Canara HSBC Life Ins

Operator: Ladies and gentlemen, good day and welcome to the Canara HSBC Life Insurance Company Ltd. H1 FY27 earnings call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference call to Mr. Prayesh Jain from Motilal Oswal. Thank you, and over to you, sir.

Prayesh Jain – Motilal Oswal: Thank you, Ikra. Good evening, everyone. It is a privilege to host the senior management of Canara HSBC Life Insurance Company Ltd. for their H1 FY27 earnings conference call, especially at a time when the industry is at a very important juncture. From management, we have Mr. Anuj Mathur, MD and CEO; Mr. Solly Thomas, Deputy CEO and Chief Distribution Officer; Mr. Tarun Rastogi, 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 – MD & CEO: Thank you, Prayesh. Good evening, friends, and welcome to the H1 FY27 earnings call of Canara HSBC Life Insurance Company Ltd. 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 will talk about our performance, and then the floor will be open for questions, so please feel free to ask questions.

I will start with the macroeconomic front. 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 will continue to navigate the environment with prudence and agility.

Coming now to our company's performance, I am happy to share that we delivered a healthy overall performance in H1 FY27, with our individual WPI, or weighted premium income, growing by 15% year-on-year and APE increasing 14% year-on-year. This is better than the industry growth of 13% year-on-year and the 12% growth reported by private players. However, beyond top-line growth, our strategic focus remained on deepening channel penetration and expanding customer reach, which is reflected in robust NOP growth of 16% during the period.

This is something that I would like to mention as being very important: the number of policies actually grew 16% during this period, which was higher than the 9% growth reported by private players and the 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 increased to 59% of APE in H1

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FY27, compared to 50% in H1 FY26. This is again a major shift that we have seen in our product mix, which has 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. This is what I had mentioned in the last call as well: as a company, our focus is on the protection business, and I am 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.

I would also like to mention that our credit life business maintained strong growth momentum, delivering growth of 35% year-on-year, supported by healthy growth across both the home loan and education loan segments. During this period, we also saw the share of our non-par business increase to 25% in H1 FY27 versus 17% in H1 FY26. There was significant growth in the non-par segment as well, 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 and volatile equity market conditions. However, we continue to see demand from targeted customer segments, reinforcing our strategy of maintaining a well-diversified product mix that balances growth, profitability, customer relevance, and customer preference.

Renewal premium growth continued 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 the effectiveness of our 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 a superior customer experience. Strong persistency remains a key contributor to embedded value creation and long-term profitability.

Friends, on our agency channel, I am happy to share that we have onboarded over 1,900 sales distributors and generated an APE of 40 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 FY27.

I will now come to the financial and operating metrics. I am 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 Rs 266 crores, registering healthy growth of 24% year-on-year, driven by a shift towards traditional products.

Friends, despite the GST impact and our ongoing investments in the agency channel, we reported a healthy VNB margin of 21.3% for H1 FY27, compared to 19.6% reported in H1 FY26. There was healthy growth in the VNB margin. The margin improvement was led by a favorable product mix shift towards traditional products, the yield curve benefit, and improving operating leverage driven by higher volumes. Our Indian embedded value grew by 16% year-on-year, reaching 7,622 crores,

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with healthy operating ROEV growth of 19.8%.

During the period, we achieved the key milestone of crossing 50,000 crore in AUM, registering 14% year-on-year growth. Our profit after tax for H1 grew by 11% to 71 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, the solvency ratio remains comfortable at 180% and is well above the regulatory requirement.

Lastly, I would like to touch upon the regulations, the draft regulations, and the consultation paper that has been issued. I think it is a step in the right direction. The latest discussion paper on the 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 will wait for the final guidelines before drawing any conclusions.

Thank you very much for your time. I am very happy to take the questions that you may have. Over to you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Please note, ladies and gentlemen, that in order to ensure that management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. Should you have a follow-up question, please rejoin the queue. Anyone who wishes to ask a question may press star and one.

