



HDFC Life Insurance Company Limited FY26  
Earnings Conference Call  
**April 16, 2026**

**Vibha Padalkar:**

Good evening, everyone, and thank you for joining our earnings conference call for the year ended March 31st, 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 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 Kunal Jain, Head, Investor Relations, Business Planning, and Strategy.

On the macroeconomic front, let me begin with the broader macroeconomic context. The global environment has become more uncertain in recent months, with heightened geopolitical tensions and disruptions in energy markets and global supply chains creating near-term headwinds. In such an environment, while near-term demand might be impacted, we believe the life insurance sector remains relatively well positioned given the essential role of long-term savings, protection, and guaranteed outcomes, especially during periods of uncertainty.

Moving on to business performance. During FY26, we continued to maintain our position amongst the top three insurers by individual WRP. Our private sector market share stood at 15.2% for 11 months FY26. We outperformed the industry in two key focus areas. The first one being retail protection, which grew 43%, and the second one being our agency channel, which also grew ahead of the sector.

Retail sum assured growth for 11 months was higher than the industry, reinforcing the quality of our business mix. Credit protect saw a healthy rebound in the second half of the year, driven by recovery in the MFI segment and robust credit growth, with the company retaining its leadership position in this segment.

From a top-line perspective, FY26 closed below our original expectation. Let me deconstruct this and outline our confidence in the medium-term trajectory. H1 growth for us was ahead of the industry, and quarter three was broadly in line with expectation. The slowdown was largely concentrated in quarter four, driven by unabsorbed GST, temporary softness in bancassurance and deferment of demand in March due to global uncertainty.

However, our proprietary channels bucked the trend, delivering a healthy growth of 15% - 16% in quarter four as well as in FY26, and we thus delivered a full-year individual APE growth of 7% year-on-year. Our confidence to bounce back also stems from our customer acquisition metrics that remain healthy, with over 70% of new customers onboarded during the year being first-time buyers of HDFC Life policies, and that we insured over 46 million lives during FY26.

Next, on product mix - Our individual APE composition for FY26 was unit-linked at 44%, non-par savings at 18%, participating products at 25%, term at 7%, and annuity at 5%. As in prior periods, product mix remained an important driver of outcomes during the year. You will notice that our term was 7% versus 5% of last year.

Unit-linked demand remained resilient through most of the year, supported by customer appetite for market-linked participation. Importantly, the quality of our unit-linked business continues to improve with higher protection multiples and better rider attachment supporting margins. The 13th month persistency over the past two years has also improved. Both these metrics remain a deliberate strategic focus for us.

At the same time, non-par demand was softer than our expectations. We have maintained pricing discipline in this segment, and while this has had a near-term impact on volumes, it positions us better from a long-term value and margin standpoint. We have undertaken selective product refinements to improve competitiveness, and with a more favourable yield curve environment, we expect non-par savings to gradually recover.

Protection was a clear highlight during the year, with a growth of 43% supported by lower prices post-GST and a strengthened product portfolio. And this continued even in quarter four, when protection growth was 46%. Retail protection mix expanded by nearly 200 basis points YoY to 7.2% in FY26, and including riders, protection now contributes nearly 10% of our retail business.

We also saw an improvement in ticket sizes post-GST with customers opting for higher levels of sum assured. Retail sum assured grew by 28% YoY, and we also maintained our leadership position on overall sum assured, reinforcing the quality of our business mix.

Annuities were another area of meaningful progress. During quarter four, we launched Ajeevan Growth Nivesh and Income (AGNI), an industry-first variable annuity plan that combines lifelong guaranteed income with growth potential linked to the Nifty 50 Index. We believe this kind of product innovation opens up new customer segments, and we are encouraged by early traction. Annuity mix increased by almost 300 basis points YoY to around 8% of individual APE in Q4 FY26.

Looking ahead, we expect a gradual shift in the product mix as customers rebalance towards long-term savings and protection in an environment of greater uncertainty. We anticipate non-par savings to gain share relative to FY26, with protection and annuities continuing to grow ahead of the company average.

Moving on to financial and operating metrics. For FY26, value of new business stood at INR 4,034 crores, representing growth of 2% YoY. Value of new business growth, excluding the impact of GST and surrender regulations changes (SSV), would have been broadly in line with overall APE growth. New business margins for FY26, excluding impact of GST and SSV, would have been flat at 25.5%.

Post-GST and SSV impact, they were at 24.2%, a decline of 140 basis points versus FY25. This margin drop was driven by three key factors. First, the impact of GST and surrender value of 130 basis points. Second, the fixed cost absorption impact of 90 basis points arising from softer than expected top-line growth, particularly in Q4. And third, 40 basis points on account of

strengthening of the persistency assumptions in line with the experience that we had disclosed in Q3. I'm happy to share that our experience in Q4 on persistency was better than what we had mentioned in Q3. These three negative items were offset by a better product profile that contributed 120 basis points.

On GST, the headwind on margins has been moderating in line with our guidance. The impact in Q4 was approximately 110 basis points, and we expect this to taper off further and be largely neutralized as we move into FY27. At a product level, underlying margins remain supported by improvements in product profile, including higher protection and annuity contribution and better rider attachment.

The annual assumption review was undertaken in quarter four, as has been the past practice, which makes the Y-o-Y impact of 40 basis points more visible in that quarter. From a structural standpoint, the key levers for margin improvement remain intact: continued growth in protection, higher rider attachment, recovery in non-par savings, further enhancement in ULIP protection mix, lower fixed costs per policy, and operating leverage as growth normalizes. Based on these factors, we expect margins to improve.

Renewal collections saw steady growth at 15% during the year, reflecting the continued stability of the in-force book. On persistency, the 13th month ratio moderated by 200 basis points during the year, broadly in line with the evolving business mix. As mentioned in quarter three, this was driven by specific cohorts and does not reflect a broad-based shift in portfolio quality.

We have taken necessary actions, as I had mentioned, and we are pleased to share that trend have stabilized in Q4. The 61st month persistency remained robust at 64%, improving by 100 basis points YoY, reflecting the continued strength of the long-duration savings book.

Embedded value stood at INR 62,139 crores. Operating return on embedded value for the period was 15.0%, and this would have been 15.4% on a normalized basis. Profit after tax for the period stood at INR 1,910 crores. PAT excluding GST and labour code impact would have shown a growth of 16%. The board has recommended a final dividend of INR 2.10 per share in line with our dividend payout policy, aggregating to a payout of INR 456 crores.

