May 19, 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 May 15, 2023 post declaration of Audited Financial Results of the Company for the financial year ended March 31, 2023 is enclosed.

The same is also being uploaded on website of the Company at
https://www.maxfinancialservices.com/wp-content/uploads/2023/05/MFSL-Earnings-Call-Transcript-Q4FY23-.pdf

You are requested to take the above on record.

Thanking you,

Yours faithfully

for **Max Financial Services Limited**

VENKATRAMAN KRISHNAN
Digitally signed by VENKATRAMAN KRISHNAN
Date: 2023.05.19 18:11:11 +05'30'

V. Krishnan
Company Secretary & Compliance Officer

Encl: As above

Max Financial Services Limited
Q4 FY '23 Earnings Conference Call
May 15, 2023

Moderator: Ladies and gentlemen, good day, and welcome to Max Financial Services Limited Q4 FY '23 Earnings Conference Call. Please note that this conference is being recorded.

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

Amrit Singh: Thank you. Good morning, everyone, and welcome to our earnings call for the quarter ended March 2023. Our results were made available on our website and as well on the Stock Exchange on Friday. I'm joined by Prashant Tripathy, MD and CEO of Max Life Insurance. I will request Prashant to share the key developments of the last quarter and hand this call to Prashant.

Prashant Tripathy: Good morning, everybody. Thank you, Amrit. I'm pleased to welcome all of you to today's earnings call. I would like to provide you with an update on the performance of Max Life Insurance and our strategic initiatives that we discuss every quarter. Before I jump into the performance of last quarter and last year, I would like to give you some overview on how Max Life Insurance have performed over the last few years.

Max Life Insurance has consistently established a strong market presence since its inception. Upon reflecting on the last 5 years, we have achieved robust results across all aspects of our business. Our sales have grown at a CAGR of 13% surpassing the industry average growth of 10%. Our proprietary channels have experienced an impressive CAGR of 21%, while bancassurance has grown at 11%. Over the course of 5 years, we have tripled our retail protection business, while maintaining a leadership position in online protection. Furthermore, our assets under management have grown at a strong CAGR of 19%, demonstrating our sound investment philosophy.

At Max Life, we believe in striking a balance between our sales performance and value creation resulting in consistently favourable financial outcomes. In the past 5 years, our operating embedded value has grown at a CAGR of 20% and the value of new business has grown at a CAGR of 24%. This emphasizes our commitment to delivering value to our stakeholders.

Our success is not only evident in our ability to effectively reach our customers, but also the trust they have placed in our company. This is exemplified by our claims paid ratio of 99.34% at the end of FY '22, which is the highest in the industry. Additionally, we assess our performance in terms of customer experience using the globally recognized NPS metric. Over the past 4 years, our company's NPS has improved by 17 points. The steady improvement in our brand consideration score further highlights the strength of our brand within the industry.

We have continuously pursued innovation and introduced pioneering business models. Our proprietary channels are prime examples of our commitment to pushing boundaries and staying ahead of the curve. Moreover, our industry-leading product offerings has positioned us as a leader in the market with Axis Bank becoming our promotor, our partnership with them has further strengthened our distribution capability. Against this backdrop, let us now shift our focus to the significant developments we have witnessed in our key strategic areas over the last year.

1. Predictable and Sustainable growth by building distribution

Building on our legacy of consistent performance, we entered this fiscal year with ambitious goal and a strong determination to drive further growth. The new business premium witnessed a growth of 13% to reach INR8,960 crore for the year. The APE growth for both financial year and quarter 4 stood at 12% and 38%, respectively. This growth was primarily fuelled by our investments in various initiatives across proprietary channels, yielding positive outcomes with them experiencing a strong annual growth of 43% and quarter 4 growth of 90%.

Online Sales: We have maintained our leadership position in the online market for protection and have successfully expanded the savings business this year. As a result, our online business has witnessed a strong growth of 44% in FY '23. Also, our online savings portfolio has grown exponentially, increasing 5 times over FY '22.

Offline: The offline proprietary have displayed strong growth of 43% encompassing both agency and direct channels. We introduced simplified and competitive value propositions during the year to structurally enhance the performance of our advisers. This initiative has yielded fruitful outcomes, evident in the growth of our top advisors by 50% year-on-year and advisor activation increasing by 10%.

Direct channels: Our direct channel have exhibited a noteworthy growth 36% year-on-year. This growth can be attributed to manpower additions, along with improvement in activation and productivity through strengthened governance and the implementation of new business models.

