November 6, 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: **Transcript of Investors & Analysts Conference Call**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Transcript of Investors & Analysts Conference Call held on November 1, 2023 post declaration of Un-audited Financial Results of the Company for the quarter and half year ended September 30, 2023, is enclosed.

The same has also been uploaded on website of the Company at https://www.maxfinancialservices.com/static/uploads/financials/earnings-call-transcript-q2fy24-06-11-23.pdf

You are requested to kindly take the aforesaid on record.

Thanking you,

Yours faithfully

for **Max Financial Services Limited**

PIYUSH SONI

Digitally signed by PIYUSH SONI
DN: c=IN, o=Personal,
pseudonym=8dd0cddff2ef195403957ee938e595bb,
2.5.4.20=bfd6755985f67f4a853852181c0a856a4323027b9e4fb25340aeda6e9ae4a361, postalCode=482001,
st=MADHYA PRADESH,
serialNumber=256dce49fca826b6e56b9b5468a1ed6c030ebc32e2ba7933bef4cf28009b0f53, cn=PIYUSH SONI
Date: 2023.11.06 21:40:46 +05'30'

Piyush Soni
Company Secretary & Compliance Officer

Encl: As above

Max Financial Services Limited
Q2 FY '24 Earnings Conference Call
November 01, 2023

Moderator: Ladies and gentlemen, good day, and welcome to Max Financial Services Limited Q2 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

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

Amrit Singh: Good morning, everyone, and welcome to the earnings call of Max Financial Services for the half year ended September 2023. We made our results available on our website as well as on Stock Exchange last evening. I hope you got an opportunity to go through it. Today, I'm again joined by Prashant Tripathy, MD and CEO of Max Life Insurance. And I will hand to Prashant to actually share the developments of the first half.

Prashant Tripathy: Thank you, Amrit. Good morning, everyone, and thank you for being on the call. Let me first begin by giving you a quick update on the Axis transaction. As you may recall, in quarter 1, we had received approval from Max Life and Max Financial Services' Board regarding Axis Bank infusing INR 1,612 crore. Post that approval, MFSL has received shareholder consent and we have initiated the regulatory approval process with IRDAI and PFRDA.

At this point of time, our proposal is moving forward. We had received the first set of query, we are in the process of responding. We are actively collaborating with the regulators for completion of these procedures. And I'm very hopeful that over the next few weeks, we'll make good progress.

Transitioning to our business update, I'm pleased to report that Max Life has been able to accomplish significant growth outcomes, and we have picked up pace consistent with some of the updates I've been sharing with you over the last few quarters. I'm now going to outline accomplishments against the called-out areas, four or five areas, which are of strategic importance to us.

Firstly, as you may recall, we are trying to build a predictable and sustainable growth by focusing on enlarging and building distribution. And in the second quarter, our individual adjusted first year premium saw an impressive increase of 32% compared to 16% growth in the private sector. This growth was primarily driven by a remarkable 34% increase in the number of policies, indicating a robust market demand and our superior execution capabilities. If one were to compare the number of policies growth for private versus Max Life Insurance, our growth will be almost 3x. It is crucial to emphasize that this growth was not limited to a specific area, but permeated to all key aspects of our business, including distribution, product innovation, technological prowess and customer service. Our proprietary channels witnessed substantial expansion with the Annual Premium Equivalent (APE), surging by 50% in this quarter. This growth was particularly prominent in both online as well as offline proprietary channels. In the online sales, we maintained our leadership position in the protection segment and successfully entered the savings segment last year. I'm delighted to announce that in quarter 2, we achieved a leadership position in the savings segment as well. This area is a very dynamic and with the progress that we've been making, I'm very hopeful that we will be able to strengthen our overall position in savings area. This accomplishment was possible due to our deep understanding of the digital landscape, coupled with a comprehensive product strategy tailored for online success.

In off-line space, Agency channel experienced renewed growth through new agent activations and adviser recruitments, experiencing a growth of 62% in recruitment. Additionally, our direct customer acquisition channel saw improvement in efficiency and contributed significantly to the overall growth.

Our Banca channels also demonstrated strong growth, driven by momentum in sales in Axis Bank. In quarter 2, our bank channels, APE experienced an impressive growth of 30%.

Furthermore, as a part of our strategic efforts to enhance our distribution network, we successfully onboarded eight new partners during the second quarter of FY '24. This included a strategic partnership with AU Small Finance Bank in the digital space.