Our solvency ratio stood at 177%. While we await clarity on the transition timeline to the risk-based solvency framework, we have taken board approval to raise up to INR1,000 crores by way of a preferential issue to our parent, HDFC Bank. This will add 900 basis points to our current solvency. Over the medium term, the move towards a risk-based solvency regime should ensure better alignment of capital with underlying risks and is likely to be beneficial for diversified franchises such as ours.

Moving on to distribution highlights. The ongoing build-up of our agency channel was a strong story for the year. Agency grew ahead of the company by 500 basis points, maintaining a strong protection mix. The channel is now beginning to deliver the returns on the multi-year

investments we have made in branch expansion, talent acquisition, and investment in bespoke products and training, and this has helped improve our relative positioning within the industry.

We have added more than 250 branches over the last 30 months, with business from these contributing to approximately 13% of the agency channel's top line. Our focus is now firmly shifting from expansion to productivity, activation, and the branch-level profitability. This should support a more sustainable and higher quality contribution from the channel going forward.

On the other hand, partnership channels experienced elevated volatility during the year, primarily driven by heightened competitive intensity. In response, we exercised fiscal discipline by stepping away from unviable business. Overall, while near-term growth has been influenced by the factors discussed, we believe our focus on continued investments in distribution, product competitiveness, partner engagement, and pricing discipline positions us well to deliver more sustainable and profitable growth as the environment normalizes.

Moving on to regulatory and industry developments. The industry continues to evolve in a direction that supports greater transparency, stronger conduct, and more sustainable long-term growth. We view the transition towards Ind AS based reporting as a positive structural development. Over time, this should enhance comparability, improve market discipline, and further align business models with long-term value creation.

With respect to Ind AS, we have approval from our board to seek forbearance for FY27. We will be applying to the regulator and are working towards full adoption from FY28. We believe this approach allows for a more calibrated transition, both operationally and from a reporting standpoint. Overall, the direction of regulatory evolution remains constructive, and we believe well-diversified and disciplined players are well-positioned to operate effectively within this framework.

Moving on to our subsidiaries. Our wholly-owned subsidiary, HDFC Pension Fund Management, continued to strengthen its leadership position with a market share of 43% and assets under management exceeding INR 1.5 lakh crore. Our other subsidiary, HDFC International Re, continues to deliver steady reinsurance performance while scaling its GIFT City presence.

To conclude, we enter FY27 with the GST transition that is largely complete, the yield curve which is supportive for non-par, our agency channel is stronger today than it was a year ago in terms of reach, productivity, and quality of business. Protection portfolio is structurally larger and more meaningful than any other prior point in our journey.

As a result, our embedded value continues to reflect the compounding strength of a high-quality in-force book. Our aspiration to outpace industry new business and VNB growth remains unchanged. 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:** Our first question comes from the line of Avinash Singh from Emkay Global.

**Avinash Singh:** A few questions. The first one on growth. Yes, as we acknowledge there were multiple factors, some external and some internal. In this context, the particularly the factors which are affecting growth in HDFC Bank channel, be it the competitive intensity or maybe irrational pricing. How has particularly your wallet share within HDFC Bank channel behaved in Q4 vis-a-vis what it has been for the nine months? How has that changed?

And now what steps you are taking or what you are seeing competitor withdrawing or competitive intensity changing that gives you hope that okay, things will normalize or go back maybe to say in the past levels in FY27? So, this is the question more around HDFC Bank channel and what sort of things giving you confidence there in terms of your growth outlook.

The second one would be, there is a very small piece of business that is the participating group and pension. Now, in your GAAP filing, there is a kind of a sizable negative surplus or deficit in that par segment, even though the business size is very small. So, what exactly is the nature of this and why is there such a big deficit in this segment of business?

And lastly again related to this, the back book surplus is going in an impressive way even this year, it's 14%. But when I look at the new business strain, I mean given, there is a strong growth in individual protection but at the same time non-par savings have given way to par where typically the new business strain would be lower, but the overall new business strain at the company level is growing very, very strongly.

Is it something to do with the cost structure still remains a bit unfavourable? What sort of explains that? So, these are my three questions.

**Vibha Padalkar:** I'll take the HDFC Bank question and then pass it on to Eshwari on par questions. On HDFC Bank, see, I would be more worried if there were some very different product innovation or some massive digital, great technology initiative. Really on competition on price point, we don't believe that that is sustainable on a long-term basis, whether it's aggression on pricing and/or on underwriting. And clearly, it is visible on ground.

So, what will change? I think IFRS is a good segue into what I'm saying because onerous contracts start becoming very apparent. Also given that RBC possibly has now taken a back seat to IFRS, what all of us thought that RBC would get rolled out first, but if it gets delayed all of this aggression does consume capital as well. So, there's only so far that some of this can be bankrolled.

Plus, we haven't stayed quiet. We have introduced, like I said, products such as our AGNI product (variable annuity), some of the tweaks that we have done on even non-par, is what you will see being rolled out as we speak. Some of that will again go back in terms of our ability to capture the mind of customers, especially against these fairly elevated levels of volatility and

some weaning away from the unit-linked playbook. So that is what gives us the kind of confidence.

Also, we are very granular in terms of discussions with our parent in terms of which are the branches wherein our share is lower than what might be at an acceptable level. Why is that happening? Is it because there is a flooding of additional people, and our manpower share? So, the correlation is fairly strong that where our manpower share is lower than 50% our counter share goes down. So, is there an optimal level of manpower given all AI and other digital assets?

Is there a play to reduce manpower share overall for all three players and can we look at having more digital offerings? Or part of the journey being digital? And once that happens, I do believe that counter share, just given brand synergies, being a market leader in products, I think all of that, I can't share everything that we're doing, but that's what gives us the confidence.

**Vineet Arora:**

I think Vibha covered most of it. Just the fact that we knew exactly where we let go of business and we know what price point works for us. We do feel that aggression, you know, now that the GST burden on the margin and the cost is also more or less absorbed, it will be easier for us also to come back and have better price points. So, we feel that we will also be more competitive and we should be able to garner more share from these branches that we might have let go of earlier.

**Vibha Padalkar:**

Yeah, and that's an important point. We are very cognizant of the opportunities that we let go because if ab initio it doesn't make commercial sense as to why are we selling this kind of product, then –we will take a back seat exactly like what happened in protection.

We did that and that has paid us very good dividends in terms of the pricing power. We had to bide our time. We did many things, some are behind the scenes which I don't want to call out. But many things on protection that today makes us get hold of the kind of profiles that we want to get hold of, rather than just market dynamics saying whatever protection of whatever quality business, let me get that in.