We will take our first question from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha – Avendus Spark: Thank you for the opportunity. Sir, my first question is on your solvency, which is at 180% despite raising the subordinated debt. Is it fair to say that if your growth is driven by protection, non-par, or annuity, which are typically capital-consuming, and RBC norms do not come as quickly from the regulator, then if this growth momentum continues in these product segments, you might go for a capital raise?

Anuj Mathur – MD & CEO: Thank you, Sanket, for asking that question. The solvency ratio as of September 30 is actually a factor of many things. One of the factors is also the equity market, and we all know that towards the end of September there was a correction in the equity market. That is one reason. We saw a similar thing in March as well.

At the same time, I would like to mention that we already have plans. In fact, if required, we are going to raise sub-debt, or subordinated debt. We do not foresee a requirement for an equity

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fundraise at this point in time. I think we are fairly well-capitalized, and our solvency is well above the regulatory minimum of 150%. The subordinated debt that we are going to raise in this quarter should help us further improve our solvency.

As I mentioned, market conditions also play an important role. Hopefully, if the market reverses what it was on September 30, as we have seen today, there will also be an automatic benefit that will accrue to us.

Sanket Godha – Avendus Spark: Is it fair to say that in your shareholders' investments you also have an equity book, and that is why you are seeing a solvency impact? Otherwise, ideally, the equity market should not be impacting solvency, right?

Management: We do not have equity in our shareholder portfolio. It is there in the policyholder fund. In both par and non-par, we have an equity proportion, so that is where the equity impact comes in.

Sanket Godha – Avendus Spark: Understood, sir. My second question is on the new norms. What we understand is that credit life is probably the most impacted product under the proposed new norms, if they proceed in the same format. For us, in H1, credit life, or non-retail protection, which I believe is largely credit life, is 6% of total APE.

I wanted to understand what commission structures we follow today, whether there will be a material change compared with the proposal, and what is mentioned in current practice.

Sanket Godha – Avendus Spark: Given that the payment structures have also changed, the premium cannot be topped up with the loan and needs to be paid separately. If the payment dynamics change for that particular product for the consumer, how do you see the impact, and how do you think you can mitigate the impact on that line of business, which, in my view, is a margin-accretive product for you?

Management {? Anuj ?}: First of all, Sanket, I would like to say that we should not draw a conclusion from what is currently there. I think the regulator is seeking feedback from various stakeholders, and we expect that the final guidelines may be different from what they currently are.

In the past also, I had mentioned that, as far as we are concerned, our commission structure has been and continues to be very moderate. Therefore, the impact on us will not be to the same extent as it will be on the industry. There will be some changes in the regulations, and accordingly we can assess the final rates and proceed on that basis.

One thing I would also like to mention is that, in our case, a lot of this business comes from our 2 shareholders. Since they are not just distributors but also shareholders of the company, I do not foresee a drop in the business. In fact, with this change, it is quite possible that the product may become more affordable. This means there is a significant opportunity for us to scale up this business in volume terms.

That is where we stand out differently, and we feel that the final commission rates that are introduced should be slightly higher. Since our shareholders are distributing this credit life product, value accretion is much more important than just the commission.

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Sanket Godha – Avendus Spark {? Sanket ?}: Understood, sir. A follow-up on this particular question: out of the total credit life business that we conduct, how much is contributed either by HSBC or Canara Bank? Is it more than 90%?

My second question is whether you can quantify the commission structure, if you are comfortable telling us the number, and explain the commission structure followed as a practice today.

Lastly, my main concern was that I completely understand that if the commissions are lower, given that your own shareholders are conducting the bulk of the business, you will probably make the product affordable. However, our concern was that if the payments are to be made by the end user rather than being topped up or bundled into the loan, it could have an implication even for companies whose shareholders bring in the bulk of the business. I was looking for comments from that perspective, sir.

