April 25, 2025

Ref. No: HDFC Life/CA/2025-26/11

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

NSE Symbol: HDFCLIFE

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

BSE Security Code: 540777

Dear Sir/ Madam,

Sub: Transcript of earnings conference call for the year ended March 31, 2025

We wish to inform you that pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings conference call with analysts and investors held on Thursday, April 17, 2025, to discuss the financial performance of the Company for the year ended March 31, 2025.

The said transcript has been hosted on the Company's website at https://www.hdfclife.com/aboutus/investor-relations.

This is for your information and appropriate dissemination.

Thanking you,

For HDFC Life Insurance Company Limited

Narendra Gangan
Digitally signed by Narendra Gangan
Date: 2025.04.25 17:30:13 +05'30'

Narendra Gangan
General Counsel, Chief Compliance Officer &
Company Secretary

HDFC Life Insurance Company Limited 12M FY25 Earnings Conference Call

April 17, 2025

Vibha Padalkar: Good evening, everyone, and thank you for joining us for our Earnings Conference Call for the year ended March 31, 2025.

Our Results, along with the investor presentation, press release, and regulatory disclosures have been made available on our Website and the Stock Exchanges.

Joining me on this call are Niraj Shah – Executive Director and CFO; Vineet Arora – Chief Business Officer, Distribution, Data and Technology; Eshwari Murugan – our Appointed Actuary; and Kunal Jain – Head, Investor Relations and Business Planning.

I am pleased to share that the Board of Directors at their meeting today have approved the appointment of Vineet as a Whole-Time Director effective May 1st, 2025. I request you to join me in congratulating him in his expanded role as a fellow board member.

Section 1 on Macroeconomic Context:

India has continued to demonstrate resilience amid global volatility, supported by steady domestic demand, improving rural sentiment, and a strong services sector. While near-term risks such as geopolitical tensions and tariff wars loom large, India's stable macroeconomic foundation offers a buffer. We remain watchful of how these factors may influence household savings and overall demand for long-term financial products.

Recent GDP forecast suggests a moderation in growth for FY26 and increased turmoil in global trade flows, leading to potential uncertainty in the near term. While we do not see any immediate signs of a material slowdown in insurance demand, we remain watchful and will continue to evaluate developments as they unfold quarter-by-quarter. In this environment, softening interest rate cycle and volatile equity markets might lend support to traditional savings product offerings. Also, the revised tax thresholds announced in the union budget could provide a measured boost to both discretionary consumption and long-term financial savings.

Moving on to Section 2 on Business Performance:

FY25 was a year where we deepened our reach, continued sharpening our value propositions, and demonstrated the resilience of our business model. Moreover, aligning with our stated aspirations, we have nearly doubled all key metrics between FY'21 and FY'25. As we step into our 25th year of operations, our focus remains clear to build a future-ready life insurer that grows sustainably, serves responsibly, and innovates purposefully.

We are happy to report an 18% growth in individual APE for FY'25 in line with our stated growth aspirations for the year. This growth was broad-based, driven in equal measure by an increase of 9% in policies written and an increase of 9% in average ticket size.

The life insurance sector too demonstrated steady momentum during the year, outperforming several other segments within the Nifty 50, a reflection of its inherent resilience and growing role as a trusted pillar of long-term financial planning. Within this context and based on available 11-month industry data, we outperformed both the private and overall sector. Our overall industry market share expanded by 70 basis points to 11.1% and by 30 basis points to 15.7% within the private sector. Notably, our policy count grew faster than the overall and private sector.

Almost three-fourths of our new customers onboarded in FY'25 as first-time buyers from HDFC Life, reflecting our expanding reach across tier one, two, and three markets. In total, we insured about 50 million lives in FY'25.

Moving on to the next Section 3 on “Product Mix”:

The composition of our individual APE was ULIPs at 39%, non-PAR savings at 32%, participating products at 19%, and term and annuities at 5% each. ULIP demand remains strong despite market volatility in quarter four, while participating products saw strong traction led by the launch of Click 2 Achieve PAR. Non-PAR savings also posted robust growth of 25% for the year. We expect traditional products to perform well in FY'26, aided by lower interest rates and equity market uncertainty.

Retail protection continued to show growth momentum with APE growth of 25%. Credit protect growth remained muted due to subdued disbursement trends, particularly in the MFI space. Despite that, we retained our market leadership in this segment with a well-diversified partner base. The rider attachment rates improved further across retail and group products. Annuities grew faster than the industry in 11M FY'25 and combined with protection, these segments contributed 41% of our total new business premium. Retail sum assured grew by 18% year-on-year and by 32% on a two year CAGR basis.

We continue to outpace the industry on this metric over a two-year horizon and maintain our leadership in overall sum assured. We remain on the forefront of product innovation. With industry first launches like Click 2 Achieve PAR Advantage and Sanchay Aajeevan Guaranteed Advantage or SAGA in the pension space. SAGA combines dual guarantees, joint life benefits, liquidity options and tax advantages with a simplified issuance process. Retirement remains a core focus aligning with our brand promise of “*Sar Utha Ke Jiyo*”. We see this segment as a long-term structural opportunity driven by increasing life expectancy, changing socioeconomic dynamics and rising awareness around retirement planning.

We are committed to innovation while maintaining a disciplined approach to risk management. This includes appropriate product pricing, prudent underwriting practices, and effective hedging mechanisms, all of which underpin our ability to deliver sustainable, customer-centric solutions across market cycles. This balanced approach has enabled us to navigate regulatory changes, macroeconomic volatility and evolving customer expectations while continuing to grow faster than industry, also maintaining consistency and quality of business underwritten.

Moving on to Section 4 on Financial and Operating Metrics:

The value of new business for FY'25 stood at Rs. 3,962 crores reflecting a 13% growth. New business margins for the year were at 25.6%. We have successfully managed to contain the impact of the new surrender charge regulations as well as continued preference for unit-linked products.

