Life is 50.37% held by HDFC Bank Limited [HBL] rated CARE AAA, Stable). The rating factors in the strategic importance of HDFC Life to the HDFC group, demonstrated track record of timely financial support, shared brand name and presence of HBL executives on HDFC Life's Board, ensuring effective managerial oversight. The rating further factors in HDFC Life's position as one of leading life insurers supported by strong distribution franchise, business growth & underwriting capabilities supporting healthy profitability, adequate solvency levels and strong liquidity buffers.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade:

- Not applicable

#### Negative factors: Factors that could, individually or collectively lead to negative rating action/downgrade:

- Material dilution in the ownership by, expected support from, and strategic importance to HDFC Bank Ltd
- Deterioration in credit profile of HBL and or HDFC Life
- Solvency margins below 1.7 times on sustained basis
- Significant decline in market position on sustained basis

### Analytical approach:

Standalone along with factoring in the strength of the promoters; operational and financial linkages of HDFC Life with its promoter.

### Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that the company will continue to maintain its strong market position with continued growth momentum leading to maintained profitability and solvency levels.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key Rating Strengths

#### Strong parentage and support

HDFC Life is 50.37% held by HBL as of June 30, 2024. HDFC Bank is a domestic systemically important bank as well as largest private bank in India with advances base of ₹24,63,500 crore as of June 30, 2024. HBL's subsidiaries are engaged in providing a wide array of services in the financial services sector and operate in areas of non-banking financial services, insurance, asset management, broking and others. HDFC Life is a strategically important entity for HDFC Group providing access to life insurance business. This is evident through high degree of capital, managerial and business support that HDFC Life derives from its parent apart from shared brand name.

HDFC Life benefits from strong distribution franchise of HBL which has 8,851 branches pan India as of June 30, 2024, and banca business from HBL constituted ~50% of the individual annual premium equivalent (APE) of HDFC Life during FY24. HBL's counter share in HDFC Life's individual APE increased to ~63% during FY24 [P.Y.: 56%].

HDFC Life's board includes Mr. Keki Mistry (non-executive director of HDFC Bank) and Mr. Kaizad Bharucha (Deputy Managing Director, HDFC Bank); both of whom bring in strategic oversight, industry expertise, strong corporate governance, and efficient risk management practices on board. Further, the board has six independent directors and three executive directors. HDFC Life is led by Ms. Vibha Padalkar who is the MD & CEO of the company with around two decades of experience in insurance sector.

Going forward, CARE Ratings expects HBL to continue to maintain majority shareholding and provide need based support to HDFC Life as and when required.

#### Adequate solvency levels

HDFC Life has an adequate solvency position supported by strong internal accruals (3-year average return on net-worth [RONW<sup>2</sup>] of 10.39%). The last equity infusion was done by HDFC Limited. (HDFC Limited merged with HBL effective July 01, 2023) in FY23 aggregating to ₹2000 crore. The company reported a solvency ratio of 1.86 times as of June 30, 2024, [Mar-24: 1.87 times], against regulatory requirement of 1.5 times translating into excess liquidity surplus of ₹3,191 crore [Mar-24: ₹3,119 crore]. Further, company has a head room to raise ₹2,022 crore of subordinate debt as of June 30, 2024, which is expected to support company's solvency position and growth plans.

Going forward, CARE Ratings expects the solvency position of the company to be range bound at 1.7 times to 2.0 times.

#### Strong market position as one of leading life insurers supported by robust distribution franchise

HDFC Life is the second largest private life insurance company in India with a market share within private players of 19.29% in terms of new business premium during FY24 [P.Y.: 21.14%]. During FY24, individual and group businesses contributed to 87% and 13% respectively of total APE. The product mix of HDFC Life is diversified with PAR contributing 20% to total APE during FY24 [P.Y.: 23%], non-PAR savings contributing 26% [P.Y.: 38%], ULIP contributing 31% [P.Y.: 16%], protection (including group) contributing 13% [P.Y.: 13%], annuity (including group) contributing 6% [P.Y.: 6%] and group retriial contributing 3% [P.Y.: 3%]. HDFC Life's market position is supported by strong distribution franchise with 595 branches and more than 300 distribution partners, enabling it to source higher share of value accretive individual business. As on March 31, 2024, bancassurance channel comprised 65% of individual APE [P.Y.: 56%], agency 18% [P.Y.: 20%], brokers & others- 6% [P.Y.: 11%], and direct channel (including online) - 11% [P.Y.: 13%]. The increase in bancassurance share was led by increase in HDFC Bank's counter share to ~63% [P.Y.: ~56%]. Apart from HBL, company has tie-ups with other private and regional banks besides tie-ups with NBFCs, micro finance institutions, small finance banks and new age partners including ecommerce, telecom, auto, mutual funds and fintech companies.

<sup>2</sup> RONW = Profits after tax/ average tangible net-worth of current year and previous year

Going forward, CARE Ratings expects HDFC Life to continue upholding its strong market position, supported by its robust distribution network and strong brand identity.

### **Business growth and persistency supporting healthy profitability**

HDFC Life's new business premium (NBP) grew at 4-year compounded annual growth rate (CAGR) of 15% against overall sector growth of 10% to ₹29,631 crore during FY24 [PY.: ₹29,085 crore]. The healthy growth in NBP has led to growth in absolute VNB which grew by 4-year CAGR of 16% to ₹3,501 crore during FY24 [PY.: ₹3,674 crore] while margins have been largely range bound. The embedded value (EV) grew by 4-year CAGR of 23% to ₹47,468 crore as of March 31, 2024 [PY.: ₹39,527 crore] with a 4-year average operating ROEV of 18.1%.