Management {? Anuj ?}: I will add something, and then I will ask our CFO to respond. First of all, Sanket, I would like to mention that in our case, our process has always been compliant. We never used to bundle the payments. In our case, the EMI and the funding for the premium were 2 different payouts for the customers. We never bundled them in the past. The loan given for the insurance premium was always separate. There was complete transparency.

Therefore, we do not expect any kind of problem in terms of the process. As I mentioned, in our case, I will not be able to disclose the exact commission rate, but our commission rates are very, very moderate. Tarun, if you have anything you would like to add.

Tarun – CFO: You also asked what percentage of credit life is contributed by Canara. It is upwards of 90%.

The differential between the commission that we are paying and what is proposed is definitely there, as Anuj just mentioned. There will be some adjustment that we have to make. However, we also need to understand that as a bank and as a shareholder, Canara fully understands the importance of this particular product. This is a win-win product for all 3 stakeholders: the bank, the customer, and the company.

Since our pricing has always been reasonable, we have seen good attachment in this particular product, and that will continue. There is also natural demand for this product based on what we have seen in our case.

Let us assume that there is a gap in the commission that they are earning. That gap will be taken care of by the higher attachment and higher demand, because the relevant portion of the commission reduction will somehow be passed on to the customer at the end of the day. We still see this as being a win-win situation for all 3 stakeholders.

Management {? Anuj ?}: To add to that, we have seen in the case of other financial products, and even in the case of term business, that when a product became more affordable, volumes increased. This is also the point that Tarun was making: we should witness higher volumes coming in because the product is becoming more affordable.

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Sanket Godha – Avendus Spark {? Sanket ?}: Understood. I have 2 final questions [inaudible]. I will come back into the queue.

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

Mohit Mangal – Centrum Broking: Good evening, everyone, and thank you for the opportunity. My first question is regarding the VNB walk. We saw an impact of {? 200 basis point ?} because of expenses. I wanted to clarify whether it was a GST impact or whether there was something else as well.

Management {? Anuj ?}: I will request our Appointed Actuary, Nitin, to provide the details.

Nitin – Appointed Actuary: Yes, that is primarily on account of GST.

Mohit Mangal – Centrum Broking: Understood. My second question is regarding your sensitivity analysis. In FY26, a 1% change in the reference rate could improve your VNB margin by {? 1.7% ?} and EV by {? 1% ?}. If this yield curve continues to steepen, can we see some further upside to the VNB margin and EV?

Nitin – Appointed Actuary: That is correct. We can see some uplift in the VNB margin if this continues to move up.

Mohit Mangal – Centrum Broking: Understood. My last question is regarding protection growth. In the last call, you said that your protection growth comes primarily from Tier 3 and Tier 4 cities. We saw a weak monsoon, and rural incomes could disappoint. Do you see any risk to the growth momentum from business coming from those smaller towns and cities?

Management {? Anuj ?}: I would like to clarify that it is the traditional business, rather than just the protection business, that has a higher proportion coming from Tier 3 and Tier 4 cities. I do not think there should be any impact in terms of demand. In fact, with products becoming more affordable and IRR increasing, I think there will be a larger market for these products going forward.

Mohit Mangal – Centrum Broking: Understood. Thank you very much. I will rejoin the queue.

Management {? Anuj ?}: Thank you.

Operator: Thank you. The next question is from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani – Nirmal Bang: Thank you for taking my question. I have one question on opex. Assuming that the regulation remains as it is currently, although it is speculative and we do not know what final shape and form the regulation will take, given that you are planning to roll out the agency channel and so on, how do you reconcile that with these new opex regulations?

Management {? Anuj ?}: Regarding the agency channel, our approach, as I have articulated in the past, is phased growth. We are building it up gradually, and we do not want our profitability to be impacted.

