"Canara HSBC Life Insurance Company Limited Q1 FY27 Earnings Conference Call"

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MODERATOR: **MR. KARTIKEYA MOHATA – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Canara HSBC Life Insurance Q1 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Kartikeya Mohatta from Motilal Oswal Financial Services. Thank you and over to you, sir.

Kartikeya Mohatta: Yes, thank you. Good evening everyone. It is a privilege to host the senior management of Canara HSBC Life Insurance for their Q1 FY27 earnings conference call. From the management, we have Mr. Anuj Mathur, MD and CEO; Mr. Soly Thomas, Deputy CEO and Chief Distribution Officer; Mr. Tarun Rustagi, the CFO; Mr. Nitin Agarwal, the appointed actuary; and Mr. Amit Jain, the Head of Investor Relations.

I now hand over the call to Mr. Anuj Mathur, MD and CEO. Over to you, sir.

Anuj Mathur: Yes, thanks Kartikeya. Good evening everyone and welcome to the Q1 FY27 earnings call of Canara HSBC Life Insurance. Really welcome you all in this call. The financial results along with the investor presentation is available on our website, as well as on the websites of both the stock exchanges.

To begin with, the Indian economy continues to demonstrate resilience, amid a volatile global environment, supported by steady domestic demand and a strong financial sector underpinned by healthy balance sheet and robust capital buffers. Against this backdrop, the life insurance industry has sustained steady growth, reflecting the enduring need for protection and long-term saving solutions. While the overall environment remains stable, pockets of uncertainty persist and we remain watchful of evolving demand trends.

In this context, our focus continues to be on staying agile, deepening customer engagement, and innovating to address the diverse and changing needs of our customers. Against this backdrop, we are pleased to report a strong performance with WPI growth of 18% year-on-year and AP growth of 19% year-on-year in line with our stated guidance of 18% to 20% growth.

Importantly, our growth continues to outpace the industry, enabling us to maintain a steady industry market share at 1.8% and 2.6% amongst private players. At the same time, we remain focused on broadening our reach and strengthening distribution-led growth, reflected in 19% year-on-year increase in the number of policies sold. We will continue to target a similar growth trajectory as reported in this quarter while striving to exceed our targets through a dynamic product mix aligned to evolving customer preferences and market opportunities.

On product mix, we remain focused on our traditional franchise, resulting in share of traditional products in our overall AP increasing to 64% compared to 51% in Q1 FY25. We continue to see GST's positive headwinds in protection business with a healthy growth of 42% year-on-year with share of overall AP rising to 13% versus 11% in Q1 FY26. So there is a good growth out here.

Credit life also remains a key growth driver, registering a healthy growth of 40% plus year-on-year led by steady growth both in home loans, as well as education loans. We continue to see encouraging traction in the individual protection business and remain optimistic about its growth prospects, supported by increasing awareness amongst customers and the positive impact of the GST-related changes.

Friends, our annuity business also maintained a steady growth trajectory with AP growing 14% year-on-year and this segment contributing to 14% of our overall AP, in-line with the previous year. We remain focused on growing our deferred annuity portfolio as it is not only delivering superior long-term value for our customers, but also enhances earnings visibility and supports the sustainability of our business over a longer period.

Friends, given the volatility in equity markets, we maintain a measured approach towards the ULIP segment while continuing to capitalize on select pockets of demand where customer interest remains healthy, consequently, our ULIP contribution reduced by 13% year-on-year.

As we move ahead in the year, we believe the underlying demand for ULIPs is likely to improve in the second half as the market conditions stabilize and investor confidence strengthens. Accordingly, we will continue to pursue our strategy of maintaining a balanced product mix, enabling us to cater to diverse customer needs while driving sustainable and profitable growth.

Our company has witnessed healthy new business premium growth of 24% in this quarter. Further, renewal premiums have grown by almost 22% year-on-year, which is a very decent growth for the quarter. This performance was supported by sustained improvements in customer retention and engagement across our key cohorts.

Our 13th month persistency improved to 85.9%. This is compared to 84% in the corresponding period last year. While our 61st month persistency remained stable at 55.3%, reflecting the strength and durability of our in-force book. These trends underscore the quality of our customer franchise, the effectiveness of our sales and servicing practices, and our continued focus on fostering long-term customer relationships.

