

July 22, 2025

Ref. No: HDFC Life/CA/2025-26/29

Listing Department

National Stock Exchange of India Limited

Exchange Plaza, Plot No C/1, Block G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai- 400 051

Listing Department

BSE Limited

Sir PJ Towers,
Dalal Street,
Fort,
Mumbai – 400 001

NSE Symbol: HDFCLIFE

BSE Security Code: 540777

Dear Sir/ Madam,

Sub: Transcript of earnings conference call for the quarter ended June 30, 2025

We wish to inform you that pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings conference call with analysts and investors held on Tuesday, July 15, 2025, to discuss the financial performance of the Company for the quarter ended June 30, 2025.

The said transcript is also hosted on the Company's website at <https://www.hdfclife.com/aboutus/investor-relations>.

This is for your information and appropriate dissemination.

Thanking you,

For HDFC Life Insurance Company Limited

Nagesh Pai

Company Secretary & Compliance Officer

Encl.: As above



HDFC Life Insurance Company Limited Q1 FY26 Analyst Conference Call

July 15, 2025

Vibha Padalkar:

Good evening all and thank you for joining us for our earnings conference call for the quarter ended June 30th, 2025. Our results, along with the investor presentation, press release and regulatory disclosures, have been made available on our website and the stock exchanges.

Joining me on 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 ESG.

On a macro-economic context:

FY26 has commenced on a steady note, even as the broader global environment remains uncertain, shaped by trade frictions, geopolitical tensions and divergent growth trajectories across markets. India continues to display relative resilience, though recent high-frequency indicators suggest a mixed picture. On one hand, flows into capital markets have been strong, supported by investor confidence. On the other, trends in consumption and early corporate earnings point to pockets of caution. In this context, life insurance remains a compelling choice, anchored in long-term savings, risk protection and financial discipline. Our product and distribution strategy is well-positioned to serve evolving household priorities, and we will continue to assess and adapt our outlook as the year progresses.

Moving on to business performance:

Q1 FY26 began on a strong note, with healthy growth across topline, value of new business and steady margins. Individual Annualized Premium Equivalent (APE) grew by 12.5% year-on-year, translating into a robust 2-year CAGR of 21%. We outperformed both the overall industry and the private sector, resulting in a 70 bps increase in our market share at the overall level to 12.1%, a new milestone for us, and a 40 bps gain within the private sector, taking our share to 17.5%. Over 70% of new customers acquired in Q1 were first-time buyers with HDFC Life, underscoring our customer acquisition strength and deepening presence across Tier 1, 2, and 3 markets. Growth during the quarter was led by higher average ticket sizes, supported by traction in select Unit linked and Par products. As the year progresses, we expect a more balanced contribution from both ticket size and policy volumes.

Moving on to product mix:

Our product mix remained well-balanced with ULIPs at 38%, participating products at 32%, non-par savings at 19%, term at 6% and annuity at 5%. Contrary to initial expectations, demand for ULIPs remained strong, supported by sustained strength in equity markets. However, our ULIP mix remains lower than the industry and broadly range-bound. We anticipate a gradual shift, rather than a sharp swing in favour of traditional products over the course of the year. Participating products have gained traction, driven by refreshed propositions and heightened

macroeconomic uncertainty. Both our new offerings, Click 2 Achieve Par Advantage, as well as relaunch of an existing retirement product, have gained significant traction. The refresh also enabled sharper, need-based selling across older age cohorts and deeper Tier II/III markets in select channels.

Non-par savings has temporarily moderated for us in this quarter, as we fundamentally believe in staying away from irrational pricing. We remain confident that this segment, of which we have been the pioneers of, will bounce back buoyed by a steeper yield curve. Our non-par annuity business registered a healthy growth of 25% in terms of new business premium.

Retail protection continued to grow faster than the company average, delivering a robust growth of 19% on a YoY basis and a strong 2-year CAGR of 23%. Credit protect also saw a recovery, aided by higher disbursements, improved attachment rates and expansion into new lending segments. Whilst the MFI segment remained soft, the pace of de-growth slowed amongst larger partners, thanks to a more stable regulatory backdrop and favorable base effect.

Retail sum assured grew in double digits and registered a 30% CAGR over two years. We maintained our leadership position in overall sum assured, reinforcing our position as a market leader in protection.

Moving on to financial and operating metrics:

In line with our outlook at the start of this year, the Value of New Business (VNB) for Q1 FY26 stood at ₹ 809 crore, a growth of 12.7% YoY and a 2-year CAGR of 15%, with new business margins steady at 25.1%. We are pleased that a 30 bps downward impact of the revised surrender regulations as well as investments into augmenting our Proprietary channel and Project Inspire, was offset by a better product profile.