Moving away from that to controlling the narrative to step back to say what kind of lives and what kind of business do I really want, and to recalibrate too many things to get there. So that is really, we are in the process of doing similar kind of interventions on non-par and par like we did with protection.

**Eshwari Murugan:**

So, on the participating fund, there are three, four things that have happened during the year. One is the impact of GST, which again is split into two parts. One is the existing business and the second is the new business. On the existing business, because there will be no ITC on the renewal commission and the expenses incurred for the maintenance of the policies, that impact has been taken into the reserves and that is having a negative impact in both life and pension.

On the new business as well, because there is no ITC on the GST, that has been absorbed given that we are still looking at the design and the pricing of the par products in the context of the new GST law. So, this has been an impact as we will take some time to transition to new

products. The third is, given the changes to the surrender value regulations from October '24 onwards, for all the participating policies regardless of whether they are going to surrender or not, we hold a surrender value reserve, which is also increasing the prudence.

Some of this will get released into the FFA going forward, but it has been a one-time impact all coming together in the same period. That is why we see a deficit in the participating fund.

**Vibha Padalkar:** We have plans to start contributing back to par FFA to grow that over the next couple of years.

**Eshwari Murugan:** We will be looking at all these structures to see what is the optimal structure to maintain the fund at an optimal level aiding growth as well as the existing business.

On the back book surplus, the EB surplus has grown by a lower amount again due to the same reasons. We have allowed for the loss of input tax credit on renewal commission and maintenance expenses on all lines of business. That has resulted in a lower EB surplus growth.

On the new business, yes, the new business strain should have been lower given that we have done lower non-par. But if you look at the growth in protection business and the credit protect business, that has resulted into a higher strain. And also, on the unit-linked, we are writing with higher multiples and also higher rider attachments, that has got a higher reserving requirement and all of these have resulted in the new business strain growth being higher than the earlier years.

And the GST impact is there in both new business and EB. That is also one of the reasons for the new business strain being higher.

**Vibha Padalkar:** So just to summarize, GST impact and a good problem to have in terms of protection.

**Avinash Singh:** Vibha, counter share in HDFC Bank, In Q4 versus 9 months?

**Vineet Arora:** The counter share in HDFC Bank in Q4 was lower than what it was in 9 months. And clearly, for the reasons we have articulated already, we know what the reasons were. And we are completely in control of what we can do going forward.

**Moderator:** Our next question comes from the line of Suresh Ganapathy from Macquarie.

**Suresh Ganapathy:** Yes, so Vibha, again somewhat indirectly related to the first question itself. You know, in FY23, if you were to make a business projection of your VNB growth, you would have said 15% plus CAGR, right, for the next three years? I am looking at FY26 number, your CAGR has been just 3%, FY26 over FY23. So, it's actually not grown at all in three years' time. I am sure you were not expecting this kind of an outcome.

I know there have been a lot of changes, but unfortunately, the regulator is still talking about some commission caps, so many things are happening. Are you confident that with the GST cut, whether it is protection, the next three years will not see a single-digit VNB CAGR?

**Vibha Padalkar:**

So, let me just walk you through. First, I'll give you the CAGR, but FY25 to FY26, FY25 we were at 25.6%, right? And if I were to back out GST and SSV, the surrender value impact, then my starting point would have been 24.3%. Against, 24.3%, I was at a similar kind of a number, 24.2%.

*Note: The correct way to interpret the impact of GST and SSV versus previous year margins is to exclude GST and SSV impact from FY26 margins. New business margins for FY26, excluding impact of GST and SSV would have been 25.5% i.e., flat versus FY25 margin of 25.6%*

Now to your more philosophical question, because of three very large ticket things that have happened, which is starting from the 5 lakh and above being taxed, followed by surrender charges, followed by GST, business model changes have happened unfortunately with alarming regularity and fairly material.

I have high level of confidence in the medium term. However, here and now in one year or so, a little bit more difficult to say just as any business plan. However, the growth over the four-year period of 1.8x to 2x, I think that is still something that we will be gunning for. I think in terms of conversations, I think the only large ticket conversation in the media has been will something happen on distribution architecture?

If that happens, I am very confident that yes, immediate like all the other disruptions I've talked about, there could be some disruption. Will we come out of it? Absolutely. I have no doubt in my mind that it will come. So, to summarize, on a normalized three-year VNB CAGR would be around 9%, 10%, and there I am adjusting about INR1,000 crores between this FY23 and the GST impact in FY26.

**Suresh Ganapathy:**

Even if I were to adjust for that, that is still way below your industry standard, right? If I look at FY10 to FY21-22, you were the bellwether on the industry benchmark. All said and done, even normalizing for that, your growth has been weak, your VNB growth has been weak, and competition is not going away. People are going to be aggressive. There is no compulsory listing. So, we are in a tough industry in a way, right, both from a competition angle as well as from a regulatory angle.

**Vibha Padalkar:**

So, on competition, again, I feel with IFRS, it's going to dramatically change the way and bring discipline - it's a proxy for listing in a way because listing or disclosures, unfortunately, if I was a bank then most of my competition is listed and there's only that much aggression one can exercise and that will be contained. While exactly like you mentioned, that is not the case now.

But IFRS, regardless of whether you're going to be listed or not, there are going to be segment-level and even further nuanced disclosures that will very clearly show ab initio what are the loss-making or onerous contracts. What did one price for and what actually you're trending for? So, this is going to be a tectonic change in how companies look at their business.

Now a Promoter might decide to ignore that. That is their prerogative. But given that these companies have promoters who have invested for many number of years, I'm sure they are wanting to see returns at the end of that patient capital infusion. So, I feel very enthused. It might not happen in FY27 because of most companies asking for forbearance, but certainly a year down the line, it should happen. And if disclosure is going to happen in FY28, then I'm sure companies will start thinking as to, you know, at least internally looking at what their numbers are going to see.

We are also seeing positive trends in protection. You know, we went through the same story on protection and irrational competition and so on. Happy to share that that kind of irrational competition has started seeing some tempering. And that's why you can see our growth being right on the top as far as the industry is concerned on protection. Expecting the similar kind of some level of restraint happening on other parts of savings as well.

**Niraj Shah:** Suresh, just to maybe step back a little bit. You spoke about period from FY23 to FY26. Unfortunately, both the opening as well as the closing year had a lot of distortions. If you were to just dial back one year say the period from FY20 to FY24, the numbers fairly healthy at 15%-odd. You go one period before that, it is in a similar kind of a zone. So, the thing is if we're looking at a long-term business building it from a three-to-five-year perspective, you know, the results could be non-linear in a shorter span of time.

