October 28, 2022

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 October 20, 2022 post declaration of un-audited Financial Results of the Company for the quarter and half year ended September 30, 2022 is enclosed.

The same is also being uploaded on website of the Company at https://www.maxfinancialservices.com/wp-content/uploads/2022/10/MFSL-Earnings-Call-Transcript_Q2FY23.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: 2022.10.28 17:04:38 +05'30'

**V. Krishnan**
**Company Secretary & Compliance Officer**

Encl: As above

# Max Financial Services Limited
## Q2 FY23 Earnings Conference Call
## October 20, 2022

**Moderator:** Ladies and gentlemen, good day and welcome to the Max Financial Services Limited Q2 FY23 Earnings Conference Call.

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. Our results were made available on the website and stock exchange last evening. Today, I'm also joined by Prashant Tripathy, MD and CEO of Max Life Insurance. I would request Prashant to share the first half business update. Over to you, Prashant.

**Prashant Tripathy:** Thank you, Amrit. Good morning, everyone. Let me just share the developments of first half as well as for the quarter on the key priority areas.

**1. <u>Predictable & Sustainable growth by building distribution:</u>**

In the first half of the year, we continue to invest in building our distribution capability and our focus in last quarter to expand our distribution footprint was of a very high order. It gives me a great pleasure to announce that we have tied up with a new bank partner Tamilnad Mercantile Bank and signed MoU with a Small Finance Bank, the name of which will be disclosed at a later date..

Additionally, we have also entered into agreements in offline insurance broker ecosystem with renowned brokers like Bluechip, Muthoot, Turtlemint, NJ and Vkover. With these relationships on-board and several others underway, we remain confident of projecting a sustainable growth for Max Life. In the first half of the year, the new business premium grew by 9% to INR3,378 crores and total APE grew by 2% to INR2,200 crores. Our prop channels grew 23% in H1, led by strong growth in both online as well as offline prop channels. Offline channels grew 21% and online channels grew by 35%.

**Online channel**, we continue to dominate online protection market both on our website and partner channels as we penetrated deeper into existing customer segments and entered into new segments of NRI, home maker and self-employed. With an ambition of becoming leaders in online savings market, we launched an industry-first short-term savings product with best-in-class returns. This led to a 100% growth in savings run rate and enabled us to grow online savings portfolio by 7 times year-on year in H1 FY23.

**Offline channels**, the growth is driven by 15% improvement in productivity of active advisors, 15% growth in top advisors count and 31% growth in life advisor activation, which in-turn is driven by positive changes and simplification in adviser rewards programs. Our direct customer acquisition channels also witnessed improvement in front line sales productivity of 14% and headcount growth of 23%.

**Banca channel** de-grew by 7%, in H1FY23, due to full blown impact of open architecture and general slowness observed in banking channels predominantly because banks focused on building liability business which is the core part of their business. The base impact of counter share is expected to run-off by the end of Q3 of FY23. And I do want to again share that Max Life share in Axis Bank counter is maintained since January of '22. So, we have not lost any incremental counter.

**2. <u>Product innovation to drive margins:</u>**

Product innovation is also very important and that's one of the core reasons why our margin looks promising compared to last year as well as first quarter. It remains balanced with PAR being 19%, non-PAR savings at 36%, ULIP at 38% and protection at 8% on individual APE basis in the first half of the year. Max Life has successfully created new product categories in online savings, home maker segment, NRI, self-employed and has accelerated product innovation agenda. The culmination of all this has led to increase in profitable product mix and resulted into a margin expansion of 140 bps year-on-year.

In-line with our strategy to focus on retirement business, we have commenced business in our wholly owned subsidiary Max Life Pension Fund Management. This has strengthened our existing retirement offering comprising of annuity and smart wealth long-term income savings plans. We now cater to customers at each of their life stage when they are accumulating funds, planning for retirement and also post retirement. We also have enhanced our annuity offerings with flexibility of premium payment term as well as extended entry ages to broad base new customers. This led to a growth of 86% in annuity business in first half of FY23.

Retail protection which has been a matter of discussion over last few quarters also saw an uptake and grew by 11% in Q2 and witness 22% sequential growth from Q1 to Q2 as we forayed into new segment of self-employed individuals to buy protection with launch of two new plans - smart secure easy solution with four prepackaged solutions and friction-less on-boarding and smart flexi protection solution, which is an investment cum protection solution launched for primarily self-employed segments with smooth on-boarding. This bounce back on protection growth and entry into new segments further strengthens our belief in the long-term opportunity of protection business. With an objective of increasing penetration in online savings market, smart fixed return digital plan has seen huge positive uptake in building the savings category on both website and web aggregator space.