As indicated, we are consciously reinvesting any margin gains into building long-term capability. As we deepen presence across Tier 2 and 3 markets, we continue to front-load investments in distribution and technology. With 117 branches added in FY25 (taking our total to 658), and incremental assets from Project Inspire getting rolled out through FY26, we remain focused on scale and efficiency. We expect to maintain margins through the year, balancing short-term dynamics with our long-term agenda of sustainable and profitable growth.

Embedded Value increased to Rs. 58,355 crore, with an operating return on EV of 16.3% on a rolling 12-month basis, a more representative view that smoothens out Q1 seasonality. Solvency remains robust at 192%. Profit after tax grew 14% to Rs. 546 crore, driven by a 15% growth in back-book profits.

Renewal collections registered robust growth of 19% YoY. Persistency metrics remained healthy, with 13th and 61st month persistency at 86% and 64% respectively. 61st month

persistence improved across cohorts, supported by stronger retention in long-term savings products. The 13th month metric remains stable sequentially and in line with actuarial assumptions.

On distribution highlights:

All channels recorded healthy growth. Counter share within our parent bank held steady. Our focus remains on enhancing this channel's economics through a multi-pronged strategy: diversifying product mix, driving cross-sell and upsell, leveraging the bank's digital assets, and elevating customer experience. We recorded healthy growth in other bank partnerships as well.

Our agency channel delivered a 2-year CAGR of 10%. Post the changes in Surrender Regulations, industry-wide growth in agency has been uneven. The channel maintained a healthy double-digit protection mix and profitable growth. We have initiated an Agency Transformation Program aimed at boosting activation, productivity and long-term viability. Agent additions remain strong, with 23,000 new agents onboarded in Q1 FY26. Business from branches opened in the last 18 months now contributes a high single-digit share, in line with our expectations. We continue to focus on improving profitability at a branch level.

As part of more meaningful disclosures, we have now grouped brokers and non-bank corporate agents under the 'non-bank alliances' category. Our distribution strategy remains focused on broadening reach and recalibrating our market approach to unlock newer opportunities.

Moving on to regulatory updates:

Over the past few years, the life insurance industry has seen a series of regulatory changes aimed at enhancing customer transparency and strengthening sectoral governance. Throughout this period, the industry has demonstrated resilience, with underlying value pools continuing to grow steadily. Encouragingly, recent commentary from policymakers indicates a shift toward a more stable and consultative regulatory environment. Specific concerns, such as mis-selling, are being addressed through industry-wide efforts, including our own focus on right-selling and process improvements. As one of the leading insurers, we remain aligned with the broader regulatory vision and continue to proactively strengthen our disclosures, effective sales practices, and customer experience. We believe such balanced regulation will support long-term growth and deeper penetration, particularly as bancassurance and open architecture become key levers for expanding insurance access.

Among other updates, we are pleased to share that MSCI has upgraded our ESG rating from 'A' to 'AA', placing us amongst the highest rated insurers in India and the region.

While the external environment remains dynamic, our fundamentals have held strong; anchored in a balanced product mix, a diversified distribution footprint and a consistent focus on

innovation, customer centricity and disciplined execution. Our aspiration is to continue to outpace industry growth whilst sustaining our position amongst the top 3 in India. As we mark 25 years of serving Indian households, we have planned a series of initiatives through the year to engage with our stakeholders and reaffirm our commitment to being a trusted partner in financial protection. Thank you, once again, for your continued trust and support.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Good evening. Thanks for the opportunity. A couple of questions, first one is on margin. If we look the shift of around 16% between par and non-par mix, the margin is still holding up, it's a commendable performance. Is it kind of supported by the product level margin changes, due to higher rider attachment, changing PPTs, or due to some support from yield curve movement? If I look at that context, a quarter earlier, in your call, you were sounding more confident about margins than APE growth in the first half. But on that note, the margin outcome has not come that great. I mean, if I look at product mix, of course, great. But what changed since Q4 results to Q1 that led to this higher acceptance or demand for par.. Second question is on persistency. I noticed a sharp improvement in 61st month, but let me focus on the marginal worsening of persistency in 13-month. So, if you can help in understanding, what has led to this marginal deterioration in 13-month persistency? And on the note, with the sharp improvement in 61st and maybe some bit of worsening in 13th, is that contributing meaningfully positive towards operating variances?

Vibha Padalkar: Yes, so I will take the in-between question of what I was sounding like last quarter. If I recall, I was saying that margins will remain range bound and growth at that time seemed like it's going to be somewhat muted because of the macroeconomic scenario, which I think will probably continue for another quarter as well based visible slowdown in consumption as well as the tariff situation still being up in the air. So, I think we have delivered well. In fact, if you look at slide 14, which shows the margin walk, we started off with a handicap at the beginning itself of 25.0% really being 24.7% because of the impact of surrender charges. So, there has been an expansion of margins of 40 basis points to get to 25.1%. That is one. And second is, something that I had mentioned earlier, last year first quarter, we grew by 31%. So, again there was a base effect, which we had called out. And so, against that base effect, growth of 13% is very much along expected lines. But just the mathematics of that will mean that there is a fixed cost absorption and the impact is 0.6%, which should, as the year pans out, that fixed cost absorption's negative impact should disappear. So, I think very much in line is how I see things. Niraj, over to you in terms of the shift in mix.