Friends, our agency channel is also performing as per our plan. We have onboarded around over 1,000 agents and have collected a premium in AP terms of INR15 crores during the quarter. We will continue to scale up this channel in a phased manner and remain confident of further growth throughout FY27.

Now let me take you through some of the key financial metrics. Our value of new business for the quarter stood at INR124 crores, registering a growth of 29% year-on-year. Despite the GST impact and our ongoing investments in the agency channel, we reported a healthy VNB margin of 21.1%, which is higher by 160 basis points over Q1 FY26.

The margin improvement has been led by a favorable product mix shift towards protection and a favorable benefit of the yield curve. Profit after tax for the quarter has increased by 20% at INR28 crores. This increase is despite GST impact of almost INR20 crores. Our embedded value, EV, grew 16% year-on-year reaching INR7,383 crores with an operating RoEV of 19.7%.

Our total expense ratio for the quarter stood at 20.7% compared to 19.6% in the corresponding quarter last year. This increase is primarily attributable to the GST change. Without this, the expense ratio would have been flat on a year-on-year basis. Our solvency ratio is comfortable at 198% and remains well above the regulatory requirement.

Coming to customer centricity, we continue to see improvement across key metrics which measure customer centricity. Our claims settlement ratio remains best-in-class at 99% in Q1 FY27. We are also happy to announce that we have been accorded as India's best workplaces in life insurance for the year 2026. We also feature amongst India's top 100 companies to work for in 2026.

In terms of closing remarks, just to summarize, our new business premium has seen a healthy growth of 24%. Our AP has grown by healthy 19%, which is higher than the industry growth. We have seen significant improvement in our 13th month persistency at 85.9%. Our VNB at INR124 crores has seen a growth of 29% and VNB margin at 21.1%.

In terms of growth in number of policies, we have seen 19% growth in number of policies in Q1 '27 over previous year. And we are very much on track on our diversification agenda through growth of agency and other channels. We remain constructive on the outlook for the life insurance industry and are well-positioned to leverage the opportunities given our diversified product portfolio, customer-centric approach, and strong distribution franchise.

As customer preferences and market dynamics continue to evolve, we will stay agile, innovate proactively, and strive to outperform our medium-term objectives. With this, thanks to all the participants for taking out time in this evening call.

With this, we are now happy to take any questions that you may have. Over to you. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Mohit Mangal from Centrum. Please go ahead.

Mohit Mangal: Right, thanks for the opportunity and congratulations on a good set of numbers. My first question is basically on the VNB margin, so the expenses impact dragged down the VNB margin by 190 basis points. I think if you can just substantiate on that and kind of break down this 190 basis points, then that would be helpful?

Anuj Mathur: Okay, first of all thanks Mohit for asking that question. I'll request our appointed actuary to give further details of this.

Nitin Agarwal: Yes, hi. So the key reasons for the improvement in our VNB margin is actually driven by the favorable product mix and better volumes than last year. So from, yes, sorry. So from March there is one of the reasons that the drop has also been on account of expenses because as you are aware that last year last quarter there was no GST impact, whereas this quarter there is obviously a full impact of GST.

So that is the primary reason. Other than that, we've actually done better only in terms of product mix also, there's slight fall in the product mix also from the last quarter if I have to just compare the last quarter Q4 number. Otherwise the full year number, there's a better improvement in product mix that is improving. And the negative is only driven mostly by the expense on GST.

Mohit Mangal: Yes, fair to assume that 190 basis points is due to the GST impact?

Nitin Agarwal: Primarily. So can you -- so I think you are referring VNB margin drop from 31st March 2026 full year number to this number.

Mohit Mangal: No, I'm looking at the VNB margin walk given on your Slide 12 of the presentation?

Nitin Agarwal: Yes, okay. So June 25 to June 26 there is an improvement.

Mohit Mangal: No, I was looking just at the expenses impact which is 190 basis point decline. I know that VNB?

Nitin Agarwal: Yes, okay. Sorry, I was just -- so in respect of the expense impact in the walk that we're talking about, yes, that is primarily driven by the GST part.