**3. <u>Customer obsession across the value chain:</u>**

At Max Life, customer satisfaction is an organizational priority. It's a part of management goal sheet and our best-in-class claims paid ratio of 99.34% is a testimony of our focus towards customer obsession. The first half of FY23, 13th month persistency of regular limited pay premium policies was 84% and 61st month persistency at 50% which is more or less stable. Happy to share that for Q1 of the current financial year, Max Life 13th month persistency ranked number one in number of policy basis. Performance on customer experience is also measured through a globally established metric called net promoter scores. During the first half of the year, we witnessed an improvement of 2 points from 49 in March '22 to 51 in September '22 in the overall company NPS scores. Max Life also bagged Best Customer Initiative and Best use of Relationship Marketing at the Customer FEST Awards for 2022.

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

And the last one which is our commitment to digitize this organization for efficiency and intelligence, in FY'23 first half, we have strengthened our underwriting practices with an industry-first launch of in-house underwriting AI model called MediCheck for fraud prevention. The objective is to curb diagnostic center related frauds through an in-house intelligence model. This model has helped us delist 388 medical centers in September, where we suspected fraudulent activities.

In e-commerce, we launched multiple initiatives, including new ways "do it yourself" saving journey with enhanced customer experience, leading to improvement in lead to quote by 80% and WhatsApp bot journey enabling 63% query resolutions and improvement in user engagement. mSmart, which is a sales management and activity monitoring tool launched -- was launched for Axis and APC channels, we are on a rapid journey to fully digitize our sales management processes and this year has seen very active work in that area and Axis and APC are two channels that got done last quarter. This will enable better activity traction, leading to increased conversion.

QR code launched for customer servicing which will enable friction less "do it yourself" digital transactions. Our digital capability has stood the testimony of agility in integration of technology with new partners as we took less than a week's time in on-boarding three brokers and one new banca partner. We also launched our pension fund management business with "digital first" approach as treasury systems, website and finance systems are hosted on cloud. To summarize, there is very active growth taking place in all the strategic areas. And I'm going to just hand it over to Amrit Singh to talk about the financial outcomes from the first half of .FY23.

**Amrit Singh:** Thank you, Prashant. Moving on to key financial metrics, on the consolidated basis for MFSL the revenue excluding investment income stands at INR9,720 crore, a growth of 12% in H1 FY22. The consolidated profit after tax is at INR130 crore, up by 56% largely due to lower tax expenses in the corresponding period. Renewal premium grew by 14% to INR6,526 crore for Max Life and gross premium grew by 12% to INR9,904 crore. Value of new business stands at INR586 crore versus INR546 crore in the previous year, representing a growth of 7%. The NBMs have improved from 25.3% to 26.7% in H1 FY23.

Embedded value as on September 30, 2022 stands at INR14,704 crore. Operating RoEV over H1 FY23 on annualized basis is at 15.7%. Policyholder Opex to GWP ratio improved to 15.1% from 15.5% last year. H1 FY23 profit before taxes is INR144 crore, a decline of 3% year-on-year. Profit-after-tax is INR123 crore for Max Life Insurance. Solvency of Max Life Insurance stands stable at 196% and overall assets under management at end of September 30, 2022, were around INR1.13 lakh crore, a growth of 13% year-on-year.

Lastly, before I hand over to the moderator for Q&A, as you would be aware that recently in relation to the transaction involving Axis Bank and Max Financial Services Limited with respect to transfer the shares of Max Life which will all duly approved by the Board and shareholders of Max Life and MFSL, IRDAI vide an order has issued a penalty aggregating to INR3 crore for alleging non-compliance on certain items of its approvals granted. With the view to pave the way t for the future including strengthening the long-term strategic partnership with Axis Bank and avoiding unnecessary and long legal escalations Max Life has paid the penalty imposed by IRDAI, while it is of belief of not committing any wrongdoing.

Given the discussions are currently underway with the regulator on the above-mentioned transaction including the MSI transaction, we will request you to refrain from questions on this matter and keep your questions within the scope of operating performance. On behalf of our JV partner Axis Bank, we would like to indicate that Axis Bank is committed to its long-term association with Max Life as its promoter and bancassurance partner. So, in summary, to conclude, we remain committed to our focus on inspiring people to increase value of their life and work across all possible areas of business to make it happen.

