

Management Discussion

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Thank you, Rutuja. Good evening, everyone, and thank you for joining our earnings conference call for the half year ended September 30, 2026. 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 Niraj Shah, Executive Director and Chief Financial Officer; Vineet Arora, Executive Director and Chief Business Officer; Eshwari Murugan, Appointed Actuary and Chief Actuary; and Kunal Jain, Head Investor Relations, Business Planning and Strategy. Let me begin with the broader environment. In its latest policy, the Reserve Bank of India raised its FY27 growth projection to 7.1% from 6.7%, reflecting continued resilience in domestic economic activity while the fiscal position remains well managed. At the same time, the RBI raised the policy repo rate by 25 basis points to 5.5% and moved to a stance of calibrated tightening, given elevated energy prices and a below-normal monsoon, which remain the key risks to inflation. Broadly, we expect macro conditions to remain stable, which in turn should support steady growth for the life insurance industry. Moving on to business performance. In quarter two, individual weighted received premium grew 11%, ahead of the private industry at 10%, with market share improving 10 basis points to 16.2% in quarter two. This took our H1 individual APE growth to 9%. Overall, APE grew faster at 13% in quarter two and 11% in H1. The number of individual policies grew 9% in H1, ahead of the industry. We expect to sustain this momentum and grow in line with the industry in FY27. Growth was broad-based across channels. Individual APE sourced by HDFC Bank grew 12% in quarter two, slightly ahead of company growth. We have sustained our counter share, building on the momentum we saw late in quarter one, and supported by deeper engagement with the bank across branches, products, and processes, and we expect our share to steadily improve going forward. Other banca partnerships also grew well, delivering a year-on-year growth of 13% in quarter two. We are pleased to announce our new bancassurance partnership with J&K Bank, and we look forward to scaling the relationship, deepening our presence across its network, and extending our reach to a wider customer base. Other non-bank corporate alliances clocked robust growth in quarter two of 13%. Agency continues to grow faster than the company and the broader agency market at 13% in H1, and our position in this channel has strengthened. Investment in expanding our branch network is yielding good results. Branches opened over the last 30-odd months now contribute about 17% of agency business versus 12% a year ago. Agent additions and activation remain healthy, and frontline productivity has improved. The channel mix is also strengthening, with protection and annuity together contributing about 30% versus 15% in the previous period. Even as we continue to perform well across our partner channels, investing in and building our proprietary channels remains a key priority. Next, on product mix. In H1, unit-linked products contributed 45% of individual APE. Non-par savings, 22%, annuity, 12%, participating products, 13%, and retail protection, 8%. Retail protection grew 33% in H1, a two-year CAGR of 30%, with growth broad-based across geographies and customer cohorts. Its share of individual APE rose to 8% from about 7% last year. Rider attachment also continues to be healthy, and protection and riders together now account for 11% of individual APE. The second half of last year, protection grew 7% [Phonetic] following the GST exemption. This year, we expect growth to normalize as the base starts [Phonetic] and remain strong on a two-year CAGR basis. Our retail sum assured grew 21% in H1, with market share increasing by 20 basis points to 15.4% in H1. Credit protect was 19% in H1, with growth broad-based across both. Non-par savings and annuity together contributed 34% of individual APE. With interest

rates at elevated levels, this is an opportune time for customers to lock in long-term guarantees. In line with our focus on driving growth, we will continue to use the current interest rate environment to sharpen the value we offer customers across both segments. Unit-linked demand remains resilient despite market volatility. Moving on to financial and operating metrics. Value of new business for H1 was INR2,037 crores, a growth of 12% ahead of APE. VNB growth for quarter two was 15%. New business margin was 24.7% compared with 24.5% in H1 FY 2026. The improvement was driven by a strong product mix and the continued mitigation of the GST impact we had observed last year. Embedded value stood at INR66,461 crores, with rolling 12-month operating ROEV of 14.9%. Profit after tax for H1 was INR1,119 crores, a growth of 13%. Assets under management stood at INR4.1 trillion, up 14% year-on-year. Our 13-month persistency stood at 83% and 61st month at 66%. Persistency was softer on renewal collections in our unit-linked book amidst market volatility and in a specific cohort of non-par business written last year. We are working closely with our distribution partners and expect some recovery by the end of year. Our solvency ratio stood at 180% as of September 30, 2026, well above the regulatory requirement of 150%. The board has approved raising up to INR500 crores of subordinated debt, which we expect to complete during the current quarter, further strengthening our capital position as [Indecipherable]. Moving on to subsidiaries and ESG. The pension business continued to scale with assets under management of INR1.8 lakh crores as of September 30, 2026, up 28% year-on-year. We also continue to see an attractive long-term opportunity in IFSC for U.S.-denominated insurance solutions. On ESG, our MSCI ESG rating was upgraded to AAA from AA. This reflects our leadership in governance and the progress we have made across each element of our ESG framework. Finally, on the regulatory front, IRDAI has released consultation papers on the economics of insurance distribution, which propose significant changes for the industry. The regulator has encouraged industry participants to share their feedback, supported by data and keeping policyholder interest at the center of conversation. As an industry, our shared goal is insurance for all by 2047. Getting there will require widening reach, building greater transparency and trust, and improving affordability for customers. More attractive products and distribution partners bringing advice, service, and reach to customers will remain central. Our business has been built around many of the principles the consultation, emphasizes, diversified distribution with a growing proprietary channel, a calibrated expense model, and a longstanding focus on quality of new business and underserved. This positions us well to keep investing in deepening and widening our reach. With the consultation still underway and the industry engaging with the regulator, we will be better placed to comment on specifics once the framework is finalized. To conclude, momentum is building across our business. We grew ahead of the industry in [Indecipherable]. Growth was broad-based across channels. Our investments in agency continued to deliver, and our VNB growth has been ahead of APE. We remain confident in the long-term opportunity for the industry and in our ability to further strengthen our position within. For a more detailed presentation -- sorry, for a more detailed discussion on our performance and outlook, please refer to the investor presentation. We will now be happy to take your questions.