Our bank channels APE have de-grown by 2% for the full year. However, in quarter 4, banks demonstrated a growth of 13%, showing signs of revival. It gives me immense satisfaction to see that despite the challenges posed by the open architecture model for the year. We have demonstrated our execution prowess by maintaining our counter share in the bancassurance channel over a 15-month period in Axis Bank at around 70%. Now that open architecture is already settled, we expect that our growth will be consistent with the growth of the bank itself.

Our investment philosophy continues to bolster our distribution as we open up alternate verticals to reach wider customer base in banks. Additionally, we made strategic investments in proprietary channels establishing 50 new offices to enhance our presence. Furthermore, we are striking new partnerships with banks and brokers.

I would like to announce that we have entered into two new distribution partnerships with -- DCB and Capital Small Finance Bank since our last update. With this, we have signed up 4 banks, which are DCB, Tamilnad Mercantile Bank, Ujjivan and Capital Small Finance Bank and 6 brokers in FY '23. Overall, these achievements highlight our commitment to driving growth across different channels and reinforcing our position in the market.

2.Product innovation to drive margins:

One of our focus areas at Max Life Insurance is to continually innovate the value proposition of our product offerings to our customers. Throughout the year, we successfully navigated the heightened competitive intensity by introducing new products and variants and expanding into new categories. This resulted in an expansion on Y-o-Y new business margins from 27.4% in FY '22 to 31.2% in FY '23 and 28% growth in value of new business.

We launched a range of products across various categories during the year. Our new non-participating savings product, Smart Wealth Advantage Guarantee (SWAG), achieved a significant milestone by scaling INR1,000 crores in sales in shortest time ever. Additionally, we introduced the "Smart Fixed Return Digital" online savings product, which improved our online sales penetration and contributed to a notable growth in online saving sales.

On the individual APE basis, our product mix for FY '23 consisted of 14% participating (PAR) products, 51% non-participating savings products, 29% Unit Linked Insurance Plans (ULIPs) and 6% protection in products. In Q4, our product mix was PAR 11%, non-PAR 60%, ULIPs 24% and protection 6%. The product mix in Q4 was skewed towards non-PAR due to the one-time impact of tax-related changes announced in the budget. However, we anticipate the product mix to normalize in the next fiscal year.

We maintained a strong belief in the long-term potential of protection and retirement opportunities. In Q4 FY '23, retail protection witnessed a sequential growth of 50%, as a result of our product intervention throughout the year. Our retirement business achieved a growth of approximately 300% on an APE basis in FY '23. We have enhanced our annuity offering by launching a new limited pay annuity variant and extending the early ages to attract new customers. Max Life Pension Fund Management commenced operations in the second half of the year and has garnered an asset under management of approximately INR143 crores, as of 31st March 2023.

3.Customer obsession across the value chain:

At Max Life Insurance, our unwavering commitment is to provide significant value propositions to our customers and continuously enhance their overall experience. Over the course of last 12 months for the period of FY '23, we observed an improvement of 3 points in our overall company and NPS scores, increasing from 49 in March 2022 to 52 in March 2023.

We take immense pride in maintaining our position, as a market leader in terms of 13th-month persistency for the number of policies. This remarkable achievement underscores the trust and loyalty our policyholders have at Max Life. When it comes to premium persistency, our 13-month persistency rate for regular/limited pay premium stood at 84%, while the 61-month persistency rate reached 51% for the period ending March 2023.

Furthermore, Max Life Insurance was honoured with the prestigious rank of #2 in customer loyalty according to Hansa Research, which is external research. This recognition is a testament to the trust and satisfaction our customers place in us, highlighting our ability to foster enduring relationships with our policyholders.

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

I would like to share that during FY '23, we undertook numerous initiatives to transition into a fully digital organization and pioneer industry first digital process. To strengthen our sales force and ensured superior execution. We swiftly digitized sales governance and lead management processes.

To enhance the on-boarding experience. We harnessed the power of AI and automation, resulting in increased velocity measured through the paid to applied ratio. We introduced profile-based medical and pension grades, as well as KYC waivers for existing customers, enabling frictionless in underwriting and instant issuance .

We also achieved greater ability in our new product development cycle, reducing new pricing changes to just 2 days, which earlier used to take more than 2 weeks. Additionally, our deep integration with Axis Bank and Yes Bank marketplace ensures a seamless experience for our bank partners with real-time policy status available for both banks and Max Life Insurance representatives. Leveraging AI, we implemented an underwriting governance AI model to maintain underwriting limits and uphold superior risk profiling.

In order to enhance customer service, we created a new unified platform to deliver a standardized online payment checkout experience across all customer journeys. This platform minimizes redirection during the payment processes, leading to an increase in overall payment success rate by about 7% for online actions. We revamped our customer service portal, ensuring a seamless customer experience and providing the same to our customer support. The introduction of QR codes for customer servicing has facilitated frictionless do-it-yourself digital transaction. By automating and digitizing point-of-sale processes, we have increased straight through processing rates.

