HDFC Life Insurance Company Limited

H1 FY27 Earnings Conference Call

October 15, 2026

Vibha Padalkar: Good evening, everyone, and thank you for joining our earnings conference call for the half year ended September 30, 2026. Our results along with the investor presentation, press release, and regulatory disclosures are available on our website and with the stock exchanges.

Joining me on today's call are Niraj Shah, Executive Director and Chief Financial Officer; Vineet Arora, Executive Director and Chief Business Officer; Eshwari Murugan, Appointed Actuary and Chief Actuary; and Kunal Jain, Head - Investor Relations, Business Planning and Strategy.

Let me begin with the broader environment. In its latest policy, the Reserve Bank of India raised its FY2027 growth projection to 7.1% from 6.7%, reflecting continued resilience in domestic economic activity, while the fiscal position remains well managed.

At the same time, the RBI raised the policy repo rate by 25 basis points to 5.50% and moved to a stance of calibrated tightening, given elevated energy prices and a below-normal monsoon, which remain the key risks to inflation. Broadly, we expect macro conditions to remain stable, which in turn should support steady growth for the life insurance industry.

Moving on to business performance. In Q2, individual weighted received premium grew 11%, ahead of the private industry at 10%, with market share improving 10bps to 16.2% in Q2. This took our H1 individual APE growth to 9%. Overall APE grew faster, at 13% in Q2 and 11% in H1. The number of individual policies grew 9% in H1, ahead of the industry. We expect to sustain this momentum and grow in line with the industry in FY27.

Growth was broad-based across channels. Individual APE sourced by HDFC Bank grew 12% in Q2, slightly ahead of company growth. We have sustained our counter share, building on the momentum we saw late in Q1 and supported by deeper engagement with the bank across branches, products and processes, and we expect our share to steadily improve going forward.

Other bancassurance partnerships also grew well, delivering a YoY growth of 13% in Q2. We are pleased to announce our new bancassurance partnership with J&K Bank and we look forward to scaling the relationship, deepening our presence across its network and extending our reach to a wider customer base. Other non-bank corporate alliances clocked robust growth in Q2 of 13%.

Agency continues to grow faster than the company and the broader agency market, at 13% in H1, and our position in this channel has strengthened. Investment in expanding our branch network is yielding good results: branches opened over the last 30 odd months now contribute about 17% of agency business, versus 12% a year ago.

Agent additions and activation remain healthy, and frontline productivity has improved. The channel's mix is also strengthening, with protection and annuity together contributing about

30% versus 15% in the previous period. Even as we continue to perform well across our partner channels, investing in and building our proprietary channels remains a key priority.

Next, on product mix. In H1, unit-linked products contributed 45% of individual APE, non-par savings 22%, annuity 12%, participating products 13% and retail protection 8%. Retail protection grew 33% in H1, a two-year CAGR of 30%, with growth broad-based across geographies and customer cohorts. Its share of individual APE rose to 8% from about 7% last year.

Rider attachment also continues to be healthy, and protection and riders together now account for 11% of individual APE. In the second half of last year, protection grew 57% following the GST exemption. This year, we expect growth to normalize as the base starts to kick in and remain strong on a 2-year CAGR basis. Our retail sum assured grew by 21% in H1, with Market Share increasing by 20bps to 15.4% in H1.

Credit protect grew 19% in H1, with growth broad-based across portfolios. Non-par savings and annuity together contributed 34% of individual APE. With interest rates at elevated levels, this is an opportune time for customers to lock in long-term guaranteed returns.

In line with our focus on driving growth this year, we will continue to use the current interest rate environment to sharpen the value we offer customers across both segments. Unit-linked demand remained resilient despite equity market volatility.

Moving on to financial and operating metrics. Value of new business for H1 was ₹2,037 crore, a growth of 12%, ahead of APE growth. VNB growth for Q2 was 15%. New business margin was 24.7%, compared with 24.5% in H1 FY2026.

The improvement was driven by a strong product mix and the continued mitigation of the GST impact we had absorbed last year. Embedded Value stood at ₹66,461 crore, with rolling 12-month operating ROEV of 14.9%.

Profit after tax for H1 was ₹1,119 crore, a growth of 13%. Assets under management stood at ₹4.1 trillion, up 14% year-on-year. Our 13th month persistency stood at 83% and 61st month at 66%. Persistency was softer on renewal collections in our unit-linked book amidst market volatility, and in a specific cohort of non-par business written last year.

We are working closely with our distribution partners and expect some recovery by the end of the year. Our solvency ratio stood at 180% as of September 30, 2026, well above the regulatory requirement of 150%. The Board has approved raising up to ₹500 crore through subordinated debt, which we expect to complete during the current quarter, further strengthening our capital position as we invest for growth.

Moving on to subsidiaries and ESG. The Pension business continued to scale, with assets under management of ₹1.8 lakh crore as of September 30, 2026, up 28% year-on-year. We also

continue to see an attractive long-term opportunity in GIFT City for USD-denominated insurance solutions.

On ESG, our MSCI ESG rating was upgraded to AAA from AA. This reflects our leadership in governance and the progress we have made across each element of our ESG framework.

Finally, on the regulatory front. IRDAI has released consultation papers on the economics of insurance distribution, which propose significant changes for the industry. The regulator has encouraged industry participants to share their feedback supported by data and keeping policyholder interest at the centre of the conversations.

As an industry, our shared goal is Insurance for All by 2047. Getting there will require widening reach, building greater transparency and trust, and improving affordability for customers. More attractive products and distribution partners who bring advice, service and reach to customers will remain central.

