

MAX Financial Services

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR1,119 TP: INR1,180 (+5%) Neutral

Strong APE growth driven by 19% growth in NOP

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	386 / 4.4
52-Week Range (INR)	1311 / 862
1, 6, 12 Rel. Per (%)	2/6/20
12M Avg Val (INR M)	1210

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Gross Premiums	344.2	395.9	455.0
Sh. PAT	5.1	7.3	9.8
NBP gr - APE (%)	23.2	16.7	16.1
Premium gr (%)	16.5	15.0	14.9
VNB margin (%)	23.0	24.5	25.0
Op. RoEV (%)	19.0	19.5	19.4
Total AUMs (INRb)	1,693	1,904	2,147
VNB (INRb)	20.7	25.7	30.5
EV Per Share	538	642	767

Valuations

P/EV (x)	2.6	2.2	1.8
P/EVOP (x)	16.2	13.3	11.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	3.3	3.3	6.5
DII	42.7	44.0	36.9
FII	47.5	46.2	50.9
Others	6.5	6.4	5.7

FII includes depository receipts

- MAX Financial Services (MAXF) reported a steady performance in 3QFY25. The new business APE rose 17.4% YoY (in line) to INR21.1b. For 9MFY25, it came in at INR57.3b, up 26% YoY.
- MAXF reported a flat VNB growth on a YoY basis (in line) at INR 4.9b. VNB margin contracted ~400bp YoY to 23.2% (MOFSLe: 23.5%), mainly due to the shift in product mix towards ULIP and the impact of surrender charges.
- Shareholders PAT for the quarter declined 54% YoY to INR0.7b (56% miss). For 9MFY25, it reported a PAT of INR3.7b, down 11% YoY.
- For FY25, management has guided for 20% growth in overall sales and higher single-digit growth in absolute VNB. The margin is likely to be at ~25%.
- The higher share of ULIP has led to margin contraction. However, management has guided to reduce the share of ULIP to 35-40% from 44% currently. We broadly maintain our estimates. **Reiterate Neutral** with a TP of INR1,180, premised on 2.1x Sept'26E EV and a holding company discount of 20%.

Higher ULIP share and surrender charges lead to a dip in VNB margin

- Gross premium income grew 12.7% YoY to INR82.2b (in line). For 9MFY25, it came in at INR213.6b, up 14% YoY. Renewal premium grew 13.3% YoY to INR52.2b (in line).
- The increase in rider penetration and selling variants with higher margins led to a lower-end impact of the surrender charges. However, the margin contracted 400bp YoY due to the ~100bp impact of surrender charges regulation and ~300bp impact of product mix shift towards ULIP and lower sales in the Par and Non-par segments.
- The policyholder expense to GWP rose 13bp YoY to 14.9% in 9MFY25.
- Persistency on the NOP basis improved across the cohorts, particularly in the 25th-month persistency, at 72% (up 250bp). Management expects the 25th-month persistency ratio to further increase.
- On the product front, ULIPs reported an exponential growth of 70%/49% YoY (9M/3Q basis), fueled by the newly launched Sustainable Wealth 50 Index Fund tailored for e-commerce customers. MAXF recently launched Smart Term Plan Plus to further fortify the protection & health segment.
- On the distribution side, Banca/Proprietary channels grew 14%/41% YoY (on a 9M basis). The surge in proprietary business was aided by: 1) > 100% YoY growth in the online channel, 2) 26% YoY growth in direct selling, and 3) 21% YoY growth in the agency channel. The slow growth in the banca channel was due to slower growth from the Axis Bank channel vs. other banks. However, management expects this to pick up in the coming quarters.
- AUM grew 20.4% YoY to INR1.72t.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Highlights from the management commentary

- The strategies for product mix rebalancing as stated are: 1) customer centricity, 2) improving the market share, and 3) focusing on profitability. Management guided product mix rebalancing by reducing the share of the ULIP segment in the mix by ~5-7 % and increasing the share of the non-par segment.
- The merger with the Axis Group will further lead to improved penetration in the tier 2 and tier 3 cities. This will lead to a 1.5x surge in the number of policies.
- All actions regarding pricing as well as negotiations with the distributors have been done. Management guides no further near-term repricing actions to be taken.