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In fact, if the final regulations include a commission cap, it may actually help our agency business. Compared with where the market is currently and where it will move, I think there will be an overall reduction, which will help us do more business and bring down the cost of acquisition.

Vinod Rajamani – Nirmal Bang: What about the requirement to reduce your opex? Could there be an impact on volumes or any negative impact on volumes if the regulations remain as they are? If you have to bring it down to something like {? 15% ?}, which is what the regulator is expecting, how will that be managed?

Management {? Anuj ?}: We have a competitive edge there. If you look at our current number, we are hovering at approximately {? 18% ?}. Covering the gap from {? 18% to 15% ?} over 2 years, with business increasing and all the other factors, is not going to be a major challenge for us.

This will be a challenge for people who are operating at {? 25% plus ?}. We are actually very close to the number that the regulator has currently mentioned in the consultation paper, so I do not foresee any challenge on that front.

Vinod Rajamani – Nirmal Bang: Thank you. That is the only question I have.

Operator: Thank you. The next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam – Tunga Investments: Thank you for taking my question. Regarding the fundraise, I think you alluded to solvency as being the reason. I was wondering whether there is any other reason, because there is also the Ind AS transition expected next year and RBC is also in the pipeline. What are the reasons behind this fundraise?

Management {? Anuj ?}: In a growing business, there will always be a requirement to invest money to grow the business. That is the primary purpose. As I mentioned, our solvency is not far off. If you look at the industry, I think our current levels are quite satisfactory.

However, we want to do this so that we can further grow the business. Protection business also involves higher solvency requirements and other factors.

Gaurav Nigam – Tunga Investments: Going back to that point, are you saying that it is largely driven by growth and the corresponding solvency requirements? Is it practically only solvency?

Management {? Anuj ?}: It is driven by business growth, our focus on protection, and some new investments that we are making in various other alternate channels.

Gaurav Nigam – Tunga Investments: Hello?

Operator: Yes, sir, you may please continue.

Management {? Anuj ?}: I think his call has been disconnected.

Operator: Yes, sir, the current participant has left the queue. We will move ahead. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

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Prayesh Jain – Motilal Oswal: Thank you for the opportunity to ask questions. My first question is a broader industry-level question. We now have this consultation paper, risk-based solvency norms are likely to be announced, and IFRS implementation may also be coming. There are many changes that the industry is likely to witness from FY28.

How do you see your product structures or distribution structures evolving in the next year? I think this will be an important year of inflection for all companies and for the sector. For us, how do you think this will lead to changes in the way we think about the business?

Management {? Anuj ?}: Thank you for asking this question, Prayesh. We are actually very optimistic about all these changes because what they effectively mean for us is that we can grow the business much faster.

As I mentioned earlier, our commission rates are very, very moderate. Therefore, this is not a major change for us. Our expenses of management are very close to the desired position, so we do not foresee any challenge.

Regarding IFRS and the other changes, these are already business as usual for us. As required by the regulator, we are already submitting our financials on an IFRS basis in addition to the statutory reporting. Therefore, it is all business as usual.

As I said, with products becoming more affordable, we see this as an opportunity to grow the business much faster. Given the way our financials are currently positioned, this is more of an opportunity for us than a challenge.

Prayesh Jain – Motilal Oswal: Understood. As an extension to this question, do you expect any major changes in the way you approach products such as credit life, where commissions may decline and the incentive for banks to sell may reduce? I understand that both partners are also shareholders, so they would keep our interests in mind.

However, from a customer perspective, bundling will also stop. On the other hand, do you think that products such as ULIPs or non-par products could become more profitable under risk-based solvency, or that the solvency requirement could be higher for some products than for others? There could be many changes here. How do you see the product structure evolving? Would you need to undergo a significant shift in the product mix to maintain or even improve profitability?

Management {? Anuj ?}: I would first like to clarify that we never bundled products in the past, and our current process also does not involve bundling. I am requesting our Appointed Actuary, Nitin, to clarify the products aspect.

