

# Canara HSBC Life Insurance

BSE Sensex 83,878 S&P CNX 25,790

CMP: INR146

TP: INR180 (+23%)

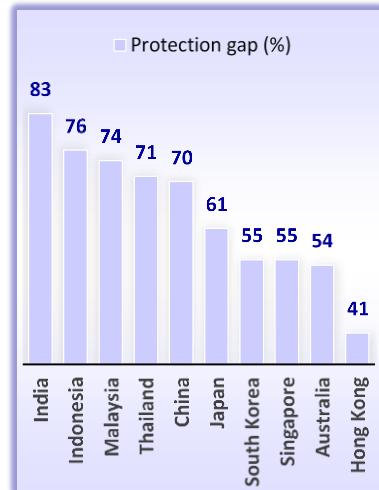
Buy



Stock Info	
Bloomberg	CANHLIFE IN
Equity Shares (m)	950
M.Cap.(INRb)/(USDb)	138.3 / 1.5
52-Week Range (INR)	158 / 106
1, 6, 12 Rel. Per (%)	20/-
12M Avg Val (INR M)	429
Free float (%)	38.0

Financial Snapshot (INR b)			
Y/E March	2026E	2027E	2028E
Net Premiums	96.0	112.3	131.7
Sh.PAT	1.4	1.6	1.9
APE	28.0	33.5	40.1
APE growth (%)	19.6	19.6	19.8
VNB	5.5	6.7	8.2
VNB margin (%)	19.5	20.0	20.5
RoE (%)	8.6	9.2	10.0
RoEV (%)	17.1	17.3	17.8
AUM	460.1	534.2	622.4
EV per share	75	88	103
Valuations			
P/EV (x)	2.0	1.7	1.4
P/EVOP (x)	13.3	11.3	9.4

## Protection gap highest in India



## Banca-led compounding story in the offing!

### Bancassurance efficiency improvement to drive growth

- Canara HSBC Life Insurance (CANHSBC) is one of the top-10 life insurance companies in India. It has a diversified product mix, with ULIP/Non-Par/Par/Protection contributing 50%/34%/8%/8% in 1HFY26. The business is primarily led by the bancassurance channel, with Canara Bank/HSBC contributing 70%/15% in 1HFY26.
- Over the past decade, CANHSBC has outperformed the overall industry and private segment with a CAGR of 22% in APE. Resultantly, its market share has increased by 90bp/110bp during the period within the industry/private segment.
- We believe the industry is well positioned to deliver strong growth traction, aided by 1) increasing penetration (India's penetration at 2.8% vs. global 2.9%), 2) GST exemption tailwind, 3) narrowing protection gap in the country (83% in India, highest among peers), and 4) expected favorable regulations such as risk-based solvency, composite license etc.
- Within this industry framework, we believe CANHSBC can continue to gain market share as it increases its penetration among Canara Bank customers, scales up cross-selling in the HSBC channel, builds a strong agency channel, and develops relationship with new-age distributors.
- CANHSBC has just 1.7% penetration among Canara Bank's (72.5% of FY25 individual APE; FY22-25 CAGR of 21%) ~120m customers and its branch productivity is at just INR1.6m vs. INR5m+ for other private banks. With Canara Bank investing significantly in digital tools to do customer segmentation, we see a strong growth trajectory for CANHSBC going ahead.
- HSBC (13% of FY25 individual APE; FY22-25 CAGR of 19%) provides access to high-quality customers like NRIs, affluent segments, employer-employee groups, and ~1m credit card base. The expansion plans of HSBC, along with its retail focus, can further expand the premier and profitable clientele for CANHSBC.
- We expect the product mix to shift back to Linked/Non-Linked mix of 40:60 over the next couple of years as demand for protection gets a natural fillip from GST exemption, credit protection picks up with increasing attachment rates, and interest rate cuts drive up the Non-Par share.
- We expect CANHSBC to report a CAGR of 20%/23% in APE/VNB during FY25-28E. VNB margins are likely to expand by 50bp each year over the next couple of years owing to a favorable product mix and scale benefits, which are partially offset by investment in the agency channel. Operating RoEV is likely to be above 17% and solvency is likely to be above 200% in the foreseeable future.
- We value the company at 1.7x FY28E P/EV to arrive at a TP of INR180. Initiate coverage with a BUY rating.

## Life insurance industry well poised for strong growth

- India's life insurance industry continues to be underpenetrated, with premium/sum assured as a percentage of GDP standing at 2.8%/85%, much lower than its Asian peers – Singapore at 7.4%/332%, Thailand at 3.4%/143%, and Malaysia at 3.7%/153%. Protection gap for India is at 83% vs. 55%/71%/74% in Singapore/Thailand/Malaysia.
- APE growth in India has been 12% for the past decade, and private players have increased their market share to 65% from 47%. This growth has been achieved despite several regulatory changes in the past five years, such as the implementation of new surrender charges, taxation changes, and EOM regulations.