

HDFC Standard Life Insurance Company Limited

Issue Snapshot:

Issue Open: November 07 – November 09 2017

Price Band: Rs. 275 – 290

Issue Size: 299,827,818 Equity Shares (including Reservation for HDFC Life Employees, HDFC Employee and HDFC Shareholders of 2,144,520 eq sh + 805,000 eq sh + 29,982,781 eq sh)

Offer Size: Rs.8245.26 crs - 8695.0 crs

QIB	Upto	133,447,758 eq sh
Retail	atleast	93,413,431 eq sh
Non Institutional	atleast	40,034,328 eq sh
Employee & Shareholder	Reservation	
	Upto	32,932,301 eq sh

Face Value: Rs 10

Book value: Rs 22.30 (September 30, 2017)

Bid size: - 50 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 2008.97 cr
Post issue Equity:	Rs. 2008.97 cr

Listing: BSE & NSE

Global Co-Ordinators and Book Running Lead Managers: Morgan Stanley India Company Private Limited, HDFC Bank Limited, Credit Suisse Securities (India) Private Limited, CLSA India Private Limited, Nomura Financial Advisory and Securities (India) Private Limited

Book Running Lead Manager: Edelweiss Financial Services Limited, Haitong Securities India Private Limited, IDFC Bank Limited, IIFL Holdings Limited, UBS Securities India Private Limited.

Registrar to issue: Karvy Computershare Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	95.97	81.04
Public & Employee	4.03	18.96
Total	100.0	100.0

Background & Operations:

HDFC Standard Life Insurance Company Ltd (HDFC Life) was the most profitable life insurer, based on Value of New Business (VNB) margin, among the top five private life insurers in India (measured on total new business premium) in Fiscal 2016 and Fiscal 2017. Besides consistently being among the top three private life insurers in terms of profitability based on VNB margin, it has also consistently been among the top three private life insurers in terms of market share based on total new business premium between Fiscal 2015 and Fiscal 2017. Its total new business premium for Fiscal 2015, Fiscal 2016, Fiscal 2017 and the six months ended September 30, 2017, was Rs.54,921.0 million, Rs.64,872.2 million, Rs.86,963.6 million and Rs.44,029.0 million. Between Fiscal 2015 and Fiscal 2017, its annualised premium equivalent grew by a CAGR of 14.5%. HDFC Life's 13th month individual persistency ratio was 73.3%, 78.9%, 80.9% and 82.2% for the period ended March 31, 2015, March 31, 2016, March 31, 2017 and September 30, 2017, respectively.

HDFC Life has a healthy balance sheet with total net worth of Rs.44.6 billion and a solvency ratio of 200.5% as at September 30, 2017, above the minimum 150.0% solvency ratio required under IRDAI regulations. It generated Profit After Tax of Rs.8,869.2 million 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. As at September 30, 2017, it had total AUM of Rs.995.3 billion and Indian Embedded Value of Rs.140.1 billion. It has a track record of consistently delivering shareholder returns across business cycles.

HDFC Life's strong parentage and its trusted brand enhances its appeal to consumers. Its focus on creating a multi-channel distribution platform has resulted in its market share among private life insurers in India in terms of total new business premium increasing from 15.8% in Fiscal 2015 to 17.2% in Fiscal 2017. It offers an attractive value proposition for distribution partners, as demonstrated by longstanding, successful relationships with its bancassurance partners through corporate agency or master policyholder arrangements.

HDFC Life has a broad, diversified product portfolio covering five principal segments across the individual and group categories, namely participating, non-participating protection term, non-participating protection health, other non-participating and unit-linked insurance products. As at September 30, 2017, its product portfolio comprised 32 individual and ten group products, as well as eight optional rider benefits. It also provides it with the flexibility to operate successfully across business cycles, work with diverse sets of distribution partners and serve a range of consumers from mass market to high net worth individuals. It also provides HDFC Life with the flexibility to adapt to changes in the regulatory landscape and mitigate concentration risk in respect of particular categories or types of products. HDFC Life has a proven track record in identifying and tapping niche customer segments (such as with *HDFC Life Cancer Care* product) through its innovative product solutions that has continued to draw strong customer demand. In Fiscal 2016, it has established its first international subsidiary in the UAE, HDFC International, to operate its reinsurance business. Going forward, HDFC Life aims to continue to consolidate its position as a long-term player in the industry with its focus on better customer service, strong product propositions and steady profitability.