- Niraj Shah:** So, we have maintained a pricing discipline. Vibha spoke about it to some extent on the call as well. The shift in non-par mix, as you know, is basically a result of some of that. The environment is still fairly upbeat as far as equity thought process of customers is concerned, which is reflecting in the unit-linked mix, which is steady. We managed to maintain our pricing discipline on the non-par side. The mix has come down because of the equity environment as well as, letting go of some business because of irrational pricing. We expect the mix to inch up as the year progresses and as some of this pricing calibration happens in the industry. As far as unit-linked mix is concerned, while the mix remains similar, the level of protection we have been able to attach has increased. So, that has helped us improve our inherent margins in unit-linked while the mix has remained the same. And the participating products are inherently longer term. So, the margin extraction on par has also improved compared to what we have had in the past. So, at a very broad level, what's happened is that the delta between segments on margin has come down over the last couple of years. And that is something that helps us maintain a fair bit of flexibility on product mix as we go forward as well.
- Vibha Padalkar:** Yes, and one other point, just going back a quarter, we had expected some moderation in unit-linked. There were many things on the political front also happening. There was a lot of uncertainty that was just an overhang. But that does not seem to be the case and unit-linked still has fairly robust demand. So, that is a reality. And like Niraj said, we have worked on some of the product profiles to increase the inherent profitability of some of these products.
- Eshwari Murugan:** On the persistency, in the 13-month we have seen a drop of around 1% mainly because of the proportion of large ticket sizes which has reduced post the changes in the taxation. And this is already accounted for in our assumptions because when we look at assumptions, we see the experience by various parameters of which premium size is one of them. So, we already knew that the persistency is going to be lower and that is why you see that the operating variance is still a small positive, it is not a negative, which would have been the case, if we have allowed for higher assumptions. On 61st month, yes the improving persistency is mainly coming from the product we sold 4-5 years ago, and we have been seeing a gradual improvement in the persistency 13th, 25th and so on. That is definitely going to give a better profitability and that is also factored in our assumption. Hence, we don't see any big operating variance in either direction when you look at our EV walk.
- Moderator:** Our next question comes from the line of Shreya Shivani with CLSA.
- Shreya Shivani:** I have two questions. First was on the ULIPs itself. Just on the basis of interaction with other industry participants, your performance on the ULIP front has been quite different. As rightly mentioned by one of you, you're attaching more protection over here, probably that's still pushing more ULIP sales? But can you help us understand that has there been any change in the ULIP product design that you were selling till 4Q that you're probably selling right now? Why people are still buying more ULIPs from you when others are reporting a ULIP slowdown? My second question is from the public disclosures for the full year. I think you broadly touched on it, but I

just wanted to get a better color on the mortality variances that went negative in FY25, negative 10 crores or so. And even the persistency and other operating variance for you has been declining for three years. So, any comment on this or what segment is impacting mortality and also the persistency?

Niraj Shah:

I will start with the unit-linked and pass it on to Eshwari for the second question on the variances. On unit-linked, it's all relative, right? For us, while the product design keeps getting refined from time to time in terms of taking customer feedback and adding new features, that is a continuous process at our end. But as such, when you're talking about maybe on a relative basis, I think for us unit-linked historically has been in the mid-20s. In the last couple of years, it has been elevated to the mid-30s or late-30s. So, we have kind of maintained that. And I spoke about our ability to get more flexibility under our product mix because of some of these changes.. So, for some of the others, maybe the levels at which the unit-linked was previously was a lot higher. So, compared to that, maybe it has moderated but for us as such the levels have been fairly calibrated even last year. So, while it was higher for us compared to what it has been historically for us it's still been a lot lower than for some of the peers in the sector.

Shreya Shivani:

And in the immediate quarter there has been no change in product design or anything of that sort, right?

Niraj Shah:

Nothing which has influenced the mix really. I think we have continued to make changes, but nothing more recent that I can think of which has contributed to any change. And the mix has been fairly similar. In fact, Q4 last year if I recollect unit-linked mix was higher than 40%. That has moderated down to 38%. But on a YoY basis, it is similar.

Eshwari Murugan:

On the operating variance, in FY25 there is a 10 crore negative mortality variance, but it's a very small proportion when you look at the overall EV of ~55,000 crores. And as I explained the previous answer, when we look at the experience, we look at the expense of various parameters, and that is already factored in our assumptions. So, we don't expect a big positive or negative variance. And as we have been doing this exercise for a long period, we have got quite evolved in how we look at the experience and how we allow for it in our assumptions. That's why you will see that the variance is coming down because all of that is already reflected in the VNB or in the embedded value. And earlier when we had good persistency in unit-linked over the last 2-3 years that gradually improved, we didn't allow for all of it in our embedded value because we wanted to see the trend and ensure that it is sustainable, which is why you had a big positive persistency variance. But having seen the trend for the last 2-3 years, we have now captured it in the embedded value. That's why variance is expected to be small, but broadly positive over the year.