Our business has been built around many of the principles the consultation emphasises: diversified distribution with a growing proprietary channel, a calibrated expense model and a long-standing focus on quality of business and customer outcomes.

This positions us well to keep investing in deepening and widening our reach. With the consultation still under way and the industry engaging with the regulator, we will be better placed to comment on specifics once the framework is finalised.

To conclude, momentum is building across our business. We grew ahead of the industry in quarter 2, growth was broad-based across channels, our investment in agency continues to deliver, and our VNB growth has been ahead of APE. We remain confident in the long-term opportunity for the industry and in our ability to further strengthen our position within it.

For a more detailed discussion of our performance and outlook, please refer to the investor presentation. We will now be happy to take your questions.

Moderator: The first question is from the line of Prayesh Jain from Motilal Oswal Financial Services.

Prayesh Jain: Congrats on a decent set of numbers and happy to see the growth coming back at HDFC Bank. What has changed in HDFC Bank because we had seen a slow phase in the last few quarters and the growth seems to have come back in the last couple of months? What has changed, and how is it sustainable?

Second question is on the consultation paper. We have a decent share of credit life business. How do you see that getting impacted if the regulations are implemented as it is? How do you see that part of the business playing out?

Vibha Padalkar: Hi, Prayesh. As far as the bank is concerned, we've done a lot of granular work, and there are many aspects to it rather than one. I would just say that it is a lot more bottoms-up in terms of

engagement at a branch level, granular level of engagement. We expect this momentum to continue to build. Also, the interest rate environment has helped. within the underlying products, protection has grown very well. It's a multifold effort: populating our people in branches, . So many small and big things that have continued to work for us.

Vineet Arora: Further, at a macro level till about July-August last year, there were some additional incentives and contests running, which was withdrawn about a year back at HDFC Bank. Now that one full year has passed, the entire momentum of insurance is also coming back into full growth for the bank channel.

Along with that, like Vibha mentioned, a lot of small corrections and challenges around credits and people and everything else has been taken in this year, especially in the last three, four months, which is now stabilized and we can see the growth momentum coming back. Looking at where we are, we do believe that we should continue to see reasonable growth in the HDFC Bank channel.

Vibha Padalkar: As regards your second question on consultation paper and credit life in particular, this is a consultation paper, early days. We have made representations collectively at different forums. We are also eager in terms of understanding where the regulator is coming from. I think the objective remains the same as to how do we give the best value for each customer. However, as far as Credit Protect is concerned, the need for protection at the bottom of the pyramid continues. I think that point is well-taken and we've made those points as well, and how do we make insurance a lot more inclusive and credit life does that very effectively.

Things will evolve. The need for protection doesn't go away. In some avatar or the other, it will definitely be there in the similar kind of a quantum, but a little bit early in the day to say as to what's the final form or shape.

Vineet Arora: I'll just add one more point there, that the credit life also services a lot of social sectors where there is MFI sector and the people who earn less than maybe INR2.5 to 3 lakh of income, which are not accessible through retail. We have shared all this data and we'll be sharing as the representation continues. We do look forward to how things can evolve when the draft comes.

Vibha Padalkar: And last point here is, if I were to look at the number of lives is almost 5x* or thereabouts, than the retail number of lives. Getting to Insurance for All by 2047 without the reach of credit life could be quite difficult, and so those are the sorts of representations that not just us, but at a sectoral level also we'll make.

**Please note the following correction: At the overall industry level, the number of lives covered under group business (predominantly credit protect) is ~10x number of lives covered under retail business*

Prayesh Jain: A follow-up on the first one. There was competitive intensity in the channel on HDFC Bank, the IRRs or commissions. Have we done any correction in the IRRs that we are offering or

commissions that we are offering that has changed in the last few months, which has led us to some bit of improvement in the trajectory?

And last question would be on VNB margins. How do you see this now, given that your product mix is moving favorable, growth is coming back? Would you still continue to invest in the business to maintain margins, or it would be more in the second half that we can expect some margin expansion here?

Vineet Arora: I'll take the first question on HDFC Bank. To your point, no, we haven't made any significant changes, but we have continued with our aggression of making sure that our rates are competitive and at par with what the industry and the economics allow. It has been helped because of the increase in yields also.

That has helped us give those kinds of rates to the customer and helped in getting the share of non-par back. But the growth is not only in non-par, growth is across products, so this IRR intensity could justify the non-par growth, but like I said earlier, a lot of other granular work has also happened, which has ensured that the growth is more broad-based across product categories. There is no change in commercial payouts.

Prayesh Jain: On the VNB margins?

Niraj Shah: Our approach is fairly clear and we'll stay with that, that we'll want to maximize VNB growth, and margins will be an outcome of everything that we see around us, whether it's product mix or the competitive environment. We have managed to expand margins even after absorbing the entire impact of GST, which now gets baked into the business model from second half of the year.

As the scale comes back towards where we are capacitized, we should start seeing some of those benefits coming into the margin. But like you said, most of it will be ploughed back into business.

We see that there is a very good opportunity to continue expanding our reach, whether through our proprietary distribution or through our partnerships, new partnerships like J&K Bank, for example, or any of our existing partnerships as well.

We will continue that investment. Our entire architecture on the technology side also starts playing out from a customer-facing perspective, partner-facing perspective. Those investments will continue, and we will continue with the objective of delivering VNB growth in line with APE or slightly ahead of it.

Moderator: The next question is from the line of Shreya Shivani from Nomura.