Questions & Answers

Operator

Thank you very much. [Operator Instructions] First question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain - Analyst, Motilal Oswal Financial Services

Yeah. Hi, everyone. Good evening, and congrats on a decent set of numbers and happy to see the growth coming back at HDFC Bank. What has changed in HDFC Bank? Because we had seen a slow phase in the last few quarters, and the growth seems to have come back in the last couple of months. So what has changed and how it is sustainable? And second question is on the consultation paper. We have a decent share of Credit Life business. How do you see that getting impacted if the regulations are implemented as it is? How do you see that part of the business kind of playing out? Yeah, so those will be my two questions, and probably a third one I'll ask after this.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Yeah. Hi, Prayesh. As far as the bank is concerned we've done a lot of granular work, and there are many aspects to it rather than one. I would just say that it is a lot more bottoms-up in terms of engagement at a branch level, very, very granular level of engagements. And we expect this momentum to continue to build. And also, I think the interest rate environment has helped the underlying products. Protection has grown very well. Also, it's a multifold effort. Our own populating our people in terms of which branches very, very nuanced. So many small and big things that have continued to work for us. Vineet, you want to add anything on HDFC?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Not much to add. I think it's also a macro level. There was -- last year, there was -- till about July, August, there were some additional incentives and contests running, which was withdrawn about a year back in the HDFC Bank. And now that one full year has passed, the entire momentum of insurance is also coming back into the full growth for the bank channel. Along with that, like Vibha mentioned, a lot of small, small corrections and challenges around credits and people and everything else has been taken in this year, especially in the last three, four months, which has now stabilized, and we can see the growth momentum coming back. Looking at where we are, we do believe that we should continue to see reasonable growth in the HDFC Bank channel.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

As regards your second question on consultation paper and Credit Life in particular, see, this is a consultation paper, early days. We have made representations collectively at different forums and so on. We are also hearing and understanding where the regulator is coming from, I think the objective remains the same as to how do we give the best value for each customer. However, as far as credit protect is concerned, the need for protection at the bottom of the pyramid continues. I think that point is well taken, and we've made those points as well. And how do we make insurance a lot more inclusive and Credit Life very effectively does that. So I think things will evolve. The need for protection doesn't go away. So in some avatar or the other, I think it will definitely be there in the similar kind of a quantum, but a little bit early in the day to say as to what's the final form or shape.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Yeah. I'll just add one more point here that the Credit Life also services a lot of social sector, where there is this MFI sector and the people who earn less than maybe INR2.5 lakh to INR3 lakh of income, which are not accessible through retail. And we have shared all this data, and we'll be

sharing as the representation continues. And we do look forward to how things can evolve when the draft comes in.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

And last point here is if I were to look at the number of lives, the number of lives is almost five times or thereabout, if not more than the retail number of lives. So getting to insurance for all by 2047 without the reach of Credit Life could be quite difficult. And so those are the sorts of representations that not just us, but at a sectoral level also we'll make.

Prayesh Jain - Analyst, Motilal Oswal Financial Services

Right. Vibha, follow-up on the first one. Now, there was competitive intensity in the channel on HDFC Bank the IRRs or commissions. So have we done any correction in the IRRs that we are offering or commissions that we are offering that has changed in the last few months, which has kind of led us to some bit of improvement in the trajectory? And last question will be on VNB margins. How do you see this now, given that your product mix is moving favorable, growth is coming back. Will you still continue to invest in the business to kind of maintain margins, or it would be more in the second half that we can expect some margin expansion here?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

I'll take the first question on HDFC Bank. So I think to your point no, we haven't made any significant changes, but we have continued with our aggression of making sure that our rates are competitive and in par with what the industry and the economics allow. It has been helped because of the rates in the increase in yields also that has helped us give those kind of rates also to the customer. And that has helped in getting that share of non-par back. But the growth is not only in non-par. Growth is across products. So this IRA intensity could justify the non-par growth. But like I said earlier, a lot of other granular work has also happened, which has ensured that the growth is more broad-based across product categories. There is no change in commercial payouts, sir.

Prayesh Jain - Analyst, Motilal Oswal Financial Services

Okay. And on VNB margin?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

On VNB margin, I think our approach is fairly clear, and we'll stay with that that we'll want to maximize VNB growth, and margins will be an outcome of everything that we're seeing around us, whether it's product mix or the competitive environment. We have managed to expand margins even after absorbing the entire impact of GST, which now gets baked into the business model from second half of the year. As the scale kind of comes back towards where we are capacitized, we should start seeing some of those benefits coming into the margin. But like you said, I think most of it will be plowed back into business. We see that there is a very good opportunity to continue expanding our reach, whether it's through a proprietary distribution or through our partnerships, new partnerships like J&K Bank, for example, or any of our existing partnerships as well. So we will continue that investment. Our entire architecture on the technology side also now starts playing out from a customer-facing perspective, partner-facing perspective. So those investments will continue, and we will continue with the objective of delivering VNB growth in line with APE or slightly ahead of it.

Prayesh Jain - Analyst, Motilal Oswal Financial Services

Thank you.

Operator

Thank you. [Operator Instructions] The next question is from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani - Analyst, Nomura Securities Co.

Yeah. Thank you for the opportunity. I have two questions. My first question is on the annuity product movement. I think it's been quite strong in this quarter. So any color on -- any flavor that you can give around here? Is this a segment that becomes -- it's gone into double-digit mix now? So this versus par, are we preferring one product over the other? That's my first question. My second question is on the VNB walk and the EV walk. I know these are small numbers only, but if you can explain that in the EV walk, what is the operating variance? Is it still from persistency? And in the VNB walk, what is the change in assumption that you've made? Thank you.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Yeah. Over to you, Niraj.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Yeah Shreya. So the annuity focus has been fairly strong for many years for us now. And with IDAs they've given us this opportunity to expand this segment by allowing us to launch variable annuity products, which we've done at the end of last year. That has now started catching significant scale and interest from varied customer segments. And that's the reason why you're seeing annuity mix as three times of what you saw at the same time last year. It's a combination of multiple products. It's single premium products as well as regular premium products, immediate as well as deferred. So all of these constituents within the product segment are becoming larger and larger. And as we become more mature as customers in terms of looking at our retirement needs, this product segment will continue to gather scale. So that's really our thought process on that. As far as the VNB walk is concerned, yeah, the operating variance is primarily on persistency. We did speak about it in the opening comments as well, that we have seen some pressure on unit-linked collections given the market sentiment and also the residual impact of one of our products within the non-par segment. So that is kind of running off now, but that's really the gap that you see in the operating variance in the embedded value. As far as changes in assumption are concerned, it's the same thing. We had spoken about it last time. The assumptions were largely to bake in the persistency change that we were foreseeing into our EV and VNB.

