Max Financial Services Limited
Q2 and H1 FY27 Earnings Conference Call
October 28, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Max Financial Services Limited Q2 and H1 FY27 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishant Kumar, Chief Financial Officer of Max Financial Services Limited, for opening remarks. Thank you, and over to you, sir.

Nishant Kumar: Good morning, everyone, and thank you for joining Max Financial's earnings call for the quarter ended September 30, 2026. Our Quarter 2 FY27 results have been released and are available on our website as well as on the stock exchanges. Joining me today are Mr. Sumit Madan, Managing Director and CEO; and Mr. Amrit Singh, Chief Financial Officer of Axis Max Life Insurance.

With that, let me hand over the call to Sumit to take you through our performance and key developments during the second quarter of FY27.

Sumit Madan: Thank you, Nishant, and good morning, everyone. The second quarter of FY27 was indeed marked by heightened global uncertainty, a changing interest rate environment and significant regulatory developments for the insurance industry. The proposed changes to commission structure and the Expenses of Management framework have initiated important discussions across the sector and reinforced the industry's continued evolution towards greater transparency, customer centricity and operating efficiency.

We support the broader objectives of these reforms, including simplified distribution economics, clearer alignment between commissions and expenses, stronger incentives for renewal and persistency and enhanced protection for policyholders. At the same time, the proposed EOM limits and commission caps represent a meaningful reset of industry business models, particularly coming on the back of several major regulatory changes over recent years.

At Axis Max Life, we have consistently focused on building a diversified and a resilient franchise with balanced growth across channels, products and customer segments. This has enabled us to navigate periods of change effectively while maintaining the business momentum. We are confident

as with the previous industry transitions, we will adapt successfully to these reforms and emerge much stronger.

With that context, let me take you through the key highlights of our performance across our strategic priorities during the quarter.

Sustainable and Predictable Growth

First, like we always say, sustainable and predictable growth. Axis Max Life continued to deliver broad-based growth across both proprietary and partnership channels during the first half of FY27.

Our individual adjusted first year premium grew by 12% in H1 FY27 and 9% in Q2 FY27, enabling us to maintain our private market share at 10.1%. More importantly, our performance continues to demonstrate consistency through various market cycles with a three-year CAGR of 19% in Q2 FY27, significantly ahead of the industry growth rate of around 11%.

Total APE grew by 11% in H1 FY27 and 8% in Q2 FY27. Our proprietary channels delivered 9% growth in Q2 FY27 on a high base, underpinned by a robust three-year CAGR of 25%. Within the proprietary channel, our E-com business continued to strengthen its leadership position across both direct and aggregator platforms, registering a 29% growth during this quarter.

Partnership channels grew by 11% in H1 FY27 and 8% in Q2 FY27. Within this, the Axis Bank channel recorded a 4% growth, while our broader retail partnership ecosystem continued to gain scale and momentum, delivering a 19% growth during the quarter. This highlights the increasing contribution of our diversified partner network to our overall business growth.

We also witnessed strong traction in the group credit life with the business growing at 41% in Q2 FY27. Notably, partnerships onboarded over the last three years have now started to contribute significantly and came in at more than 35% of the group credit life APE, reflecting the success of our efforts to broaden and diversify our growth engines.

During the quarter, we continued expanding our addressable market. Our GIFT City proposition gained momentum, enabling seamless digital acquisition of NRI customers, while our distribution ecosystem expanded with five new partnerships. These initiatives further enhance the resilience of our franchise and position us very well to capture the emerging opportunities while reducing the dependence on any one single channel.

Product Innovation Driving Margin Expansion

Second aspect that we have always focused on is product innovation, driving margin expansion. Product innovation continues to be a key strategic lever for us, enabling both customer relevance and profitable growth.

During the second quarter, our Retail Product mix remained well diversified with participating and nonparticipating savings products contributing 15% each of the Retail APE, Protection & Health 14%, Annuity 19% and ULIP at 37%. This balanced mix reflects the strength of our multiproduct strategy and reduces dependence on any one single product category.

Retirement, like we mentioned earlier as well, continues to be one of our most exciting growth opportunities. In Q2, we launched Smart Retirement Income with Sustained Earnings Plan, popularly now called Smart RISE, which combines flexible lifelong income with a Nifty 50 linked variable annuity option, offering customers the potential to participate in the long-term market growth. The product has been well received and already contributes around 8% of our total APE.

Driven by strong customer demand and the success of Smart RISE, our annuity business grew by 130% during Q2 FY27. We also continued to strengthen our protection franchise. Pure Retail Protection grew by 31%, supported by healthy customer demand, while wider growth remained broadly stable amid some softer ULIP market sentiment.

During the quarter, we also relaunched the Smart Term Plan Plus with 8 flexible protection variants, life cover up to age 100 and enhanced women-centric benefits, including maternity cover and Lifetime Plus benefits. We maintained our position amongst the industry leaders in Protection and remained ranked 3 in individual sum assured with individual sum assured growing at 18% in H1 FY27.

In addition, we expanded our reach across emerging customer segments. Our USD-denominated Smart GIFT proposition continues to gain strong traction amongst NRI customers, with GIFT City business now scaling up rapidly and contributing more than 5% of the ULIP APE. We also launched innovative group solutions in the credit life segment, further strengthening our product suite.

The continued momentum in our protection and retirement business has improved both product mix and profitability. As a result, H1 FY27, our VNB grew 21% to INR1,180 crore, while VNB margins expanded by 210 basis points to now 25.4%. These results reflect the strength of our product strategy and our continued focus on building a high-quality franchise capable of delivering sustainable long-term value creation.

