May 13, 2024

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 May 7, 2024, post declaration of Audited Financial Results of the Company for the financial year ended March 31, 2024, is enclosed.

The same has also been uploaded on website of the Company at https://maxfinancialservices.com/static/uploads/financials/mfsl-earnings-call-transcript-final_q4fy24.pdf

You are requested to kindly take the aforesaid on record.

Thanking you,

Yours faithfully

for **Max Financial Services Limited**

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Piyush Soni
Company Secretary & Compliance Officer

Encl: As above

Max Financial Services Limited
Q4 FY'24 Earnings Conference Call
May 07, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Max Financial Service Limited Q4 FY'24 Earnings Conference Call. 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: Thank you. Good evening, everyone, and we welcome you to the Earnings Call of Max Financial Services for the Year Ended March 31, 2024. Our results are made available on our website a few minutes ago, and also on the stock exchanges. As always, I'm joined by Prashant Tripathy, MD and CEO of Max Life Insurance.

I will request Prashant to share key developments of the quarter and insights into 12 months results.

Prashant Tripathy: Thank you, Amrit, and good evening to everyone. Thank you very much for taking out time for the call today. At the onset of FY'24, we set our aspirations to increase our market share, broaden our distribution network, finalize Axis transactions and achieve our targeted profitability metrics. I'm very happy to share that we have made significant strides in fulfilling these commitments through dedicated efforts and steadfast dedication to serving both our customers and shareholders. To begin with, I would like to provide an update on the Axis transactions.

On April 17, 2024, Axis Bank infused INR1,612 crore as planned by subscribing to 14.26 crore equity shares of Max Life on a preferential basis, resulting in the Axis Group's collective stake rising to 19.02%. This capital infusion not only strengthens our capital position and solvency margins, but also reinforces our partnership with Axis Bank, paving the way for a more resilient and prosperous franchise .

Additionally, Axis entities hold the option to acquire additional 0.98% stake from Max Financial Services through a secondary transaction, which will take the overall stake of Axis Bank and Max Life Insurance to the planned 20%.

I would also like to share an important development with you. I'd like to inform you that the Board of Directors of Max Life Insurance has approved the appointment of Mr. Munish Sharda, Executive Director, Axis Bank; and Mr. Arjun Chowdhry, Group Executive Axis Bank as additional directors on the Board of Max Life Insurance. Both have been nominated by Axis Bank as their representatives from the Board of Max Life Insurance, and they bring wealth of diverse experience to aid Max Life Insurance further in its ambitions. I think with their experience in financial services world, they will add a lot of value to our growth and our aspirations.

Predictable & Sustainable growth by building distribution:

I'm very happy to share that our full year individual adjusted first-year premium sales experienced a robust growth of 16%, surpassing the private sector's growth rate of 8% by 2x and total industry growth rate of 5% by more than 3x, resulting in a market share increase of 61 basis points for FY'24.

In quarter 4 of FY'24, we achieved a market share of 10.4% compared to 8.6% in quarter one, demonstrating consistent quarter-on-quarter market share gains. This growth also comes to the back of a very large March that we had as an industry last year.

On the basis of APE, we have grown by 19%. This growth can be attributed to a 20% increase in the number of policies, which is more than 2x of private average number of policy growth rates, primarily fuelled by a strong 28% growth in prop channels APE. Excluding one-off sales from last year, prop channels have grown by remarkable 44%. Offline prop channels witnessed 18% growth on actual basis and 34% on a normalized basis.

Our agency channel exceeded a noteworthy 54% surge in recruitment, establishing itself as the fastest-growing agency amongst the top 10 players in the industry. Direct customer acquisition channels also enhance their efficiency and ventured into new verticals significantly contributing to overall growth.

In the online channel, we maintained our leadership position. The online channel expanded by 79% in FY'24, underscoring our capability to rapidly expand our digital business. Our Banca channel APE experienced a growth of 12%, driven by all Banca partners. It is noteworthy that we have consistently maintained our counter share in both of our major Banca partners, namely Axis Bank at 70% and Yes Bank at 58% year-after-year.

