

August 17, 2023

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
**Mumbai – 400 021**

National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East)  
**Mumbai – 400 051**

**Scrip Code: 500271**

**Scrip Code: MFSL**

Dear Sir/Madam,

Sub: **Regulation 30: Transcript of Investors & Analysts Conference Call**

Dear Sir/Madam,

Transcript of Investors & Analysts Conference Call held on August 10, 2023 post declaration of Un-audited Financial Results of the Company for the quarter ended June 30, 2023 is enclosed.

The same has also been uploaded on website of the Company at <https://www.maxfinancialservices.com/static/uploads/financials/pdf/25d0844436143917fb114b09affa3a7.pdf>

You are requested to take the above on record.

Thanking you,

Yours faithfully

for **Max Financial Services Limited**

**Piyush Soni**  
**Company Secretary & Compliance Officer**

Encl: As above



**Max Financial Services Limited**  
**Q1 FY '24 Earnings Conference Call**  
**August 10, 2023**

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**Moderator:**

Ladies and gentlemen, good day, and welcome to Max Financial Services Limited's Q1 FY '24 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amrit Singh, Chief Financial Officer, Max Financial Services Limited and Max Life Insurance Company Limited. Thank you. And over to you, sir.

**Amrit Singh:**

Thank you. Good morning, everyone, and welcome to the earnings call of Max Financial Services for the quarter ended June 2023. Results have been made available on our website, as well on the stock exchanges, last evening. I am joined by Prashant Tripathy, MD and CEO of Max Life Insurance.

Let me start with the recent development on Axis Bank transactions. We would like to inform you that pursuant to the approval of Max Financial and Max Life board, Axis Bank will be infusing INR 1,612 crore by subscribing to equity shares of Max Life at fair market value determined basis DCF methodology. Axis Bank has already received requisite approvals from RBI for infusion of this capital into Max Life.

Post subscription to the preferential issues of shares, Axis entity shall collectively hold 19.02% equity share capital of Max Life. Axis will also have an additional right to acquire 0.98% stake of Max Life from MFSL. The proposed transaction is subject to receipt of shareholders' approval; and regulatory approvals from IRDAI, PFRDA and CCI.

This capital infusion will help Max Life to support its future growth ambition. And it will also help augment the capital position of Max Life, thereby, improving our solvency margins. On the allotment of the said shares to Axis Bank, the shareholding held by Max Financial in Max Life will stand reduced to 80.98% from the current levels of 87%. The additional capital infusion by Axis Bank in Max Life highlights their commitment towards building a stronger franchise.

With this update, I will request Prashant to share the key business developments during this quarter.

**Prashant Tripathy:**

Thank you, Amrit. Good morning, everyone.



**1. Predictable & Sustainable growth by building distribution:**

As a part of our ongoing effort to enhance our distribution capabilities, we successfully on-boarded six new partners during the first quarter of FY '24. Notably, we established partnership with South Indian Bank and five additional brokers and corporate agents and in the following quarters, business from them will begin. We are working in a very programmed manner to expedite and enhance our presence on those counters.

In quarter 1, our new business premium experienced a noteworthy 25% growth. And total APE grew by 10%.

Our prop channels achieved substantial growth, with APE (Annualised Premium Equivalent) increasing by 23%. This growth was primarily driven by impressive performance in both online and off-line proprietary channels.

Online: Our online market leadership in protection products is maintained, and we achieved successful market share expansion in the savings business, resulting in a 44% growth in our e-commerce business.

Off-line: Our offline proprietary channels demonstrated robust growth of 18%. The agency channel growth fuelled by new agent activations and adviser recruitments. Furthermore, our direct customer acquisition channels growth was attributable to the launch of new cross-sell channel and increased manpower. Overall, in both online and off-line space, we saw very robust growth.

However, our bank channels' APE experienced a 2% decline in quarter 1.

Looking ahead, we have planned a series of significant investments in FY '24 to bolster our proprietary channels, including the establishment of 100 new offices, among other initiatives, which have to be established this year. Overall, our unwavering commitment remains to drive growth across diverse channels and reinforce our prominent position in the market. You would have seen from the July numbers which were published yesterday that the growth has further enhanced. And the momentum has accelerated in the month of July.

**2. Product innovation to drive margins:**

Continuing our journey of innovation and our commitment to offering a wide range of choices to our customers, we are very pleased to introduce a new Participating (PAR) product, SWAG Par, which has already achieved remarkable success within just 30 days of its launch. This product not only enhanced our product suite but also brought a fresh balance to our product mix in quarter 1. You would have seen that the product mix has been rebalanced more in favour of par, which was our desire.