Shreya Shivani: I have two questions. My first question is on the annuity product movement. I think it's been quite strong in this quarter. Any color on any flavor that you can give around here? Is this a

segment that becomes, it's gone into double-digit mix now, so this versus par, are we preferring one product over the other?

My second question is on the VNB walk and EV walk. I know these are small numbers only, but if you can explain that in the EV walk, what is the operating variance? Is it still from persistency? And in the VNB walk, what is the change in assumption that we've made?

Niraj Shah: The annuity focus has been fairly strong for many years for us now. IRDAI's has given us this opportunity to expand the segment by allowing us to launch variable annuity products, which we had done at the end of last year. That has now started catching significant scale and interest from varied customer segments.

That's the reason why you're seeing annuity mix as 3x of what you saw at the same time last year. It's a combination of multiple products. single premium products as well as regular premium products, immediate as well as deferred. So, all of these constituents within the product segment are becoming larger and larger. And as we become more mature as customers in terms of looking at our retirement needs, this product segment will continue to gather scale. So, that's really our thought process on that.

As far as the VNB walk is concerned, the operating variance is primarily on persistency. We did speak about it in the opening comments as well, that we have seen some pressure on unit-linked collections given the market sentiment and also the residual impact of one of our products within the non-par segment. So, that's kind of running off now, but that's really the gap that you see in the operating variance in the embedded value.

Niraj Shah: As far as changes in assumptions are concerned, it's the same thing. We had spoken about it last time. Opening assumptions were largely to bake in the persistency change that we were foreseeing into our EV and VNB.

Shreya Shivani: Right. And the investment variance, any breakups if you can give us? Equity, debt?

Eshwari Murugan: During the 6 months, the equity performance has been lower than expected. It's gone up by around 3%, 3.5%, whereas our expectation is in the range of 5%. So, that has given a negative variance. On the yield curve, at the short end, the yield curve has risen by around 25 basis points-30 basis points, and that has a negative impact on the shareholder assets as well as the VIF on the policy liabilities. So, this has again given a negative impact, and the credit spreads have widened, so this has also resulted in a negative impact. So, overall, these three put together has given a negative investment variance on the EV. All these are macroeconomic conditions, That's why it's reflected as an investment variance.

Niraj Shah: And you will be able to triangulate this from sensitivities that we share on a regular basis, I mean for us as well as for anybody else.

Shreya Shivani: Sure. Understood. Thank you so much.

Moderator: Next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain: Two questions. One is our capital consumption has been quite high. We raised capital and again the solvency has come down to 180. So, how do you see capital consumption going forward? And what is leading to this high capital consumption? Second is, how do you see the behavior change at the distribution level with the new proposed commission limit, specifically if you can talk about agency, banca, and partnership distribution? Each segment, how do you see behavior changing because in some of the segments the revised commission proposed are pretty low versus current limits?

Eshwari Murugan: On the capital consumption, as we write long-term products, the capital gets locked in under the current regime, which is quite prudent, and that's why the movement or transition to risk-based capital framework will be helpful. But till the time that framework is in place, we will continue to have capital consumption, mainly because we're writing profitable but long-term contracts where the requirement is the same and it doesn't come down even if the risk is getting reduced.

So, that's the main reason for the solvency getting consumed or getting reduced when the capital is getting consumed. But we hope that by next year or so there will be some discussion and some timeline on the movement to RBC, which should help improve the ratio.

Nidhesh Jain: With INR500 crores of sub-debt, you should be okay till next year, or?

Eshwari Murugan: We should be comfortably above the regulatory minimum of 150% and what we target internally as well. So, till the end of financial year, we should be comfortable.

Vineet Arora: On the impact of the distribution paper, like Vibha said in the beginning, this is right now at a consultation phase and till the time the draft regulations come out, it is still, open to a lot of changes that might come in basis of the feedback that is coming from the industry and distribution partners, But just at a high level, I can maybe just categorize the impact across channels in high, medium, low kind of segments.

Given the limits in the paper, the agency channel would be least impacted. There would also be some impact, but relatively lesser. Banks would be next in line, and the brokers and the corporate agents would be the highest impacted in that line of order. But like I'm saying, there could be, variations to this, and a better time to discuss this would be once the draft is out.

Moderator: Next question is from the line of Manas Agrawal from Sanford C. Bernstein.

Manas Agrawal: I have two questions. One is on the bank sales. I think we've seen some momentum come back. It may be too early to ask, but do we have a clarity on what the new CEO's stance is going to be on bank sales for insurance? From a regulatory perspective and from a new CEO

perspective, how should we think about counter share because the differential in commissions will go away versus the other players on the counter?

Second, on EoM, assuming the things are going to remain what the draft says, how much of the bridge from commission cuts gets passed through, and how much is left which you need to work towards?

Vineet Arora: On the bank front, it's too early for us to say and it's not even our side to say what their stance is. But given the way things are right now, we are reasonably confident of how the rest of the year looks like.

Niraj Shah: On the EoM front, our expense ratios today are around 21-odd percent, , and a large part of that is obviously flowing through commissions, more than half of it. If the commissions stay at the level which are being proposed in the discussion paper, that goes down to half or less than half. If you do the math, 15% is something that we will achieve just mathematically. But then of course there are nuances around what happens to business scale, , and so on and so forth.

From an EoM perspective, it's not something that would be a big challenge in achieving that number, and then of course the glide path is also something that we need to look at. But just mathematically, it's reasonably straightforward.