Mohit Mangal: Okay, and how do you see for the rest of the year, will this kind of continue or will this kind of go, I mean, will this decline go forward?

Nitin Agarwal: This is expected to decline going forward. So over the year we expect it to actually neutralize because firstly in Q1, last year there was no GST impact whereas in this Q1 there is a full year impact. So September onwards even last year there was an impact. So as such there will be much reduced impact comparison this year.

And in addition, whatever headwinds we are also getting on account of GST in terms of higher protection mix, so that will also help reduce this impact. So by the end of the year and the other operating, the savings that we've been doing at our end on opex side, so that will also materialize. So to the extent of that, we're expecting this impact by the end of the year to become quite negligible.

Mohit Mangal: Okay, so basically kind of if we can quantify any kind of a guidance for Financial Year 27 then that would be helpful?

Anuj Mathur: So I think that will not be relevant because by the year end anyway we mentioned in the beginning itself that this year the GST will become a BAU. And for the first two quarters we have to show this because of the comparison versus the last year. And by the year end you'll see that this impact like Nitin has just mentioned that it will further reduce because of the various initiatives which we have taken also in terms of the growth in the protection business. So there is no guidance we want to provide on this. What we can simply say that it will not be discussed and talked about going forward because that will not become relevant once we'll reach the year end.

Mohit Mangal: Understood, this is helpful. My second question is that the share of ULIP actually went down very dramatically. So is this pure market related or a deliberate attempt to diversify product mix?

Anuj Mathur: Yes, so partly it is because of the market because we've seen the last quarter was in terms of markets was quite choppy, volatile. And partly it is also efforts on part of the management because last year also we said that we would like to increase our traditional mix. And this emanates from the customer profile we have Mohit.

If you look at our overall customer profile, we have customers in Tier 2, Tier 3, Tier 4 cities where we have seen more demand coming now in this kind of uncertain environment for traditional products. So I'll say partly it is because of markets and partly because of our efforts to increase our traditional mix in line with customer appetite for product.

Mohit Mangal: Right, this is very helpful. My last question is towards the product. I mean, across the industry and even our company has kind of given a very strong growth in the protection. So just wanting to know basically is this more structural or is it due to GST related? And secondly, have you seen any kind of a change in the pricing of retail protection products?

Anuj Mathur: So see there are a couple of factors which are helping us in increasing our protection share. One, as you rightly pointed out, it's the positive headwinds which are coming from the GST waiver which is there on protection. So that's definitely helping. Number two, it's also again our efforts to increase our protection mix to actually penetrate deeper into Tier 3, Tier 4 cities, which is also helping us in growth of number of policies.

If you noticed, our number of policies have grown by 19% in this quarter. So it's an effort which we are making to increase our protection business and obviously the GST change last year which got in September is definitely helping. So broadly these are the factors. And yes, in terms of pricing, I'll say that it's more of increased appetite now.

Even with the reinsurers they are showing interest to kind of write more protection business. And as a company, our focus is on increasing our protection mix. So there are a number of factors which are resulting into this and it's a deliberate strategy of the company to increase protection mix, to increase number of policies.

Mohit Mangal: Understood, this is very helpful. Thanks and wish you all the best.

Anuj Mathur: Thank you.

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

Sanketh Godha: Yes, thank you -- thank you for the opportunity. One small basic clarification on the margins how you report. Is margin reported in the current or in the current quarter based on last year cost assumption or is it mark-to-market based on the quarter? So the reason why I'm asking is this that because the business scale is too low in 1Q, the negative operating leverage will be typically there and as the quarter becomes bigger and bigger, you get the operating leverage benefit and margins expand. So just wanted to understand how do we assume cost while reporting the margins on quarterly basis basically?

Nitin Agarwal: Yes, thanks Sanketh. So yes, you're right. So we are expecting to get operating leverage through the year because we do report it on the actual opex for the quarter when we calculate the margins.

Sanketh Godha: Understood. So which means that if – as you rightly highlighted that GST negative impact will wane as the quarters will progress and you get the operating leverage benefit during the quarters. I don't know whether you'll maintain the same product mix or not. If you maintain the same product mix, then there could be a meaningful delta improvement in the margins then?