Shreya Shivani - Analyst, Nomura Securities Co.

Right. And sir, the investment variance, any breakups if you can give us, equity, debt?

Eshwari Murugan - Appointed Actuary and Chief Actuary, HDFC Life Insurance Company Limited

During the six months, the equity performance has been lower than expected. It's gone up around 3%, 3.5%, whereas our expectation is in the range of 5%. So that's given a negative variance. And in the -- on the yield curve, at the short end, the yield curve has risen by around 25-30 basis points. And that has a negative impact on the shareholder assets as well as the VIF on the policy liabilities. So this has again given a negative impact, and the credit spreads have widened. So this has also resulted in a negative impact. So overall, these three put together has got a negative investment

variance on the EV.

Shreya Shivani - Analyst, Nomura Securities Co.

Right. Okay, this is useful. Thank you.

Eshwari Murugan - Appointed Actuary and Chief Actuary, HDFC Life Insurance Company Limited

All these are macroeconomic conditions. That's why it's reflected as investment variance.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

You will be able to triangulate this from sensitivities that we share on a regular basis, I mean, for us as well as for anybody else.

Shreya Shivani - Analyst, Nomura Securities Co.

Sure. Sure. Understood. Thank you so much.

Operator

Thank you. Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain - Analyst, Investec Bank

Thanks for the opportunity. Two questions. One is, our capital consumption has been quite high. I think we raised capital and again, the solvency has come down to 180. So how do you see capital consumption going forward and what is leading to this high capital consumption? Second is, how do you see the behavior change at the distribution level with the new proposed commission limit? Specifically, if you can talk about agency, banca, and partnership distribution. Each segment, how do you see behavior changing? Because in some of the segments, the commission -- revised commission proposed are pretty low versus what is current limits.

Eshwari Murugan - Appointed Actuary and Chief Actuary, HDFC Life Insurance Company Limited

So on the capital consumption, as we write long-term products, the capital gets locked in under the current regime, which is quite prudent. And that's why the movement or transition to risk-based capital framework will be helpful. But till the time that risk-based capital framework is in place, we will continue to have capital consumption, mainly because we're writing profitable but long-term contracts where the requirement is the same and it doesn't come down even if the risk is getting reduced. So that's the main reason for the solvency getting reduced when the capital is getting consumed. But we hope that by next year or so, there will be some discussion and some timeline on the movement to RBC, which should help improve the ratio.

Nidhesh Jain - Analyst, Investec Bank

So with INR500 crores of sub-debt, you should be okay till next year or?

Eshwari Murugan - Appointed Actuary and Chief Actuary, HDFC Life Insurance Company Limited

We should be comfortably above the regulatory minimum of 150% and what we target internally as well. So till end of financial year, we should be comfortable.

Nidhesh Jain - Analyst, Investec Bank

Sure, sure.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

On the impact of the distribution paper see, like Vibha said in the beginning, that this is right now at the consultation phase, and till the time the draft regulations come out it is still open to a lot of changes that might come in basis of the feedback that is coming from the industry and distribution partners, etc. But just at a high level, I can maybe just categorize the impact across channels in high, medium, low kind of segments. So given the limits in the paper, the agency channel would be least impacted. There would also be an impact on the agency channel, but least impacted. The banks would be maybe the next in line, and the brokers and the corporate agents would be the highest impacted in that line of order. But like I'm saying there could be variations to this, and a better time to discuss this would be once the draft is out.

Nidhesh Jain - Analyst, Investec Bank

Sure, sir. Thanks. That's it from my side.

Operator

Thank you. Next question is from the line of Manas Agrawal from Sanford C. Bernstein. Please go ahead.

Manas Agrawal - Analyst, Sanford C. Bernstein

Thank you for the opportunity. I have two questions. One is on the bank sales. I think we've seen some momentum come back. It may be too early to ask, but do we have a clarity on what the new CEO's stance is going to be on bank sales for insurance? And from a regulatory perspective and from a new CEO perspective, how should we think about counter-share? Because the differential in commissions will go away versus the other players on the counter. So that is one. Second, on EoM, assuming the things are going to remain what the draft says, how much of the bridge from commission cuts gets passed through and how much is left, which you need to work towards?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

I think on the bank front, it's too early for us to say, and it's not even our side to say what the stance is. But, I mean, given the way things are right now, we are reasonably confident of how the rest of the year looks like.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Yeah, on the EoM front our expense ratios today are around 21%-odd as you can see, and a large part of that is obviously flowing through commissions more than half of it. So if the commissions stay at the level which are being proposed in the discussion paper, that goes down to half or less than half. So I mean, if you do the maths, just 15% is something that we will achieve just mathematically. But then of course, there are nuances around what happens to business scale, etc. and so on and so forth. But from a EoM perspective, it's not something that would be a big challenge from achieving that number and then, of course, the glide path is also something that we need to kind of look at. Just mathematically, I think the numbers are out there, so it's reasonably straightforward.

Manas Agrawal - Analyst, Sanford C. Bernstein

Understood. And on the counter share, setting aside what the new CEO may do at the bank, the paper should make it easier for the subsidiaries everywhere across the industry. Is that fair to say?

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

So we'll have to wait and see. Don't want to jump the gun. But yes, I think clearly the regulator is a tad inclined towards probably closed architecture and is giving -- I just want to leave it there in terms of without second-guessing what the regulator is thinking of, but the report seems to suggest that. And we'll see as to finally what the contours are and whatever they are, I think we will overall -- I'm not saying only about HDFC Bank, but overall, I think we should be better off once things start falling in place than where we are today. And this I'm again mentioning from a -- including the customer's point of view, because I think what's lost in all of this is that the pie also should grow. And we've seen that resoundingly when GST cuts happened. So yes, like with any material change, there will be disruption. But I remain extremely optimistic once that disruption is digested by all market participants and the new norm emerges. When the new norm emerges, I do think that we will be in a position that is stronger than today.

