



“Canara HSBC Life Insurance Company Limited H1 FY27 Earnings Conference Call”

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MANAGEMENT: **MR. ANUJ MATHUR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CANARA HSBC LIFE INSURANCE COMPANY LIMITED**
MR. SOLY THOMAS – DEPUTY CHIEF EXECUTIVE OFFICER AND CHIEF DISTRIBUTION OFFICER – CANARA HSBC LIFE INSURANCE COMPANY LIMITED
MR. TARUN RUSTAGI – CHIEF FINANCIAL OFFICER – CANARA HSBC LIFE INSURANCE COMPANY LIMITED
MR. NITIN AGARWAL – APPOINTED ACTUARY – CANARA HSBC LIFE INSURANCE COMPANY LIMITED
MR. DINESH TAK – CHIEF AGENCY OFFICER – CANARA HSBC LIFE INSURANCE COMPANY LIMITED
MR. AMIT JAIN – HEAD OF INVESTOR RELATIONS – CANARA HSBC LIFE INSURANCE COMPANY LIMITED

MODERATOR: **MR. PRAYESH JAIN – MOTILAL OSWAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Canara HSBC Life Insurance, H1 FY27 Earnings 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference call over to Mr. Prayesh Jain from Motilal Oswal. Thank you, and over to you, sir.

Prayesh Jain: Thank you, Iqra. Good evening, everyone. It's a privilege to host the senior management of Canara HSBC Life Insurance for their H1 '27 earnings conference call, and especially at a time when the industry is at a very important juncture.

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: Thanks, Prayesh. Good evening, friends, and welcome to H1 FY27 earnings call of Canara HSBC Life Insurance. We sincerely appreciate your time and thank you for joining us today. Your continued engagement and valuable insights are highly appreciated.

The financial results and investor presentation are available on our website as well as the websites of both the stock exchanges. I'll talk about our performance, and then floor will be open for questions. So, please feel free to ask questions.

So, I'll start with the macroeconomic front, and despite multiple global headwinds, the Indian economy has continued to exhibit resilience, supported by strong domestic fundamentals and a stable growth outlook.

In its latest monetary policy, RBI has also reiterated confidence in India's economic resilience, raising its FY27 GDP growth forecast to 7.1%. While inflation remains a concern, the broader economic environment continues to support long-term savings and protection needs. We believe that these structural changes will augur well for the life insurance industry.

We will also remain watchful of the evolving global uncertainties, and we'll continue to navigate the environment with prudence and agility. Coming now to our company's performance, happy to share that we have delivered a healthy overall performance in H1 FY27, with our individual WPI, weighted premium income, growing by 15% year-on-year, and APE increasing 14% year-on-year, which is better than the industry growth of 13% year-on-year, and 12% growth which has been reported by private players.

However, beyond topline growth, our strategic focus remained on deepening channel penetration and expanding customer reach, which is reflected in a robust NOP growth of 16% during the period. So, this is something which I'd like to mention, very, very important, that the number of

policies have actually grown 16% during this period, which was higher than 9% growth which was reported by private players' growth, and 2% growth for the industry.

We continued to focus on traditional products during H1 FY27, supported by customer preferences and market volatility. As a result, the share of traditional products has increased to 59% of APE in H1 FY27, compared to 50% the last year in H1 FY26. So, this is again a major shift which we have seen in case of our product mix, which has actually helped us in terms of our overall profitability.

Friends, within the traditional portfolio, demand for individual protection remained strong, growing significantly faster than the company average. This led to an increase in the share of individual protection to 4.4% of our APE.

Our individual protection business grew 96% year-on-year in H1 FY27 versus H1 FY26. And this is what I had mentioned in the last call also, that as a company, our focus is on protection business. And I'm happy to share that we are seeing very good outcomes.

Overall protection accounted for 10% of APE in H1 FY27, up from 8% in H1 FY26, and will continue to be a key strategic focus area for us. Also, I would like to mention that our credit life business has maintained strong growth momentum, delivering growth of 35% year-on-year, supported by healthy growth across both home loans and education loan segment.

During this period, we also saw share of our non-par business increasing to 25% in H1 FY27, versus 17% in H1 FY26. So, there is significant growth in the non-par segment also. While annuity and participating products remained largely stable at 14% and 10% of APE respectively. This evolving product mix reflects our focus on balancing customer needs, profitability, and long-term value creation.

Friends, the share of ULIPs moderated to 41% in H1 FY27, from 50% in H1 FY26, primarily driven by customer preference, volatile equity market conditions. However, we continue to see demand from targeted customer segments, reinforcing our strategy of maintaining a well-diversified product mix, which balances growth, profitability, and customer relevance, customer preference. Renewal premium growth continued to grow at a healthy pace of 18% year-on-year for H1 FY27, reflecting the improving quality of our business and strong customer engagement.