Our ongoing initiatives to scale up our offices is progressing well, and we anticipate sustaining this positive sales momentum as we go forward.

Talking about product innovation and its impact on margins. Quarter 2 was also fuelled by introduction of new and competitive products offerings, aimed at capturing a larger market share. In line with our growth objectives, we have introduced two offerings in the market. Firstly, we launched industry-first index on focusing on small cap in unit-linked insurance plan design, achieving huge success. And we also launched a new product called SEWA, where we expanded into Health and Wellness sector through our flagship product design Secure Earnings and Wellness Advantage Plan.

This pioneering offering integrates health, protection, savings, and holistic wellness benefits, catering to the evolving needs of today's consumers. SEWA provides comprehensive coverage, including hospitalization, ICU, surgery, critical illness, disability, and life cover solution, which brings many, many things under one platform. Additionally, customers gain access to Max Fit wellness digital app, encouraging a disciplined and healthier lifestyle by offering enhanced maturity benefits.

Alongside these offerings, our participating offering launched in quarter 1 has garnered substantial success revitalizing this segment. These innovative products have resulted a well-balanced product mix in the first half of the year. On Annual Premium Equivalent (APE) basis, the product mix comprises 21% participating, 26% non-participating products under Savings category, 30% Unit-Linked, 6% Annuity and 17% Protection.

We continue to gain traction in the two identified focus areas for Max Life, which are retirement offerings and product Protection and Health. In the first half of the year, the Protection and Health segment experienced a growth of 55% and the annuity sales increased by 217% on APE basis. This growth in annuity sales stemmed from both single premium as well as limited premium plans. Additionally, Max Life Pension has achieved asset under management of approximately INR 409 crore as 30 September 2023.

Since morning, I went through a few analyst reports where there were issues highlighted with respect to the margins of Max Life insurance. I must like to highlight that margins of a life insurance company in the context of quarterly sales are very dependent on the types of products that we launched. As I shared in the first half of the year, there was a lot of focus on participating as well as unit-linked plan. And within unit-linked to drive the online sales momentum, we had launched an index-linked plan where inherently the margins are lower. So as a result of that, the first half margins appear to be 24%, quarter 2 was 25.2%, and the margin is on an upward trajectory, however, lower than last year.

Max Life Insurance had guided that we would be in the range of 27% to 28% by the time we finish the year. Our second half margins historically are always higher than first half, and I'm very hopeful that through the bouquet of products that we are going to launch in the second half, predominantly focused on non-PAR will rebalance the overall mix in favor of those products, which will drive margins. And I remain optimistic to hit the 27% to 28% target. So that's -- I just wanted to state upfront about our margin situation On the third element of customer obsession across the value chain. At Max Life, our steadfast dedication revolves around providing our customers with a substantial value proposition and continually striving to enhance the overall experience. Our exceptional claims rate ratio of 99.51% in FY '23 serves as an evidence of our unwavering commitment to customer obsession.

In first half '24, we are delighted to observe a 3-point enhancement in our overall company Net Promoter Score rising from 52 to 55. I would like to highlight that Net Promoter Score methodology, not just focuses on transactions, but also on relationship vectors. Across the transaction NPS, our current NPS is about 72, which is really quite superior on the transactional basis.

Furthermore, Max Life proudly maintains its position as a market leader in terms of 13th month persistency on number of policies. Specifically, our 13th month persistency of regular limited pay premium stood at 84% and our 61st month persistency was at 58% for the period ending September 2023 achievement underscores the trust and loyalty of our policyholders in Max Life.

Talking about some of the digital initiatives that we undertook to drive efficiency as well as intelligence. Our focus on technology touches various aspects of our operations, including product launches, prospecting, onboarding and customer service. By leveraging agile methodologies, we have achieved operational excellence and high-end efficiency. We introduced the Max Fit App, our health and wellness platform for customers purchasing the SEWA product, as I shared earlier. This app offers important features such as vital tracking, physio connect, health checkup, doctor consultation, chronic disease management and discounts on labs enhancing customer experience significantly.

Our prospecting methods have been enhanced through mSMART, a tool for all our new partners, and a renewal management system is now live for our major Banca partners. Over the last 18 months, we have completely transformed our activity tracking as well as onboarding methodology for all our distribution partners.