Shreya Shivani:

That is useful. Just one follow up. The mortality variance was because of which segment? Any particular product segment or geography?

- Eshwari Murugan:** No, nothing material. As I mentioned, we look at various parameters, some cohort you would have had some variances. But if it's something material, we immediately take interventions, like the repricing or looking at some of the due diligence we do at underwriting, etc.
- Moderator:** Our next question comes from the line of Supratim from Ambit.
- Supratim:** My first question is on the group protection side. This has been a category which has been declining for around six quarters, but this quarter there has been around 20% growth. Now, could you help us understand what is really driving this growth? Are you seeing any recovery in growth in credit life segment? If you could help us understand dynamics here, that would be very helpful. Then if I move to the agency channel, that again, this quarter that growth in that channel has slowed down. I understand that you are planning at new initiatives of activating regions, but if I see over the last five quarters, the growth has been on and off. Is this channel being driven by any promotional activity, such kind of one-off activity, which is resulting in the growth being so volatile?
- Vineet Arora:** The first one around the entire group, see the group protection largely is dependent on our MFI as well as the non-MFI segment on the CP business. We have continued to see the downward trend of MFI happening this quarter as well. But we were able to more than compensate for that downtrend through the non-MFI business. And this non-MFI business has been both by additional lines of businesses in the same partner as well as by acquisition of some new partners. So, I think the impact of MFI is now reduced, given that the de-growth of MFI was more than compensated. So, that's the reason why you are seeing the growth coming back in the group business. The other question was around agency channel. So, on the agency channel, like Vibha mentioned that we are doing a big transformation exercise and we are seeing some green shoots of those channels coming in. It's not a one-off promotional driven activity. This quarter, our feeling and whatever market intelligence we have, is that there has been an impact overall on agency channel across the industry. However, given that volatility, we have been able to really come back and outperform with respect to how the industry has gone. So, our agency market share has moved up in this quarter, and we expect that trend to continue.
- Supratim:** Vineet, just two follow-ups here. So, if you could help us split out the protection product by MFI and non-MFI, what would be the mix? And when you're talking about this transformational exercise in agency, what would this entail? If you could give us some pointers, what would this involve that would be helpful?
- Vineet Arora:** Yes, so on the protection side, see now with the degrowth of MFI happening over the last nine months now, and maybe another quarter before the base effect starts to kick in, we would be now at about maybe a mid-teens kind of number in our MFI business and the remaining business would be non-MFI. So, that's how the mix would be at this point of time.

In agency, the exercise is more around bringing in the basics of agency, bringing a lot of technology so that we can monitor a lot of ground level activities and how training, activation, and support, etc. is happening. Some changes around the agency life cycle for agents and around our partners on the variable side. So, some of that has gone in. So, a lot of fundamental tweaks etc. in the agency program that we have.

Moderator:

Our next question comes from the line of Nitin Jain from Fair View Private Limited.

Nitin Jain:

So, my first question is on the product mix. So, the contribution for non-par has increased significantly YoY while par has gone down. How do you see this panning out over the rest of the year and what kind of impact do you anticipate it to have on the margin? And my second question is regarding your commentary last quarter on the FY26 outlook. So, it was more along the lines that H1 could be from slow to muted and growth will pick up H2 onwards. So, are we still holding on to that or are there any changes to that?

Vineet Arora:

So, I think going to the first question, it was the other way around. Non-par mix has come down in this quarter and par mix has gone up. Like Niraj mentioned in an earlier answer was that non-par has seen a lot of aggressive pricing in the market. And we did vacate some space deliberately on the non-par segment. That's where the non-par mix has come down while we made sure that we were able to compensate for this through the par products. From a margin perspective, they are both in a similar range, so it becomes a margin neutral exercise from our end*. So, I think that is something that we could look at. The other one was around our commentary of growth and how do we see it. In April, our view was that there would be some slower growth happening at least for the H1 given the uncertainty around the geopolitical landscape and some macro indicators that were there. We also expected ULIP to be slightly muted, but as things have panned out, ULIPs did remain in traction. And the industry growth was actually slower this quarter. We saw that happening in the industry. Given our business etc., we were able to outperform the industry in the first quarter. So, I think our view still remain that the industry will be slightly slow for the first H1, but we do expect that we will continue to outperform the industry.