Manas Agrawal: And on the counter share, setting aside what the new CEO may do at the bank, the paper should make it easier for the subsidiaries everywhere across the industry. Is that fair to say?

Vibha Padalkar: We'll have to wait and see. Don't want to jump the gun. But yes, I think clearly the regulator is a tad inclined towards probably closed architecture, I just want to leave it there in terms of without second-guessing what the regulator is thinking of, but the report seems to suggest that. We'll see as to finally what the contours are, and whatever they are, we will, overall, I'm not saying only about HDFC Bank, but overall, we should be better off once things start falling in place than where we are today.

And this I'm again mentioning from a customer's point of view, because I think what's lost in all of this is that the pie also should grow. We've seen that resoundingly when GST cuts happened. Yes, like with any material change, there will be disruption, but I remain extremely optimistic once that disruption is digested by all market participants and the new norm emerges. I do think that we will be in a position that is stronger than today.

Moderator: Next question is from the line of Madhukar Ladha from J.P. Morgan.

Madhukar Ladha: Two questions from my side. First, when I look at your product mix, we're seeing a shift away from par and more towards annuity. Can you explain what is really driving that? Second, I think a lot of investors are concerned, especially I would say on the bancassurance channel, and the worry is that given the reduced commissions, does this really make it attractive enough for banks to really go out and sell insurance? Would insurance fall off the radar or go lower down the scorecard for relationship managers? How would you address that?

Vibha Padalkar: I'll take the second question. absolutely there'll be some short-term disruption like we had when the INR5 lakh withdrawal happened, and all that we were talking about and discussing was the withdrawal.

Today, just in about three, four years down the line, no one mentions it anymore. I absolutely think that's how this is going to get going down the line. And just to rewind for those who have not been associated with the insurance sector, just a few years ago, around 2016-17, we were largely still in closed architecture at HDFC Bank.

The commissions at that point in time were not very different from where the commissions this particular version of the consultation paper or some such avatar will finally emerge, and the growth in bancassurance was not very different than where it is today. This gives us a lot of confidence that it still makes eminent sense.

The commercials will not be trivial and back-ended has increased. Also, there's been an increase in certain segments like protection. All of that put together, hopefully this will give rise to more longer-term sale of insurance policies, which is how it should be. More protection-focused, retail protection-focused, which you'll also agree is a good outcome.

All of that put together, we remain quite optimistic that bancassurance, agency of course Vineet has spoken about, should not be as impacted, but the bancassurance channel we don't believe will lose interest.

Madhukar Ladha: And on the product mix shift?

Niraj Shah: On the product mix, a couple of things. One is, we just discussed when Shreya also asked, on the annuity front. One is that it's a new product category, and also I talked about all the segments within that, which has resulted in the annuity mix on an APE basis looking very elevated at 12% versus 4%, 5% in the previous periods.

But if you see on a new business premium basis, again, as we highlight, it has been growing from 14-odd percent to 17%, that would be a fairer measure of looking at how the segment is building nicely, On a more granular basis rather than just looking at the APE difference at this point in time because of the regular premium mix increasing in the past six months.

That segment continues to grow. Non-par, as we discussed earlier in the call as well, is something that given the way the asset allocation conversation is becoming a little more understood now, and the mix on non-par has also gone up from 18-odd percent to 22-odd percent. Protection has started, inching up very meaningfully from 7% to 8% on a Y-o-Y basis. Each of these have actually contributed to the mix shifting.

Unit-linked continues to be at similar levels to last year. It has been inching up, by about 2% to 3%, and that is something that is, I guess, here to stay unless there is some reversal in thought process that happens. We haven't seen that yet, but unit-linked is likely to continue on this

path. It's more probably in this environment more appreciation either for the equity story or clear story on guarantees, whether through annuities or non-par savings.

That's broadly what is happening on the product mix front. No specific design on our part to try and reduce par in any way. We have fairly strong propositions on the participating side as well, and we could probably see some growth in that segment going forward as well.

Moderator: The next question is from the line of Rishi Jhunjhunwala from IIFL.

Rishi Jhunjhunwala: One question is, in your interactions with the regulator, while it has not been categorically said in the distribution paper, does it seem like they want the entire benefit of reduction in distribution costs to be passed on to the consumer? And if that were to be the case, how do you see that changes the dynamics, especially on the savings side, on the traditional plans like a non-par where one, the bond yields are higher and on top of that, if something like this has to be passed on, do you think that could make it a significantly attractive proposition versus other asset classes?

Vibha Padalkar: Rishi, no such conversations, and it's too early. The draft is a consultation paper, and things will evolve over a period of time. Even after GST, both the government and the regulator do understand there are market dynamics, products change, economic factors change, many things, mortality experience changes. So there are at least 5 or 6 things that go into the pricing of a product, so too early to say.

Niraj Shah: Secondly, just directionally, as products start becoming more attractive, which they should anyway with scale and getting to more customer segments through wider reach, I think as customer propositions, as products start becoming more attractive, that benefit will anyway get passed on to customers from that perspective.

Interest rate environment is always very dynamic, so we do take that opportunity from time to time to pass on that benefit to customers and also utilize that to reinvest back into growth, as we've discussed. So that is a continuous journey in any case. And lastly, from an efficiency perspective, if companies start managing their costs better than what they have in the past, of course, some of that benefit will flow through to customers in any case.

Vibha Padalkar: Yes. And last point, we are in an intensely competitive dynamics, and so whether the regulator says something or not, we will have to also see how we are priced vis-a-vis others, like we do all the time. We are not a captive insurer. And so those anyway market forces are at play and we'll have to see all aspects such as that down the line.