But just from a business cycle perspective and everything that is coming in the next three to five years, we absolutely have no doubt as to why the sector and us within the sector not be able to get back to that compounding story that we are used to delivering. So, no real structural issues that we see whether it's in terms of the relevance of the products, customer demand as well as just the overall operating environment.

**Suresh Ganapathy:** Just one last question on Vibha, your tenure and the IRDA rule. Bit confusing. Can you just clarify when it ends? Is it a 15-year rule applicable to you? What is the thing? Can you just clarify on that?

**Vibha Padalkar:** Yes, so Suresh, when these regulations came in 2023, we had written to the regulator and we had received clarification then that the 15 years starts from when I became the MD and CEO. My tenure, this current tenure ends in September of this year, and the Board will take a suitable call closer to that date.

**Suresh Ganapathy:** And you are five years, right, into the six years into the CEO tenure, right?

**Vibha Padalkar:** No, I will be completing a term of three plus five, so eight years by the time I finish in September.

**Suresh Ganapathy:** Okay, so logically speaking, another seven years left as per the IRDA, obviously the Board will take a call, right? Is that the interpretation?

**Vibha Padalkar:** The interpretation is that it's 15 years from when you get into the saddle as MD and CEO. That is what we had received clarification when we wrote to them in 2023.

**Suresh Ganapathy:** Okay, but this is not cast in stone. I'm thinking can the regulator change their mind is what my question is.

**Vibha Padalkar:** I think that will be a question for the regulator.

**Moderator:** Our next question comes from the line of Madhukar Ladha from JP Morgan

**Madhukar Ladha:** First, if I just compare the IRRs on the non-par product in sort of the principal HDFC Bank channel offered by your competitor, the difference is quite substantial. Now, what I wanted to understand is if you were to offer higher IRRs, what would be the impact on your margins? Why can't we sort of offer a more competitive product and capture that counter share?

And can you quantify the operating variance and assumption change between the various elements like persistency, mortality, expenses, if you could give that split?

**Niraj Shah:** Yeah, so on the question on IRR, basically there are two things here. One is that like you rightly mentioned in certain categories and variants of products the difference is fairly substantial. And since we introduced this category to the market six or seven years back with multiple product innovations, the easiest thing to do is to offer a rate. So, if we could offer a rate which is the highest in the market at the economics that are making sense to us, we would have done that like you rightly said.

So, if we are not doing that, it basically tells you that the dilution on the economics is not acceptable at the prevalent rates that some of the peers are choosing to offer. The equally important thing is that given our position in the market if we end up doing something which is let's say very aggressive or irrational, it unfortunately vitiates the entire environment and it forces peers to do the same. So, then you get into a downward spiral from which the industry will never recover.

So, there's no point playing that game beyond a point. As we articulated earlier on the call, we are looking at things more granularly: customer segments, ticket sizes, product variants where we may choose to be more competitive in the coming year. And that will be again at levels that will make sense to us. We have said that we want to grow faster than industry and deliver VNB growth in line with that.

So, if we have to make sensible trade-offs between profitability and growth, we will definitely do that, but provided it is within a certain boundary conditions which really makes sense from a medium-to-long-term perspective. So that is really our approach. We don't see this to be a challenge from a medium-to-long-term perspective for all the reasons that we spoke about: the regulatory environment, movement to IFRS, risk-based capital.

It is not an endless road of capital being made available without any questions asked. So that is not going to happen. Given that situation, I think things will stabilize. We gave the example of protection -the same kind of story panned out a few years back. We have kind of bided our time

and we are where we are in terms of the leadership in terms of sum assured on individual protection and overall, as well.

**Vibha Padalkar:**

I want to come in here and I'm not making any specific reference to any company but for the broader sector. See, again I'm harping back to IFRS. You know, I could give 70 basis points higher on non-par, for example, like Madhukar you mentioned. But no one really knows, is this lapse-supported product? Which means that you're hoping that customers don't pay their premiums down the line.

So, some of these things will start becoming a lot more apparent under IFRS because then you get to see the full story because if persistency stays good. And which it should because they have bought a product that is giving them 70 basis points higher. But your assumption that you make money is only if only X percentage of customers renew this. So, these nuances are really where the devil is in those details.

So, we can easily match this if we want to match it. But there is no way we are going to have a lapse-supported product, there is no way I mean we are in the business to sell policies and we are hoping that the customer stays vested in the policy till the very end. So, this is only one example but there are many such nuances: what will be the lump sum at the end, if they choose to surrender what is the surrender value that they or the nominee will get?

You know, and so on. There are many nuances to this because the corners will have to be cut somewhere else which are not very apparent. The headline item will be that the IRR is so much more. You know, it can't come out of thin air. It can either be bankrolled by the shareholder or wherein something else is there where corners cut.

These are the only two possibilities. Because if I look at expense ratios and persistency, not very different, if at all, worse than where we are today. So that is the limited point. This will normalize.

**Madhukar Ladha:**

Got it. Maybe I can just squeeze in one more question. So, on margins, see on a Q-o-Q basis we were expecting about a 100 basis points improvement because, every quarter we were trying to lower the GST impact. That has not played out this quarter. Also, I am guessing it is partly because of the full-year assumption change that also would have impacted.

But given, you know, there is a negative expense drag also on the margins, negative sort of assumption change as well, how should one see margins shaping up in FY27 and beyond? I believe it is probably going to be difficult to maintain the earlier sort of guidance of 25.6%. Any comments around that would be helpful?

**Niraj Shah:**

I think if we were to just go back to what we said three months back in terms of what the GST impact is likely to be. We started with 300 basis points, brought it down to 190 and now we are standing at 110 basis points. So as such, that is moving exactly in line with what we had spoken about and are working towards internally as well.

And by the time we finish the first half of next year, we should be done with the GST impact and completely absorb it in our business model. Now coming to whether we can get back to the levels that we spoke about at the beginning of the year of about 25.5%, we can get to it. Are we in a tearing rush to get to that at the cost of growth? We are not.

Our objective will be to get to faster than industry growth and maintain VNB in line with that. Along the way, environment stabilizes and we have the opportunity to expand margins, we will certainly do so. But the first goalpost really is to ensure that the VNB delivery is in line with APE growth next year.

And any sort of expansion on top of that, aided by product mix, scale, all of that is something that is definitely on the table. While in H1 we were faster, Q3 we were largely in line, Q4 was certainly slower than where we want to be. And that is the impact that we need to absorb and we will as we as the growth normalizes.