Anuj Mathur: That's your wish actually. No and see, we'll follow more balanced product mix. So I think the current number which you're seeing in Q1 could be skewed towards traditional more, but I think over a period of time in this financial year, we are likely to see more balanced product mix.

Sanketh Godha: So is it fair to say that last year you were around 51 percentage ULIP, so broadly you will end up with the similar number for the full year? Maybe not exact number, but broadly around 50 ULIP and 50 non-ULIP kind of a number?

Anuj Mathur: So the range is between 45% to 50% because as I mentioned earlier also depending upon the customer need and the certain external factors, it may vary in this range. But this is what we feel that 45% to 50% is the range within which our ULIP mix is likely to be there.

Sanketh Godha: Got it. And sir the second question is that your annuity has slowed down a bit relatively compared to what you were usually reporting. Is it fair to say that your non-par growth consumed into annuity or is it probably you see that both markets are independent and they can grow in silo? And if that is the case, what led to a bit of slowdown in annuity, that's one thing. And on protection, that INR74 crores if you can give a breakup into individual and group protection, that that will be useful, sir?

Anuj Mathur: Okay, see, first of all, I would like to mention that one quarter is a very short time to assess whether annuity has slowed down or it's at the same level. But I think the numbers which I have, there we have not seen any drop in the annuity business. It is stable at around 14% in terms of the overall top line.

Tarun Rustagi: Yes, and you will see that this is Sanketh, it is Tarun. It's going to grow because first quarter is a first beginning of the year and the annuity business is expected to go back to the same level because we have a clear segment where we sell, which is a Canara channel also and HSBC channel also. So we are expecting that overall percentage will increase. And on your second point, which is with respect to the breakup, it is also -- it's actually 30/70. 30% is individual premium and 70% is contributed by Group.

Sanket Godha: Understood, understood. And sir, maybe again I'm just asking given Canara Bank has slowed down in the current quarter relative to other banks. Maybe you can answer the way you want it, that Canara Bank slowdown is predominantly because of the weak demand of ULIP and the other channel growth is largely because of your non-par contribution drove the growth because HSBC Bank reporting almost 42% growth seems to be meaningfully very big. So just wanted to understand what is happening in HSBC Bank and what led to a bit of slowdown in the Canara Bank?

Anuj Mathur: Okay, so again I'll start by saying that one quarter is too short a period to make an assessment about the full year. But what we have seen in Canara is actually a shift towards more of traditional products and typically in traditional products, non-par particularly, the ticket size reduces. So I think that is one reason. In fact, I'll ask -- I'll request our Deputy CEO and CDO Soly Thomas to further elaborate on this.

Soly Thomas: Yes, so see basically if you look at the trend post March, we have seen the customer shift towards traditional and that's what we have capitalized in AMJ keeping in mind the sentiments of the customers, specifically, keeping in mind geopolitical situation in few of the markets which is predominantly higher contribution towards in Canara which is South basically if you look at Kerala, Tamil Nadu, Andhra, wherein you have an a good NRI base, but that's what more of a blue collar jobs wherein we've seen the trend that those people are more wanted to invest towards the traditional and hence the ticket size has reduced.

Having said that, if in the coming months if that trend changes, definitely we'll like to go for the ULIP as Anuj has already said that we are looking around anything between 45% to 50%.

Sanket Godha: Understood, understood, sir. And lastly, sir, given economic variance which was probably negative for the full year last year has come back. I see your sequential growth of 2% in EV little on the lower side. Am I missing anything? Is it because of the dividend payout that number looks little lower, or in general economic variance did not recoup back to the extent what we wanted?

Nitin Agarwal: So yes -- so you're right actually. It is primarily driven by because again for a quarter little bit of economic variance also in an when you annualize it that way it becomes a bigger number. So primarily driven by some level of economic variance which is still to be recouped mostly on the net worth side.

While on the VIF side we have managed to recoup, but on the net worth side, depending on the security there is still some amount that is to be recouped. But over the year we do expect us to again maintain this operating RoEV that, we have showcased earlier. We expect that to be maintained over the year.

Sanket Godha: Understood, perfect. That's it from my side. These were my questions. Yes.