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Objects of Issue:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and to carry out the sale of Offered Shares by the Selling Shareholders. The listing of Equity Shares will enhance the “HDFC Life” brand name and provide liquidity to the existing Shareholders. The listing will also provide a public market for Equity Shares in India. HDFC Life will not receive any proceeds from the Offer.

Competitive Strengths

- Strong parentage and a trusted brand that enhances appeal to consumers.
- Strong financial performance defined by consistent and profitable growth.
- Growing and profitable multi-channel distribution footprint that provides market access across various consumer segments in India.
- Focus on customer centricity enabling growth across business cycles.
- Leading digital platform that provides a superior experience for customers and distributors.
- Independent and experienced leadership team.

Business Strategy:

- Reinforce agile, multi-channel distribution platform to fortify and diversify revenue mix across business cycles.
- Drive innovation in product sales to enhance customer value proposition and to capture niche segments.
- Invest in digital platforms to establish leadership in the growing digital space.
- Continue to build economies of scale to ensure profitability and cost leadership.

Key Concerns

- HDFC Life may be unable to implement its growth strategies and develop and distribute an appropriate product mix for specific customer segments through multiple distribution channels.
- Any termination of, or any adverse change to, HDFC Life’s relationships with or performance of its bancassurance partners, including HDFC Bank, could have a material adverse impact on the business, profitability, results of operations and financial condition.
- Changes in regulation and compliance requirements could have a material adverse effect on HDFC Life’s business, financial condition, results of operations and prospects.
- Misconduct by agents, employees, distribution partners or other third parties is difficult to detect and deter and could harm HDFC Life’s brand and its reputation, or lead to regulatory sanctions or litigation against it.
- HDFC Life and certain of its Subsidiaries, Directors, Promoters and Group Companies are involved in certain legal proceedings which, if determined against it, may adversely affect its business and financial condition.
- Results are dependent on the strength of HDFC Life’s brand and reputation, as well as the brand and reputation of other HDFC group entities.
- Variation in HDFC Life’s persistency experience from its estimates, as well as concentrated surrenders, may materially and adversely affect its cash flows, results of operations and financial condition.
- If actual claims experience and other parameters are different from the assumptions used in pricing HDFC Life’s products and setting reserves for its products, could have a material adverse effect on its business, results of operations and financial condition.
- Following the listing of the Equity Shares in the Offer, HDFC Life Promoters will collectively control, directly or indirectly, approximately 81.04% of its outstanding Equity Shares (assuming full subscription to the Offer) and have the ability to nominate directors on its Board after the listing, subject to shareholder approval
- HDFC Life is depend on its leadership and key management and its actuarial, information technology, investment management, finance, frontline sales staff, underwriting and other personnel, and its business would suffer if it lose their services and is unable to adequately replace them.

The following table sets forth certain key performance indicators for the periods indicated therein. (in Rs.millions, except percentages)

Particular	As at and for the Fiscal Year Ended March 31,			As at and for the Six Months Ended September 30,
	2015	2016	2017	2017
APE*	31,945.90	37,094.60	41,881.70	21,307.00
New business sum assured	1,815,761.00	2,714,859.50	3,887,574.70	1,965,449.20
Total operating cost ratio	10.20%	11.60%	12.70%	14.20%
13th month persistency	73.30%	78.90%	80.90%	82.20%
61st month persistency	39.80%	50.00%	56.80%	55.40%
VNB	5,915	7,393	9,225	4,782
VNB margin	18.50%	19.90%	22.00%	22.40%

EV	88,882	102,325	124,705	140,114
EVOP	16,012	18,372	22,193	12,576
Operating Return on Embedded Value	22.90%	20.70%	21.70%	21.20%
Insurance profits	6,241.70	6,802.50	7,509.50	4,483.80
Profits after tax	7,855.10	8,167.90	8,869.20	5,541.40
Insurance profit as % of total profit after tax	79.50%	83.30%	84.70%	80.90%
Net premium	65,751.70	80,572.10	94,824.50	35,751.50
AUM	670,467.00	742,472.30	917,423.60	995,340.30
Solvency ratio	196.10%	198.40%	191.60%	200.50%
Available solvency margin	28,011.6	34,268.9	42,109.9	48,655.3
Required solvency margin	14,284.1	17,276.1	21,977.6	24,266.5
Solvency ratio	196.1%	198.4%	191.6%	200.5%

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