So, we are not too concerned about the additional impact that we saw in Q4 on VNB growth and consequently on the full-year margins. We should be able to recover as the growth normalizes next year. So that is not something that we worry about as a drag getting into FY27 and beyond. If we're talking about a 3-year perspective, clearly there is room for margin expansion.

But again, it's going to be measured. Some of our investments now have started bearing fruit in terms of branch productivity as well as our expenses on the technology front. All of these are expected to increase productivity, efficiency and better risk management. With that, margin expansion is something that we should absolutely gun for, with protection becoming larger and larger part of our business as we go forward.

**Vibha Padalkar:** And just to summarize, if you see Slide 13 of our investor presentation, it is exactly what Niraj mentioned. If I ignore the GST, the one-time GST and surrender charge impact, we were very close to the same 25.6% of last year. And the drop is only because of these items. So, it was almost like margins were being held and the starting point is anyway 25.5%.

**Madhukar Ladha:** Sure, got it. And the assumption change and variance break up if that is if you could give that?

**Eshwari Murugan:** So, the assumption change is mainly on the persistency, the 13th month persistency had dropped during the year and this has been reflected in the assumptions both in embedded value and new business. So, it's mainly coming from persistency and that too 13th month persistency. All other cohorts we don't have any material impact either in the assumption change or in the variance.

**Moderator:** Our next question comes from the line of Dipanjan Ghosh from Citi.

**Dipanjan Ghosh:** So, few questions from my side. First in terms of the Banca channel and more specifically on the non-HDFC Banca channels. Just wanted to get some sense of what's the direction or strategy when you kind of think of these channels? Is it more growth-focused or do you think the focus will be on more VNB counter share?

And from the next two-year perspective, if you can give some colour on that. That's the first question. The second question is on the product pipeline and this is more in line with also the AGNI product that you have launched. You mentioned that there has been strong traction initially. If you can kind of quantify or give some colour around that? And also, in terms of the refinements on the non-par products that you have done, if you could kind of elaborate on that? And the product pipeline, alongside on the non-par and annuity side? I mean, if you can kind of sum it up?

**Vineet Arora:**

I'll take the question on the on the non-HDFC Banca channels. So, the focus, for all channels for us is very clear that it is to go for growth subject to a certain VNB. And below a certain VNB, we choose at times not to participate in a certain segment or particular channel also. So, the focus remains same across channels and that is the reason why you would see that certain parts in Q4 we did slowdown in certain channels. And that I think remains consistent across channels. And same is the reason why you see a higher focus on our agency and the proprietary business where we have seen faster growth coming in.

**Niraj Shah:**

On products Dipanjan, a couple of things. One is AGNI was basically the first variable annuity product that was introduced and it's absolutely contributed to our share of annuity mix increasing meaningfully in this period. And it was launched towards in the last quarter, so we expect that to become a full-stream product going into FY27 and beyond.

And as we understand more of the product category, we would want more potential for innovation in this category as the regulator allows us to use more instruments that will enable a better customer proposition while we manage our risks appropriately. It is a win-win from a customer perspective for anyone who is reasonably affluent.

We have launched this product at a ticket size of 25 lakh and above to ensure that the customer clearly understands what they are buying and it's not a completely guaranteed product. It is guaranteed up to a point, after which the customer participates in the upside because of the asset allocation that we are able to do in the product.

And that is something that we believe is here to stay from a customer who is reasonably affluent and savvy and is not dependent on the entire annuity stream to maintain monthly expenses. So that was really the thought process behind it and there will be a lot more to come in this space.

As far as non-par savings is concerned, I think a few things that we are basically looking to add to our flagship Click 2 Achieve series and a large part of it is to do with giving more flexibility to customers, looking at customer segments a little more granularly to see what we can do in terms of affording more options to customers as well as getting more competitive.

And over a period of time as the asset side of the market develops, there will be more options that will kind of come through in each of these categories. So, I guess a lot of things will be happening behind the scenes, which is just ready to take advantage of a more favourable interest rate environment as we step into FY27.

And the volatility on the equity side so far has not really dampened unit-linked demand. But we will wait and see how that kind of goes on as we go forward. Asset allocation is currently unfortunately out of fashion, but that is something that we expect to normalize in the next 12 to 24 months. When that happens, with the suite of products that we have and more in the pipeline, we expect the category to do extremely well.

**Dipanjan Ghosh:** Thanks, Niraj. Just one small follow-up. This variable annuity product propositions, how are the margins in this product, I mean, compared to industry or company-level margins?

**Niraj Shah:** It will be higher than company-level margins.

**Moderator:** Our next question comes from the line of Shreya Shivani from Nomura.

**Shreya Shivani:** A couple of questions on the EV and VNB walk basically. Shouldn't the GST and Labour Code impact be an assumption change because it is a permanent change rather than a variance? Also, comparing to one of your peers, there is no impact of the yield curve movement on your VNB walk. What is the thought process behind this if you can explain that?

And has the persistency assumption changes caused a sharp movement in your persistency sensitivity from your sensitivity analysis table? Just one question on the growth outlook on the competitive landscape etcetera to Vibha. I mean, one way of dealing with the competitive landscape is obviously what you're doing: going granular and trying to find a different kind of pricing for your products etcetera.

However, expanding beyond our obvious markets, expanding into deeper pockets or markets where only few players operate, isn't that something which we would be focused on from a long-term period? Not for FY27, but if I ask you about next 5 years, shouldn't that be one of your strategies, knowing that the competitive landscape can be quite volatile in the urban Tier 1 markets?

**Eshwari Murugan:** So, on the EV walk, the GST impact is the impact on the existing business because there is no input tax credit on the renewal commission and the maintenance expenses. So that is a one-time impact and it is external environmental impact, that is why it is shown as another operating change or variance.

The loss of input tax credit on the new business, which is part of the business model, is captured in the VNB which is within the embedded value operating profit or within the embedded value walk before the one-off. So, the one-off is actually only one-off; it's only one-time impact on the existing book. The thought process is that whatever is not within the internal environment or the business model of the company, that should be captured as a one-off operating variance.

**Niraj Shah:** And next year, all of this will sit in the VNB for next year. So, it will become part of the business model entirely. This year, since it happened mid-year, the back book had to do what it had to do.

**Eshwari Murugan:**

Yeah, the closing EV will be the opening EV for next year, and next year the entire impact, as Niraj mentioned, if at all there is any impact that is not absorbed, will be in the VNB. In the NBM or the VNB walk, the net impact of changes in interest rate, changes in product pricing, product features, other assumptions etcetera is captured in the product profile.