Moderator: Thank you. The next question is from Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Yes, thank you sir for taking my question. Let me start my first question, sir, in light of the recent Supreme Court judgment on the claims to be given to home owners, I just wanted to recheck this point, will anything will change for us on the reserving side for our existing set of policies?

Nitin Agarwal: No, I think reserving we already allow for the modality assumptions baking in enough prudence, so I don't expect any major, any kind of deviation or any increase in the reserving side from that.

Gaurav Nigam: Okay, great. Thank you, sir. And my second question is in light of the growth ambition that we have, as we continue want to grow and also diversify out from Banca to also non-Banca. How should we think about the expectation on the total expense ratio going forward for us? I understand that Q1 is looking higher because of GST, but I just wanted to get a broader trend over the next one, two, three years on this total expense ratio.

Tarun Rustagi: So, if you actually observe our expense ratios are actually into top quartile and we will continue to maintain it. And even though we are expanding our channel, our top line is increasing. At the same time, we are very, very cost-conscious organization. So we maintain the overall cost within that range. So even if you notice this first quarter, the cost ratio if you exclude GST is almost flat, right?

And even with the addition of agency channel in this particular quarter. So we continue to maintain the cost efficiencies and as the top line is increasing, we will continue to see the improvement in the cost ratios and we'll remain into the top three companies in terms of the top cost ratios.

Gaurav Nigam: Sir, I mean, we've been maintaining in that that 21% kind of range. Should we consider that as the barometer even going forward? Sorry, I just could not get the clear answer, that's why I'm re-asking the same.

Tarun Rustagi: No, in terms of the cost ratios direction, it will improve. It will not remain at that 21% because our cost our top line is increasing at a faster rate than the cost.

Gaurav Nigam: Okay. Understood.

Tarun Rustagi: And typically as the year progresses, the volumes also go over Q2, Q3 and Q4. So that way I think the percentage is likely to go down.

Gaurav Nigam: Okay, got it, got it. And just a quick question, we have the three-year detailed EV work disclosure of the company, but I just wanted to understand for the last 10 years of the company, did we ever report negative operating variance and can you give us a reason in case we reported, what were the reasons for those operating variance of the company?

Nitin Agarwal: I think we've -- yes, so I think we've been reporting the last 5, 6 years only internally we've been calculating. The only reason we've generally seen the negative variance on the operating EV is primarily on account of the COVID.

So the COVID year, yes, there was a negative variance on the mortality side, but that was I think industry that was, you know, across the industry that was there and that was one-off. Post that we've typically been seeing positive variance on the operating EV side.

Moderator: Thank you. The next question is from Nidhesh from Investec. Please go ahead.

Nidhesh: Hi, thanks for the opportunity. The first question is on, if you can share the channel-wise growth on a Y-o-Y basis or channel mix for last year Q1, that will help us in terms of understanding how the channel growth is panning out. That is one.

Secondly, if you can also give some color on agency rollout where we have added agents, how is the productivity panning out and what is, let's say, two-year, three-year view on the agency channel in terms of contribution to our overall AP? These are the two questions, sir.

Tarun Rustagi: So in terms of channel, for this first quarter, the Canara Bank is flat across last quarter and we explained the reason why because we were focusing on traditional and there is also some impact on due to the geopolitical NRI base premium side. HSBC has grown over 40% and other channels have also grown. So that's the channel growth.

Basically Canara and HSBC is almost contributing 80% of our business which has because the Canara was flat this quarter, there is a higher contribution from other channel. Agency is doing very well like we mentioned that this quarter they have reported INR15 crores AP and it will continue to grow.

In terms of next three-year projection, we expect that agency should be contributing around 5% of the total volume and including agency the alternate channel which is right now around 10% is expected to be around 15% to 20% contribution. So that's how we are planning to diversify overall channel mix.

And you know, what we also need to understand the overall growth is expected to be there. So the Canara, HSBC, RRBs are also expected to grow in the same line and within that increased pie, the alternate channel including agency is expected to grow contribute around 15% to 20%.

Nidhesh: And this alternate channel includes agency, which is 15% right now, that will contribute 20%. That's what you're saying or?