Embedded value rose to Rs. 55,423 crores with an operating return on embedded value of 16.7%. We raised Rs. 2,000 crores of sub-debt in two tranches during the year, thus improving solvency by 20%. We closed the year with a solvency ratio of 194%. Profit after tax rose by 15% to Rs. 1,802 crores driven by strong growth in back book profits of 18%. The board has recommended a final dividend of Rs. 2.10 per share in line with our payout policy, aggregating to a payout of Rs. 452 crores.

We have consistently delivered positive and range-bound operating variance over the past nine years, excluding the COVID year, thus underscoring prudent risk management, disciplined execution, and strong fundamentals.

Renewal collections grew by 13% year-on-year. Persistency metrics strengthened further with 13th and 61st month at 87% and 63% respectively. We saw a steady improvement in 13-month persistency across customer cohorts and geographies despite the expansion of our footprint into newer segments and markets. 61st-month persistency rose by over 1,000 basis points aided by the positive impact of the long-term savings products that were introduced around FY20.

Moving on to the next Section 5 on Distribution Highlights:

All channels registered double-digit growth.

Our counter-share within HDFC Bank has remained steady at about 65%. Our priority is to enhance the profitability of HDFC Bank channel through a multi-pronged approach, encompassing product mix optimization, heightened focus on cross-selling and up-selling initiatives, strategic leveraging of the bank's digital resources, and a commitment to superior customer service.

Our agency channel recorded a healthy growth of 15%. Term business within agency channel registered an outstanding growth of over 50% versus last year. We also ranked #1 in the private sector in terms of total agent count as of February 2025, with close to 30,000 new agents added during the year. We continue to invest in building the agency franchise, adding over 200 branches in the last 24 months, of which 117 branches were added in FY25. Our pan India branch count now stands at over 650.

We successfully onboarded around 40 new partners during the year including prominent names such as Sundaram Finance, Aditya Birla Finance, Home First Finance, Northern Arc, Repco Home Finance, Manappuram, Mirae Asset Sharekhan, and Peerless amongst others. Our focus remains broad-basing our distribution footprint and finding newer and more efficient ways to reach and serve our customers.

Next, focusing on Customer Experience:

Our endeavor is to enhance customer experience through intuitive digital platforms with over 90% of service requests now handled via self-serve. Turnaround times have shown steady improvement and key experience metrics such as customer satisfaction scores and first-time resolution have shown continued gains. We proactively refine our practices and processes, often going beyond regulatory expectations. This is to ensure transparency, ease, and trust. In parallel, we continue to strengthen right-selling practices through focused training and tools and processes so that customers receive solutions aligned to their needs.

To stay ahead on customer experience, we have invested in data analytics and innovation labs to proactively identify early indicators across the value chain. Given the diversity of our customer segments, we remain focused on staying relevant across both physical and digital touch points. In line with this, we are undergoing a technology transformation aimed at building real-time seamless service capabilities, moving us closer to Insta service delivery.

Next on Project INSPIRE:

It is our technology transformation initiative and is progressing steadily with incremental tech assets being rolled out through the course of the year. While the coexistence of legacy and new systems might lead to a temporary rise in costs, this transition is designed to unlock meaningful efficiencies, elevate customer experience and strengthen our path forward towards long-term digital leadership.

Next on Subsidiaries:

HDFC Pension continues to maintain its market leadership position in the private pension fund management space with a market share of 43% and assets under management exceeding Rs. 1.15 lakh crore. Its consistent outperformance and rapid scale-up further reinforce our presence in the retirement solution space, a segment we believe holds long-term structural opportunity.

HDFC International also retained its strong credit rating with a ‘BBB’ insurer financial strength rating from S&P global ratings and a ‘B++’ rating from AM BEST.

Other Updates:

We were recognized as a "Great Place to Work" and amongst top 50 companies in India for building a culture of innovation.

On the Strategic Outlook:

As we enter our 25th year of existence, our aspiration remains against the backdrop of a stable regulatory regime to consistently outpace sector topline growth, deliver VNB growth in line with APE growth, and double key metrics every four to four and a half years.

FY'25 was characterized by front end delivery on topline and VNB with a 31% growth in topline and a 17% growth in VNB in the first half, followed by a relatively softer second half. As we step into FY'26, this base effect is likely to result in a moderate first half with growth momentum expected to pick up in the second half, leading to a more balanced full year outcome. While the evolving product mix might be margin-accretive, we remain focused on investing in distribution and technology with a three to four year perspective to strengthen long-term capabilities. This strategic choice might result in margins to remain range-bound in the short term, but we believe it positions us well for sustainable quality growth.

To Sum Up:

As with any evolving industry in the BFSI space, regulatory change is an inherent feature and we believe that disciplined strategy, ability to reimagine business models coupled with execution strength enable us to adapt and emerge stronger. Our track record of navigating a dynamic regulatory and macroeconomic environment reflects our institutional resilience and agility. Looking forward, we expect to operate in a more stable policy regime, offering greater clarity for long-term planning and sustainable growth.

Behind our numbers lie the focused efforts of over 37,000 employees, 2.4 lakh financial consultants and thousands of partner staff, all united by a shared mission to provide financial protection to every Indian household. We remain confident in our ability to deliver consistent, high-quality growth as we continue to build for the long term.

For a detailed overview of our results, please refer to our investor presentation. We are now open to any questions from participants.

Moderator: We will take our first question from the line of Avinash Singh from Emkay Global.

Avinash Singh: Hi. Good evening. A couple of questions. First one is more of a data question. In the EV walk, if you can just provide the breakup further of operating assumptions and variances between the two and within that, key category like the expenses, persistency, and mortality. So that will be the first.