Friends, our 13th-month persistency also improved to 85.6%, compared to 84.4% in H1 FY26, while our 61st-month persistency stood at 54.6%, highlighting the durability of our book and effectiveness of retention initiatives along with robust sales quality.

We believe these trends are a testament to the strength of our customer proposition, prudent underwriting, and distribution practices, and our continued emphasis on delivering superior customer experience. Strong persistency remains a key contributor to embedded value creation and long-term profitability.

Friends, on our agency channel, I'm happy to share that we have onboarded over 1,900 sales distributors and generated an APE of INR40 crores during H1 FY27. We will continue to scale

up this channel in a phased manner, and we are very confident of further growth throughout the FY27.

I'll now come to financial and operating metrics, and on that, I'm happy to share that we continue to focus on maintaining our VNB growth, which is higher than the APE growth. Our value of new business for H1 FY27 stood at INR266 crores, registering a healthy growth of 24% year-on-year, driven by shift towards traditional products.

Friends, despite the GST impact and our ongoing investments in the agency channel, we have reported a healthy VNB margin of 21.3% for H1 FY27, as compared to 19.6% reported in H1 FY26. So, there is healthy growth in the VNB margin. The margin improvement was led by a favorable product mix, shift towards traditional, yield curve benefit, and improving operating leverage driven by higher volumes.

Our embedded value, Indian embedded value, grew by sorry, by 16% year-on-year, reaching INR7,622 crores, with a healthy operating RoEV growth of 19.8%. During the period, we achieved key milestone of crossing INR50,000 crores in AUM, registering 14% year-on-year growth.

Our profit after tax for H1 grew by 11% to INR71 crores. Our total expense ratio for H1 FY27 stood at 20.5%, compared to 19% in the corresponding period last year. However, excluding the impact of GST, our opex stood at 19.2%, compared to 18.5% for H1 FY26, and remains broadly in line with the range. Friends, solvency ratio remains comfortable at 180%, and is well above the regulatory requirement.

Last, I'd like to touch upon the regulations, the draft regulations, the consultation paper which has come. And I think it's a step in the right direction. The latest discussion paper on distribution framework issued by IRDAI is aimed at building a more transparent, customer-centric, and efficient insurance ecosystem. We believe these reforms represent a significant step forward for the insurance industry, fostering greater transparency, customer-centricity, and long-term sustainability.

While we await the final framework, we are confident in our ability to adapt swiftly and effectively. We will continue to stay agile, innovate proactively, and strive to outperform our medium-term objectives. However, we'll wait for the final guidelines before drawing any conclusions.

So, thank you very much. Thanks for your time, and I'll be happy to take questions which you people may have. Over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Yes, thank you for the opportunity. Sir, my first question is on your solvency, which is at 180, despite raising sub-debt in that sense. So is it fair to say that if your growth seems is driven by protection or non-par or annuity, which are typically capital-consuming, and RBC norms don't

come maybe as quickly from the regulator, is it fair to say that if this growth momentum continues in these product segments, then you might go for a capital raise?

Anuj Mathur:

Okay. Thanks, Sanketh, for asking that question. See, solvency ratio as of 30th of September is actually a factor of many things, and one of the factors is also the equity market. And we all know that towards the end of September, in the equity market there was correction. So, that is one reason. Similar thing we saw in March also.

But at the same time, I would like to mention that we have actually plans, in fact, if required, we're going to raise sub-debt, subordinated debt. We don't foresee requirement coming for the equity fundraise at this point in time.

So, I think we are fairly kind of capitalized, and our solvency is much above the regulatory minimum of 150%. And the subordinate debt, which we are going to raise in this quarter, should help us in further improving the solvency.

And as I mentioned, I think the market conditions also play an important role. So, hopefully, as market kind of, as we have seen today, if market reverses what it was on 30th of September, there will be also automatic benefit which will accrue to us.

Sanketh Godha:

Right. Sir, is it fair to say that in your shareholders' investment you have equity book to, and that's why you are seeing the solvency impact in that sense? Otherwise, equity market should ideally not be impacting your solvency, right?

Anuj Mathur:

Yes, so we don't have equity in our shareholder portfolio. It's there in the policyholder fund. So, both par as well as non-par, we have equity proportion, so that is where the equity play comes in.

Sanketh Godha:

Okay. Understood, sir. And second question, sir, is on the new norms, and what we understand is that the credit life is probably the most impacted product in the new norms, which is proposed if it goes in the same format. And for us, in 1H, credit life is almost or non-retail protection, which I believe is largely credit life, is 6 percentage of the totally key.

So, just wanted to understand, sir, what are the commission structures what we follow today, whether they will see a material change compared to the proposal, what is mentioned and current practice?

