

In-line results

5 February 2025

Axis Max Life Insurance, a partly owned subsidiary of Max Financial Services (MAXF IN), reported ~17% YoY annualized premium equivalent (APE) growth, ahead of private firms, and driven largely by unit-linked investment products (ULIP). After a strong Q2, non-par products declined by 11% YoY. Retail protection growth was lower than peers at 15% YoY. Value of new business (VNB) was flat YoY, primarily due to contraction in margin on account of surrender charges and product mix change. We expect Q4FY25E APE growth of ~15% YoY, translating to FY25E APE growth of ~21% YoY with robust performance in retail protection, owing to new product launch and continued traction in the ULIP segment. We expect VNB margin to continue to compress YoY in Q4FY25E, resulting in full-year VNB margin of 22.3% (including the group term segment).

Long-term VNB margin to be in the range of 24-25%: We expect VNB margin to improve on account of product mix recalibration with higher contribution from the non-par segment, resulting in VNB margin in the range of ~24-25% during FY26-27E.

Leverage from rebranding can aid in banca channel growth: The rebranding of Max Life Insurance to *Axis Max Life Insurance* is likely to be a key driver of growth in the upcoming years by leveraging Axis Bank's (AXSB IN, **Buy**, CMP: INR 1,013, TP: INR 1,386) strong brand equity and distribution reach. This strategic move integrates Max Life's established expertise with Axis Bank's trust and recognition, particularly in Tier 2 and 3 cities. Therefore, we expect Axis Max Life Insurance to report higher-than-industry growth in the upcoming quarters and factor in overall APE growth of 15-16% during FY26-27E. However, any adverse regulatory action, as highlighted in November 2024 by various media outlets, could impact growth in this channel, and the onus on growth would fall on the proprietary channels, which have seen strong traction.

Reiterate Buy with a lower TP of INR 1,350: We revise our target P/EV to 1.8x from 2.2x after factoring in a 50bp increase in risk premium to account for potential regulatory scrutiny of the bancassurance channel. Our residual income model based on a 12.5% required return, 5% terminal growth and FY27E ROEV of ~18.6% implies 1.8x December 2026E P/EV on embedded value per share of INR 742. This translates into a reduced TP of INR 1,350 from INR 1,560 and a **Buy rating**. Key risks are: 1) adverse regulatory changes, and 2) a slowdown in ULIP growth & an inability to offset it with non-par growth.

Rating: **Buy**

Target Price: **INR 1,350**

Upside: **21%**

CMP: **INR 1,119**

As on 5 February 2025

Key data

Bloomberg	MAXF IN
Reuters Code	MAXI.NS
Shares outstanding (mn)	345
Market cap (INR bn/USD mn)	386/4415
Enterprise Value (INR bn/USD mn)	0/0
Avg daily volume 3M (INR mn/USD mn)	982/11
52 week high/low	1311/862
Free float (%)	-

Note: as on 5 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	6.5	6.5	3.3	3.3
% Pledged	-	-	-	-
FII	47.7	46.6	46.2	47.5
DII	39.9	40.7	44.0	42.7
Others	5.8	6.1	6.4	6.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.1)	(1.5)	8.8
Max Financial Services	(10.6)	4.7	28.4
NSE Mid-cap	(3.4)	(3.0)	11.9
NSE Small-cap	(7.5)	(4.6)	4.8

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
APE (INR mn)	64,880	77,330	93,467	108,185	124,606
YoY (%)	10.1	19.2	20.9	15.7	15.2
VNB (INR mn)	19,490	19,730	20,802	25,910	30,404
VNB margin (%)	30.0	25.5	22.3	24.0	24.4
VNB per share (INR)	45.2	45.7	48.2	60.1	70.5
EVOP per share (INR)	72.6	76.1	84.6	102.8	121.2
EV per share (INR)	377.0	451.9	547.8	650.6	771.8
Operating ROEV (%)	22.1	20.2	18.7	18.8	18.6
P/VNB (x)	14.1	21.9	23.2	18.6	15.9
P/EVOP (x)	8.7	13.2	13.2	10.9	9.2
P/EV (x)	1.7	2.2	2.0	1.7	1.4