Tarun Rustagi: Right now the alternate channels which is having a very small proportion of agency, it's mainly, our direct force plus defense plus digital. These are the three channels contributing almost 10% of the volume. This 10% is expected to grow to 20% where agency will expect -- is expected to be contributing around 5% in next three years' period.

Nidhesh: Sure, sure, understood. And what is the drag on margins because of agency rollout or how do you see that let's say this year and over the next 2 years?

Nitin Agarwal: Currently it's about 2%. So next to next 2 years again it should be in similar range about 1% to 2%. Obviously it'll keep coming down as, you know, the fixed cost incurred now over time as the volumes grow, this is expected to go down. Yes, currently it's about 2%.

Tarun Rustagi: So overall in next 2 years you can expect that agency will drag around 2% of the margin because of the initial business strain. And then as per our models, we are expecting that agency will start contributing on a positive margin side from the fourth year onwards. So this is just a first year and then we have another couple of years where we'll see a negative strain which is going down. So overall in next 2 to 3 years the strain will be around 2% on the overall margin.

Nidhesh: And this 2% is 200 basis point, right? 200 basis point drag on margin.

Tarun Rustagi: Yes, 200 basis point, but at the same time our overall other than agency, the margin is expected to grow. And if we are expecting that our margin is, you know, would be reaching what is the market consistent margin in 3 to 4 years' period of time including the strain after adjusting the strain from agency.

Nidhesh: Sure, sure, understood. Thank you, sir. That's it from my side.

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

Raghvesh Sharan: Hi sir, thanks for taking my questions. I had a couple of questions. First on the agency, you mentioned the strain of around say 200 basis points per year. I just wanted to understand how will this move quarter-by-quarter? Because you are on an actual cost basis, the assumption would be -- it will be the highest in the first quarter, but given that we are growing that very aggressively, it can also increase through the year.

Second, through the last year what we have seen is the individual protection has grown substantially higher than the credit life business for us. In this quarter both have grown at a similar pace of around 40% odd percent. So, what would you attribute this to? Is 40% odd percent the kind of trend growth we can expect or do we expect growth to pick up in, say, individual business or credit life business hereon?

Tarun Rustagi: Yes, okay. Let me answer the first question. What I mentioned was overall 2% strain in next 2 to 3 years. It's not every year because the strain will reduce. What is also going to happen is, in agency as we grow, the cost of acquisition as a percentage will reduce, because you will be having a better productivity and also the product mix will also shift towards traditional which is a typical product mix for agency channel.

So you'll see that the strain will reduce over a period of time and that's why we are confident that in 3 to 4 years' period of time the agency will start contributing on the positive VNB margin side to the organization and then you'll see obviously it is plus-plus from the, you know, business other than agency. This was on the first.

The second question was related to protection split. The group credit life, we expect that the trajectory will be in the range of 35% to 40% growth. But on the individual protection, we are also expecting a significant growth. What we expect that overall percentage of the protection business by the year end would be -- would remain in the double-digit number and this is something which we are targeting.

So both will grow. The proportion obviously there is a good demand right now coming from because of the GST etcetera. And we expect that that is going to continue on the individual side.

Nitin Agarwal: And just to add to that, typically in first quarter we see our protection mix on the higher side because of PMJJBY also. This is that government scheme where we get premiums typically in the first quarter. So of 13%, if I have to talk about, 6% is on account of PMJJBY and the remaining is between credit life and retail protection. So these two elements, credit life and retail protection will increase over a period of time quarter-on-quarter.

Raghvesh Sharan: Okay. And for the last year, I mean, the proportion of PMJJBY was around for the full year last year?

Tarun Rustagi: In terms of percentage or the number of lives?

Raghvesh Sharan: Yes. In terms of percentage of the total business.

Tarun Rustagi: We'll share that number offline with you separately.

Raghvesh Sharan: Yes, sure. Thanks for the answers.

Moderator: Thank you. The next question is from Chirayu Maloo from Kotak Institutional Equities. Please go ahead.

Chirayu Maloo: Hi, thanks for taking up my question. So my question is on commission regulations that have been discussed in the industry. So what impact you're assessing if any, if this comes through, and what are your thoughts on this?