Manas Agrawal - Analyst, Sanford C. Bernstein

Understood. Thank you.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

Thank you. Next question is from the line of Saima from J.P. Morgan. Please go ahead.

Madhukar Ladha - Analyst, J.P. Morgan

Hi. This is Madhukar Ladha from J.P. Morgan. Two questions from my side. First, when I look at your product mix, it's seeing a shift away from par and more towards annuity. Can you explain what is really driving that? And second, I think a lot of investors are concerned, especially, I would say, on the banca channel, and the worry is that given the reduced commissions, does this really make it attractive enough for banks to really go out and sell insurance? Would insurance fall off the radar or go lower down the scorecard for relationship managers? How would you address that? Yeah, those would be my two questions. Thanks.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Yeah, Madhukar, I will take the second question first and then hand over the product mix to Niraj. I absolutely -- like I said earlier to the earlier caller, that yes, there'll be some short-term disruption like we had when the INR5 lakh withdrawal happened, and all that we were talking about and discussing was the withdrawal. Today just in about three, four years down the line, no one mentions it anymore. So I absolutely think that's how this is going to get going down the line. And just to rewind, for those who have not been associated with the insurance sector by just a few years, around 2017 -- '16, '17, we were largely still in HDFC Life was in closed architecture. The commissions at that point in time were not very different from where the commissions that this particular version of the consultation paper or some such avatar will finally end. And the growth in bancassurance was not very different than where it is today. So that is what gives us a lot of confidence that it still makes eminent sense. The commercials are not -- will not be trivial, and back-ended has increased. Also, there has been an increase in certain segments like protection. So I

think all of that put together, hopefully this will give rise to more longer-term sale of insurance policies, which is how it should be. More protection focus, retail protection focus, which is also -- you'll agree that it's a good outcome. So all of that put together, we remain absolutely optimistic that bancassurance agency, of course, Niraj has spoken about, should not be as impacted. But the bancassurance channel, we don't believe will lose interest.

Madhukar Ladha - Analyst, J.P. Morgan

Got it. And the product mix shift?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So on the product mix, a couple of things. One is, I mean, we just discussed when Shreya also asked. On the annuity front, maybe a couple of things. One is that new product category, and also I talked about all the segments within that, which has resulted in the annuity mix on an APE basis looking very elevated at 12% versus 4%, 5% in the previous periods. But if you see on a new business premium basis, again, as we highlight, it has been growing from 14-odd percent to 17%. But I think that would be a fairer measure of looking at how the segment is building nicely, but on a more granular basis rather than just looking at the APE difference at this point in time because of the regular premium mix increasing in the past six months. So that segment continues to grow. Non-par, as we discussed earlier in the call as well, is something that given the way the asset allocation conversation is becoming a little more understood now, and the mix on non-par has also gone up from 18%-odd to 22%-odd. Protection has started, I mean, inching up very meaningfully from 7% to 8% over the last -- on a YOY basis. So each of these have actually contributed to the mix shifting. Unit link continues to be at similar levels to last year. It has been inching up, yes, by about 2% to 3%, and that is something that is, I guess, here to stay unless there is some reversal in thought process that happens. We haven't seen that yet, but unit-linked is likely to continue on this path. So I think it's more probably in this environment, more appreciation either for the equity story or the more clear story on guarantees, whether through annuities or non-par savings. So that's broadly what is happening on the product mix front. No specific design on our part to try and reduce par in any way. We have fairly strong propositions on the participating side as well, and we could probably see some growth in that segment going forward as well.

Madhukar Ladha - Analyst, J.P. Morgan

Got it. All the best. Thank you.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

Thank you. The next question is from the line of Rishi Jhunjunwala from IIFL. Please go ahead.

Rishi Jhunjunwala - Analyst, IIFL Securities

Yeah, thanks for the opportunity. One question is in your interactions with the regulator, while it has not been categorically said in the distribution paper, but does it seem like they want the entire benefit of reduction in distribution cost to be passed on to the consumer? And if that were to be the case how do you think that changes dynamics, especially on the savings side, right? I mean, on the traditional plans like a non-par where, one, the bond yields are higher, and on top of that, if something like this has to be passed on, do you think that could make it a significantly attractive proposition versus other asset classes?

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Rishi, no such conversations, and it is too early. I think the draft is a consultation paper, and things will evolve over a period of time. Even after GST, both the government and the regulator do understand there are market dynamics, products change, economic factors change, many things, mortality experience changes. So there are at least five or six things that go into the pricing of a product. So too early to say.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

On the second bit, just directionally, I think if the products start becoming more attractive, which they should anyway with scale and getting to more customer segments through wider reach, I think as customer proposition -- as products start becoming more attractive, that benefit will anyway get passed on to customers from that perspective. Interest rate environment is always very dynamic, so we do take that opportunity from time to time to pass on that benefit to customers and also utilize that to reinvest back into growth, as we've discussed. So that is a continuous journey in any case. And lastly, from an efficiency perspective, if companies start managing their costs better than what they have in the past, of course, some of that benefit will flow through to the customers in any case.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Yeah. Last point is, see, we are in an intensely competitive -- amongst competitive dynamics. And so whether the regulator says something or not, we will have to also see how are we priced vis-a-vis others, like we do all the time. We are not in a captive -- we're not a captive insurer. And so those anyway market forces are at play, and we'll have to see all aspects such as that down the line.

Rishi Jhunjunwala - Analyst, IIFL Securities

Understood. But the reason why I was asking was that when the GST exemption had happened, I think the government was quite clear in suggesting that almost entirely the benefit should pass on to the consumers. Here, at least in the paper, there isn't any explicit suggestion around that. So that's where I was coming from, whether in your conversations has anything of that been discussed.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

No, the regulator and government have been very reasonable in their expectation when the GST change happened because it was very, very clear and visible to the customer that if you were paying INR118, now you're going to pay INR100. So 15%-odd reduction in cost, customer can actually see that whether it's being passed on or no. When you talk about categories like non-par or savings, because of the dynamic nature of the product in terms of pricing, it's difficult to assess at what point in time any of those benefits are in what form and shape they get passed on to the customer. There I think what -- while of course, that holds true for protection as well. The market dynamics will play out, and we'll need to compete in any case. The passing on the benefit or quantifying the benefit in the first place for savings products becomes that much more difficult and indirect. So if you were to extend the same analogy in this environment, I think I would suspect the same situation would hold because different companies are at different cost structures, and they will take their own call in terms of how they want to really operate in the marketplace. And ultimately, all of us will try and compete for the customer's wallet. And we will -- that is the ultimate truth. So I think we will have to wait and see how that pans out on the ground.