Furthermore, we have made adjustments to consumer benefits across our product categories, resulting in improved outcomes for all the stakeholders. These efforts have contributed to a reasonable expansion on year-on-year (YoY) new business margin increasing by about 110 basis points from 21.1% in the first quarter of FY '23 to 22.2% in the first quarter of FY '24. And thus, it has given a 16% growth to our value of new business.

Breaking down the individual APE basis for FY '24, our product mix comprised 20% participating (PAR), 41% non-participating savings products, 29% unit-linked insurance Plans (ULIPs) and 10%

protection products. Our strong belief in long-term potential protection and retirement opportunities has driven 36% growth in retail protection segment and 260% growth in the annuity segment during the first quarter of FY '24.

Additionally, Max Life Pension has achieved an impressive asset under management of approximately INR 293 crore as of June 30, 2023. And we are one of the fastest growing in terms of assets built up in the new pension fund management companies which have been set up.

### **3. Customer obsession across the value chain:**

At Max Life, our unwavering commitment lies in providing our customers with significant value proposition and continuously striving to enhance their overall experience. Our best-in-class claims paid ratio of 99.51% in FY '23 is a testimony to our focus towards Customer Obsession. And we are very proud that we have done a great job when the real moment of truth comes in the lives of our policyholders.

During quarter 1 of FY '24, we also witnessed a one point improvement in our overall company Net Promoter Score (NPS), which increased from 52 in March 2023 to 53 in June 2023.

Moreover, Max Life proudly maintains its position as the market leader in 13<sup>th</sup> month persistency for the number of policies. Max Life Insurance is ranked number 1 in 13<sup>th</sup> month persistency, number 2 in 25<sup>th</sup> month persistency and is number 3 in 61<sup>st</sup> month's persistency on number of policy basis. In specific terms, our 13<sup>th</sup> month persistency in terms of Regular/Limited pay premium stood at 84%. And our 61<sup>st</sup> month persistency was at 51% for the period ending June 2023. This accomplishment highlights the trust and loyalty our policyholders have in Max Life.

### **4. Digitization for efficiency and intelligence:**

Our comprehensive digital sales transformation has been successfully integrated across all our channels. We have fully launched the mSMART sales management and activity-monitoring tool for all the channels, aligning the revised processes with channel-specific metrics to drive tangible business outcomes. We are making an attempt to make our sales channels more digitized, more metricized and we are trying to look at the choreography across all our channels and further success that we are seeing especially in our proprietary channels are also because of the work that we have been doing towards digitizing the sales monitoring process in our prop channels.

To enrich the on-boarding experience, business insurance is now enabled on our onboarding systems, facilitating a fully digitized application and issuance process. Furthermore, we have expedited the onboarding journey of the National Pension System (NPS) by integrating Permanent Retirement Account Number (PRAN), and we have introduced Account Aggregator as a valid surrogate for income documentation for salaried customers.

In our pursuit of elevating customer service standards, we introduced a seamless customer-driven journey through the digital living certifications. Our commitment to improving services for non-resident Indians is evident through the implementation of FATCA and NEFT enablement on our website.

In our continuous effort to extend coverage for auto financial underwriting within the self-employed segment, we incorporated an AI engine. This integration includes the utilization of financial surrogates derived from bureau or third-party data and account aggregators. These initiatives underscore our dedication to embracing digital transformation and harnessing cutting-edge

technologies to deliver heightened experience for our valued customers, all this while enhancing operational efficiency.

To summarize. We are working on successfully concluding a series of regulatory and operational steps to fructify the Axis transaction. In addition, our productive investment in proprietary channels will serve to reinforce our confidence in upcoming phase of growth. By every passing month, we have witnessed that the performance of the organization in terms of growth is increasing. And we are very optimistic as well as confident about quarter 2 and for the rest of the year.

With this, I will hand it over to Amrit, who will provide an update on our financial performance.

**Amrit Singh:**

So moving on to the key financial metrics for quarter 1.

- Consolidated revenue for MFSL excluding investment income was at INR 4,730 crore, a growth of 19% in quarter 1 FY24. Consolidated PAT stands at INR 101 crore, up 48%;
- Renewal premium for Max Life has grown by 15% to INR 3,014 crore. Gross premium has grown by 19% to INR 4,871 crore;
- Value of new business (VNB) for the period was at INR 247 crore versus INR 213 crore for last year, resulting a growth of 16%. The NBMs have improved at 22.2% in Q1 FY24, as compared to 21.1% in Q1 FY23;
- Embedded value for Max Life at the end of 30th June 2023 stands at INR 16,938 crore, thereby an operating RoEV of 14%;
- Policyholder opex-to-GWP stands at 17.4%;
- Max Life's stand-alone pre tax profit is at INR 103 crore, an improvement of 14%. Profit after tax is around INR 89 crores;
- Our solvency ratio for Max Life stands at 188%. And AUM (Asset Under Management) as on 30th June 2023 is ~INR 1.29 lakh crore, YoY growth of 21%;

To conclude, we remain confident in our ability to leverage and strength and deliver sustainable value to our shareholders and customers. We also remain committed to our purpose of inspiring people to increase value of their lives.