Furthermore, our Group Credit Life business grew by 62% contributing to an overall company level APE growth of 19% in FY'24. In terms of expansion of our distribution reach in FY'24, we effectively onboarded more than 40 new partners, including one new bank, 20 new Group Credit Life partners, 14 online and offline brokers and six corporate agents. We anticipate these partnerships to become a significant part of our total business in the upcoming financial year and going forward.

Furthermore, we expanded our distribution network by establishing a representative office in Dubai. This strategic move extends our presence in the Gulf region, amplified brand visibility and provides a seamless approach for our non-resident Indian customers.

In summary, our distribution strategy is in line with our growth forecast for the upcoming year. And we are highly confident in maintaining the momentum that we achieved so far in FY'24. Our product innovation was a key component of driving growth as well as our profitability.

Product innovation to drive margins:

Our strategic commitment to becoming a premium product company in the industry drives us to continuously enhance our offerings.

In FY'24, we launched several innovative products across different segments, which facilitated secular growth, except for non-PAR savings impacted by high base effects. These product launches includes:

a) SWAG variant on PAR design with enhanced features focusing on liquidity, protection, and retirement.

b) STEP, which is a design in protection, with industry-first features of cover continence benefits.

c) SWAG Elite featuring an industry-first design of guaranteed endowment.

d) SWAG Pension targeting the retirement category with differential industry-first options.

e) SUPR Rider offering the option to receive a return of premium upon maturity.

f) Small and Mid-cap momentum index funds launched to enhance savings mix in e-commerce.

These launches totalling 37 industry-leading interventions have positioned us at the forefront of meeting customer needs, contributing to approximately 45% of new business sales in FY'24. Furthermore, our emphasis on selected products segments is evident in the growth of our retail protection, health and annuity segments comprising 14% total APE in 12 months of FY'24 and growing by 61%.

This led to our individual new business, term assured achieving rank 3 in the private industry with a growth of 33% on a full year basis ahead of industry growth rates. All these achievements culminated in achieving new business margin of 26.5% within our guided range of 26% to 27% right at the midpoint. In quarter 4 FY'24, margins improved sequentially to 28.6% as operational leverage kicked in with seasonal trends. You would have also noticed that quarter-on-quarter, our margins continue to improve from quarter 1, where we were close to 22% in quarter 4, where we landed at 28.6%.

Our margin outcomes are a result of calibrated approach to expanding market share. This involves active participation in the unit-linked market contributing 35% compared to 27% last year, alongside the introduction of innovative product solutions that balance customer needs and shareholder outcomes. Moving forward, we anticipate to maintain our high growth, growing faster than private industry and gaining market share. And we expect our VNB growth to be in line or near about our APE growth. Customer obsession also yielded outcomes on the customer outcome.

Customer obsession across the value chain:

Max Life has cultivated a customer-centric culture by embedding a focus on customer satisfaction throughout every stage of our value chain. This commitment has been recognized by our customers who have ranked us number 2 among India's leading insurers for delivering best-in-class customer experience in the fourth addition of Hansa Research's prestigious CuES report.

They have commended us for our products, digital support, streamlined documentation processes and efficient policy issuance. Our culture extends beyond mere transactions and policies as evidenced by our consistently improving brand consideration scores, which positions us among the top brands in the sector. Furthermore, our exceptional claims paid experience ratio of 99.51% in FY'23 reflects our steadfast dedication to our customers.

We gave customer loyalty through Net Promotor Score. We are pleased to report that we have witnessed a 4-point increase in our customer NPS rising from 52 in March '23 to 56 in March '24. Our touch point NPS is at 74 improving by 6 percentage points and NPS in relationship increased by 2 points.