And given that payment structures are also changed, means it can't be topped up with the loan and but need to be paid separately, if payment dynamics change with respect to that particular product by the consumer, how do you see the impact and how do you think to mitigate the impact on that line of business, which, which in my view is a margin accretive product for you?

Anuj Mathur:

Right. So, first of all, Sanketh, I'd like to say that we should not draw conclusion from what is there. I think the regulator is seeking feedback from various stakeholders, and we are expecting that maybe the final guidelines maybe different from what they are currently.

And in the past also, I had mentioned this, that as far as we are concerned, our commission structure was very moderate, continues to be moderate. So, the impact on us will be not to that extent as the industry will be. So, I think there will be some changes in the regulations, and then accordingly, we can see what is the final rate and basis that we can.

But one thing which I would also like to mention, Sanketh, in our case, actually a lot of this business comes from our two shareholders. And because they're not just the distributor, they are also the shareholders of the company. I don't foresee drop in the business. In fact, with this change happening, it's quite possible that the product may become further affordable, so which means there is a big opportunity for us to scale up this business in volume terms.

So, I think that is where we stand out differently, and we feel that the final commission rates which will come should be slightly higher, and also that because our shareholders are distributing this credit life, it should, actually, the value accretion is much more important compared to just the commission.

Sanketh Godha:

Understood, sir. Sir, maybe a follow-up on this particular question is that out of the total credit life what we do, how much is contributed either by HSBC and Canara Bank? Is it more than 90 percentage? Point number one. And second question, sir, maybe if you can quantify the commission structure, if you are okay, comfortable sharing that number, quantify the commission structure what is followed as a practice today.

And lastly -- my more concern was that I completely understand that if the commissions are lower given you how your own shareholders doing bulk of the business, you will probably make the product affordable, but my our worry was that if the payment are to be done by the end user rather than being topped bundled in the loan, it could have an implication even for the companies which have shareholders bringing bulk of the business. So, I was looking comments from more from that perspective, sir.

Anuj Mathur:

Okay. I'll just add something, and then maybe I'll ask our CFO also to respond. So, first of all, Sanketh, I would like to mention that in our case, our process was always compliant. We never used to bundle. In our case, the EMI and funding for premium, they were two different kind of payouts for the customer.

So, we never bundled it in the past. The loan given for insurance premium was always separate, so complete transparency. So, we don't expect any kind of problem in terms of process. And as I mentioned, in our case the, I will not be able to disclose the exact rate, but, yes, as I had mentioned in the past also, our commission rates are very, very moderate.

Tarun, anything you want to add?

Tarun Rustagi:

Yes, so you also asked how much is the percentage of contribution of credit life by Canara. It is upward of 90%. And, you know, the differential commission which is what we are paying and what is proposed is not that, it is there definitely which Anuj just mentioned, in terms of there will be some adjustment which you have to make.

But we also need to understand, as bank and as a shareholder, they totally understand the importance of this particular product, because this is a win-win product for all three stakeholders, which is from the bank perspective, from the customer perspective. And since our pricing was always reasonable, therefore we saw good attachment in this particular product.

So, that will continue. So, there is a natural demand also for this product for what we have seen in our case. So, that will continue. And, therefore, we expect that any, you know, let's assume that there is a gap in the commission what they are earning will be taken care by the higher attachment and the higher demand, because that particular proportion of commission release will be somehow will be passed to the customer at the end of the day. So, this is what we see is a still going to be a win-win situation for all three stakeholders.

Anuj Mathur: Yes, and just to add, we have seen in case of other financial products also, and even in case of term business, when it became more affordable, the volumes have gone up. So, I think this is a point which Tarun is also saying, that we should witness higher volumes coming in on the basis of a product being more affordable.

Sanketh Godha: Got it, sir. Sir, maybe last two quick questions from my side....

Moderator: I'm so sorry to interrupt. Please rejoin the queue.

Sanketh Godha: Okay. I'll come back in queue.

Moderator: Thank you. We will take our next question from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal: Right. Good evening, everyone, and thanks for the opportunity. So, my first question was in terms of the VNB walk, so we saw about 200-basis-point impact because of expenses. So, just wanted to clarify, was it a GST impact, or there is something else as well?

Anuj Mathur: Okay, so I'll request our Appointed Actuary, Nitin, to give details.

Nitin Agarwal: So, yes, that is primarily on account of GST.

Mohit Mangal: Understood. My second question, you know, I was reviewing your sensitivity analysis, and I mean in FY26 -- 1% change in the reference rate, you know, it could improve your VNB margin by 1.7% and EV by 1%. So, if this, I mean, if this yield curve continues to steepen, can we see some kind of further upside to VNB margin and EV?