Rishi Jhunjunwala - Analyst, IIFL Securities

Sure. Thank you so much.

Operator

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

Sanketh Godha - Analyst, Avendus Spark

Yeah. Thank you for the opportunity. Niraj, probably the pressure what we see in ULIP persistency, is it predominantly seen in TULIP or more normal ULIPs? Because in a market correction mode, because you typically cut more on mortality on TULIPS, so the returns looking a little softer. Is the pain more seen there or you think it's spread across the products? All kinds of ULIPs, I mean to say.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

No. So it's not limited to any segment. It is more uniform. And I think a lot of it is something that we are reasonably confident of being able to recover with efforts. It is the overall market sentiment which is kind of causing this dichotomy where we are seeing more new business coming into unit-linked, but at the same time, customers who have already invested in the past are taking their time to kind of come through with renewal premiums. So I think that's something that we should be able to address. It's not limited to any one product category. In fact, the category that you mentioned is relatively more recent. So we aren't seeing any differentiated trends in any segment within unit-linked.

Sanketh Godha - Analyst, Avendus Spark

No Niraj, the reason why I ask is that because the 13-month persistency saw the most correction, and TULIPs we started doing maybe 12, 18 months back a little aggressively. So just wondering whether there is any correlation there or not. But if it is not, it's fine. Just was asking from that perspective. Yeah, understood, understood. And just again reconfirming, the assumption change negative thing with respect to VNB is predominantly with respect to the par product, not anything to do with the ULIPs where you have seen persistency correction?

Eshwari Murugan - Appointed Actuary and Chief Actuary, HDFC Life Insurance Company Limited

So the assumption change that is seen in both the EV walk and the new business margin walk is the impact of the assumption change done at the end of the financial year. If you recall, as we have been explaining, we look at the experience once a year before the year-end, and based on the experience trends, the assumptions are revised. So whatever revision was done at the end of last year pertained to the lower persistency we were seeing in one of the non-par products. And that is what is seen as a component of the walk because you are comparing the NBM of last H1 with this H1. That's why it's coming as one of the movement. The persistency variance that you are seeing in the EV is more a recent phenomena, which we are seeing on the unit-linked product. So last year when we changed the assumptions, the unit-linked persistency is also holding up based on the expectations. It's only the recent trend that's captured in the variance, which we hope to recover most of it by end of the year.

Sanketh Godha - Analyst, Avendus Spark

Understood, understood. And lastly, one question on Credit Life. Just wanted to understand the modus operandi, how it operates. In most of the Credit Life what we disburse or we attach along with the disbursements -- is the premium bundled in the loan itself and that's why it's part of the

EMI, or the practice is of collecting separately from the borrowers? Because it's clearly called out in the regulation, just wanted to understand how it typically works for us.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

So there are mix of various models available and depending on the partner bank or NBFC, they could have different ways of doing this. It is also bundled in certain products. In certain cases, it is also two separate accounts, which are set up at their end. So two separate loan accounts also is a category. So there are various models available, and people use different kind of models depending on their own dynamics.

Sanketh Godha - Analyst, Avendus Spark

And can you quantify the mix if you are comfortable doing it? How much is bundled and how much is -- a broader number, I mean to say.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

No, I don't think that mix will be possible because for us, the money comes as the payment for Credit Life, and we would not be fully aware of whether what they are following. This is more of a situation of what we know on the ground, that different people follow different models.

Sanketh Godha - Analyst, Avendus Spark

Understood, understood. Yeah. Okay. And --

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Those are pusher, and they exist.

Sanketh Godha - Analyst, Avendus Spark

Okay. Lastly, on agency channel means we saw a pickup in 1Q, but somehow in 2Q the growth seems to be a little soft. Anything to read, or you expect that to improve back in subsequent quarters?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

I think it's largely a base effect. From our side, all the fundamentals and everything else is moving similarly. We saw this stand out more in July, and then as the base corrected towards August, September, the growth was higher and in line with what we were expecting.

Sanketh Godha - Analyst, Avendus Spark

Understood. That's it from my side. Thank you very much.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

Thank you. Next question is from the line of Shobhit Sharma from Elara Securities. Please go ahead.

Shobhit Sharma - Analyst, Elara Securities

Yeah. Hi, team. Thank you for the opportunity. I have two questions. First is on the product mix on the banc channel. Like, if you look at the product mix, it has tilted materially towards the ULIP segment. And usually we see because of the seasonality, H2, we have a higher ULIP mix all across the years when we look at it. You mentioned that we'll see continuous momentum on the banc side. So should we have a further scope of ULIP mix going up at the banc channel and both in the company side? And because the ULIP will go up, do you see further stress on our overall margins because of the higher APE growth, which we want to chase as of now? And secondly, on the annuity side, can you give us some color around the kind of offering it is? Is this a shorter pay annuity where we are seeing attraction or is this something else? Lastly, we don't know when the final notification on the distribution reforms would be rolled out. The regulator wants it to be implemented ASAP. So in case if it has to be rolled out from 1st of Jan, how prepared are we for that? Thank you.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