**This comment was clarified by Niraj Shah in the subsequent queries on page number 12 and 13, where he elaborated, "There is a difference between par and non-par margins. Non-par margins are higher than company average. Par margins are closer to company average than it was maybe 5 years back."*

Niraj Shah:

I will just maybe add quickly to the second point Vineet mentioned. The industry had a very high base last year on H1. And that holds true for us as well. So, that mathematically will be the case in H1. And on the first bit, the product mix, I think, will probably start converging. Non-par is likely to end up in the mid-20s as the year progresses and par will probably come down slightly but will still be upwards of 25% odd. That's something that's in line with what we have

been trying to actually achieve as well. All the product segments being between one-fourth to one-third from a savings perspective.

Nitin Jain: So, just to clarify, do we anticipate growth to pick up from H2 onwards?

Vineet Arora: So, seems to be positive, it should pick up. One is the base effect of last year when the growth in H2 was actually slower than the growth in H1. So, mathematically, it should look better. Second is, I think as the fundamentals of the economy move, growth will improve, that would be something that we will also have to discover along the way. But so far, we believe that H2 should be better than H1.

Nitin Jain: And margins will continue to be range bound like within the 25-27 band? Or do we see a gradual uptick as the year progresses?

Niraj Shah: We do expect margins to be range bound for this year. We have taken a slightly longer term view, three years. We do see expansion definitely. But from this year perspective, I think especially given that the growth at an overall level is likely to be relatively softer compared to last year. Last year we were talking about 18-20% kind of growth. This year is likely to be lower than that. So, the fixed cost absorption as such, while it will even out through the year, it will still be slightly lower than last year. Our investments like we mentioned continue. So, product mix-related upliftment will actually get in some sense neutralized by some of these aspects. So, I think that's not our objective for this period. VNB growth in line with topline growth will continue to be objective for this year. But from a three to five year perspective, certainly there is scope for expansion.

Moderator: Our next question comes from the line of the Dipanjan Gosh with Citi.

Dipanjan Ghosh: Just two questions from my side. First, in terms of non-HBank channels, what has been the growth rate, your counter share in terms of the product mix at HDFC Bank and some of the channel partners. And second, since the few quarters you have been mentioning in terms of improving the unit economics of the business or the product profile of the business at HDFC Bank. So, where are we on this journey and if you can kind of detail out the steps that you're taking in terms of cross-selling, upselling or utilizing some of the digital channels of the bank? If you can give some color on that.

Vineet Arora: Yes, first is I think our partnership with all the bank partners, including HBank (*HDFC Bank*) and non-HBank partners is strong and we have seen steady market share in all of those relationships. Our mix of products in non-HBank partners is likely better than HBank relationship, but the entire number of channels and digital interventions in HBank is also giving us a lot of traction. And we saw that happening in the Quarter 1. We have done more digital integration with HBank, and we hope all those things will also give us an impact in Quarter 2 to improve our mix with HBank. To your second question on unit economics, our endeavor on

improving the profile of every product that we are doing, including adding more riders and higher sum assured in ULIPs, that's playing out very clearly for us and all the unit economics are working very well at a product level as well as every investment in the resources that we do. So, I think that's something that is a BAU for us and we continue to improve on those factors as we go along.

Dipanjan Ghosh:

Yes, so just to follow up on the second part, I think the question is more directed towards HBank in terms of your product profile and in terms of your economics at that channel, are you seeing improving trajectory?

Vineet Arora:

Yes, so the product profile, like I said, in HBank is better than what we had last year. And it is looking upwards in terms of having our mix becoming more par and improving our term product as well. A lot of digital integration that we have done have also helped us improve our term share in that entire channel. The other part is about how every unit is tracked; we track units in various ways. One is product method in which we trying to improve the inherent margin of every product. Second is at a branch level, how do we interact with the partner and improve branch level share of business and productivity. Those reviews are also very constant and BAU. We track branches in different cohorts of less than 50%, greater than 50%, and what kind of market share we have in each of these branches. And those numbers are looking better than what they were last year. So, branches which had a share of less than 50% for us are now much lower than what they were about a year back. And these are the numbers which are helping us improve unit level of productivity for the sales employees.

Vibha Padalkar:

And just to add there, is a conceptual alignment with the bank that they should, along with us, be selling a lot more of protection than the current 3%-4% kind of levels. And some of our other channels are anyway at a much higher percentage of protection. So, very definitive steps and conversations have already happened.

Moderator:

Our next question comes from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain:

Just one question on how the product mix and margins can move, let's leave aside the benefit of operating leverage and getting into costs. What I heard from the call is that the product level margins between non-par and par are not meaningfully different. So, even if the share of non-par increases, we wouldn't see any product mix benefits coming in the second half in terms of margins? And how would you then look at or whether do you think that the share of ULIPs can go down and that can bring in some benefits to margins from the product mix perspective. Obviously, I understand that you mentioned that any benefits on product margins or any benefit of product mix will be utilized to absorb the fixed cost or invest into growth but just from product mix perspective can you elaborate as to how should we think about just product mix benefiting the margins?

