April 22, 2025

General Manager Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	Vice President Listing Department National Stock Exchange of India Limited ‘Exchange Plaza’, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Subject: Earnings Call Transcript for the quarter and year ended March 31, 2025

In continuation to our letter(s) dated March 19, 2025, and April 15, 2025, the Company had hosted an earnings conference call with investors and analyst on Tuesday, April 15, 2025, at 5:30 p.m. IST, to discuss the performance of the Company for FY2025.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please be informed that the transcript of the ‘earnings conference call’ for FY2025 has been hosted on the website of the Company at www.iciciprulife.com

A copy of the transcript is enclosed herewith for immediate reference.

Please note that no unpublished price sensitive information was shared during the meeting.

Thanking you,

Yours sincerely,

For ICICI Prudential Life Insurance Company Limited

NAIR PRIYA SRIKUMAR

Digitally signed by NAIR PRIYA SRIKUMAR Date: 2025.04.22 16:56:39 +05'30'

Priya Nair
Company Secretary
ACS 17769

Encl.: As above

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ICICI Prudential Life Insurance Company Limited
Earnings conference call
Year ended March 31, 2025 (FY2025)
April 15, 2025

Anup Bagchi

Good evening and welcome to the results call of ICICI Prudential Life Insurance Company for the financial year 2025.

I have several of my senior colleagues with me on this call, Amit Palta, Chief Products & Distribution Officer; Dhiren Salian, CFO; Judhajit Das, Chief Human Resources and Operations; Deepak Kinger, Chief Risk & Governance Officer; Manish Kumar, Chief Investment Officer; Souvik Jash, Appointed Actuary; and Dhiraj Chugha, Chief Investor Relations Officer.

Let me take you through the key developments during the quarter before moving on to discuss the Company's Performance:

I am pleased to inform you that Ms. Anuradha Bhatia has been appointed as an Additional Independent Director effective March 12, 2025, subject to the approval of the Shareholders. Ms. Bhatia is an ex-member of National Company Law Tribunal, Mumbai and a Retired Principal Chief Commissioner of Income Tax.

Product innovation has been a core focus of our business strategy. We continue to build on our legacy of innovation to meet the evolving needs of the customers. With **'ICICI Pru GIFT Select'**, a non-par guaranteed income product, being the latest addition to our portfolio. One of the key differentiators of the product is the increasing income feature making it a quasi-inflation hedge. Amit will subsequently cover it in detail.

Now let me take you through the performance highlights:

- APE grew 15.0% year-on-year to ₹ 104.07 billion in FY2025.
- We delivered a strong RWRP growth of 15.2% year-on-year in FY2025. Our endeavour will be to continue delivering on business growth.
- Total premium grew by 13.2% year-on-year to ₹ 489.51 billion in FY2025.
- Retail new business sum assured grew by 37.0% year-on-year to ₹ 3,324.49 billion.
- Our 13th month persistency stood at 89.1%, and 49th month persistency stood at 69.5%.
- We continue to deliver on our claims promise with a claim settlement ratio of 99.3% for FY2025, with an average turnaround time of 1.2 days for non-investigated individual claims.
- Cost/premium ratio improved from 18.2% last year to 18.1% in FY2025. Cost/TWRP for savings line of business improved from 15.8% last year to 15.4% in FY2025.
- VNB grew by 6.4% year-on-year to ₹ 23.70 billion in FY2025. With an APE of ₹ 104.07 billion, the margin stood at 22.8%.

- PAT grew by 39.6% year-on-year to ₹ 11.89 billion in FY2025.
- Embedded value grew by 13.3% year-on-year to ₹ 479.51 billion on March 31, 2025. RoEV was 13.1% for FY2025.
- Our AUM grew by 5.2% year-on-year to ₹ 3,093.59 billion on March 31, 2025.

We have been conferred awards by various industry platforms. The complete set of awards won is presented on Slides 58 and 59. We are particularly delighted with the outcome of the independently conducted industry Net Promoter Score survey where we were ranked the **“Best Life Insurance Provider in India”** for the third consecutive year in a row by Hansa Research.

To summarise, we will continue to offer the right product to the right customer and deliver it through the right channel. Our products, process, and distribution are completely aligned with one goal, that is to deliver value proposition to our customers. Our **3C** Framework of **C**ustomer Centricity, **C**ompetency and **C**atalyst will help us deliver sustainable VNB growth by balancing business growth, profitability and risk and prudence.

Thank you. And I'll now hand it over to Amit to take you through the business updates.

Amit Palta

Thank you, Anup. Good evening, everyone.

Let me start by giving you an update on the product landscape.

In a dynamic macroeconomic environment, there could be spells of market volatility like the one that we have seen over the last couple of months. In such situations, customer preference tends to shift to products that offer guaranteed returns while ensuring wealth preservation. Through the addition of GIFT Select in Q4, we strengthened our guaranteed portfolio to cater to this shift in customer preference. It offers the benefit of guaranteed income that customers can customise as per their life goals and cash flow requirement. This product witnessed strong traction within days of launch and helped us offset the impact of market volatility witnessed in the linked business in Q4 to a certain extent. The non-linked business grew by 13.8% year-on-year in Q4-FY2025. The growth in the non-linked business reflects our capability to read the market sentiment, swiftly shift product mix between segments, and also demonstrate the agility of our distribution channels to support us during such transition phases.

Further, within our linked segment, we have been increasing the proportion of products which are not only aimed at wealth creation, but also offer goal protection, high sum assured, and comprehensive benefits for nominees. Such products are less impacted by market volatility, thereby insulating our linked portfolio to a certain extent.

On a full year basis, linked business grew by 28.5% year-on-year and contributed 48.3% to APE in FY2025. Non-linked savings business declined 5.6% year-on-year and contributed 21.2% to APE.

The annuity business grew sequentially by 41.5% in Q4 over Q3. While on year-on-year, we witnessed a decline of 57.8% in Q4 of FY2025. As you may recollect, we launched a product offering 100% money back of premium in Q4 last year ahead of the introduction of surrender value regulations. This product was well accepted by the market, resulting in annuity segment delivering the year-on-year growth of more than 250% in Q4 last year. Thus, the decline this year is due to the high base of the previous year. However, the contribution of annuity continues to be greater than 8% of overall APE.

Retail protection grew strongly by 25.1% year-on-year in FY2025. In the credit life business, the MFI segment was impacted due to continued challenges in the MFI industry. We expect some pressure to continue in the MFI segment in coming quarters as well. Non-MFI segment continues to do well, and we have been able to sustain the overall credit life business at a similar level to the previous year.

The group term business was impacted due to increased competition. As a long-term player in the industry, we have a deep understanding of this market, and our underwriting strategy remains focused on selecting businesses which meet our defined risk reward expectations. The overall protection APE grew by 7.4% year-on-year and contributed 15.7% to APE in this financial year.

Group funds more than doubled over last year and contributed 6.4% to APE. This business involves managing funds for gratuity, leave encashment, and superannuation, and is typically lumpy in nature.

Moving on to channel-wise growth and contribution.

Agency business APE grew by 14.2% year-on-year and contributed 28.9% to the overall APE in FY2025. Direct business grew by 17.0% year-on-year and contributed 14.4% to the overall APE in FY2025. Together agency and direct, that is our proprietary channels, constitute more than 50% of the retail APE mix in FY2025.