Continuing our focus on agility, cost efficiency and scalability, we transformed our IT infrastructure to cloud native apps and services. Currently about 56% of our entire IT infrastructure operates on the cloud, which is 10% more than last year, enabling us to achieve greater flexibility and scalability. These initiatives highlight our commitment to embracing digital transformation and leveraging cutting-edge technologies to deliver enhanced experiences to our customers, while improving operational efficiency.

Lastly, we are excited to mention about some of the key notable recognitions, which Max Life Insurance received through the year. Max Life was recognized, as one of the best BFSI brands by Economic Times in FY '23. Max Life also earned recognition for Excellence in Financial Reporting by Institute of Chartered Accountants for its annual report and was also awarded the Celent Model Insurance Award for 2023 for its digital initiatives in data analytics and AI. Max Life is also awarded Excellence in driving distribution through digital at the FICCI Insurance Industry Awards for 2022.

In summary, we effectively navigated the year by achieving remarkable growth in our proprietary channels, while simultaneously maintaining our counter share in our bancassurance partner. This success can be attributed to our focused strategy regarding product offerings and enhancing the value proposition for our customers. As we move into FY '24, we remain absolutely optimistic about sending this positive momentum.

I'm now going to hand it over to Amrit, who is going to share some updates about our financial performance.

Amrit Singh: Thank you, Prashant. Moving to some key summary financial metrics.

- Consolidated revenues, excluding investment income stood at INR24,940 crores, a growth of 13% in FY '23. The consolidated PAT was INR452 crores, up by 42%.

- Max Life renewal premium grew by 13% to INR16,382 crores, and gross premium grew by 13% to INR25,342 crores.

The value of new business written over the period, stood at INR1,949 crores versus INR1,528 crores for the previous year, representing year-on-year growth of 28%. The new business margin improved from 27.4% to 31.2% in 12M FY '23. For quarter 4, FY '23, the VNB was INR770, a growth of 31%

- Embedded value, as at 31st March 2023 is INR16,263 crores and operating RoEV of 22.1%.

- The policyholder opex to GWP was at 14.2%.

- Max Life FY'23 profit before tax is INR505 crores, an improvement of 21%, profit after tax is INR435 crores.

- Max Life solvency ratio stands at 190% and the AUM at end of 31st March 2023 is ~INR1.23 lakh crores, a year-over-year growth of 14%.

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

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: Thank you. The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: I mean, very, very strong performance for Q4.First question is on the growth outlook for FY '24 considering the base effect, whatever happened, the tax system changes that had happened and your own channel, the proprietary and banking, their dynamics, if you can please help to understand how the growth will look like in FY '24 for you? Any colour sort of like on your channel, on your product mix in that part?

And the second question is, I mean, of course, it will be on the process, but as far as the 7% stake transfer in Max Life to Axis and Citi are concerned, I mean where are we in terms of the process of getting the valuation done, approaching the regulator any kind of broader time lines that will give when and how the progress will be made. So, these are my 2 questions.

Prashant Tripathy: Avinash Ji, thank you very much. Good morning to you. Firstly, the question on growth rate, very valid question and very pertinent. It becomes even more relevant in the context of artificial growth that came in quarter 4, especially in the month of March. But I'd like to highlight all of you that we have an advantage in terms of base effect considering that we were going to open architecture for a large part of FY '22, '23, and that advantage is going to kick-in. And hence, we expect the FY '24 growth could be a double-digit growth, reasonably good growth, and it has a higher growth than what we saw in FY '23. So that's on growth expectations. We remain bullish, and we remain optimistic, and we are preparing for the robust growth for the year FY '24.

On your question on further investment of 7% by Axis Bank, of course, Axis Bank has prepared and seek all the approvals within their own systems and especially around capital that is required. And that process is on, and quite hopeful that the transaction will take place in the financial FY '24. To tell you exactly, which quarter or date right now is a bit difficult, and we will just wait and come back to you when that plan and the date timeline is frozen. However, suffice it to say that they have shown the commitment and that announcement definitely. So, it's only a matter of time when it happens.

The valuation will become relevant only at the time of transaction. So really, we will do the -- that valuation at the point when Axis Bank is ready to take investment. So overall, from the growth perspective, we remain bullish as well, as we should expect this transaction take place in the financial year FY '24.