Additionally, Max Life proudly maintains its leadership position in terms of 13-month persistency for the number of policies. Specifically, our 13th month persistency for regular or limited pay premium stood at the highest ever at 87%, an improvement of about 300 basis points. Our 61st month persistency was at 58% for the period ending March 2024. And across all the cohorts, we have witnessed reasonably significant improvements. Furthermore, our grievance incidents rate has improved by 20 points in FY'24, underscoring the trust our policyholders place in Max Life.

Digitization for efficiency and intelligence:

Our commitment to technology permeates various aspects of our operations, including product launches, prospecting onboarding, and customer service. Embracing agile methodologies, we have achieved operational excellence and heightened efficiency.

Our ongoing investment in leveraging AI and digital technologies as we modernize legacy systems has resulted in the onboarding of significant new business with minimal human intervention in underwriting. This has substantially increased our capacity to process peak month business with minimal human resource augmentation.

Additionally, migrating to our core policy admin system through the cloud has improved system performance by threefold. Our consistent focus on enhancing the e-commerce journey has led to an increase in purchase Net Promotor Score which now rivals that of best-in-class digital-related players. By leveraging generative AI, we have introduced Sales Genie, a virtual agent training companion for frontline skills and launched several marketing and product campaigns. These initiatives have not only facilitated hyper-personalized communications but also significantly reduced development time. These strategic initiatives empower us to operate more efficiently, make data-driven decisions and enhance customer experience and adapt to evolving business landscape.

In summary, our efforts to fuel growth have yielded results in line with our expectations in FY'24. And you noticed that it is consistent with all the guidance that we provided throughout the year. We remain committed to augmenting our capacity and developing new business models to sustain and enhance our performance levels.

With this comprehensive coverage of our business, I'm now going to hand it over to Amrit, who will provide an update on our financial performance. Over to you, Amrit?

Amrit Singh: Thanks, Prashant. Just key financial metrics..

- MFSL consolidated revenue, excluding investment income, stands at INR29,011 crore, a growth of 16% in FY'24. Consolidated PAT for MFSL stands at INR393 crore.
- For Max Life, the gross premium has grown by 17% to INR29,529 crore and renewal premiums have also grown by 13% to INR18,506 crore.
- Value of new business in FY'24 stands at INR1,973 crore versus INR1,949 crore for FY'23.
- The NBM for quarter 4, a sequential improvement quarter-on-quarter stands at 28.6% and for 12 months, we stand at 26.5%
- Embedded value end of 31st March 2024 is INR19,494 crore with an operating RoEV of 20.2%.
- Policyholder opex to GWP is 13.8% and Max Life profit after tax stands at INR360 crore.
- With the infusion of INR1,612 crore of capital by Axis Bank into Max Life in the month of April, the solvency adjusted will stand around about 206% for Max Life, which is sufficient for us to drive our growth momentum.
- Additionally, with this infusion of capital, the embedded value will also be around INR21,100 crore.
- Assets under management for Max Life has crossed INR1.5 lakh crore during the quarter and are at around INR1.51 lakh crore at the end of March 2024 and year-on-year growth of 23%.

So overall, strong performance across financial and non-financial parameters. And at this point, we will be very happy to take any questions you may have, and I'll request the moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Just on set of performance couple of questions. The first one is on embedded value walk. The non-operating variance that I presume it will be mostly economic variance, and that appears slight negative. Now if we look the way equity has behaved as well as the yield kind of a movement that you have given in slide 59, there should be some sort of a contribution from both the factors coming as minor positive maybe 1% or anyway between 1% to 2% positive, but here, it is Negative so if there is something more than the economic variance, assumption change or whatever I'm missing here? I mean if you can clarify on that.

And the second question, if I come to particularly the Q4 part of our GAAP result, I know that Max Life GAAP results, I guess it is not out. Now I understand, I mean, a large part of probably the GAAP profit decline or rather turning into loss it could be due to new business as explained. But can you help? I mean, is this new business explain totally reflects our product mix change only because I mean last year also you had a strong amount of non-PAR typically have been high strain. So is this new business only due to new business strain? Is it a new business strain only due to production mix changes or sort of a payout increases or any sort of a weakness in back book supply, if you can help.