Customer-Centric Approach

The third aspect, which we always focus with great pride is around having a customer-centric approach. At Axis Max Life, customer trust remains the cornerstone of our franchise and continues to strengthen across multiple dimensions. During the year, we achieved the distinction of being ranked number 1 life insurer in customer experience by Hansa Research, improving from an earlier position and reinforcing our commitment to customer obsession.

Our Net Promoter Score improved further to 62 from 60 last year, while both touch point and Relationship NPS continues to strengthen. We witnessed significant improvement in customer service, policy issuance and purchase journeys through a combination of process simplification, automation and digital interventions.

Claims remain one of the most important moments of truth for an insurer. Our InstaClaim proposition continues to deliver industry-leading outcomes with 63% of the eligible claims settled within one day and 56% actually settled within three hours itself. These outcomes are supported by ongoing investments in automation, analytics and a very customer-centric claims process.

While the 13-month persistency is at 83% versus 85% last year, we continue to be ranked amongst the top players on NOP persistency across cohorts. Importantly, long-term persistency, including 37th month, 49th month and 61st month, reached their highest ever levels with a significant improvement year-on-year, clearly reflecting improving business quality and a stronger customer engagement over time.

Digitization for Operational Efficiency

Fourth aspect is around digital, digitization for operational efficiency. Digital data and AI continue to transform Axis Max Life into a more intelligent, scalable and a customer-centric organization. Over the last few quarters, we have moved beyond experimentation and are increasingly seeing measurable business outcomes coming from AI.

Today, we have more than 47 AI solution tracks and multiple enterprise-wide AI platforms operating across recruitment, sales, underwriting, servicing and customer engagement. In distribution, our sales ecosystem has become increasingly intelligence-driven.

AI-based recruitment generated over 60,000 leads, while our sales copilot supported more than 82,000 sales interactions during the year. AI-powered recommendation engines, personalized nudges and performance tools are helping improve productivity and sales effectiveness across channels.

In customer acquisition and cross-sell, our AI-driven propensity and PASA engine have generated substantial business impact, while our GIFT City digital onboarding platform has enabled rapid scaling of our NRI proposition with a fully digital customer journey now.

In underwriting and risk management, AI-enabled models delivered nearly INR1,000 crore of risk avoidance through enhanced fraud and mortality detection capabilities. Financial frictionless underwriting now supports half of our Protection business, improving both customer experience and operational efficiency.

On the customer side, our app ecosystem continues to scale strongly with over 12 lakh installs, while AI-enabled servicing capabilities, CS Copilot, automated e-mail bots and voice AI platforms are improving the responsiveness, reducing turnaround times and enhancing an overall customer satisfaction. These investments are increasingly translating into tangible business outcomes through higher productivity, better customer experience, improved risk management and stronger growth.

In summary, I would just like to say our growth continues to be supported by a diversified distribution franchise, strong momentum in protection and retirement segment, industry-leading digital capabilities and a continued focus on customer trust or Bharosa as we say. At the same time, our profitability metrics demonstrated the quality of the business we are building.

As the industry adopts to the evolving regulatory framework, we remain very confident in our strategy, execution capabilities and our ability to continue creating sustainable value for all our stakeholders.

I now want to hand over to Amrit, who will provide an update on our financial performance.

Amrit Singh: Thank you, Sumit, and good morning, everyone. Just some housekeeping update on the key financial metrics.

- MFSL revenue, excluding investment income, now stands at INR17,484 crore, which has also grown by 16%.
- The consolidated profit after tax at MFSL is now INR219 crore, which is up 137%. The gross written premium experienced a healthy growth of 17% and is INR18,066 crore for the first half, where the renewal business has grown at 18% to INR11,247 crore.
- Individual new business sum assured, an important metric for us, grew 18% year-on-year, and we are now on individual side, INR2.55 lakh crore of sum assured, ranked three in the private industry, which underscores our continued focus on expanding the protection business and sum assured growth.
- The growth may be lower than protection business, primarily due to, you would have seen in the mix that mix has shifted towards annuities and annuities do not have sum assured built into them, and That is the reason why the 18% growth is smaller than the protection business growth.
- Embedded value of the company as end of September 2026 stands at INR 31,437 crore, a growth of 17% year-on-year. Annualized operating ROEV has improved by 100 bps to 17.3% in the first half. This includes around a marginal INR 5 crore positive on the operating variance side. The non-operating variance stands negative at INR 216 crore, largely due to the movements in the interest rates, and this is transitory in nature.
- We have continued to maintain sharp focus on operational efficiency. Policyholder operating expenses as a percentage of GWP improved by 174 basis points year-on-year to 13.7%, driven by focused productivity enhancement initiatives.
- If you adjust for GST, which is in the run rate in this particular half, the policyholder opex ratio has actually improved by 300 basis points to 11.7% in first half FY27 from 14.6% in first half FY26 last year.
- Overall, policyholder expense have grown only by 3% during the first half and total expenses, including commission, that has grown only by 9%.
- AUM now stands at INR 2.06 lakh crore, a growth of 11% year-on-year.

As Sumit mentioned, VNB margins expanded in the first half from 23.3% last year to 25.4% in the current year, a growth of 21%. And for the quarter 2, the VNB actually stood at 27%, and this is despite the GST impact. Overall profitability outcomes gives us the confidence that we will be able to maintain our overall momentum for the future.

And with that, I will ask the moderator to open the floor for questions.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. The first question comes from the line of Shreya Shivani with Nomura. Please go ahead.