Note: Pricing as on 5 February 2025; Source: Company, Elara Securities Estimate

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Financials (YE March)

Movement in EV (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	141,750	162,630	194,940	236,308	280,650
Value of New Business	19,490	19,730	20,802	25,910	30,404
Discount unwind	12,450	13,690	15,595	18,432	21,891
Operating Variance	(620)	(570)	97	-	-
Operating EV Earnings	31,320	32,850	36,494	44,342	52,295
Economic Variance	(10,440)	(540)	4,874	-	-
Total EV Earnings	20,880	32,310	41,368	44,342	52,295
EV Before Capital Changes	162,630	194,940	236,308	280,650	332,945
Closing EV	162,630	194,940	236,308	280,650	332,945
RoEV Tree	FY23	FY24	FY25E	FY26E	FY27E
APE / EV (Capital turnover) (x)	0.46	0.48	0.48	0.46	0.44
VNB Margin (%)	30.04	25.51	22.26	23.95	24.40
EVOP / VNB (x)	2	2	2	2	2
Operating RoEV (%)	22.10	20.20	18.72	18.76	18.63
Product mix and Premiums (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Savings					
Par	8,720	13,580	12,629	14,145	15,842
Annuity	2,930	4,650	4,976	5,722	6,580
Non-par savings	28,440	21,670	22,537	28,171	35,214
ULIP	17,720	26,810	40,215	45,041	49,545
Savings APE	57,810	66,710	80,357	93,079	107,181
Protection					
Retail	3,980	6,490	8,567	10,109	11,928
Group	3,090	4,130	4,543	4,997	5,497
Protection APE	7,070	10,620	13,110	15,106	17,425
Total APE	64,880	77,330	93,467	108,185	124,606
YoY %	10.1	19.2	20.9	15.7	15.2
APE by segment - mix (%)	FY23	FY24	FY25E	FY26E	FY27E
Savings					
Par	13.4	17.6	13.5	13.1	12.7
Annuity	4.5	6.0	5.3	5.3	5.3
Non-par savings	43.8	28.0	24.1	26.0	28.3
ULIP	27.3	34.7	43.0	41.6	39.8
Savings APE	89.1	86.3	86.0	86.0	86.0
Protection					
Retail	6.1	8.4	9.2	9.3	9.6
Group	4.8	5.3	4.9	4.6	4.4
Protection APE	10.9	13.7	14.0	14.0	14.0
Margin Profile	FY23	FY24	FY25E	FY26E	FY27E
VNB (INR mn)	19,490	19,730	20,802	25,910	30,404
YoY %	27.6	1.2	5.4	24.6	17.3
VNB margin (%)	30.0	25.5	22.3	24.0	24.4
Profit & Loss Account (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross Premium Written	253,419	295,290	346,307	405,514	472,359
Premium on reinsurance	4,601	5,443	6,287	7,362	8,576
Net premium earned	248,818	289,847	340,020	398,152	463,784
Investment income	63,833	174,034	138,611	160,832	185,945
Other income	995	1,184	1,406	1,797	2,311
Total income	313,646	465,066	480,037	560,781	652,040
Commission paid	16,138	23,983	27,155	29,867	32,836
Expenses	38,633	43,712	49,431	54,925	61,068
Claims/benefits paid	99,792	133,212	139,454	160,442	183,058
Change in actuarial liability	154,036	260,410	207,572	226,218	249,901
Total Outgo	308,600	461,317	423,612	471,452	526,863
Profit before tax	5,046	3,749	56,424	89,329	125,177
Tax charge	694	152	8,030	12,712	17,814
Profit after tax	4,352	3,597	48,395	76,617	107,363
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Sources of capital					
Shareholder's equity	35,467	39,983	88,954	166,700	275,980
Fair value change - Policyholders	8,466	39,204	64,070	93,407	127,555
Non Linked Liabilities	805,354	973,550	1,124,519	1,292,970	1,480,562
Linked Liabilities	352,502	441,793	491,501	545,212	602,798
Funds for Future Appropriation	35,803	38,727	42,190	46,245	50,969
Current liabilities	43,234	40,661	60,280	69,224	79,166
Provisions	382	482	547	629	719
Total Liabilities & Equity	1,281,208	1,574,399	1,872,062	2,214,388	2,617,749
Application of capital					
Shareholder's investments	55,043	58,484	114,411	194,186	304,994
Policyholder's investments	821,021	1,008,078	1,189,346	1,384,395	1,603,234
Linked investments	352,502	441,793	491,501	545,212	602,798
Other Assets	52,642	66,044	76,803	90,595	106,722
Total Assets	1,281,208	1,574,399	1,872,062	2,214,388	2,617,749