The reason we don't call out economic assumption change separately is that it is not that during the entire year we will not do anything if the changes are in the interest rates are going up or down. There will be lot of dynamic changes in the pricing. It will be very difficult to capture the impact of assumption change assuming that everything stayed the same.

So, the net impact, if the spreads have gone up and you've not repriced it to that extent, it will be an increase in NBM, that will be captured in the product profile. Similarly, if the interest rates go down and you still not repriced it for whatever reason, that will be a negative on that and that will be again captured in the product profile.

So, this is the thought process which we have been following for many years now; there is no change in the way we have been showing these impacts. Yes, on the persistency sensitivity, there are two things which is resulting in a higher sensitivity. One is the proportion of ULIP has gone up compared to last year.

Hence, higher sensitivity. And also because of the changes in surrender value regulations, even in the non-linked products, the persistency will have an impact on the EV or the margin because unlike earlier where there was some lapse profits or surrender profits if the policyholder didn't stay for the scheduled policy term, here there is going to be an impact on the margin, that's why there is a higher sensitivity.

**Vibha Padalkar:**

To take your question on getting deeper into interior India, that's exactly what we're doing. And to remind you that one of the reasons for us to have acquired Exide Life was just that. Because we felt that that was not expressly our core competency. It was happening more because of some of our partners/distributors were there.

But we formulated an entire go-to-market strategy in Tier 2 and 3. And I'm happy to share that more than 72% of our customers acquired in this financial year, FY26, they were new to HDFC Life. And if I were to look at Tier 2 and 3, they grew faster than Tier 1. Also, if I were to look at say our agency channel, every metric, so our FC base, the financial consultant base, if you look at it, the growth there was 43% on a gross basis.

Our marketing collaterals, using of AI so that every local language and dialect is possible right from training to servicing. Even our ads if you see, for the first time this year, we have used, say like in West Bengal, we have used local leading personalities as against national.

So, we're already well on that path. Having said that, it's never all easy because we don't have as much data on all the profiles. So, there will be two steps forward, one step back. But I think we are now in a position of reasonable amount of confidence that within Tier 2 and 3, what are

the profiles that we are comfortable underwriting, and that will only increase as we get more and more data.

Another data point is that as you know we've been opening branches, you know over 200-plus branches over the past 24 to 36 months, and happy to share that in our agency channel, 13% of the business now comes from the branches that we opened in that time frame. So, we have a holistic strategy of exactly like you're saying, to be amongst the top three movers into that space rather than only operating in a more crowded metro salaried kind of space.

**Niraj Shah:** Maybe just one thing I'll add to what Vibha mentioned is that we are aware as we step into these smaller markets that the time for the branches to get as productive as in the larger markets is a lot higher, maybe 1.5x more. But we've not shied away from making all these investments.

So, it's just that the timeframe from which we get these returns is a little longer than we would get from a, you know, larger branch. So, both of these happen in parallel, and the trade-offs and basically the payoff periods from both of these can vary. But like you rightly mentioned, I think as you go deeper into India there is more sanity as far as the competitive intensity is concerned, given the obvious, you know, costs involved in going deeper as well as the brand recognition. We do understand that that is an advantage that that we have, and we plan to build on that as we go forward.

**Moderator:** Our next question comes from the line of Nischint Chawathe from Kotak Institutional Equities.

**Nischint Chawathe:** You mentioned that, the counter share at HDFC Bank in fourth quarter was lower than nine months, but if you could give any colour as to, what it was for the entire financial year? And, how does that sort of compare with the broad guidance of two-third counter share at HDFC Bank over the medium term?

**Vineet Arora:** Yeah, so we were in mid-60s the year before, and this year we would have closed at early 60s.

**Nischint Chawathe:** And how does the conversation go? Is it something that it kind of reverts over time or there could be some kind of downward revision to this? How does it work?

**Vineet Arora:** No, so conversations are not only around share because the share is in an open architecture platform and, it's on the ground in every branch and every segment, where we are competing like a normal insurance player. And basis that we know actually at a granular level which are the places which are the cohorts that, we would have let go of which led to this loss of share.

And if we need to compete back, we also know what it takes to compete back. So, I think from that angle, it's not about a conversation; it's more about what business we want and what business we let go.

**Nischint Chawathe:** Sure, and I recollect at the beginning of last year, you budgeted for around I think 14% odd APE growth. Destiny had other plans, but, when you start this year given the uncertainties that are around, how do you budget, for FY27 growth? What would be like your starting point?

**Vibha Padalkar:** So exactly like you said Nischint, a 14% I think it was actually we had said 12-13%, but okay, I think low double-digit growth is what we had said. Now with all this uncertainty and we have been here before in terms of when COVID was there and so on. I think we will just take it a month at a time in terms of planning. It is really volatile.

What we will attempt to do is grow slightly faster than the sector and while doing that focus on some of the headwinds that we have on protection. We talked about some of the products like AGNI. We will really focus on maximizing Tier 2 and 3 as well, the traction, because it is not as crowded as some of the other markets.

So, I think that's what we will focus on rather than trying to put a number, because a number means that you're going to invest resources and so on up front. I think it's a little bit too volatile a situation.

**Nischint Chawathe:** Fair enough. And just last one, do you think that this is the right environment for non-par to pick up over ULIPs given the way the bond yields have moved and, you could probably leverage that in terms of offering higher IRRs.

**Niraj Shah:** Yeah, absolutely. We've been waiting Nischint, but it's not happened given the flows continue on the equity side, which is again we have no problem with that, we'll take all the growth that comes in unit-linked as well given that we now have an operating model that works. But yeah, it's a bit puzzling to us as well that given the environment and given the uncertainty and the returns on the equity side in the short-term, customers are still ignoring asset allocation.

That is something which I guess like, we discussed earlier, we are ready with multiple product options for customers and we absolutely believe this year I think the non-par take-up should be higher than what it was last year. It's a bit puzzling why it hasn't happened already.

**Nischint Chawathe:** But do you think the demand is elastic to IRRs?

**Niraj Shah:** No, we do not believe so. To some extent, yes, where in an extreme situation where I mean someone's putting 100 basis points more than me, of course they're going to buy that product. But the thing is if within a band of like in protection 15%-20% up and down, it is not elastic, it is driven by multiple things including brand preference and as long as we're in the zone we are okay.

So, in IRR I'll give you an example of annuities. Annuities all the major players, three or four of us who are 90%-odd of the market, are pretty much fairly close to each other because that is the pricing that makes sense. And the customers choose based on their preference and the distribution outreach of each of the players.