In Q4, we saw a decline in proprietary business primarily because of two factors: one, the high base of annuity in the previous year and second, customer preference shifting away from ULIPs.

- High base of last year Q4 annuity business was primarily driven by proprietary channels, specifically agency.
- Beginning FY2025, the market sentiment shifted towards ULIP products. Agency channel was very agile to shift gears and grew faster than the Company on the

back of high ULIP sales up to 9M-FY2025. As markets became volatile in Q4, customer preference started shifting away from ULIP products.

- Owing to the high annuity base of the previous year and ULIP business declining in the current year, Agency channel got impacted in Q4, thereby registering a decline.

It is also noteworthy that Agency channel was quick to pick up the latest non-par product 'GIFT Select' launched in Q4. Historically also, if you look at the last five years since FY2020, the channel has demonstrated the ability to shift its mix between ULIP and non-linked savings business depending on the prevailing macro environment. Therefore, we believe this decline is a short-term transition phase and we will continue to invest in our proprietary channels to sustainably grow the business.

Bancassurance business APE grew by 18.2% year-on-year and contributed 29.4% to the APE mix in FY2025.

Partnership distribution business declined by 3.2% year-on-year and contributed 10.9% to the APE mix. However, this business on a sustainable basis has delivered a four-year CAGR of 18%. As you are aware, a large proportion of business this year was from ULIP sales, while the Partnership distribution business is non-linked dominated typically and thus, they did not have the tailwind which was available to the rest of the channels. Also, we continue to strengthen our Partnership distribution channel and have added more than 200 partners in FY2025.

Group business grew by 24.6% year-on-year and contributed 16.4% to the APE mix in FY2025.

As you can see on slide 10, we have a well-diversified distribution mix. We continue to build capacity and have more than 200,000 agents spread across geographies. We have partnerships with 48 banks and access to more than 23,000 bank branches and 1,300 non-bank partnerships. We will continue to focus on improving customer experience through tech and digital integration in our day-to-day processes. Approximately 50% of our policies were issued on the same day for the savings line of business in FY2025. Notably, we are also the first insurer to pay out commissions on the same day to our distributors.

With customer centricity at the core of everything that we do, we will continue to work on our strengths, that is product leadership, extensive distribution network, and business excellence aided by building blocks of people, digitalisation and analytics. All these initiatives together will help us achieve our core objective of increasing absolute VNB while delivering value to our customers.

I will now hand it over to Dhiren to talk you through the financial update for FY2025.

Dhiren Salian

Thank you, Amit. Good evening.

Let me start with VNB, which is shown in slide 15.

VNB grew by 6.4% year-on-year to ₹ 23.70 billion in Financial Year 2025, and the VNB margin stood at 22.8%, which was at a similar level at 9M-FY 2025.

From slide 16, you can see that the movement in VNB margin from FY2024 is primarily on account of the shift in the new business profile and assumption changes.

In the FY2025, the market buoyancy led to growth of the linked portfolio, which has a lower margin profile compared to the Company average.

Within the non-linked portfolio, we also witnessed a shift in product mix towards the par business. Further, in the protection portfolio, the MFI segment of credit life business was impacted by the ongoing challenges faced by the MFI industry. As mentioned in our earlier calls, we have been working towards improving the profitability of each line of business through increasing policy term, sum assured multiples, and rider attachment.

Our retail policy term from savings line of business has increased from 19 years in FY2024 to 26 years in FY2025. Our retail sum assured has grown strongly by 37% in FY2025. The impact of the shift in product mix, change in customer segments, and the effects of repricing done during the year was a positive 2% as shown in the new business profile in slide 16.

Now the higher ULIP mix also results in lower expense affordability. Along with other assumption changes which I'll explain in the EV section, it has resulted in a margin contraction of 3.3% which is shown under the operating assumption changes. The balance 0.6% impact on margins was due to movements in the yield curve. As also shown in slide 16, the EV grew by 13.3% year-on-year from ₹ 423.37 billion at March 31, 2024 to ₹ 479.51 billion at March 31, 2025.

Our Embedded Value Operating Profit (EVOP) for FY2025 is ₹ 55.34 billion. The breakup of EVOP as shown in slide 17 is as follows:

- The unwind contribution for FY2025 is 8% of opening EV.
- The VNB of ₹ 23.70 billion is 5.6% of the opening EV. The unwind and VNB together constitute 13.6% of the opening EV.
- During the current year, we have strengthened our operating assumptions, which has led to a negative movement of ₹ 2.54 billion. As you may recollect, last year, we had shown a mortality variance due to higher expected claims incurred but were not reported in the group business. We continuously monitored this variance

throughout the year, and we have now aligned our long-term mortality assumption.

- We continue to see an improvement in the Company level persistency and our persistency variance is positive.

Consequently, the RoEV for FY2025 stands at 13.1%. The total economic and investment variance is a negative ₹ 0.24 billion due to the shift in the yield curve and equity market movements. The sensitivity details have been provided in slide 18.

Our VNB and EV have been reviewed independently by Milliman Advisors LLP and their opinion is available in the results pack submitted to the exchanges.

Now back on slide 13, our total premium grew by 13.2% while our expenses increased by 12.6% for the full year. Notably in Q4, our total premium grew by 11.1% while our expenses decreased by 2.1%. Our Cost/TWRP on the savings line of business improved from 15.8% in FY2024 to 15.4% in FY2025.

I would like to highlight that the cost ratios have been improving quarter-on-quarter, and we will continue to work towards aligning a cost structure commensurate with the product mix. The Profit after Tax for FY2025 was ₹ 11.89 billion. Our AUM stood at ₹ 3.1 trillion, and our solvency ratio is strong at 212.2% as on March 31, 2025.

This concludes the financial performance section. Over to you, Judhajit.

Judhajit Das

Thank you, Dhiren. I'll be sharing the salient aspects of our ESG journey. We are pleased to share that we continue to retain the highest ranking in the Indian insurance industry as per two leading ESG rating agencies. We are also delighted to share that during Q4 of this year, we received the **'Platinum Award'** for ESG report for 2024 and the Vision Awards organised by the League of American Communications Professionals.

I will now share the key highlights under each of the ESG focus areas.

Environment: As part of our overall efforts to reduce the carbon footprint, we have adopted green energy across various branches. We have also received the LEED Platinum Certificate, which is a green building rating for the company's headquarters, and IGBC Platinum Green Building Certification for one other branch and we shall continue our efforts to reduce our carbon footprint.

On the **Responsible Investing** side, we are a signatory to the UN Principles for Responsible Investment (UNPRI). We have started annual reporting on responsible investing activities, and we shall continue to remain committed to promote ESG factors in our investment decisions.

On the **Employee side**, our gender diversity ratio has improved from 27% to 30% of women employees in this calendar year. On the community aspect, our goal is to increase financial inclusion to specially designed micro insurance products targeting socially and economically weaker sections. And we have now covered 73.7 million lives as of March 31, 2025. Our 13th month persistency ratio is at 89.1% and is one of the highest in industry. This year we settled more than 3.7 lakh retail and group claims with the overall claim settlement ratio at 99.8%.

On the CSR front, through ICICI Foundation, we have trained 1,200 underprivileged youth for skill development and supported 50 cataract surgeries and 360 underprivileged cancer patients.