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.

**Moderator:** Thank you very much. The first question is from the line of Avinash Singh from Emkay Global. Please go ahead.

**Avinash Singh:** Good morning. The first question is on growth. You know the base numbers and the current macro reality also the individual channel dynamics. In this backdrop, can you provide some sort of a guidance how the growth is going to look in H2 particularly? And coming back your last year, Q3 was also very strong because you have some kind of good off take of ULIP products. So, balancing all these factors, how do you see growth in H2? So, that is my first question. And the second question would be on embedded value, if you can provide some color on what had been the amount of investment and economic variance, probably I mean that would have had some negative impact, so what extent on that. Thank you.

**Prashant Tripathy:** Good morning, Avinash. Always great to hear from you. Let me answer the first question. Any performance is a combination of the internal issues as well as external macroeconomic issues. Firstly, talking about the internal issues, we've been updating you that we are going through a process of open architecture on both our bank counters. I'm very hopeful that through the second half of the year some of those internal issues will get resolved as the base settles in, which will be a positive thing for Max Life Insurance.

However, you highlight pertinent issue with respect to macroeconomic challenges and we have seen that in the second quarter the industry has grown much slower than how the first quarter was. In view of that, at this point in time, giving a guidance or forecast is going to be quite difficult for me. However, I will say we will do the best that we can. I'm very optimistic that with all the initiatives that we've taken in proprietary channels, the investments that we're making to build distribution capabilities with new sign-ups that we've done with banks as well as brokers as well as the effect of open architecture stabilizing and settling, I'm optimistic that second half we will be do as best as possible.

**Amrit Singh:** Second question, Avinash, you asked on the non-operating variance that is negative of INR545 crore, largely because of the interest rate movements. Bulk of it around INR502 crore is because of interest rate movements which you are aware it's transitory in nature because generally our portfolio is all hold to maturity.

**Moderator:** The next question is from the line of Yash Jain from Sunrise Capital. Please go ahead.

**Yash Jain:** Good morning, gentlemen. I just wanted to understand something. I mean, not taking questions on the transaction, how fair do you think it is in the conference call since it's a meaningful deal for both Axis Bank and Max Life. I still have two questions on the transaction, the management can choose not to have them and not answer. But my first question is with respect to the transaction there was a report yesterday that suggested that the regulator may look at only allowing the balance 7% acquisition at a fair market value and a uniform price which the understanding of course is that they'll be much higher. My question to the management is that, is the management in talks with Axis Bank on arriving at a fair market value and is Axis Bank ready to buy that stake at a fair market value, if not then what happens with this transaction?

And the second thing, can the management please explain the recent eight transactions that have happened, except for the three transactions which happened with Axis Bank, they have happened at price points per share which are far from each other. In fact, 15 days ago before the main transaction, the transaction happened at INR166 then straightaway we went down to INR31 rupees. Why should it not be open to investigation and assessments from various regulators including SEBI?

**Prashant Tripathy:** Yash, thank you for your question and I do appreciate the question. Max Financial Services and Axis Bank are listed companies and anything which is worth disclosure, which is a material information to investors we will absolutely disclose as soon as it comes to our notice. At this point of time, we have no communication from the regulator around any valuation recommendation or guidance. So, hence, we are staying away from any disclosure, number one. Number two, Max Life Insurance is an unlisted company and Max Financial Services is the owner.

There are several valuation methodologies recommended and all the valuations which were done where as per the legally permissible valuation techniques, so while I do appreciate the question that you asked. It is a transaction which has happened in a private company between two shareholders and all the valuation methodologies which were used were as per approved legal valuation techniques. So, I hear you, I understand you, but at the same time let the other regulators decide, let the overall ecosystem decide rather than we being judgmental about the valuation methodologies.

**Yash Jain:** Just one clarification, the regulator's order does mention that the necessary changes which the regulator thinks, that the previous transactions are not at a fair market value and uniform price. The necessary changes should be incorporated in future transactions, should that not be interpreted as that whatever happens even the balance part of the deal, that is 7%, the necessary wrongdoings will have to be corrected and will have to be implemented?

**Prashant Tripathy:** I think the words that you use Yash again have a bit of judgment in it. The wrongdoings, we have gone public to communicate to everybody that we don't believe that there is a wrongdoing. But at the same time we want to move forward with the transaction. And hence we have paid the penalty. There could be several interpretations. Let the process get followed. The process says, we are waiting for the MSI approvals, subsequently we will apply for the 7% share transfer, in which case we will see what the regulator has to say.