Shreya Shivani: Yes, thank you for the opportunity and congratulations on a good quarter. I have two questions. My first question is on while the first half performance on the VNB growth has been strong. If you can help us understand now that protection will have a high base. I mean we already sort of softened on protection in 2Q itself, but protection will have a high base in second half.

Non-par will still keep declining. What kind of APE growth is likely for us in the second, also what kind of VNB margins are feasible because the kind of the 1H at 25% itself is ahead of what you have historically done. So some color around how can second half pan out for us in terms of growth, in terms of margins would be useful.

My second question is on the EOM caps that have been suggested. So any color that you can give around on how much will we be able to achieve by just the commissions reducing? What other efforts will we have to make to reach 12.5% EOM over the next five years? What are the suggestions that we are giving to the regulator, given we are a retail-only life insurer? And any color on that would be useful?

Amrit Singh: Yes. Thanks, Shreya. I think three questions. The first one on APE growth. I think the second half presents a kind of base. So we are more confident that we should see an acceleration in the second half. And also, there will be an opportunity which a transition always brings about. So we will capitalize it to the fullest potential. So we are more confident that APE growth should look better in the second half than the first half.

On margins, I think what you are missing out in our margin trajectory is that we do get an advantage of operating leverage. We do report our margin on as is operating expense basis. And hence, every quarter, as the sales volumes kind of pick up, the margin expansion also improves.

So even if some moderation, which may happen because of very high base of protection, the overall margin profiles, the confidence is more positive, and we should continue on this expansion journey that we have experienced so far.

Coming to your questions on the consultation paper, look, this is a consultation paper, and we have provided our views on the same to the regulator as well, and there will be an active engagement. But at a macro level, the journey for us, which is we are around 25% on Expenses of Management to GWP ratio, the 15% journey, I think with the mix of the commissions getting realigned towards renewal than first year as per what has been indicated and some cost actions over the next 2.5 years to be taken, we are confident that we will meet it.

Relatively, I think if you really ask us that how much is that opex to be taken out, it is maybe a 7% kind of a number that we will have to optimize. So it is 3.5%, 3.5% optimization over two-year

periods, which is not doable. You would have seen how we have started on the journey and some of the tech investments, et cetera, and the reset of the industry will help us do so.

So we remain confident that we will map to the guidance on that particular element. But having said, I think a unified single cap has it, I would say, pluses and minuses, and we have recommended to the regulator to look at holistically among many other things that we have recommended.

Sumit Madan: Yes. I think Amrit has largely covered it. I have to say we have had some very constructive meeting with the regulator. We as a collective unit also through various representations have met DFS. If you look at the long-term impact of some of these changes, these changes are in the right direction. I think the challenge always is to navigate them in the short term. I think Amrit rightfully articulated that with the help of some commission and GST adjustment, we should be able to gain to the extent of around 5% to 7%.

Then, of course, you always have the business and efficiency measures, which we have demonstrated in the last few months and quarters as well. That should also give us another 2% to 3%. So I think this journey from a 25% to 15% first and then to 12.5%, frankly, when you do the internal calculations, we are quite confident around the same. So I do not see much of a stress around it if that is the way the shape and form the guideline finally comes.

In our specific conversation with IRDAI, since you asked that question, I think some of the specific suggestions we made are also around group credit life (GCL) because GCL is around pure protection. It covers life, which we are unable to cover through detailed term. So I think that is an important product where certain suggestions across the industry have been made. Amrit spoke about the transition period. So there have been some specific conversations and suggestions to the regulator around the transition period as well.

There is obviously also a softer point around exclusion of GST from EoM computation. It is a bit of a gray area because today also GST is excluded. And the regulator has taken all the suggestions in a very constructive manner. And I am quite hopeful and optimistic that the suggestion made by the industry should be a part of as and when the final draft paper comes out.

Shreya Shivani: Right. That was useful. Just to follow up on the VNB margin portion on the as is expenses that you mentioned. So as the growth momentum picks up for us in the second half, expenses pick up, there will be some moderation on the margin. That is the correct way to think about it, right?

Amrit Singh: No, not really. I mean I think the point that I was trying to highlight to you is that our quarter 3, quarter 4, structurally, our margins improve as volume builds up. So you will see an expansion in margins, and it should only look better from where we are at the moment.

Shreya Shivani: Alright. Okay. Understood. Okay. That is useful. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Swarnabh Mukherjee from 360 ONE Capital. Please go ahead.

Swarnabh Mukherjee: Hi, sir. Good morning. Thank you for the opportunity and congrats on a great set of numbers. Three questions from my side. First, I wanted to continue on the discussion on VNB margin. So I mean, first of all, if you could give us some color on the VNB margin walk, right? What proportion has come from product mix change?

And given that we see that your cost structure has also improved, is there any operating leverage playing out there? And any kind of like variances that have played out, if you could highlight, given the overall asset class characteristics have been also fairly volatile this quarter. So that would be my first question.

And sir, also wanted to understand that given that the whole, your product mix is improving, your cost structure is improving, and you are saying that your margins are likely to be better in second half because of how operating leverage plays out. Would we be then expecting an upgrade on the margin guidance that you normally provide because we are already 25% plus now in the first half?

So that is the first one. Second is our two key channels, Axis Bank and Agency, these two has been subdued this quarter. So just wanted to understand how should we think about the glide path as we move into the second half? And what are the challenges that are there right now, which is impacting? So is it only ULIP as a category that is underperforming because of this lack of the slower growth is there or anything else to read into?

Thirdly, I mean, I think overall at the industry level also, we are seeing a lot of growth reported by players on the annuity side, you have also launched a variable annuity product. However, unlike a few other players, your Non-Par growth has been lower. So is it a function of a high base or is the customer cohort fairly similar and annuity cannibalizing Non-Par, if you could give some color on that. That is it from my side?