Nitin – Appointed Actuary: On the products, we currently have a very balanced product mix. We are not heavily dependent on any particular product. We sell annuity, protection, non-par savings, ULIPs, and other products.

Based on our initial evaluation of both the regulations that you mentioned, namely risk-based solvency and IFRS, we are seeing positives on both sides. RBC is also going to be a welcome change, as we can see that it will give us somewhat more headroom from a solvency perspective. That is what we have seen in the past submissions of both {? QIS-1 and QIS-2 ?}.

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On the IFRS side as well, we definitely see an upside. In fact, this will also give us room for capital-intensive products where the new business strain is probably on the higher side. That should also become somewhat better under IFRS. Both these regulations will be a win-win for us.

Management {? Anuj ?}: To add to that, we have seen in the case of other financial products, and even in the case of term business, that when a product became more affordable, volumes increased. This is also the point that Nitin was making: we should witness higher volumes coming in because the product is becoming more affordable.

Prayesh Jain – Motilal Oswal: Understood. I have 2 final questions [inaudible]. I will come back into the queue.

Operator: I am sorry to interrupt. We will take...

Management: ...positive towards the growth that we are planning to achieve.

Management: We also want to clarify the impact on solvency of this new {? consultation ?} paper. Ind AS will not have any impact on solvency because solvency will continue to be reported as before. Once we move to RBC, it will continue to be reported under the current Indian GAAP.

As we had already specified, we are raising certain subordinated debt. That should keep us comfortable and ensure that our growth does not get compromised. For any lines of business, such as protection, where the solvency requirement is slightly higher, we can continue to focus on those.

As I mentioned, we are seeing a positive impact from RBC based on what we have seen in the current format. We have also provided a lot of feedback to the regulator on RBC, so if any changes are made, they can only be even more positive.

Prayesh Jain – Motilal Oswal: This is helpful. I have one question on the consultation paper. Do you have any information on the cut in commissions on the renewal book? Would it be prospective or retrospective? If you have any indication, how should we think about this?

Management: It will be prospective. I do not think the existing book will be impacted. I would also like to add that we are actually seeing a positive position on renewal commissions, because the allowable limits are mostly higher than what we are currently paying in terms of renewal commissions. Therefore, that will probably be an upside.

Prayesh Jain – Motilal Oswal: Understood. Thank you very much.

Operator: Thank you. The next question is from the line of Anshuman from ICICI Securities. Please go ahead.

Anshuman – ICICI Securities: Thank you for the opportunity. It is encouraging to hear the confidence we have in the business despite the consultation paper and the challenges it may create. Could you tell us what you see as the key challenges, particularly in the context of this consultation paper?

One area we have been considering is the credit life bundling product. You have said that it should not be a problem because all 3 parties benefit. You have also said that demand for traditional

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products is quite healthy. In your assessment, what could be the challenges from the Canara HSBC perspective? I know we are better placed than the industry, but what challenges do you see as of today?

Management: First of all, I would like to say that we should not jump the gun. We should not draw any conclusion from whatever is currently contained in the consultation paper.

One area where a change could help is EoM. While we are largely in line with the regulatory expectation, if the regulator provides further headroom, that will help us accelerate our investments. At present, we are comfortable, and the regulator is discussing a period of 2 years to bring the ratio down to {? 15% ?}. If there is any change, it will further help us accelerate our growth.

As I mentioned earlier, we do not foresee any challenges for us in this regard. Credit life is an area to watch. We are also keen that the rate currently being considered is revised upwards. However, I do not foresee any major challenge because we are very close to the desired position that the regulator is targeting.

In fact, cost is a major advantage for us. Within the industry, we are among the few players operating a very efficient business. Therefore, we do not foresee any challenge. There could be operational issues, but overall we see this as an opportunity to grow the business from here.