Amrit Singh: Thanks, Avinash ji. I'll take this question. On non-operating variance, you're absolutely right. This is all economic variance in nature. And that it's a mix of the proportion of equity that we hold and the debt portfolio that we have.

So on the equity side, as the markets have moved up, we have also experienced positive variance almost to the tunes of around INR485 crore is positive. But on the debt side, because as interest curves have moved down, the liabilities also have to be repriced, where there is a negative movement on the debt side, which kind of offset each other to give a negative number of INR54 crore of non-operating variance that you see for us.

And some bit of these variances are actually a bit of mix of the proportion of equity you have in ULIP, the proportion of shareholder equity that you have, proportion of shareholder as an overall proportion of your EV and proportion of group business and single premium business that you'll be carrying.

So some of these factors actually have an interplay. But largely, these are economic variance, transitory in nature and this come back because most of our portfolio is hold to maturity. On your specific question on quarter 4 profits and I think you are describing to the decline that you are seeing. I think the predominant reason there for that decline is, and this is also linked to some bit of operating variance that you are seeing, where there is a negative operating variance, which has come out of some assumption tightening that we have done proactively as part of our regular annual business. So some bit of that negative element has flown in addition to the product mix aspect that you spoke of.

Avinash Singh: So this operating variance would be mostly around expenses or some mortality persistency even sir?

Amrit Singh: So it's from a mortality perspective, some bit of tightening on the group credit portfolio that we have done. And the second element of this is certain lapse and persistency assumptions that have happened across the portfolio. But I'll say it's our long duration tighten that we have done and is a bit proactive at our end to be more conservative about it.

Avinash Singh: Okay. So in the EV also the operating variance will have kind of some positive impact coming from maybe your persistency and all and some negative from mortality variances. Am I right?

Amrit Singh: This assumption tightening is negative on both the sides that I spoke of. But obviously, within the walk, there are variances which are positive and negative, but I mean that's a mix, for example, in operating variance, we'll have some negative in our ULIP books. But overall, it's I think the operating variances, the experience variance is largely flattish.

Moderator: We take the next question from Supratim Datta from Ambit Capital.

Supratim Datta: So I'll just continue from the first participant's question. So on the negative operating variance, could you tell us what led to have the mortality tightening on the group credit life what may you tightened estimate? And typically, how long an experience do you look at it 2 years or 3 years before you tighten the estimates? If you could throw some color on that, that would be one.

Two is, in the last 1.5 years, you have formed several non-Axis Bank partnership. If you could give us some color what is the counter share, be in from Tamilnad bank or non-DCB Bank. And how are you looking at expanding the counter share in these banks? That would be very helpful. Those are my two questions.

Prashant Tripathy: I will take the second question first, and then I will request Amrit to talk about the operating variances. We signed up 5 to 6 banks over the last one year or so. And suffice us to say that of course, we were the third or fourth or fifth player. So it takes a while actually to increase the presence and the counter share, but I will say the counter share varies between 8% or 9% to about 60% in different accounts.

And at my personal level, I track whether our counter share is increasing or not month-on-month. And very happy to share that we have witnessed us consolidating our presence, increasing counter share by every passing month. So I'm very optimistic that as time passes, that will become a potent source of revenue generation for Max Life Insurance.

And our desire to partner with many more banks. This continues. We'll remain very aggressive on each one of them. We are leaving no stone unturned either in terms of deployment of resources or products, and we the accepted aggressive on all the new banks that have been firing. Amrit, for you to the question of operating variance.

Amrit Singh: Actually, firstly, it's a very small number. It's only you will see in a walk, INR57 crore. This is our annual process. We do true-up our assumptions annually. And there is nothing out of the ordinary or unusual that I can call there for. As part of our regular process, the assumptions have been tightened

Supratim Datta: Understood. And just one data keeping question. Could you let us know what is the proprietary channel, what is the proportion of agency versus debt side and other outstanding?