Furthermore, our cloud infrastructure has been reinforced with our core systems going live on cloud, a pioneering step in the industry and in the country. This move is integral to our legacy modernization efforts, providing greater resilience through near real-time disaster recovery and scalability.

We are informed by Oracle that we are the only second company in the world to move the Ingenium core system to cloud. In our pursuit of leveraging AI capabilities, we introduced SalesGenie, a generative AI-based virtual training companion for frontline sales. Additionally, a gen AI based SEWA bot pilot was launched for customer service team query resolution specific to queries on SEWA products. These initiatives highlighting our unwavering commitment to digital transformation and utilizing cutting-edge technologies to enhance customer experience and operational efficiencies.

In summary, our strategic initiatives to fuel our growth are yielding results in line with our expectations, positive growth across all parameters bolsters our confidence in the chosen path. We are optimistic that the upcoming initiatives planned in Q3 and Q4 will enable us to achieve our full year guidance.

I'm going to now hand it back to Amrit, who will provide an update on the financial performance.

Amrit Singh: Thank you, Prashant. Just on key financial metrics. For MFSL, the consolidated revenue, excluding investment income, now stands at INR11,221 crore, a growth of 16% compared to first half last year. The consolidated PAT for MFSL is at INR271 crore, up 109% year-on-year.

Renewal premium for Max Life grew by 11% to INR7,215 crore, and gross premium stands at INR11,496 crore, a growth of 16%. Value of New Business during this period of first half stands at INR663 crore versus INR586 crore last year, representing a growth of 13%. And as Prashant highlighted, the NBM for first half stands at 24% and for quarter 2 at 25.2%.

Embedded value as at 30th September '23 is INR17,911 crore. There is negligible operating variance in the first half. On the non-operating variance, there is a positive INR282 crore movement, which is mainly constituted by positive economic variance in equity market and interest rate moves. Operating ROEV for Max Life in first half FY '24 is 17.5%. The overall policyholder opex to GWP ratio is at 15.4%. Max Life FY '23 profit before tax is INR260 crore, an improvement of 81%. And our solvency is at 184% with AUM at around INR1.34 lakh crore.

So, with this, to conclude, we remain confident in our leverage our strength and continue delivering sustainable value for customers, shareholders, employees. And we remain committed to our purpose of inspiring people to increase the value of life. We will be now happy to take any questions that you may have, and we will open the floor for Q&A.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We'll take the first question from the line of Swarnabh Mukherjee from B&K Securities.

Swarnabh Mukherjee: So, two-three questions on my side. First of all, thank you for confirming the marginal outlook. I just wanted to understand that you mentioned that the second quarter, the margin expansion will be due to scale up in non-PAR given product launches. So right now, the share of non-PAR in the mix has gone down significantly as ULIP and PAR has grown. Just wanted to understand would product launch and scale up be sufficient to take us to our ask rate for second half of margin so that we are able to lead that?

And also, how to think about growth in second half given that the size of non-PAR as you have disclosed is slightly lower than where it is for ULIP. So, should we see kind of this 25% growth, which we have in the first half? Or should we expect a slightly lower number than that? So that's the first one.

Secondly, sir, in terms of Banca, if you could highlight where our counter share for Axis Bank lies and if I could break down the growth between Axis and other banks, how to look at it.

And thirdly, if you have given that because of the business mix and investment, there has been a negative impact in VNB. So, if you could just give us some color on that, what will be cost aspect which has resulted from that? How should we think about cost in the second half? Those are my 3 questions.

Prashant Tripathy: Okay. You asked many questions. Let me try and attempt answering a few of them. So, thank you for your question. I think these questions will be common across many people. Overall, the product mix is an element of 2 factors, the customer demand as well as tactical interventions that we make through launches of new products.

I personally believe that the par segment got strengthened, but it came at the cost of non-PAR going down a little bit. And it was driven predominantly because of the tactical move of PAR launch. Again, within ULIP, while the ULIP mix is similar to how it was last year, we wanted to drive a number of policy as well as our presence in the online space, and hence, we had to launch an index-linked kind of design where inherently, the margins are lower.

In the second half of the year, the tactical interventions in terms of product launches are going to be more biased towards non-PAR. That's a part of our calendar, it's a part of the design, and that's going to have an impact on driving the overall mix in a positive manner so that we are able to improve our margins.