Nitin Agarwal: That's correct. We can see some amount of uplift on the VNB margin if this continues to go up.

Mohit Mangal: Understood. My last question is in terms of, you know, last call, you said that your protection growth comes I mean, primarily from the Tier-3 and Tier-4 cities. Now, you know, we saw weak monsoon, and the rural incomes can kind of disappoint. Do you see any risk to the growth momentum from the business coming from those cities, smaller towns and cities?

Anuj Mathur: No. No. No, in fact, I'd like to just like to clarify, actually it's traditional business which is higher portion, not just the protection business, which comes from Tier-3, Tier-4 cities. And I don't

think so there should be any impact in terms of demand. And with products becoming more affordable with IRR increasing, I think there will be increased market for these products going forward.

Mohit Mangal: Understood. Fine. Thanks a lot, and I'll join back.

Anuj Mathur: Thank you.

Moderator: Thank you. Next question is from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani: Yes. Yes, thank you for taking my questions. I just had one question on this opex. So, I mean, just assuming that the regulation, I mean it's a little speculative right now. We don't know what final shape and form the regulation will take, but just assuming that it stands where it is right now, given that you are planning to kind of roll out agency and so on, and how do you kind of marry that with this these new opex regulations? That is the question I have.

Anuj Mathur: Right. So, on agency, in fact, our approach, which I had articulated in the past also, is of phased growth. So, we are building it up in and we don't want our profitability to get impacted. In fact, we see that if the final regulations, they are the commission cap is there, it may actually help our agency business, because from where the market is currently, from -- and from where it will go to, I think the overall reduction will happen, which will help us to kind of do more business, cost of acquisition will come down.

Vinod Rajamani: Okay. But what about, say for example, I mean you will also have to reduce your opex, so is there any impact on volumes? Could there be any negative impact on volumes if the regulations stand as they were? Because if you have to bring it down to something like 15%, which is what is the regulator is expecting, I mean how will that be managed?

Anuj Mathur: Yes, so see, we have a competitive edge there. If you look at our current number, we are hovering somewhere around 18%. So, for us, the gap from 18 to 15 to cover in two years' time with business increasing and all that, is not going to be a big challenge.

This will be a challenge for people who are sitting on 25% plus. We are actually very close to the number which the regulator has as of now mentioned in the consultation paper, so I don't foresee any kind of challenge on that front.

Vinod Rajamani: Thank you. That's the only question I had.

Moderator: Thank you. Next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Yes, sir. Thank you for taking my question. Sir, on this fundraise, I think you alluded to solvency as being the reason. I mean just wondering, is there any other reason, because I mean there is also Ind AS transition which is expected next year? So, I mean what are the reasons behind this fundraise?

Anuj Mathur: So, you see in a growing business, there will always be requirement to kind of put money to grow the business, so that is the primary purpose. And as I mentioned, our solvency is not way off. If you look at the industry, I think our current levels are pretty okay. But, yes, we want to do this so that we can further grow the business. And, obviously, our protection business also involves high solvency and all that. So, but that would also...

Gaurav Nigam: Going by what you're saying that it's largely driven by growth and then there's corresponding solvency requirement, which is solvency practically?

Anuj Mathur: Yes. Yes, so growth, business growth, focus on protection, and some bit of new investments which we are making in various other alternate channels.

Gaurav Nigam: Hello.

Anuj Mathur: Hello.

Moderator: Yes, sir, you may please continue.

Anuj Mathur: Yes. No, so I think he has got dropped, it seems.

Moderator: Yes, sir, the current participant has left the queue, sir. So, we will move ahead, and the next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, hi. Thanks for the opportunity to ask question. So just, firstly, more broader, industry-level question. You have this consultation paper now, risk-based solvency norms possibly are likely to be announced, you have possibly IFRS implementation coming in. You know, there are many changes that the industry is likely to witness from FY28, right?

Anuj Mathur: Right.

Prayesh Jain: How do you see your product structure or distribution structures evolving in the next year? I think this will be a very inflection year for all the companies and the sector. So, for us, how do you think that this will really see changing the way we think about the business?

Anuj Mathur: Yes. So, Prayesh, thanks for asking this question. And, actually, we are very optimistic with all these changes happening, because what it effectively means for us is actually that we can grow business much faster.

And as I had mentioned earlier also, our commission rates very, very moderate. So for us, it's not a big change. Our expenses of management are very close to the desired position. So, we don't foresee any challenge. And IFRS and other things is now BAU for us.

In fact, as required by the regulator, we are actually submitting our financials based on IFRS also, in addition to the statutory reporting. So, it's all BAU. And as I said, like with products becoming more affordable, we see actually this as an opportunity to grow business much faster. So, the way our financials are right now, I think this is an opportunity actually for us rather than being a challenge.