Niraj Shah: So, Prayesh, a couple of things. One is, I think what Vineet was alluding to was what I had said earlier on the call, that the delta of profitability within product segments is reducing compared to what it was a few years back for us. Because every product category is now more profitable than what it was, maybe with the exception of maybe protection, where margins used to be in three digits a few years back. But given the way the pricing environment is in the industry, it is healthy but not the way it used to be. As far as the par and non-par mix is concerned, we expect the mix to become a little more moderate where the par mix is likely to come down a bit, non-par mix is likely to be higher than where it is at this point in time. So, non-par is still definitely more profitable than par. It is just that the delta which used to exist around six years back when we introduced the non-par category was a lot higher compared to what it is today. So, that is really the crux of what we were saying. And as the mix changes the way we expect it to over the next three quarters, you could expect some profitability enhancement coming from that mix shift.

Prayesh Jain: And just on this fixed cost absorption thing, at the end of Q4 you were expecting relatively muted growth for Q1 and I think the growth has come in better than your expectation and so do you think that you would invest more and utilize that benefit of higher growth that has come in the first quarter? Or do you think that the margins can expand?

Niraj Shah: I think what we had said in April was that last year was a very high growth here for the sector and for us, we and sector grew at 18% or thereabouts. Given the whole macro situation and the uncertainty we expected this year to be relatively softer. That's exactly what's happened in Quarter 1. So, is the growth very different from what we were anticipating? Not really. Because, one is on an absolute basis and second is mathematically because of high base last year, the growth in H1 was likely to be lower than H2 for us in any case and that's exactly how it started.. We did mention that our aspiration would be to continue to do better than the sector. We have managed to do that. We still see growth to be lower than last year, but hopefully the quarters, in volume terms, become bigger as we go forward because of the way the business pans out as the quarters progress. As far as fixed cost leverage is concerned, again, it's relative. Vibha mentioned there is a negative 60 basis points impact because of lower volumes compared to volumes of the quarter in the previous year. This is what is likely to get erased as the year progresses. The 60 basis points negative is something that, hopefully if things move according to plan, then it should be close to zero. But we'll have to wait and see how that goes.

Moderator: Our next question comes from the line of Sankhet Ghoda with Avendus Spark.

Sanketh Godha: Thank you for the opportunity. Again to harp on that same point, you're saying par and non-par margin at the current juncture are broadly similar. So, if ULIP margins are lower than the company average margins in general, then you are saying that at the 25.1% margin that you are reporting, there is a fair probability that par and non-par will be upwards of 25.1% at product level, broader indicator I am saying. So, in future, you will be indifferent whether the growth comes from par or non-par in that sense. So, basically from a company's point of view, there is no active reason to change to non-par to just boost the margins.

- Niraj Shah:** Sanketh, there is a difference between par and non-par margins. The difference is not as high as it used to be 4 to 5 years back. But the difference is still very much there. Non-par is higher than company average. Par is closer to company average than it was maybe 5 years back. Unit-linked certainly is lower than company average but is slowly now moving upwards, it's now converging towards par because of better persistency as well as higher level of sum assured. So, the delta in margins across all the segments is very much there. Protection is still the most profitable product followed by annuity depending on the way we price the products at least, followed by non-par, par and then unit-linked. It's just that the delta across each of these segments is lower than what it used to be 3 to 4 years back. And the mix certainly will determine what the margins end up at. So, if the non-par mix improves in the remaining three quarters, it will definitely give a upside to the margin compared to what you're seeing today.
- Sanketh Godha:** Basically in the waterfall of 100 bps improvement due to a better margin profile mix, is predominantly because of your ability to attach higher sum assured or higher riders to the unit linked? That's a very simple assumption to make? - Assuming that par grew at the expense of non-par, at least in the current quarter.
- Niraj Shah:** Unit linked are certainly one part of it, it's also protection also again, I guess in decimals it doesn't show up, but the mix has gone up compared to last year. Credit protect also has grown in this period. Annuity is a lot higher compared to last year. I think it's over 20% growth in this period. So, a lot of these things are margin accretive as you know in terms of segment and each of them have contributed to the product profile. So, product profile has all of these aspects apart from the inherent margins of the segment itself.
- Sanketh Godha:** And last one, how much of ULIP has higher sum assured? Maybe if you can give a little data around.
- Niraj Shah:** So, we don't really get into that specifically, given a lot of these things are not the way we make public disclosures, but it's now becoming a very meaningful part. It is higher than what it was last year. It is now becoming a lot more meaningful than it was when we started the journey 2 years back.
- Moderator:** Our next question comes from the line of Nidhesh Jain with Investec.
- Nidhesh Jain:** Thanks for the opportunity. My question is on NOP (number of policies) growth. Our NOP growth is still quite weak, though we have done quite fairly well on APE growth despite our base. But NOP growth is bit weaker. A couple of years back, when NOP growth for the sector started to decline, we had entered into a growth problem. So, how do you see NOP growth panning out going forward?
- Vibha Padalkar:** So, Nidhesh, you're right if you look at just on Quarter 1 basis. However, on a two-year CAGR basis, we have grown at about 10%. I am reasonably confident that rest of the year, as we