Amrit Singh: Actually, on our slide number 22 and 23, you can see we have provided a breakup of offline and online.

Supratim Datta: Offline is entirely agency? Correct?

Amrit Singh: Offline is agency plus our direct selling teams, which are actually work on the customers whose agents have actually left the company where the upsell and cross-sell is done. So in some sense, it's you can call it agency itself. But it includes in our parlance as agency and direct channels. And online is commerce.

Moderator: Next question is from Adarsh from Enam Holdings.

Adarsh: Just wanted to check that there has been some seems that there's a discussion on the surrender regulations again, right? December, we had the draft. We had some clarification in March. So if you could share any feedback in what and I understand it's not yet out, but how would you mitigate this if you see any changes in what was proposed in March?

Prashant Tripathy: Firstly, quite aligned to the regulatory push on creating value for the policyholders or customers. So quite aligned on that view. It's premature for me, but I'm reasonably confident that overall, when the final guidelines come or the guidances come, it will create win-win for all the constituents. There is a consultative process, which is currently going on, not concluded. So I will request that we just wait for the final guidelines to come out.

Moderator: Next question is from Swarnabha Mukherjee from B&K Securities.

Swarnabha Mukherjee: Congrats on a good set of numbers. So first question is on the margin side. So I mean, on a sequential basis also, I think the mix has become slightly adverse with higher share of ULIP. I just wanted to understand the expansion that we are seeing in the margin profile. How much should we attribute to some kind of cost absorption given that I think your fixed cost proportion will be lower in the fourth quarter. If you could give some color on that and how much maybe at a product-specific level, margin expansions are happened. So a little bit more detail on how we should read the margin expansion between the quarters?

And secondly, on the structure simplification process, if you could give us some color on the timelines. So a small proportion of stake needs to be acquired by Axis. And then I think there was a process of reverse merger as well. So if you could give us some sense on what timelines should be?

Prashant Tripathy: Overall, I think the margin profile to me, improved quarter-on-quarter, like I mentioned to you every quarter, the margin went up peaking at 28.6%. Definitely, year-on-year margin, you would -- like we were guiding all along will come lower predominantly because of two reasons: a, the mix on Non Par are going down and the proportion of ULIP going up.

However, typically in quarter 4, our margins are highest because that's the highest sales quarter and we do compute on the basis of actual cost of every quarter. And hence, you will find typically that in quarter one, our margins are lower and they increased by quarter four. I think while the ULIP proportion was going up, the overall pedal on driving protection, driving health, driving annuities remain the focus area. We didn't mention, but we also grow Rider quite aggressively. So overall, these product categories led us optimize our margins as we went long despite higher share of ULIP. And the objective was to create a good balance between sales growth and margin outcomes.

And I think we successfully did that. So those are reasons. On your question on structures, of course, we are very mindful. We, the Axis transaction to a great extent is consummated, we'll wait for the balance 0.98% to be done, which hopefully should be done over next few months. And we will initiate the process of the restructuring. My sense is that it will take anywhere between 18 months to 24 months because this involves NCLT process, etcetera. We remain committed, and we will pursue that journey as time progressing.

Swarnabha Mukherjee: Sure, sir, very helpful. Just a follow-up on the margin front. So for the coming year, would your guidance remain at the similar level which you had highlighted earlier? Or should we expect a slightly higher range now?

Prashant Tripathy: The market is very dynamic. So I would refrain myself to give you an exact number generally. We are looking at a sales growth of high teens and the objective will be to grow faster than the market so that we are capturing market share more and more.

And on VNB growth, hence, we will definitely be teens, which will be either at the same level of growth as sales or marginally lower. So that's the target that I'll give. Let me not push myself to give you an exact margin number because things are very dynamic. There are things changing in the regulatory space. There are, of course, product mix related things that we need to manage throughout the year. So let's keep you at that level for the time being.