Prayesh Jain:

Got it. But just, sir, an extension to this question is, do you think any major changes in the way you will approach products? You know, say a credit life, right, where the commissions possibly will go down, and the incentive for the banks to sell goes down, right?

I understand that for us, both the partners are shareholders as well, so they would keep our interest in mind as well, but just from a customer perspective also, the bundling stops. Also, on the other hand, do you think that products like, say, ULIPs or non-par, you know, probably on the risk-based solvency side, one product becomes more profitable versus others, or where the solvency required is more.

So, there could be a lot of changes here. So, how do you see the product structure also evolving? And do you believe you have to undergo a massive shift in product mix to kind of maintain profitability or even improve for that matter?

Anuj Mathur:

Fine. So, first of all, I'd like to clarify that we never did bundling in the past, and our current process also doesn't involve bundling. And I'm requesting our Appointed Actuary, Nitin, to clarify on the products piece.

Nitin Agarwal:

Yes. Hi, Prayesh. So, on the product, see, currently also we have a very balanced product mix, if you see. We're not very heavy on any particular product mix. You know, we sell annuity, protection, non-par savings, ULIP, and everything.

And what we are seeing is from both the regulation that you mentioned in terms of risk-based and IFRS, from our initial evaluation that we've been doing, we are seeing positives on both sides. Even RBC is going to be a welcome change, as we can see that will give us, in fact, a little more headroom from a solvency perspective. So, that's what we've seen in the past submissions of both QIS 1 and QIS 2.

And even on the IFRS side, we definitely see an upside, so in fact, that will also allow us give us a room for the capital-intensive where the new business strain is probably on the higher side, so that will also get slightly better under IFRS. So, both these regulations will only be more positive towards the growth that we're planning to do.

Anuj Mathur:

And do you also want to clarify on the solvency of impact of these new regulations?

Nitin Agarwal:

Yes. So, solvency -- so I think Ind AS will not have any impact on solvency, because solvency will continue to be reported as -- before we move to RBC, it will continue to be reported under current Indian GAAP.

And as Anuj had already specified that, we are raising certain subordinated, that should keep us comfortable to ensure that our growth doesn't get compromised. And any of the lines of business like protection where the solvency requirement is slightly higher we can continue to focus on those.

And RBC, as I mentioned, that RBC will only -- we are seeing a positive impact as we've seen in the current format. And over there also RBC is also -- we've given a lot of feedback to the regulator. So any changes happen, that can only be even more positive.

- Prayesh Jain:** Got that. This is helpful. Just one question on the consultation paper. Any color you have got on the cutting commissions on the renewal book, whether it is will be prospective or retrospective, and if, yes, any color there, how should we think about this?
- Anuj Mathur:** It will be prospective. I don't think so the existing book will...
- Nitin Agarwal:** And also just to add, that actually our renewal commissions, we are actually seeing a positive over there in the terms of the allowable limits are mostly more than what we are currently paying in terms of renewal commission. So, I think actually that is probably be -- that'll probably be an upside.
- Prayesh Jain:** Got that. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Anshuman from ICICI Securities. Please go ahead.
- Anshuman:** Yes. Hi, thanks for the opportunity. It's very heartening to hear the commentary around the confidence that we have in the prospective post despite the consultation paper in terms of challenges. So, can you just tell us in terms of what are the key challenges which you think in front of us, especially under the context of this consultation paper?
- Because one of the things which we have been wondering about is the credit life bundling product that you said is not going to be a problem, because of the all the three parties benefiting. And also, the traditional product demand also you said is like quite okay. So, what in your assessment, what could be the challenges from Canara HSBC perspective?
- I know we are better placed than the industry, but what are the things which you think are the challenges as of now today?
- Anuj Mathur:** See, first of all, I would like to say that we should not jump the gun, and I think let's not draw any conclusion from whatever is there in the consultation paper. I think one area where probably maybe change can help is in terms of EoM. So, while we are largely in line with the regulatory expectation, but I think if further headroom is given by the regulator, that will help us to even accelerate our further investments.
- Because as of now, we are comfortable, and regulator is, as of now, talking about two years' time to bring down to that percent 15%, but if there's any change which happens, it will further help us to accelerate our growth. So, so I don't see any, as I mentioned earlier also, we don't foresee any challenges for us in terms of this.
- Yes, credit life is an area to watch out for. We are also very keen that the rate which is currently there gets revised upwards, but I don't foresee any big challenge, because as I mentioned, I think we're very close to the desired position which the regulator is looking at, so I don't foresee. In fact, cost is a big advantage for us.
- I think amongst the industry, we are amongst very few players who are actually running very, very efficient business. So, I think for us, we don't foresee any challenge. Operationally, there could be, but I think overall we see this as an opportunity to grow business from here.