Amrit Singh: Lots of questions there. Thanks, Swarnabh. On VNB margins, I think largely, it is happening because of mix and also the inherent margins improving within the products. The attribution to operating leverage is far lower. It is largely to the mix is how I will kind of put it across. You do recall that in the base, there is GST.

So some bit of this mix plus margin improving and the negative drag due to GST has got offset, and there is a structural improvement, which has kind of come through, which will now you should just see in a kind of base from previous year period as well as we entered into the second half.

From a guidance perspective, we have always guided that we would like to keep the margins between a 25% to 26% kind of a range trajectory. I think as the year is progressing, possibly now confidence is more towards closer towards 26% than anything else. So we will like to still hold on to that range. But yes, maybe as for the shorter period of time in the second half or for the full year FY27, closer to 26% is the way we will put it. On the growth question.

Sumit Madan: Yes, on Axis Bank and Agency since you specifically asked that question, I think important to look at the performance over the last almost 30-36 months now in both the channels. Axis Bank specifically

as far as H1 is concerned, our APE grew by 8% on a year-on-year basis. And if you look at a three-year CAGR basis, H1, it actually grew by 10%.

So from a consistency and resilience of the partnership, I think things are in order. This quarter's growth was moderated largely because of certain market volatility impacted on the customer demand for ULIPs. And I think also credit to a delayed launch of our new protection product called STPP. There is a newer version, which was launched slightly delayed compared to the time lines we had in mind. I think this had a bit of an impact.

Over time, I think, and we have referenced this in the previous investor calls also. Over time, I think our ability to be able to now make significant investments and numbers coming out of channels other than branch banking are also playing a critical role. So in Axis Bank, some of the channels like telesales, some of the channels like corporate banking, small business banking, Bharat Banking, the D2C business and the corporate salary.

And Axis Bank has a very, in terms of the customer base, I think it is a very good profile of customer base that Axis Bank has. So I think now that business has also started to scale up. And from that perspective, Axis will continue to keep on becoming a significant contributor. In fact, the contribution of these emerging channels to our Axis Bank sales has now grown from 12% in Q2 FY26 to now 30% in H1 FY27. So I think some of these channels have also started to now punch around their weight.

This has also broadened the channel growth base amongst making it more diversified. What we have also done is we have launched a full-scale transformation program, which we call Parivartan Plus. It is a program similar to the one we ran in agency around two years back, and we saw some significant success around it. It is a transformation project that we have taken along with Axis Bank to help us gain more efficiency and also just to fasten the pace around some of the other growth engines of the partnership also.

So I think I am looking at Axis Bank as amongst the strongest channels for us. Growth should not really be an issue, slightly subdued, like we mentioned, because of a delayed product launch and a bit of an overhang of the equity market as well.

On your specific question around Agency, I think, again, last year, the Agency had a higher Non-Par mix, which was following the launch of Smart VIBE. Now during H1 of FY27, the product mix has largely normalized with protection share improving due to GST tailwinds and while the non-par mix has normalized.

What has happened is that this has resulted in a lower average case size in case of an Agency channel, which creates an overall kind of an optical impact on the reported growth. What is important is that the fundamentals of the Agency remain very, very strong.

There is an improvement as far as agent productivity is concerned, where we launched a specific program, which actually brought back 12,000-plus dormant agents back to active selling. The recruitment has strengthened. While in case of H1, we grew only by 4% versus, let us say, a growth of 8% year-on-year in August, September. The pickup has really happened now.

Our broader product range is also gaining traction in agency. Annuity grew by around 50%, Protection grew by 27%. So I think some of these give us a lot of confidence as far as both Agency and the Axis business is concerned. And things are moving on the right track. I will not be too worried about performance across one or two months.

Amrit Singh: Lastly, on the annuity piece. So Swarnabh, some part of your assessment is possibly true because nonparticipating design chassis also had income stream products, which actually would mimic providing assured income to a retiree or a near retiree. So annuity definitely has possibly cannibalized some bit of it.

But I think there is distinctiveness. We do have a high base of nonparticipating over multiple years. So some bit of that moderation resetting is happening. But nonparticipating products do provide fixed endowment element as well with a guaranteed component, which is for a different need than an income need, income need can be serviced with an annuity design.

And now with the variable annuity, I think ability to participate in for the customer to participate even on the equity upside is something that has got added as a feature. So I will tend to agree, but yes.

Swarnabh Mukherjee: Understood, understood. This is very clear. Thank you for such detailed responses. All the best for Second Half. Thank you.

Amrit Singh: Thank you.

Moderator: Thank you. The next question comes from the line of Prayesh Jain with Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Yes, hi. Thank you for the opportunity and congrats on a good set of numbers. Firstly, could you explain as to, you mentioned that product mix and inherent margins have played an important role in the VNB margin expansion in this quarter. How much of that would be coming in from the Non-Par benefit that you would have got on because the interest rate curve movement? And have you done a reset after that? So that kind of inherent margins kind of go down in the second half? That would be my question number one.

Question number two would be on the protection side of the business. If you could share as to what is the channel mix on the protection, purely on retail protection, what is the channel mix? In a scenario of the consultation paper, now that the commissions may not play a meaningful role in terms of distinguishing, pricing will become a very competitive element in terms of getting market share within the channels. So how do you play that?

And lastly, again, from a consolidation perspective, do you see Axis Bank getting into a more closer architecture or how do you think about your wallet share in the Axis Bank channel going ahead, especially considering the consultation paper? Those would be my three questions?

Sumit Madan: I will take the last one.