Anuj Mathur: See, I can answer this question once I see the draft regulations. Right now I think it's all media speculation. We are waiting for the draft regulations to be issued by IRDAI, then only we can comment in terms of impact.

But one thing which I would like to mention, I think I've said this in the past calls also, that in our business because of bancassurance and kind of Canara and HSBC being there, our commission rates are quite moderate. So, we don't expect a major hit to kind of fee income for the banks from this. But again, we'll like to wait for the regulations, at least the draft to come, and then we can comment on.

Chirayu Maloo: Understood. Thanks. That's from my side.

Moderator: Thank you. The next question is from Kartikeya Mohatta from Motilal Oswal. Please go ahead.

Kartikeya Mohatta: Hello. Yes, sir, I have just one question. So in agency channel since the agency channel is less on protection side, like less selling protection, so how do you aim to protect margins there in that segment?

Anuj Mathur: Okay, we have a Chief Agency Officer also here, Dinesh, and probably he'll talk about the mix and then margin maybe you can handle, Nitin.

Dinesh: Yes, hi. Good evening. So currently agency contribution is around INR15 crores. As we see our distribution going up in subsequent quarters and subsequent years, the product mix improvement will happen and the term contribution will start improving quarter-on-quarter basis.

Nitin Agarwal: So I think that's the idea. I think in agency the product mix is aligned towards more traditional and even the protection is expected to increase there. So that is how that will also help the margins in agency over time.

Kartikeya Mohatta: Okay. And also if you could provide a guidance on AP growth and margin for the full year, some color and how will it be improving towards the end of this year?

Anuj Mathur: See, at this point in time we'll not like to give any guidance right now, because number one, I think the overall markets are volatile, the geopolitical situation is like that. But as I'd mentioned in the beginning of the call also that we expect our overall growth trajectory to be on similar lines and in line with the guidance which we've given in the past.

Kartikeya Mohatta: Sure. Thank you, sir. All the best.

Anuj Mathur: I hope your question is on overall growth and not specifically about agency, right?

Kartikeya Mohatta: Overall growth, yes, overall growth.

Anuj Mathur: So yes, that's the guidance which we'll kind of sort of maintain.

Kartikeya Mohatta: Yes.

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

Prayesh Jain: Yes, hi sir. Just on the HSBC channel you have seen a strong growth, right? Do you think that is sustainable over the medium term given that we have new branches getting added and many other categories of customers that are likely to be added which were not earlier available to you? So how should we think about the growth coming in from the HSBC channel?

Anuj Mathur: So Prayesh, again, I'll say the same thing, that one quarter we cannot make an assessment for the full year. But yes, in terms of growth which we've seen in HSBC coming in the backdrop of increased number of branches, increased number of relationship managers also who sell insurance. So I think some of these factors will help us in terms of growth. But yes, for one quarter it is 40% growth, but overall I think we'll be in line with the guidance which we've given in the past also.

Prayesh Jain: Okay. The other question was on the distribution channel again, you know, how well you are entrenched with wealth managers or wealth management companies and do you think that non-par as a product is seeing incremental traction and whether we are getting some market share in those category in those distribution channels?

Anuj Mathur: So, if I have understood your question correctly, this is not in context of HSBC only, it is in wider context that how we see non-par segment growing as part of wealth proposition.

Prayesh Jain: Right, right sir.

Anuj Mathur: Yes. So, see overall we feel that non-par actually offers a good opportunity for customers to lock in and currently if you look at the yields also, they are kind of quite supportive. So, we feel that non-par is a very strong proposition overall if you look at and I feel that the contribution of non-par will continue to be where it is currently what we are seeing. So, I think non-par will as a as a segment will continue to do well.

Prayesh Jain: Okay, okay. And last question is on the agency channel again. So, at what level of APE from the agency channel would you say you would be able to break even? I understand, you know, Tarun has kind of guided that over the next few -- next few quarters and all the impact of the of the drain would come down, but just wanted to understand at what level of APE do you think you can break even on this and it would start contributing to VNB absolute VNB?

Anuj Mathur: So, I think the overall thing which we have mentioned is that it will take us four years to be VNB positive. So that is what we'll continue to stick to.

Prayesh Jain: Got that, got that. All the best, sir. Thank you so much.