At this point of time, both Axis Bank and Max Financial Services, Max Life we remain committed. Axis Bank has reaffirmed their commitment to being the promoter as well as distribution partner for Max Life Insurance. Let's leave it at that level. And as I mentioned, both the companies are listed companies. If there is any information which is worth investors information , we will promptly come back and inform.

**Moderator:** Thank you. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

**Sahej Mittal:** Hi, good morning, everyone. So, a couple of questions from my side. Sir, firstly, if you can comment on the sharp increase in the non-PAR savings in the mix to about 36%, 37%, right. Sir, how sustainable do you think is this, because even in the last year we saw the share of non-PAR savings shot up in one quarter and then again mean revert to 25%, 26% levels.So, if you can talk about the on-ground demand in terms of the non-PAR savings. And how do the margins look like on the new short-term savings product which we have launched? And I missed on the growth bit on this product. And also, for Max I mean retail protection has grown quite well, which is contrary to the industry trend. So, what is sort of driving this? And are we still maintaining our guidelines on the 26%- 27% margins for FY23-24, are we re-calibrating this number? And fourthly, on the wallet share in Axis Bank channel, how does Max Life share look like in the Axis Bank wallet right now? And where are we in terms of the sales person deployment in Axis Bank channel if you can comment on these questions? Thanks.

**Amrit Singh:** You asked four questions. The first one I think this is on non-PAR mix, the stability as you rightly pointed out that for the quarter, we have seen the mix improve and it's very similar to how it was for last year. And where is this mix improvement coming from in overall non-PAR category is also success that we are experiencing on the annuity side. Our annuity business has grown 86% for the first half that is also sitting in the non-PAR line. And with respect to how on the ground things look like for future quarters, I think non-PAR mix will be fairly steady and stable. And again, you're pointing out as last year quarter three was very high in ULIPs as we have entered this particular quarter, the non-PAR mix is actually far more steadier as it was in this quarter two and we'd quite hopeful that it will remain steady in these lines and we will continue enabling this particular product category.

The second question you asked was the on protection. As you rightly pointed out, we have experienced growth of protection of around 11% for the quarter. Though this is still quite less as compared to how we would have anticipated and expected, largely because of some bit of demand moderation after COVID fear actually abating in the consumers' mind, but in our assessment protection is the long-term opportunity where there is severe under penetration. And as both the life insurers and re-insurers also start easing out supply side constraints, we will see the momentum kind of start building up. So, we continue to remain positive on protection. I think for us it's an important category we have ensured that we are focusing on all across all channels. So that is what I'd call help us drive this particular growth from there.

The third question you had was on the short-term digital plan that we have launched with very attractive rates. It's a good shareholder IRR product. It might be a bit lower from a margin profile perspective, but overall, it's part of our portfolio strategy, wherein we will continue driving this particular product for more Millennials and savvy consumers. The last question you asked was on OA share, as Prashant mentioned, the OA share has remained stable since January and why January is important is because that's when the open architecture is completely scale-up at Axis Bank. We have remained stable in the ranges of 69% to 70% and that's the level that we are today at.

**Sahej Mittal:** And where are we in terms of the sales person deployment in the Axis Bank channel? Are we done with it or how is it looking right now?

**Amrit Singh:** So, we are investing over time with respect to manpower. We are ramping up as we had planned and we will continue doing so, because the moment the business volumes start slowing, the benefit of that will get amplified towards us. So, we are on that trajectory.

**Sahej Mittal:** Could you quantify the number of the salesperson we have right now in the Axis Bank channel as of date?

**Amrit Singh:** It's around near about 6,000 is the levels of front-line sales team members that we have.

**Sahej Mittal:** And this compared to our competitor in the Axis Bank channels would be?

**Amrit Singh:** So, I won't have that specific details. We had higher than them and our deployment is actually on-schedule and on plan.

**Sahej Mittal:** Right. And sir just one clarification on the non-PAR savings side, how should we look at the full-year number in terms of the business mix from non-PAR savings?

**Amrit Singh:** We would likely to remain in this range bound that you are seeing at this point in time and you should see that actually also pan-out in the full-year basis.

**Moderator:** Thank you. The next question is from the line of Manoj Bahety from Carnelian Capital. Please go ahead.

**Manoj Bahety:** So, Prashant, couple of questions. First is that the way we have given away in Axis some of our market share, I understand with open architecture and a new entry. But my question is that what gives us confidence that our wallet share in Axis will remain at 70%. The way initially your competitor has gained some market share from you, it may continue. So, is there anything which gives you a confidence that your wallet share in Axis will remain at 70%, so that is my first question.