Anshuman – ICICI Securities: As an industry observer, we sometimes wonder whether the banks or partner banks will lose the motivation to sell credit life. Based on your discussions with your parent or your own view, is there any possibility that credit life loses its relevance for the banking partner?

Management: I do not think so. Commission is only one part of the equation. As shareholders, there are other considerations, including value appreciation.

We should also remember that this product helps protect the bank's exposure to the customer in the event of an unfortunate occurrence. Looking purely from a protection perspective, I do not see any decline in business merely because the commission rate is reduced.

I am not saying that commissions are irrelevant, but there are other important factors that will help us grow this business. These include the affordability created by making the product more affordable, value appreciation from the shareholder perspective, and the protection of the bank's exposure through credit life cover.

There are therefore more positives when we look at the situation. As I mentioned, we never bundled the product in the past, so there is no process-related challenge either.

Anshuman – ICICI Securities: Understood. Thank you very much, and I wish you all the best.

Operator: Thank you. The next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam – Tunga Investments: Apologies for the disconnection. I have one follow-up question on the HSBC channel. Its share has declined, so it would be helpful if you could explain what happened in the channel.

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Management: The share has not declined. Have you provided the split?

Gaurav Nigam – Tunga Investments: I believe the Q1 share on an APE basis was 21%, while the H1 share for HSBC is 17%.

Management: Overall, the business has grown, but Canara also performed somewhat better in Q2 compared to Q1. Therefore, on a relative basis, what you are saying may be correct, but the overall business from HSBC has increased.

HSBC is on a growth path, and the greater integration that is taking place should ideally lead to further improvement. There are multiple factors behind HSBC's growth. The bank is increasing its number of branches, and it also has a presence in GIFT City. All these factors are positive overall.

The number of licensed people selling insurance has also increased, and the bank has increased the number of planners. All these factors are very positive and will support growth in the medium to long term.

Gaurav Nigam – Tunga Investments: Understood. Thank you for taking my question.

Management: Thank you.

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

Sanket Godha – Avendus Spark: Thank you for the opportunity to ask a follow-up question. I wanted to understand why the EV walk was not provided this time. Since we are typically positively sensitive to interest rates, I wanted to understand how much operating variance and economic variance contributed to the current EV. If you could provide those numbers, it would be useful.

My second question is a follow-up on credit life. I want to understand our current penetration rates in credit life. In other words, out of the total number of loans, how many loans have credit life attached in Canara Bank or HSBC Bank?

Management: Regarding the EV walk, there is generally some seasonality in the EV walk, so we have not provided it this time. We will provide it at the year-end.

Operating variance continues to remain positive. That is something we have seen from the beginning. Economic variance is also not particularly significant. There has obviously been some impact from the market, but, as we showed in the sensitivity analysis, there continues to be a positive movement in interest rates.

There is generally an impact from seasonality. In the first half, we usually see that EV growth itself is somewhat lower, but for the full year, EV growth is higher. We will show this at the year-end.

Sanket Godha – Avendus Spark: Is it fair to say that economic variance is positive for you?

Management: It is slightly negative, primarily driven by the markets.

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Sanket Godha – Avendus Spark: Understood. Thank you. Regarding the attachment rate, what is the current rate?

Management: Our current attachment rate in Canara is approximately 43% on home loans and approximately 72% on education loans. The attachment rate in education loans is quite healthy, and we have scope to further improve the attachment rate in home loans.

I would also like to mention that we have witnessed 30% growth in this particular business in Canara as well.

Sanket Godha – Avendus Spark: Understood. That is all from my side. Thank you for your answer.

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

Mohit Mangal – Centrum Broking: Thank you for the follow-up. I have a couple of questions. My first question is on our APE growth. We saw our APE growth soften this quarter, while the previous 2 quarters were very good. How should we look at APE growth over the next 2 to 3 years? Should we expect to grow faster than the industry or match the industry growth rate? What are our internal expectations?

