

HDFC Standard Life Insurance Company Ltd :Good Issue IPO Note : Among top three private life insurers in terms of market share : Ranking***



Issue details

Price band (Rs)	Rs.275-290
IPO Opening Date	07/11/17
IPO Closing Date	09/11/17
Issue Size	Rs. 8695.01 Cr.

Recommendation

Total revenue grew at a CAGR of **21.51%** from Rs.14016.26 Cr for the FY 2013 to Rs.30554.42 Cr for FY 2017 and Net Profit grew at a CAGR of **18.67%** in the same period. Net profit grew from Rs.447.23 crore to Rs.886.92 crore. For first half of current fiscal, it has posted net profit of Rs.554.14 crore on a total income of Rs.592.21 cr. If we analysed latest earnings and attribute it on fully diluted post issue equity then asking price is at a P/E of 52.72 and on EPS of FY17 P/E is **65.75**. Peers ICICI Prudential and SBILIFE are trading at a P/E **34.54 and 69.38** respectively. Thus even though it is priced below Rs. 300 level compared to earlier two life insurance sector IPOs, this issue appears to be aggressively priced (discounting future earnings). **Future for this segment is bright. Cash surplus risk savvy investors may consider moderate investment only for long term.**

Highlights

- **HDFC Standard Life Insurance Co. Ltd. (HDFC Life), a joint venture between HDFC Ltd and Standard Life (Mauritius Holdings), is one of the most profitable life insurers, based on Value of New Business (VNB) margin, among the top five private life insurers in India**
- **The Company established its first international wholly-owned subsidiary in the UAE, HDFC International, to operate its reinsurance business. IPO from HDFC group is coming after a gap of 22 years.**
- **HDFC Life is present in all over India. They have 414 branches and spoke branches and over 11200 bancassurance branches all over India through their top fifteen bancassurance partners. They also have more than 15000 full-time employees all over India. The company also has around 60000 individual insurance advisors.**
- **The number of major bancassurance partners grew from 31 as at March 31, 2015 to 125 as at September 30, 2017.**

Company Introduction

Incorporated in 2000, HDFC Standard Life Insurance Company Ltd (HDFC Life) is Mumbai based life insurance provider in India. 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. HDFC Life is a joint venture between HDFC and Standard Life Aberdeen plc. HDFC is a leading financial service provider in India offering finance for housing, banking, life and general insurance, asset management, venture capital and education loans. Standard Life is an Edinburgh based investment company offering wide range of financial services across the globe. Standard Life is a public company established in 1825. HDFC Life sells policies through a multi channel network. This includes direct sales through own branches, Insurance agents, Partner Banks and through other financial

Comparison of Life Insurance IPO's

Particulars	ICICI Prudential	SBI Life Insurance	HDFC Std Life
Group	ICICI	SBI	HDFC
JV Partner	Prudential Life	BNP Paribas	Standard Life
FV	10	10	10
Price band	Rs. 300-334	Rs. 685-700	Rs. 275-290
Issue Size (Rs. Crore)	Rs. 6057 crore	Rs. 8400 crore	Rs. 8245-8695
P/E at the time of IPO	29	55	65
P/BV at the time of IPO	9	11.9	15
AUM (FY17) Rs. In crore	Rs. 122900	Rs. 97700	Rs. 91700
Post issue promoter's holding	81.00%	84.00%	81.04%
Dividend pay out ratio	39.50%	18.90%	29.60%
Market share (Industry level) FY17	12.00%	11.20%	6.80%
Market share (Private Sector) FY17	22.30%	20.70%	12.70%

Financial Summary (Rs. In Crore)

Particulars	For the Six month ended Sept. 2017	FY2017	FY 2016	FY2015
Total Income	14414.98	30554.42	18066.45	27090.62
Net Profit	554.14	886.92	816.79	785.51
EPS (Rs)	2.75*	4.41	4.06	3.91

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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institutions. HDFC Life has over 414 branches and 15,406 full-time employees located across India. Company has over 58,147 individual agents.

Company Promoters:

Housing Development Finance Corporation Limited ("HDFC");
 2. Standard Life (Mauritius Holdings) 2006 Limited ("Standard Life Mauritius"); and
 3. Standard Life Aberdeen plc ("Standard Life Aberdeen")

The object of the issue

The objects of the issue are:

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

IPO Issue Proceed

For listing purpose, HDFC Life is coming out with a maiden IPO by offer for sale of 29.98 crore equity share of Rs. 10 each via book building route with a price band of Rs. 275 – Rs. 290 per share to mobilize Rs. 8245.26 crore to Rs. 8695.01 crore (based on lower and upper price bands). Issue opens for subscription on 07.11.17 and will close on 09.11.17. Minimum application is to be made for 50 shares and in multiples thereon, thereafter. Out of the total issue, company has reserved 21.44 lakh shares for HDFC Life eligible employees, 8.05 lakh shares for HDFC eligible employees and 2.99 crore shares for shareholders of HDFC Ltd. From the balance, it has kept 50% for QIBs, 15% for HNIs and 35% for retail investors. Post allotment shares will be listed on BSE and NSE. Post issue paid up capital of the company which remains same at Rs. 2008.97 crore.