Note: pricing as on 5 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Premium (INR mn)								
Gross written premium (GWP)	82,230	72,970	12.7	77,380	6.3	213,600	187,930	13.7
New business premium (NBP)	30,000	26,890	11.6	30,150	(0.5)	80,910	69,700	16.1
Annual premium equivalent (APE)	21,590	18,479	16.8	22,510	(4.1)	59,990	48,169	24.5
Savings	18,790	15,919	18.0	19,000	(1.1)	50,500	40,539	24.6
Par	3,530	3,220	9.6	2,260	56.2	7,880	9,400	(16.2)
Non-par	4,750	5,360	(11.4)	5,680	(16.4)	13,960	13,200	5.8
Annuity	1,190	1,090	9.2	1,030	15.5	3,040	2,880	5.6
ULIP	9,330	6,240	49.5	10,030	(7.0)	25,630	15,050	70.3
Protection	2,800	2,580	8.5	3,510	(20.2)	9,490	7,630	24.4
Retail protection	1,980	1,720	15.1	2,400	(17.5)	5,940	4,340	36.9
Group protection	820	860	(4.7)	1,110	(26.1)	3,550	3,290	7.9
Expenses (INR mn)								
Commission	8,092	6,152	31.5	7,477	8.2	20,094	14,645	37.2
Operating expenses	10,354	10,112	2.4	11,981	(13.6)	32,153	28,209	14.0
Management Expenses	18,445	16,265	13.4	19,458	(5.2)	52,247	42,854	21.9
Commission ratio (%)	9.8	8.4	1.4	9.7	0.2	9.4	7.8	1.6
Operating expense ratio (%)	12.6	13.9	(1.3)	15.5	(2.9)	15.1	15.0	0.0
Business mix - APE basis (%)								
Savings	87.0	86.1	0.9	84.4	2.6	84.2	84.2	0.0
Par	16.4	17.4	(1.1)	10.0	6.3	13.1	19.5	(6.4)
Non-par	22.0	29.0	(7.0)	25.2	(3.2)	23.3	27.4	(4.1)
Annuity	5.5	5.9	(0.4)	4.6	0.9	5.1	6.0	(0.9)
ULIP	43.2	33.8	9.4	44.6	(1.3)	42.7	31.2	11.5
Protection	13.0	14.0	(1.0)	15.6	(2.6)	15.8	15.8	(0.0)
Retail protection	9.2	9.3	(0.1)	10.7	(1.5)	9.9	9.0	0.9
Group protection	3.8	4.7	(0.9)	4.9	(1.1)	5.9	6.8	(0.9)
Profitability (INR mn)								
PAT	1,130	1,520	(25.7)	990	14.1	3,430	4,110	(16.5)
Value of new business (VNB)	4,890	4,890	0.0	5,120	(4.5)	12,550	11,520	8.9
VNB margin (%)	23.2	27.2	(4.0)	23.6	(0.4)	21.9	25.3	(3.4)
Distribution mix - APE basis (%)								
Proprietary	41.2	38.7	2.4	41.8	(0.6)	42.4	37.6	4.8
Bancassurance	54.5	56.9	(2.4)	52.5	2.1	51.0	55.6	(4.5)
Others	4.3	4.3	(0.0)	5.8	(1.5)	6.5	6.8	(0.3)
Other paraments (INR mn)								
Embedded Value	241,290	187,090	29.0	233,380	3.4	241,290	187,090	29.0
Assets under management	1,717,050	1,426,210	20.4	1,701,440	0.9	1,717,050	1,426,210	20.4
Solvency ratio (%)	196.0	179.0	17.0	198.0	(2.0)	196.0	179.0	17.0