Moderator: The next question is from Shreya Shivani from CLSA.

Shreya Shivani: Congratulations on a good set of numbers. I have one question basically trying to understand that the great agency addition that you have done this year. Now Max has always had the highest agent productivity on the street. So for these agents, which have onboarded this year, as and by the end of FY '24, fair to say that the productivity increase would come through FY '25 or it takes more time than one year, if some clarity on that would be useful?

And also another question is the banca channel this year only grew at 12%. And given that this base, what kind of improvement or that we could expect in FY '25 under no base of banca channel for this year? These are my two questions. Thank you.

Prashant Tripathy: Yes. Of course, when you hire the agents, some of them increase in productivity and hence, our bet on agency remains fairly high. And we're very optimistic about that we're continuing to drive growth in agency going forward. As far as banca channels are concerned, we are going to put the best foot forward, completely enthused about Axis participation in our business, they've increased participation in our Board, and I think the overall collective ownership. So we will work very aggressively on the bank side also with new partners that we've signed up, I think the overall optimism on bank side will be more than how it was in FY '24.

Shreya Shivani: Got it. And is it fair to say for the next year also, your agency and probably prop channel will manage to do better than banca or will we see better, some growth pickup in banca as well?

Prashant Tripathy: That's intent. If you were to look at our prop channel growth rate on adjusted FY basis over last five years, it is 21%, which is quite remarkable. And we hope that we are able to maintain that kind of growth rate or better.

Moderator: The next question is from Prayesh Jain from Motilal Oswal.

Prayesh Jain: Congrats on a great set of numbers. Just extending the previous question on Axis Bank growth next year. There has been, I think, with the Citi acquisition, there is Tata that has come, Aditya Birla is something that Axis Bank has tied up. So how do you see the wallet share kind of moving to Max Life?

And also given the challenges on Axis Bank wondering having to raise deposits. How do you kind of look at this entire piece of Axis Bank given these contours? Secondly, on the non-par business, what kind of pricing actions we would have taken in possibly Q4 or afterwards? And what is the kind of profitability, product level profitability that would have changed in FY '24 versus currently? Those are my two questions.

Prashant Tripathy: Answering the easier question first, on non-PAR, all our large products stand revised. We have increased the rates because the yield curves have altered. And it just shows our commitment to preserve our margins. So we have increased our rates to ensure that the margin is protected.

As far as the growth from banca channels are concerned, of course, there is a banking ecosystem and the push for increasing deposits, etcetera, is very common in the bank space you would have noticed that not just our bank where we saw 12% growth. But overall, as bank ecosystem, insurance sales was a bit tepid last year. But hopefully, going forward, the push on driving fee income will be equally important, and that gives me optimism that the growth from Axis Bank will be either at the same level or better.

In terms of Citi acquisition, I would like to share with you that we do participate on that counter. And yes, you're right. The bank counter has been open to Tata, which got opened in the month of December. And I think for Aditya Birla, it is going to happen very soon. The participation of these two new players is not on pan-India basis, it is restricted to certain geographies.

The bank stated stands on counter share of Max Life Insurance is between 65% to 70%, and it was very publicly communicated by the management of Axis Bank. So I think we must look at that corridor and any which ways that's a very healthy mix of counter share that Max Life Insurance should expect. So I remain optimistic despite inclusion of a new player in the month of December, our counter share remained at 70%. And we'll work towards either preserving or keeping the same level or marginally lower at Axis Bank counter, either which way not materially impacting the sales growth for us from Axis Bank.

Moderator: The next question is from Madhukar Ladha from Nuvama Wealth.

Madhukar Ladha: First I think on the economic variance, you mentioned that because interest rates went down, the liabilities got repriced. And as a result, the mark-to-market, even on your bond book sort of fell short to cover that, right? And hence, that's why we have a negative variance also because of the interest rate movement. I was just wondering of here that shouldn't the policyholders' liabilities already be covered by adequate hedges and your shareholders fixed income book should still have resulted in a positive variance. So I mean, that would be my expectation. Maybe you can help me understand this better.

