



“Life Insurance Corporation of India H1 FY26 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day, and welcome to LIC's H1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

We have senior management of LIC, led by Mr. R. Doraiswamy, CEO and MD on this call. I now hand the conference over to Mr. R. Doraiswamy, CEO and MD, LIC. Thank you, and over to you, sir.

R. Doraiswamy:

Thank you. Good evening, everyone. I'm Doraiswamy, Chief Executive Officer and Managing Director, LIC. I would like to welcome all of you to the half yearly results call of the financial year 2025-'26. Our results declared today have been uploaded along with the Press Release and the Investor Presentation on our website as well as the websites of both the exchanges, BSE and NSE.

Along with me on this call, I have 3 Managing Directors, Shri Sat Pal Bhanoo, Shri Dinesh Pant and Shri Ratnakar Patnaik. Senior officials of the corporation present on this call are Shri Ajay Kumar Shrivastava, Appointed Actuary and Executive Director, Actuarial from the Actuarial team; Shri Sunil Agrawal, CFO from the Finance team; Shri R. Chander, Executive Director, Investment Front Office and Chief Investment Officer; Shri Sanjay Kumar Shrivastava, Executive Director, Investment Back Office from the Investment team.

From the marketing team, we have Shri Govind Agarwal, Executive Director, Marketing, Product Development; Mr. Hemant Buch, Executive Director in charge of Marketing Bancassurance and Alternate Channel; Shri K. Seshagiridhar, Executive Director Pension and Group Schemes. Also, we have Ms. Vandana Sinha, Executive Director, Customer Relation Management, Claims and Annuities; and Shri Sanjay Bajaj, Head, Investor Relations, on this call.

Let me take you through the key business, operational and financial highlights for the half year ended 30th September 2025. Our market share by first year premium income for the 6 months ending 30th September 2025 is 59.41% as compared to 61.07% for the similar period ended 30th September 2024. We continue to maintain our leadership in both Individual as well as Group business within the Indian life insurance industry.

Now, if you bifurcate this overall market share of 59.41% into segment-wise share of individual and group business, we would have a market share of 37.21% in the individual business and 72.74% in the group business for the 6 months ending September 30th 2025.

On a comparable basis, for the 6 months ending September 30th 2024, the respective market share for individual and group business were 39.79% and 74.77%, respectively. For the 6 months ended 30th September 2025, we have reported a total premium income of Rs 2,45,680 crores as compared to a total premium income of Rs 2,33,671 crores for the 6 months ended 30th September 2024, registering a growth of 5.14% on a year-on-year basis.

The individual new business premium income for 6 months ended September 30, '25, was Rs 28,491 crores. And for the corresponding period last year, it was Rs 29,538 crores, thereby registering a drop of 3.54% on a year-on-year basis. Renewal premium income of individual business for 6 months ended September 30th was Rs 1,22,224 crores as compared to Rs 1,15,158 crores for the same period ended 30th September 2024.

Therefore, for 6 months ended September 30, 2025, our total individual premium income, including renewals was Rs 1,50,715 crores as compared to Rs 1,44,696 crores for 6 months ended 30th September 2024, registering a growth of 4.16% on a year-on-year basis.

The group business total premium income for 6 months ended 30th September 2025 was Rs 94,965 crores, comprising new business premium of Rs 92,586 crores. In comparison, for 6 months ended 30th September 2024 last year, the group business total premium income was Rs 88,975 crores and comprised new business premium of Rs 86,056 crores. Therefore, for the 6 months ending 30th September 2025, the total group premium has increased by 6.73% as compared to similar period of previous year.

The total annualized premium equivalent for 6 months ended September 30th 2025, is Rs 29,034 crores, which is comprised of individual APE of Rs 17,170 crores and group APE of Rs 11,864 crores. Therefore, on an APE basis, the individual business accounts for 59.14% and the group business accounts for 40.86%. Further, of the individual APE, the participating business accounts for Rs 10,936 crores and non-par amounts to Rs 6,234 crores. Therefore, our non-par share of individual APE is 36.31% and par is 63.69% for the 6 months ended 30th September 2025.

As you may recall, for 6 months ended 30th September 2024, our Non Par share of total individual business based on APE stood at 26.31%. Since then, our Non Par APE has increased from Rs 4,778 crores to Rs 6,234 crores, reflecting an increase of 30.47% on a year-on-year basis.

During multiple queries post our June 2025 quarter results, regarding the upper limit, where non-par share may peak, we had suggested that we have enough wind behind our sails and the momentum has been built in favour of non-par product mix change. The individual non-par APE share mix at 36.31% is a testimony to the momentum we mentioned earlier.

The Profit After Tax for the 6 months ended 30th September 2025 was Rs 21,040 crores as compared to Rs 18,082 crores for the 6 months ended September 30th 2024, thereby registering a growth of 16.36% on a year-on-year basis.

The net VNB has registered a growth of 12.3% on a year-on-year basis to Rs 5,111 crores for the 6 months ended September 30th 2025, from Rs 4,551 crores for the 6 months ended

September 30, 2024. Further, the net VNB margin has improved by 140 basis points on a year-on-year basis to 17.6% for the 6 months ended 30th September 2025 from 16.2% for the 6 months ended September 30th 2024.