progress, NOP growth should come back. If you were to look at every cohort that is above 1 lakh ticket size, we have grown fairly well, but in some of the lower ticket sizes, based on some of the experience that has panned out, we have consciously gone back to the drawing board, re-looked at some of our assumptions, pricing, and that happened towards May-June of this year. So, that's really what is impacting it, but NOP growth should come back.

Vineet Arora:

Just reiterating what Vibha has said. So, certain lower ticket size segments is where we have deliberately gone slower on NOP growth, putting in some models to figure out which are the profitable segments to pick up, while in all other segments we have seen an increase in NOP growth. So, that's not a challenge. And we expect this to also even out.

Nidhesh Jain:

And the second question is on competitive intensity in non-par and annuity. What actually is driving that? Because post the surrender value norms, we thought that competitive intensity from unlisted players will reduce given the surrender assumption, etc. But it seems like the competitive intensity on pricing has further increased in Q1.

Niraj Shah:

Yes, I guess in some sense what has happened is some players are becoming more calibrated and some, at least the way we see it, have become more aggressive. So, in balance, I think the intensity is still fairly strong. And I think as far as single-premium annuity products are concerned, it's a little more straightforward to understand. And as far as non-par products are concerned, there are other aspects there in terms of how the surrender value builds up across different products. So, some of this also plays a role there and is something that we need to be watchful of. And as we have said in the past as well, our long-term proposition really is something that we will focus on, given the way the interest rate environment is likely to move in the rest of the year, this (non-par) category will definitely be a lot bigger than what it is at this point in time from a mix perspective. We have some launches planned as well that also does help move demand. We have had launches in the par product like Vibha mentioned. So, some of that also does move demand. So, while we have to deal with whatever pricing environment is there in the marketplace that's not necessarily always been the issue from a demand and product mix perspective. Competitive intensity has been high in the past as well, but non-par product mix has been in the mid-30s right through this entire period. So, we will continue trying to do different and new things, and stay away from just pricing game.

Moderator:

Our next question comes from the line of Nischint Chawathe with Kotak Institutional Equities.

Nischint Chawathe:

Thanks for taking my question. Just curious, what is our moat in the non-bank alliances? And especially, I think as I see the product mix, the share of ULIPs is fairly high in this segment, especially where it is a multi-insurer shop. So, one might just be a little bit more careful in terms of persistency in these channels.

Vineet Arora:

So, in the non-bank alliances there are two categories that we have merged, and we have combined all the corporate agents together. I think there is some partners who are higher on

ULIP and do more ULIP, and that's the mix which has gone up in the first quarter. Overall, the mix is fairly in line with what the organization mix is, as far as ULIP is concerned. It is not that it is very high on the non-bank alliances. What also happens is that at a unit or partner level, especially in non-bank alliances, our commercials are completely aligned to what the margins of the product are expected to be or what kind of expense that we can charge to those people. So, think from that angle, this does not really impact the margin.

Vibha Padalkar:

And I want to add here, Nischint, that you'll be surprised to find that some of our channels are operating at slightly higher than the company level margins, despite some of the product mix that you see on slide 17. It is a function of two or three things. One is, like Vineet said, at what commercials does it make sense? It obviously cannot be same commercials agnostic of whatever is being sold. Second is that what kind of persistency is that channel delivering because like Niraj mentioned earlier, it can have a very different outcome on the fortunes of a unit-linked product for the company. Some channels are able to deliver much higher levels of persistency. So, it is a combination of these things and it is now getting more nuanced, it is not necessary that unit-linked will lead to a poorer outcome on margins and that is what we calibrate on a daily basis at a channel and sub-channel level. And philosophically, each one of our channels will and do operate very close to company level margins. So, some of these things, the channel CEOs do very well in terms of need of the channel and where demand is, what could be evangelized through the system in terms of rider attachments and so on. For a particular channel, maybe fully underwritten, say protection product maybe fine as long as there is straight through processing, for another channel, that's a lot more sensitive to price, that might not work and so on. So, many nuances on that as against just a unidimensional impression that slide 17 in our presentation gives.

Niraj Shah:

And also just to add to what Vineet and Vibha mentioned, if you look at the mix, I will just highlight maybe two differences. If you look at non-par mix, it's 27% for non-bank alliances versus 19 % for the company. And if you look at term, it's 14% versus 6% for the company. So, this itself tells you the kind of ability to have product mix which is very different from what you see in some of the larger banks. And that really definitely helps in terms of maintaining overall profitability at the levels that we want.