Amrit Singh: So Prayesh, thanks for your questions. I think on your first question that how much is yield curve and how much will that go away, et cetera, I think it is a little bit of a theoretical question. Whenever yields move, even in the past, you keep repricing up and down depending upon the competitive nature. So at this point in time, our products are competitive in the environment, and we are getting the margins out of those products.

So the products, I will say, have got priced to a reality. Now attributing it to yield curve versus mix, I think it is just kind of extra guessing out of some of these elements here. The way you should see is that in the environment, we have priced, our products are competitive. In that environment, we are actually generating good healthy margins.

Now if yield curves move up and down, whichever direction, there will be action which all participants will take in the market. Consequently, the margins will be protected or enhanced or reduced depending upon how the competitive elements kind of plays out. On your question on protection channel mix, which in the investor deck, we do put out a page where we show the proprietary channel and the partnership channel protection mix.

And you would have noticed that our proprietary channel protection mix has always higher. So what we are able to do online, what we are able to do in our agency team and whatever we are able to do in our direct selling force team, the protection component is always higher in those particular channels.

Prayesh Jain: So, I was just on this protection piece, I had asked about now that the consultation paper commission angle goes away, how do you compete?

Amrit Singh: Yes. So I mean, today also, protection is not just competing on commercials or pricing, there is a lot which kind of goes into it. There is a brand, there is a brand promise. There is a narration of how you communicate, how you incentivize, how you direct the teams, et cetera. Hence, it is unfair to say that in tomorrow's world, that advantage will go away and it will only become a pricing game.

So I will not agree to it because very frankly, there is an equilibrium which exists today also on how much the payout, et cetera, happens. But having said, I think you should notice that in the consultation paper, this is one category where the regulators understood the difficulty levels and have actually provided for higher FYCs and RYCs.

And protection incidentally also demonstrates one of the most superior consistencies among all product categories. And when you see it on the RYC, if you start selling regular pay products for a long duration and then you try to do an NPV of how much you are paying in today versus tomorrow's era, largely, it is insulated actually.

The economic value to the distributor on selling protection will remain fairly insulated even in the new era of protection business. Now just because the first year has kind of come up, will it create significant disincentivization?

Maybe not. I think there is an NPV component to it, which will kind of come in. India continues to be severely under sum assured time and again in our surveys also, we have seen that our estimation says

that even for, assuming a target market size of 8 crore, 9 crore Indians only, the current penetration level is possibly more in the 15% kind of ranges. So there is more than enough opportunity in this category.

Sumit Madan: I think on the last question, Prayesh, that you asked around Axis Bank and closed architecture, I will have to say that this is, the answer I am trying to articulate is more wearing my shoes and the capacity that I manage. Either for Axis Bank or for any of the other banks, I will not be able to answer for them.

But largely in the role that I do, I personally feel that the attractiveness of any bank in terms of dealing with too many players will significantly go down in the near future. So I think with the way the regulations are now being defined, whether it is any bank, I think in the short and the medium term, you will see them taking a call in terms of dealing with the fewer players.

So I think that is something that I would like to qualify with. Now how Axis or any other bank will behave would be difficult for me to answer at this point of time. As and when they take some of these calls or, let us say, even otherwise or with the help of Parivartan Plus also, whichever situation you unfold, we continue to remain very confident in terms of an OA gain share at Axis Bank.

Prayesh Jain: I got that. Thank you so much for those detailed answers.

Sumit Madan: Thank you.

Moderator: Thank you. The next question comes from the line of Samant Singh with PhillipCapital. Please go ahead.

Samant Singh: Hi, good morning everyone and thanks for taking my questions. Most of the questions are already sort of addressed. But in terms of cost, if I see the opex was broadly flat in Q2, while premium has sort of grown by 15%. Employee cost has fallen by 10% Y-o-Y. Advertising cost also, I think, 34%, 35%, while other operating expenses have risen by 23%.

So I understand there is some reclassification. But just wanted to understand that the cut in staff and advertising cost is a deliberate reset ahead of the year and how much of it is sustainable? And just that what cost ratio should we expect for FY27. This is my first question. I will ask second question after this?

Amrit Singh: Yes. So I think with respect to your observations, you will recall that we have been investing in our distribution franchise for the last couple of years now as we entered new territories and new geographies, for example, the entire buildup of retirement business, the entire presence in brokers, corporate agents and smaller banks and many new models.

Now it is quite likely and quite expected that as years kind of go by, the productivity starts improving. So you do not need to do the same level of investment that kind of comes through and hence, productivity gains do come about.

Even though on the headline number, you are seeing a 3%, 3.5%, 4% growth. But the core growth does remain at around 9-10% in our opex, which we have done to ensure the business momentum is sustained and built upon. With respect to your question of how do we see ourselves ending, this year in opex, even GST has actually added.

So from a total EoM ratio, it may still remain in the range of 25% levels, which is where we were last year despite a 2%, 2.5% extra GST coming in, which if you remove out from the base, then you can say that there is a reduction. But on an overall number, it will remain steady in the range of last year numbers.

Samant Singh: Yes. So you said that the core operating expense will be sort of high single digit, 8% to 10%?

Amrit Singh: Yes, that is right.

Samant Singh: Okay. And just one question on Ind AS. I may be a bit early me to ask this, but anyway, that is forthcoming. So in terms of which transition approach are you planning to use for the in-force book? So I understand?

Amrit Singh: Someone will come to you on this one actually. I think it is a little premature for us to start commenting on it. At the requisite time, we will.

Samant Singh: Just a small follow-up. When the FY27 numbers will also be restated or?

