HDFC Life Insurance

15 January 2026

Operator: Ladies and gentlemen, good day and welcome to the 9M FY26 earnings conference call of HDFC Life Insurance Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touch-tone phone. I now hand the conference over to Miss Vibha Padalkar, MD and CEO of HDFC Life. Thank you and over to you, ma'am.

Management: Thank you, Ryan. Good evening everyone and thank you for joining our earnings conference call for the nine months ended December 31, 2025. Our results along with the investor presentation, press release and regulatory disclosures are available on our website and with the stock exchanges. Joining me on today's call are Neeraj Shah, Executive Director and CFO; Vinit Arora, Executive Director and Chief Business Officer; Ishwari Murgan, Appointed Actuary; and Kunal Jain, Head Investor Relations, Business Planning and ESG. On this call, we look forward to discussing our results, strategic priorities and the outlook for the sector as well as for HDFC Life.

The life insurance sector saw an acceleration in momentum during the third quarter supported by recent policy reforms and a rising preference for protection-led solutions. The GST exemption acted as a meaningful catalyst particularly for the protection segment, improving affordability and driving a pickup in demand. Against this backdrop, the industry reported year-on-year growth of around 10% with HDFC Life growing faster at 11% on individual WRP. As expected, our growth in Q3 outpaced H1 leading to an acceleration in the nine-month growth. This improvement was largely volume-driven with the number of policies recording double-digit growth during the quarter. We expect this momentum to sustain into Q4 supporting a balanced and healthy full year outcome.

Moving on to business performance, individual APE grew 11% year-on-year translating into a healthy two-year CAGR of 17%. Our overall market share based on individual WRP expanded by around 20 basis points to 10.9% for the nine-month period. Growth was broad-based across geographies with continued strength across Tier 1, 2, and 3 markets. We also sustained strong momentum in customer acquisition with over 70% of customers acquired during the period being first-time buyers of HDFC Life policies.

Moving on to product mix, our product mix in 9M FY26 reflected evolving customer preferences and market trends with ULIPs contributing 43%, participating products at 27%, non-par savings at 19%, term at 7% and annuity at 4%. Retail protection delivered strong year-on-year growth of 42% for the nine months ended FY26 and 70% in Q3, significantly outpacing overall company growth. The mix improved meaningfully post the GST change creating a clear demand tailwind. The recent launch of Click 2 Protect Supreme has supported category expansion with a differentiated offering introduced at the right time. Protection share increased from around 7% in H1 to approximately 9% in Q3. Rider attachment remains strong and including riders, protection contribution to retail business now stands in double digits at 11% in Q3.

While growth is expected to normalize over time, protection is likely to continue growing faster than the overall company. First-time buyers accounted for a higher share within protection at over 80% with customers increasingly opting for higher sum assured covers. We also saw increased traction from previously under-insured segments including self-employed profiles. ULIPs continued to see strong traction supported by favorable equity sentiments while participating products remained steady. Non-par savings saw an improvement in Q3 compared to H1 as customers increasingly sought long-term certainty. While this trend is encouraging, driving a further pickup in Q4 remains a focus area supported by a favorable yield curve. Credit protect rebounded strongly in Q3. The MFI segment saw a pickup aided by a favorable base while non-MFI segments continue to deliver steady growth. Retail sum assured grew 33% over the nine-month period and 55% in Q3.

Management: On financial and operating metrics, while underlying performance continues to be robust, you will recall that we were impacted by the new GST rollout from Q2 onwards and in Q3 there is a one-time impact from changes under the new labor codes, thereby affecting both embedded value and profit after tax. The impact of the new labor codes amounts to 98 crores and has been reflected in embedded value relating to services rendered up to December 31, 2025. While a better product profile helped us expand margins by 110 basis points, there was an offset largely on account of GST impact. Our margins ended at 24.4% translating into VNB growth of 7% year-on-year and a two-year CAGR of 11% for 9M FY26. On an adjusted basis, VNB growth excluding the impact of GST and surrender regulation change would have been 13% for 9M FY26 and 11% for Q3 FY26. The GST impact for the quarter was contained to less than 200 basis points, lower than the initial estimate of 300 basis points.

Profit after tax grew by 7% to 1,414 crores. Excluding one-time labor code impact, underlying PAT growth for both nine months and the quarter would have been 15%. Embedded value stood at 61,565 crores with an operating return on embedded value of 15.6% on a rolling 12-month basis. The solvency ratio remains strong at 180% supported by the 749 crores of subordinated debt raised in Q3. In light of the expected implementation of the risk-based solvency regime, we do not anticipate any requirement for further capital to support organic growth.