Management: I would not like to put a number to our APE growth right now. However, our APE growth is currently higher than the industry, and I think that should continue.

I would also like to mention that growth in APE or VNB is a factor of the traditional mix and the unit-linked mix. As our traditional mix has increased, that is where we have seen our VNB growth of 15%. Overall, we are very positive, but I would refrain from giving any estimate for the next 2 to 3 years. It will definitely be better than the industry growth.

Mohit Mangal – Centrum Broking: Understood. My next question is regarding guaranteed business, or the IRR. It has 2 parts. First, what proportion of our guaranteed business is currently hedged? Second, with the recent change in interest rates and the expected increase in interest rates, do you expect the IRRs on your guaranteed products to be revised further?

Management: Regarding hedging, we are currently hedged at approximately 75% to 80%, which is our hedging ratio. We are quite comfortable in that regard.

Regarding the IRR, we have multiple products with different IRRs. Depending on the interest rate environment, we always have the option to offer more competitive products or products with higher IRRs through different distribution channels.

We do not necessarily need to introduce new products because our product shelf already includes different products with different levels of IRR. We can offer them based on current interest rates.

Mohit Mangal – Centrum Broking: I am asking this from the perspective of competitive intensity. Competitive intensity within these products has increased materially. How do you expect to manage this?

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Management: We will continue to remain competitive; that is what we keep doing. To remain more agile, as I mentioned, depending on the competitive environment, rather than introducing a new product, we offer a product that is already on our shelf with a higher IRR, depending on the prevailing competitive environment or interest rate environment.

Mohit Mangal – Centrum Broking: Understood. That is helpful. Thank you, and I wish you all the best.

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

Prayesh Jain – Motilal Oswal: I have a couple of additional questions. One of the key differentiators in the industry between channels and products across brokers or distributors was the commission structure that one insurance company offered to a distributor compared with another insurance company. This was one of the key differentiators in wallet share in certain channels.

I understand that this is not a key risk for us, at least in Canara and HSBC. However, when you are developing your agency channel or seeking to work with online aggregators or brokers, commissions may no longer play a role because under the new regulations, everybody would be paying the same commission.

Pricing therefore becomes a very important element. Are there any other advantages that an insurance company can offer in order to compete with other insurance companies with any distributor?

Management: I think you have also answered your own question. With commission rates becoming more reasonable, even where we have to compete in an open architecture, we will be able to offer better pricing.

As you know, our cost base is very, very competitive. Therefore, we have the ability to price products competitively, while also ensuring that the product features are in place.

I think this will provide us with a level playing field. We were never in that rat race and were never able to offer or match the expectations that existed in the open architecture. With some limits now being introduced, this will provide us with a level playing field.

We are fairly confident that we will be able to offer a better customer outcome compared with other players because of our model, in which the cost base is very, very low.

Prayesh Jain – Motilal Oswal: Regarding the sensitivity analysis, if I look at the acquisition cost sensitivity, a 10% decrease in acquisition costs increases your VNB margin by 2.9%, according to the FY26 table. What level of benefit do you expect to see, and what kind of price adjustment would be needed to maintain the margins? I understand that it will be different across products, but could you provide some broad indications across term life and IRR reductions?

Management: As you mentioned, the acquisition cost is flowing through the business. A 10% reduction would have resulted in approximately 3% of margin upside, as we had indicated.

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However, a lot will depend on the extent of repricing, how much is passed on to customers, how the regulations come into play, and how closely some of these matters are monitored. There is definitely potential for an upside in margins, but, as I said, a lot will depend on the final set of regulations, the competitive environment, how much the regulator monitors, and how much we pass on to the customer.

All these factors will play a role. Overall, whether through volumes or margins, there should definitely be some upside from both perspectives.

Prayesh Jain – Motilal Oswal: Understood. One final broader industry-level question: do you think FY28 industry premiums will decline or grow? This is just a guess, if you would like to make one.