Governance: Our Board has a majority of independent directors enabling the separation of the Board's supervisory role from executive management and the representation of women directors on our board has increased to 20%. I would like to reaffirm our commitment once again to create a culture that embraces sustainability and goes beyond goals and targets.

Thank you. We are now happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global Financial Services Limited. Please go ahead.

Avinash Singh: Yes. Good evening. Thanks for the opportunity. A few questions. The first one is on this operating assumption changes. If you can provide some more sort of colour that in terms of expenses, persistency, mortality, morbidity, where sort of assumption has kind of changed that is leading to a sort of an impactful numbers on particularly VNB margin. That is particularly because if we see, I mean, in the variance experience this year in most of the parameters, your operating variances are positive. So, what has led to this kind of assumption changes going toward these conservatives that is leading to this kind of pressure on your margins as well as embedded value and ROEV also has 0.6% negative impact from this. So that's one.

Second is coming to the capital and strategies there. So, one thing, of course if I see in embedded value, the required capital has declined. I mean, for a growth company or in a growth environment, of course, the required capital would be a function of product mix. But generally, I mean, it is kind of rare to see a reduction in required capital in a growth market. And on that front, I mean, your solvency is now, of course, was 192% beginning of the year. Now we have also this sub debt and all. So, at 212%. So, what is the strategy or idea behind raising the sub debt when your solvency is comfortable anyway without having not raised this sub debt? I mean, I'm mindful of the fact that the carry cost would be very limited, not that great. But at the end of the day, you had enough solvency capital.

So, the second question basically is what is leading to the decline in required capital and why this sub debt?

And thirdly, I mean, if I may again, on the partnership channel, so of course you have a long tail of partners, but definitely there will be a few meaningful ones. So, what is leading to sort of this a bit of a growth struggle there, particularly is it something to do with the product environment or is it to do with something like the new surrender value or like what is driving that? Because this question becomes important to kind of forecast the growth particularly next year because this MFI side struggle on credit life will continue at least for H1. And if the partnership business does not fire, then of course the growth is under question. So, these are my three questions, thanks.

Dhiren Salian: Thanks, Avinash. Let me take a couple of them and then I can hand over to Amit. Your first question is on operating assumption changes. If you recall last year, we had seen a large negative variance in mortality. That is one of the components that has gone into this operating assumption changes at this point. You see our philosophy has been that if you start to see some variances and there are negative variances, then we would like to correct them as quickly as we can. We hadn't seen that through most of last year, but we saw that at the end of the year. And as I mentioned in the call, this is something that we have continuously monitored through the year and have taken corrective actions in terms of strengthening of assumptions. So, what you see now with the negative operating assumption of ₹ 2.5 billion roughly, with the positive variances that you see across the other line items, we believe we have been able to cover for what we see at this point in time.

Coming to your second question, which is in terms of our capital strategy, yes, you are right. We raised ₹ 14 billion in Q3. That roughly contributed about 18% to 20% of our solvency. And across the quarter, you have seen the solvency being broadly steady. Now, you also have to keep in mind that about four and half years back, we had raised ₹ 12 billion sub debt as well, which has a call option coming up in November 2025. So that is something that is in our minds as well, whether we need to call it at November. And then if we need to, we could re-raise it. The choices will depend upon how RBC gets implemented and the timeline for implementation of RBC, which you are aware is a discussion that is there in the industry. We are not sure of the final contours of the RBC. And therefore, we are not aware of any potential releases of capital that may come about. Once you've got some degree of certainty in it, we'll be in a position to determine whether we need to re-raise it, or we would let it lapse once the ₹ 12 billion has been called back. So, in anticipation of this is why we had raised the ₹ 14 billion.

Coming to your question on partnership distribution.

Amit Palta: I will take it from here. Thanks, Dhiren. On partnership distribution, first of all, let me share that it contributes to 11% of our overall distribution APE. And while I understand that the growth is relatively muted in this channel, and largely it is on account of them not participating enough in the tailwind which was available in the first half of the year, which was, as you know, unit linked business was supported with positive market sentiment. And typically, partnership distribution channel focuses more on non-linked side of business, so they could not capitalise on the tailwind which was there in the ecosystem. That was one of the reasons why the overall growth for the year looks muted.

Second, of course, there was a kind of adjustment subsequent to change in surrender guidelines where the entire industry was adjusting to the change. And third, from our perspective, we were very happy to say that the business which is of top focus to us, which is protection, there, our mix of protection in partnership distribution actually went up from 15% in the previous year to close to around 20% this year, which means that the business which is of top priority to us, there, partnership distribution significantly added value. So, this is where I thought that I should also bring in context that if you were to look at three-to-four-year period, this is one of the distribution channels which has consistently delivered growth. And on a CAGR basis, if you see they have contributed to around 17% to 18% growth over the last three to four years. So, I believe that now with an environment which is more volatile and the demand for guaranteed products may come back again, and now with their strengths that they have now on protection alongside, I think they will come back, and I would like to look at FY25 as only a transitionary phase.

Avinash Singh: One just, mean, if any discussions currently are happening or talk on the banca or regulation regarding bancassurance or parent bank. I'm aware of the fact that for you it's not a big deal, but any discussion at the industry level, regulatory level happening around the banca because there has been a lot of noise last year?

Dhiren Salian: No, Avinash, we are not aware.

Avinash Singh: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Yes, hi, sir. Thank you so much for the opportunity. So, my first question, again, on the operating assumption, in part, I wanted to understand, EV, as you highlighted, is related to mortality. Wanted to understand on the VNB part what has been the reason? What I got was maybe due to the cost structure going to ULIP, but if you could give it a little bit more granular detail, that would be very helpful. That is the first question.

The second one is, if I were to think about the growth expectations for FY2026. Now, in FY2025 for nine months, we have a very high base. We had very strong growth for the first nine months and also in January. So, if I were to think about it, should we expect a base effect playing out in FY2026, at least in the first half? What would be your comments here to do that? And also, in terms of VNB growth, the absolute VNB growth, should we expect to grow it faster than the APE growth that we should see going forward? And if yes, what would be the levers of those?

Dhiren Salian: Thanks, Swarnabha. On the operating assumption question that you raised, yes, part of it that we discussed in the EV walk has come through from some of the mortality changes that we had to do. Within the VNB also, there will be some element that comes from the expense affordability, which is what we discussed earlier in the comments as well. Given the fact that there has been a shift towards unit linked, that does create a little bit of an expense affordability from a margin perspective.

Coming to your second question in terms of the growth factor, yes, Amit explained in detail what happened in Q4. Now, one of the things that comes about from the market linked product is that typically whenever there is volatility, then you do have a little bit of a pipeline disruption. But I believe as there comes some steadiness in the markets, we are able to build that pipeline back. The other thing that we have also in the unit linked are a variety of other features and benefits that we've added. So, it is not just a plain vanilla unit linked product anymore. There are additional riders which provide benefits for customers, which we think can take away some of the market effects. Along with that, we do have higher sum assured unit linked, which also offers benefits that are different from a plain vanilla unit linked. So, from that perspective, I do believe that we have got some degrees & levers that we have built within the unit linked base itself. And most of this has started to come through over the second half of last year and more towards Q4. So, from that perspective, while yes, the base does look steep when you compare Q1 to Q1 going forward, but our endeavour would be to continue to build upon the numbers that we have and build growth on top of that.

On your third question on VNB, of course, the endeavour is to be able to grow VNB ahead of the APE. And that's what we will continue to work towards.