The second one is more on the growth side. Of course, needless to say that you have ended this year well, particularly on the retail side. In the past, if I look at the medium term, typically, the industry and even you have grown on the back of some white space in the product or distribution field, whether it is retail protection at some point, Sanchay Plus, or banca getting opened up or some kind of external event. Now, in this backdrop, at this point, we see particularly the white space in the product and distribution space is almost absent, at least. And we cannot bank on kind of externalities. In this backdrop, what kind of growth do you see on the retail side, particularly the next year? And what channel or product you see that, okay that could be more supportive of that growth. So that's the second question. And thirdly, if at all any discussion around industry, around any sort of regulation, cap, anything coming on the bank as well as partners? Thanks.

Eshwari Murugan: On impact of operating variance and assumption change. Most of the operating variance is coming from persistency and expense, mortality is close to zero and we have a small non material impact of the assumption changes based on the review of the experience during the year.

Avinash Singh: So variances and assumption changes both are positive?

Eshwari Murugan: Yes. Both are positive.

Niraj Shah: Yes, Avinash, in terms of the questions in terms of what is likely to support growth, what happened in this quarter and what's likely to happen going forward as well. We have seen a few shifts. Unit linked has continued to be elevated, but we continue to attach more levels of protection to that. That is absolutely helping. Also, the persistency levels have become stronger in unit linked in this period. Participating products have done extremely well in this quarter, has grown upwards of 40% odd in this period. We have spoken about a new product launch in the previous quarter that started to take off in this quarter. And on a run rate basis, the product mix on participating products has moved to early to mid-20s. We expect some of that to continue in FY26 as we continue to see more and more volatility in the equity environment. We can see some sort of moderation on unit linked products in the next 12 months. We will wait and see. But we do expect that on a base case. As far as non-PAR products are concerned, that's been fairly steady in the early 30s. That continues to be the case as we speak, and we expect that to continue going forward as well as the interest rate environment becomes more conducive. While that's not been the issue for us in the past across various interest rate environments, the non-PAR mix has been in the early to mid-30s. So a conducive rate environment will definitely help generate more demand in this segment. So we do expect that to pan out in this manner in the next 12 months. Protection, grown at about 25% in the last couple of years. We expect that to continue growing faster than the overall company growth next year as well. So that's broadly our thought process in terms of how products would support growth as we go forward. New launches from time to time have helped us in this year and we expect that journey to continue next year as well.

Avinash Singh: Is there confidence of maintaining the current growth levels of FY25 in retail for FY26?

Vibha Padalkar: See, time and again, we are asked this question, but time and again, we have demonstrated that every year we do grow faster. And this year also, whether it is for the year, in the sense, the 11-month data, or if you look at the quarter, in fact, for the quarter we did exceptionally well, wherein both in terms of our overall industry, market share and in the private space was even higher than what it was for the 11 months. So growing faster than the sector, is something that has become part and parcel.

And, I just want to take your point about white spaces. In fact, if you look at slide 18 of our presentation, we have all the product innovations. Sanchay Plus was ahead of its time and also because possibly acceptance and understanding of the product took a fair bit of time. Now, whatever products we launch, usually, there is shorter lead time to market. Also due to some of the use and file regulations, especially on unit linked and term, our window of being a market leader in that particular product segments has reduced since there is much shorter adoption window. But are we innovating in the white spaces that you talked about? Absolutely, and if I were to take Sanchay Aajeevan, the SAGA product, there is no other product that exists today to best of my knowledge in that avatar and just in case you're not very familiar with that product, what that product gives you is an accumulation vehicle, under a pension umbrella, but also gives you a floor on annuity and a fairly attractive floor today of what might be several years hence. Plus, we give you the option to exit and go and buy someone else's annuity if you want to. So it gives you the comfort, but not the obligation to do it. That is certainly a white space. And we have many more such innovations in the pipeline.

On your point on regulations, I just want to mention a couple of things. On mis-selling, we keep talking with both our regulator and the government. It is topical. But if I were to look at banca mis-sale, it is not any worse than or it's actually a shade better than some of the other channels, even at an industry level. But at the same time, we respect the sentiment that comes through and there are many things that we have operationalized. For example, at HDFC Bank, in the first year of complaint for vulnerable segments such as where an annual income is fairly low, say 5 lakh and below annual income or senior citizens is involved, we would just handle those complaints very differently. And that's clearly beginning to show and yield significant rewards. And many other things to make insurance sale a lot more holistic at the bank and us having an extra pair of eyes even within the organization to look at complaints. Second part is on caps on bancassurance. The understanding we are getting is that bancassurance is an extremely important channel to get to the objective of insurance for all by 2047. In fact, if we see the IRDAI annual report, penetration levels have actually gone down rather than increasing. So bancassurance having at least between 6x to 10x more branches than the sector, it'll be a shame to let go of those touch points. So throwing the baby out with the bathwater, what we understand is not the intention of the government. And as long as we pay attention to things like claim settlement, complaints resolution, and so on, I think it is very much an important channel. At the same time, we will continue to grow our other channels also.

Moderator: We will take the next question from the line of Madhukar Ladha from Nuvama Wealth.

Madhukar Ladha: Hi, good evening. I had a question on individual protection. If barring some rounding off, there seems to be some slowdown in individual protection in Q4. So can you help understand what's going on over there? And also QoQ, I don't see any big shift in a product mix, but margins have improved considerably. So is that largely to do with fixed cost absorption? And again, coming back to the growth question, given the last few years have been good and last year was obviously also supported by good growth in ULIP. But incrementally with markets being choppy, short-term rates still being a little bit on the higher side, that may prevent non-PAR from actually picking up considerably. So in that context, how should we think about individual APE growth? And finally, how is the competitive intensity playing out given the new surrender value regulations are now in place?

Niraj Shah: First on retail protection, For the year it's grown at 25%. It had similar growth last year as well. So it's been fairly steady, both in terms of volume as well as value.