Rishi Jhunjhunwala: Understood. The reason why I was asking was that when the GST exemption had happened, I think the government was quite clear in suggesting that almost entirely the benefit should pass on to the consumers. Here, at least in the paper, there isn't any explicit suggestion around that, so that's where I was coming from, whether in your conversations has anything of that been discussed?

Niraj Shah: No, the regulator and government have been very reasonable in their expectation when the GST change happened because it was very, very clear and visible to the customer that if you're paying INR118, now you will pay INR100. So, 15-odd percent reduction in cost, customer can actually see that whether it's being passed on or no.

When you talk about categories like non-par or savings, because of the dynamic nature of the product in terms of pricing, it's difficult to assess at what point in time any of those benefits are in what form and shape they get passed on to the customer.

That holds true for protection as well. The market dynamics will play out and we'll need to compete in any case. The passing on the benefit or quantifying that benefit in the first place for savings products becomes that much more difficult and indirect.

So if you were to extend the same analogy in this environment, I would suspect a same situation would hold. Because different companies are at different cost structures and they will take their own call in terms of how they want to really operate in the marketplace. And ultimately, all of us will try and compete for the customer's wallet, and that is the ultimate truth. So, we will have to wait and see how that pans out on the ground.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: The pressure what we see in ULIP persistency, is it predominantly seen in TULIPs or more normal ULIPs? Because in a market correction mode, because you typically cut more on mortality on TULIPs, so the returns looking little softer. Is the pain more seen there or you think its spread across all kind of ULIPs?

Niraj Shah: No. So, it's not limited to any segment. It is more uniform. A lot of it is something that we are reasonably confident of being able to recover with efforts. It is the overall market sentiment which is causing this dichotomy where we are seeing more new business coming into unit-linked, but at the same time customers who have already invested in the past are taking their time to come through with the renewal premiums.

That's something that we should be able to address. It's not limited to any one product category. In fact, category that you mentioned is relatively more recent, so we aren't seeing any differentiated trends in any segment within unit-linked.

Sanketh Godha: The reason why I asked is that because the 13-month persistency saw the most correction and TULIP we started doing maybe 12-18 months back little aggressively. So just wondering whether there is any correlation there or not? But if it is not, it's fine.

And the assumption change negative thing with respect to VNB is predominantly with respect to the par product, not anything to do with the ULIPs where you have seen persistency correction?

Eshwari Murugan: The assumption change that is seen in both the EV walk and the new business margin walk is the impact of the assumption change done at the end of the financial year. If you recall, as we have been explaining, we look at the experience once a year before the year end, and based on the experience trends the assumptions are revised.

So whatever revision was done at the end of last year pertained to the lower persistency we were seeing in one of the non-par products, and that is what is seen as component in the walk, because you're comparing the NBM of last H1 with this H1. That's why it's coming as one of the movements.

The persistency variance that you're seeing in the EV is a more recent phenomena, which we're seeing on the unit-linked product. So last year when we changed the assumptions, the unit-linked persistency's was holding up based on the expectations. It's only the recent trend that's captured in the variance, which we hope to recover most of it by end of the year.

Sanketh Godha: And lastly, one question on credit life. Just wanted to understand the modus operandi, how it operates. In most of the credit life what we disburse, or we attach along with the disbursements, is the premium bundled in the loan itself and that's why it's part of the EMI, or the practice is of collecting separately from the borrowers? Because it's clearly called out in the regulation, just wanted to understand how it typically works for us.

Vineet Arora: There are mix of various models available and depending on the partner, bank or NBFC, they could have different ways of doing this. It is also bundled in certain products in certain cases. It is also two separate accounts which are set up at their end, two separate loan accounts also is a category. There are various models available, and people use different kind of models depending on their own dynamics.

Sanketh Godha: Can you quantify the mix, if you are comfortable doing it, how much is bundled and how much is a broader number?

Vineet Arora: No, I do not think that mix will be possible, because for us the money comes as the payment for credit life, and we would not be fully aware of whether what they are following. This is more of a situation of what we know on the ground, that different people follow different models.

Sanketh Godha: And lastly, on agency channel, we saw a pick up in 1Q, but somehow in 2Q the growth seems to be a little soft. Anything to read, or you expect that to improve back in subsequent quarters?

Vineet Arora: It's largely a base effect. From our side, all the fundamentals and everything else is moving similarly. We saw this stand out more in July, and then as the base corrected towards August, September, the growth was higher and in line with what we were expecting.

Moderator: Next question is from the line of Shobhit Sharma from Elara Securities.

Shobhit Sharma: I have two questions. First is on the product mix on the bancassurance channel. If you look at, the product mix has tilted materially towards the ULIP segment, and usually we see because of the seasonality, H2 we have a higher ULIP mix all across the years when we look at.

You have mentioned that we will see continuous momentum on the bancassurance side, so should we have a further scope of ULIP mix going up at the bancassurance channel and both in the company side? And because the ULIP will go up, do you see further stress on our overall margins because of the higher APE growth, which we want to chase as of now?

Secondly, on the annuity side, can you give us some color around the kind of offering it is? Is this a shorter pay annuity where we have seen attraction, or is this something else? Lastly, we do not know when the final notification on the distribution reforms will be rolled out. Regulator wants it to be implemented ASAP. In case if it has to be rolled out from 1st of Jan, how prepared are we for that?