Avinash Singh: And just quickly, one now, Tata AIA sort of got by the virtue of merger of Citi and Axis, Tata AIA is present at least in Citi. Now does that kind of -- is there a sort of an understanding how this is going because I mean, so ideally there were 3 players, now you have a reservation for this and at least in Citi branches, with Citi customer, Tata AIA gets entry. So does this changes any kind of a competitive dynamics in your channel or it is like that, okay, they are going to stay with as it is where, I mean, the Citi branches, Citi customers.

Prashant Tripathy: Yes. Avinash Ji, that's a very good question. And I think the relationship with Citibank and Tata AIA is just going to continue the way it continued earlier. With respect to competition, I think, Axis bank is an open architecture platform, so from that perspective, we have competition. And I would like to very confidently share that we stood that competition quite effectively by maintaining a large part of counter share at the bank.

I think at a very high level, Axis Bank is our promoter, and hence, we should expect that Max Life Insurance will continue to enjoy the large share of their counter in the range of about 65% to 70% very optimistically for -- even if additional competition were to be added. So at a very high level, I think as management, we remain bullish on growth at Axis Bank.

Moderator: Thank you. Next question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: I wanted to ask on the double-digit growth guidance, would this be on the actual numbers that we have clocked in FY '23? Or should we think of this double-digit growth on the base adjusting for the additional sales that came from the taxation related product sales in the fourth quarter? So that is one question.

Second, on the margin side, sir, what I wanted to understand is that this quarter, as I see the product mix has moved favourably in the direction of non-PAR. And despite that, there has been a sequential fall in the margin. So, what changed between the last quarter and this quarter? Was there some additional cost that was baked into the cost structure that resulted in this fall? Or is there something else to look into? And if you could also give some colour on the VNB walk, which I think is not there in the presentation. So, between FY '22 and '23, what were the various factors that move the margins that would be very helpful?

And thirdly -- one quick question if I could add in terms of the banca channel, I was trying to gauge how the growth would be in terms of say the banks other than Axis Bank. So, if you could give some colour on -- or some quantitative metrics, which would help us to understand the growth in this channel.

Prashant Tripathy: Thank you, Swarnabh Ji. I think I will let Amrit answer the VNB question, but at a very high level, I think a lot of people had questions around the growth on total or adjusted. So, the double-digit growth number that I spoke about is on the total basis. And why I remain optimistic is? Again, just to repeat. For the first 9 months of the year, we had challenges of open architecture, which artificially created a favourable base for us. Next year, we are going to take advantage of that base effect. And hence, the double-digit growth rate should be on the total basis, not on adjusted basis.

I'm sure in this group, there will be many people, who will have questions about what would have been our growth rate adjusting for the extra sales that we got. So just to clarify and answer this question for everybody. We got about between INR300-350 crores of additional sales because the one-off effect over and above the run rate of greater than 5 lakh policy. So, if we were to adjust for those extra sales that we got, our growth rate, which we're reporting 12% would be in the range of about 6-7%. So, we've got about 5-6% of extra sales because of that one-off.

Responding to your question on why the VNB is lower, just to clarify, because it comes from non-PAR, a large part of non-PAR, and you would have seen our non-PAR percentage go up. On large ticket sizes, one expects a lower margin, and hence, we made appropriate assumptions for the large ticket sizes. The large ticket size, margins are lower than smaller ticket prices. So that's the reason why you would see a reduction in overall margin for the quarter.

I'm going to hand it over to Amrit to talk about the VNB growth, but as far as I remember, we have the VNB walk. Amrit, do you want to take that question?

Amrit Singh: Thanks, Prashant. I think Prashant, you've answered Swarnabh's question, which was around why the sequential quarter, the margins look lower than how it was. So, one is the high-ticket case size margins, which actually have been considered. Second, also, this is a full year of run rate spend, which is building up. We have been indicating that we are investing towards our distribution capability and capacity creation. So that cost, as it builds up some drag, which has got created. And thirdly, when the launch happened in quarter 3 of our new product, the SWAG product that Prashant spoke of, there were certain variant mix that existed in the first few months, which normalized. So, a little bit of variant mix drag also has come to the margin.

And from a walk perspective, it's largely related over a year-to-year period. It is related to mix of the non-PAR portion, which has actually helped improve the margin profiles.

Moderator: Swarnabh, may I request you to unmute your line from your side, please.

Swarnabh Mukherjee: Yes, , Amrit Ji, that answers my question. I was looking at it from more quarterly standpoint, and I think Prashant Ji, already highlighted that. And if you could address the question on the banca channel.