Yes, so Q4 also grew at 19%, which is fairly healthy. We don't really see any change in trend there really. 19% is a fairly healthy growth in the overall context of how we are operating. And that is something that we expect going forward as well to continue to grow faster than the overall company growth. That's on protection, no change in trends that we see. In fact, a couple of new product launches have actually helped get us to more customer segments. Some of them are at the higher age, some of them are self-employed and some of them are at higher sum assured levels as well. So, these product launches is something that will help sustain growth and momentum in that overall protection segment as well.

To your question on margins, while overall walk for the year is there in the investor deck, your specific question is on the quarter. So basically a couple of things have happened there. One is there is a negative of the surrender value regulations. That is we had spoken about it last time as well. That's a negative 30 basis points. The 40 basis points expansion is largely on account of inherent product margins that have improved from same time last year to this period. We had spoken about lag in repricing and we managed to basically do two-three things. We managed to increase the level of protection in the unit linked products, persistency levels have improved and longer-term products are being sold. As a consequence of that, inherent product margins have improved in this period. So that's really the reason for expansion in Y-o-Y margins for the quarter from 26.1% to 26.5%.

Your other questions in terms of the markets being choppy for non-PAR again, we did have this question from Avinash as well. So if you look at a non-PAR mix for the last four to five years, ever since we launched this category six years back, after the first couple of quarters in which the mix was elevated, it has been in the early to mid-30s for the last four and half years, if I can recall. And we have seen various interest rate environments in that period. Flattish environment for a fair bit of time that continues as we speak. It's probably likely to be different in the next 12 months, given the commentary from the RBI in terms of initiatives for rate cuts to support growth. So that will only be conducive for the non-PAR product segment, as I mentioned. Even in the current flattish environment, we managed to maintain non-PAR at 30% plus. So we don't expect anything differently on that if at all it will only aid further demand for this product as we go forward.

Last question on the surrender value. Have you seen any change in competitive intensity? We have seen a mix of behavior across the sector. I mean large listed players have continued to be fairly calibrated. We haven't seen any change from them pre or post surrender value regulations. Amongst the large unlisted players we have seen different kind of approaches. Some levels of aggression continues. Some folks have moderated that, given their focus on profitability. So we will see how that will develop, but that's more to do with overall objectives, we believe, rather than a response to surrender value changes. I think we have spoken about sharing the burden with the distribution, we have done that. We have taken a hit of 30 basis points. We have obviously adjusted some of our distribution commercials to support the rest of the burden. Customer proposition has remained largely unchanged for us. We have seen some adjustment in customer proposition in some parts of the industry, depending on which player we are talking about.

Vibha Padalkar: And one small data point, Madhukar, is on your first question on individual protection in Q4. If I were to look at quarter-on-quarter, sequentially it has grown by 26%. So it's more a factor of what happened last year but sequentially it has grown very handsomely.

Moderator: We will take our next question from the line of Nidhesh Jain from Investec.

Nidhesh Jain: First question is on the investments that you spoke about, highlighting that despite product mix shift towards higher margin product next year, you expect margins to be range bound. So can you quantify the investments that you are likely to make next year in terms of let's say a percentage of APE and in which area we are making these investments?

Vibha Padalkar: I will give you the areas. Key focus areas are – one is our agency channel, both tied and variable. This would be a combination of branches, training, people, the right hierarchy, right pay scales based on nuances of geographies, technology to enable both our employees in the agency channel and our agents to win and so on. So it's an entire gamut. We are in the process of reimagining our agency channel. So that's one space.

Technology, we talked about project INSPIRE and all that we want to do. And as you know, there will always be once you're down a big transformation project, there will always be further ask from business, or how do we embed AI at this stage itself into many parts of what we do. So that will also require some additional funds to be allocated.

Vineet Arora: So largely in terms of expanding our distribution, improving our quality of people on the ground especially in agency channels, and investments in technology, which gives us the edge over rest of the market in long-term sustainable business.

Nidhesh Jain: Any quantification possible as proportion of APE or any range broad range?

Vibha Padalkar: See Nidhesh, what we saying is that we will be range bound on margins. Anything over and above that, we will invest into business. If unfortunately we don't get that much of an upside, because say hypothetically unit linked continues to remain elevated, then we will gun towards keeping it range bound. If we are helped by a more favorable product mix versus some of the other competing products, non-PAR products start looking attractive because of an interest rate comparison, then we will be likely to get that uplift, which we will just keep ploughing back into these two, broadly these two buckets. So it will be fairly dynamic and an iterative process.

Nidhesh Jain: Sure, understand and just two data keeping questions. One is if you can share of HDFC Bank in overall APE and retail protection ticket size for FY25?

Niraj Shah: Retail protection ticket size is about INR 40,000.

Vineet Arora: HDFC Bank in our APE will be about 47%

Vibha Padalkar: But that's on APE basis, on an NBP basis, it's about 40%.

Vineet Arora: Yes. It's 40% on an individual premium basis.

Moderator: We will take our next question from the line of Dhaval from DSP. Please go ahead.

Dhaval: Hi. Thanks for the opportunity. Just one clarification to a comment in the opening remarks around medium term growth. So we mentioned that APE growth and VNB growth to be about double in four and a half years, which implies about 16.5%-17% kind of growth. I was just thinking through are there enough buffers in the business to navigate assuming there are some you know regulatory changes or I mean how do you think about this growth estimate, any color around that and similarly on margin at the end of the fourth year, I understand that near term there will be some investments, but at the end of the fourth year just directionally how do you think about margins any comment around that would be useful?

Vibha Padalkar: So Dhaval, if you look at slide 4 of our investor presentation, if you look at individual APE on the top left-hand side, you see that over cohort of 4 years, in period FY21 to FY25, we have closed to double, 1.9x. Similarly, FY17 to 21, we have closed to double. Renewal premium has doubled, annuity has doubled, protection has more than doubled at 2.3x, AUM has close to doubled, our embedded value has more than doubled. We have fast forwarded it to FY25 numbers. So over a cohort of 4 years or 4-4.5 years, we remain committed to chasing that number. You said 16%, 17%? Yes, absolutely. But if you ask me this quarter, next quarter, or immediate when there's global volatility, we will still grow faster than the sector, no doubt about it, but it's difficult to pin a number amidst that much of volatility. But definitely over cohorts of four years, yes. And same thing for margins as well. Over a four-year period, all things being equal on the regulatory outlook, margin should start moving a little bit upward. And once our investments are made to the extent that we want to, our tech transformation is out of the way, then yes, it should slightly move up.