So on the product mix for bancassurance, unit-linked mix has been steadily going up for the last couple of years, and that's largely to do with the macro environment and the customer preference. We're seeing that at a very broader level with flows for the equity segment in any case. And that's something that's cascading down to insurance as well. So well, bancassurance leads that change for insurance companies, but at an overall level also, I think we are seeing that unit-linked mix is kind of fairly steady across all channels. So we are not really too concerned about that elevated mix. There was a point in time when we were obviously looking at the category differently, more from a balanced product mix perspective. But in the last couple of years, we have solved for a few things. Persistency today is a lot better in spite of the short-term challenges that we just spoke about on unit-linked now compared to what it was three to five years back. Also the amount of coverage that we are offering on unit-linked products either in the base product as well as through riders is a lot higher than what it used to be three years back. So if the customer is looking for that product, we definitely don't want to have any artificial barriers in the way of that. We just want to ensure that the customer understands that it's a long-term product and their best -- their needs are best served if they continue paying premiums for a longer period of time. So that's the only thing that we want to really be sure of. Otherwise, as such, the mix is in some sense dictated by how the macros are evolving. There could be calibration in that category over a period of time if the volatility continues and the preference for more guaranteed products could increase. We've seen that in the last few months. That could probably accelerate as we go forward, depending on how the overall macros are panning out. As far as annuity is concerned, I think I did mention that to the couple of callers. It is more broad-based growth, of course, enabled by the new product launch end of last year, variable annuities. Is there a limited pay product as well? Yes, there is. But 70%-odd of the new business premium that you see is spread across multiple sources of business, whether it's coming through the NPS customers buying annuities, or it's coming through people who have bought pension plans in the past and are annuitizing that now, or using their discretionary income to buy immediate or deferred annuity products. But yes, of late, the shorter pay annuity products are definitely playing a part.

Shobhit Sharma - Analyst, Elara Securities

On the product mix usually, Niraj, we have broadly maintained a very much balanced product mix, but last couple of years, you mentioned that the ULIP has been going up. So can we see some

reversals going ahead in, let's say, next couple of years?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So again, it really depends on the macros, like I said. We don't want to over-engineer that too much. We just want to ensure that our business model is flexible enough to be able to absorb changes in product mix over time, and we've put a lot of effort into doing that. We like the balanced product mix approach because that ensures that we are able to offer best-in-class products across all categories to customers at all points in time. So that effort will continue. But from a product mix perspective, we will not try and over-engineer too much. We will definitely prefer a certain balance, but I think from a last mile perspective, it'll get dictated by what customers are actually preferring on the ground.

Shobhit Sharma - Analyst, Elara Securities

Okay. And lastly, if in case the distribution paper comes in, whatever form it may be, if it is to be implemented from 1st of January, how prepared are we for that?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

I think preparation for that, there is not much preparation required, to be honest, for that. We can be ready for it at a short notice itself. There could be some product changes required, which will take time to really come out with new products, which will have different cost structure, etc., involved. Whether 1st January is a likely date or not, I think that's something that we can see with. As of now, it seems like the next steps are that there would be a draft regulations feedback, and then there would be a final regulation, and then giving some time after that. So I think our personal view is that 1st January does not seem to be a likely date. The best -- the earliest possible date could be 1st April.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Also, one point that we haven't discussed is that the consultation paper also talks about group companies and distribution in our branches. And that's something that we would certainly look forward to doing.

Shobhit Sharma - Analyst, Elara Securities

Okay. Got it. Thank you and all the best.

Operator

Thank you. The next question is from the line of Dipanjan Ghosh from Goldman Sachs. Please go ahead.

Dipanjan Ghosh - Analyst, Goldman Sachs

Hi. Good evening, everyone. Three questions from my side. First I think one of the previous participants asked this, but I'll just try to reframe the question. If you were to superimpose your current product mix on the expected product ceilings that has been given in the consultation paper just set us a scenario of how should one think of the margin profile in this hypothetical environment. I understand that there could be multiple divergences from a product construct, etc., etc. But just some ballpark understanding of how should one think of the reduction in commission for price ceilings to the incremental VNB pool that gets created, which again, the regulator might want you guys to pass it to the customer. So just some understanding of that pool that gets created. The

second question, I think Niraj touched upon this in terms of the customer cohorts across annuity and non-par. Just wanted to get some quantification of pension and NPS-led amortization in your incremental annuity flows directionally, and how that would have changed, let's say, over the past one or two years. And the third question on the variable annuity part. Do you think that this is in a way kind of filling the gap that was left in the high-ticket non-par after the taxation changes in March or rather April '23? Do you see some of those customers kind of coming back into the ecosystem of purchasing this product, just because of some exposure to the broader markets with some guarantees out there? Yeah. Those were my three questions.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Deepanjan, on your hypothetical question, I mean, the only thing I can say based on what we've learned is that once something changes, anything to be explained from an as-is perspective becomes extremely difficult. But just the question that we had on EoM also, I'll respond on similar lines. I think it is a discussion paper, early to kind of conjecture that, and also it is a marketplace on a continuous basis with or without regulatory changes. So what happens if products become -- if there is less cost structure, products become better, surely. And also, is there a possibility of margins going up? That is also a possibility. So it will be a combination of everything that kind of happens. But of course, the most important thing there is that scale does not get impacted, right? If there is a scale situation that emerges, then that is something that also needs to be addressed. So there are lots of these things in the mix. That's the reason why we are not really delving too much into this. We'll wait for this process to kind of pan out and then do whatever needs to be done. Like Vineet mentioned. As such, the adjustment is more in terms of the business model that comes out of this. As a manufacturer, there is not much that we really need to do to be ready for it. Products also will be used and filed by and large, based on our experience of previous regulatory changes. So I think readiness is lesser of an issue. It's more about taking all feedback and then figuring where this whole pie kind of comes through. So theoretically, you can impute or you can basically attribute this incremental kitty in any stakeholder. But it would be largely dictated by what happens in the marketplace. That's what we would leave it at. On your question on annuities, yes, I mean, all these segments are playing a role. Variable annuity is definitely catching a new customer segment. Folks who are affluent, folks who are slightly younger, and also who have a risk appetite which is different from customers that we've seen historically taking guaranteed immediate annuity products. So it has definitely opened up a new segment. Whether it's filling up a gap of high ticket size, in a manner of speaking, maybe yes. But I think it's more in terms of a need that is being addressed based on this new category.

Dipanjan Ghosh - Analyst, Goldman Sachs

Thanks, Niraj. Just some quantification on that NPS or pension-led annuitization or retirement product versus how it would have been, let's say, two or three years back.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

It's increasing. We would not like to get into the quantification really, but yeah, the trend is that all these sources are now becoming more and more meaningful with every passing year as the NPS kitty starts building up at a country level. And as a subsidiary, we are the largest player in that segment on the private sector side. So I think that definitely helps. And generally, the awareness levels are going up for folks to create their retirement kitty, even from their discretionary savings.