Valuation and view

- MAXF reported a steady performance in 3QFY25 with APE/VNB being in line. The company posted strong growth in the proprietary channel driven by secular growth within online sales, agency, and direct selling. On the product front, ULIP reported a robust growth of 49% in 3QFY25 and the share in the product mix improved to 44%.
- Actions such as an increase in rider penetration and selling variants with higher margins led to a lower-end impact of the surrender charges. However, the margin contracted 400bp YoY due to the product mix shift towards ULIP and surrender charges regulation. **Reiterate Neutral** rating with a TP of INR 1,180, premised on 2.1x Sept'26E EV and a holding company discount of 20%.

Quarterly Snapshot

Policyholder's A/c (INR b)	FY24				FY25				FY24	FY25E	FY25E 3QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
First-year premium	9.9	15.3	17.6	25.4	12.6	20.5	20.4	30.9	68.9	85.3	21.3	-4%
Growth (%)	8.0%	37.7%	20.7%	5.3%	27.1%	33.6%	16.1%	21.9%	16.8%	23.9%	21.2%	
Renewal premium	30.1	42.0	46.1	66.8	33.2	47.2	52.2	75.4	185.1	212.9	53.2	-2%
Growth (%)	15.1%	7.5%	14.6%	14.6%	10.3%	12.4%	13.3%	12.8%	13.0%	15.0%	15.5%	
Single premium	8.7	8.9	9.3	15.2	8.2	9.7	9.6	16.6	41.3	45.9	10.1	-5%
Growth (%)	52.8%	14.2%	15.5%	66.5%	-5.7%	8.4%	3.0%	9.8%	35.1%	11.0%	8.7%	
Gross premium income	48.7	66.3	73.0	107.4	54.0	77.4	82.2	122.9	295.3	344.2	84.7	-3%
Growth (%)	18.7%	14.2%	16.1%	17.3%	10.8%	16.8%	12.7%	14.5%	16.5%	16.5%	16.0%	
PAT	1.0	1.6	1.5	-0.5	1.6	1.4	0.7	0.9	3.6	5.1	1.6	-56%
Growth (%)	13.2%	196.2%	-34.9%	-186.4%	51.4%	-11.2%	-53.8%	-276.6%	-17.8%	42.8%	4.1%	
Key metrics (INRb)												
New Business APE	11.1	16.5	18.0	28.7	14.5	21.7	21.1	33.1	73.0	89.9	20.7	2%
Growth (%)	10.3%	38.8%	18.9%	13.2%	30.5%	31.3%	17.4%	15.4%	17.7%	23.2%	0.2	
VNB	2.5	4.2	4.9	8.2	2.5	5.1	4.9	8.1	19.7	20.7	4.9	1%
Growth (%)	16.0%	11.5%	-17.5%	6.6%	2.8%	23.1%	0.0%	-0.9%	1.2%	4.8%	0.0	
AUM	1,291.3	1,341.6	1,426.2	1,508.4	1,611.5	1,701.4	1,717.1	1,692.7	1,508.4	1,692.7	1,769	-3%
Growth (%)	20.5%	18.4%	20.5%	22.8%	24.8%	26.8%	20.4%	12.2%	22.8%	12.2%	0.2	
Key Ratios (%)												
VNB Margins (%)	22.2	25.2	27.2	28.6	17.5	23.6	23.2	24.6	41.2	23.0	23.5	