Moderator: Thank you. The next question is from Siddharth Rajpurohit from Systematix Group. Please go ahead.

Siddharth Rajpurohit: Yes, good evening. Hope I am audible. Thank you for the opportunity, sir. So, you've stated that the growth is also been driven by penetration in Tier 1, Tier 2 market. Can you give more information on the same, means as because you are already, I assume that you already would be present in the bank's existing branches? So, can you give more detail on this penetration part?

Anuj Mathur: Sure. Soli maybe if you can provide these details.

Soli Thomas: So, if I look at our growth in Tier 2 is normal in terms of the percentage is 31% contribution comes from Tier 2 and Tier 3 contributes 22% and Tier 1 contributes 47%.

Siddharth Rajpurohit: Okay. And how are we means trying to deepen our penetration?

Soli Thomas: Okay, see what we have done is specifically we have a strategy of protection-led specifically in small medium branches which is more into Tier 2 and Tier 3 and there we are focusing specifically the penetration with respect to the protection plans.

Siddharth Rajpurohit: Okay. And do we also have a variable annuity product and if yes then what will be the contribution in the annuity?

Nitin Agarwal: So currently we do not have a variable annuity product. We have a deferred annuity product both on single pay as well as limited pay.

Siddharth Rajpurohit: Okay, but do you see any opportunity out there in this product?

Nitin Agarwal: See currently our annuity take-up is already at a decent level, but you know, we are flexible, we are looking at it if the market we feel the need for it, you know, we will build something.

Siddharth Rajpurohit: Okay. Can you give a full year VNB guidance?

Nitin Agarwal: Full year VNB guidance we are expecting to continue yes, VNB margin we expect to continue growing as we are. So again, as Anuj had mentioned that we would not like to give a exact guidance because, you know, there because there is obviously volatility in the market and geopolitical condition, but yes, we are expecting to see growth over the year.

Siddharth Rajpurohit: We were I think in the last call we stated that because of say uncertainty industry growth could get slower. So, what is the assessment now?

Anuj Mathur: So, I think as of now with limited period which we have seen, we have seen decent industry growth. So, we continue to remain bullish on it, but it's very difficult to predict in this kind of market in terms of exact number. But yes, last three months have been really good from the growth perspective for the industry.

Siddharth Rajpurohit: Okay. Thank you, thank you for taking my questions and all the best.

Anuj Mathur: Thank you.

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

Mohit Mangal: Yes, thanks for the follow-up. So, I got a couple of questions. My first question is towards the branch activation, right? So last call you said that, you know, the branch activation improved to 54% for the entire year from 50% in '25 with activation defined with at least selling 10 policies. So just wanted to know, we are kind of three to four months into this year, how this branch activation has kind of improved?

Tarun Rustagi: So currently we are at 44% in overall and if I look at specifically the categorization of ELV and BLV which is your metro and semi-metro markets, there we are at hovering around 79% and 62%.

Management: So, what this is just a first quarter as we mentioned that Canara is right now versus last year it is flattish. So, we expect that this particular penetration and activation will increase over a period of time and we expect that we will show a improvement in the branch activation we share also some guidance around that what we are targeting by the year end. So as the year, progresses, we will be able to meet that kind of activization.

Mohit Mangal: Understood, that's helpful. My next question is towards the persistency. I think so now our 13th month persistency improved, even the 61st month was flattish. So fair to say that surrender norms, did not have any impact on us?

Nitin Agarwal: You're talking about the on the traditional side?

Mohit Mangal: On the overall side, the norms. Yes.

Nitin Agarwal: Yes, so I think yes as of now again little early for the true impact of the surrender norms to come through, but as of now we do not see any significant impact of that. And our persistency improvement is also happening on the back of our ULIP business which is also showing a significant improvement.

Mohit Mangal: Understood. Thanks, and wish you all the best.

Anuj Mathur: Thank you.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference over to the management team for closing comments.

Anuj Mathur: Yes, thanks a lot and once again thanks to everyone for being part of this call. And as I said, as a company we are progressing quite well and we'll continue with this trajectory. So once again thank you very much.

Moderator: Thank you very much. On behalf of Motilal Oswal Financial Services that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.

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