Amrit Singh: Yes. So whenever FY28 numbers are provided, there will be a comparative period of FY27, which will be provided and 1st April '26 will be the transition date.

Samant Singh: Okay. Okay. Thanks. Thanks, and all the best. Thank you.

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

Nidhesh Jain: Thanks for the opportunity. The first question is on capital raise plans. What are the capital raise plans from here onwards?

Amrit Singh: Yes. So I think, Nidhesh, our capital solvency, you must have noticed, we are at 197%. We did raise around INR 686 crore of debt in the month of September. And looking at 197% and the consumption that we do, we are fairly comfortable with our internal yardsticks that we hold ourselves accountable and responsible from a risk framework perspective.

Now there are moving parts here. There are moving parts of actually the entire EoM regulations, which does reduce strain and hence, the need for capital, there is the entire moving part of IFRS and RBC. So I think as the moment stands, no immediate lookout for capital. We seem to be comfortable with the position that we have.

Nidhesh Jain: Sure. And secondly, on EoM cap, so H1 your EoM, excluding GST is 22.5%. I think for the full year, it is reasonable to expect that it may be slightly lower than around 22%. And at 22%, if you apply the new commission limits, what would be the EoM at that new commission limits?

Amrit Singh: So it does fall down to in the range of 16.5% to 17.5% kind of level.

Nidhesh Jain: So 17.5% to 15% over two years, that should be the journey, right?

Amrit Singh: That is what I said actually at one of the questions that was asked. That it is not like a significant number, we can navigate and manage that.

Nidhesh Jain: And on EoM again, so next year onwards, we will start reporting IFRS. IGAAP numbers will not be reported, right? So how the EoMs will be calculated in that framework?

Amrit Singh: So IGAAP will be reported for two years. But yes, this question is, maybe we should seek clarity from the regulator. But, because IGAAP will be reported in parallel for two years, so you can effectively compute the EoM numbers for sure.

Nidhesh Jain: But after two years when the EoM limit is applied, at that point in time, probably IGAAP will not be there. And under IFRS, anyway, I think expenses will be much lower than what are where they are in IGAAP?

Amrit Singh: You can derive some bit of these expenses from the IFRS numbers that get put out. Very frankly, accounting standard has no bearing on EoM. If you want, you can derive some of it. But I guess that is a good question that we may see clarity on the regulatory process.

Nidhesh Jain: And just last question on Axis Bank. So Axis Bank growth this quarter was 4%. Last year, Q2 was also not a strong growth. So I think Axis Bank in terms of growth has been lagging for some time. It is not just one or two quarter phenomenon. So do you see acceleration in Axis Bank going forward or it will reduce in overall APE mix?

Sumit Madan: No, I think we are quite confident of the growth at Axis Bank. In terms of input parameters, like we said, it is already started to show some very encouraging signs. As part of H2, we are quite confident of a healthy growth coming from Axis Bank.

Amrit Singh: And Sumit, due to the fact that under the new EoM framework, the incentives to consolidate with one single player increases. So we are actually optimistic that we should see gain there for any potential loss that may happen on the smaller side of GCL and other distribution partners, which are more effective.

Nidhesh Jain: Sure. Thank you. Thank you, Amrit.

Moderator: Thank you. The next question comes from the line of Vinod Rajamani with Nirmal Bang. Please go ahead.

Vinod Rajamani: Thank you for taking my questions. So I have two questions. One, you see non-par and annuity meeting different needs. But if you take them together, they have grown by around 2.5% Y-o-Y in Q2 and about 3.5% in 1H. So if you think of these as a group, Non-Par and annuity, what kind of growth do you expect for these two in the second half? Then some related questions on this is, is there any

internal management ceiling on annuity share of, say, APE or something? That is question number one.

The second question is you also said that you expect banks to work with fewer insurers under the new rules. This will definitely help with Axis. But the newer bank partners where we have entered a say the fourth or the fifth player, those partnerships, how much of APE do they contribute? I had a question on that. And how much of the business from banks comes from where you are not among the top two? And how do you hold those relationships if they kind of consolidate? That is question number two?

Sumit Madan: Yes, I think thank you for that, Vinod. I will take the second one first because it is a question being asked across. Before I answer, let me just explain how our share really works at this point of time. Out of our overall sales, actually, Axis Bank contributes almost around 42-43% of the sales. Now with the regulatory changes on the annual, if anywhere these changes would be impacted like we articulated, we expect our counter share to only go up.

So we do not see any kind of a downside as far as this 42-43% of our sales is concerned. That is one. When you look at the Agency side of the business, Agency, which is 21% of our overall sales in addition to 43% of Axis, this 21% of the sales, when you look at it, the new agents and the base advisers, and we have gone into every detail possible, the new agent and base advisers largely remain unaffected as the current payouts are already below the proposed limits.

Now there may be some top agents that may see some impact in the NPV terms. But again, it is expected to be manageable on a bit of a pool basis and there are strategies around it. So when I look at this 43% plus 21%, so let us say, around 64% of the business, I think we will only stand to gain than lose in terms of the new regulation which will come in.

If I look at our D2C business, including, let us break it down. Let us say, our D2C business contributes another 6% to 7%. Now again, as far as the regulations are concerned, what we do through our own app or our own website, the D2C business does not get impacted. So 43% plus 21% plus another 6% to 7% makes it 70%.

We have another 12% of the business, which comes from this channel called Direct Sales Force. This is the upsell, cross-sell engine of the company where our employees sell. And these employees are on a salary, they are on an incentive. So I do not see this 12% of the business also really to be impacted negatively in any way. Gain is obviously possible.