Swarnabha Mukherjee: Just one follow up on the first question. So, if I look at your overall cost structure, I think largely even in the savings line of business also we have improved as well as when I look at the cost/total premium, it is around 18.1 versus 18.2 last year. So, in terms of the drag related to cost due to ULIP, I just wanted to understand, would there be any other parameter from which we can decipher that and I mean, how to look into it because this was, I think, it was slightly something that is difficult to estimate beforehand. So just wanted your help regarding that.

Dhiren Salian: No, you are right, Swarnabha, difficult to estimate from the outside. But as we have given you some perspective, the unit linked product does have lower affordability and the shift in the product mix does create stress if the expense growth is ahead of what could be afforded within the product mix. The other thing that you'll also see, I would like to mention from a perspective of the underlying business that we have.

There is a great deal of focus on driving the protection component within all product lines. You can see that the number come through in our retail sum assured growth of about 37% year-on-year for the year. So that is another area that we are focused on. So, while we do have the core savings chassis, we are in a position to also increase the protection component within that.

Swarnabha Mukherjee: Right, got it. Yes, very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Yes, thank you for the opportunity. I have two questions. First is on growth. I'm harping on this again and again, but we have challenges in the credit life segment. ULIP will remain challenged, a) because of the high base and the markets being volatile. Even with the non-par product, we are in a declining rate environment where the attractiveness of a 6.5% IRR product versus a 6% or a 5.5% product IRR, we know the difference of that. So, I wanted to understand on a high base of FY25, what would be a realistic number to look towards for growth for FY26? That's my first question. In that, if you can also answer, will group funds continue to be structurally higher for us? Because you know, earlier you used to do about ₹ 3 billion or so of group funds. Now you are doing about ₹ 6-7 billion. So, will that continue to be higher or is it a one off this year? That's the first question.

Now the second question is from your EV walk. There you've given that the persistency and other variance, the number is ₹ 0.17 billion. But in the footnotes, it's written that persistency was ₹ 0.73 billion. So, something in the other variance has been a big negative, right? Can you help us understand what has gone negative over there and any details on that that would be useful. Thank you.

Dhiren Salian: Shreya, let me just pick up the last one. You are right, the persistency and other is positive of about ₹ 17 crores and there's a negative that you see in others. Others essentially a set of small items that are residual within the EV walk. In any case, it is not a very large number at the end of it.

Shreya Shivani: What is it usually? Just for understanding what are these line items basically?

Dhiren Salian: These are the residual components that will be left after accounting for persistency, expense and mortality. So, these will be some minor modeling elements that come through.

Shreya Shivani: Oh, got it.

Amit Palta: So, on growth element, just a few facts I would like to share that you spoke about linked business being challenged in the last quarter and will remain volatile and also guaranteed products not remaining as attractive in a downward interest rate scenario. So let me just share with you some numbers on Q4. Linked business while from expected levels, it was lower but against the correction that you saw in the market, our decline was a very low single digit on a linked business specifically in Q4, despite markets being corrected so much. And it's largely on account of the investment that we have done over the entire of last year in strengthening our unit linked proposition beyond just an investment product. So today it is powered with high sum assured, it is powered with good riders, rider choices that we have offered to the customer and very strong and compelling nominee benefit propositions which are very, very comprehensive in nature. That share of ULIP is now close to around 10% to 12% of the overall ULIP that we witnessed in Quarter 4. So, we are quite confident that this proportion within overall ULIP, which is isolated from market vagaries, will hold us in good stead as we go and start this year. This is something which was not available last year beginning.

Two, some of the things that you spoke about on interest rate correction that may happen. To start with, we'll take it step by step because it is very difficult to envisage as to when the movements will happen, at what point in time during the year. Our job is to keep manufacturing products which are suitable for all varying dynamic economic environments. So, depending upon what customers decides to choose, we should have that available on the shelf. So, like single premium annuity business which was impacted for a large part of last year, because of fixed deposit rates being very attractive, did see a pickup in February and March when this volatility happened and there was a flight to safety on simpler guaranteed kind of products during that phase.

And third, where I'm very confident is that retail protection has remained very, very stable from growth perspective. So, the retail protection is quite steady, which is more than almost 37%, 38% of our overall protection business. Non-MFI side of credit life business also is very stable. In fact, it is growing at a good double-digit growth, close to around 20%. It's only the non-MFI part, which is 40% of our credit life, which has got impacted, which we believe that couple of quarters down the line.

Dhiren Salian: Sorry Amit, that is MFI section that got impacted.

Amit Palta: Yes, non-MFI grew at a healthy rate, but MFI was challenged, which I believe a couple of quarters down the line will follow the trend, whatever is there in the industry to pick up. So, I think we'll take it step by step. We'll see how economic environment emerges. I think we are very confident on the propositions available and our ability to serve our customers irrespective of any changes in the environment that we witness.

Shreya Shivani: Thank you. That's very useful. Did you mention that in the credit life, the MFI segment is about 40%. Is that correct? Sorry, there was a disturbance.

Dhiren Salian: So, MFI had not done too well over the quarter three and Quarter 4.

Shreya Shivani: Okay, fine. But it is now at 40%. That reading is right?

Dhiren Salian: Yes, broadly.

Shreya Shivani: And just the last bit on group funds. Will we structurally keep it high at ₹ 6 to ₹7 billion or can it be very volatile just to work for our modeling purpose?

Dhiren Salian: Sorry, can you repeat that question again?

Shreya Shivani: The group funds business in your product mix, right? Historically, every year you used to do between ₹ 2 to ₹ 3 billion of that, right? This time it is much higher. It is about ₹ 6.6 or whatever.

Amit Palta: So, see I tell you, we have fair coverage. We have invested in our institutional side of business for a very long time. So, we are present everywhere across our employee benefit propositions as well as group fund. So, this is lumpy at times. We get large lumpy deals, at times it works out, at times it does not. So, when it comes, we are happy to take it. And if it doesn't, we won't lose our sleep on that.

Dhiren Salian: Shreya, this is lumpy business. Difficult to predict how it would forecast into the future. But there's money on the table, so we take it.

Shreya Sivani: Sure, very useful. Thank you so much. Just one feedback. You guys used to give the absolute VNB by product segment in your 4th quarter presentations. I couldn't find that in the PPT this time. It used to be very useful, so please do keep sharing that going ahead. Thank you.

Dhiren Salian: Sure.

Moderator: Thank you. The next question is from the line of Zhixuan Gao from Schonfeld. Please go ahead.

Zhixuan Gao: Thank you so much, congratulations on your good set of results. So, we just follow up on the VNB. Do you mind? Do you have that handy and do you mind sharing that with us?

Dhiren Salian: No, Gao, we don't have that in the deck. So, there was anyway context to this. We had introduced that split when we were largely unit linked and we were just growing our protection business. In the current context, as you've seen, the product mix by and large stable across linked, non-linked, annuity and protection. Of course, year-to-year, there are some minor variances. We don't see the relevance of the disclosure at this point. In any case, the market doesn't split it in that form.

Zhixuan Gao: Got it. And sorry to go back to this again, FY2026 growth outlook. I know things are a little volatile, but if I look at the 4th quarter it is -5% and you have previous participant pointed out that the next nine months is high base. So, from a broad range-wise, should we realistically expect a single digit kind of growth or any level that you can guide us towards?