We are now happy to take any questions that you may have, and I will now hand over to the moderator to open the floor for Q&A. Thank you.

**Moderator:**

We'll take the first question from the line of Avinash Singh from Emkay Global.

**Avinash Singh:**

Two questions. The first one is like this change of plan. So nearly 1,600 crore capital infusion, that kind of increases your solvency margins to nearly say, 230 percent. So I mean, this change of arrangement would have some thought process behind it, so if you can just sort of provide some color on your growth plan, say, for over the next 3, 4 years.

Because this is a substantial, like, 40% augmentation to your solvency margin. So what kind of a growth plan do you have in mind over the 3, 4 years? And secondly, if I go into your margins, of course, there have been marginal increase in protection, but overall margins continue to hold well.

And in fact it has consistently come better than what sort of a typical you have guided. So you tried to sort of a moderate margin expectation for quite some time, but in the end, margins have come

better. So I mean, what sort of a margin trajectory do you see, particularly once this activity is also consummated? Where of course, we are mindful of the fact that Axis will eventually be more than what was the plan, say the older plan. So if at all there is some kind of a change in the contours of the pay out and all. So if you can provide again a medium-term guidance on the margin part?

**Prashant Tripathy:**

Avinashji, like always, very sharp questions. Let me address them one by one. You're right. Our solvency margin is going to go up by 39%, which will give us good capital in the business which is required for growth. We have very aspirational plans for future, which we have been repeating again and again.

We have specific plans to drive growth and growth upwards of 20%. We have plans to become dominant in two areas, protection; as well as retirement and, within that, annuity. And as you know, these product categories require capital because the initial requirement of capital on both these products is higher than the savings plans.

For this to happen, we do require capital as a business. And we actually raised this with our shareholders. And shareholders kindly agreed that, rather than doing a secondary, this will be a primary where the capital will come to Max Life Insurance. It's really a positive step for our growth and we are very optimistic that this capital which is coming to our business will be good for driving our growth for at least next 18 to 24 months. So that gives us good capital for growth.

Coming to your second question. Yes, while the margin is a little higher than how it was last year, I must highlight to you that this deal has no bearing on the operational performance of the organization. We already have a very aligned view on how we want to drive business. We're working to a plan. We will continue to drive the business the way it was envisaged. And the guidance on margin actually stays, which I gave at the beginning of the year, that we should look at margins for the full year lower than how it was last year.

We have given guidance of between 27% to 28%. I also highlighted quite clearly that, at least for this year, there'll be a bias towards driving growth, as against maximizing the margin. We will, of course, be very mindful of the margin, but we are making investments in driving prop channels. We are opening offices. We are buffering up capacity. We've deployed more people on bancassurance. We acquired many customers, where we will be deploying our own people.

So there's an all-around work taking place towards driving growth and hence, the guidance on margin actually stays. Having said that, the attempt towards optimizing the margin will always be there. We will work towards reaching the levels that is not negative or generally positive. So those will be the attempts, but for the time being, my guidance actually stays.

**Avinash Singh:**

Yes. So quickly, just one quick follow-up. So I mean, of course, in a backdrop of also that March was abnormally high, this 20% kind of growth guidance, does it hold for this FY as well? Or like because, I mean, this FY is coming from a different March base, so this 20%, of course, growth guidance medium-term I understand. For FY '24, keep it, and is something different, or like on adjustment?

**Prashant Tripathy:**

No, Avinash. You are absolutely right. This 20% growth target or growth aspiration is for medium term which is about three to four years. However, this year is, in that sense unusual because we have a very large March base. Our attempt is to hit a double-digit kind of growth rate for the year, for the full year. And by every passing month, we are getting more and more confident as the numbers improve. For this quarter, which is the quarter which is ongoing, our target will be to hit a number which is plus 20%. We are reasonably confident we'll be able to do that.

**Moderator:**

We'll take the next question from the line of Madhukar Ladha from Nuvama Wealth Management.

**Madhukar Ladha:** Yes. So just wanted to get a sense of how the Axis channel is doing. At least, first quarter, it seemed to be a little subdued, so what are we seeing from there? And what do you think should be our expectation for this year, for the balance 9 months?

**Prashant Tripathy:** Yes, your observation is correct. And it is highlighted in our representation also that the growth from Axis channel for the quarter was subdued. It was not on account of we significantly losing counter share or anything like that. The counter itself witnessed slow growth or sluggish growth predominantly because we were dealing with a very large base effect. As every month passes, you will witness yourself that the performance on Axis channel will start to improve. I'm very optimistic that will start to happen, starting this month. So we remain optimistic.