Management: It is better not to make a guess in this kind of environment. However, all indications suggest that when you make a product more affordable, the business will increase. This is what we also saw when GST was removed last year. That is the direction I can indicate.

Prayesh Jain – Motilal Oswal: Thank you very much, and I wish you all the best.

Management: Thank you.

Operator: Thank you. We will take our last question from the line of Siddharth Rajpurohit from Systematic Group. Please go ahead.

Siddharth Rajpurohit – Systematic Group: Thank you for the opportunity. We have increased the pricing of some protection products. Even after that, our protection APE has grown meaningfully. I wanted to understand what is driving this 26% retail APE growth for H1. It would also be helpful if you could provide some color on the channels driving it.

Management: To clarify, are you asking about the 24% VNB growth, or absolute VNB growth of 24%?

Siddharth Rajpurohit – Systematic Group: No, I am referring to the protection side. The pricing of your protection products increased during the quarter, but even after that, your overall H1 growth is very strong. I wanted to understand what is driving this retail growth. Any channel-wise color would also be helpful.

Management: From a pricing perspective, our protection pricing has remained similar. We have not made any major changes to the pricing of protection.

Post-GST, we saw an automatic increase in demand from our distributors and channels. We have also seen a good uptake of protection in Canara Bank. That is what drove the increase in the protection mix.

I would also like to add that we are quite competitive in our protection pricing. This is something we are very conscious of, and we continue to remain very competitive. That obviously helps us drive volumes in protection.

Siddharth Rajpurohit – Systematic Group: You have added agents. What would be the mix of new or younger agents versus agents coming from other bank-insurance companies?

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Dinesh: Good evening. This is Dinesh. As you know, agency is all about creating scale. We are onboarding people who have expertise in the BFSI segment. We are also taking people from other insurance companies.

Overall, we are focusing on all 3 or 4 segments, including housewives, retirees, professionals from the BFSI segment, and self-employed individuals. We are trying to create a complete mix of distribution.

Siddharth Rajpurohit – Systematic Group: Canara is our strongest channel and contributes approximately 60%. Could you provide some color on how much of its total business is driven by the bank and how much is driven by employees specifically designated in the branches?

Management: First of all, in the bancassurance model, it is a joint effort. It is not one person who is driving the business. That is the overall theme. I will request Solli, who is an expert in this area, to comment further.

Solli: As you rightly said, it is a combination of the employees of our Canara HSBC Life Insurance Company Ltd. and the bank. We have designated people in each branch, and they have been selling insurance for the last 18 years. This is business as usual, along with the other financial products that they sell.

Insurance is also a financial product based on customer needs. Our team located at the branches works jointly with the bank team to sell the insurance. If you ask me, it is approximately a 50:50 contribution. It is not a model in which there is total dependency on the bank.

Our sales team also works on the leads generated, and based on those leads, they convert the customers in the branches.

Siddharth Rajpurohit – Systematic Group: What aspects of opex do you see as having scope for reduction, which would ultimately help us maintain the gaps that will need to be adjusted?

Management: I will reiterate that cost is not a problem for us. We are a very well-managed and efficiently run company. Our focus is on business growth because, if you look at the ratio, the business is in the denominator. If we can expand and grow the business faster than the industry growth rate, that will automatically result in our overall cost ratios declining.

Cost has not been a problem. At the same time, we are very conscious that we should run a lean business, and I think we have been able to manage it efficiently.

Siddharth Rajpurohit – Systematic Group: Thank you, sir. All the best.

Management: Thank you.

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

Management: First of all, thank you very much for taking the time for this interaction. To summarize, if we look at our profitability, the VNB margin has increased and absolute VNB has also increased. Our protection mix has increased, and our focus on traditional business has helped us. Our

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persistency is very strong.

To summarize, all our financial parameters are in a very strong position, and as a management team, we are fully committed to growing this business further. Once again, thank you very much.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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