Management: Renewal collections grew 15% year-on-year. The 13-month persistency ratio moderated by 200 basis points. While we have witnessed stress in certain profiles, the experience is largely cohort-specific and does not reflect a deterioration in overall portfolio quality, and mitigating steps have already been taken. We are pleased that the 61st-month persistency remained strong at 63%, improving by 200 basis points year-on-year.

Management: Moving on to distribution highlights, growth remains healthy across channels supported by diversified distribution architecture. Counter share within HDFC Bank stayed broadly range-bound during the period. Retail protection and rider penetration within the channel has seen a healthy increase. Other bank partnerships continued to perform steadily; while competitive intensity has increased with wider adoption of open architecture, we continue to maintain a top-two market share position across a majority of our partner banks.

Management: The agency channel delivered healthy double-digit growth both in Q3 and over the nine-month period. Gross agent additions remain strong with over 80,000 agents onboarded during 9M FY26. Our branch network has now crossed 700 branches. As this network matures, our focus has shifted towards scaling productivity and enhancing branch-level product profitability.

Management: On the regulatory front, recent policy signals including the increase in the FPI limit announced in the budget are encouraging. Ongoing discussions around distribution-related frameworks are consultative in nature with the intent of creating a balanced ecosystem.

To conclude, we remain confident in the long-term prospects of the Indian life insurance sector. Our near-term outlook remains constructive. We expect Q4 to build on the momentum seen in the last quarter with growth in FY27 supported by continued strength in protection and sustained demand across saving segments. We will now be happy to take your questions.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Avinash Singh from MK Global. Please go ahead.

Avinash Singh – MK Global: Good evening. A few questions. The first one is regarding product mix. Typically one would expect a reasonable comeback in non-par given the yield curve. But in your case, par is still outperforming and non-par is not showing strong growth, largely driven by the bank channel. What is putting you in a situation where the non-par is not bouncing back? Second, on the labor code, this 100 crore impact seems related to gratuity. Is this a one-time impact with no further ongoing impact expected?

Management: Regarding the second question, yes, it is a one-time impact and should not have any material impact on an ongoing basis.

Management: On the non-par side, we started seeing encouraging signs in Q3 as we expected. The non-par mix is in the 20% range for Q3, having closed H1 at about 17%. This meaningful shift has started and we expect more in the coming quarter. We have had new product introductions and the macro environment is conducive. However, momentum in unit-linked remains strong at upwards of 40%. We see competitive intensity in terms of aggressive pricing on the ground, but we are calibrated about the business we take on at pricing that makes sense to us.

Operator: Thank you. We take the next question from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani – Nomura: Thank you. I have three questions. First, is your negotiation with the distributors on GST completed, and have they moved to new terms as of January 1? Second, if the 61st-month persistency has improved, why is the operating variance negative? Third, on retail protection, is the improved margin driven by retail protection or rider attachment in ULIPs?

Management: On the first, negotiations are complete and they have moved on to the revised terms. On the third, the improvement in margin profile is visible across almost all products, including retail protection and unit-linked.

Management: Regarding persistency, the improvement in the 61st-month has given some positive variance. However, the overall operating variance is negative mainly because of lower 13th-month persistency in lower ticket size cohorts from business written in the last two to three months of last year. We have taken measures and hope this will not persist.

Operator: Thank you. We take the next question from the line of Rehan Sayyed from Trinetra Asset Managers. Please go ahead.

Rehan Sayyed – Trinetra Asset Managers: Good evening. Regarding retail protection, how much of this growth is structural versus a temporary pull-forward? Second, on Project Inspire, could you share measurable improvements in Q3 regarding processing rates and turnaround times?

Management: We don't set a specific target mix, but our retail protection and credit life have been growing faster than company level growth for three years. The GST credit was a catalyst that has brought in first-time buyers, and we expect this traction to continue. It will certainly be better than where the sector was before.

Management: On Project Inspire, we have started going live on our group platforms and are seeing efficiency in the credit protect side, specifically in straight-through processing and claims. Retail rollout is a couple of quarters away.

Operator: Thank you. We take the next question from the line of Madhukar Ladha from JP Morgan. Please go ahead.

Madhukar Ladha – JP Morgan: Good evening. Can you provide a breakup of the negative 70 crore operating variance? Also, on the VNB, there is a negative 60 crore impact from expenses; is this related to Project Inspire or something else? Lastly, does the aspiration to double VNB every four years still hold given the GST and labor code impacts?

Management: Operating variance is primarily on account of the persistency gap. The 60 crore VNB hit is due to the gap between our capacitized growth (16-17%) and actual growth (11-13%), combined with investments in branches and Project Inspire. Our aspiration to double VNB every four to four and a half years remains. We have to digest these regulatory changes, but we have already reduced the GST impact run rate and expect to neutralize it further.