Policyholder's A/c (INRb)	FY24				FY25			YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Gross premium	48.7	66.3	73.0	107.4	54.0	77.4	82.2	13	6
First-year premium	9.9	15.3	17.6	25.4	12.6	20.5	20.4	16	0
Renewal premium	30.1	42.0	46.1	66.8	33.2	47.2	52.2	13	11
Single premium	8.7	8.9	9.3	15.2	8.2	9.7	9.6	3	-1
Shareholder PAT	1.0	1.6	1.5	-0.5	1.6	1.4	0.7	-54	-50
APE data (INRb)									
PAR	1.9	3.9	3.3	4.3	1.9	2.1	3.5	5	65
Individual Protection	0.9	1.6	1.6	1.8	1.5	2.2	2.1	30	-3
Group protection	1.2	1.0	1.0	0.5	1.5	1.1	0.9	-8	-17
Non Par Savings	4.2	4.6	3.5	13.0	3.9	6.6	2.7	-23	-59
ULIP	2.8	5.5	5.8	11.9	5.7	9.5	9.4	61	-1
APE (% of total)									
PAR	17.0	23.7	18.5	14.8	13.0	9.7	16.4	-202	678
Individual Protection	8.0	9.7	9.0	6.4	10.0	10.0	10.0	100	0
Group protection	11.0	6.0	5.5	1.8	10.0	5.0	4.3	-118	-71
Non Par Savings	38.0	28.0	19.3	45.1	27.0	30.3	12.7	-661	-1,765
ULIP	25.0	33.4	32.5	41.4	39.0	44.0	44.7	1,218	71
Distribution mix (%)									
Proprietary	40.0	40.0	40.0	40.0	49.0	43.7	41.7	170	-200
Banca	58.0	59.7	59.0	56.4	48.0	54.3	56.2	-275	193
Others	2.0	0.3	1.0	3.6	2.0	2.0	2.1	106	7
Key Ratios (%)									
Operating ratios									
Opex to GWP ratio (%)	23.6	22.8	22.6	22.0	26.3	25.6	24.3	170	-130
Solvency Ratio	188.0	184.0	179.0	172.0	203.0	198.0	196.0	1,700	-200
Profitability ratios									
VNB margins	22.2	25.2	27.2	28.6	17.5	23.6	23.2	-404	-40
Persistency ratios (%)									
13th Month	84.0	84.0	85.0	87.0	87.0	87.0	85.0	0	-200
25th Month	69.0	70.0	70.0	70.0	71.0	71.0	72.0	200	100
37th Month	52.0	62.0	63.0	63.0	64.0	64.0	64.0	100	0
49th Month	64.0	65.0	65.0	66.0	67.0	67.0	67.0	200	0
61st Month	58.0	57.0	58.0	58.0	58.0	58.0	58.0	0	0
Key Metrics (INRb)									
VNB	2.5	4.2	4.9	8.2	2.5	5.1	4.9	0	-4
AUM	1,291	1,342	1,426	1,508	1,612	1,701	1,717	20	1
Equity Mix (%)	26.5	28.1	30.1	30.0	29.7	43.3	0.0	-3,009	-4,327



Highlights from the management commentary

Business:

- The individual APE for 3Q grew at 25% outperforming the private market growth at 19% and overall industry growth at 25%
- Achieved highest ever rider attachment ratio of 45% vs 32% in 9MFY24 with Rider APE growing by 250% during 9MFY25
- Recently launched, the Smart Term Plan Plus offers seven flexible plan variants to further strengthen the protection and health segment.
- On the digital front, it launched a new edge product configurator, enabling do-it-yourself product setup and automated journey configurations, resulting in a reduction of product launch time by almost 50%.
- Axis Group's ownership in the AXIS Max Life Insurance declined to ~19.02% from 19.2%.
- The merger with Axis Group will further lead to penetration improvement in tier 2 and tier 3 cities with the number of policies to surge 1.5x of the current number.

- Approval is awaited for Section 35 and remains positive on the same.
- Persistency on NOP basis improved across the cohorts particularly in the 25th-month persistency at 72% improved by 250 bps. Management expects the 25th-month persistency ratio to further improve.

Product mix

- The future strategies for product mix rebalance as stated are: 1) customer centricity, 2) improving the market share and 3) focusing on profitability.
- Management guided product mix rebalancing by reducing the share of the ULIP segment in the mix by ~5-7 % and increasing the share of the non-par segment.
- The growth in the ULIP segment remained robust at 49% despite a decline in the capital markets. The share in the overall product mix has improved from 35% to 44%. Management has guided bringing down the ULIP share in the mix to the range of 35-40%.

VNB margin

- Margins contracted 400bp YoY on account of ~100bp impact due to surrender charges regulation and ~300bp impact due to product mix shift towards ULIP and lower sales in Par and Non-par segment.
- The increase in rider penetration and selling variants with higher margins led to a lower-end impact of the surrender charges.