Dhiren Salian: So, Gao it is very difficult to forecast growth. We don't give guidance, but our endeavour is to be able to grow, given the fact that we've got a fairly diversified distribution mix and we've got a fairly diversified product mix. As Amit also explained in the opening comments, our channels have been able to nimbly switch between types of products depending upon the environment. We don't impose any specific threshold in terms of how much specific types of business can be done. And we allow the channels to nimbly switch across from one product line to another depending upon the environment. The whole idea being that you should be able to take part in any opportunity that comes across to you while delivering growth. And that is going to be our endeavour.

Zhixuan Gao: And just to go back to the EV walk on the operating assumption changes, first of all, you said that part of this is mortality assumption changes, do you mind to quantify how much of that? And also, what are the other large items that is contributing to this?

Dhiren Salian: So we mentioned this earlier, we had seen that large mortality variance last year, which is one of the big things that we have taken into account as we have set out our operating assumptions this year.

Zhixuan Gao: Okay, the ₹ 2.5 billion. How much of that is pertinent to FY2025? Just to double check.

Dhiren Salian: So, most of it, actually not, it'll be split between FY2024 and FY2025 mostly, primarily because this is from the group line of business, group credit line of business and group term. So that is all that we had seen from a delay perspective.

Zhixuan Gao: So, the actual FY2025 VNB, which is ₹ 23.7 billion, so we have to deduct some of that from these ₹ 2.5 billion of operating assumption changes?

Dhiren Salian: No. FY2025 VNB factors in assumption changes done on account of mortality. We've not quantified how much of operating assumption change in VNB is due to mortality variance.

Zhixuan Gao: Okay, I understand. Thank you so much.

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

Supratim Datta: Thanks a lot for the opportunity. My first question is on the operating assumption bit. Just wanted to understand that given you had already made an adjustment last year, why didn't you change the assumptions at that point itself? And why did you have to wait for FY2025 to make that adjustment? If you could give us some colour on how you think about this, this would be very helpful given we have been seeing some bit of negative either operating variance or operating assumption change over the last two years?

My second question is on the cost bit. Now, in the initial opening remarks, I think Amit mentioned that the investments will continue. But if growth is slowing down and you are already seeing a fair bit of cost buildup over the last two years, then in that case, there could be significant operating leverage if the cost growth remains at current levels going into next year. So how do you manage that investment versus operating deleverage? If you could give some colour on that? And lastly, you had launched the zero-surrender annuity product last year. I wanted to understand how has the surrender experience has there been till date. Thank you.

Dhiren Salian: Hi Supratim, so the way we think about operating assumption changes is to understand what are the kinds of variances that we get and whether we have a view on these variances being sustainable at that level or they would tend to mitigate. So, at the end of last year, we weren't certain. We had seen delays in the claim reporting in group lines of business, specifically on credit lines. And that is what we saw at the end of the year which was at a negative of roughly ₹ 2.88 billion. Now, as we monitor this experience through the year, we've been able to ascertain what are the kinds of strengthening that we need to do in our underlying assumptions. And that is what you now see resulting in the overall negative ₹ 2.54 billion. Having taken those assumptions on board, what you see are minor positives across the variances this year. So, as I mentioned, we believe we've been able to capture most of it. And that is the reason why we see these positive variances. Of course, the reason why I cannot give you a definite answer is because we will keep monitoring this as time goes by. And our philosophy on this is to be able to catch variances as early as we can and then take them into account as part of our assumption changes.

Supratim Datta: Got it. And will this ₹ 2.54 billion completely go to the FY2025 VNB?

Dhiren Salian: No, I answered that question. Its across the book so it's little difficult to quantify what portion of which year.

Supratim Datta: Got it.

Dhiren Salian: Coming to the question on cost, what you can observe is that we've been able to manage our cost ratios sequentially over the last couple of quarters. And you are right, it is for us to be quite calibrated as we look at growth into the coming year. That is going to be a fair big component because we wouldn't want to get into an operating deleverage situation. And that is going to be an endeavour, very clearly.

Coming to your question on the benefit enhancer. See, one of the things that we've done with the benefit enhancer last year is deferred commission. So, there is no real reason for customers to be able to or any customer to actually ask for the money back just because they are looking at some sort of a return. Because all they are getting actually is the money that they've paid. Of course, they are going to lose the GST component top of it. And the fact is the distributor also has got his commission deferred across the board. So, whatever we have, we have built it as part of our assumptions, and it's baked in at this point.

Supratim Datta: Got it. And Dhiren you have highlighted the commission rate. So, there have been articles indicating that the regulator has been talking about, you know, have expressed their unhappiness with how commissions have increased across both general and life insurance. I just wanted to understand how as a company is ICICI Prudential looking at it and how are you looking at normalising commissions because there has been commission increases that ICICI Prudential has also seen in the last one and a half years. So wanted to understand, how you are looking at it as a company as well. And that's my last question. Thank you.

Dhiren Salian: Yes. Supratim, so the idea is to actually look at overall costs. So, while we've been able to respond to the market in terms of increasing commissions where relevant and do that in a stepwise fashion, what we've also done is take steps to be able to reduce our opex cost elements as well. So, if you look at the overall cost base from FY2024 to FY2025, that overall cost has gone up by about 12% to 13%, where we've seen the topline grow at 15%. So, we are quite cognizant that while there may be some expense increases along the commission line, and we calibrate that in line with the market, we will have to ensure that our residual opex has got some sort of a decrease such that we are able to keep our overall expenses under control.

Supratim Datta: Thanks a lot.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, hi. Just a couple of questions. Firstly, on the VNB walk, you have given a positive impact of VNB from product mix of about 200 basis points. If you look at your product mix, ULIP share has gone up, protection has gone down, group fund has gone up. So where has this benefit come in from? That would be my first question. And second, last year you had taken a ₹ 2.88 billion hit of mortality and morbidity variance in your EV. And that was again with respect to this business, what you spoke about in the assumption changes. Now again, you have taken about ₹ 2.3 billion. We are talking about almost a ₹ 5.1 billion hit of this underwriting or mortality experience which is at worst. Is it like everything is factored in or we can expect some more changes? How should we look at this? That will be two questions.

Dhiren Salian: Yes, Prayesh, just a quick correction in what you said. What you saw last year was a variance of negative ₹ 2.88 billion. What you see this year is a negative ₹ 2.5 billion of assumption changes, which essentially is multi-year variances built into it. So therefore, when you look at the current set of variances, it's positive across other line items of persistency, mortality, and expenses. Seeing those positives, what we believe is we've been able to take into account all that we have been able to observe out of our portfolio so far. Otherwise, you would not have ended up with the positive variance. That's your second question. On your first question, yes, so the business profile that you see as positive, factors the shift in the product mix, which as you rightly pointed out would have been negative given the shift towards unit link and of course the drop in MFI. But as we've mentioned, we've been working towards improving the underlying profitability of our portfolio through increasing policy terms, sum assured multiples and rider attachment. Like I mentioned, the overall retail sum assured has grown very strongly by 37%. So, what you now see is the impact of the shift in the product mix that's again countered by the effects of repricing and the underlying profitability that we've built into it. And that has resulted in the positive 2%.

Prayesh Jain: And within that, that's where your VNB mix helps us to understand the profitability of each of the product segments. So, it would be great if you could reshare that because that helps us understand your product profile even better. So that would be helpful if you could share that. Thanks.