Source: Company, Elara Securities Research

Exhibit 1: Quarterly Summary

YE March	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Premium (INR mn)											
Gross written premium (GWP)	62,840	91,540	48,710	66,250	72,970	107,360	53,990	77,380	82,230	12.7	6.3
New business premium (NBP)	22,620	33,200	18,570	24,240	26,890	40,530	20,760	30,150	30,000	11.6	(0.5)
Annual premium equivalent (APE)	15,500	25,850	12,360	17,330	18,479	29,161	15,890	22,510	21,590	16.8	(4.1)
Savings	14,030	23,760	9,940	14,680	15,919	26,171	12,710	19,000	18,790	18.0	(1.1)
Par	1,929	2,761	2,160	4,020	3,220	4,184	2,090	2,260	3,530	9.6	56.2
Non-par	7,146	14,002	3,880	3,960	5,360	8,468	3,530	5,680	4,750	(11.4)	(16.4)
Annuity	1,481	981	810	980	1,090	1,768	820	1,030	1,190	9.2	15.5
ULIP	3,474	6,016	3,090	5,720	6,240	11,760	6,270	10,030	9,330	49.5	(7.0)
Protection	1,470	2,090	2,420	2,630	2,580	2,990	3,180	3,510	2,800	8.5	(20.2)
Retail protection	930	1,377	1,020	1,600	1,720	2,150	1,560	2,400	1,980	15.1	(17.5)
Group protection	540	714	1,400	1,040	860	840	1,620	1,110	820	(4.7)	(26.1)
Expenses (INR mn)											
Commission	4,045	6,285	3,023	5,470	6,152	9,340	4,526	7,477	8,092	31.5	8.2
Operating expenses	8,593	13,012	8,670	9,427	10,112	13,202	9,819	11,981	10,354	2.4	(13.6)
Management Expenses	12,637	19,297	11,693	14,897	16,265	22,542	14,344	19,458	18,445	13.4	(5.2)
Commission ratio	6.4	6.9	6.2	8.3	8.4	8.7	8.4	9.7	9.8	1.4	0.2
Operating expense ratio	13.7	14.2	17.8	14.2	13.9	12.3	18.2	15.5	12.6	(1.3)	(2.9)
Business mix - APE basis (%)											
Savings	90.5	91.9	80.4	84.7	86.1	89.7	80.0	84.4	87.0	0.9	2.6
Par	12.4	10.7	17.5	23.2	17.4	14.3	13.2	10.0	16.4	(1.1)	6.3
Non-par	46.1	54.2	31.4	22.9	29.0	29.0	22.2	25.2	22.0	(7.0)	(3.2)
Annuity	9.6	3.8	6.6	5.7	5.9	6.1	5.2	4.6	5.5	(0.4)	0.9
ULIP	22.4	23.3	25.0	33.0	33.8	40.3	39.5	44.6	43.2	9.4	(1.3)
Protection	9.5	8.1	19.6	15.2	14.0	10.3	20.0	15.6	13.0	(1.0)	(2.6)
Retail protection	6.0	5.3	8.3	9.2	9.3	7.4	9.8	10.7	9.2	(0.1)	(1.5)
Group protection	3.5	2.8	11.3	6.0	4.7	2.9	10.2	4.9	3.8	(0.9)	(1.1)
Profitability											
PAT	2,520	580	880	1,710	1,520	(510)	1,310	990	1,130	(25.7)	14.1
Value of new business (VNB)	5,930	7,700	2,470	4,160	4,890	8,210	2,540	5,120	4,890	0.0	(4.5)
VNB margin	39.3	30.3	22.2	25.2	27.2	28.6	17.5	23.6	23.2	(4.0)	(0.4)
Distribution mix (APE basis)											
Proprietary	31.5	40.4	36.2	37.4	38.7	39.3	45.1	41.8	41.2	2.4	(0.6)
Bancassurance	65.6	55.6	52.3	56.4	56.9	57.1	44.3	52.5	54.5	(2.4)	2.1
Others	2.8	3.9	11.5	6.2	4.3	3.7	10.6	5.8	4.3	(0.0)	(1.5)
Other paraments											
Embedded Value	155,470	162,630	169,380	179,110	187,090	194,940	220,430	233,380	241,290	29.0	3.4
Assets under management	1,184,000	1,228,570	1,291,270	1,341,610	1,426,210	1,508,360	1,611,530	1,701,440	1,717,050	20.4	0.9
Solvency ratio (%)	200.0	190.0	188.0	184.0	179.0	172.0	203.0	198.0	196.0	17.0	(2.0)