Dipanjana Ghosh - Analyst, Goldman Sachs

Got it. Thank you, everyone, and all the best.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

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

Mohit Mangal - Analyst, Centrum Broking

Yeah. Good evening, and thanks for the opportunity. So just a couple of questions. First is basically the agency channel seeing a substantial growth in non-par savings. I just wanted to know what's driving this shift. Is it rolling out some extra incentives during the quarter or the first half? Or the inherent attractiveness of the product or a combination of both? That's question number one. Second is basically we have seen a very strong growth in the retail protection. So just wanted to know out of those 6.20 lakh odd policies sold in H1, how many of those were retail protection? Yeah.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

So I'll take the first part of the question. So I won't say anything really significant, which is kind of pushing too much of non-par coming in. But yes there are credits, etc., which are in line with maybe the kind of margins available on products, etc. So the credits are in line with that, and there are -- and that's been there for long. It's not something which has just happened in this quarter. So with the product getting -- the yield curves moving up and the product becoming more attractive for the customer, I think we feel that that is the biggest reason why the mix has become much more in favor of non-par and annuities.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Just to add, these credits are uniform, so there's nothing special happening for us.

Mohit Mangal - Analyst, Centrum Broking

Right. And secondly on the retail end of the question.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Sorry, if you can just come back on your second question, please.

Mohit Mangal - Analyst, Centrum Broking

Yeah. So I think that retail protection has seen a strong growth rate for us. So just wanted to know in terms of policies, I mean, we have seen 9% growth in overall policies.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

So I think, again, if you look at the average ticket size, which is in the public domain, our average ticket size in savings is about INR1 lakh, INR1.10 lakh. Protection is about INR40,000-odd, INR40,000, INR45,000-odd. So basically you can -- if protection is 8% on APE, it will probably be 2.5 times that on policy count.

Mohit Mangal - Analyst, Centrum Broking

Understood. That's very helpful. Thanks, and wish you all the best.

Operator

Thank you. [Operator Instructions] The next question is from the line of Nischint from Kotak. Please go ahead.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Yeah, hi. Just one thing is there -- can you give some color in terms of the contribution of top agents in terms of --

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Nischint, you are not very audible to us. Operator, can you dial us back in, please? I think it's our line. So maybe you can dial us back in. Nischint, you be with us?

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Yeah.

Operator

Ladies and gentlemen, we would request you to please stay connected. Ladies and gentlemen, thank you for patiently holding. We have management line reconnected. Over to you, sir.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Yeah, hi. Am I audible now?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Yes.

Operator

Yes, Nischint, you are.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Sure. So just one protection business, right, individual protection. We had seen fairly strong traction over the last couple of quarters. And from this quarter onwards, do you sort of see that kind of moderating out, fizzling out? And has the base effect already started to kick in?

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

No, I mean, we wouldn't call it fizzling out by any stretch. Pre-GST also, this category was expanding by more than 20% for the last couple of years. So GST has definitely been a catalyst to take it to the next level to more new customers. So we would expect some of that to continue as we go forward. The base effect will certainly kick in with a 50%, 70% growth in second half of the year. I think that is something that has to mathematically kick in at some point. So on a two-year CAGR basis, it's something that we will continue to track this category, and we would expect the momentum to continue after normalization as well.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Sure. Finally, can you give some breakup in terms of contribution of agents in terms of the top 10% agents contributing to what proportion of business and so on? Any color or cut will help us.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

I think the only color I can give is that it's fairly distributed. It's not like a normal Pareto, it's even less than that. So that's the only color I can give.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

And just to break this down further, Nischint, we have two or three streams in agency. There's, of course the ones that do considerable amounts of business. But the reason for us over the last, like I mentioned, 30-plus months, adding over 250 branches, and none of those big-ticket contributors require all of that. So if -- and from that, you can draw inference. And we also -- in my opening comments, I also gave in terms of percentage contribution of the branches that we have opened. So there are these two parallel tracks within our tied agency channel in order to really make this a retail on-the-ground channel. Apart from whatever is going well of the top agent, that will continue. But it is that retail and also we're looking at all aspects of, is their productivity going up month on month? Is attrition going down? Are people trained? Are they -- have they gone beyond just their immediate friends and family circle, and have they really established a fair bit of comfort on their own respective micro- markets? So we're looking at all aspects of that to help them come up the curve, and that's working well. And also, like Vineet said, that's the reason why it's not just lopsided in terms of the senior agents.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Good. And just one last point which you kind of shared. What proportion of business comes from HDFC Bank?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

About 47%, 48% on the APE basis.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

For the second quarter.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

It would be somewhere similar, about 48%-odd on APE basis.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

And on an annuity basis, I think it will be less than 40% or so.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Yeah, it's about in the 30%s.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

In 30%s, late 30%s.

Nischint Chawathe - Analyst, Kotak Securities Institutional Equities

Got it. Thank you very much, and all the best.

Vineet Arora - Executive Director and Chief Business Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

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

Vinod Rajamani - Analyst, Nirmal Bang Securities

Yes. So thank you for taking my questions. I have a few questions, primarily related to variable annuities. So just on the variable annuity side, what is the -- I mean, if you can give some sense of the APE split of the annuity APE, how much of it is traditional annuities and how much is variable? I understand that first half of last year it was barely -- it wasn't there. So all of it would be just -- would be new. So that's one. The second is, in terms of the margin on variable annuities, how much of it is -- is it durable fee-like kind of margin, or is it some charge on guarantees that you retain, or is there some kind of first-mover launch pricing that normalizes as the book scales and as peers in your industry kind of replicate that? So that is on the margin. And finally, on risk on variable annuities, how much of the investment and reinvestment risk actually is with you rather than the policyholder? How much are you retaining versus passing on to the policyholder? Are there any minimum guarantees or income floors that are embedded into the guarantee and so on? So just a few questions related to the size of the book, the margin profile, as well as the risk profile.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Yeah. So the product construct is that there is a base guarantee, and on top of that, there is participation in equities for the policyholder. That's really the construct of the product. So let's say if our immediate annuity product is giving a guarantee of, say, 6%, then this guarantee is set at 60% of that. And the rest of it flows through the upside based on the equity participation. So that's really the construct of the product. And that has, like I mentioned on the call earlier, has attracted a new set of customers and is something that, as a category, will continue to build. It's a fairly meaningful part of our business now, and like you said, it was launched in Q4 of last year. So everything that you see in this period is obviously for the first time. And it's a fairly meaningful part of the business. I will not really get too much into the quantification of that, but a sizable chunk of the overall business is coming through this segment now. As far as the dynamics of pricing or profitability are concerned, you could treat it as, in some sense, a non-par product with some sort of -- the baseline guarantee works exactly like a non-par product. The equity participation is managed from a perspective where we are in a position to generate returns from a long-term perspective like we would do when we are managing equity on behalf of the customer in a par product to some extent. And it's a hybrid from that perspective, and the margin comes out of managing this money for the customer, and obviously the inherent guarantee, like you mentioned, is also there because this is a life annuity like any other product. So there is that component also sitting there. So the fees are flowing through different parts of what we are able to offer to the customer in terms of either managing the money, offering upside, giving a guarantee, and covering longevity risk.