- Anshuman:** Understood. And just, as an industry observer, we sometimes wonder whether the banks or the partner banks will lose motivation of selling credit life. In your discussion with your parent or in terms of as your opinion is there any possibility that the credit life as a product loses the relevance from the banking partner?
- Anuj Mathur:** I don't think so. See, as I mentioned, commission is just one part of it. As a shareholder, there are other things, there is value accretion which they look at. And let's not forget, actually, this helps in protecting the bank's exposure to the customer in an unfortunate event. So, I think if you're only looking from protection perspective also, I don't see any drop happening in terms of business just because commission rate is getting reduced.
- That's one factor which is, I'm not saying that it is irrelevant, but at the same time, there are other pressing things which will help actually for us to grow this business. So, affordability, in terms of product being more affordable, value accretion as a from shareholder perspective, and they protecting their exposure by providing this cover to credit life.
- So, I think there are more positives if I look at. And as I mentioned, our product was never -- we were never doing bundling and all that, so that way there is no challenge on the process side also.
- Anshuman:** Understood. Thanks a lot, and wish you all the best. Thank you.
- Anuj Mathur:** Thank you.
- Moderator:** Thank you. Next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.
- Gaurav Nigam:** Yes. Apologies, sir, for the drop in my call. I just had one follow-up question on the HSBC channel. Its share has come down, so it'd be great if you can help understand what happened in the channel?
- Anuj Mathur:** No, share has not gone down.
- Management:** If you look. Have we provided the split?
- Gaurav Nigam:** I think Q1 share on a APE basis is sir 21% in Q1, and 1H share is 17% HSBC?
- Anuj Mathur:** Yes. So, overall the business has grown, but, yes, Canara has also done slightly better in Q2 compared to Q1. So, that's why on relative basis what you are saying is may be correct, but overall business in HSBC has increased.
- Gaurav Nigam:** Okay. So, HSBC is on a growth path, and what expectation was that the foreign currency flows which are happening should ideally do better, but that's why I raised this question?
- Anuj Mathur:** Yes. No, there are multiple factors actually behind HSBC growth. I think the bank is growing their number of branches, they have presence in GIFT City also. So, I think all these things overall, and in terms of licensed people also who are selling insurance, they have increased the

number of planners also. So, all these things are very positive and is going to give growth even in medium to long term.

Gaurav Nigam: Understood, sir. Thank you. Thank you for taking my questions.

Anuj Mathur: Thanks.

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

Sanketh Godha: Yes. Thank you for giving the opportunity for the follow-up. I just wanted to know, this time, you did not give the EV walk. So, given we are typically sensitive to interest rates positively like, unlike others, so just wanted to understand how much operating variance and economic variance contributed to the current EV? If you can call out that numbers, it will be useful.

And second maybe I was trying to take a follow-up on credit life itself, I just want to understand what are our current penetration rates in credit life? It means out of how many loans do we attach a credit life in Canara Bank or HSBC Bank in that sense?

Anuj Mathur: Right. So, first you want to answer the EV walk?

Nitin Agarwal: Yes. I'll answer on the walk. So, yes, because there is generally seasonality we've seen in the EV walk, so we've not provided it this time. We'll be providing at the year end. But the operating variance continues to remain positive, so that is something which we've been seeing since beginning. Economic variance also, there's not, you know, anything major, significant to highlight over there.

There has obviously been some impact of the market, but otherwise, as we had shown in the sensitivity, it continues to -- you know, there's interest rate positive movement over there. So, yes. Generally seasonality, there is an impact if you see. Generally, we see that first half with the EV growth itself is slightly lower, but full year, the number EV growth is on the higher side. So, we will show this at the year end.

Sanketh Godha: Okay. But economic variance, is it fair to say it's positive just for you in that sense?

Nitin Agarwal: It's slightly negative, but that's primarily driven by the markets.

Sanketh Godha: Okay. Understood. Thank you.

Anuj Mathur: Just to answer you on attachment rate, so our current attachment in Canara is around 43% on home loans and about 72% on education loans. So, that way in education loans it's pretty decent, and we have scope to further improve our attachment rate in home loans. Also, I would like to mention that we have witnessed 30% growth actually happening in this particular business in Canara as well.

Sanketh Godha: Understood. Yes. That's it from my side. Thank you. Thank you for the answers.

Anuj Mathur: Thanks.