Axis contributes at this point of time anywhere between 51% to 56% or 57% of our sales and it is imperative that we do well on that counter. Having said that, some of the changes that you see which have been made yesterday underscore the commitment of Axis Bank towards Max Life Insurance and its desire to drive the business up. We are very closely now working alongside the management team of Axis Bank. We have great support from them, so I remain absolutely optimistic about the growth prospects, but yes, so 3 or 4 months were a bit sluggish.

**Madhukar Ladha:** Right. And on the margin front. So if you look at it on a year-over-year basis, annuity, and non-par share increase in the mix has been almost about 1,100 basis points, protection has also increased, but still our margins have grown only about 150 basis points. I know that we expect to increase investments in these channels and the banca in the proprietary channels, but I would have expected a slightly higher improvement in margins given such a big change in product mix. So your comments on that.

**Amrit Singh:** Madhukar, this is Amrit. Thanks for that question. Your observation is correct, Madhukar. I think the mix has improved and you would have expected a higher margin expansion, but there are two underlying factors which is causing this. One is the new initiatives and all the new capacity that we have been installing over the last 6 to 8 months and given our reporting mechanism is of actual costs and absolute costs for the quarter and the fact that this quarter is low on sales, there is a drag which that particular thing kind of creates on overall margin profile. And that's a fairly substantial drag.

There is another element of the drag which is more to do with underlying variants and mixes and also the curve's movement during the quarter, which has had some bearing on the margin profiles of each of the categories, but we have taken pricing actions around correcting some of these things and that will get corrected. With respect to opex, some part of that drag will remain and that's also the reason for us guiding a lower margin profile, but as the year matures and sales volume picks up, the operating leverage will play out.

**Moderator:** The next question is from the line of Prayesh Jain from Motilal Oswal.

**Prayesh Jain:** Just firstly, on this non-par bit, what is the kind of pricing action that you just alluded to that you would have taken with how and what kind of action you would have taken in this quarter or post or in 2Q so far. And also I would like to understand on the same, continuing on the non-par piece, as to what is the kind of demand on the ground and the category of 5 lakh plus. How has that changed in the new tax regime? That will be my first question.

**Amrit Singh:** On your second question. There is no impact that we have seen, so far, with respect to the mix of greater than 5 lakh business, the traditional business, which was impacted by tax regulations, that mix has remained largely similar to how it was last year, in the same quarter, though these bases are smaller.

So but on the small base right now we haven't really seen any impact coming through which is material. Coming to the actions that we have taken on non-par, these are generally a reduction in IRR of the products, which are in line with how the interest curves move. So these actions are on those lines where we have been correcting over the past now a few months actually progressively the IRR, making it more in line with the interest movements.

**Prayesh Jain:**

And the other question was on the banca channel again, while you mentioned that you haven't lost any share on the Axis Bank front. But how are the other banks kind of, your other partners, performing? And how do you, kind of see the ramp-up from the banca channel going ahead? And just, I'll just slip in one more. It's on the protection bit, wherein, what's kind of driving the retail protection demand? And what kind of growth do you envisage for the full year?

**Prashant Tripathy:**

All right, I'll take that. On the banca front, our two largest counters saw open architecture over last 12 to 15 months. And mathematically speaking, that's why you saw our growth being impacted, but in both our counters, large counters, Axis Bank and YES Bank, the open architecture has stabilized.

The number of players who had to come on the counter have come and hopefully, from here on, the growth that the bank will achieve, I think, we will be able to mirror the growth. So we will witness good growth. So it won't happen that the bank grows and we don't grow, because open architecture, etcetera, which is in a way a very positive thing, but of course, it was a painful process over last 12 to 15 months that we had to go through. We are acquiring new banks, and I'm very optimistic about it.

So far, we have signed up five small- to medium-sized banks over last 7 to 8 months, Tamilnad Mercantile Bank, Ujjivan Small Finance Bank. We signed it up with DCB. We have signed with Capital SFB and we have signed up with South Indian Bank. And on two of the counters we already started to work, we are seeing reasonable traction, though the sizes are small, but I think these are relationships for future.

And as every quarter passes, we will have more and more share coming on those on them, so I remain quite optimistic about our ability to grow. At the same time, we also signed up with 10 of the largest brokers, two or three large corporate agents. There is big effort which is taking place towards securing more and more counters. And hopefully, through all of them, you, we will start to witness growth come through.

So I think my narrative will be the tough phase on banca seems to be coming to an end. And I think, with the momentum that we are seeing on proprietary channel, with our banks firing, I think Max Life Insurance' performance on new sales will continuously improve.