Vinod Rajamani - Analyst, Nirmal Bang Securities

Right. And just in terms of margins versus, say, traditional annuities, what is the differential in terms

of the margins on, say, these variable annuities?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So we're not really getting into specifics of that. It's a profitable product. That's all I can say, and we are very happy with the response that we're getting from customers.

Vinod Rajamani - Analyst, Nirmal Bang Securities

Yeah, but it is more margin accretive. Would you agree to that, or it's almost the same as compared to traditional annuities?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

I said what I had to say. Sorry, I'm not able to elaborate on that, please. Thank you.

Vinod Rajamani - Analyst, Nirmal Bang Securities

Okay. Sure. Thanks.

Operator

Thank you. Ladies and gentlemen, that will be the last question for today, which is from the line of Samant Singh from PhillipCapital. Please go ahead.

Samant Singh - Analyst, PhillipCapital

Yeah, thanks for taking my question. I will keep it brief. I had three questions, but I will make it two. So just to understand the Credit product. So what portion of the total group protection is Credit product? And in terms of how much is from HDFC Bank versus NBFCs and MFIs? And the third part to it is like in a scenario of 2% single premium cap, what volume impact do you envisage? You can choose to not answer that. That's okay. And I'll ask my second question after this. Yeah. Hello?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So Credit Life is a fairly meaningful part, as we've discussed. Group term for us is a relatively smaller portion. That's all we'll say at this point in time. To your second question, it is too early. Honestly, difficult to kind of answer that. It's a discussion paper. We have made our representations in terms of how critical this category is to make insurance more widely available to a part of the population which is less privileged. So we do hope that is taken into consideration, and then we'll wait for the regulator to come back with the draft.

Samant Singh - Analyst, PhillipCapital

Okay. Thanks for that. Just, I mean, I would love a breakup in terms from HDFC Bank sourcing from HDFC Bank and NBFCs, if at all possible. Yeah.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So it's a diversified book. HDFC Bank contributes to less than a third of our overall Credit Life business. Business is diversified across MFIs, other loans through NBFCs and banks, and the HDFC Group.

Samant Singh - Analyst, PhillipCapital

Sure. Thank you. And second is the capital. And then there is some confusion on the GST thing. So capital, just that, if I missed some sort of the earlier comment, I might have missed. So what size and purpose, if the NCD raise the board considered today, and where does the solvency of 180%, like, if you consider prior to the risk-based capital rolls out? So how we are positioned, considering this

asset NCD raise? So in terms of the capital thing, if you can sort of provide some color.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Yeah, so the Board has approved a raise of INR500 crore, and that would add about 4%-odd to our solvency, which we are currently at about 180%-odd. And of course, like Eshwari has mentioned on the call earlier, on an ongoing basis, the current framework basically utilizes a lot of the solvency to write long-term profitable business. That will continue. This will continue to help us grow the business over a period of time.

Samant Singh - Analyst, PhillipCapital

Sure. And just the GST demand, I had some confusion in terms of this Palghar penalty, whether it is like INR942 crores or INR2,423 crores, because the corrigendum figure that was -- you said in February 2025 was an error. But the September appeal sort of still quotes INR2,420 crores. So which figure is the correct one? And if you can sort of just provide what is the interest that has been accrued on it? Or does losing the first appeal sort of change your previous no-provision stance in any ways? And maybe I will just try my luck. So what would be the full loss impact on the solvency, considering that INR2,423 crore is the correct figure?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So whatever you see in our accounts is the true figure. And basically, it's appearing as contingent liability in our books. It started with that INR942 crore-odd and since then, whatever is kind of accumulating is all sitting in our balance sheet. That's something for you to basically look at. Interest is not a part of this. We have maintained that this will get litigated at different levels. We are fairly confident in terms of the merits of our case, and we'll let this take its own course.

Samant Singh - Analyst, PhillipCapital

Okay, so you confirm that INR942 is the correct figure then?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Yeah. Whatever you see in our balance sheet today will be the right number, and as you know, as an industry issue, this is something that -- is something that will be dealt with on merit from a tax perspective.

Samant Singh - Analyst, PhillipCapital

And just a quick part on it. Contingent liabilities also increased slightly to like INR2,207 crores as of September versus INR1,870 crores as of March. So the addition was mainly because of this or any color on that?

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

So there'll be some -- so there'll be -- whatever orders that keep coming through, which we follow the same process of assigning a certain probability, and based on that, deciding whether it's a contingent liability. That same process we followed, and that is something that you will see in our notes as well.

Samant Singh - Analyst, PhillipCapital

Okay, okay. Thanks for patiently answering my questions and all the best. Thank you.

Niraj Shah - Executive Director and Chief Financial Officer, HDFC Life Insurance Company Limited

Thank you.

Operator

Thank you. Ladies and gentlemen, as that was the last question for today,. I now hand the conference over to Ms. Vibha Padalkar for closing comments.

Vibha Padalkar - Managing Director and Chief Executive Officer, HDFC Life Insurance Company Limited

Thank you for joining us today. Should you have any follow-up questions, please feel free to reach out to our Investor Relations team. Good night.

Operator

[Operator Closing Remarks]