Amrit Singh: So, I think on banca, 2 things. One, as Prashant mentioned in his opening remarks, we have signed of partnerships with 4 banks and over 6 brokers. So, this is incremental volume for us, as we look to kind of gain counter share at some of these places. With our existing counter share banks, which is Axis and Yes. Our endeavour will be to maintain and hold on to our counter shares. And as the bank growth rate kicks in, the consequent growth rate to Max Life will start occurring paying as well.

Swarnabh Mukherjee: So, I wanted to understand, sir, if you could highlight any growth numbers for the non-Axis channels, so that we can guage the performance of this?

Amrit Singh: I think right now, we're starting from a 0 base in some of those partnership relationships, where anything that you'll add on a small base will look like a very large growth number. Our intention would be to gain as much counter share given our capabilities and products that we have demonstrated in bancassurance channel. So, I'll leave it at that.

Swarnabh Mukherjee: And I just wanted to know if you were maintaining your product mix guidance and margin guidance, which you had mentioned previously, or should we see some kind of uplift to that for the company?

Amrit Singh: So, I think firstly, as the high-ticket sale happened in the month of March, it did swing the proportion on non-PAR on a higher side. And we do expect a moderation on that to happen, which would mean that the long-term guidances that we have been given around margins, which is a reduction in margin profiles will happen. I think the way you should see it is that the bias and focus is towards driving growth and regaining market share. And for towards that, there will be an investment, which has happened and will continue to happen, which, along with some moderation of the non-PAR mix will mean a drag on the margins.

Swarnabh Mukherjee: Got it sir, very helpful. I'll come back in the queue. Thank you so much.

Amrit Singh: Thank you.

Moderator: Thank you. Next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Yes. Thank you for the opportunity. Amrit, the question, which I had was that the economic variance number at around INR1,040 crores, which is almost 7.4% -- 7.5% of the opening EV seems to be very high compared to our EV sensitivity to the interest rates, what we tell is around one odd percentage even for equity, it is relatively low. So, sir, just wanted to understand what led to such a high economic variance number given our sensitivity table doesn't suggest being so. Sir, and if you can break down this economic variance number, is it because of equity or bonds or there is something kind of a one-off in it?

Amrit Singh: Yes. I think a great question, Sanketh, and thanks for pointing it out. You'll understand that EV sensitivity is an assumption of a parallel shift in 1% across the yield curve, whereas the non-operating variance is actual shift, which happens. And obviously, the reality was that simulated shift is slightly different, and that's how it looks different. And that's probably the disconnect that you're feeding in your mind. But out of this INR1,000-odd crores of non-operating variance, almost INR900 crores plus is coming out of interest rate movements. And that also is the short end of the movement, which has happened in the month of March.

Sanketh Godha: Okay. But there is no gap in the hedging, right? So that led to that...

Amrit Singh: No. Again, we continue to run our hedging program, as we have been running. And you know, that this is transitory in nature given we are hold to maturity. These are the market movement, which will keep coming. And some of these variance that you'll see is all transitory.

Sanketh Godha: No because the number divergence was decently big. And the second one was that in the non-PAR book, which is around 48% of the total APE for FY '23, you just highlighted the growth number for annuity around 300% year-on-year. But if you can break down this 48% into pure non-PAR and annuity that will be useful because we understand that the non-annuity portion of the non-PAR might see a mix change, but how you see this annuity portion to play out and that mix you expect to pay out in '24, as a margin buffer?

Amrit Singh: Annuity continues to remain an area of focus in the overall umbrella of retirement focus that we are building, as an organization. And you would have noticed that our annuity mix, which was around about 1% last year has moved to now around 5% in the overall mix. So, in the 48%, I think, you are referring to including GCL, 48%, around 5% is annuity mix. And we will continue driving annuity business in future as well.

Sanketh Godha: And the last one, 31.2%, I think Swarnabh has asked that question, the 31.2% is the margin in the current year, and you highlighted that non-PAR will come off a better margin, should take a moderation. I mean, should we assume that it is going to back to like 26%, 27% kind of a number? Or do you think at least it could be better than that in '24, what are product mix it takes as a shape?

Amrit Singh: Yes. I think it should remain, we have been indicating 27-28%, as stable margin to price, so you should consider in that range.

Moderator: The next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal: Congratulations on good results. One question around the promoter holding, like this quarter, we are seeing some reduction in promoter shareholding. So how do we see that? And any thoughts there, therefore around the promoter structure going forward?

Prashant Tripathy: Yes. I think it's something is on the private side and for the promoter continues to remain committed towards this business, and some moderation, some reduction has been done. But overall, there is long-term intent and kind of continue doing the business remains consistent.

Nitin Aggarwal: Just on the margin one clarification, will first quarter, again, we will see a seasonal decline in margins?