Moderator: We will take our next question from the line of the Dipanjan Ghosh from Citi.

Dipanjan Ghosh: Hi, good evening. So, Vibha, in your opening commentary, you mentioned about product optimization at HDFC Bank. So, if you can elaborate on that in terms of what are the strategies around that and while your counter-share has remained constant, are you seeing any VNB accretion at the bank or you expect to see going ahead? Second question is your agency growth has been quite strong for the past few quarters, especially fourth quarter. So how should one think of that broken up between productivity improvement and how much of it is led by the new agents which have been added let us say in the last 12 to 24 months? And lastly on the persistency side, your ULIP persistency in the early buckets have improved gradually over the past few quarters and years? So I just wanted to understand in terms of what are the levers that are really driving this?

Vineet Arora: In the HDFC Bank product mix, the initiative that we are taking now and we have started doing that since the last few months is to improve our mix of ULIP and some of the initiatives that we mentioned earlier about adding more sum assured into ULIP, more protection into ULIP or going for more longer term ULIP products are the initiatives that we have been taking. So that even if our ULIP remains at a slightly elevated level, we could still make it more profitable. I think those are few changes and a few more are going to be taken into the next year as we go along by adding more riders and protection. That is something that we expect will help us improve the margins in the HDFC Bank channel.

Coming to the agency channel, the growth has been largely from the sustained agents and efficiencies. The expansion to new branches and the new FLS and the new agents that we would have got from these branches, would have given us about 5% of this business. There is a segment of BAU agents getting hired in the existing branches and that is something that we have been doing. I am not considering that as inorganic, but the inorganic portion would be about 5% of the business.

Vibha Padalkar: On the last question on persistency on unit linked, we have done a lot of things, big and small on that. Right from early warning indicators wherein we believe this is likely to result in poorer persistency, we will probably probe further right at the beginning when underwriting that policy and then taking it onto our books, as well as ensure that SI/ECS mandates are enabled and de-tagging does not happen. There is an extra hand holding to explain to the customer, especially when there is a fair bit of volatility and there is an intention to surrender. Also keeping a watch when a customer possibly asks repeatedly for what their fund value is and so on. Use of data analytics has also helped us to ascertain propensity to surrender and likelihood. I think that is where we have taken some tough calls, where a particular profile of the customer is not suitable for unit linked product and especially amidst a very volatile environment.

Niraj Shah: So, we will continue these efforts and continue to monitor, Vibha spoke about softening market, the surrenders are actually lower in such markets. And typically we do see in an environment where the markets are doing extremely well, we do see some higher levels of surrender. So that is something that we do track on a regular basis. Stepping into the next 12-odd months, given the equity volatility and the elevated ULIPs that we have written in the past 12 months to 18 months, we will definitely keep a very close eye on customer behavior in terms of how they respond to the volatile equity environment. But some of the building blocks, Vineet and Vibha spoke about, we will obviously continue to work on this.

Moderator: We will take our next question from the line of Shreya Shivani from CLSA.

Shreya Shivani: Hi. Thank you for the opportunity and congratulations on a good set of numbers. I have just one question on the outlook we have for a four-year cohort and how we can grow. Towards that, I have a question for the protection book. This is obviously the overall protection book. This book has stayed at about 17.6-17.7 Bn APE for past three years and I understand it is the group protection which has declined while we have done much better on the individual protection. But towards our 16%-17% topline growth outlook for the next couple of years and particularly given ULIPs is going to be volatile next year, what is our view on the group protection bit and how much can this 17 billion business scale up possibly in FY26 apart from just the retail portion of protection?

Vineet Arora: So our view on group protection; this year we saw the disbursement in the MFI segment getting impacted and we do expect maybe the next one or two quarters to remain muted on the MFI and then it should pick up. So group protection should start coming back in the second half of the year. On the retail protection, there are two ways to grow the retail protection. One is obviously through the retail products by itself, which is term products and the various versions of it. And the other is by increasing the sum assured on the investment plans or by attaching more riders on the investment plan. And so these are the multiple methods for us to do this and we are trying to work on all of them. Some show success in different channels in different pockets. But I think largely we are quite confident that the protection growth will continue.

Shreya Shivani: So, in the group protection bit, I understand the MFI portfolio, but even on your employer-employee, the GTI bit, that also, what is our outlook? I mean, I understand there was a price war or a competitive intensity this year, but how is things around it?

Niraj Shah: So, Shreya, just to complete, Vineet was talking about, one of the segments on the credit life side, the other two segments are doing reasonably well. We expect that to continue in the next year as well. Housing is reasonably stable, other loans are doing quite well. So that is likely to continue into next year as MFI stabilizes. Group term, we have been fairly clear in our approach. These are 12-months renewable contracts. So we basically enter into arrangements which are feasible from our perspective. And we will continue to be fairly calibrated in our approach on that. So we don't really have any targets that we run with on this business. We try and renew the policies that we have written if they are feasible and our approach on new business is very similar as well.

Vibha Padalkar: Also, I want to add here, while we are looking at overall company, we have had pockets of major green shoots in protection. For example, in my opening comments, I mentioned about in agency channel wherein protection has grown by over 50%. Within that, if I were to look at my variable agency channel, protection mix is touching about 14%. On the other hand, if you look at bancassurance, it's around 4%. So, even 4 % in bancassurance going up to 6% on 50% of our business can mean a fairly meaningful uplift on protection except that as you know the ticket size is much smaller and so it will take a little bit longer to show up as a percentage of overall APE but growth certainly as long as we continue to punch above company level growth slowly but surely and most importantly with the right pricing. And on our terms, we should be able to grow retail protection brick-by-brick.