VNB margins continued to remain healthy at 26.31% during FY24 [PY.: 27.60%] with a decline of 129 bps due to change in product mix (share of unit linked insurance premium [ULIP] increase to 31% of APE during FY24 against 16% during FY23) and low APE growth (due to one off business during FY23 of ₹1000 crore). The decrease in VNB margins further impacted operating ROEV which stood at 17.51% during FY24 [PY.: 19.69%]. Driven by continued healthy VNB margins, operating ROEV and continued robust underwriting practices including strong persistency ratio company's RONW for FY24 stood at 11.35% [PY.: 9.55%].

During Q1FY25, VNB margins continued to see decline to 25.05% [PY.: 26.20%] due to shift in product mix (increase in share of ULIP) and increase in surrender value. Consequently, operating ROEV stood at 15.50% [PY.: 16.00%] and annualised RONW stood at 13.75% [PY.: 11.61%].

HDFC Life's profitability is supported by robust underwriting practices and strong persistency levels across all cohorts as of June 30, 2024, with 13<sup>th</sup> month persistency of 88% [Mar-24: 87%], 25<sup>th</sup> month persistency of 79% [Mar-24: 79%], 37<sup>th</sup> month persistency of 74% [Mar-24: 73%], 49<sup>th</sup> month persistency of 70% [Mar-24: 70%] and 61<sup>st</sup> month persistency of 56% [Mar-24: 53%].

### **Key Rating Weaknesses**

#### **Changing regulatory dynamics and competitive industry landscape**

Long-term growth prospects for Indian life insurance sector remains robust with low penetration of life insurance as a percentage of GDP in India supported by strong socio-economic growth drivers.

As Indian life insurance sector continues to evolve, the sector has been witnessing slew of regulatory changes some of which include expected introduction of composite licence, risk-based capital framework, entry of new players and the resultant changes in operating models/ technology. While these measures are expected to improve product proposition and thereby propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of Insurance for All by 2047; the same is expected to increase competition in the industry in the medium term.

#### **Liquidity: Strong**

HDFC Life has a strong liquidity profile; during FY24 as per the cashflow statement, the cash inflows (premiums received + income from investments) stood at ₹94,283 crore against claims payouts of ₹40,746 crore, total expense (opex + commission) of ₹10,548 crore and interest payment on subordinated debt of ₹69 crore. The company continues to have positive operating cashflows in the last three years.

Additionally, 79% of shareholder's investments amounting to ₹11,763 crore were invested in G-secs and AAA rated bonds as of March 31, 2024.

#### **Assumptions/Covenants**

Not Applicable

## Environment, social, and governance (ESG) risks

HDFC Life is committed to upholding strong ESG principles throughout the business operations. The company prioritised conducting business with integrity and maintaining transparent governance practices. With an aim of focussing on responsible investment, it considers environmental, social, and governance factors while making investment decisions.

The company has a ESG governing body and environment and climate change policy in place. Initiatives of the company include endeavour to bring in carbon neutrality. The company prioritises building strong, trust-based relationships with it creating shared value by contributing to societal well-being while continuing with business growth. The company's CSR programs focus on education and livelihood, healthcare and sanitation, environmental sustainability, and financial literacy aiming at positive community impact.

## Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Insurance Sector](#)

[Insurance Sector](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	Life Insurance

HDFC Life Insurance Company Limited (HDFC Life) is among the leading private sector life Insurance companies in India which started its operations in year 2000. The company started as a joint venture between HDFC Limited and Abrdn (Mauritius Holdings) 2006 Limited [erstwhile Standard Life (Mauritius Holdings) 2006 Limited]. Abrdn (Mauritius Holdings) 2006 Limited sold its stake over the years with its last exist being in 2023. Post amalgamation of HDFC Limited and HDFC Bank, HDFC Life is 50.37% held by HDFC Bank as of June 30, 2024, followed by institutional investors, non-institutional investors and employee benefit trust holding 37.88%, 11.73% and 0.03% stake respectively.

HDFC Life offers wide banquet of products covering insurance need for protection, savings, investment, annuity and health.

The company has balanced approach towards product mix with each product category not being more than 25% to 33% of the APE within PAR, non-PAR savings and ULIP.

By virtue of its parentage HDFC Life has access to 8,851 branches of HDFC bank spread across India. Distribution mix of the company is diversified with more than 300 partners via bancassurance (65% of individual APE during FY24), agency channel (18%), brokers (6%) and direct (11%). The company has a pan India branch network of 595 branches as of June 30, 2024.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Net Premium Earned	45,396	56,764	61,959	12,510
PAT	1,208	1,360	1,569	497
Tangible Net worth* (Including Fair value change)	15,486	12,987	14,652	15,334
Policy Liabilities	1,04,343	1,43,270	1,75,349	1,82,127
Solvency Ratio (times)	1.76	2.03	1.87	1.86

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Adjusted to intangible assets and deferred tax assets

**Status of non-cooperation with previous CRA:**

Not applicable

**Any other information:**

Not applicable

**Rating history for last three years:** Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Subordinated Debt	Proposed	--	--	--	2000.00	CARE AAA; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Subordinated Debt	LT	2000.00	CARE AAA; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Subordinated Debt	Complex

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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