The solvency ratio as on September 30th 2025, improved to 2.13 as against 1.98 on September 30th 2024. The Indian Embedded Value as on September 30th 2025, has been determined at Rs 8,13,230 crores as compared to Rs 8,21,716 crores as on September 30th 2024. Therefore, the IEV has registered a decrease of 1.03% on a year-on-year basis. However, you will recall that the IEV was Rs 7,76,876 crores as on March 31st 2025. Therefore, the IEV has improved by 4.68% between 31st March 2025 and September 30th 2025.

The Assets Under Management as on September 30th 2025, was Rs 57,22,896 crores as compared to Rs 55,39,516 crores as on September 30th 2024. Therefore, our AUM has registered a growth of 3.31% on a year-on-year basis.

During the first 6 months of period of FY 2026, we have launched 2 new non-par products on July 4th 2025, namely LIC's Nav Jeevan Shree and LIC's Nav Jeevan Shree Single Premium. During the July '25 to September '25 quarter, we introduced 2 new riders also. As on September 30th 2025, we had a comprehensive suite of 55 products, excluding Pradhan Mantri Jeevan Jyoti Bima Yojana, available for new business, including 35 individual products, 12 group products, 7 individual riders and 1 group rider.

Post the GST exemption announced in September 2025, LIC has launched 2 new Non Par products on October 15th 2025. These products are called LIC's Jan Suraksha and LIC's Bima Lakshmi. Therefore, as on date, we offer a total of 57 products, which include 37 individual products, 12 group products, 7 individual riders and 1 group rider.

During the 6 months ended September 30, 2025, we sold 72,60,573 new policies as compared to 91,70,420 new policies in 6 months ended September 30, 2024. As on September 30, 2025, the total number of agents was 14,85,325 as compared to 14,39,658 as on September 30, 2024. The market share by number of agents as on 30th September 2025, stands at 45.86% as against 47.56% on September 30, 2024.

On the number of policies sold basis, the agency force sold 71,44,242 policies during the 6 months ended September 30th 2025, as compared to 89,21,078 policies during the corresponding period last year. Further, 98.4% of our policies in the 6 months ended September 30th 2025, were sold by our agents. When seen on premium basis, 92.13% of our new business premium came from our agency channel in the first 6 months of the current financial year.

There is a strong growth in new business premium income from our Bancassurance and Alternate Channels. Bancassurance and Alternate Channels collected a new business premium income of Rs 2,024.10 crores for the 6 months ended September 30th 2025, as compared to Rs 1,207.54 crores for the 6 months ended September 30th 2024, thus registering a growth of 67.62% on a year-on-year basis. The new business premium income collected through banks was Rs 1,265.88 crores for the 6 months ended 30th September 2025. And for the corresponding period of last year, it was Rs 854.23 crores, thereby registering a growth of 48.19% on a year-

on-year basis. Further, the Alternate Channel collected new business premium income of Rs 758.22 crores for the 6 months ended September 30th 2025, as compared to Rs 353.31 crores for the 6 months ended September 30th 2024, registering a growth of 114.60% on a year-on-year basis.

Our Bancassurance and Alternate Channels now account for 7.12% of the individual new business premium for the 6 months ended September 30, 2025, up from 4.1% for the 6 months ended September 30, 2024. For the 6 months ended September 30, 2025, the overall expense ratio was 11.28% as compared to 12.74% for the first 6 months of last year. You will observe that there is a decrease of 146 basis points on a year-on-year basis.

Persistency:

On premium basis, the persistency for the 13th, 25th, 37th, 49th and 61st month up to 6 months ended 30th September 2025 stands at 75.29%, 71.37%, 67.70%, 63.70% and 63.81%, respectively, as compared to 77.62%, 72.24%, 67.24%, 66.33% and 61.46%, respectively, up to the 6 months ended 30th September 2024.

On a number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month up to the 6 months ended 30th September 2025 stands at 63.36%, 60.23%, 55.18%, 50.67% and 51.50%, respectively, as compared to 67.23%, 59.73%, 54.06%, 53.84% and 48.92%, respectively, up to the 6 months ended September 30, 2024.

The performance on persistency metric has been a mixed bag with an improvement in the 37th and 61st month cohorts on premium basis and improvement in 25th, 37th and 61st month on a number of policy basis.

In our digital initiative through the agent-assisted Ananda app, we have completed 8,78,470 policies through this app during 6 months ended September 30, 2025, as compared to 7,23,281 policies for the 6 months ended September 30, 2024, thereby registering a growth of 21.46% on a year-on-year basis. There is a growth of 40.07% in number of active agents in Ananda app for the 6 months ended September 30, 2025.

The digital innovation value enhancement project and the Jeevan Samarth initiatives are progressing as planned and are in various stages of implementation. In the last earnings call, I had informed you that customer super app and Sales Saathi app were undergoing testing and launches in select geographies, and it will be rolled out on a pan-India basis soon. I'm happy to inform you that both the apps have been made live in the month of August-September 2025.

Claims:

On the individual claims front, during the 6 months ended September 30, 2025, we have processed 96,44,280 number of claims, which includes 92,34,314 maturity and survival benefit claims. On an amount basis, during the first 6 months ended September 30, 2025, the total maturity claims were Rs 1,07,587 crores, and the total death claims were Rs 12,049 crores.