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

Sanket Godha – Avendus Spark: Is the benefit of GST measures already reflected in the 9M margins? And with the GST impact reducing, are we looking to arrest it to less than 100 basis points in FY27?

Management: Some measures were factored into Q3, and you will see more in Q4. We intend to neutralize the impact over three to six months. In FY27, we want to start on a clean slate, having digested the GST impact completely by the run rate in March.

Sanket Godha – Avendus Spark: On growth, we are a little lower than the industry in Q3. Is the bank channel reviving for FY27?

Management: While the bank channel saw lower growth this year, the two-year CAGR is strong. We expect all channels to fire well next year. In Q3, we chose not to participate in certain non-par business because of irrational pricing by competitors.

Operator: Thank you. We take the next question from the line of Paresh Jain from Motilal Oswal Financial Services. Please go ahead.

Paresh Jain – Motilal Oswal Financial Services: What factors are impacting the slow growth in the bank channel?

Management: It's a combination of mix, competitive aggression, and some banks adopting open architecture with multiple partners. We saw this playing out in Q3. We will play this tactically and only do business that we feel is good quality. Competitive pressure has a life of its own and cannot continue forever. We look at wallet share of VNB at our key partners, which has continued to go up.

Operator: Thank you. We take the next question from Deepanjan Ghosh from Citigroup. Please go ahead.

Deepanjan Ghosh – Citigroup: On non-par persistency, which product category is driving the pain? And what confidence do you have in managing counter share in multi-architecture channels?

Management: Regarding counter share, we are already in the top two positions in most material relationships. As we move towards IFRS and risk-based capital, the consequences of irrational pricing will be clearer, leading to more sustainable growth. On persistency, the high ticket size policies sold when tax rules changed two years ago created a special cohort. The current drop is a normalization to 84-85% levels from the temporary 90%+ seen earlier.

Operator: Thank you. We take the next question from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb – ICICI Securities: On commission discussions, do we see any benefit on bankassurance costs if commissions are lowered? And is there any impact of surrender charge changes on persistency?

Management: It's too early to say on the bank benefit, but aligned economics should benefit the sector's orderly growth. Regarding surrender regulations, only two months of business in the current base are affected. So far, initial trends don't show a material change in behavior due to those regulations, but we will monitor it.

Operator: Thank you. We take the next question from the line of Kushal Goel from CLSA. Please go ahead.

Kushal Goel – CLSA: Can you share more on the variable annuity product and the margin differential for higher sum assured units?

Management: Variable annuity is a recent regulatory change and we look to launch a product in the next couple of months. Higher sum assured represents more than a quarter of our unit-linked business. Its margin profile is stronger than base ULIPs and converges towards participating business.

Operator: Thank you. We take the next question from the line of Himanshu Taruja from Aditya Birla Sun Life AMC. Please go ahead.

Himanshu Taruja – Aditya Birla Sun Life AMC: How are you managing such a sharp reduction in GST impact, and will margins return to the 25-26% level?

Management: We managed to bring the impact down from 300 to 200 basis points and aim for 100 in Q4. Levers include higher protection growth, embedded protection in ULIPs, and credit life growth. By FY27, we aim to grow margins from the FY25 base. Discussions with our large distributor have also concluded and will help in rationalization.

Operator: Thank you. We take the next question from Nishchint Chawade from Kotak Institutional Equities. Please go ahead.

Nishchint Chawade – Kotak Institutional Equities: Why not change persistency assumptions if there is a steady decline? Also, on the bank channel, what can improve term protection?

Management: The trend showed an increase followed by a normalization. We will look at whether an assumption change is required at year-end. Regarding protection in the bank channel, Q3 growth was over 40%. Because protection ticket sizes are smaller than savings, it takes time to reflect in the mix. We are focusing on counter share of VNB at HDFC Bank which has improved.

Operator: Thank you. We take the next question from Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani – Nirmal Bang: On the high sum assured ULIP, what multiple are you offering? And what are your aspirations for Tier 3 and Tier 4 markets?

Management: The sum assured multiple is in the 25-30 times range. We are not worried about substitution because we are agnostic about how a customer buys protection. On distribution, our aspiration is for the agency channel to grow faster than company growth to reach its rightful share of over 25% of the business.

Operator: Thank you. Ladies and gentlemen, with that we conclude today's question and answer session. I now hand the conference over to Vibha ma'am for the closing comments.

Management: Thank you for joining us today. Should you have any follow-up questions, please feel free to reach out to our investor relations team. Thank you and good night.

Operator: Thank you. On behalf of HDFC Life Insurance Company Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.