On your question on protection. We saw 36% growth. This is better than how we were expecting at the beginning of the year and it has two reasons to it. I think the biggest reason is base. During COVID, before COVID, that entire phase, we saw good demand from customers and that was being driven by the pandemic. Once the pandemic got over, the demand stabilized for a couple of years, but starting this year, we started to see that the demand has picked up. The search queries have gone up. More and more numbers and a number of people are coming, trying to buy protection. So that's the demand side, also on supply side. We worked on buffering up capacity in underwriting, looking at which segments we want to work on, renegotiating and onboarding a new reinsurance partner. Some of the flexibilities that we are seeking are available in terms of the sum assured that we can offer that the type of customers we could go to, the number of cities that we could go to, all that starting to help.

So there has been work on demand side or improvement on demand side as well as on supply side. As a result of this, it has picked up. And it's not just Max Life. We have seen that across all industry,



our brokers, etcetera, so overall good news. And we are a prominent player in terms of penetration. We are number 1 as a percentage of sales. We are number 1 and I'm quite optimistic that this growth trajectory will continue to remain high as we traverse through the year.

- Moderator:** The next question is from the line of Sanketh Godha from Aventus Spark.
- Sanketh Godha:** I have one simple basic question: why Axis has stopped at 19% instead of 20%, why that optionality of not picking up to 20% in one go. Any reason to understand that point why 1 percentage of left over? That's my first question. And then I have two questions on the operational side and maybe I'll ask afterwards.
- Prashant Tripathy:** I think the reason for that is the approval that was sought and the volume that was sought of INR 1,612 crore and, honestly, whatever is the valuation that has come. So it's a mathematical outcome. There was no intentional effort actually to keep it at 19% and not 20%. So it was dependent on the valuation. And the valuation has come to, whatever, INR113, because of which, the reverse solve is about 7%. So that's what they are going to take. The objective definitely is to go up to 20% as soon as possible. So we are moving sequenced. And there is no agenda here, honestly.
- Sanketh Godha:** Got you. And sir, this 1 percentage will be more, this 1 percentage will be more and more like primary again. Or it most likely will be a secondary one?
- Prashant Tripathy:** It is expected to be secondary, not primary.
- Sanketh Godha:** Okay, perfect. And second question is regarding the opportunity size that you might have assessed, these new relationships South Indian Bank, UCB, Ujjivan, Tamilnad Mercantile Bank and new broker relationships, what that you have got into. I mean internally you might have assessed what this size in APE terms could be for you. So just wanted to understand, potentially if it plays out as per your plan, how much these relationships can contribute to your top line and given these all channels are open-architecture channels. So I just wanted to see, understand the delta what you can expect coming from new relationships.
- Prashant Tripathy:** So these are strategic relationships and they're built over a period of time, so honestly, I'm not giving any huge forecast about this year in terms of how much sales they will deliver. Of course, the sales will be moderate this year, but I am very optimistic that these are strategic partnerships and they will build over a period of time. So over next three to four years, all the new accounts, new banks, new brokers, new corporate agents that we're signing up, we will try to hit a 4-digit number in terms of sales coming from them every year.
- Sanketh Godha:** Okay. And so in 3 years, I can expect it to be closer to 4-odd percentage. That's the way I should understand?
- Prashant Tripathy:** So four years time, I mean close to 6%, 7%, my sense.
- Sanketh Godha:** Okay, got it. And the last one is on two data keeping questions. One, on EV. How much of economic variance contributed to the 20% growth? That's point number one. What is the economic variance number sitting in the EV part? And second, on annuity part, the growth is very extraordinary, so we just wanted to understand. This is more driven by individual business or group business. And do you think that, that number is sustainable? Because if it is led by group, how lumpy it is in the current quarter?
- Amrit Singh:** So on operating variance in the EV, I think that was your first question. That's around INR133 crores
- Sanketh Godha:** Economic variance, Amrit.

**Amrit Singh:** Yes. That's largely economic variance only, INR133 crore.

**Sanketh Godha:** Okay. And on annuity?

**Amrit Singh:** Annuity. So look. I think we have established a full retirement machinery, which actually entails us now tapping into corporates, tapping into retail individuals, tapping into National Pension System (NPS), ecosystem. And we use product chassis of individual annuities and group annuities. So though the growth as from a categorization perspective is driven by group annuities, but the reality is that it is actually very granular.

Even in a corporate annuity kind of a program, you have to go and meet that individual or influence that individual who is retiring and whose superannuation corpus is now becoming available for annuity to be sold, so I would actually advise you to look at annuity collectively rather than segregating it into individual and group. Because it is not that lumpy in its nature because of the way we have kind of orchestrate assets. There will be certain deals which will come our way once in a while where it should be large in its size and ticket.