On a comparable basis for the first 6 months ended September 30th 2024, the maturity claims were Rs 94,531 crores and death claims were Rs 11,645 crores. Therefore, the maturity claims are higher by 13.81%, and the death claims are higher by 3.47% on a year-on-year basis.

As of September 30th 2025, a total of 2.57 lakh women have been designated as Bima Sakhis, successfully selling 8.54 lakh insurance policies and garnering a new business premium income of Rs 1,096 crores in 6-month period ended September 30, 2025. Our objective is to appoint at least one Bima Sakhi in every gram panchayat, and we would like to inform that out of 2,47,876 gram panchayats, we have covered 44% gram panchayats by recruiting Bima Sakhis in 1,08,748 gram panchayats up to September 30th 2025.

Before concluding, I would like to reiterate significant highlights of our performance during the first 6 months of FY 2025-26:-

Our Non Par share of Individual APE business has further grown to 36.31% for H1 FY26 as compared to 26.31% for the same period of the previous year.

The Profit After Tax has grown by 16.36% to Rs 21,040 crores on a year-on-year basis.

Bancassurance and Alternate Channels registered a growth of 67.62% on a year-on-year basis to Rs 2,024.10 crores.

VNB has increased by 12.3% on a year-on-year basis for the first 6 months of the FY'26.

VNB margin has shown a positive bias with a 140 basis points increase to 17.6% for H1 FY26.

AUM has increased to Rs 57.23 lac crores, registering a growth of 3.31% on a year-on-year basis.

While maintaining growth in multiple parameters, we have kept a focus on costs. And as you can see, the overall expense ratio is down by 146 basis points to 11.28% in H1 FY26.

Now, I would like to share our view on the most significant development for the Indian life insurance industry, which is the exemption of Goods and Services Tax on the life insurance products by the Government of India. We believe this move is customer-friendly and will provide a major boost to the further penetration due to better affordability and therefore, expand the size of the life insurance industry in India. We are already witnessing strong tailwinds due to these steps taken by the government and believe that the full impact will be seen in the coming quarters.

At LIC, we are committed to passing on all intended benefits to the customer. We are confident that we'll be able to accelerate our efforts towards "Insurance for All by 2047" with such customer-friendly initiatives. We sincerely thank our stakeholders for their consistent support and faith in our strategy and its implementation.

I now request the moderator of this call to open the floor for question-and-answer session. Thank you very much.

Moderator:

Our first question comes from the line of MW Kim from J P Morgan.

MW Kim:

Thank you so much for the opportunity and Congratulations on the strong results. I have 2 questions. So firstly, I noticed that the ULIP is becoming an increasingly important part of the new life phase. So looking ahead, should we expect the share of the ULIP to grow meaningfully from current level, similar to the private players?

And another question is about the solvency capital. The company has a very strong solvency ratio of 213% as of September '25. I would like to understand the company's solvency ratio under the Risk based Capital regime. I ask because the company's liability reserve structure differs somewhat from the private peers.

And I have observed that overall, the adjusted net worth movement within the EV appears relatively substantial. Additionally, while the company is a major asset manager in India, the current solvency capital framework does not fully reflect this equity-related effect. So this is 2 questions from me.

R. Doraiswamy:

Thanks for the greetings, Kim. As you told, ULIP is slowly becoming more prominent in the entire insurance -- life insurance industry in India, and LIC has also been catching up in the sale of ULIPs. And it has recorded the highest growth among the various baskets of life insurance in the last quarter and the first half of the year. We are recording more than 100% growth on ULIPs as on date. On the solvency margin part, I would request my Appointed Actuary to give the full details.

Ajay Srivastava:

Good evening. I'm Ajay Kumar Srivastava, Appointed Actuary and ED Actuarial. Now, the question is about RBC comparison of solvency margin in RBC regime and the current regime. We have actually submitted QIS1 and QIS2 to IRDAI. While we have submitted the results, we are still in discussion with them on several issues, and we are constantly engaged with them.

Now, the ultimate solvency ratio based on the final QIS regime will depend upon the outcome of those things, which we are discussing with the regulator. So at this stage, I think the numbers are quite dynamic and susceptible to change. So for the time being, we'll not be able to comment anything on what is the impact on that unless things are finalized by IRDAI.

M W Kim:

That was very clear. Thank you.

Moderator:

Our next question comes from the line of Harshal Mehta from AM Securities.

Harshal Mehta:

Congrats on a good set of numbers. So a couple of questions. First is on the NOP. So if you can just explain like NOP, we have seen a very sharp drop, both on a totality and as well as in terms of bank and alternate channels. So what are our steps to improve the NOP going ahead? That was first.

Secondly, EV has been broadly flat on a Y-o-Y basis, but within ANW and VF, there is a lot of discrepancy in terms of growth and one is degrowth. So if you can explain why there is such a sharp variation between both of them, that will be helpful.

And lastly, in terms of margins, so we have seen a very sharp increase in margins for the first half and as well as Q2. So when we see the product mix, we've seen a very sharp increase in non-par, and that is led by ULIP. So is it fair to assume your ULIP margins are higher than the company level? So those are my 3 questions.

R. Doraiswamy:

First, I will take the NOP question. Actually, you remember on 1st of October 2024, the new Master Circular came into effect. And to get aligned with the Master Circular conditions, we had to completely modify almost all the products that were available on sale as on 30th September.