- Moderator:** Thank you. Next question is from the line of Mohit Mangal from Centrum Broking. Please go ahead.
- Mohit Mangal:** Yes. Thanks for the follow-up. I have got couple of questions. My first question is on, you know, our APE growth. We saw, you know, our APE growth kind of softening this quarter. Last 2 quarters were very good. So, just wanted to know how should we look at APE growth say for the next maybe 2 years to 3 years? Are we going expected to grow higher than the industry, or match the industry growth rate? What are our internal expectations from it?
- Anuj Mathur:** Yes. So, see, our APE growth will -- I'll not like to put a number to it right now, but, yes, our APE growth is going to be higher than the industry, which we are seeing currently also and I think that should continue.
- Also, I would like to mention that growth in APE or WPI is also a factor of traditional mix and unit link mix. So, as our traditional mix has gone up, so that's where we've seen our WPI growth of 15%. So, overall, we are very positive, but I would refrain from giving any kind of estimate for next 2 years to 3 years. But definitely it will be better than the industry growth.
- Mohit Mangal:** Understood. Next question is in terms of guaranteed business, you know, or basically the IRRs. So, two subparts to that. First, I wanted to know how much of our proportion of guaranteed business is currently hedged? And second is that, you know, with the recent change in interest rates and also expected to increase in interest rates, do we expect the IRRs to be revised further on your guaranteed products?
- Anuj Mathur:** Yes, Nitin. You can.
- Nitin Agarwal:** Yes. So, on the hedging part, so we currently are -- you know, we are hedged at about 75% to 80% is our hedging ratio, so we are quite comfortable over there. On the second part, on the IRR, so we actually have multiple products with, you know, different IRRs. So, based on the interest rate environment, we always have an option to offer more competitive or products with higher IRRs through our different distribution channels. So, we don't need to come up with new products, because in our book, in our shelf, we already have different products which have different level of IRRs and we can just offer based on the current interest rates.
- Mohit Mangal:** Understood. So, actually asking from competitive intensity, the competitive intensity within this products have kind of increased very materially. So, just wanted to know how it would be -- you know, how to handle this?
- Nitin Agarwal:** Yes. So we will continue to remain competitive, I mean that's what we keep doing. So to remain more agile, what as I mentioned that, depending on the competitive environment, rather than coming up with a new product, we offer the product that is already in our shelf with higher IRRs depending on what the prevailing competitive environment is, or the interest rate environment is.
- Mohit Mangal:** Understood. That's helpful. Thanks, and wish you all the best.

Moderator: Thank you. We will take our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes. So, just a couple of more questions. Firstly, one of the key differentiations in the industry between channels and products across brokers or distributors was the commission structure that one insurance company would offer to the other, right, to the distributor versus the other insurance company. That was one of the key differentiators in, say, wallet share in certain channels. I understand, for us that's not a risk at all in terms of Canara and HSBC.

But when you are developing your agency channel or you would like to get into some online web aggregators or brokers, that will start, that commission doesn't play a role now under the new regulations. Everybody would be paying the same commission. So, pricing becomes a very important element, or are there any other moats that, say, a insurance company can offer in order to kind of compete with other insurance companies in any distributor, for that matter?

Anuj Mathur: So, Prayesh, I think you have also answered your question. I think with commission rates becoming more reasonable, even where we have to compete in open architecture, we will be able to offer better pricing.

See, because our cost base, as you would know, is we are very, very competitive. So, our ability to price products competitively, and obviously features have to be there, and I think it will only provide us, I will now say maybe a level playing field, because we were never in that rat race. We were never able to offer or match those expectations which were there in the open architecture.

So, I think now with some kind of limits coming in, it will only provide us the level playing field. And we are fairly confident that we will be able to offer better customer outcome compared to other players, because of the model which we have, which is and the cost base is very, very low.

Prayesh Jain: Right. And, just on the sensitivity part, if I look at the sensitivity, the acquisition cost sensitivity, if it decreases by 10%, your VNB margin goes up by 2.9% is what you showed in FY26 table. What is the kind of benefit you see, and what kind of price adjustments should be needed for you to maintain the margins? I understand it will be different across different products, but still some ballparks across term life and IRR adjustments?

Nitin Agarwal: Again, so as you mentioned that the acquisition, the cost is flowing, so 10% would have resulted in broadly 3% kind of margin upside that we mentioned. But a lot will depend on how much the repricing and how much is passed on to the customers, and how the regulations come into play, and how much they monitor some of these things.

So, definitely there is a potential for an upside in the margins as well. But as I said, that a lot will depend on the final set of regulations, the competitive environment, how much regulator monitors, how much we pass on to the customer. So, all of these things will play a role, but, yes, overall either the volumes or the margins, definitely there should be some upside from both perspective.