Source: Company, Elara Securities Research

Conference call highlights

Rebranding to *Axis Max Life Insurance*

- ▶ Max Life Insurance rebranded as *Axis Max Life Insurance*
- ▶ Aims to leverage Axis Bank's strong brand to expand into Tier 2 & 3 cities while maintaining Max Life's legacy. Focus on expanding sales in Tier 2 & 3 markets through the rebranded *Axis Max Life*

VNB margin and surrender regulations

- ▶ Net VNB margin impact was 100bp due to surrender regulations, at the lower end of the 100-200bp guidance. The company managed the impact through product repricing and negotiation of distributor payouts
- ▶ Around ~300bp VNB margin decline was attributable to product mix shift toward ULIP
- ▶ The company is looking to improve ULIP margin by higher rider attachments, although riders are classified under the protection segment

Distribution

- ▶ It added eight new partners: five group credit life partners, two brokers, and one corporate agent in 9MFY25. These partnerships have crossed INR 10mn in business contribution to date
- ▶ Axis Bank's growth slowed in Q3 but it is likely to pick up in Q4

Product mix

- ▶ Despite market fluctuations, ULIP demand remains strong
- ▶ *New Smart Term Plan Plus* was launched, featuring auto-rebalancing of life cover, maternity cover for female lives, and *Lifeline Plus* top-up for spouse's death
- ▶ The rider attachment ratio reached 45% (up from 32%), growing APE by 250%

Listing of Axis Max Life

- ▶ Axis Max Life is preparing for listing, and the Insurance Amendment Bill (Section 35) is expected to facilitate a smoother process
- ▶ Once the bill is passed, regulatory approvals will be sought to expedite the listing.
- ▶ Despite this, the overall merger and listing process will still take around a year, including approvals from National Company Law Tribunal (NCLT) and regulators.
- ▶ Even if the bill is delayed, Max Financial is not considering alternative structures, as it remains optimistic about the bill's approval.

Policy count

- ▶ Number of policies issued increased by 11% YoY
- ▶ Tier 2 and 3 cities saw higher policy growth, driven by Axis Max Life rebranding and banca expansion

New business strain

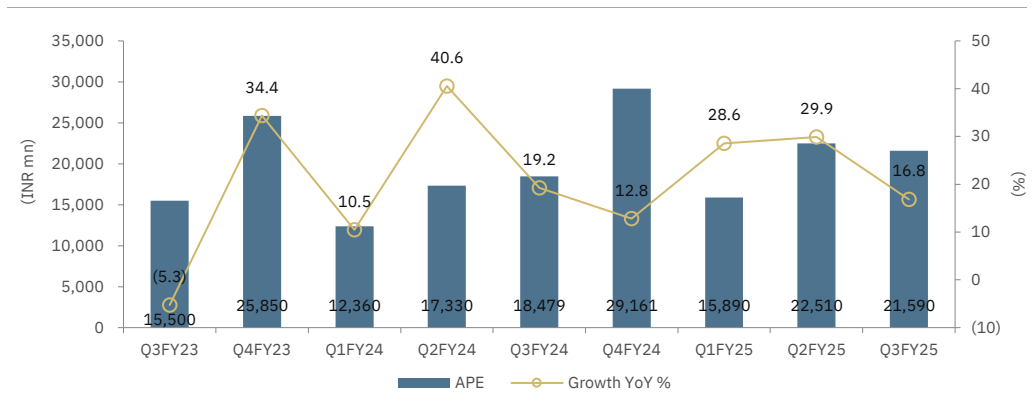
- ▶ New business strain increased by 57% YoY, primarily due to higher ULIP sales (which require more capital upfront). ULIP products usually have higher new business strain than savings-based non-par products