Niraj Shah: On the product mix of bancassurance, unit-linked mix has been steadily going up for the last couple of years, and that's largely to do with the macro environment and the customer preference. We are seeing that at a very broader level, with flows for the equity segment in any case, and that's something that's cascading down to insurance as well.

So bancassurance will lead that change for insurance companies, but at an overall level also we are seeing that unit-linked mix is kind of fairly steady across all channels. We are not really too concerned about that elevated mix. There was a point in time when we were obviously looking at that category differently, more from a balanced product mix perspective. But in the last couple of years, we have solved for a few things.

Persistency today is a lot better, in spite of the short-term challenges that we just spoke about on unit-linked now compared to what it was three to five years back. Also, the amount of coverage that we are offering on unit-linked products, either in the base product as well as through riders, is a lot higher than what it used to be three years back.

If the customer is looking for that product, we definitely do not want to have any artificial barriers in the way of that. We just want to ensure that the customer understands that it's a long-term product and they are best, their needs are best served if they continue paying premiums for a longer period of time.

That's the only thing that we want to really be sure of. Otherwise, as such, the mix is in some sense dictated by how the macros are evolving. There could be calibration in that category over a period of time if the volatility continues and the preference for more guaranteed products could increase. We have seen that in the last few months, that could probably accelerate as we go forward depending on how the overall macros are panning out.

As far as annuity is concerned, it is a more broad-based growth, of course enabled by the new product launch end of last year, variable annuities. Is there a limited pay product as well? Yes, there is.

But the 17-odd percent of the new business premium that you see is spread across multiple sources of business, whether it's coming through the NPS customers buying annuities or it's coming through people who have bought pension plans in the past and are annuitizing that now, or using the discretionary income to buy immediate or deferred annuity products. But yes, off late, the shorter pay annuity products are definitely playing a part.

Shobhit Sharma: On the product mix, usually we have broadly maintained a very much balanced product mix. But last couple of years, you mentioned that the ULIP has been going up. Can we see some reversals going ahead in next couple of years?

Niraj Shah: Again, it really depends on the macros, like I said. We do not want to overengineer that too much. We just want to ensure that our business model is flexible enough to be able to absorb changes in product mix over time, and we have put a lot of effort into doing that. We like the balanced product mix approach because that ensures we are able to offer best-in-class products across all categories to customers at all points in time.

That effort will continue. But from a product mix perspective, we will not try and overengineer too much. We will definitely prefer a certain balance, but I think from a last-mile perspective, it will get dictated by what customers are actually preferring on the ground.

Shobhit Sharma: And lastly, if in case the distribution paper comes in, whatever form it may be, if it is to be implemented from 1st of January, how prepared are we for that?

Vineet Arora: , There is not much preparation required, to be honest, for that. We can be ready for it at a short notice itself. There could be some product changes required, which will take time to really come out with new products, which will have different cost structure, , involved.

Whether 1st January is a likely date or not, I think that's something that we can see. As of now, it seems like the next steps are that there would be a draft regulations feedback, and then there would be a final regulation, and then giving some time after that. Our personal view is that 1st January does not seem to be a likely date. The earliest possible date could be a 1st April.

Vibha Padalkar: Also, one point that we haven't discussed is that the consultation paper also talks about group companies and distribution in our branches. That's something that we would certainly look forward to doing.

Moderator: The next question is from the line of Dipanjan Ghosh from Goldman Sachs.

Dipanjan Ghosh: First, If you were to superimpose your current product mix on the expected product ceilings that has been given in the consultation paper, just ceteris paribus, how should one think of the margin profile in this hypothetical environment?

I understand that there could be multiple divergencies, product constructs, etcetera, but just from ballpark understanding of how should one think of the reduction in commissions of the price ceilings to the incremental VNB pool that gets created, which again the regulator might want you guys to pass it to the customer. So, just some understanding of that pool that gets created.

The second question, customer cohorts across annuity and non-par, just wanted to get some quantification of pension and NPS-led annuitization in your incremental annuity flows directionally, and how that would have changed, over the past one or two years.

And the third question on the variable annuity part. Do you think that this is, in a way, filling the gap that was left in the high-ticket non-par after the taxation changes in March, or rather April 2023? Do you see some of those customers kind of coming back into the ecosystem, or preferring this product just because of some exposure to the broader markets with some guarantees out there? Those were my three questions.

Niraj Shah: Dipanjan, on your hypothetical question, the only thing I can say based on what we've learned is that once something changes, anything to be explained from an as-is perspective becomes extremely difficult. But just the question that we had on EoM also, I'll respond on similar lines. I think it is a discussion paper, a little early to kind of conjecture that. And also, it is a marketplace on a continuous basis, with or without regulatory changes. With lower cost structure, products become better, surely. And also, is there a possibility of margins going up? That is also a possibility.

It'll be a combination of everything that kind of happens, but of course the most important thing there is that scale does not get impacted, right? If there is a scale situation that emerges, then that is something that also needs to be addressed. There are lots of these things in the mix. That's the reason why we are not really delving too much into this. We'll wait for this process to pan out and then do whatever needs to be done.

Like Vineet mentioned, as such, the adjustment is more in terms of the business model that comes out of this. As a manufacturer, there is not much that we really need to do, to be ready for it. Products also will be use and file by and large, as based on our experience of previous regulatory changes, readiness is lesser of an issue. It's more about taking all feedback and then figuring where this whole pie kind of comes through.