So just zooming out, 43%, 21%, which is 64%, 64% plus, let us say, another 7% coming from e-com, which is 71% and 12% coming from DSF, which is 83%. So we are seeing largely this 83% of the business does not get much impacted.

We have another 5% to 6% coming from YES BANK where we are number 1 as far as counter share is concerned. So even if hypothetically, and I cannot answer this on behalf of YES BANK, even if some consolidation has to happen, I personally would feel, wearing my shoes, it should not be anything negative against us.

So I think 83%, another 5% or 6%, we are discussing 89%. So I think from that perspective, almost we can say around 90% of the business, we stand to gain rather than lose if these changes do have to happen.

To your specific question, when you look at small bank or some of the other banks we have a partnership with, while we have been aggressive on that, but the reality, we told they contribute around 3% to our overall numbers. Brokers, especially the small brokers who with the regulation may get impacted, again, contributes to around 2% to 3% of our overall business.

GCL is another line where there may be a bit of an impact coming. Again, we will be impacted only to the extent of 1% as far as overall numbers are concerned. So I think idea is to give you a broad perspective that if the regulations do come in the shape and form, while everyone stands to get impacted in some way or the other, I see the impact rather minimal as far as Axis Max Life Insurance is concerned. In fact, I am actually more hopeful and optimistic that we stand to gain with some of these regulatory changes -- sorry, you were saying something before Amrit is response.

Vinod Rajamani: Thanks for the very detailed answer. Just one follow-up. So the proportion of business which were in the banks where you are not in the top two, if I heard that correct, that would only amount to around 3%. Is that number right?

Sumit Madan: Answer is yes. But even in those banks, there are actually three banks where we have counter share to the extent of number 1. I mentioned that there are 3% of the business which are smaller banks. But even in those smaller banks, we are actually number 1 in three of those banks. Again, the impact would actually be around 1-1.5% or so in that category. When I optimistically look at the Excel sheet, along with the team and Amrit, I can very safely say that 95% of the business actually does not get impacted.

Amrit Singh: Yes. And I think on your questions around Non-Par and annuity growth, you are looking at just the first half, some bit of base playing out. If you see long-term trends, added these together, these are also growing healthy 15-16% level. The three-year CAGR for these categories combined is healthy. So I think rather than just seeing it in that particular nature, I think you should take a bit of a longer view here, given that overlapping elements of this segment.

But more importantly, we do have certain launches planned on annuities again, there is a refresh that we are thinking of in the fourth quarter. So hopefully, the momentum should stay steady in this particular category as well.

Now a ceiling on annuity, I mean, I think the question is coming from risk perspective. The reality of annuity sold in India is that most of it is return of premium kind of designs. So there is not too much of an interest rate risk that you end up taking. The interest rate risk taken on these products is actually much lower.

So no hard and fast ceiling that we have. I think it is just the overall idea is to always continue to have a diversified product mix and cater for all segments rather than just be singularly focused on a single segment.

Vinod Rajamani: Right. Yes. Thanks so much. Thanks for the detailed answers.

Moderator: Thank you. The next question comes from the line of Madhukar Ladha with JPMorgan. Please go ahead.

Madhukar Ladha: Hi. Good morning. Thank you for taking my questions. So first on Axis Bank, the growth has been a little weak in 2Q and even on a soft base. Are we actually losing counter share? What exactly is happening over there?

Second, you have also mentioned that and logically, I think banking relationship should consolidate. Have we had any early discussions with Axis Bank on this? Any sort of early indication from them as to how they are thinking about this? If you could share that perspective?

Second question, although our business growth has slowed down, new business strain continues to be quite high. So even for 2Q, I think new business strain has grown at about 20% year-over-year. Which product is really causing that? What is really driving that?

And last, I am not sure whether this has been addressed. Protection growth has come off in this quarter. Some sense on what is really happening over there? And what would we expect in terms of growth in the second half and maybe sort of a slightly longer-term perspective as well? Those would be my questions?

Amrit Singh: Let me take the last two questions, Madhukar, first, and then to Amrit. On the strain question, this has largely happened because of credit life business, which kind of causes and credit life plus the GST charge that has come in the first half, which was not there in the previous year for the first half. I mean the quantum was far smaller. That is largely it attribution for starin.

Amrit Singh: And on your question around protection, look, we did enjoy post the GST change a very sharp lift. And the good part of that lift was there was almost 80-85% incremental customers who were coming and buying. Now on a high base, we did expect some moderation to happen even in our planning for the full year base, we have assumed protection numbers to moderate. And that is largely it.

I mean, I do not think there is anything to read beyond it. All efforts underway. There is some refresh on the products also being done from a protection business perspective. But it is a very large base on protection business that we do have for ourselves. But despite that, I think overall, earlier in the call, there were questions around margins, et cetera, on an overall basis, I think more optimism on our '25, '26 spectrum that more closer to 26 then to 25%, 25.5% is what we see at the moment.

Sumit Madan: I think on the question on Axis Bank that you asked, one, this is still a consultation paper, Madhukar. But when a consultation paper comes more than we think out to the distributors, you do some scenario analysis internally in terms of how the entire mathematics and the scenario will really play out. From that perspective, yes, we are confident that the banks will ideally at some point, should consolidate the number of players.

Have we had that formal conversation either with Axis or any other bank? Answer is no, we have not. So that discussion is still open. This is just basis the way we see in all probability, the situation playing out.

On the growth as far as Axis Bank is concerned, and we appreciate the question because it came earlier also. I think we also need to bear in mind that last quarter, if I am not mistaken, quarter 1, that is we actually grew at 14% at Axis Bank. And when I look at quarter 4, we actually grew at some 9% to 10%.