So as a part of becoming compliant with the circular, we had to raise the minimum sum assured under the most popular products on the savings category of LIC. That resulted in a sharp fall in the number of policies sold, particularly in the ticket sizes between Rs 1 lakh and Rs 1,99,999. So that resulted in a degrowth in the number of policies sold in the last second half of the year, and that continued in the first half because the comparison was with the earlier regime.

Also, because the planned withdrawals were announced, the September month of 2024 saw a big surge in the number of policies sold to catch up before the old policies went out of sales. So we are comparing on a large base, first point. Second, on September 5, Government of India came up with the reforms to the GST structure in India. And the GST exemption for life insurance business was announced with effect from 22nd September. So between these 2 dates, there were -- there was almost a complete stop of purchase of policies on the individual side, and people were looking forward to getting the exemption from GST.

So the business during that almost 15-day window suffered a major fall. And that could not get compensated in the last 8 days of the current September month. So that was the main -- that was the reason for the number of policy degrowth in the first half of the current year. However, from 1st October, the scenario has completely changed, and we are having a very good traction and showing a substantial growth in the number of policies sold.

And we are very confident by the end of the current financial year, we will be able to completely catch up and show a good performance on the number of policies as well. On the EV part and margins, I would request Appointed Actuary to give a clarity on that.

Ajay Srivastava:

So we have a basket of products to cater to the need of the policyholders. And you would appreciate that all these products based on whether they are in Par or Non Par, Savings, Term, they have different margins. And what is important for us is to also look for the VNB being contributed by each of these segments. So the growth in ULIP actually contributes to the VNB, which is equally important for us because that is what is the preference of customers. So that -- those products are actually chosen by them.

So what we actually look for is not one particular metric like VNB margin, but we concentrate on the products, which actually meet the needs of the customers and keep on modifying them based on their change in their needs. So that ultimately results in some number based on VNB or VNB margin. But the fact remains that it may not be completely fair to just talk about the

VNB margin of one particular line of business, which may be less or more, but the contribution for each line of business is for VNB, which is important for the corporation.

R. Doraiswamy:

EV, he talked about too...

Dinesh Pant:

See, as far as the EV, Embedded Value, you mentioned about, you would appreciate there are different components of embedded value coming from core business as well as fair value change as well as ANW. And while we are not talking about individual specific numbers, and we are not discussing, but there is an improvement, a significant improvement in our core business contribution.

We all appreciate that between the comparable periods, the markets have actually been tepid, so -- and a significant portion comes from the fair value change also. What is appreciable is that just with notwithstanding all those things, from March to September numbers, the Embedded Value has significantly improved, largely backed by the improvement in the core business component of the Corporation. So that is one thing.

And margin increase, as we talked about, ULIP is one part of our overall strategy. And within the overall product mix, the contribution to the new business has largely come as was earlier mentioned about because of better proportion of non-par business, which is not only about ULIP, but also saving products, where the new business VNB margins have significantly improved. And also VNB margins are helped by the improved RFR rates during this period. So that is also largely because of the better contribution coming from the product mix from the saving line of business, including from ULIP also.

But as you will appreciate, the larger contribution -- ULIP is not the significant driver for VNB margin. It is a good driver for one in the context, as was said earlier, a satisfaction that customer needs, market needs it. And it is aligned to the customer needs for the overall APE growth also. But the other lines of businesses give better margins. So it is a proper mix and balance of different products within this segment, which has contributed to overall increase in VNB margin and also improved the Embedded Value as compared to the margins.

Harshal Mehta:

Thank you and all the best.

Moderator:

Our next question comes from the line of Prayesh Jain from Motilal Oswal Financial Services.

Prayesh Jain:

Just on the previous participant's question, your adjusted net worth from H1 FY25 to H1 FY26 has jumped while your value of in-force business has gone down. What explains this different movement in both the elements?

Ajay Srivastava:

Largely, as has already been explained, the variation is mostly coming because of that MTM contribution. If you look at the core business, as has already been explained, the contribution from the core business has already gone up. So if you look at this, adjusted net worth has gone up, but value of in-force business, that has some constituents in which other constituents, they contribute almost similarly to that, which is flat. But MTM, there is some impact, is actually slightly marginally disturbed.