Amrit Singh: We always report our margins from a quarter-to-quarter basis and cost actual to build up of cost. And largely, the sale of the first quarter is far lesser than the sale of the consequent quarter and the cost is equally loaded. That natural impact always plays out. So, this is not unique to us. And this has predominantly been like this for many years. So, our first quarter margins always will come up despite the product mix, it's largely due to the fact that the spend is actually uniform across the quarters and which creates a drag.

Nitin Aggarwal: And on the solvency ratio now we have seen a 10% drop this quarter. How do you see that? Will this transaction also aid solvency issues that it gets completed and how much this should be?

Prashant Tripathy: So, I think firstly on solvency, you would have noticed that the regulator did provide additional mechanisms of capital as well, which has given for insurance company, an additional buffer of up to 50% of the networth, 25%, as an additional debt that can be taken. But in addition to that, now from an Axis perspective, I think, both primary and secondary options are in consideration, and we will announce it when Axis actually completes its internal processes or when and at what time they want to opt 7%.

Nitin Aggarwal: And lastly, Amrit, on this INR300 crores one-off sales that Prashant talked about. So does this only include a ticket size above INR5 lakhs because there will be customers, who might have bought lower ticket size, and then because of the tax rate changes, and then, we look to add additional amount later on, so they may not have crossed the INR5 lakh threshold this month, March. So how are you looking at that?

Amrit Singh: So, it's computed on the 5 lakh trend line only. This is past trend line to current trend line, whatever has incrementally come off. Prashant indicated that range.

Nitin Aggarwal: So, it's only about INR5 lakh, this INR300 crores number.

Amrit Singh: That's right. In the traditional policies, the PAR and non-PAR design.

Moderator: Next question is from the line of Neeraj Toshniwal from UBS Securities.

Neeraj Toshniwal: So, basically question is on outlook on retail protection given there has been some come back in Q4 in terms of absolute amount at least. So how do we see retail protection playing out in FY '24?

Amrit Singh: I think the large part of this construction also happened because of supply side challenges that we went through post COVID and rightfully so. And a lot of efforts internally has gone in, firstly, reducing the supply side challenges that exist, so the constraint that exist, at the same time, also augmenting using tech and analytics our underwriting capabilities. I think the way we are set up and what all progress that we have made both in underwriting function, the product design elements of it and upfront aspect in sourcing, we feel that now 2 years of low base has set up actually us for growth in the Retail Protection segment. We do expect protection business to start growing from this point onwards.

Neeraj Toshniwal: Maybe any colour on numbers, I mean, how much whole percentage we are looking for or how much we can build in?

Amrit Singh: I think, these are very difficult numbers to kind of give specific if you get into each segment and products and things like that. But I think on protection, anything less than 20% is not at all aspiration. So, we will try to drive to 20% plus on the protection business.

Neeraj Toshniwal: And any change in commission pay out post EOM guidelines been witnessed or how industry is nearing given after April, do you see anything changing materially on ground, but will take time to kind of get adjusted to new normal?

Amrit Singh: I think what you need to understand, Neeraj, that first, there is an overall EOM framework, where the regulator has an expectation of working towards driving efficiencies in the business, which then get passed on to the consumers. And hence, on a EOM perspective there needs to be optimization, which are willing to pay undertaking. And then, under that EOM limits, there are elements of commission. Tactically, there will be certain segments and certain players there and also certain types of distributors, depending upon how our internal cost structures and variable structures are. There could be certain changes in commission, which can happen. But I think it will take some time for the dust to settle off, how things evolve, and we will continuously keep working on this.

Neeraj Toshniwal: And hopping on the same question again on the banca and proprietary growth, so given banca, we had a low base obviously, we have an advantage, but are we really seeing growth coming from Axis coming back basically, the problem was that the Axis bank is still growing slower than the other bank services if I compare with the peers. So how Axis is kind of coming back and what kind of commitment they are showing getting into FY '24? And what kind of growth you can expect will happen?

Prashant Tripathy: I will take that, Amrit. I mean, Axis Bank definitely is a very aspirational bank. They have big plans on their growth and insurance definitely is their large part of the fee income. So, it will be wrong for me to say that Axis will continue to be lower than the industry, I'm sure they will bounce back, and they will do industry consistent growth rates. So, let's keep you at that level. We are very optimistic.

Neeraj Toshniwal: Any growth numbers, we can factor that?

Prashant Tripathy: I think I did share with you the growth number that we're aspiring at a total company level and maybe it's not gone down to every channel level I think it will be collective. Amalgamation of growth that will come from bank, as well as our own channel, which will contribute to a strong double-digit growth in the Max Life Insurance.