Again, as the business builds in the second half, you would notice that about 60% of the sale actually comes in the second half with respect to first half. So, the overall leverage also in the business drives the margin. And as a result of that -- and I went a few years looking at the data of last few years, generally, the second half margins are higher.

So as a result of that, I mean, we are following a well-chosen predecided product calendar. And we remain absolutely optimistic about the margin guidance. As the year began, I had shared that the business will be making investment towards growth and market share. And hence, the 31% margins was not sustainable for us, which we achieved last year, and we had given a guidance of 27% to 28%. We remain committed to that, and we are very optimistic that we'll be able to go in that range.

On your question on growth, I think, our guidance, as you may remember, March last year was an extraordinary month because of tax changes where the sales volumes were pretty high. So, we had given a guidance that on a full year basis, we will hit a double-digit number, and we are working towards a double-digit number. So, on sales, our commitment again is towards the guidance we have given. At this point in time, it is very hard for me to say whether the sales momentum or sales trajectory is going to remain exactly as per first half or not.

The first half momentum, you will also notice the first quarter, our sales were quite tepid. So, all I can say is momentum is building by every passing month, and we are trying very hard to deliver a strong double-digit kind of growth rate as we finish the year.

On your question on Axis and other banks, our counter share remains stable. We've been told by Axis Bank, overall we've seen our overall counter share to remain in the range of 65% to 70%. We remained stable at around 70% in the first half of the year. Equally on, Yes Bank, our counter share is very stable at around 58%. It's plus/minus 1%. So that's where we are. And we are happy that our execution still is helping us maintain our counter share. So, I remain optimistic that we will be able to drive growth through our bank partners.

On your question, VNB colour into cost and business mix, I'm going to just hand it over to Amrit actually to talk through this. I think the cost is fairly stable, as you would have noticed. Of course, there are allocation-related adjustments which are made between other lines and commissions in view of the commission guidelines. But otherwise, the cost is pretty stable. Of course, we have made investments in opening new offices, which will start to get realized but otherwise, I'm not anticipating that cost is going to be completely out of sync with respect to the guidance that we've given. And hence, the VNB is going to be predominantly an outcome of the mix that they are going to drive in the business. I hope it answers all the questions.

Amrit Singh: Yes. I think I'll just add, Prashant. I think just stepping back at the start of the year, we had indicated that this is a year of investing and driving for overall buildup of distribution and hence garnering our market share. And a large part of our investments were predominantly in two areas, either it was in augmentation of distribution muscle, or it was towards investment in technology. And I think we are on that trajectory, and we will continue on that trajectory. So, this elevation that you see of opex is something that will kind of remain in the period in this particular fiscal for sure.

Swarnabh Mukherjee: Just a couple of follow-ups. One is on the Banca mix; I just wanted some color on how the growth has been between Axis and others? I mean, the 31% growth, if you could give some sense by what percentage Axis channel had grown and by what percentage other channels have grown because my sense is that other channels growth must be much more higher than Axis. So, some colour on that.

And on the cost, I just wanted to understand, you have mentioned that in the presentation that first half policyholders expense to GWP ratio is around 15.4%. So broadly flattish now given that GWP has gone up by 16%. So, you could assume costs have been going up by 16%, 17%. In the second half, the operating leverage we were discussing about, if the growth in expenses remain at a similar rate would that play out or not that is what we want to focus?

Amrit Singh: I think, if I understood your second question correctly, the operating leverage plays out largely because of volume and the absolute volume of sales and absolute volume of opex. Even though there is a growth in opex, but the absolute volume is where the leverage kind of kicks in generally for us and this is historical. I mean if you go back in years and see how our second half margins look like. They do benefit because of the way we allocate and the way cost is actually attributed.

So that is where the leverage comes from. And that is what we expect in this particular year itself, even though March might be a muted month, but still an absolute rupees crore of sale for the second half is much larger than how the opex actually stacks up.

On your specific questions around the color of growth between Axis and our other partnerships. Axis actually for the quarter 2 and equally for other partnerships as well, has grown upwards of 28% is Axis growth in quarter 2 for us. And other partnerships have grown at around 60%. So, for the quarter, our Banca partners have grown at the range of around 30%.