- Dinesh Pant:** Actually, present value of the future profits and VF as compared to March has only improved. It has not gone down. The present -- the VF portion as compared to March has improved in September. But MTMs have been flattish.
- Prayesh Jain:** Okay. MTM is the main factor contributing to both the elements.
- Ajay Srivastava:** Yes. Yes.
- Dinesh Pant:** And with the surplus transference to the shareholder portion, the adjusted net worth has always been going upwards.
- Prayesh Jain:** Got it. Second question is on persistency. I see that there is some drop in persistency on the near periods. What explains that?
- R. Doraiswamy:** As I told you, we had a large quantum of low ticket size policies. See we cater to all the segments of the society, and we cover the entire geographical spread of the country. So we experienced a lower persistency at small ticket size policies, particularly because of the variation in seasonal income of people who take policies under this. So this will be the reason for the drop in persistency, both in number of policies as well. But you will find that in terms of premium, our persistency is better than the persistency in terms of number of policies. This has been the case always.
- But with the improvement in the minimum ticket size or the minimum sum assured and the average ticket size going up, we are very hopeful -- we are very confident that the persistency going forward will improve and much -- it will be much better in the days to come. The higher ticket size policy sale or the change in minimum sum assured happened on 1st October and the effect of which will be seen only in the months to come because they will be completing the 13th month only from the next month onwards.
- Dinesh Pant:** And just as a corollary to what was being discussed earlier, while the markets have -- the fair value change portion has -- as on September '25 remains even below September '24 as well as March '25. But for the period from March to September, that fall has been more than made good by the improvement in the present value of future profits.
- So that has resulted into the VIF from March to become positive in September '25, even as it is below September '24 level because the difference -- the fall as compared to September '25 is very sharp, which has been -- which has improved from March and then now it's better than that.
- So the position -- that's the reason that the embedded value -- overall embedded value has improved as compared to March because the core business has more than compensated for the loss in the fair value changes.
- Prayesh Jain:** Okay. Sir, the third question is on the GST input tax credit not being available. So how are you kind of -- what is the kind of impact that you would expect on Embedded Value as well as VNB margins in the time to come? And any impact that you've already absorbed in the EV and VNB? And third will be on how are you kind of going to offset, whether you're passing on the impact to the agents? Or how are you going about this?

Ajay Srivastava:

So the numbers which have been actually provided, the different metrics, VNB margin, embedded value, solvency ratio, etc. they all have been considered after GST impact, the effect of ITC. So the numbers have already taken account of GST reforms. But going forward, what we look for is the increase in the volume of business, and also, the operational efficiency, we have been looking into that because the ITC actually is one of the expense items, and we are looking together with the cost optimization.

And you would see that as a result of that, expense ratio has actually come down from 12.7% to 11.3%. This is in addition to the proactive measures we have taken in the last year when the product regulation had come up, where we have retained actually the profitable products, the margins and the backloaded, the commission, etc. which improves the persistency. So all these measures actually have resulted into the numbers which have been provided to you today.

As you were asking particularly about the embedded value, the embedded value numbers, we have already disclosed. That was in LODR 0.5%, and the impact of that is within that. And going forward, the numbers will depend upon the -- VNB margin, etcetera, will depend upon the mix and volume, which is going to come up. So that effect we can see at the time of the embedded value in the month of March, and then we can look into the walk.

Dinesh Pant:

Just in order to supplement that thing, as is already stated in the statement of CEO also, see, we are looking this GST, which is an individual line of businesses in order to see as an opportunity for the growth. And what we want is that, in line with the policy changes which have happened, that the policyholder should benefit out of it, the distributor should benefit out of it and insurance company should benefit out of the higher production and working towards higher market insurance penetration levels.

So the entire effort of the corporation, as we already come out and disclosed also, is at this point of time take this opportunity for growth of the business. And that growth of the business by improvement in per policy expenses or other ways, should lead into the control of the expenses so that it becomes a win-win proposition for insurer as well as the customers without much any impact on the distribution.

But as an insurance company, we continue to analyze our experiences and continue to take decisions based on the outcomes that emerge. At this point of time, we are confident that this should lead and that those type of outcomes are already started to be seen, in which the business growth, which is the prime focus area for us as an insurance company -- as a lead insurance company. So we are working towards that goal only.

Prayesh Jain:

Sir, any number you want to quantify with respect to if there are no -- without any adjustments or without any changes to operational efficiencies, what could be the impact on the VNB margin for us in case you're not passing on the GST, input tax credit also as well

Dinesh Pant:

I don't think it is fair for us to just see one side of it from an expense point of view because, see, when the expenses naturally will get impacted, but on the other side, the GST waiver should lead to growth. And that growth in business shall also impact the expenses on a favorable way.

So it will not be actually correct to see just one side of the picture and not take the overall scenario out of it.

So as was already explained by Appointed Actuary, at this point of time, the impact is well, well within what we have gone on disclosures in terms of the impact on the embedded value, much below that thing. And we are sanguine that with more efforts and more propagation of this benefit to the customers, the growth in business and the quality of the business should lead into insignificant or actually cutting down any impact, so that would ..

Moderator:

Our next question comes from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha:

Thank you for the opportunity. Sir, my -- probably my question again is on a little similar lines. So given only 8 days of the business had a GST negative impact and second half full will be with GST negative impact. So are you confident to deliver same, at least similar VNB margin, that is 17.6%, what you have reported for the first half? Or you believe even if the volumes come, will there be some bit of berating to the margin compared to what we have delivered today. That's one thing. Maybe if you answer that question, then I have 2 other questions.

Dinesh Pant:

Sanketh, you would have observed that the trend of our VNB margin has always been upward from Q1, Q2, Q3 to Q4 onwards, right? And actually, it's very heartening that not standing -- despite of all these things, because on the strength of the better product mix and all those things, we have been able to deliver VNB margin, which was actually in the Q4 of the last year. So rest assured, Corporation does everything, which it is confident about, and we are committed to create value for our shareholders as well as policyholders. So we are quite confident that this trajectory in the medium to long term should continue. in line with our original...

Sanketh Godha:

Sir, given we have an improving trajectory every quarter passing by, so is it fair to say that still you will end up FY '26 with a margin better than what you reported in 1H? Is that a fair assessment to make?