Channel mix

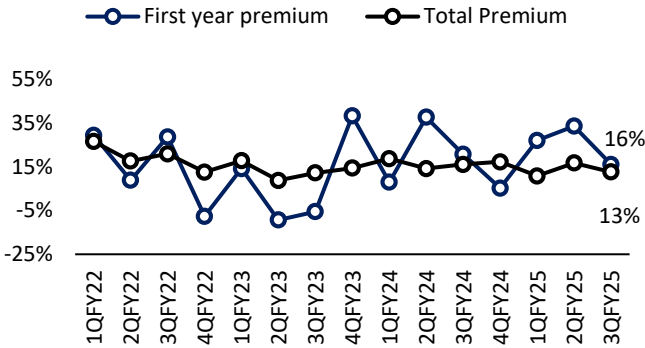
- On the growth front, the proprietary channel will be the key focus area basis secular growth within online channel (>100% YoY growth), agency (21% YoY growth), and direct selling (26% growth).
- Successfully on-boarded 33 new partners during 9MFY25, i.e., three Banks including Indian Post Payments Bank, 15 GCL partners, seven online & offline brokers, and eight corporate agents.
- On the Banca channel, during the quarter, the growth rate from the Axis bank channel was lower than other banks. Management guided the growth rate to pick up in the coming year as new partners have been onboarded and the growth rate of existing partners further improves.

Guidance

- Management guided 20% growth in overall sales and a higher single-digit growth rate for VNB for FY25. Management guided to maintain margin in the range of 25%.

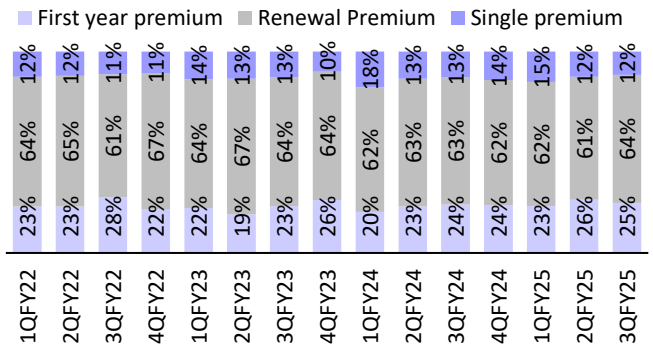
Key exhibits

Exhibit 1: First-year premium grew 16% YoY, while total premium grew 13% YoY in 3QFY25