Dhiren Salian: Noted, thanks.

Moderator: Thank you. The next question is from the line of Aditi Joshi from JP Morgan. Please go ahead.

Aditi Joshi: Yes. Thank you for the opportunity. Just a couple of questions. Firstly, in the VNB margin walk, we have this impact of economic assumption change of minus 60 basis points. And I think we have already re-priced some portion of the non-participating product in the last year. So just wanted to understand like the reason behind it. The reason I'm asking is that when you look at your EV sensitivity to reference rates, it gives you a positive sensitivity. I understand that it's mostly related to the discount rate as we are using the market consistent embedded value. But just wanted to understand like when we take both of these two under consideration at the same time, it's still a negative impact on the VNB margins, if you can help understand like what all factors are playing here? And second on the persistency side, more on the longer-term cohorts, there seems to be somewhat decline. is it mainly from the COVID years and going forward shall we expect that to improve? Yes, that's all. Thank you.

Dhiren Salian: Yes, Aditi, the economic change that you see in the VNB walk is largely on effect of the yield curve. Now, technically, we should be able to reprice every month. Unfortunately, that itself is a challenge that one cannot execute. So, to the extent that we were unable to reprice, and we had seen that in the first half of the year, because we had to make all the changes due to the surrender value guidelines, we were unable to reprice some of our interest rate sensitive products through most of the year. But this element at the end of the day is small. It's about 0.6%, which is a function of how the yield curves have moved through the year and the pricing of the products at various points in time. Coming to your question on persistency, I think you believe you are referring to the 61st month. A large portion of the portfolio that sits in the 61st month is unit linked, where we've been able to get our customers to continue staying in the product even though they are not paying premiums. There's something called a cover continuance option, which allows the customer to continue to enjoy the benefits while they are not making the premium payments. So that, while it is value accretive to the company because we do earn FMC of the funds that are resident with us as well as the residual mortality elements, it does show up as a minor negative in persistency.

Aditi Joshi: Okay, got it. Just one follow up to my question, my first question. On the Slide 69, you have shared the reference rates and it has been broadly in the shorter tenors going slightly downwards. So just wanted to understand that the NBV margins that we have reflected in the earlier slides, it's basically adjusting these reference rates, right? Post adjusting these reference rates and then economic assumption and downward revisions. So, it's a combination of both?

Dhiren Salian: Yes, so the VNB margin does take to account the reference rate movements through the years. The sensitivities that you see are effectively built on the reference rates that you see at March 31st towards the end of the year. One of the interesting parts that you see from the reference rate is that it has become far steeper than what you had seen at the end of last year.

Aditi Joshi: Okay, thank you.

Moderator: Thank you. The next question is from the line of Umang Shah from Banyan Tree Advisors. Please go ahead.

Umang Shah: Yes. Thank you. Thanks for the opportunity. One question was with respect to the annuity product that we launched in Q4 of last year. Now, I understand that this year's Q4 would have a higher base. But could you explain why there was a decline on a year-on-year basis for full year FY25?

Dhiren Salian: So, Umang, last year when we had introduced the product, we actually had a lot of ATL support along with our new product thrust. So effectively, we had a very high base. In fact, in Q4, it was roughly about 20% of the business was coming in from the annuity. But as you look at through the year, that has stabilised and it's come more closer toward the 8% mark. So, on an incremental basis, we still do in the range of 8% towards annuity. But when you compare it year-on-year, you do see this base effect come through.

Umang Shah: Sure. And sir, we have become quite active in the group fund space. Any reason why we picked it up in FY2025? And if possible, what is the range of VNB margin that we earn here?

Dhiren Salian: So, Umang, we have been very active in all group lines for many years now and we have been picking up group funds wherever available. As Amit also explained, this is the set of superannuation funds that are available in the market. This does have lower margins relatively, but there's money on the table and we are quite happy to take it.

Umang Shah: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. Can you share the approximate share of ICICI Bank in your APE for FY2025?

Dhiren Salian: Yes, Nidhesh, it's roughly in the range of 14%-15%. It's been broadly steady through the year.

Nidhesh Jain: Okay, so it has now stabilised and is growing in line with the company?

Dhiren Salian: Yes, it's broadly stable, Nidhesh, through the year.

Nidhesh Jain: Sure. Second question is on VNB margin walk again. So, the unaffordability because of ULIP, that should be a part of a new business profile, right? Because if ULIP share is going up, then that is a product mix change and not the assumption change. Or you have changed the unit cost assumption for ULIP and non-ULIP and that's why you reflecting it in operating assumption change?

Dhiren Salian: Yes, under the IEV, we are supposed to reflect all costs at the end of the year. So, if there is an update to the expense unit cost, then that gets reflected under operating assumption. Unlike other formats where you could work with the long-term cost and show an expense variance, under the Indian embedded value you can't do that. So, you have to reflect all costs at the end of the year and true them up. So, if there is a change in your unit cost that gets reflected in the assumption changes.

Nidhesh Jain: Okay, so but you have not changed the long-term unit cost assumption. It is just that FY2025 the costs are high. So that's why for that...

Dhiren Salian: No, Nidhesh. Under the IEV, there is no concept of long-term unit cost.

Nidhesh Jain: Okay. So basically, the way to understand is that ULIP margin in FY25 is lower than ULIP margin of FY24, that's the way to understand it or?

Dhiren Salian: No, that's not. That's not the way to understand it. It is just that whatever expenses that we have, we have reflected that within the VNB walk itself under the operating assumption. Not all of it is expense, but yes, we reflected whatever we had.

Nidhesh Jain: But we have not changed any expense assumption. It's just the experience of FY2025 that's reflected in the VNB walk?

Dhiren Salian: That is right. Given the fact that the mix had shifted towards unit linked.

Nidhesh Jain: And EV walk assumption change is entirely because of mortality?

Dhiren Salian: So, EV walk has got other components within it, but this numbers largely explained by mortality.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Wealth Management Limited. Please go ahead.

Madhukar Ladha: Thank you for taking my questions. Just two quick questions. Number one, I think as an answer to one of the previous participant’s questions, you mentioned that in that operating assumption variance, there is some component of FY2025 VNB as well. Is my understanding correct? And if that is the case, then to some extent would it be fair to say that that 22.8% VNB margin is slightly overstated and hence going into FY2026 that should come off just, not taking into account any other change, but just on a like-to-like basis?

Second question would be just on an overall growth. I know we always aim for VNB growth and we were sort of targeting about a 15% VNB growth in the beginning of the year, but we have ended up just about 6% to 7% VNB growth. Retail APE growth has been around 11%. Can we get some sort of realistic expectations for retail APE growth going into FY2026 that will be very useful. Yes, those would be my two questions. Most of my other questions have been answered.

Dhiren Salian: So Madhukar, let me clarify for the other participants also on the call. When we take the operating assumption changes for the current year as part of the EV, this reflects all known experience that we have at this point. So, when you look at the walk that you see currently, the VNB margin that at the end of the day accounts for all of these adjustments as well. Having made those adjustments, what you are seeing residual are small positives around persistency, mortality and expense. So, to say at this point that we would see something negative coming through, I don't think is correct. To the extent that we know and we have been able to see, we have reflected that as part of the assumptions. I hope that clarifies that point.