Dinesh Pant:

That is always our intention. Nobody can predict the future, but it can be better than this also. But we all know -- this -- for example, this policy change came to us as a surprise. It was not something which was on cards. And the government has been very very kind to take this step in order to give the -- fillip to the growth of this industry. So at the end of it, it depends on the execution.

We are very confident that whatever we have set as goals for us, we have been achieving and overachieving on them. So we see no reason that there should be anything unless there is some force majeure or something like that, anything else should happen. We are very confident about this onward trajectory to continue.

Sanketh Godha:

Okay. Understood, sir. Sir, the second question is, honestly, your non-par largely led by ULIP, you answered that question. But just wanted to understand that making the simple assessment straight yes or no that the ULIP margins are better than the company average. That's largely the reason why the margins improved?

Or your Group did very well, and maybe if that was driven by Group annuity, and that was the trigger which led to the margin improvement because without the product mix, looks a little -- ULIP in general is perceived to be a low-margin product compared to par. So just wanted to understand, it's largely ULIP led or more led by Group?

Dinesh Pant:

Sanketh, on that, it is not only just line of businesses which decides the overall margin. Within every line of businesses also, we keep on taking steps to realign the margins as well as the benefit of the policy. For example, say annuities, which used to give very high margins, where margins came down, then the steps have been taken, even to align VNB margins within that. So it is not we are seeing just ULIP versus the line of businesses. Every line of business has got a different purpose.

As we mentioned earlier also, the primary focus for us as an insurer is to be able to provide -- it's just not that because VNB margins are less in ULIP, so we all know that ULIP do not deliver great on margins. Saving products at times will deliver better than them on the margins, right? So -- but then the product offering is not just based on margins only. It is also, in fact, more for what customers need. So the art lies in -- art or science, whatever you want to call it, lies in how to balance the product mix in a manner so that customer needs are satisfied and other stakeholders' interests are also well protected.

So ULIP, there was a time we were being questioned, being laggard on ULIP, and now, we have taken good growth in ULIP. So -- and because customers are choosing to buy ULIPs. So that will continue to be a focus. But we continue to create value through -- we offer -- you will see ULIP may be significant, but savings has got a significant portion in overall mix. So that creates good VNB margins for us. So we'll continue to work on a balance of product mix and continue to take decisions within the line of businesses also to strike the right balance of VNB and the growth.

Sanketh Godha:

Okay, sir. Understood. But sir, just at product level, given you are saying that we're focusing on higher sum assured and maybe the yield curve also became favorable for the sector. So at the product level also, are we experiencing in general a better margin profile compared to last year? And that can be a potential reason also to continue to drive the margins?

Dinesh Pant:

Yes, definitely, if our margins are improved, then definitely some of the products would be able to deliver better margin than before. And also because -- you see, margin is not product based. Again, within the product itself, when the ticket size improve, margin is likely to improve, right? And you would have observed that last year, we took that decision in certain line of businesses the minimum ticket size has improved.

So the entire purpose of that is that to improve the quality of business margins as well as persistency of those businesses, which will be -- which will come to be seen from coming year onwards. So that product mix, the ticket size and as you rightly mentioned about, the impact of RFR also has got a role to play in that from time to time.

Sanketh Godha:

Okay. Sir, are you quantifying? Typically, you used to quantify. Are you quantifying the group margin and individual business margin separately in that 17.6%?

Dinesh Pant: I don't think we are giving it by that category.

Sanketh Godha: Okay. Okay. No, you used to disclose previously. So just trying my luck again. Okay. Lastly, sir, you said the EV impact due to GST is 0.5 percentage, right, sir? Is that impact as stated?

Dinesh Pant: No, no, we never said 0.5. We disclosed in the public disclosures that we do not estimate it to be more than 0.5% of that. What we are confirming is as per the current valuation, when we have done for the embedded value, it is much less than that.

Sanketh Godha: Understood. And lastly, sir, in EV of Rs 8.13 lac crores, how much is fair value change?

Dinesh Pant: Again, I think component-wise, we are not disclosing. Are we disclosing?

Dinesh Pant: Component-wise, we are not disclosing.

Sanketh Godha: But is it fair to say it is 50% of the total EV, closer to that number?

Dinesh Pant: I don't think we disclose it that way. We have to -- embedded value in totality. I would see no reason why we should want to see it from different components because even if fair value change has come, it is coming out of the business only. So we are

Moderator: Our next question comes from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Thank you for taking my question. See, most of my questions have been answered. But just again, on the GST impact, I wanted to understand, one, on the next 6 months, which is the second half of the year, what would be sort of the margin impact because of ITC not being available?

We can make some assumption in terms of the product mix remaining constant. So some sense of there would be helpful, or -- so that's one. Or even in this current 17.6%, you had the GST impact for the last sort of 10 days, right? So what is the impact in the VNB margin of that also, if you could give that number?

And third, what are we doing in terms of reducing this? Are we changing commission payout structures or reducing commissions? Because that would again be a pretty large component of the ITC also. So yes, if you could help me with these 3 questions.

Ajay Srivastava: As we have already discussed, in next 6 months, the mix and business is very difficult to guess at this stage because within that particular product as have already been informed that the ticket size, if it goes up, the margins could be different. If a particular line of business, if more business is there, then the contribution towards margin will be more or less.