**Sanketh Godha:** Yes. The reason I was asking this question, Amrit, was that if it is more group annuity, that typically the product what you will be selling will be immediate annuity, which I believe will have a lower margin profile compared to a deferred one. So just wanted to understand. This group annuity is better than the company average or maybe at par or lower than the company average?

**Amrit Singh:** So it is the margin profile is slightly lower. You are right, but I mean it's actually there's a need for the consumer. Various different tools are available to sell for it at the end of it, such a strong growth of 260% in APE that we have demonstrated. This is all VNB accretive and anyway, this profile is also margin accretive.

**Moderator:** The next question is from the line of Adarsh from CLSA.

**Adarsh:** Question is on when you look through this particular deal, right, that Axis has got more control in terms of appointing Board members. Now how should like would as management now be very comfortable with the fact that market has been thinking of wallet share losses further because you have more partnerships in Axis. So does this make you feel very comfortable about wallet share now in Axis counters?

**Prashant Tripathy:** Adarsh, thank you very much. I think, as management, we've been repeating multiple times that we have been very comfortable with Axis Bank and how our counter share position will be. I've repeated multiple times that everybody should expect us more in the range of between 65% to 70%; or 70%, plus, minus a few points.

So with this change, actually it's not an additional comfort to management. I think it is an additional comfort to investors and analysts community because we always knew about it, but yes, you're right. With these changes which are quite positive in nature, I think Max Life Insurance is set up for growth, is set up for higher collaboration and better guidance and alignment with Axis Bank and its top leadership.

**Adarsh:** And one more thing here. I think somebody asked, but I don't know if it was unanswered. Was any change in economics which except because when we were trying about this deal of giving a stake for a longer banca partnership. It didn't involve, at least to start with, a payout of so much by Axis, right, so could there be any changes in payout which could affect margins for Max Financials over a 2-, 3-year period? Do you envisage that?

**Prashant Tripathy:** In the context of what we are trying to build together and what Axis Bank is going to participate in, these amounts are not quite material. And this is a strategic investment for Axis Bank and Max Life Insurance, so the answer to your question is no. We will continue as it is and we will try to do the best that we can. The value creation opportunity in this space, where we are indeed scratching the surface, and the franchise is really good. Axis Bank saw value in coming at the fair market value, as against the discount that they were getting.

**Adarsh:** Got it. And my last question is on protection, Prashant. You did mention part of the growth is aided by the base effect, right? Like, post COVID, things have been slow. I just wanted to understand, now in terms of how underwriters or reinsurers are looking at it. Do you get a sense that there are thresholds of what they want to clear and underwrite? Are that changing? Or just that people are getting used to higher threshold of what will pass as a file or something of that sort.

**Prashant Tripathy:** I think, as a country and not specifically COVID example, as a country, the experience has evolved. And I think there is high level of alignment and understanding between the three constituents: the reinsurers, the life insurers as well as customers. The prices have increased in general.

We have understood what kind of profile or mortality profile is going to come forward and that has given a lot of comfort to reinsurers also. So they have been loosening. I have noticed that on certain elements they have loosened. And there's finally a trade-off between price and flexibility so, I will say, better situation, better understanding. And that will go a long way in terms of driving growth for all the constituents.

**Moderator:** We'll take the next question from the line of Nischint Chawathe from Kotak Institutional Equities.

**Nischint Chawathe:** The first one is essentially on your outlook on the non-par business. Given the fact that you have repriced the product now, do you expect the momentum to continue? And hence, do we expect the non-par share to remain at similar levels towards the end of the year?

**Prashant Tripathy:** Thank you, Nischint. That's a great question. I mean when we finished last year last year, of course, the bias towards non-par was higher. And we have made conscious efforts this year actually to rebalance. And a lot many times, the product mix also gets driven by the products of the season. So for example, last quarter, we launched a product which was more in par space. And of course, par gained ground.

As we are moving through this quarter, we have a very strong ULIP plan as well as a non-par plan, which are scheduled to be launched, but on a long-term basis, Nischint, we will attempt to be closer to 40%. I mean that's our attempt. And in terms of acceptance, yes, I mean, this year, the stock markets ran. So there is higher acceptance towards ULIP, but the category remains quite strong and it has value. So I'm not expecting that the demand for non-par is going to dwindle or the share will go down. We will try to be closer to 40%.

**Nischint Chawathe:** Question in different words. When we look at the VNB kind of bridge at the end of the year, would you have sort of a negative in the business mix line item?

**Prashant Tripathy:** If you could clarify what the question is, Nischint.

**Nischint Chawathe:** No, I mean to say that, when we are looking at the VNB at the end of the year and you have kind of given the guidance for kind of some compression in margins. Then would you see the new business line item, the business mix line item contributing to it? Or is it anything else?