Shreya Shivani: Got it. And just one follow up over here. The reinsurance terms and conditions continue to be stable. There is no movement on that side, right, for any of our portfolio protection book?

Niraj Shah: Not in the recent past, but like we managed our pricing, the reinsurers would do the same. And as we get deeper into India, the experience will be different from how the protection journey started in the top 10 cities. So all of that will have to be factored in, not just by us, but by the reinsurer as well. That will be a BAU activity that will happen from time-to-time, but nothing in the recent past.

Moderator: The next question is from the line of Supratim Datta from Ambit Capital.

Supratim Datta: My first question is on the margin bit. You have done very well with the ability to improve inherent margins like you pointed out. But just wanted to understand what other levers are remaining to further improve it from here? So, you talked about HDFC Bank and you know what you're doing there, but are there other channels, other products where you can still improve inherent margins? That's the first bit.

Secondly, on project INSPIRE, now it has been, you have been at this project for nearly one year now. Just wanted to understand, do you have a sense of, what could be the savings from a margin perspective from this project? If you could quantify some opportunity.

Lastly, on agency, you have made significant investments in agency and you are currently again undertaking a transformation project there. I want you to understand how does all of this get impacted if open architecture comes in agency because they're having some talks in the industry. So just wanted to understand how you are thinking about that?

Vibha Padalkar: I will take the first question on margins. Supratim, obviously, I can't share everything that we are doing on margins, but we do have quite a few levers and we will do it judiciously because it's always a toggle between your topline, quality of business and the actual margins itself - all three are important. So just margin for the sake of margins is not that difficult. Similarly, topline for the sake of topline is not difficult either. It's delivering all these three in tandem which is what is a lot more involved process. But as we have demonstrated time and again, there are many aspects, but the most important aspect here is pricing discipline. And that's something we try not to be swayed on. And I've talked about this almost on every call, whether it is on term pricing, if you see on any of the online platforms, you'll see almost a 40% cheaper term for similar kind of a product and similar kind of a customer profile, perhaps with lesser underwriting. Now all of that will come and bite us down the line which it often does on margin. So that temptation is something that we want to reduce. I don't think we can always eliminate but reduce quite substantially. That's one. Second is again pricing discipline on interest rate guaranteed products, especially the likes of annuity. You'll find annuity rates in the market at a higher than the underlying products that one can lock into - so negative spread. That again is not going to be margin accretive. Also, on the interest rate, as the movements happen we have a method and implementation rigor immediately in terms of new policies that are being sold, say on a non-par product. So that becomes very critical in us being able to deliver the margins. Cost control, of course, is a given. So we have many initiatives running so that our cost of servicing a policy steadily goes down. We have had positive operating variance on our operating assumptions in our embedded value walk for as long as I can remember. So that becomes very important that maintenance cost continues to go down and thereby giving us the fuel to be able to not increase acquisition costs very substantially because then there is a funding by the maintenance cost structure. So that and then other things I think are talked about earlier on riders or longer term policies and so on. So a combination of all of these things is important.

We are possibly to the best of my knowledge, the only company that has channel CEOs that have not just sales targets, but they have topline, bottom-line targets and quality of business and largely run their channels as if they're a standalone company. Only thing missing is the corporate avatar, but otherwise they run their own. This is two pronged wherein there's ownership on what kind of business is being sourced, as well as nimbleness and reaction to market conditions. As you grow as a large company, delay in reactions will mean loss of business opportunity. So that has also worked very well. We are into this process now in the third year, and that has also helped big time in each of the channels being very close to company level margins and there's no subsidy or a perpetual subsidy between one channel and other one.

Vineet Arora: Yes, so on INSPIRE. We started about a year back and this is a long-term project, so we will continue for some more time. The objective of getting into this kind of a program is twofold.

One is obviously to create a strategic moat for ourselves, when we work with partners, agents, corporate partners, etc., the integrations will be so seamless that the experience for their customers will be fantastic. That's one clear reason. Second is, like you said, there could be some cost efficiencies coming in because a lot of things could become more automated and seamless and we can handle more capacity, more volumes with maybe the same number of people and the same number of employees. The third one, which we also see playing out and the important part is the entire science around how can we work with our existing customer a lot more and how can we work with our partners to get more new business coming in. And the new business would depend on how much seamlessly we are able to work on the data and make it more intelligent for them to happen. So it could be converting a new policy or it could be even recommending the right ticket size for the right customer or adding the right level of protection on that new business. So all these are smart data decisions which could happen now with a lot of data coming into one place and getting more organized. So there are multiple benefits. Difficult to quantify as a percentage. But there are multiple benefits starting from saying that we should expect better retention of partners, we should expect better topline, and we should also expect some more efficiencies to happen.

Supratim Datta: And on the open architecture for agents?

Vineet Arora: So, like I said better retention of partners, I also meant agents there, because the moment we have a much better experience for the agents, for his customers, lot more seamless integration and helping him generate new business, new leads etc. – if we can do that through technology. This really helps us to bring that moat. On the open architecture of agents, it is not about whether an agent will go and work with multiple brands and divide his business, but is about being a company which is able to give the best of the services and products. We do expect to remain the most preferred company with every agent.

Moderator: We will take our next question from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Thank you for the opportunity. So my question is that the two new product launches that is Click2Achieve Par and SAGA, just want to understand, on overall basis these two products are margin accretive for the company as a whole? Point number one, because we believe that par products seem to have a little lower margins compared to non-par and given in the fourth quarter par did much better compared to non-par, just wanted to understand will these two new products add more to the margins or par will eat into ULIP. That's point number one.