So standing at this stage, assessing all those because ITC is only one of the components of the entire things which actually impact the margins. So we need to actually look at the entirety how the margins are going to move going forward at the end of the year. But once we go at the end of the year, as I said, we can actually look at the impact on the Embedded Value when we actually also present the embedded value walk.

Madhukar Ladha:

So okay. But historically, at least we could say, right, that if, let's say, ITC was not available in the first half of this year, then what would the impact be on the margins?

Dinesh Pant:

See, one thing we need to note that -- what was made out on 8 days issue of ITC, that was a financial presentation point of view. From an actuarial exercise, once the information gets to -- gets known to us, it is already factored in our assumptions, rest assured. When we are doing VNB analysis, even for the business which has been done, we are aware that this is not available for the future period. So that is recalculated.

It's not that it is on a stagnant basis that only for 8 days new business, it is taken care of. So that is the type of confidence that we are trying to give you is that all those assessments have been already factored. This is what Appointed Actuary already was mentioning, have already been factored.

Now beyond this, it's not that we are not -- we have a lot of experience that what type of business is going to happen in future years, what is our focus area. We expect that's what we -- that's the basis which we only explained to you that we are sanguine that this trajectory, we expect to continue for the future period also.

R Doraiswamy:

To supplement, Mr. Ladha, actually, margin improvement is possible with so many other changes as well. We are looking at, one, the increase in top line of business because of the reduction in -- the exemption from GST itself, that is one. Two, the product mix cannot remain constant because we'll be coming up with new products as well and the product focus also will change.

So our focus will be on increasing the top line substantially in the second half, one, to take care of the impact of the input tax credit not being there, plus also improving the profitability by focusing on improved ticket size as well as contribution from product line also.

So we are certainly not looking at anything passing on the commission or changing the commission structure right now, but we'll be looking at increasing the ticket size and the contribution from the existing business as well as the products to be launched in the days to come.

Madhukar Ladha:

Understood, sir. Sir, and again, it will be very helpful if you can give the mark-to-market impact in the EV. So of the total EV, how much is mark-to-market, if you could give that number for the first half and for FY '25, that is also helpful? I mean, yes.

Dinesh Pant:

We'll give that -- we'll work it out because we have not been disclosing this thing. So I think you can work it out from our financials, if that's the case. But we have not been disclosing. So we're not -- we'll not be disclosing. Yes. But the sensitivities we are disclosing, so possibly, you can look into the sensitivity numbers on -- sensitivity impact of fall and rise in equity is being disclosed in our IEV. So you can -- we'll see whether we can share this information because as of now, we have not been sharing this thing. But the sensitivities are very much aware, they are in the public domain. So I think that can -- and rest from there, you can pick it up.

Moderator:

Our next question comes from the line of Mohit Mangal from Centrum Broking. Please go ahead.

- Mohit Mangal:** Thanks for the opportunity. My first question is with respect to agency channel. Sir, I was looking at your agents as on 1st April and 30th September, it is kind of very flattish. So are we becoming more aggressive with respect to agents in terms of deletion from the company?
- Govind Agarwal:** This is Govind Agarwal, ED, Marketing. Yes. Currently, we have 14,85,000 agents. And last year, it was 14,39,000. So there is a net increase. And you will also see that this agencyship, it's quite volatile in the market because people take agency and they take time to stabilize. So that flattishness is always there. There is no steep jump.
- Even if we go for heavy recruitment, then again, it will have an impact after 12 months. So -- but we are focusing on stabilizing our agents and better productivity rather than low-quality recruitment. So that is how you see there's a big growth in this number as compared to last year September 2024.
- Mohit Mangal:** Okay. And we do expect around, what, 6 policies per agent, right, on an annual basis?
- Govind Agarwal:** See, there are certain guidelines for continuation of agency like 6 policy, 12% premium basis also. So on an average, this may be -- may not be in line with the industry because only number of policy cannot be a parameter alone. So we have...
- Ratnakar Patnaik:** I would like to supplement. Last year, the average productivity per agent was around 12 policies. So we are trying to improve the productivity, retain the agents, train them so that they are having a good career with us. So average productivity, we are trying to increase by virtue of training and motivating them.
- Mohit Mangal:** All right. That is helpful. My second question is towards the individual NBP. So we have seen a 67% increase in individual NBP, driven by bancassurance and alternate channels. So just wanted to confirm, IDBI Bank is again the major driver for this growth?
- Hemant Buch:** Good evening. This is Hemant Buch, Executive Director, Bancassurance. While IDBI continues to be the leader, but the considerable growth has come both from Axis as well as IDFC First. And as also in fact made available earlier, we are, in fact, forging new tie-ups, and that keeps on continue delivering value for us. So one of the things of value creation has been in fact in form of forging a tie-up with AU Small Finance Bank. So this will continue. Yes.
- Mohit Mangal:** Understood. That is helpful. My last question, sir, in terms of annuity, again, I understand it's a small base, but we have seen a decline. So do we have any particular strategy for growth in the annuity business?
- R Doraiswamy:** We will be focusing on increasing annuity business as well. Yes, in between, it has taken a reduction in terms of volumes, but we expect it to come back. The focus was on ULIPs also, as we were not doing well in ULIPs. So now, we have shown a substantial increase in the number of policies sold under ULIPs as a basket. We will also be focusing on annuities as well as savings, both we'll be looking at.
- Mohit Mangal:** Okay. So would we be launching newer products or maybe favorable IRRs? I mean, what would be our strategy in that?