Outlook

- ▶ FY25 target: 20% APE growth and high single-digit VNB growth for FY25
- ▶ Long-term margin target: ~25%+, which will be achieved through product mix rebalancing and higher sales of non-PAR products

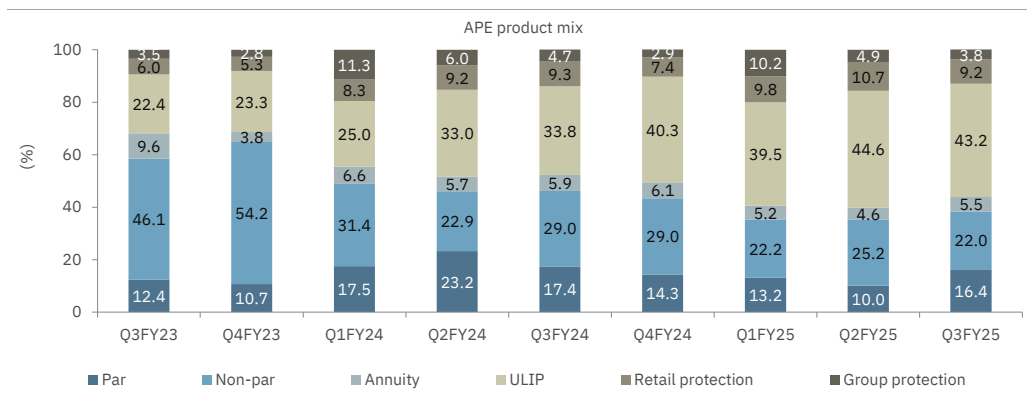
- ▶ Targeting 35-40% ULIP share in the long term. It expects a loss in ULIP share to be offset by non-par, which will also aid in margin expansion
- ▶ 9M economic variance in EV was INR 5,370mn

Exhibit 2: APE grows by ~17% YoY, led largely by the ULIP segment...



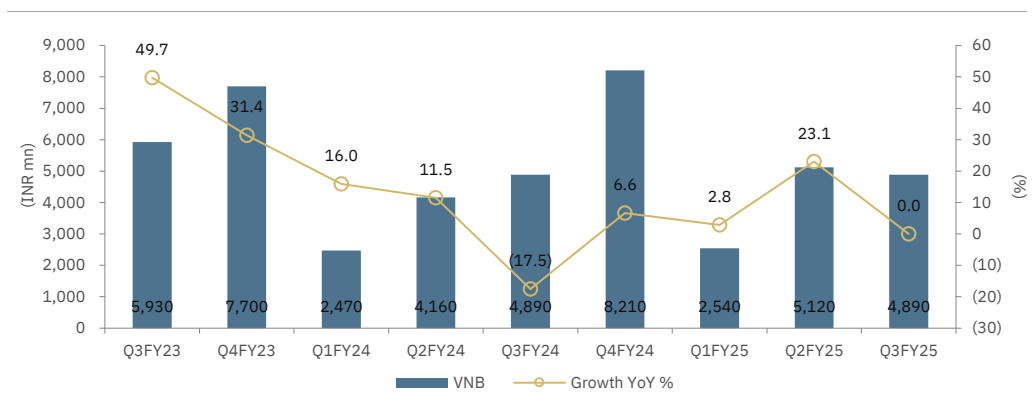
Source: Company, Elara Securities Research

Exhibit 3: ...leading to higher mix of lower margin ULIP



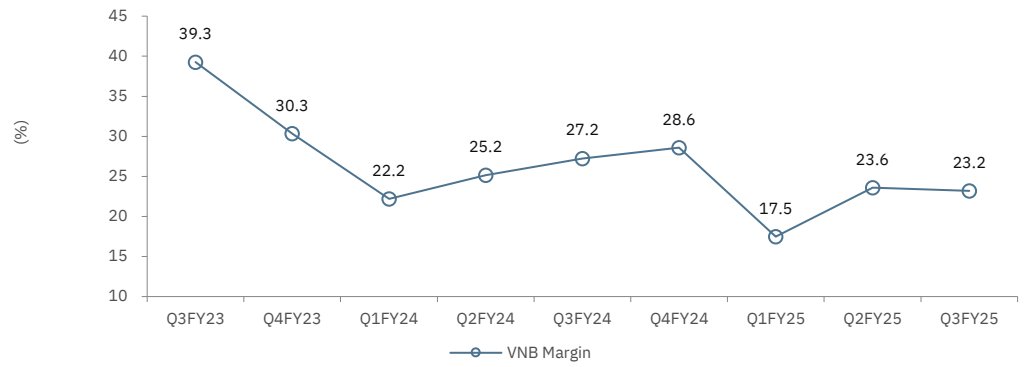
Source: Company, Elara Securities Research