And then second, just wanted to understand that can these two products in a way cannibalize any other product. For example, SAGA is a product which could have an implication on your regular pay deferred annuities because that is kind of also an accumulation and then you promise annuity. So just wanted to understand how you see these two products to play out in near future? And the second thing is on ULIP rider attachment, which you also alluded that in HDFC Bank that might lead to better margin kicker. So just wanted to understand at the company level, what is the attachment rate now in ULIPs with higher sum assured and then at HDFC bank, what is the difference? And so what is the scope still available to improve the overall margin?

Niraj Shah: Yes, thanks Sanketh. So a couple of things. One is in par, like you rightly said, the margins might be slightly lower than non-par at the base level. But if the products are more longer term, then the margin delta is not as much as it has been in the past and that's something that we are seeing now. Second, the delta between unit linked and par margins is also now coming down dramatically with two things. One is higher levels of sum assured and second is in terms of improving persistency.

So what we have tried to do over the last couple of years is to try and get more and more product mix agnostic while it's never possible to be completely agnostic but we are trying to see if we can have more flexibility in the way we operate and we demonstrated that in the last couple of years with unit linked being significantly elevated compared to the past with minimal dilution in terms of margins. So that is something that we will continue to do as we go forward with higher levels of protection attached to unit linked as well as improving persistency over the medium to long term. That is one.

Participating products definitely are improving as well in persistency over the last 3 to 4 years. And that also leads to better outcome for the customer as well as for the company. As the agency business starts scaling up, which it has been, that gives us fixed cost leverage, agents are able to have more and more conversations around longer-term products as we have seen in the product mix. And that is something that also helps in that journey from a perspective of margins.

On your question on SAGA. So we don't see any cannibalization really. In some sense, it opens up a new segment. So you're right, there is a deferred annuity product that we have. That's also a non-par product. This is a pension non-par product. So as such, the economics remain the same. It does help in opening up a new customer segment. To just give you a very broad example, just a data point, for deferred annuity average customer age is about 55-57 years. In SAGA, the age could potentially go down to low 40s or early 50s. So it opens up a new segment of customers who are willing to basically save regularly for the next few years and need income only many years down the line. And are able to actually put in money on a regular basis rather than on a one-time basis. So that's something that we have started to see more and more of with this very efficient product design. And we don't expect it to cannibalize. But as such, even if it does, it doesn't really matter because it falls in the same category while allowing us access to a new customer segment.

Sanketh Godha: And the attachment differential between the company and the HDFC Bank on ULIP?

Niraj Shah: Sorry, we are not getting into that kind of detail, but like Vineet mentioned, the endeavor is to obviously try and make the category a lot more meaningful for the customer as well as for us as a company. The efforts are not restricted to HDFC Bank, it applies to the entire organization across channels, across all banking partners, we would make that same attempt to try and increase the rider penetration.

Sanketh Godha: Okay. And maybe the last one. The tech transformation what we are trying to do. So the full benefit of it is how far away? Is it 12 months or 24 months way? I understand it's an ongoing project, but because you are doing it on full-fledged basis right now. So meaningful impact should get reflected. So just wanted to understand whether it's 12 months away or 24 months away for our company to gain in terms of productivity, margins, etc.?

Niraj Shah: So I will just give you a very basic answer in terms of how are we actually looking at making this kind of investment. Vineet and Vibha spoke about it from a business lens. What we try and do is to basically do a very simple cost benefit analysis. Let's say we do not have any of these investments, how would our BAU technology expense span out over the next five years? And how much incremental expense are we going to incur because of this? And are there any benefits that we are seeing out of it in terms of ability to cross-sell more or in terms of manage risk better to improve margins and productivity? When we started this exercise about a couple of years back we spoke about nine streams. Collectively, these nine streams, all of them are CBA positive which basically tell us that through the entire CAPEX period as it moves from CAPEX to operating expenses, each of these will realize a positive value for the company. That's how we approached it because it's difficult to take a call on a one-year basis, but if you were to play it out over a 3 to 5 year period, then all of them make sense to us from an investment perspective.

Moderator: We will take our next question from the line of Nitin Jain from FairView.

Nitin Jain: Yes, I have just one question. So can you explain what has gone behind subdued outlook for the first half of FY26?

Vibha Padalkar: It's not so much subdued as much as we are calling out the base effect. So, in first half of FY25, we had a fairly robust growth of almost 30%. And it's that base effect we are calling out.

And then, of course, subdued part is in the sense that whatever is happening macro-economically; in terms of the volatility that we are seeing, possible consumption slow down and also what the RBI governor recently did in terms of downward movement of GDP estimates.

Niraj Shah: I will just add it. It was a story in two halves for FY25, we expect the same to happen in FY26 as well. It is just that the dimensions could be different. I think APE growth is likely to be more back ended. VNB growth may not be as back ended as APE growth given the base effect. So that is how we expect it to be, but we will see. And I think, like Vibha mentioned in the call, that the environment is very volatile. So, while we have an outlook on the basis of which we are going to plan our resources for the year. But we will have to be a lot more dynamic in terms of how we make some of these investments, as well as the outlook can change as we progress through the year, depending on how the overall environment is shaping up.

Vibha Padalkar: And so, we are continuing to invest. We are also saying that we should grow faster than whatever the sector grows. So, if we get it completely wrong or if the outlook changes for the better very dramatically, then of course we will still be pegging ourselves to the sector.

Nitin Jain: And if I can, just add one more to this thing. So, you mentioned that the margins will be range bound. So, would it be possible to quantify that, quantify the range, I mean, approximately?

Niraj Shah: We like to retain that flexibility to be able to operate because like we saw in the early part of the previous year, we absolutely took all the growth that we could, even though the product mix was dilutive to margins because that does help us engage more deeply with customers over a period of time. We will continue the same approach while we expect the macro environment to be different in FY26 both on equity and interest rates. That will move product mix in a different direction, we understand or we believe from FY25. But as such, a narrow band is what we'd like to stay within. We don't really have a target that we are chasing in terms of where we want to land or be at the end of the year. VNB growth is what we will be basically looking for and that will basically depend on where the topline and where the margins could land based on product mix. So, it's going to be more focused on driving VNB growth.