R Doraiswamy:

For annuity markets, you don't have to launch any new products. The products -- it needs to have a focus on that aspect. I'm sure it will happen, but there will be new products coming in different baskets, yes.

Moderator:

Ladies and gentlemen, we are moving forward to the last question from Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh:

Hi, Good evening Sir. So just a few questions from my side. First, in terms of your balance sheet, annually, we get the breakup of your fair value change between Par and Non Par. Obviously, first half, we don't get the overall balance sheet. So if you can just break it up. If I recall correctly, your -- from your par segment, the fair value change was around RS3.9 trillion in -- as of March. So if you can just break that up.

My second question is on your VNB margin walk. If I see for the first quarter on a rolling basis, you had a 1.9% positive operating assumption change. And as of first half, it's a minus 1.1%. So would it be fair to assume a majority of this change between 1Q to 1H on a rolling basis is actually the impact of GST not being there? Or is there any other component also?

My third question is more on the accounting part. If I recall correctly, since your listing, you made one accounting change, whereby any mark-to-market change on your ASM is being routed through the net worth. This is pertaining to some of the questions asked from your previous participants also in terms of the EV between fair value and non-fair value.

Is there a possibility or something that you're considering of some of the excess fair value on the equity side on the non-par book or the ASM part, if that can be parked within the net worth or can be routed through the net worth? I mean, is there any possibility of any accounting charge? Is it even feasible out there?

And the last question is on the growth part. Obviously, you have done a good job in terms of business mix alignment. Just wanted to understand at what stage would you feel that the mix is stabilizing and probably focusing on market share stabilization kind of picks up in your priority or taking order out there?

Dinesh Pant:

Yes. As of now, as per our accounting policy, the realized portion through -- accounting through profit and loss account is only transferred to the shareholder fund. Currently, we do not have any thought process that on accounting basis, unrealized portion could be transferred or would be transferred. That's not something.

We need to follow, and we'll continue to follow, the best accounting practices that be the case here because that can lead -- if unrealized portion can be considered, it can lead to -- and market is subject to volatility. So that's not the step at this point of time in any consideration for us just to inflate the number. That's not the goal. What was the second question?

R Doraiswamy:

Fair value change, Par, Non Par...

He just wants a breakup of fair value change between the Par and Non Par, which we don't disclose.

- Dinesh Pant:** See, we are again not giving the breakup between par and non-par fair value change. But one thing has to be considered that it's not -- the fair value change does not come about only through the equity. It also gets impacted from -- on the debt portion based on the interest rate changes. So currently, we are not giving that type of breakup for par, and line of business-wise breakup is not being given.
- R Doraiswamy:** VNB margin walk.
- Ajay Srivastava:** Yes. So the VNB margin walk, which has been provided in the presentation is that because of the business mix, the change is 3.4% positive contribution. Because of RFR change, the impact is negative 1.1% and 0.9% negative is on account of operating assumptions. That includes the impact of GST. So the margin has moved from 16.2% to 17.6% because of this component.
- Dipanjana Ghosh:** Correct. And the last question on the growth part.
- R Doraiswamy:** Growth ?
- Dipanjana Ghosh:** The last question was more on -- you've done a good job in terms of your VNB or product mix realignment. But at a certain stage, would you kind of focus a little bit more on market share stabilization over business mix realignment? I mean, is that a thought that you're considering?
- R. Doraiswamy:** Yes. Actually, we are not taking a target business mix component, as I keep -- I mentioned last time also. There is a traction. There is an improvement in our APE – Non Par APE that has grown from 26.31% to 36.31% over a period of 1 year. We expect some more improvement to happen just because the momentum that has been built up in this direction over a period of last 3 years. Though we are not targeting for any particular mix proportion, we expect some kind of an improvement on the basis of the momentum that has already been up in place.
- Now, there is a possibility that we can even start showing a growth on all the parameters, all the buckets, including par, non-par savings, ULIPs as well as annuities. So we will be looking at all the 3. There are different segments. As things go, in Q3, we'll see a fair amount of improvement in savings component, thanks to the focus on MDRT and other focus as well. It is likely to happen. We are not targeting a particular mix. That's for sure. We expect it to grow -- improve a bit more further and stabilize that way.
- Again, though our focus will be exclusively on top line growth, not necessarily keeping in mind the market share, we would like the entire pie to grow and LIC to show a good growth, if possible, better than the industry growth. If that happens, naturally, our market share will stabilize and improve. Otherwise, also, we have a target on growth rather than looking at the market share per se directly.
- Dipanjana Ghosh:** Thank you and all the best.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Doraiswamy for closing comments. Thank you, and over to you, sir.

R. Doraiswamy:

Thank you. First and foremost, I would like to thank for sparing your time to join the call late in the evening today. As we wrap up our discussion for the first half of FY '26, I would like to express my gratitude to each of you for your ongoing trust, partnership and involvement with LIC.

Your insightful queries reflect an in-depth understanding of our business and strategy. I hope we have addressed your queries to your satisfaction. In case you would need to engage more with us, please reach out to us through our Investor Relations team. Thank you very much and good night.

Moderator:

Thank you so much, sir. Ladies and gentlemen, on behalf of LIC, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.