Theoretically, you can impute or you can basically attribute this incremental kitty in any stakeholder, but it would be largely dictated by what happens in the marketplace. That's what we would leave it at. On your question on annuities, yes, all these segments are playing a role.

Variable annuities are definitely catching a new customer segment: folks who are affluent, folks who are slightly younger, and also who have a risk appetite which is different from customers that we've seen historically taking guaranteed, immediate annuity products. It's definitely opened up a new segment. Whether it's filling up a gap of high-ticket size, in a

manner of speaking, maybe yes, but it's more in terms of a need that is being addressed based on this new category.

Dipanjan Ghosh: Just some quantification on that NPS or pension-led annuitization or retirement products versus how it would have been, let's say, two or three years back.

Niraj Shah: It's increasing. We'd not like to get into the quantification really, but the trend is that all these sources are now becoming more and more meaningful with every passing year as the NPS kitty starts building up at a country level, and as our subsidiary, we are the largest player in that segment on the private sector side, that definitely helps. Generally, the awareness levels are going up for folks to create their retirement kitty even from their discretionary savings.

Moderator: The next question is from the line of Mohit Mangal from Centrum Broking.

Mohit Mangal: First is basically the agency channel seeing a substantial growth in non-par savings. Just wanted to know what's driving this ship. Is it rolling out some extra incentives during the quarter or the first half, or the inherent attractiveness of the product, or a combination of both? That's question number one.

Second is basically we have seen a very strong growth in the retail protection. Just wanted to know, out of those 6,20,000-odd policies sold in H1, how many of those were retail protection?

Vineet Arora: I'll take the first part of the question. I wouldn't say anything really significant which is kind of pushing too much of non-par coming in. But yes, there are credits, etcetera, which are in line with maybe the kind of margins available on products. So, the credits are in line with that and that's been there for long. It's not something which has just happened in this quarter.

With the yield curves moving up and the product becoming more attractive for the customer, we feel that is the biggest reason why the mix has become much more in favor of non-par and annuities.

Vibha Padalkar: Just to add, these credits are uniform, so it's not like anything special happening for us. I've seen that retail protection has seen a strong growth, right, for us. Just wanted to know, in terms of policies, I mean we have seen 9% growth in overall policies.

Niraj Shah: If you look at average ticket size, which is in the public domain, our average ticket size in savings is about INR1 lakh, INR1,10,000. Protection is about INR40-odd thousand, INR45-odd thousand. Basically, if protection is 8% on APE, it'll probably be 2.5x that on policy count.

Moderator: The next question is from the line of Nischint from Kotak.

Nischint: Individual protection, we had seen fairly strong traction over the last couple of quarters. From this quarter onwards, do you sort of see that kind of moderating out, fizzling out, and has the base effect already started to kick in?

Niraj Shah: We wouldn't call it fizzling out by any stretch. Pre-GST also, this category was expanding by more than 20% for the last couple of years. GST has definitely been a catalyst to take it to the next level to more new customers, so we would expect some of that to continue as we go forward.

The base effect will certainly kick in with a 50%, 70% growth in second half of the year. That is something that has to mathematically kick in at some point. On a two-year CAGR basis is something that we will continue to track this category, and we would expect the momentum to continue after normalization as well.

Nischint: Can you give some breakup in terms of contribution of agents in terms of the top 10% agents contributing to what proportion of business and so on? Any color or cut will help us.

Vineet Arora: The only color I can give is that it's fairly distributed. It's not like a normal Pareto. It's even less than that, so that's the only color I can give.

Vibha Padalkar: And just to break this down further, Nischint, we have two or three streams in agency. There's of course the ones that do considerable amounts of business. But the reason for us over the last, like I mentioned, 30-plus months, adding over 250 branches, none of those big-ticket contributors require all of that.

From that you can draw inference, and in my opening comments, I also gave the percentage contribution of the branches that we have opened. There are these two parallel tracks within our agency channel in order to really make this a retail on-the-ground channel in apart from whatever is going well of the top agent, that will continue.

we're looking at all aspects like productivity going up month-on-month, is attrition going down, are people trained, have they gone beyond just their immediate friends and family circle, and have they really established a fair bit of comfort on their own respective micro markets. We're looking at all aspects to help them come up the curve, and that's working well. And also, like Vineet said, that's the reason why it's not just lopsided in terms of the senior agents.

Nischint: And just one last point which you shared, what proportion of business comes from HDFC Bank?

Niraj Shah: About 47%-48% on the APE basis.

Nischint: For the second quarter?

Niraj Shah: Similar, about 48%-odd percent on APE basis.

Vineet Arora: And on NBP basis, less than 40%.

Vibha Padalkar: It's about in the 30s.

Vineet Arora: In 30s, late 30s.

Moderator: The next question is from the line of Vinod Rajamani from Nirmal Bang.

Vinod Rajamani: I have a few questions primarily related to variable annuities. Just on the variable annuity size, what is the, if you can give some sense of the APE split of the annuity APE, how much of it is traditional annuities and how much is variable? I understand that first half of last year it was barely, it wasn't there, so all of it would be just would be new, so that's one.

The second is, in terms of the margin on variable annuities, how much of it is durable fee-like kind of margin, or is it some charge on guarantees that you retain, or is that some kind of first-mover launch pricing that normalizes as the book scales and as peers in your industry kind of replicate that? That is on the margin.

And finally, on risk on variable annuities, how much of the investment and reinvestment risk actually is with you rather than the policyholder? How much are you retaining versus passing on to the policyholder? Are there any minimum guarantees or income floors that are embedded into the guarantee and so on? Just a few questions related to the size of the book, the margin profile, as well as the risk profile.