Moderator: Thank you. We'll take the next question from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Avinash Singh: A couple of questions. If you can just help us understand sort of what is working for you in the annuity? Because typically, annuity has been something that you used to sell more in the second half, but this year, even in the first half, you are selling a good amount of annuity and particularly the trend in the industry on annuity has been a bit of a mix. So I mean, what is helping you there? Is it some sort of the return of, I mean for this particular with channels, those are helping? And if at all, I mean, on a Y-o-Y basis, your annuity margins, if your margin profile is similar in the case of annuity. So that's first question.

And second, if I were to look at, I mean, your accounting profit, of course, it had come better. And particularly, if I see the growth in new business strain has been on the lower side. Is it more to do with a PAR and maybe single premium annuity this year being higher than last year? Or is there something more to it?

Amrit Singh: Thanks, Avinash. I'll take this question. I think on annuity, what is working for us. I think I'll say 2 things. You'll recall, we had established our full retirement team as a construct over the last now 18 months, actually a full-fledged team has come in, which holistically looks at the entire retirement as an ecosystem, trying to tap into whether the NPS ecosystem, whether the corporate superannuation systems or whether driving the individual annuity through channels.

So this investment in actually this team overall has helped actually support the annuity growth that we are experiencing for ourselves. In addition to the team, obviously a channel dedicated to this particular aspect. There were also some product interventions and actions which were taken, wherein we created a plethora of products across regular pay products, single-pay products, deferred entity designs and the entire construct. So this has helped us keep the momentum strong with respect to annuities. And a large part of benefit is definitely coming out of our group annuity design that we are selling to superannuation customers and clients, which is actually helping us.

I think on the margin, overall annuity margin as you compare to last year does look a little weak and is not to do with a specific design actually, it is to do largely because of the mix between our business. We have seen, in line with pressure in the industry on single premium annuity, which has shifted towards regular premium annuity. But given the whole investment that we have undertaken, our overall annuity momentum actually continues to remain quite robust, as Prashant highlighted in his opening remarks

I think on the question around profit that you see strain to be lower. I think it's to do with obviously the mix of participating being higher, which actually has more allowables and that has actually helped and also has lesser strains as a business line, which has helped in the profit profile.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: Going back to the growth argument, looking at your performance for the last 2 quarters, doesn't it look like your guidance for sort of 10% APE growth for the year is a little conservative? I mean your ask rate for second half is not very high, even if I sort of exclude the one-offs that you did in the month of March.

Prashant Tripathy: Yes. I mean you good question that it's always good to remain conservative on giving guidances. Of course, we are trying very hard for a strong double-digit kind of a number. We will try to beat the guidance. So let's take it as that. We are trying very hard month-on-month to outpace whatever guidance is given, Nischint.

Nischint Chawathe: Sure. And on the Banca side, what would be your growth in Axis Bank on a year-on-year basis?

Prashant Tripathy: On year-on-year basis, if I look at the growth rate around Axis Bank on MFYP or paid premium basis, it is 12%.

Prashant Tripathy: For first half.

Prashant Tripathy: For first half. Of course, the business momentum picked up quite considerably in the second quarter, where we grew about 28%.

Nischint Chawathe: Okay, 28% in the second half. And on the proprietary side, if you could just highlight because your proprietary growth is very strong. So is it something that it kind of sustains in the second half, it may be moderate to the first quarter level in the second half because you can see a big divergence between proprietary or agency sales across various players. So what is it that you are doing? And is it something that can continue? Or is it just that you're getting some counter share out here from peers or anything of that sort?

Prashant Tripathy: So under proprietary, and let me elaborate a little bit. There are 3 channels that we predominantly look at. The first one is agency and all agency-like models. The second one is direct sales force where our employed workforce works on different customer segments. And then the third one is all the sales that we generate either on our own website or on aggregators website under digital domain. So those are 3 areas.

As I highlighted, proprietary growth is of strategic advantage to us, and that's a very core area of focus for us for Max Life Insurance over last few quarters. Last year, we began a project with BCG to look at our agency differently to grow agency faster than how it was growing in the previous 5 years. And I'm very happy to share that in that project, we've been fairly successful. If I were to look at agency overall growth, it is clocking better than industry. I'm sure it will be amongst the top 3 fastest-growing agencies in India. And the effect of buildup of new offices is still to kick off. So once that starts to come board, I'm reasonably certain that the momentum within agency will definitely be in the range of 20% to 30%. I'm reasonably sure of that. So that momentum will continue for a while.