The second bit around retail business, for this year we've seen retail grow quite strongly. One of the challenges that we came across during the year was on the credit life and specifically on the MFI side where we saw declines and this is something that is not within our control. This is what the environment is at. This has been well discussed in other forums and to the extent that while the MFI business may be soft for the coming quarter or maybe further, we do not have any control over that. What we will do is we will work beyond that and will be able to build other lines of business.

Madhukar Ladha: Given your retail APE growth is 11%, right? It's the group APE which has driven the total APE to 15% growth. So that's where I'm coming from.

Dhiren Salian: No, actually, if you look at Slide 9, you can see that retail APE is at 13.3% which takes along with group, it takes the overall APE at 15%. If you look at the retail APE number, that's at 13.3%. RWRP does have an element of modal business in it, but this is the number that you compare when you look at year-to-year.

Madhukar Ladha: Yes. Got it. Thanks.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Yes, thanks for the opportunity. A couple of questions. One on VNB margins. So your report on embedded value results have given a breakup of VNB for savings and protection separately, so we can calculate the protection and savings VNB margins. It seems like in the protection segment, the margins have come down significantly this year, despite not much change in the mix of protection that you have been able to record in terms of APE. So just wondering what is the reason for such a significant drop almost from a 75% to a 55% VNB margin on the protection side. And the second question is your sensitivity to reference rates on VNB margin seem to be significantly higher than some of your peers as well. And, you know, as of last year, you were giving sensitivity to VNB and it seems like almost 100 bps reference rate change, changes the VNB by 15% point for you roughly. So, what are the products that are driving that and are we doing something to reduce the sensitivity? Thank you.

Dhiren Salian: Yes, Rishi, if you look at the reference rate change to VNB, frankly, this precludes any management action. So, we discussed this earlier also on a different question, we would be in a position to reprice it. Sometimes you are not in a position to reprice it every month, but the idea is to be able to catch up and reprice this at every possible opportunity. So, to the extent that we are able to catch this repricing, we are in a position to correct whatever gaps that we see in terms of the margin outflows. So, while yes, you are right, this number does look fairly steep. But in some form this does get caught at every point. So, some of the changes also to the other question in terms of the protection margins are largely around the updates that we have done on the mortality which have flown through. But a large portion of the business again is on the group side, which we'll continue to look at pricing as time goes by.

Rishi Jhunjhunwala: So, protection, these are the sustainable margins from here on?

Dhiren Salian: Sorry, can you repeat what you said?

Rishi Jhunjhunwala: Yes, I was asking that the FY2025 protection VNB margins, are these the sustainable margins going forward?

Dhiren Salian: See, we would expect these margins to improve as time goes by, and we've got an opportunity to correct these via pricing actions that we have on the ground.

Rishi Jhunjhunwala: OK. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Good evening sir. A few questions from my side. First, if I look at your 13th and 49th persistency on the non-linked business, on a Y-o-Y basis there seems to be a good amount of decline. If you can shed some colour on that. Second on the non-par you mentioned that while growth has recovered in the 4th quarter, if I look, let's say on a two-year basis and compare with March '23, even excluding the one-off which you had mentioned at that time of around ₹ 5 billion, there is actually a decent high single-digit CAGR decline on a two-year basis also. So, what gives you confidence that this segment should really pick up on a low base going into the next year? And lastly, going back to the question of the previous participant, is it fair to assume that ex of the credit life business, the other segments like retail protection and also maybe the credit life business, the margins have seen some amount of moderation? So those are my three questions.

Dhiren Salian: So, on your question on non-par, yes, through the year, this had declined. But what we've seen in Q4 is a resurgence of non-par primarily on the back of the GIFT Select product that we had launched there. And given the current economic conditions where things are a little volatile, we believe this would be a product that would do well in this sets of market conditions. With regard to your question on persistency, there have been some changes, yes, some minor drops that we've seen in terms of persistency, but that's largely around certain segments which we will look at correcting as we go through the year.

Dipanjan Ghosh: Sir, the question on protection margins, subsegment wise, they have been stable or kind of seen some change, ex of group term?

Dhiren Salian: No, so on the retail side, we are holding margins on the protection side.

Dipanjan Ghosh: So then one data keeping question, would you like to specify the non-par mix? I mean, normally you give a broad range for the year?

Dhiren Salian: Yes, so roughly for this year Q4, we're at about 50-50, thereabouts, we're 55-45 on the par side in Q4.

Dipanjan Ghosh: Got it. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Raghvesh from JM Financial. Please go ahead.

Raghvesh: Congratulations on strong set of numbers. So broadly I wanted to understand the ULIP margin bit. So of course, you have not given it out this year. But the assumption is that as the volume growth has been much stronger in this year, 15% growth, the margins should have come up from the levels which we saw in the last two years. So if we assume something like a similar growth for the next year, somewhere around 15%, do our margins further improve on the ULIP bit, if you can give that even quantitatively?

Dhiren Salian: So, the margins on ULIP are slightly higher than that they were last year. But a large portion of that does come about based on the features and riders that we have attached as part of the products. So, as we continue to attach more of them, we should be in a position to improve the underlying profitability of that line of business.

Raghvesh: And this attachment, we have actually started much towards the end of Q3 and beginning of Q4. So, the next year, we should see the full impact?

Dhiren Salian: If we are able to sustain the momentum, it should help. And that will be our endeavour.

Raghvesh: Yes, of course.

Dhiren Salian: Sorry, Dipanjan, I think I misspoke on Quarter 4, and this is pointed towards Dipanjan, Quarter 4, Par, Non-par has been roughly half-half. Just a quick data keeping item there.

Moderator: Thank you. The next question is from the line of Prakhar Sharma from Jefferies. Please go ahead.

Prakhar Sharma: Thank you. Just two quick bits. One, is the steepening of yield curve positive from doing the business in the non-par side? Last year practically everything was around, you know 7.2 to 7.3 now, it's like 6.6 to 7.5. So, does it allow you better flexibility to do non-par at better margins? That's first question.

Dhiren Salian: Yes. So, Prakhar, it does allow flexibility, but of course it is depending upon the environment and we've been in position to correct our prices or update our prices based on how the market also evolves.

Prakhar Sharma: And any comments around the distribution related regulations, both on bancassurance and the amendments to the act on agency?

Dhiren Salian: None at this time, Prakhar.

Amit Palta: We have not heard anything on that front till now.

Prakhar Sharma: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Thank you for the opportunity. There is an observation. If you see the 4th quarter, the non-commission cost has meaningfully come down compared to what you usually report in 4th quarter compared to third quarter. We saw that kind of phenomenon probably in COVID year. So, this significant cost cutting, especially in the employee cost has also played a meaningful role for margins to hold up to nine months number. I just wanted to check whether this cost, what you reported in the 4th quarter is a new normal or is it a sustainable number going ahead to look from margin perspective? That's my first question.

And the second question was just maybe wanted to check is that, this assumption change which you have spoken about, I don't know whether I might have missed it this is largely a reflection of non-retail protection business, right? So, in the retail protection business, are there any meaningful assumption changes or it is largely related to non-retail protection business?

Dhiren Salian: So, let me take a second question first. Yes, the assumption changes can largely be explained by the group side of business, which is the non-retail side. Coming to your other question on cost ratio, rather than look at the split between commission and non-commission, the idea is to be able to manage the overall cost ratio put together. The endeavour that we will have is to keep our overall costs in line with the product mix and therefore the affordability that we are able to generate out of this. And we would like to keep this as low as possible while of course continuing to invest in areas that we think give a strategic advantage, such as IT digitisation, as well as supplementing channels with the feet on street where required.