Niraj Shah: Yes, so the product construct is that there is a base guarantee, and on top of that, there is participation in equities for the policyholder. That's really the construct of the product. So, let's say if our immediate annuity product is giving a guarantee of, say, 6%, then this guarantee is set at 60% of that, and the rest of it flows through the upside based on the equity participation. So that's really the construct of the product, and that has, like I've mentioned on the call earlier, has attracted a new set of customers and is something that as a category will continue to build.

It's a fairly meaningful part of our business now. And like you said, it was launched in Q4 of last year, so everything that you see in this period is obviously for the first time. It's a fairly meaningful part of the business. I'll not really get too much into the quantification of that, but a sizable chunk of the overall business is coming through this segment now.

As far as the dynamics of pricing or profitability are concerned, you could treat it as in some sense a non-par product with a baseline guarantee works exactly like a non-par product. The equity participation is managed from a perspective where we are in a position to generate returns from a long-term perspective like we would do when we are managing equity on behalf of the customer in a par product to some extent.

It's hybrid from that perspective, and the margin comes out of managing this money for the customer, and obviously the inherent guarantee is also there because this is a life annuity like any other product. There is that component also sitting there. So, the fees are flowing through

different parts of what we are able to offer to the customer in terms of either managing the money, offering upside, giving a guarantee, and covering longevity risk.

Vinod Rajamani: And just in terms of margins versus, say, traditional annuities, what is the differential in terms of the margins on, say, these variable annuities?

Niraj Shah: We are not really getting into specifics of that. It's a profitable product, that's all I can say. And we are very happy with the response that we are getting from customers.

Vinod Rajamani: But it is more margin-accretive. Would you agree to that, or it's almost the same as compared to traditional annuities?

Niraj Shah: I said what I had to say. Sorry, I'm not able to elaborate on that.

Moderator: Ladies and gentlemen, that will be the last question for today, which is from the line of Samant Singh from Phillip Capital.

Samant Singh: Just to understand the credit product, what portion of the total group protection is credit product? And in terms of how much is from HDFC Bank versus NBFCs and MFIs? The third part to it is in a scenario of 2% single-premium cap, what volume impact do you envisage? You can choose to not answer that, that's okay. And I'll ask my second question after this. Yes.

Niraj Shah: Credit life is a fairly meaningful part, as we have discussed. Group term for us is a relatively smaller portion, that's all we'll say at this point in time. To your second question, it is too early, honestly, difficult to kind of answer that. It's a discussion paper. We have made our representations in terms of how critical this category is to make insurance more widely available to a part of the population which is less privileged. So we do hope that is taken into consideration and then we'll wait for the regulator to come back with the draft.

Samant Singh: Just any rough breakup in terms of HDFC Bank sourcing, from HDFC Bank and NBFCs, if at all possible?

Niraj Shah: It's a diversified book. HDFC Bank contributes to less than a third of our overall credit life business. Business is diversified across MFIs, other loans through NBFCs and banks, and the HDFC Group.

Samant Singh: Second is the capital, and then some confusion on the GST thing. So, capital, just that if I missed sort of the earlier comment, I might have missed, so what size and purpose is the NCD raise the board considered today, and where does this solvency of 180% if you consider prior to the risk-based capital roll-out, how we are positioned, considering this NCD raise? In terms of the capital thing, if you can sort of provide some color.

Niraj Shah: Yes. So, the board has approved raise of INR500 crores, and that would add about 4-odd percent to our solvency, which we are currently at about 180-odd percent. And of course like Eshwari mentioned on the call earlier, on an ongoing basis, the current framework basically

utilizes a lot of the solvency to write long-term profitable business. That'll continue. This will continue to help us grow the business over a period of time.

Samant Singh: Sure. And just a GST demand, I had some confusion in terms of this Palghar penalty, whether it is INR942 crores or INR2,423 crores, because the corrigendum figure that was, you said in February 2025 was an error, but the September appeal sort of still quotes INR2,420 crores.

So which figure is the correct one, and if you can sort of just provide what is the interest that has been accrued on it, or does losing this first appeal sort of changes your previous no provision stance in any ways? And then maybe I will just try my luck, what will be the full loss impact on the solvency, considering INR2,423 crores is the correct figure?

Niraj Shah: So, whatever you see in our accounts is the true figure, and basically, it's appearing as contingent liability in our books. It started with that INR942-odd crores, and since then whatever is kind of accumulating is all sitting in our balance sheet. That's something for you to basically look at. Interest is not a part of this. We have maintained that this will get litigated at different levels. We are fairly confident in terms of the merits of our case, and we will let this take its own course.

Samant Singh: Okay, so you confirm that INR942 is the correct figure, that?

Niraj Shah: Whatever you see in our balance sheet today will be the right number. And as you know, as an industry issue, this is something that will be dealt with on merit from a tax perspective.

Samant Singh: And just a quick part on it, the contingent liabilities also increased slightly to INR2,207 crores as of September versus INR1,870 crores as of March. So, the addition was mainly because of this or any color on that?

Niraj Shah: Whatever orders that keep coming through, which we follow the same process of assigning a certain probability and based on that deciding whether it's a contingent liability, that's the same process we followed and that's something that you will see in our notes as well.

Moderator: That was the last question for today, I now hand the conference over to Ms. Vibha Padalkar for closing comments.

Vibha Padalkar: Thank you all for joining us today. Should you have any follow-up questions, please feel free to reach out to our Investor Relations team.