So similarly on non-par, I think maybe barring one or two players, you find everyone from a mix perspective being anywhere between 15% to 20% of their product mix is non-par. So that tells you that up to a particular point, pricing would matter. But once you're in a range, then

multiple other things take over. So, it's not completely elastic to some extent, when there is an outlier pricing, definitely there will be some demand that gravitates towards it.

**Moderator:** Our next question is from the line of Supratim Datta from Jefferies.

**Supratim Datta:** So my one question is on the rider attachment. So, could you let us know what is the current rider attachment rate that you have, and you know how much further can this be increased?

And if the ULIP demand comes off and that's replaced by non-par, could you do the same thing as increasing the sum assured with non-par products as well? Would the similar strategy work there as well? And what proportion of the ULIP policies currently has this higher sum assured?

**Niraj Shah:** We have it highlighted in our investor presentation as well, about one-fourth of the unit-linked business that we sell comes with higher sum assured. And we started our rider journey about maybe 3 years back with a lot of education internally and putting our systems and processes in place to ensure a seamless experience for customers.

Even far back as a year ago, year and a half back, the rider APE was less than 1% of unit-linked premiums. Today it's at least 5x to 6x times that. And it is only increasing with the number of riders that we're able to bring to the table with customers opting for a combination of higher riders as well as higher levels of sum assured.

So, I think, as of now, we have all the options from a customer perspective whether they want to take higher level of protection in the base sum assured itself or they want to have the option of taking a rider. And that is something that I guess we'll continue as we go forward as well.

On the savings and non-par products, we have not seen a very significant take-up of riders yet, because the thought process there is a little more different compared to when someone is looking to buy a unit-linked product. We are trying to see how we can improve our attachment ratios on other than unit-linked products as well, but that's still work in progress.

On standalone protection, like Vibha mentioned earlier on the call, there is a fairly significant uptake of pure or non-return of premium products this year given the GST change. Return of premium is also doing reasonably well. It's just that the full impact of the GST price has shown itself in higher demand for pure non-ROP products. So, I think having a suite of each of these at scale definitely helps, depending on whatever choice the customer may want to make.

**Supratim Datta:** Got it. And you know at the overall APE level what would be the proportion of riders?

**Niraj Shah:** So, again, we have, I think spoken earlier and, on the call, 7% is our pure protection by itself in individual business, and adding riders it comes to 10%. So, I think you can attribute about three-odd percent of our APE to that.

**Moderator:** Our next question comes from the line of Sanketh Godha from Avendus Spark.

**Sanketh Godha:**

So Vibha or Niraj, the question is that you told that in fourth quarter you lost market share compared to nine months in bank. So, is it fair to say that the competitive intensity actually increased and that's the reason we lost the market share, and if given IFRS forbearance is accepted, are you confident that the growth might come back to mid-teens kind of a level next year?

Or whatever the pain has to be taken with respect to non-par unviable business, it has already been there in the current year, and on a lower base that should look little better going ahead, and therefore the mid-teens growth can come. So, any colour on those lines will be very useful to understand the growth trajectory going ahead?

**Niraj Shah:**

So Sanketh, given the environment, difficult to put a number in terms of what growth comes ahead as far as the specific question in terms of within HDFC Bank competitive intensity increase in quarter four, yes. Do we expect that to continue into FY27 and beyond? We do not believe so for all the reasons we mentioned because sustainable growth, profitable growth, which is capital efficient, has to be done in a manner which kind of makes sense, even if you have a lower profitability threshold.

So, like we mentioned, we don't have to be, you know, present in all the segments at all points in time. There will be opportunities available to do a lot more granular work to get our counter share where we would like it to be. And that's something that we're already working on. We discussed geographies, we discussed kind of branches, we discussed customer segments. Whatever applies at an overall level will apply to HDFC Bank also in terms of our approach to get our counter share back up to where we would like to see it.

So, we we're not going to be sucked into unreasonable things that are happening on the ground. We will push ourselves, definitely. We'll do our trade-offs between growth and profitability and keep challenging ourselves in terms of are we missing something which makes sense. We've done that in the past, we'll do that again. But anything that absolutely looks, you know, unmanageable from our perspective, we will not step into even now. So that's our thought process.

**Sanketh Godha:**

But given maybe the capital will come in and maybe sub-debt raise, will it give a bit of little more comfort or gunpowder to be little more competitive compared to what you were in the current year? Maybe there was a border case business you missed, you chose to not to do it, but with the capital, will that that thought process might change at the fringe level?

**Vibha Padalkar:**

I think we have enough gunpowder to be competitive, but for different reasons, not necessarily because capital has come in. Capital has come in for growth in the normal scheme of things because RBC is likely to come after IFRS rollout has happened.

So, it's more to tide over that. There are quite a few things exactly like we did in the case of protection, which was really being nuanced on driving the narrative rather than being forced into doing things that we are not comfortable doing or don't see the end game in doing all those

things. So, you will have to just wait and watch because again not everything can be disclosed on a call like this.

But yes, we are not just sitting and waiting until the whole thing blows over, but yes, there are at least three or four things up our sleeve to manoeuvre the narrative in a direction that we want to. And just in terms of giving a little bit of colour is that we are looking very granular within our data to see for which customers we can take not an aggressive but a calculated call, and which ones we absolutely want to avoid. So, it's not one size fits all.

**Moderator:** Our next question comes from the line of Prayesh Jain from Motilal Oswal Financial Services.

**Prayesh Jain:** The question is on HDFC Bank channel, and I think that's been discussed quite a bit, but just one more angle to it. Whether commission that the competitors are paying to HDFC Bank, does that also come into equation where the share has come down come down for us?

Second, when you say that the capital raise will give you additional solvency of 900 basis points, do you also build in the additional debt that you can raise via the bonds to build that capital? And lastly, on commission regulations if any that comes through, then how would kind of things play out with your primary partner, which is HDFC Bank?

**Vibha Padalkar:** So, on commissions, everything is identical over here. We do calibrate product mix. So, we will choose the segments in which we want to be materially present. To give you an example, if unit-linked at a low sum assured multiple is the name of this game or lower premium payment term, then we might take a back seat like we have done. You know, like two premium payment term at full commercials and so on is something that don't see the end game in that.

So, it's not that the headline commercials are different, no they're identical. However, it's some of the nuances of products that could vary, that's point number one. And as regards the outlook in terms of commission regulations and so on, I think we will have to wait and watch. We have had, since you're asking specifically about our primary partner, it is not that we haven't been having conversations on what-if scenarios and they're fully aware, and they also sit at the Board.