My second question is along with this if you can also touch upon the new partnership agreements which you have done with leading broker as well as with Tamilnad Mercantile Bank. So, if you can just give us update how you are seeing this partnership helping you going ahead. And lastly if you can give us update on stake purchase or the swap with Sumitomo, which we have filed with the regulator, but I think because of some top level changes in IRDAI it was getting delayed, so if you can give update on that one also. These are my questions. Thank you.

**Prashant Tripathy:** Let me first talk about the open architecture. It's very common that when an open architecture gets implemented the incumbents loses anywhere between 30% to 40% of the counter share. In our case we lost about close to 28% to 30% as the full-blown open architecture comes in. So, I do appreciate your question, but it is a very, very common. It is very hard to retain 80% - 90% of counter share with the full-blown open architecture. What gives me the confidence that we will be able to maintain, or grow is the confidence of last nine months. The last nine months our counter share has remained at the same levels more or less. And there are attempts of course made. It's a competitive play there the attempts made to keep at the same level or grow. However, the experience of last nine months gives me the confidence that we will be able to maintain that or take it forward.

On your second question on new partnerships, any banca relationship in the context of life insurance is very important and we're very happy that we were able to get into a relationship with Tamilnad Mercantile Bank. It has very strong presence especially in Tamil Nadu and this is a reputed bank with very loyal customer franchise and I'm very hopeful that when we launch it we will have reasonable success. This is an open architecture counter again and the new partner, the name of which we'll disclose at the right time, will also be an open architecture counter. Compared to Axis Bank or Yes Bank there'll be small counters. The approach that we're taking is to increase our bouquet of Bancassurance relationships. I will assume that both these will add to the distribution muscle that we're trying to build.

On the third question that you asked about swap with Sumitomo, yes, I'm very hopeful that in reasonably in near-future we should have approval. We are yet to hear from IRDAI on that one, but like we stated in our disclosures that in view of moving forward with the series of transactions which expected to happen first with MSI and then with Axis Bank, we've gone ahead and paid the penalty. So, I'm sincerely hoping that in near future we will have the approval.

**Manoj Bahety:** Sir, just one small question I have. We have got now Mix Life Pension Fund Management, earlier I think this part was missing in our bouquet. If you can touch upon like how you see this is going to help you in terms of growing your business and if you can touch upon the strategy on that side that would be helpful? Thank you.

**Prashant Tripathy:** Since last year we had been articulating that two areas are very important for us and we believe that those segments have the potential to become really large, one of them is retirement and the other one is health protection and wellbeing and in both areas, we are taking solid steps and setting up the pension fund management business was the step in that direction. We have sharp focus on all solutions pertaining to retirement. So, in our own business we have lot of focus on trying to drive annuity to some extent even the non-PAR portfolio that we have, especially the income-based solutions target the retired segment or retiring segments. We have just launched another product within the annuity space.

So, while on one side we are trying to enrich our product portfolio with very competing product solutions we are also trying to be sharply added to the ecosystem of retirement and the NPS is one of them with a view of that we have set-up the pension fund management business. In addition Max Life Insurance is an annuity service providers which is another license and we have also applied for the POP license so that we can become a full suite provider in the NPS space. So, there are series of activities that we are doing. Of course it's a long-term play, but one is trying to penetrate deeper into the retirement solutions and the ecosystem to make sure that we remain a dominant player and we become a part of the retirement business as this particular segment evolves and grows with time where we have a very high level of belief.

**Moderator:** Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

**Madhukar Ladha:** Hi, good morning. First question just belaboring on your share in the Axis Bank channel. Now, we have about a 69%-70% share in that channel. Is there any commitment from Axis Bank that it will not allow our share to fall below a particular threshold or any insurer can take whatever it can from that channel. So, I'd like to understand if there is any such implicit understanding over there in that channel.

Second, the margin has done quite well this quarter. And it seems that if your non-PAR share in the mix continues this way, will probably be higher than what you guided for. Your earlier guidance was between 25%, 26% VNB margin. Would do you want to sort of change that right now, re-state that right now?

And lastly, I see your new business strain has increased quite a bit in the first half of this year. I'm guessing this is because of strong sales of these non-PAR and the individual protection growth also that we're seeing. Is that assessment, correct? Yes, those would be my three questions.