So I think from that sense, the growth has been largely okay, while obviously you can do much more, and that is really the endeavor. And that is the reason why we have taken a transformation project Parivartan Plus because the opportunity is so great at Axis Bank. Also, when you really break down the July, August and September numbers, you will find us to be slightly lacking as far as only August and September is concerned.

That was more on account of some of the product calls that we took and not because of any systemic issue. So I just want to give everyone some comfort around it that our growth at Axis has actually been inching northwards. We have been pretty consistent over the last 7, 8, 10 months in terms of the growth coming there. Yes, we can surely do more, and that is really the endeavor as far as H2 is concerned.

Madhukar Ladha: Sir, what is our counter share there? Are we losing counter share or the channel growth slowed down? Because it seems that probably we are losing a little bit of counter share over there?

Sumit Madan: Our counter share, for example, we normally continue to maintain around 65%. That has always been the case. If I look at this month, we should be around back at the same number as we go ahead. For the months of August and September, I think we came slightly lower, making our counter share, I think, in quarter 2 at around 62%, 63%. But that was, again, like I said, more some of the conscious calls of product-led where we wanted to participate. That was it.

Madhukar Ladha: Nothing to do with competitive intensity in that channel or you think you should be able to recover that counter share again?

Sumit Madan: We have always displayed that by the time we end this year. In fact, starting this quarter itself, you see the change coming.

Madhukar Ladha: Got it, sir. Thank you and all the best.

Sumit Madan: Thank you.

Moderator: Thank you. The next question comes from the line of Sanketh Godha with Avendus Spark. Please go ahead.

Sanketh Godha: Yes, thank you for the opportunity. Sir, the annuity number, what we did in current quarter, INR 526 crore, can you just give a color how much of bulk is contributed by the newly launched variable annuity because growth was phenomenal. Has that product played a role? And is it fair to say that

given the product did well probably in the current quarter, what was the key driver for the margin delta what you reported in the current quarter? So that is my first question?

Sumit Madan: You want to give the second also, if there is one coming, that will just help us then articulate both in, if there is any other.

Sanketh Godha: And the second question is on riders. I mean if I look at first half number, which you reported for the first time, the growth looks a little soft around two percentage. Just again, want to understand the softness. Is it because we were very significantly penetrated, so the scope was limited available incrementally, and that is why your rider growth has softened a bit or again, interlinked only, I am just asking, is it because ULIPs have moderated and the growth has slowed down along with the ULIP thing.

And related to, again, ULIP is your persistency, what I see in 13-month persistency is off compared to the last year. Again, is it fair to say it is ULIP led? And given you guys have sold a lot of ULIPs in a weak market, ULIPs are seeing the most amount of persistency correction relatively. Just wanted to understand that point?

Amrit Singh: So thanks, Sanketh. Variable annuity product, which we launched in the quarter 2 did contribute more than 50%. Actually, there was an earlier product that it very seamlessly replaced. So yes, there has been a contribution of the variable annuity product in the quarter 2. On riders, actually, your question itself.

Sanketh Godha: Amrit, on variable annuity, the margin profile of that product is a key reason why your profit margin looked better than expected, in our view, better than expected in the current quarter?

Amrit Singh: No I would not say that actually, the margins of the running products and this product was similar in the range. It was more a story to the consumer that there is a participation in over a long horizon, an equity kind of a play, which helps. So that I do not think is a reason which you can attribute that there is a lift up of annuity margins because of this new product. Margin profile is similar.

Your rider question, actually, your question itself had the answer. You have identified it correctly. So our riders have grown 19% in the first half and the softness of 19% is also largely because of inherent softness in ULIPs as an overall demand category, which where we had already kind of in the run rate moved to attachments on those ULIP designs. So the rider component coming out of ULIP has only grown on a low small single-digit kind of a number actually.

Persistency stress is actually concentrated in the Non-Par design as we had told in the last call as well. Some of those designs of products which were launched in the previous financial year did give us some challenge with respect to persistency outcome.

And as we had clarified last call as well that in the month of March itself, we had discontinued it. And it was a bold decision taken during the month of March to discontinue a product which we were seeing distress. So we have stopped selling that kind of a design anymore.

So what will happen to persistency is that, additionally, in the previous financial year, we had started putting some controls in the second half of the year. So as the quarters progress, you should see persistency no longer deteriorate. In fact, on the contrary, improve with improvement kicking in quarter 3, quarter 4 on that particular, as the base of the problem product kind of keeps reducing.

The ULIP persistency, I think the specialized, as you called it, ULIP term ULIP product, which actually sold as a protection first story than a unit-linked story is okay. It is actually doing fairly fine. It is just that there will be some pluses and minus. So some riders which are attached in some ULIPs, there are some pluses and minus happen. But overall stress largely has happened because of nonparticipating design.

Sanketh Godha: Understood. And lastly, one small thing I want to check, given you are growing strongly annuity from a capital consumption point of view, if I compare it with the Non-Par, is it fair to say that annuity and within that variable annuity design consumes a little less. And therefore, from a capital efficiency point of view, until the new money comes in from either Axis or QIP, whatever you take a call eventually, will help from solvency or capital consumption perspective?

Amrit Singh: Your observation is correct, annuity does consume less of capital. And also, it is a bit of a channel mix where you sell and how you sell on those levers that you always.

Sanketh Godha: Understood. Understood. Thanks. That is it from my side. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to the management for their closing comments. Thank you.

Nishant Kumar: Thank you, ladies and gentlemen, for being on Max Financial's earnings call. We look forward to more such interactions in the future. Thank you once again. Goodbye.

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

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