Sanketh Godha: Okay, but this cost is a sustainable cost, what you delivered in 4th quarter?

Dhiren Salian: The idea is to be able to keep costs under control across the quarters as well.

Sanketh Godha: Okay, I got it. And lastly, this new non-par product somehow has cannibalised into your regular pay deferred annuity, zero surrender product. So that's probably one of the reasons which led to a muted growth in annuity. So, there is a bit of cannibalisation among the products to some extent?

Dhiren Salian: No, we don't believe so. These are two different lines of business. The annuity product is targeted more towards a person who is nearing retirement, the regular pay annuity, which would typically be a 55 plus. A single pay annuity would be targeted at a 60-60 plus. Whereas the Gift Select would be targeted at a much lower age.

Amit Palta: Also, this annuity product that we launched last year, prior to that, our annuity mix used to range between 4% to 5%. So even now, after having stabilised the momentum that we got last year Quarter 4, we are still at 7% to 8%. In fact, 8% is what we delivered as an annuity mix. So, annuity is holding on its own. And like what Dhiren mentioned, it is more appealing to customer who's nearing retirement. Whereas Gift Select is targeted for relatively younger customers looking at that product for his own consumption needs and hence he looked at liquidity as one of the features which appealed to them. So very, very different products.

Sanketh Godha: Got it. Dhiren, one more thing. If your contribution of MFI or group protection comes off because that's where your assumptions have been a little off. So, if large part of the protection in subsequent years is driven by retail, then this 54%-55% margin what you reported in the current year should go back to those 70s level or even irrespective of the product mix the new normal is somewhere around 55% in the protection business?

Dhiren Salian: No, as we are able to correct some of the pricing actions on Group as well, we should be able to bring this up.

Sanketh Godha: Okay, got it. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Mohit Mangal from Centrum. Please go ahead.

Mohit Mangal: Yes, thanks for the opportunity. So the first question is on the agency counts. If I look on a gross basis, we had about 60,000 agents that were hired. But on a net basis, if I look, it was just 20,000. And so basically 40,000 agents were out of the system this year. And even if I look at last year, this number was around 35,000-36,000. So, is it right to assume that 35,000 to 40,000 agents would not be a part of the system every year, no matter how much we kind of hire?

Dhiren Salian: So, Mohit, the idea is that we would like to add productive agents, but the reality of the market is that most agents in India start off being part-time and then they graduate to full-time. So given the set of training architecture that we have deployed, both for our frontline as well as for agents, as well as the targeted approach that we have in terms of product training, we believe we should be able to get far more productive agents as time goes by and as these training programs become embedded within our systems. Now, this is in terms of how agents get added and the count of 60,000 that you pointed out is going through these training programs through last year as well as into the coming years. Now, the reduction of agent comes about from agents who have not really been performing and we take a fairly long view of it. Typically, agents who have not generated any business for four years, five years, they are the ones who come onto the deletion criteria. Because we do believe to give agents sufficient amount of time to be able to be productive and add to the topline of the company. There is no reason for us to be, because all of our agents are on a commission basis, there's no reason to be able to cut them off as quickly as possibly a year or so. So, some of the agent count deletion that you've seen are from agents who haven't performed for the last few years.

Mohit Mangal: All right, understood. My second question is in terms of repricing. So have we done any repricing on retail protection front over the last one year, say for a sum assured greater than about a ₹ 10 million or something?

Dhiren Salian: So, Mohit, repricing does come about through the year. Whenever we see some segments that we would like to update prices, both up as well as down, we do that through the year as well. So, there isn't a single point where we take a big step change, but we would rather do this in segment and across the year.

Mohit Mangal: Understood. That's very helpful. Thanks, and wish you all the best.

Dhiren Salian: Thanks, Mohit.

Moderator: Thank you. The next question is from the line of Manas Agrawal from Sanford C. Bernstein. Please go ahead.

Manas Agrawal: Two questions, one on the economic variance that we've reported. Can you split this into debt and equity? I assume debt could be positive and equity would be negative, but correct if I'm wrong. And the second question is, can you help understand ballpark, what is the contribution of 80C to Q4 or March sales? Because if I just look at the numbers for March trendline over time, it does seem to be a non-trivial amount.

Dhiren Salian: So Manas, 80C has not really been a big drive for us for many years now. Even when we had gone to IPO, when we had a large number of cases that were coming on the Unit Linked side, the ticket sizes of these products have been typically in the range of ₹ 150,000 to ₹ 200,000. Even now, when you look at the breakup of ticket sizes, that is part of our pack towards the end, you will see that with these sets of ticket sizes, the kind of, let's say the kind of reliance that customers would be taking towards 80C would be extremely small. I cannot rule out that people would not be taking advantage of this for 80C. But when you are looking at ₹ 150,000 to ₹ 200,000 ticket sizes, the expectation is that they would have covered these up through other investments. And they are using this essentially to be able to save for the long term and towards goals that they have set out.

Manas Agrawal: Thank you, And on the first question on economic variance?

Dhiren Salian: So this is split across both debt and equity. Let me just get back to you on that one. I don't have a break up at this point, Manas.

Manas Agrawal: But directionally when rates have gone down, the debt should be up. I think you said that it's both negative.

Dhiren Salian: No, it's countered by both.

Manas Agrawal: Okay, I'll await details and maybe take it offline.

Moderator: Thank you. The next question is from the line of Neeraj Toshniwal from UBS Securities. Please go ahead.

Neeraj Toshniwal: So, if I add back the assumption change, operating assumption to your protection VNB, the normalised protection margin will be 70%, so it would be much lower than last year. Would it be right to say that the overall protection margin specifically has gone down and what is the right number we should be working with as you mentioned that there will be some pricing improvement, so it won't stay at 55%.

Dhiren Salian: So, Neeraj, we will work at bringing the protection margins up back to last year's levels. That will be our endeavour.

Neeraj Toshniwal: Yes, but even if I claw it back, it would be more than 70%. It won't go to 75%, which you have seen earlier. So maybe you can look at the average of last three years, because it includes variances of earlier years also. So that is about 67%. So wouldn't that be the correct way to looking at it, because it's not just one year which is impacted here, know, assumption change?

Dhiren Salian: Yes, the pool put together and it's fair to look at 60% to 70%.

Neeraj Toshniwal: Okay, that is one thing. Second, of the operating assumption in the VNB margin of 3.3%, can we call it out how much is from mortality and how much is from expenses?

Dhiren Salian: We've not called it out. Like I said, the large portion of the operating assumption change can be explained by the update to the group side mortality.

Neeraj Toshniwal: So, what is the normalised or maybe the fair question is what is the next year in terms of obviously you are seeing faster growth that you know probably looking at growing faster than APE, can we have some insight into how much APE growth can we actually you know built through next year?

Dhiren Salian: Neeraj, very difficult to call into next year given the current volatility and the environment conditions. However, I think if you were to look at a medium-term perspective, I think we should be able to build in a range of 13% to 15 % APE growth definitely as an industry and we would like to outperform on that perspective. But over the shorter term, quite difficult to call.

Neeraj Toshniwal: That is helpful. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference call to Anup Bagchi for closing comments.

Anup Bagchi: Thank you everybody for joining and have a great evening.