Moderator: We will take our next question from the line of Aditi Joshi from J.P. Morgan.

Aditi Joshi: I have one question, if you look at our operating ROEV in the last two years that has broadly been on the downward trend. So, going forward, what will be our efforts in order to make recovery in that? And just one more if I can. One of your competitors said that they have raised some capital to support the solvency, in anticipations and order to have some cushions in case anything worse comes off the RBC capital regime. But I think in the past we have communicated that RBC in general will be leading to the release of capital. So just wanted to have a double confirmation. Do you still think that RBC will still lead to a release of capital?

Niraj Shah: If you look at Slide #6 of our investor deck, you will basically find that EVOP has actually compounded at about 19% odd for the last 5 years and 18% for the last 9 years. So that's something that we look at. The EVOP has a little bit of a denominator effect as well because embedded value has grown faster than the EVOP in the past few years because of the way the markets have been. So, we do track both of these, but in terms of the absolute value generated in rupee terms, the compounding has been in the 18% to 19% range, and that's what we will continue to track.

Now about the subordinated debt that we have raised, we do expect to continue to optimize on that as we move into the next couple of years as well. We will have the retirement of one of the first tranches of our sub-debt in the next couple of months. And we will look at our position and see if we want to replenish that. That option will always be available.

Eshwari Murugan: On the proposed RBC framework, we expect that the calculation of the capital requirement will be more objective and it will look at all the risks in the company and also give rewards to companies which are managing the risk in a much calibrated and efficient manner. From that perspective, we believe that we will be one of the companies who will benefit from the movement to the RBC framework. And in all our discussions with the regulator, regarding timelines as well as the next state of assessment, we believe that the regulator is also thinking on similar lines. We don't expect any adverse impact because of the RBC framework. In fact, we expect the position to be much better.

Moderator: We will take a next question from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: Yes, hi. Just one question. There is a marginal increase in non-par sensitivity to interest rates. Anything to read out there as to what is the reason for that? And how do we see that?

Eshwari Murugan: The interest rate sensitivity has been range bound. I don't think there is any material change. And what is important to notice is that the margin will be better in a lower interest rate scenario. And that is what we are always monitoring because of the interest rate guarantees given on non-par savings products, decline in interest rate is something that we want to have protection against. So these are the two aspects we look at. One is the sensitivity is range bound, and the other is that increase in interest rate is the one which gives us a negative impact, whereas our concern is on the decline in the interest rate, which gives us a positive impact.

Prayesh Jain: Right. Just one more, if you look at the product mix shifting towards non-par, possibly group term and group term products will also increase. Your ULIP margins have gone up. Par, you mentioned that the new products are margin accretive. Then in FY26, you said that the incremental margins will be utilized in investments. But it could be, as we have been trying to ask you, whether it could be 100 basis points, 200 basis points. If the margins expand by 200 basis points from the FY25 levels, would it entirely be consumed or do you have a threshold of the amount of investments that you need to do?

Niraj Shah: So hard to say because investments are upfront. So that is something which is a little more definitive and clear. Investments in people, in branches, and in technology, all of them in some sense we are committed to it. So that is something that will happen. We may make some adjustments depending on how the environment is shaping up. But that's in some sense a commitment. How the product mix will evolve, of course, we will try and drive as much balance as we can, as we have in the past. But we will also have to be cognizant of how the environment moves. Inherent margins, Vibha and us, all spoke about efforts that we will make to try and improve inherent margins. Some of that of course is dependent on the competitive intensity as well, so we have to take cognizance of that. So, hard to say how much of margin uplift can actually come through from product mix and how much of it will get subsumed in investments? Also, increasing our customer penetration is equally important. So from that perspective, growth is something that we will look at to ensure that we are able to then balance between these three things. So like we just mentioned repeatedly on the call, aspirations remain to grow faster than the sector, to try and keep our margins range bound. That basically gives us the flexibility to expand our franchise and in whichever direction it kind of goes, whether it's tier two, tier three, getting deeper into that, opening up new customer segments, or being able to navigate in a different environment. So as such, we don't want to really be bound by how many basis points with which the margins can expand or contract in a near term period. We have already spoken about our aspirations on a 4 to 5-year period - it's doubling or near doubling. So we keep that as a frame of reference for us.

Moderator: We will take our last question from the line of Neeraj Toshniwal from UBS Securities.

Neeraj Toshniwal: Yes, hi. Two questions. One on the timeline of these investments. So at what point can we see again margins or VNB expanding faster than APE, first. And second is on the product side, on the SAGA product. How many of the customers are actually choosing variant 2 with a higher guarantee and whether the margins are higher on those products compared to variant 1? So just wanted to understand because that kind of is similar to your whole life non-par guaranteed product, the variant 2, if people choose more of the maturity option. So just these two questions.

Niraj Shah: Yes, so again, nothing further to add on the investments and the impact of that on margins, I think. Like I said, the commitment is made. We will navigate through product mix depending on the environment and try and do justice to the capacity that we are building in terms of resources. And we will come back to you every quarter in terms of how that's moving. As far as SAGA is concerned, early days, it's moving well. I think both these options are pretty much half and half in terms of how the uptake is so far. But I think we will wait and see how that develops. We are also monitoring various aspects within that in terms of how many folks are basically taking the guaranteed annuity upfront, what kind of deferral period are they choosing, what kind of coverage are they choosing, single or joint. All of these things are still in early days. It's still kind of developing.

Neeraj Toshniwal: But is the margin higher in the variant 2 versus variant 1, looking at the product structure?

Niraj Shah: It's fairly similar, it's not something that is dramatically different. We have also been asked this question on protection, on ROP versus non-ROP. It's not very different for us because we price it accordingly.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to Vibha Padalkar for closing comments.

Vibha Padalkar: Thank you for joining us today. Please reach out to the Investor Relations team for any follow-up queries. Good evening.