**Prashant Tripathy:** No. It will be new business line.

**Amrit Singh:** No, no. I think, Nischint, your question is that will mix cause margin shrinkage.

**Nischint Chawathe:** That's what I was trying to say, yes, excluding the investments and overruns.

**Amrit Singh:** It will. Because non-par proportion of last year was quite high given what happened in the last quarter and also quarter 3, when we had a product launch around the non-par side. We will like to keep the non-par steady around 35% kind of levels for the year, 30%, 35% levels for the year, whereas it was upwards of 40%-plus last year. This is non-par savings, but protection and annuity are in addition to that, but from a shrinkage perspective of margin profile, there will be a mix and there will be costs both.

**Nischint Chawathe:** Second question is on your counter share in Axis Bank. The other bancassurance partner mentioned a high single-digit growth at Axis Bank. So I think we are in sort of flattish to minus 1 or minus 2, so is it something that there was a change in counter share during the quarter? And how do you read these numbers?

**Prashant Tripathy:** So it goes up or down, actually, Nischint. There was a particular month where we lost a bit of counter, but we regained. So like I mentioned to you, we should remain range bound between 70, plus, minus 2. That's the kind of number and we are in that range. So there will be months where you will see other partner growing more than the bank. There will be months where you will see we growing more than the bank. Those possibilities do exist, but we are in the range.

**Moderator:** The next question is from the line of Neeraj Toshniwal from UBS India.

**Neeraj Toshniwal:** I wanted to understand. Is there any change in strategy towards credit life? Because it seems to be doing very well in this quarter?

**Prashant Tripathy:** Yes. I mean, of course, we are trying to acquire new partners. There's reasonably high level of aggression as well as growth and more counters have been won. Like I always mentioned, the level of flexibility to drive the business in the context of changed guidelines and regulatory flexibilities have enhanced our ability as well as desire to be significant or reasonably significant players in this space, so we are pursuing this agenda reasonably aggressively at this point, Neeraj.

**Neeraj Toshniwal:** Got it. And what kind of run rate we can expect similar, we can assume for the coming quarters. Or maybe more relative.

**Prashant Tripathy:** Yes, you should see growth. You should see robust growth come through.

**Amrit Singh:** So we grew 27% in this category in the quarter, and you should see further acceleration to this number.

**Neeraj Toshniwal:** Got it. And second would be on ULIP. I think, against the industry, where peers are doing phenomenally well in ULIP, I think we are indeed because of probably higher base it's looking a little weaker. So what is our strategy? Is it a conscious strategy to be lower in terms of ULIP? Or we may see a pickup here happening.

**Prashant Tripathy:** No. You will see pickup in this quarter actually. Like I mentioned to you earlier in the discussion, that we are launching a new ULIP design. We are going to launch it. And it will be present on e-commerce space, on the banca space as well as agency. However, we are not going to open it to just about everybody. We will be very selective about it and it will be given to people who are capable of selling, so the presence will be more on with perhaps bank RMs with our top agents on Policy bazaar counter. So those are areas where we'll open ULIP selectively, but you should see ULIP proportion increase as well as having its impact on our growth.

**Neeraj Toshniwal:** Got it. One more question is on the resources. I mean how many people you have deployed with Axis Bank before the loss of Wallet share. Now how many resources would be there? If we can share that data?

**Prashant Tripathy:** So rather than giving your number of resources, let me say percentage. We are 26% higher than last first quarter, to this first quarter.

**Neeraj Toshniwal:** Okay. And last question is on the timeline of the deal. When can we expect this deal to close? And any further plans and further update to Analjit exit and which may happen? Because now if Axis would be in control, what's the rationale of him being on the Board? Or will he continue on the Board? How do we think about that?

**Amrit Singh:** So on your first question, around timelines. The timelines that we are envisaging is anywhere between 3 to 6 months. This entails, we do intend to share out a postal ballot for the shareholders to approve and in parallel also reach out to the regulators. This will require IRDAI and now PFRDA as well because we have a pension fund subsidiary where we are the sponsors and any change there also requires their approval. Or the sponsor requires their approval and CCI nod as well.

So we are anticipating a time horizon between 3 to 6 months to conclude and complete this. With respect to Analjit Singh, who has been the founder, chairman of this company and then has built the franchise, he continues to be the chairman until we indicate.

**Moderator:** The next question is from the line of Prudvi Raj Saya from Agam Capital.

**Prudvi Raj Saya:** I wanted to ask. In the NPS, in the annuity business, I wanted to understand where NPS stands. Maybe currently it's not very meaningful, but in the larger scheme of things, how do you plan, how do you expect this to contribute to the annuity business?