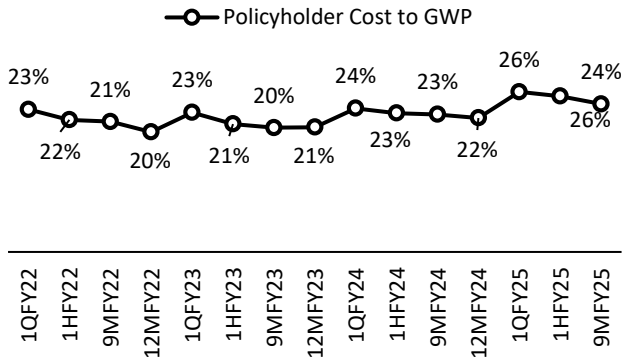
Sources: MOFSL, company reports

Exhibit 2: Share of renewal premium increased to 64% in 3QFY25



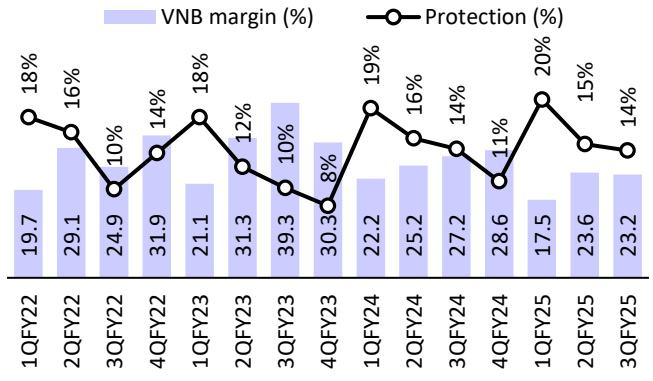
Sources: MOFSL, company reports

Exhibit 3: Opex-to-GWP ratio stood at 24% for 9MFY25



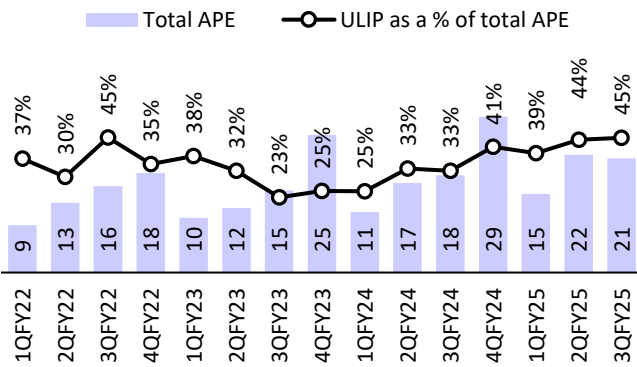
Sources: MOFSL, company reports

Exhibit 4: VNB margin contracted 400bp YoY to 23.2%



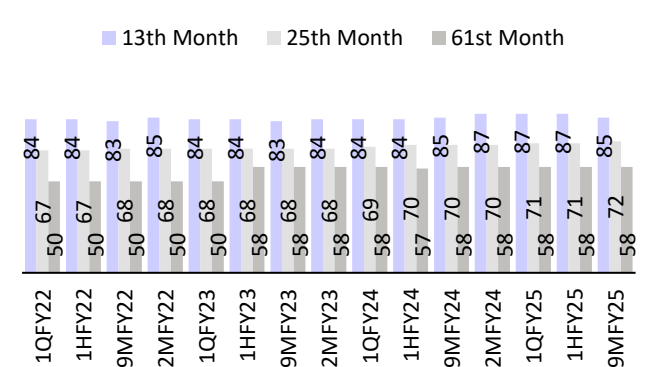
Sources: MOFSL, company reports

Exhibit 5: Share of ULIP in total APE rose to 45% in 3QFY25



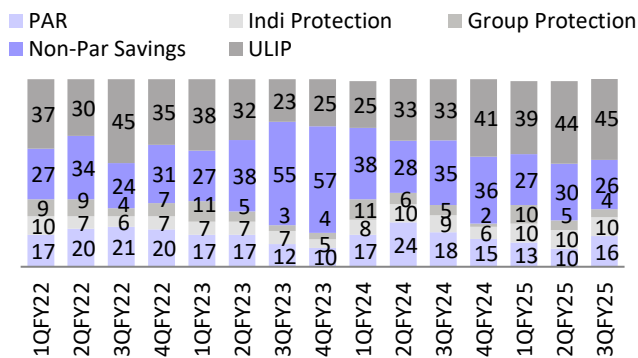
Sources: MOFSL, company reports

Exhibit 6: Trend in 13th/25th/61st month persistency



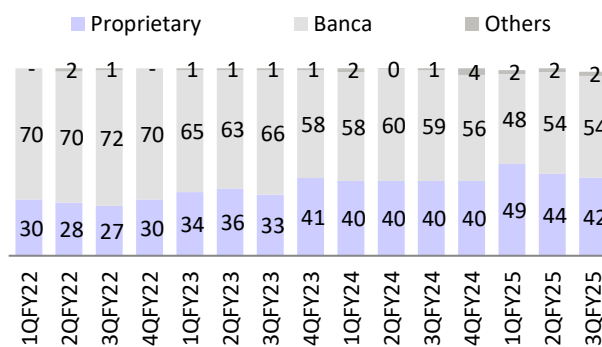
Sources: MOFSL, company reports

Exhibit 7: Share of protection stood at 14% of the total APE, while the share of ULIP rose to 45% in 3QFY25



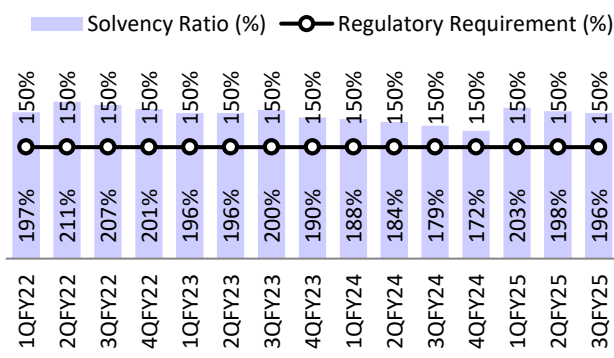
Sources: MOFSL, company reports

Exhibit 8: Distribution mix (%)



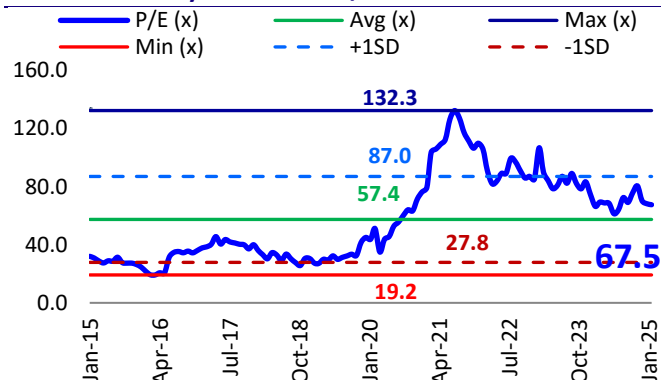
Sources: MOFSL, company reports

Exhibit 9: Solvency ratio healthy at 196%, well above the regulatory requirement of 150%