Exhibit 4: Flat absolute VNB YoY due to margin compression from mix change and surrender impact



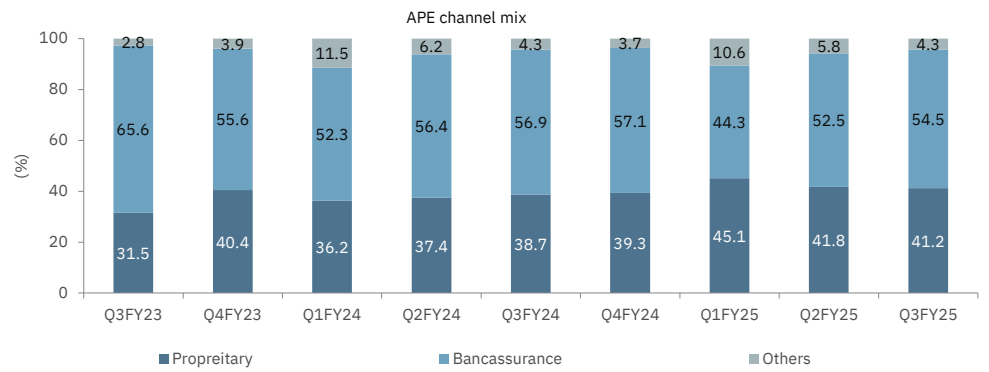
Source: Company, Elara Securities Research

Exhibit 5: VNB margin decline both YoY and sequentially



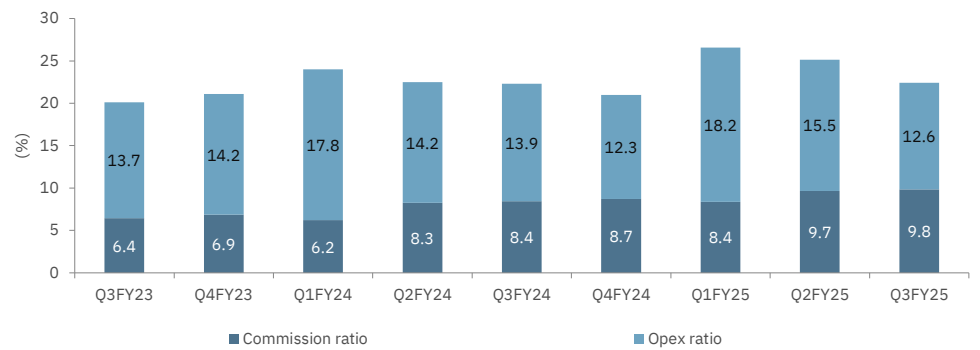
Source: Company, Elara Securities Research

Exhibit 6: Strong growth agency and direct channels as contribution from this channel increases



Source: Company, Elara Securities Research

Exhibit 7: Commission ratios trend higher post regulatory removal on cap on commission payouts



Source: Company, Elara Securities Research

Key risks

- ▶ Adverse regulations on the bancassurance channel
- ▶ Slower revival in the non-par savings segment hindering margin improvement
- ▶ Negative operating variances due to persistency, mortality, or expenses
- ▶ Other regulatory risks

Exhibit 8: Valuation summary

(INR)	
Required return (%)	12.5
Terminal growth (%)	5.0
Target EVPS (INR)	741.5
Target multiple (x)	1.9
TP	1,350
Upside (%)	21

Note: pricing as on 5 February 2025; Source: Elara Securities Estimate

Exhibit 9: MAXF valuation sees significant correction along with overall sector due to regulatory overhang