- Prayesh Jain:** Got that. Just last one, broader level again, industry-level question. Do you think FY28 industry premium would be a decline or a growth? Just a guess if you want to make one.
- Anuj Mathur:** It's better not to make any guess in this kind of environment. But, yes, see, all indications are when you make a product more affordable, that business will go up. This is what we have seen in case of GST removal also last year. So, I think that's the direction I can give.
- Prayesh Jain:** Sure. Thank you so much, and wish you all the best.
- Anuj Mathur:** Thank you.
- Moderator:** Thank you. We will take a last question from the line of Siddharth Rajpurohit from Systematix Group. Please go ahead.
- Siddharth Rajpurohit:** Thank you for giving the opportunity. Sir, we have kind of raised some protection product pricing. Even after that, our protection APE has grown meaningfully. So, just wanted to understand what is kind of driving the retail APE growth 96% for this 1H, and if some color could be given on the channels, which channels are kind of driving it?
- Nitin Agarwal:** So, Siddharth, just to understand, you are asking about the VNB growth of 24%, absolute VNB growth of 24%?
- Anuj Mathur:** Protection.
- Siddharth Rajpurohit:** No, sir. I am telling on Yes, on the protection side, pricing you are your product pricing has gone up in the quarter, but even after that your overall 1H growth is very strong. So, just wanted to understand what is driving this retail growth. Any channel-wise indication color could also be helpful.
- Nitin Agarwal:** So, from the pricing perspective, our protection pricing has remained similar, so we've not really had any major changes to the pricing of protection. It's just that we post-GST, there was an automatic demand that we saw in our distributors in our channels, and we have been, and even in Canara Bank, we've seen a good uptake of protection. So, that is what has caused driven the increase in the protection mix.
- Siddharth Rajpurohit:** Okay, sir.
- Nitin Agarwal:** And we continue to remain quite competitive in our sorry, just want to add, that we actually are quite competitive in our prices of protection. So, that we've done and that is something which we are very conscious of. So, we continue to remain very competitive in that, so that obviously helps us to drive volumes in that.
- Siddharth Rajpurohit:** Okay. Sir, you have added agents, but what would be the mix say of, say, young, say, new agents or some or agents sourced from, say, other life insurers?
- Dinesh Tak:** So, hi. Good evening. This is Dinesh. As you would know, agency is all about creating a scale. So, we are taking and onboarding people of course who have expertise in BFSI segment. So, we are taking people from other insurance companies also, but overall, we are focusing on all three

or four segments which includes housewives, which includes retirees, which includes professional from BFSI segment, also self-employed. So, it's a complete mix of distribution that we are trying to create.

Siddharth Rajpurohit: Okay. And, sir, so Canara is kind of our most strongest channel contributing around 60%. Just wanted to understand, if you can give some color that if of their total business drive, how much is kind of pushed by the bank and what is being pushed by the employees specifically designated to the branches? If you can give some understanding of this.

Anuj Mathur: See, first of all, in bancassurance model, it's a joint effort. So, it's not one person who is driving that's the overall theme. And maybe I'll request Soly, who is an expert in this area, to further comment.

Soly Thomas: Hi. So, as rightly said, see, basically, it's both the employees of our CHL as well as the bank, since we have specified people in each of the branches, and they've been selling insurance for last 18 years, if you ask. So, that's more of a BAU business along with other financial products which they're selling. This is also a financial product based on the customer need, along with our team which is being based out of the branches, they're jointly selling this insurance.

So, it's if you ask me, it's both 50-50, I would say. It's not unlike in a model wherein total dependence is on the bank. It's our sales team which also works on the leads which is being generated, and based on the leads which they convert those leads in the branches.

Siddharth Rajpurohit: Okay. And, sir, lastly, sir, what aspects of opex do you see have scope of reduction, which will ultimately help us meeting whatever caps are to be given?

Anuj Mathur: See, again, I'll mention this, see, cost is not a problem for us. I think we are very well-managed company, very efficiently running company. Our focus is on growth of business, because if you see the ratio also, in the denominator you have the business.

So, if you're able to expand business, grow business higher than the industry growth rate, that will automatically result in our overall cost ratios coming down. So cost has not been a problem, but, yes, at the same time, we're very, very conscious that we should be running a lean business, and I think we have been able to manage it efficiently.

Siddharth Rajpurohit: Okay. Thank you, sir. All the best.

Anuj Mathur: Thanks.

Moderator: Thank you. That concludes our question-and-answer session. I now hand it back to the management for closing comments.

Anuj Mathur: Okay. Great. So, first of all, thanks a lot for taking out time for this interaction. And as a company, I'll just summarize. I think if we look at our profitability, the VNB margin has gone up, the absolute VNB has gone up. If we look at our protection mix, that has gone up. The focus on traditional business has actually helped us. Our persistency is really good.

So, just to summarize, I think all our financial parameters are in a very strong zone, and as management team, we are fully committed to grow this business further. So, once again, thanks a lot. Thank you.

Moderator:

Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you all for joining us today. And you may now disconnect your lines.

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