

IPO REVIEW

HDFC STANDARD LIFE INSURANCE CO LTD

Issue Details	
Issue Opens	07-Nov-17
Issue Closes	09-Nov-17
Issue Size (Rs. Crore)	8,695.01
Face value (per equity share)	10
Price Band (Rs.)	275-290
Shares on Offer (Rs. Crore)	29.98
Lot Size (No of Share)	50
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	17-Nov-17

Issue Date: 07th Nov – 09th Nov 2017

Price Band (Rs.): 275- 290

Lot Size (No. of Share): 50

Company Background

Incorporated in 2000, HDFC Standard Life Insurance Co Ltd (HDFC Life) is Mumbai based life insurance provider in India. It 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. It has over 414 branches and 15,406 full-time employees located across India.

Financials

Particulars	For the year/period ended (in Rs. Million)		
	FY-17	FY-16	FY-15
Premium Earned-Net	192,749	161,788	147,625
Total Income	305,544	180,665	270,906
Profit After Tax	8,921	8,184	7,855

Concerns

- Termination of or any adverse change in bancassurance agreements.
- Significant part of total NBP generated by unit-linked & par products.
- Major portion of business is generated from relatively few regions.

Strengths

- Strong financial performance defined by consistent and profitable growth.
- Growing & profitable multi-channel distribution footprint.
- Strong parentage and a trusted brand.
- Strong distribution with bancassurance; focus rising on digital & agency.

Our View

On the upper price band of Rs.290 and on restated FY17 EPS of Rs.4.5, P/E ratio works out to 64x. Even based on last 3years restated EPS of Rs4.3, P/E ratio works out to 67x. Means, company is asking higher price band of Rs290 in the P/E ratio of 64x to 67x. Its listed peers like SBI Life Insurance is trading at P/E ratio of 70x (Highest) and ICICI Pru Life is trading at P/E of 33x (Lowest) and industry average is 51. Hence HDFC Life issue price of Rs290 at P/E ratio of 64x to 67x is over priced.

Given the mature valuations and the outlook of insurance sector being bright, HDFC Standard Life is well-positioned to enjoy years of strong growth and enhanced profitability. Investors can subscribe from a long term perspective in this HDFC group IPO coming after 22 years.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	95.96	81.04
HDFC Ltd.	61.21	51.69
Standard Life Mauritius	34.75	29.35
Public (incl institutions and employees)	4.04	18.96
Total	100.0	100.0

Objects 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.