Sources: MOFSL, company reports

Exhibit 10: One-year forward P/EV chart trend



Sources: MOFSL, company reports

Exhibit 11: We value MAXF at INR1,180 per share

Appraisal value method (INR b)	Sept'26E
Embedded value	304
New business profit	28.1
Appraisal value	638
MFS stake post-deal	80%
MFS value	510
MFS valuation per share (INR)	1,480
Appraisal value-to-embedded value (x)	2.1
Holding company discount	20%
Target price (INR)	1,184
Upside/downside	6%

Source: MOFSL

Financials and valuations

Technical account (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross Premiums	1,61,836	1,90,179	2,24,141	2,53,419	2,95,290	3,44,155	3,95,900	4,54,979
Reinsurance Ceded	2,049	2,788	4,272	4,601	5,443	6,343	7,297	8,386
Net Premiums	1,59,788	1,87,391	2,19,870	2,48,818	2,89,847	3,37,811	3,88,603	4,46,593
Income from Investments	21,589	1,21,657	87,408	60,936	1,70,875	1,33,732	1,36,385	1,53,442
Other Income	612	730	878	792	77	77	77	77
Total income (A)	1,81,989	3,09,778	3,08,155	3,10,547	4,60,800	4,71,621	5,25,065	6,00,112
Commission	(10,244)	(12,270)	(14,028)	(16,138)	(23,983)	(28,564)	(33,297)	(38,633)
Operating expenses	(23,441)	(27,008)	(30,192)	(35,808)	(40,861)	(46,581)	(53,103)	(60,537)
Total commission and opex	(33,685)	(39,277)	(44,220)	(51,947)	(64,843)	(75,145)	(86,399)	(99,169)
Benefits Paid (Net)	66,222	70,149	92,772	99,792	1,33,212	1,39,852	1,55,632	1,79,500
Chg in reserves	66,394	1,96,686	1,64,581	1,50,603	2,57,486	2,48,834	2,72,994	3,08,826
Prov for doubtful debts								
Total expenses (B)	1,69,073	3,08,010	3,03,993	3,04,550	4,57,656	4,65,941	5,17,155	5,89,645
(A) - (B)	12,916	1,768	4,162	5,997	3,144	5,680	7,910	10,467
Prov for Tax	-	-	-	-	-	-	-	-
Surplus / Deficit	12,916	1,768	4,162	5,997	3,144	5,680	7,910	10,467

Shareholder's a/c (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Transfer from technical a/c	4,690	3,864	2,781	4,563	2,612	4,720	6,573	8,698
Income From Investments	2,074	2,360	3,212	3,143	3,943	3,860	4,632	5,558
Total Income	6,781	6,351	6,033	7,858	6,858	8,883	11,508	14,559
Other expenses	292	739	707	785	900	1,017	1,149	1,299
Contribution to technical a/c	410	502	1,168	1,999	2,210	2,400	2,600	2,800
Total Expenses	701	1,241	1,874	2,784	3,110	3,417	3,749	4,099
PBT	5,978	5,102	4,170	5,069	3,749	5,466	7,759	10,461
Prov for Tax	(585)	131	(303)	(694)	(152)	(328)	(466)	(628)
PAT	5,394	5,232	3,867	4,374	3,597	5,138	7,293	9,833
Growth	-3%	-3%	-26%	13%	-18%	43%	42%	35%