**Prashant Tripathy:** I will take the first two and Amrit will take the last one. On the first one, with respect to counter share, one part is Axis Bank is our shareholder. We sit together. We have Board meetings that take place with very senior officials being in our Board. So, is it something which is written as a part of contract that we'll have to be 70% answer to that is no but of course there are some underlying sales assumptions on which we have agreements. And one is also high belief that we'd be able to maintain, and Axis Bank will be supported in the counter share. At the same time, the inputs that are required to maintain the counter share; A, product; B, types and quality of resources; C, presence. I think Max Life Insurance will do whatever it takes to maintain that counter share. And over the experience of last many quarters there is a reasonable confidence in the management team as well as at the Board level that we will be able to sustain.

On your question on non-PAR, yes, the guidance was to be in the range of closer to 26%, but at the same time what we are witnessing is a much richer product mix. And because of that in this quarter margin looks reasonably healthy. I think I'm not going to really take a bet on what the margin numbers will be, but I'm very hopeful that through the year we'll be able to maintain a healthy product mix. And hence I remain optimistic about our margin outcome. On the third one, Amrit if you want to take that.

**Amrit Singh:** So, your observation is correct actually. The strain has increased. And the reason for strain increase comes from non-PAR design and more specifically annuity design. So, the annuity design are the designs where the strain is higher, which is the reason why the strain is higher. And with a non-PAR long-term income mix also can cause it. So, these are the two reasons why the strain is higher.

**Madhukar Ladha:** Just to follow-up on that, have we increased any sort of commission payout to any of our partners?

**Amrit Singh:** Commissions to any specific partner, our agents, you're always optimizing of how and who is kind of rewarding awarding , what kind of product mix they are selling with the factor or what is the variants that you are selling. So, I'm not sure where this question is coming from. The commission structures have remained stable over the years that if you pick-up a particular design let's say a protection, regulation allows you to offer 40% commission. So, those kind of constructs have always remained.

**Madhukar Ladha:** Right, and we're probably paying closer to the max that what we are allowed to pay, so it's not the new business strain would not be because of some...

**Amrit Singh:** No, no, no, so if you're linking that with commission increase no that is definitely not the case that is. That is not the case.

**Madhukar Ladha:** Okay, okay. So, any -- can you throw some color on what sort of expense line items are used?

**Amrit Singh:** I said the strain increase is because of reserving requirements of these products, because you're assuming more risk on to the books. So, the reserving requirement of this product is higher. So, if I have higher component of annuity in my non-PAR the strain will increase. That's the reason for the increase of strains.

**Madhukar Ladha:** Understood. More because of that and because of actual expenses.

**Prashant Tripathy:** The increase in expenses are not the reason for added strain.

**Moderator:** Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

**Nidhesh Jain:** Yes. So, the first question is on group term business. There has been a sharp decline in this quarter Y-o-Y. What drove that decline?

**Amrit Singh:** Yes, hi, Nidhesh. The group term life decline is largely happened because you will recall last year was the COVID year and these are annual contracts and we were all going through COVID assumptions, the pricing to the corporate were actually much higher. And as the covid year is behind and mortality has come back so the pricing to the corporate have reduced. So, it's largely coming out of the pricing to the corporates reducing over-time and that's driving this.

**Nidhesh Jain:** Sure. Secondly, if I look at the margin expansion Y-o-Y for H1 versus last year, the product mix has not materially changed in fact I think ULIP share has gone up a bit for H1 this year. So, does it mean that the margins on product level has increased and what has led to that?

**Amrit Singh:** Yes. Your observation again is correct. There is some attribution of product mix, but that's far smaller, largely it is because every line of product there has been an improvement in margins because of the new product categories that were launched during the second half of last year, so whether it is participating design, whether it was protection, where all sorts of repricing actually happened or whether it is the non-PAR savings design all of these have fundamentally gone structural margin improvement that we have seen for ourselves.

**Nidhesh Jain:** So, is it on account of increasing tenure of the product? If you can elaborate what is the change in product design that would be helpful.

**Amrit Singh:** It has elements of design, and it has elements of tenure as well and it has elements of pricing to consumer as well.

**Nidhesh Jain:** Sure. And lastly, how the expenses have moved in this quarter or in first half, operating expenses for Max Life, given that we have articulated that we will ramp-up the distribution, but I think the expense ratio has improved for the company, so will it be back-ended or how should we think about expense ratios?