Source: NSE, Company, Elara Securities Research

Exhibit 10: Change in estimates

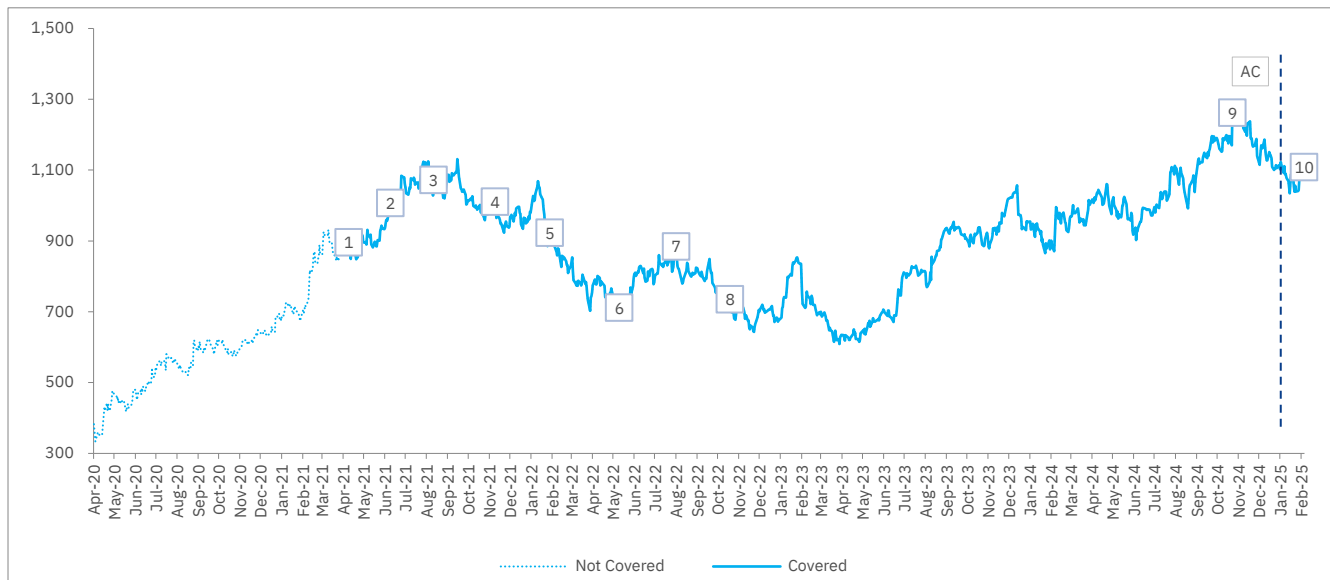
(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
APE	93,684	110,368	128,497	93,467	108,185	124,606	(0.2)	(2.0)	(3.0)
VNB	21,542	25,476	30,033	20,802	25,910	30,404	(3.4)	1.7	1.2
VNB Margin (%)	23.0	23.1	23.4	22.3	24.0	24.4	(0.7)	0.9	1.0
TP (INR)			1,560			1,350			(13)

Source: Elara Securities Estimate

Abbreviations

APE	Annual premium equivalent
EV	Embedded value
EVOP	Embedded value operating profit
FS	Free surplus
FYP	First year premium
NBP	New business premium
Non-par	Non-participating product
Opex	Operating expenses
Par	Participating product
PPT	Premium paying term
RC	Required capital
ROEV	Return on embedded value
RP	Renewal premium
RSM	Required solvency margin
SP	Single premium
TWRP	Total weighted received premium
ULIP	Unit linked product
VIF	Value in force
VNB	Value of new business
VNB margin	Value of new business margin

Coverage History



	Date	Rating	Target Price	Closing Price
5	28-Jan-2022	Buy	INR 1,260	INR 917
6	10-May-2022	Buy	INR 1,140	INR 702
7	1-Aug-2022	Buy	INR 1,180	INR 875
8	20-Oct-2022	Buy	INR 900	INR 712
9	23-Oct-2024*	Buy	INR 1,560	INR 1,272
10	5-Feb-2025	Buy	INR 1,350	INR 1,119

AC=Analyst change

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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