Within DSF again, earlier, we used to only look at predominantly at the orphan customer base, but we expanded that. We're looking at digital leads. We're looking at bank leads. We are experimenting with surrender leads. And that entire scope has been enhanced plus the improvement in productivity. So those 2 put together has become a good driving force. And over the last many quarters, I have seen that particular team deliver anywhere between 30% to 40% kind of growth numbers.

The third one was in online space. Again, in online space, our protection growth consistent with the industry has started to pick up, and we have grown about ~37% on a paid premium basis. But the good part is we wanted to strengthen our position in savings space and through a variety of product levers, we could really substantiate our position and there has been an upside in growth coming strongly in the savings space of almost 4x. So across all vectors of proprietary channel, we are working very hard to drive momentum and that yielding outcomes. And I'm very confident, that this momentum will continue.

Nischint Chawathe: And specific to this quarter, was there a sort of slightly high push on the digital side because Q2 numbers have seen a lot.

Prashant Tripathy: That's correct.

Nischint Chawathe: I mean either way the inherent agency growth is stronger, no doubt about it, but probably that it is to push its.

Prashant Tripathy: Yes, digital growth was higher though on a smaller base, I must say. But yes, there was digital push, and we want to leverage the index-linked small-cap fund that we launched and that was a small cap that we launched. That was fairly successful.

Nischint Chawathe: Sure. And just one last point is, going beyond this year, I think you've already given margin guidance for this year, how should we really think about margins going in FY '25, '26? Is it something that you sort of revert back to '23 levels? Or does it remain flat? Or do you think that maybe 25% is the more sustainable long-term level? How should we think of it?

Prashant Tripathy: I think like I gave you the guidance to finish closer to 27%, 28%. As we grow and there is operating leverage that comes the margin will improve, but you are in a competitive situation, you are fighting it out with competition. So that eats into margins. So honestly, over the next 2 to 3 years, we should think about the margin profile from 27%, 28% going up by maybe a couple of hundred basis points.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Firstly, was there some pressure on product line VNB margins, as you highlighted with regards to ULIP, wherein you saw some pressure because of the mix changing and the launch of the new product. Similarly, on non-PAR or Protection, any specific trends that would have impacted the product level margins?

Amrit Singh: Yes. I think on ULIP, as has been mentioned, the launch of is a very unique offering for the online channel, which actually was also taken up by our banks channel as well, especially in the affluent segment of selling and was successfully executed. There is a margin pressure at a ULIP line, for sure, because this particular product profile has a lower margin which actually has impacted the ULIP profile. Our participating non-PAR guaranteed savings design and the margins are stable. There is nothing to worth mention there.

On Annuity, I did specifically mention in responding to Avinash's question that the shift which has happened between the variants actually is the reason why the annuity margins looked lower and it is not to do with specifically with the margin profile of that particular variant compared to last year. It's just the mix of variants that have been sold in it.

Prayesh Jain: Okay. Non-PAR, how many resets would have done in the quarter and because of where any resets, delay in resets, was there any pressure on margins?

Amrit Singh: Non-PAR savings, I think there is a very keen eye on to how the interest rates are moving and consequently, what happens to margin. So as a practice, we look at it on a monthly basis and make decisions keeping all parameters in play. Over the last 6 months, we would have done 2 resets, which has actually and it's in line with how the markets have moved. And those resets have helped maintain the momentum of non-PAR savings guaranteed businesses.

Prayesh Jain: Okay. Secondly, on the agency channel, how is the ticket size, say, compared to last year's first half and this year's first half? And do you expect the agency channel ticket size to move higher going ahead? Some understanding was given that in the first half, there was some apprehension with regards to the understanding of the tax change. And that's the reason the 5 lakh plus ticket size was not moving well in the agency channel. Is there something of that sort is happening here as well for you guys as well?

Amrit Singh: So the objection is right. Actually, for last year, the channels which benefited out of the taxation change in the month of March, were largely agency and in broking channels. These actually benefited the most because of that disintermediation. And that's the reason of that expectation that as the full year progresses and especially when the month of March comes, there could be some moderation in that particular activity.

But specifically looking at a company level and looking at greater than 5 lakhs kind of a thing, we have seen actually even our less than 5 lakhs cases are definitely growing at 21% robust momentum, but greater than 5 lakhs are growing. They're definitely not degrowing. They have grown at some 5%, 6%. But the contribution, obviously, has come off a little bit as compared to last year.