**Amrit Singh:** You would have observed that opex actually has increased by 9%. The reason for improvement is that the gross written premiums have actually increased higher than the expense increase. But if you see our expense line QoQ, you will see on the quarter two the expense actually has increased to around 19% and large part of this expense is in-line with our stated objective of investing in distribution whether it is our own branch offices, whether it is our resources in our proprietary channels and whether it is resources in the non-proprietary channel. So, you will see that coming in the trend line.

**Moderator:** Thank you. The next question is from the line of Dhaval from DSP. Please go ahead.

**Dhaval Gada:** Prashant, for benefit of all and if you could just repeat the transaction with Sumitomo as well as the residual stake with Axis Bank, what's the timeline and in your interpretation at what price the deal is likely to go through? So, your version of it that would be very useful. Thanks.

**Prashant Tripathy:** Yes, while we said we're not going to take questions, but Dhaval I'll definitely try to give the best shot. We are hoping that after this order which has come from IRDAI several reports actually suggested that now we will move ahead and perhaps approval would be forthcoming on the MSI transaction which was filed about a year-ago. So, I'm very hopeful that over the next few weeks we should have the approval for the MSI transaction which will be between Max Financial Services and MSI and that will clean-up the overall structure at the operating company level. Subsequent to that we will file for approval for the balance 7% for Axis Bank. And we are hopeful that we will secure the approval like we secured last time that is our belief and we will keep you updated as we go along through the process.

**Dhaval Gada:** Prashant, any clarity on that pricing of it. I think that there is a lot of debate around it. Anything that you could say - will it be at the same price at which you had agreed previously in both the cases in your version is there any change that is likely?

**Prashant Tripathy:** I can speak on behalf of the shareholders on Axis Bank as well as Max Financial Services. We are quite committed to moving ahead with the transaction, with the methodology that was followed earlier and that's the approach that we'll take.

**Dhaval Gada:** Okay. And just last point, is there a probability which is reasonably high that some of these steps could get delayed beyond this financial year or you're very hopeful of committing -- completing these steps in the current financial year?

**Prashant Tripathy:** We're sitting in October actually and I'm very hopeful that the first part of the transaction which is MSI transaction must happen in this financial year. On the second part even last time it took longer. So, it is very hard actually to commit that it will happen this financial year, but it is highly likely that will make the application this financial year.

**Dhaval Gada:** Got it. Thanks, Prashant. Just one last data keeping question, if you could just split the Bancassurance APE for the first half, the INR1,411 crore between Axis and other banks and similar like-to-like number for the INR1518 crore of last financial year, just trying to see the performance between Axis and other banks that would be useful. Thanks.

**Amrit Singh:** Individual partner level details, we are refraining from sharing going forward. However, with respect to the de-growth that you have seen, it's similar actually and largely because of the reason that open architecture scale-up is very similar in its timing for us across both the partners.

**Moderator:** Thank you. The next question is from the line of Neeraj Toshniwal from UBS India. Please go ahead.

**Neeraj Toshniwal:** Wanted to understand -- as you mentioned that there has been some improvement in margin in product category, but are we seeing some change in the margin in the first quarter to second quarter especially for retail protection given I think there have been some pricing revision which is happened?

**Amrit Singh:** So, this is quarter one to quarter two you are asking or quarter two to quarter three, which quarter...

**Neeraj Toshniwal:** Last quarter to this quarter, because I think we have taken some price cut in retail protection.

**Amrit Singh:** No, no, so Neeraj you would have historically seen Max Life, because our methodology of expense allocation is on actual basis of whatever gets spend and typically quarter one is lower on sales volume and quarter two is higher on sales volume and consequently the residual quarters also. There is always this historical improvement that happens. So, it's not coming out of any specific changes that are happening in the margin profile of the product or the pricing of the product. I mean, obviously, we will tactically keep changing our IRRs etc. for the non-participating designing products, but over the quarters the reason largely on the expense space and the methodology that we follow and the end product mix obviously product mix quarter two product mix is very different than quarter one.

**Neeraj Toshniwal:** And for retail protection specifically I think some competition has also reduced prices, so does it impact in growth going ahead or it will come at a lower margin so that is what I want to understand.

**Amrit Singh:** Price movements in the industry is part of now a very active way of how we strategically manage your portfolio, and we will take certain calls. But now there are much finer nuances actually, various cuts of pricing, various ages and all of those comes into picture, but nothing in the horizon between quarter one and quarter two the margins are remained fairly stable.

**Neeraj Toshniwal:** Got it. Any decision of in terms of pricing for product level driven through the competition on the Axis Bank channel because the competition has been quite active in terms of IRR offering with lower protection pricing, is it impacting anything?