Neeraj Toshniwal: Are we investing more into the proprietary channel? Or are we done?

Prashant Tripathy: We will continue to make investments in our own channels, something that is going to continue. For example, in FY '24, we are seeking approval to open new branches in the proprietary channel within the agency. We are making investments to grow our headcount in the direct channel. We will be making further investments in building our e-commerce channels. We are also experimenting with new models that we could grow looking at various subchannels within the large channels. We will continue to make that investment. But equally, we are making investments in the bank channels also in terms of ramping up our presence, more headcount, looking at alternative verticals within banks. So, I think growth is going to be a key, and we will do whatever it takes both in bank channels, as well as proprietary channels. So, there is going to be an all-round focus on growth.

Moderator: Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: A couple of data keeping questions. First is, can you share the share of Axis Bank for FY '23 in terms of APE?

Prashant Tripathy: Amrit, we won't take that question. I don't have the exact number.

Amrit Singh: Yes. I think we have been individual partner level leaders; we have been not sharing, Nidhesh, keeping the partner sensitivity in consideration. But our counter share, I'll reiterate stays at 70% in Axis Bank.

Nidhesh Jain: Second is that the INR300 crores, INR350 crores number that you mentioned is for the month of March, right?

Amrit Singh: Yes. All of it. The January and February did not see any fire-sale effect. So, most of the fire-sale effect kind of peaked out in the last 2 weeks of March. And this number that we have given you is for the month of March.

Nidhesh Jain: And lastly, there have been a lot of changes, which are proposed in Insurance Amendment Bill, which leads to composite licensing, opening of agency channel, and I think that the bancassurance channel has also opened up for now 9 partners. So, how do we think about these changes? And how should we place ourselves favourably changes over the next 2 years to 3 years?

Prashant Tripathy: I think I'll take that question. The open architecture, Nidhesh, as you know, is more contextual for bancassurance partners from 3 to 9. And as far as Max Life Insurance is concerned, all the counters, where we operate, we have an open architecture situation. And the good part is our performance has been robust. We've been able to maintain our counter share.

I think as we look ahead, a company like Max Life Insurance has more to gain out of open architecture. So, we look at this particular thing quite favourably and it is going to presented itself in form of more opportunity to Max Life Insurance. So, we have nothing much to lose from it.

As far as the agency channels, concerned, agent open architecture is something, which has not been discussed. However, the market is that sense is quite open, and we have been operating quite effectively and been quite enthused with the growth that we're seeing in our channels in agency. So overall, I see the regulations to be more favourable for the overall industry in specific for Max Life Insurance. Hence, our plans are quite progressive for the next.

Nidhesh Jain: And sir, any thoughts on composite licensing?

Prashant Tripathy: There is a possibility that it can get introduced, as a part of the act. And on behalf of Max Life Insurance, we are actively working in this space and if any such flexibility is available to us, especially in the context of contiguous businesses like health, we will look at that quite favourably with agility and we will try to work out.

Nidhesh Jain: And sir, lastly, and for next year onwards sir, how should we think about product mix. So non-PAR share will reduce, but how much of that will be taken up by PAR, specifically?

Prashant Tripathy: So, like I have always believed in a balanced product mix. And at the same time, we have to be consistent with market also, really standing away from the market becomes a bit difficult. My sense is that the non-PAR got favour because of tax regulations, as well as impact on overall share market for an extended period of time. As we move into FY '24 and beyond, I think you will see a rebalance from PAR and non-PAR will go to participating, as well as to some part of units. So, from that perspective, the product mix will get more rebalanced, and hence, you should expect the 48% to fall and come more in the range of closer to 40% over the next couple of years.

Moderator: Next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: If I look at the proprietary channel, it's been at around 27%, 28% for the last few years, excluding FY '23, I believe there was some one-off or exception in the last month. So, what would probably be this number in FY '23? And where do you really expect this to go? I mean probably we can speak FY '23, but where do you really expect this to go in '24, '25. I believe in FY '18 as well, we've kind of made some investments to sort of beef up this channel. But despite that for the next 4 years, the ratio of this trend has been similar?

Prashant Tripathy: Yes. Nischint, thank you. The mix adjustment is a combination of both things, I think artificially the bancassurance growth had an impact because the open architectures went down. And at the same time, we made investments, and we saw significant success through the proprietary channel. So, a dual impact on faster growth than normal last year. I mean, if you look at our run rate of growth in proprietary channel, it will be in the range of about 20%. Last year, it was 43%. At the same time, our average banca growth will be in the range of 15%, 20%, last year, it was flat. So, a combined effect of both actually has led to prop channels gaining more and more share of the overall pie.