Nischint Chawathe:

And these are all multi-insurer shops, right?

Niraj Shah:

Absolutely, all of them.

Vibha Padalkar:

Actually, other than direct, all other channels out of the four quadrants on slide 17, are multi-insurer shops. Agents also realistically might be multi-insurer.

Moderator:

The next question comes from the line of Mohit from Centrum.

- Mohit:** My question is on retail protection. So, have we seen any repricing in the retail protection? And we had introduced three protection products past year, Ultimate, Super, and Elite Plus, how has the performance been for those products?
- Niraj Shah:** So, I think all the products that you spoke about are doing quite well. They were targeted at different segments that we did not have solutions for earlier. So, all of them have started to scale up and are doing quite well. As far as pricing is concerned, I think it is more gradual, business, as usual, granular approach. To answer it clearly, there is no big-bang change that we have seen. But as Eshwari mentioned earlier, as we go deeper into India, we can expect different customer experience. That customer experience needs to be either priced for or it needs to have a different underwriting process or a combination of both. That's what we are kind of trying to do over the last few years. And it's a continuous learning process as we get more data, access to more information, we are able to make the process more frictionless, but still be able to assess the risk. At the same time, getting more surrogate information to be able to make our assessment. And at the same time, you referred to some of the new products that we have launched. Some of it has actually helped us address that in terms of getting through to different customers, for some customers process is important, for some pricing is important and for some flexibility in terms of how their coverage shapes up for the year is important. So, a lot of these things play a role and pricing is one aspect, but not necessarily the only thing really required. And the other aspect of pricing is in terms of the reinsurance capacity has been reasonably stable. In fact, we are seeing some enhancement in capacity. They are willing to take a slightly longer-term view in terms of increasing penetration. The pricing is definitely a lot more sustainable now compared to what it was probably 3 to 4 years back from a reinsurance perspective and that is going to actually be a good development from the perspective of sustainable growth of the sector.
- Moderator:** Our next question comes from the line of Aditi Joshi from JP Morgan..
- Aditi Joshi:** My question is broadly related to the channel side. The agency channel has somewhat suffered across the industry from the surrender regulations and given this quarter's trend, the growth could be higher in the other channels like banks. But going forward, do you think this trend is likely to be continued or we can see some pickup in the Banca channel, especially given that agency could remain at this level of growth for a while? So, just some color or how you're thinking about the growth across the channels will be helpful.
- Vineet Arora:** So, I think for the year, we are looking at all channels growing at very similar levels. In fact, given the investment that we are doing in agency, we expect it to grow faster than the other channels during the remaining months for the year. So, as the impact of all the investments and all the transformation and exercise comes in, we should see better growth coming in the agency channel as compared to others. Overall for the year, I would say all the channels, we are expecting them to grow at a similar number.

- Aditi Joshi:** So, especially on the bank side and you even split this as HDFC Bank and others,, you think it is basically only the base effect that is showing up as a low double-digit growth this year or how are you thinking about that?
- Niraj Shah:** So, we did mention that the counter-share expansion in HDFC Bank happened in Q1 and H1 of last year. That is something that is now steady. So, the growth that we get from HDFC Bank is going to be more reflective of how the bank grows, which has been fairly steady in this period. Other banks that Vineet spoke about earlier, we continue to obviously compete in intense open architecture while maintaining our overall approach of growth, profitability and risk. And that is something that will develop as the year progresses. But all the channels are growing. Agency, we spoke about, our aim for the agency business is what Vineet spoke about as well. But as far as the banks are concerned, I think all of them are growing reasonably well.
- Vineet Arora:** Yes, I think some general volatility, in any of the banks, keeps on happening based on some competitive pressure and what we might do tactically for a shorter period of time in that particular relationship. But overall, for the year, we do not expect it to vary much and every channel is expected to be in the same range.
- Moderator:** Our next question comes from the line of Nitin Jain from Fair View Private Limited.
- Nitin Jain:** My question is on the growth that we have seen in Q1. So, we have certainly done better than the industry in Q1, which is also reflecting in the market share gain. But have we also done better than our own internal expectation that we had at the beginning of the year, given that we have a high base for H1? And if so, are we a little more upbeat about FY26 growth or there is no change from the view that we had at the beginning of the year?
- Vibha Padalkar:** Yes, Nitin, this is very much in line with our expectations at the beginning of the year because if you were to look at a 2-year CAGR basis, it is 21.5% growth and that you will agree is a fairly handsome number even versus some of the buoyant periods that the sector has seen. So, yes, I think very much in line and also in terms of margin delivery,, digesting the 30 basis points impact of surrender charges and so on, we have seen in a way underlying margin expansion of 40 basis points. And VNB growth also on a two-year CAGR basis is 15%.
- 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 contact our Investor Relations team. Wishing you a pleasant evening. Thank you.