Balance sheet (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of Fund								
Share Capital	19,188	19,188	19,188	19,188	19,188	20,608	20,608	20,608
Reserves And Surplus	6,806	10,589	12,760	16,208	20,184	24,214	30,366	39,023
Shareholders' Fund	25,739	30,079	31,959	35,467	39,983	45,500	51,726	60,466
Policy Liabilities	4,54,807	5,58,936	6,72,822	8,05,354	9,73,550	11,68,260	14,01,911	16,82,294
Prov. for Linked Liab.	1,74,210	2,54,703	2,94,035	3,03,656	3,87,991	5,92,721	6,48,003	7,11,786
Funds For Future App.	30,962	29,819	32,369	35,803	38,727	42,600	46,860	51,546
Current liabilities & prov.	20,276	28,853	37,214	38,656	36,183	39,801	43,781	48,159
Total	6,97,448	9,12,228	10,83,335	12,42,553	15,38,216	17,85,873	20,81,033	24,33,938
Application of Funds								
Shareholders' inv	32,581	38,484	51,477	55,042	58,484	70,181	84,217	1,01,060
Policyholders' inv	4,60,484	5,81,847	6,89,187	8,21,021	10,08,078	12,09,694	14,51,633	17,41,959
Assets to cover linked liab.	1,91,642	2,83,736	3,34,432	3,52,502	4,41,793	4,68,300	4,96,398	5,26,182
Loans	4,264	5,322	6,661	9,248	10,605	16,225	24,825	37,982
Fixed Assets	2,187	2,213	2,604	3,452	4,153	4,859	5,685	6,652
Current assets	26,566	29,480	36,189	39,942	51,286	56,414	62,056	68,261
Total	6,97,448	9,12,228	10,83,335	12,42,553	15,38,216	17,85,873	20,81,033	24,33,938

Financials and valuations

Operating ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Investment yield	3.3%	15.2%	9.0%	5.1%	12.4%	8.6%	7.8%	7.8%
Commissions / GWP	6.3%	6.5%	6.3%	6.4%	8.1%	8.3%	8.4%	8.5%
- first year premiums	-17.2%	-17.5%	-18.0%	-18.7%	-27.5%	-27.0%	-27.0%	-27.0%
- renewal premiums	-2.6%	-2.7%	-2.5%	-2.5%	-2.4%	-2.4%	-2.4%	-2.4%
- single premiums	-1.1%	-1.4%	-1.8%	-1.6%	-1.5%	-1.0%	-1.0%	-1.0%
Operating expenses / GWP	-14.5%	-14.2%	-13.5%	-14.1%	-13.8%	-13.5%	-13.4%	-13.3%
Total expense ratio	-20.8%	-20.7%	-19.7%	-20.5%	-22.0%	-21.8%	-21.8%	-21.8%
Claims / NWP	41.4%	37.4%	42.2%	40.1%	46.0%	41.4%	40.0%	40.2%
Solvency ratio	207%	202%	201%	193%	172%	195%	190%	158%

Persistency ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
13th Month	83.0%	84.0%	85.0%	84.0%	87.0%	88.0%	89.0%	90.0%
25th Month	71.0%	71.0%	68.0%	68.0%	70.0%	71.0%	72.0%	73.0%
37th Month	63.0%	63.0%	61.0%	62.0%	63.0%	63.5%	64.0%	64.5%
49th Month	59.0%	58.0%	56.0%	63.0%	66.0%	66.5%	67.0%	67.5%
61st Month	52.0%	54.0%	50.0%	58.0%	58.0%	58.5%	59.0%	59.5%

Profitability ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
New business margin (%)	21.6%	25.2%	27.4%	31.2%	26.5%	23.0%	24.5%	25.0%
RoE (%)	20.2%	18.7%	12.5%	13.0%	9.5%	12.0%	15.0%	17.5%
Operating RoEV	20.3%	18.6%	19.2%	22.1%	20.2%	19.0%	19.5%	19.4%
RoEV (%)	11.6%	18.6%	19.8%	14.7%	19.9%	19.0%	19.4%	19.3%

Valuation ratios	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total AUM (INR b)	685	904	1,075	1,229	1,508	1,693	1,904	2,147
EPS (INR)	14.5	11.0	8.1	9.2	7.6	11.9	16.9	22.8
Value of new business (INRb)	9.0	12.5	15.3	19.5	19.7	20.7	25.7	30.5
Embedded Value (INR b)	99.8	118.4	141.8	162.6	194.9	231.9	277.0	330.6
EV Per share (INR)	209.7	248.7	297.9	341.8	409.7	537.8	642.4	766.7
P/EV (x) - after 20% holdco disc	6.7	5.6	4.7	4.1	3.4	2.6	2.2	1.8
P/EPS (x)	96.2	127.0	171.9	151.9	184.7	117.2	82.5	61.2
P/EVOP(x)	33.2	32.5	26.5	19.2	18.3	16.2	13.3	11.2
P/VNB(x)	67.1	48.2	39.4	30.9	30.5	29.1	23.4	19.8

Note: Valuation ratios adjusted for MFS stake (80%) and hold company discount (20%)

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