So there is that pressure with respect to the contribution of greater than 5 lakh in our traditional book as compared to last year. But both of these segments stay in growth trajectory for us. And there are some interventions which are already in play or have been in play to offset some of this impact. But we had indicated that maybe half of the impact we will be able to hold on to a half is something that we get impacted with. And that's why the full year guidance is what Prashant was indicating.

Prayesh Jain: Got that. And with regards to VNB margins, you mentioned that the growth, the expansion margin, and that will be primarily given the product mix or it will be more operating leverage driven?

Amrit Singh: So it will be both actually. It will be, operating leverage will have an important role, in fact, a major role. And with respect to certain product actions, pricing actions, and some of it, for example, we have already taken. I mean, in the month of October, we have corrected prices around our nonparticipating design chassis. We have corrected prices. We are launching a new non-PAR variant in another few days from now. So some of this actually will help us shift a little bit away from participating towards nonparticipating and away from ULIP towards non-participating. So it should help us in that momentum. But it's a play of both operating leverage and the product variant that we'll introduce and the action that we'll keep taking on.

Prayesh Jain: Great. Can I just slip in one more, small one. Post EOM guidelines, have we changed the product level commission or old rates continue?

Amrit Singh: So I think I'll just answer, I mean, there is a cost of acquisition frame that you should keep in mind. And I'll say the cost of acquisition has been maintained across our channels and our partners. There is some classification that is happening. You can see in our financials, obviously, the commission rates have increased quite sharply. But at a cost of acquisition level, you should assume that it has remained stable of how it was previously.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have one question on the agency channel. So if I look at the agent count, it was at about 70,000 flat in FY '22, '23. And you mentioned about BCG activity that you had carried out. In the first half, your agent count is up 7,000. It is at 77,000 right now. So while your agent productivity is amongst the better ones in the industry, are you looking at any specific agent base, like maybe, in the next 1 to 2 years, we want to achieve this much agent base or something like that? That's my question.

Prashant Tripathy: Yes. I mean, honestly, one way of looking at it is how many people do we have in the agency workforce. But there are other ways of looking at agency also. How many of them are active, which means doing one policy every month. We look at another measure of how many agents are delivering 10 lakhs and above of new sales.

So there are several measures that we deploy. I don't have those numbers handy, maybe we could come up separately, but we are trying to drive the number of active agents and number of people contributing more than 10 lakhs. So those are 2 parameters that we internally track and that's how we drive the business.

Amrit Singh: I think I'll also point you to the recruitment momentum. Actually, recruitment is up, if you see from the same data that you're looking at as compared to last year in the ranges of 60% to 65%. So what we're doing recruiting in large numbers, which is not just driven by higher manpower being deployed for recruitment in the demand region, but also the throughput for manpower has been quite significantly up because of more structured governance and focus around how to go about some of these things.

In addition to that, we're also working towards ensuring that these recruited agents are becoming more and more successful. So one of the big reasons for our agency doing quite robustly in the first half actually is driven by both higher recruitment quantity and also the quality effect of those people recruited which is in terms of activation.

Shreya Shivani: Got it. And just a follow-up question over there. Is it, do you also track your agents in terms of what kind of quality of customers they bring in terms of probably the profitability pool of their customer base? Or is there any linkage between their performance and the commissions you pay out?

Amrit Singh: It is obviously linked to the entire compensation philosophy of how you incentivize an agent has the linkages to many parameters. It has linkages to the product variants that they're bringing, the length of the product that they're actually selling, the persistency outcomes of those products, the way they kind of comes through, implications on the grievances, miss-sell, etcetera, all holistically kind of packaged in a compensation philosophy for a particular agent is designed.

And that has always been the case, and there is always refinement and sharpness that keeps happen. Do we measure at an agent cohort level productivity? The answer is no. I think we do measure at a branch level, but not going down to an agent level yet. But intrinsically, the way products are constructed and where the products are remunerated, there is a very strong linkages to how the profitability of that product will turn out to be.

Moderator: Thank you. The next question is from the line of Adarsh from Enam Holdings.

Adarsh: Congrats. Just wanted to check on Axis as you close this transaction and you negotiate as a long-term partner. Just is there any difference in payouts that could have happened? Or is it product centric? How, the question I'm asking is because eventually, they have ended up paying you a little bit more money for the stake that they have bought. So does economics stand now from a VNB margin perspective, we could see some extra payouts?