As a strategic measure, we are trying to rebalance our channel mix, and ideally, we would like to go past 40% of our whole channel contribution, as soon as possible, right. I know that it will not be possible to do it very, very quickly. But over next couple of years, from two years to three years, we'd like to have our own channel contribution go past 40%. That's the direction we are working. Hence, our plan to grow proprietary channel faster than partnerships channel is something that is important to us, and you will see us move in that direction.

Nischint Chawathe: And would you call out overruns on this account separately, I think you did that in the past and that's probably kind of taking the margins to 27% and maybe a combination of non-PAR.

Prashant Tripathy: It does, actually. But once you achieved the scale, the impact on overruns is not very high. For example, you would not have seen us do really bad on margins this year. So, I think our overall guidance to remain in a respectable margin range, in the range of 27-29%, that range as well as trying to grow our proprietary channels that they achieve scale, as well as more than 40% share in the short term. And when I say short term, I think 18-24 months that kind of period is an imperative for Max Life Insurance. We are working in that direction.

Nischint Chawathe: Just one last question. If I look at the growth in back book surplus for the last 3 -4 years, I think it's just at around 10% odd CAGR, probably appears to be a little bit on the lower side. So, would you have any comment on this? And does this kind of trajectory pick up? And what could be the drivers?

Prashant Tripathy: I'll let Amrit and Ashish respond to that question, Amrit?

Amrit Singh: So, Nischint, actually last year was in the back book, there was some adjustments around COVID, which impacted the momentum of growth. And if you see this year and in normalized for it, the back book has continued to grow at around 20% levels. Actually, go to 45%, but adjusting for the COVID elements of it, which reduced the base last year, the growth is around 20%. I try to understand the question that you're looking on longer trends, and you made this comment around 10%. We'll have to look into that data, and we'll respond to you offline.

Moderator: Next question is from the line of Madhukar Ladha from Nuvama Institutional Equities. Please go ahead.

Madhukar Ladha: Sir, in the context of tax changes and so much of prebuying that has probably happened. If I look at the banca channel, that's still only grown about 12.5% year-over-year and that's also given that the base was normalized. So last year, you were at 70% counter share. This year also, you were at 70% counter share. Last year, you also had the Omicron impact. So given all this, it seems that the growth in this year, at least from the banca channel has still been a little bit subdued this quarter, and you're also now guiding for double-digit growth. So, it's almost not possible without the banca channel firing up. So, what makes you confident now that in FY '24, this will happen. What sort of problems are we going to overcome? What is going to change now? Can you highlight that a little bit?

Prashant Tripathy: Yes. I mean, firstly, your observation that the bank should also grow at a double-digit growth rate for Max Life Insurance to grow a double-digit growth rate is bang on. And it is our expectation that our banks will grow at double-digit growth rate.

Now, what gives you more confidence is 2 things, the impact of the open architecture actually is out of our base, in the entire of last year, we actually struggled at least for the first 9 months, we struggled with the impact of open architecture, that was the reality. And it is quite mathematical in nature, and overall pie goes down.

I think as we move into the next year, the optimism actually comes from the institutions, who are our partners, Axis Bank and Yes Bank, who have the track record of delivering better than market average for a continued period of time or over the long run. So, I think some of that does give us confidence and I'm pleasingly sure that it's going to come back up. But at the same time, the success that we've seen in proprietary channels and the investments that we have made will also come back to add to it, and so that's where the confidence comes from.

To your question on some of the demands already being met from early buying, I think, India is a very large country and very large tailing, tools, etcetera, last year. And like I mentioned to you, we got about INR300 crores, INR350 crores of additional sales because of early buying, so to say, our large ticket sizes. As we move into the next year, I mean, from the overall context of doing 7,000 or 8,000 sales, INR350 crores number is not a very large number.

So, I think my sense is insurance is very fundamental. It is a trusted instrument for savings and investments in the lens of protection. It will continue to be seen more favourably by investors and savers more so in the context of all the work that the regulator is doing and trying to make it more attractive. So that's where the entire confidence, Madhukar is coming from, and I'm very hopeful that it will move in that direction.

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

Sanketh Godha: Just want to confirm again, is it -- given Tata has a global tie up with Citi, is it automatically means that Tata will get access to entire Axis Bank branches? Or it is just open to the Citi branches, what Axis has acquired?

Prashant Tripathy: For the time being, the second one.

Moderator: Thank you very much. I now hand the conference over to Mr. Prashant Tripathy for closing comments.

Prashant Tripathy: Thank you, ladies and gentlemen, for being on our call. We look forward to most of interactions. Wish you all a pleasant day. Thank you.

Moderator: Thank you very much. On behalf of Max Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.