**Amrit Singh:** We share and talk about counter share at an aggregate level but there are finer nuances to it, specifically you pointed out that our competitor has a lower pricing on protection than us. But contrary to your assumption that our counter share should have been lower, but in fact our counter share is much higher than the average counter share of the 70% that we spoke of on protection design specifically.

**Neeraj Toshniwal:** Right. So, the sustainability is what I was actually pointing out to so.

**Amrit Singh:** So our counter share on protection being sold in that channel is higher despite the fact that our pricing is higher.

**Neeraj Toshniwal:** Got it.

**Amrit Singh:** So, any other element of execution, the trust in the brand and the claims paid ratio position that we hold and how that manifest in the minds of consumers and then the entire experience process of undergoing a term buying journey.

**Neeraj Toshniwal:** Sure. And one more question on the non-PAR, the new product we have launched, so with expected rise in fixed deposit rates, how actually will this typically short-term saving product will have an impact or will both will have a continued demand, because of the channels you're targeting is online here rather than Banca and I think the 100% growth which you talked about is largely online and 35% online growth how do we split between savings and protection that is one and the future growth outlook on that.

**Amrit Singh:** Your question is that if FD rate changes that are undergoing what is the implication on this digital FD product that we have launched.

**Neeraj Toshniwal:** Right, that is one. And the growth rates for both the online protection, online savings.

**Amrit Singh:** Okay. So, on the first one, look FDs are as an individual investor you are exposed to the tax element of it and that way our offering will always remain to superior tax adjusted. So there is that advantage that we will continue to have with us. So, even if the rates move-up for FD, but still tax adjusted our rates will continue to be superior is how we actually see it sitting inside. On the questions around where is the growth coming from, whether there is a protection growth in online and savings, the question. Protection, actually, overall, minus 5%, but for online channel it is flattish. So, it's kind of remain as you know de-growth. It's around 0% growth. So, the bulk of the growth in online has come from the savings entry that we have done as a conscious play which we decided last year.

**Neeraj Toshniwal:** Okay, and that number would be if you could quantify.

**Amrit Singh:** So, the ratio now would be more in the 70% protection, 30% saving.

**Moderator:** Thank you. The next question is from the line of Nischint Chawathe from Kotak. Please go ahead.

**Nischint Chawathe:** Thanks for taking my question. Just one from my side. Do we have a sense in terms of the growth rate by Axis Bank in the first half? I'm not saying for Max, but for the overall bank. I believe last year you had mentioned a number of closure to 25% for the entire year.

**Amrit Singh:** So, it, Nischint, I think the question you're asking on Axis Bank overall growth. In our estimation it is single-digit, a bit lower than the double-digit number, so more in the ranges of 7% to 9% kind of numbers.

**Nischint Chawathe:** I believe it was around 25% last year is what you have guided. So, anything that you are hearing from Axis as to why is it weak, what is the data that you quantify.

**Amrit Singh:** It's not just Axis specifically. I think when Prashant spoke about in his opening remarks that across the banks there has been a slowdown with respect to and the focus towards life insurance space largely because of as the focus towards deposit has increased. Has this happened in the past? Yes, it has happened in the past, but over a longer horizon CAGRs if you try to see, these growth rates are still upwards of 25%, 30%. And I'm talking about two year, three year, four year, any view that you'll try to put.

**Nischint Chawathe:** So, my sense is I think what I'm picking-up is that in the near-term it sort of remains a little volatile and kind of no where comparable to the 25% that we did last year.

**Amrit Singh:** Nischint, what did you say the last line.

**Nischint Chawathe:** No, sorry. The point I'm trying to say is that over the next couple of months or in the near-term, I mean in all probably it remains sort of a little weak and nowhere comparable to the 25%-ish kind of what we reported last year.

**Prashant Tripathy:** Yes. I think, Nischint, this is Prashant, I think it will be the broader bank ecosystem in terms of their ability or their focus on selling life insurance. I think credit to picking up and that has really propelled the need to have more and more liabilities which is the trend that we're seeing. And in view of that maybe for some time we can see that to have some bigger impact on life insurance space, however, with our bank partners we are doing a variety of things collectively starting from new products to incentive changes to RNR etc. to propel the growth of life insurance.

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

**Amrit Singh:** Thank you. Thank you ladies and gentlemen for being on the Max Financial earnings call. We look forward to more such interaction in future and I wish each one of you happy and a prosperous Diwali in advance. Thank you and have a good day.

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