Prashant Tripathy: So basically, the long-term arrangement and long term strategy of Axis Bank is to invest in Max Life insurance. And we're just following the regulatory guidance. I don't expect that to have any material impact on our VNB margin.

Adarsh: Got it. And since our counter share is stabilized in the Axis network at now 65%, 70%. And given that there is one more channel, one more partner added from the Citi Channel. How is the progress happening on what access Tata is getting in Axis to Citi network? And how do you expect that to impact you in terms of counter share?

Prashant Tripathy: So Axis Bank believes in open architecture. And it believes in having multiple partners at the same time, they have clarified and so have we to investors at large that Max Life is an investment of Axis Bank. And hence, our counter share will be kept at 65% to 70%. Of course, we do participate on Citibank and then the new partner through acquisition of some participants. At this point in time, I have no additional news to share in terms of their participation on Axis Bank counters. But I must like to highlight that the philosophy is to remain open architecture.

Moderator: The next question is from the line of Nidhesh from Investec.

Nidhesh: Two questions, firstly what all is included in protection and health? When we're saying protection has been grown at 70% Y-o-Y, what all products are included in that? And secondly, how is the growth in credit life business? What is the quantum of credit life business that we have done in H1?

Amrit Singh: Yes, Nidhesh. So protection and health category actually help now also includes the SEWA product that we have launched. Because with respect to the objective that it is solving for, it is very similar to the ethos of Protection and Protection & Health includes some bit of SEWA as well. And they are also similar margin profile. So it is actually a very strong grouping that has been done.

Amrit Singh: But irrespective of that, even if I take out the SEWA contribution, which was around INR 18 crore, the growth is quite robust at 50% to 52% for Q2. Credit Life has been growing at a steady momentum of 30% to 31%, and we have signed up more partners as we speak and hopefully expecting this to pick up further as the year progress.

Nidhesh Jain: Sir, just to confirm the margin for SEWA product is similar to protection margins?

Prashant Tripathy: Yes. More or less. More or less.

Moderator: We will take the next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: I just wanted to understand the digital drive strategy because of you indirectly alluded to the point that it's a lower VNB, it's a drag on the VNB margin business, on the overall company's VNB margin because at the cost the products typically sold are the index-linked, ULIP plan. So I just wanted to understand that this is like a onetime phenomenon you chase that growth with the digital channel in the current quarter? Or given the margins are lower, you might tone down that growth?

And I just wanted to understand how much is digital as opportunity of total APE. In that prop channel, how much is exactly digital, how much exactly is agency and how much exactly is direct of 40% of total APE what you have disclosed?

Amrit Singh: So ULIP, the question, I think whenever there is a particular product offering, which is offered, there is always some bit of initial 1 to 2 months of overindexing of that particular proposition. And we don't expect the ULIP drag to be a structural permanent drag, which will remain and we expect it to settle down as the year kind of progresses. So, I think that answers the question that you were trying to ask there.

With respect to how much does our online e-commerce channel now is contributing, it's contributing around 8%-9%.

Sanketh Godha: And how much it was last year, if you remember?

Amrit Singh: It would have been around 5%-6%. So it is now around 9%-10% and has been corrected.

Sanketh Godha: Perfect. Perfect. And the second question which I had was with respect to persistency. In the presentation some data looks off because the 49th persistency seems to be higher compared to 37th month persistency, which ideally should not be the case. So how do I read these numbers? Generally, the persistency fall as months progress. So I just wanted to understand that part little.

Amrit Singh: Yes, I think we have done an alignment to the persistency circulars, which are in play, which is now the 2021 and 2010 persistency circular. And basis that -- the guidance of the circular, the persistency has been recomputed. It doesn't mean anything economically. It is just a computation methodology, which has been brought more in line with market and also the circular which are in place.

Sanketh Godha: Got it. Got it. And the last one, just to the previous question. You are actually now seeing in Axis Bank, previously, to the extent I understood that Tata products were largely limited to Citibank branches. And now you are seeing even Tata products getting sold in Axis Bank branches, that's the understanding should I pick up?

Prashant Tripathy: So, I don't know where you picked it up from right now, the answer is no, but I really can't confirm that it is going to be so in future.

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

Amrit Singh: Thank you, everyone, for having joined our earnings call, and we continue to look forward for such interactions. Have a good day, and goodbye to everyone.

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