**Amrit Singh:** As I indicated to you, we have now created a holistic retirements team which actually is tapping into all the three ecosystems, the corporate annuity market, the individual annuity market and also being present in the National Pension System (NPS) annuity market. National Pension System there are maturing customers. And obviously maturing profiles will only keep building up as time kind of goes by.

You know that this ecosystem was set up in 2004. And some of those of those retirees have started hitting in. Now we are quite present with respect to, at present, we are actually contributing, but it is right now not very meaningful at the moment, but definitely we expect this to become bigger and larger as time progresses.

**Prudvi Raj Saya:** Okay. Another one, on the state insurance, wherein you have allotted a couple of state facilities to that, can you quantify what will be the impacts we can expect from this in terms of business?

**Prashant Tripathy:** It is a bit premature actually to talk about the volume numbers, but we remain very optimistic and we are going to participate. There are two states. The largest of them is Uttar Pradesh, which has been allocated to us. We are right now putting the plans in place, deploying resources. And the big vehicles through which we will approach state insurance plan will be Bima Vistaar as well as PMJJBY. Those are two products that we'll be driving.

**Moderator:** The next question is from the line of Shreya Shivani from CLSA.

**Shreya Shivani:** I have a question on the new product, the SWAG par product that you have launched. So back in third quarter '22, also you had launched a new par product, which did quite well. And as far as I remember, that was also a higher-margin and probably a longer-term product is what I remember.

So can you give some colour about the product? And also, with these two new products, can we now say that your par book is effectively no longer the 10% to 12% margin book? It's a higher margin book, in case its SWAG is also a higher-margin product.

**Amrit Singh:**

So we did launch this product in the month of June, SWAG par. And as was mentioned in the opening remarks, this product has done exceedingly well in its launch period and continuing until now. This product has very similar to the principles of the non-par SWAG product that we had launched in quarter 3 of last financial year has many flexibility options with respect to payment terms, policy terms, income period, starting income, bonus elements and guaranteed portion of the bonus elements, etcetera.

So it's a very comprehensive and a holistic product, which has been very well accepted by both customers and distributors, from our perspective, and has definitely augmented the par portfolio which Max Life has been known for in the industry. Is the margin profile of this product profile better? Yes, it is better. It is better than the traditional par products that we have been running.

**Shreya Shivani:**

So fair to say that in the future, majority of your par book will have more non-traditional par policies which have a better margin profile, right?

**Amrit Singh:**

It will, I mean there is obviously other par designs also which continue to sell, but par portfolio should improve at an aggregate basis on margins, yes.

**Moderator:**

The next question is from the line of Prayesh Jain from Motilal Oswal.

**Prayesh Jain:**

Just a question on a couple of regulations. Firstly, on the expense-of-management regulations, do you see any changes in the commission payout? And what are your thoughts and strategies to kind of implement this regulation or take advantage of this regulation? Secondly, on IFRS implementation, there is talks about a few of the insurance companies moving to IFRS from, if I am not wrong from FY'25 onwards. What are your thoughts? And how is your preparedness? And what would be the implications on the numbers as and when it is implemented?

**Prashant Tripathy:**

The expense of management, actually it creates more flexibility. Rather than looking at commissions, it focuses on overall company expenses, so there may be change of colours in terms of how we recognize expenses. However, at a total expense level of what we were incurring as expenses, I'm not expecting any change to our expense profile, which means that, at total commercial level, we are not going to incur any additional expenses. However, there will be reclasses which have possibility.

On IFRS, we are from chosen companies and we are working. We are working with KPMG as our partner, to be prepared. The core team has been working on it. There is a lot of push from the regulator to move to IFRS as soon as possible. We are one of model companies who have to go in the first tranche of implementation. And we are very optimistic we'll be able to conclude it as time progresses.

**Moderator:**

The next question is from the line of Sanketh Godha from Avendus Spark.

**Sanketh Godha:**

The last one I have is that, after these 6 months, the timeline for the current Axis stake increase approval, when you will start that reverse merger process; and expected timeline, probably, given you will need to take multiple approvals there also how much timeline you believe will take for the entire thing to collapse and Max Life to become the listed entity.

**Prashant Tripathy:**

So one step at a time is what I will say. Right now the focus and attention is going to be to consummate this 7% and subsequently the 1%. Once all that is done, we'll initiate the process of

doing it. I think that will be a longer process, so assuming that we are able to do this transaction over 6 to 9 months, you should expect a further period of about 18, 22 to 24 months to do that.

**Sanketh Godha:** Got it. Perfect. So basically it's, if I add up all the numbers, all the months, maybe it's a 2.5-year kind of a scenario to, everything to consummate, right?

**Prashant Tripathy:** You're right.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you.

**Amrit Singh:** Thank you, Michel and thank you, ladies and gentlemen, for being on our call. We look forward to more such interaction in the future. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Max Financial Services Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.