So, they're fully aware of many different possible scenarios and, you know, what might be viable, what tweaks might be required to business model and so on. Like I said, in the medium term, whatever it is, the demand for insurance is not a figment of our imagination. Exactly like the way demand really took off with this GST cut as far as protection is concerned. So that demand is certainly there. How one taps it through what kind of products in a new environment, if there is one, is something that we will quickly look at and collaborate with our partners for it to be a win-win.

**Niraj Shah:** And Prayesh, if I could just quickly repeat your question on that solvency. You asked about whether there is capacity to raise sub-debt? Answer is yes. We could raise on the back of INR 1,000 crores of equity, INR 500 crores sub-debt, which will give us an additional 4% as and when we believe it would be required or we want to just exercise that option.

- Prayesh Jain:** Yes, so together these two capital raise options could positively impact solvency by 1,300 bps, right?
- Niraj Shah:** That's correct. 1,300-1,400 bps, yes.
- Moderator:** Our next question is from the line of Vinod Rajamani from Nirmal Bang.
- Vinod Rajamani:** Yes, thank you for taking my question. So, I have I have one question on retail protection. So, what proportion of buyers would you say on retail protection are first-time buyers? Is there any sense that you're getting that the addressable new-to-insurance kind of pool, that pool is kind of thinning or is that getting a little saturated? How should we think of that? And what is the kind of sustainable quarterly protection growth rate into FY27?
- Niraj Shah:** Yes, so it is very encouraging to see that post-GST about 80% of the protection business is new to HDFC Life customers that we saw. And as Vibha mentioned in her opening comments, we're basically seeing fair bit of demand across different customer segments. And also, in terms of the choices that they're making in terms of taking full advantage of the GST cut to either buy more sum assured or so basically even after the changing price, we're able to maintain our average ticket size, which basically tells you people are buying a lot more cover with the same amount of money.
- They could have chosen to buy similar cover with lower premiums, but the most customers have not chosen to do that. So that's a very good sign. With all of this as well, in spite of all of this, we are still fairly under-insured as a as a country and the customer segments that we believe require more insurance.
- So, we're far from saturated. Customers are taking making different choices to buy protection. Some who are comfortable using the savings vehicle have these options that we discussed earlier in terms of riders or higher embedded sum assured. But a lot of young customers are taking pure protection products and the GST change has been a fairly big catalyst there.
- Vinod Rajamani:** The other specific question on the HDFC Bank channel. So, is the bank trying to kind of deprioritize non-par savings? I mean, if it's a trend which is kind of visible in terms of the fact that ULIP share has been increasing. So, does the bank kind of see it as competing with deposit holders and so on? Is that something which is being felt?
- Vineet Arora:** No, we haven't seen this kind of a let's say a completely deliberate kind of a move towards one particular product mix. The ULIP mix is mostly coming in from the demand from the customers and more of an easier sale, especially, certain segments like we spoke about when you're able to configure a shorter pay etcetera in ULIPs for certain insurance companies. So, I think that's the reason why you've seen maybe a larger skew happening in the ULIP side in HDFC Bank.
- I have not really seen the reason that this might be competing with a deposit. And also, we have always focused on long-term guarantees, long-term products, which do not really fall into the

bank's competing foray. I mean they work on a medium-term kind of assured returns and our products have always focused on much longer-term guarantees.

**Moderator:** The next question comes from the line of Tejas D'Cunha, an Individual Investor.

**Tejas D'Cunha:** I have two questions. What was the percentage contribution from HDFC Bank channel in the individual overall new business premium? And the second one, you mentioned that the MFI sector growing and catching up in Q4, what was the growth that was registered in Credit Life new business premium business?

**Vineet Arora:** MFI, I think we saw the growth coming back in quarter four. Quarter four MFI growth was there because there was also a subdued base last year, growth was in excess of 40% in Q4, while on an overall year basis, I think we saw business growth of about 13-odd percent. Slightly slower than our CP growth, but that's the full-year number in the MFI business. On HDFC Bank, our NBP contribution on received premium is approximately about 40-odd percent.

**Moderator:** The next question is from the line of Manjeet Buaria from Saamy Advisors LLP.

**Manjeet Buaria:** Vibha, I had one question. Why did we not revisit our dividend policy and skip about INR 450 crores of dividend payout when we are simultaneously looking to raise INR 1,000 crores in a primary issue?

**Vibha Padalkar:** See, we do have a lot of retail investors, close to 9-10 lakhs of retail investors on an average, there are pension funds also. When you look at banks, let's take that example. Banks come to the market to raise capital all the time, and they pay dividend. So, it's no different; it's just that in life insurance, the back book so far has largely funded normal growth. Now, protection here has been a lot higher than in the past 17-18 years that I've been associated with the sector.

That's a good problem to have, however it requires capital. So, this is growth capital. If there was an issue in terms of some hole that is caused because of some inefficiencies or something like that, then maybe what you're saying could be considered. But this is growth capital, no different from any other sector, and this is business as usual as far as existing shareholders are concerned, especially the retail shareholders. I think that's how we had to triangulate; hence we've kept it flat. So, we've tried to balance the two objectives.

**Manjeet Buaria:** I understand that Vibha, but actually, you know, it's also indicative, right? The Board would not want to raise primary unless we are at a fair price. And given the way our valuations have tracked over the last few years, you're indirectly indicating that, we are already at a fair price. So, I mean, ideally you don't want to do that, right? I mean typically banks have raised a lot of capital, they've done it at much higher valuation multiples than their fair value multiples. But anyway, I was just curious about it. Thank you so much.

**Moderator:** The next question is from the line of Nidhesh Jain from Investec.

**Nidhesh Jain:** My question is on margin. So, this year, we had a negative impact of 110 basis points because of GST and 20 basis points of surrenders. So that should not recur next year. So, should our starting margin should be higher than almost 130 basis points what we have shown in FY26?

**Niraj Shah:** So, Nidhesh, yes, I mean the GST impact is something that we will neutralize in the first half of next year. Post that, it is completely baked into the business model and after that whatever delivery happens should be on that basis. So, before GST, or rather I think end of quarter three we did mention that we'd like to get back to the levels of FY25 in the 25-plus percent range. Can we get to it? We possibly can, but like I mentioned earlier on the call, that's not something we're going to prioritize.

What we're going to prioritize is to get the growth back to the handle that we are comfortable with and deliver VNB growth at least in line with that. And if there is any potential and scope to expand margins beyond that, absolutely we will try and do that. But the priority will be to get growth back to where we would like it to be.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to Ms. Vibha Padalkar for closing comments.

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