Second, if I look at your shareholder or back book surplus, sorry, that also the growth of there has come off in this year. So last year, we were at about INR1,563 crore. This year, we are at about INR1,627 crore. So why has that happened? And is it also getting impacted by the operating variance or the tightening of operating assumptions that we've done in this year and maybe even the increased liability also because of the rate movement. Is that impacting the back book surplus as well? That's the second question.

And other your VNB has a negative mix and margins. Does that include the same reasons, which is like the group credit life portfolio negative variance and the persistency assumption change, right? These things are there the similar reasons which are sort of impacting both the EV walk and the VNB walk? I just wanted to get a clarification on that.

Amrit Singh: Madhukar, I think some of the questions you have answered yourself in your hypothesis itself. I'll take the easy one first, the back book surplus decline. You're right. It is linked with assumption tightening which has kind of had an impact. Also, last year, we in the back book surplus, if you see an unusual growth. So there is a bit of a base effect also, which is in play in that book surplus. On your economic variance. So yes, I mean, you're absolutely right, as the yields have come off, the liabilities have increased which has to be adjusted for.

Now our networth as a percentage of EV is, and you're right, I mean, within that shareholder portion of it, this gives a positive variance because those assets are actually free and not covering up to the liability. But that proportion is much smaller than the overall negative that comes on the policyholder side. And that's the reason why I shared that even though there is a positive INR485 crore of positive equity variance, there is an equivalent negative debt variance, which come into play.

Lastly, on VNB. Actually, assumption change there has not had such a material impact because most of these products, when they get priced, we are cognizant of some of these things. And at the time of pricing itself, you make those corrections. And large part of our VNB does go through of many recently priced products during the year. The large part of the variance there is to do with product mix and in certain categories of annuities and protection, there is some bit of margin shrinkage as well. But largely, the answer lies in product mix variance, which has happened in.

Madhukar Ladha: Understood. Just dwelling a little further on the economic variance, so the liability side repricing on the policyholder's sort of liabilities repricing, that should ideally be hedged, right? And that should ideally have been sort of covered by whatever FRAs or party paid bonds or any other the funds that you've already received towards that. Is it sort of unhedged and maybe you can help me understand that actually?

Ashish Taneja: Yes, from a perspective of the hedge part of your liability, your understanding is correct. It is, of course, immune to since its hedge with immune to the movement in interest rate, but it's also a function of the different product mix, which may be primarily as Amrit rightly pointed out at the beginning of the call that it is mainly to do with the single premium business on group side, annuity side, where you have received the premium and the assets are invested up front.

So depending on that product mix, mix of that business within the portfolio, the movement could be different. So hence is a function of the shape of the curve, how it has changed. It's not a parallel shift. Second, it's a function of various product categories and the mix of assets back in those. Hence, if you look at the overall impact, it does so for the hedge part of the business you're right, the impact is more or less immune to movement and interest rate.

Madhukar Ladha: Understood. And one final question. What would be the positive economic variance of the shareholder fixed income book?

Amrit Singh: Maybe I can get to provide that you separately. I don't have that number at this point in time, but I can provide that separately.

Moderator: The next question is from Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: I have two questions. One was on the group protect side; will you slow down consciously this quarter?

Amrit Singh: Group Credit Life has done very well for us, actually. We've been growing that quite significantly. We have grown around 59% for the full year. Is the question on group term life?

Nischint Chawathe: The overall group protection this particularly.

Prashant Tripathy: Yes. So we can break group in two parts. The group credit life where we have seen very good growth. We have 59% year-on-year, which is significantly higher than the industry. And we are trying to build that book. Group term life in which way is a very tactical play for us. So we're not huge players and neither do we intend to become very huge. We saw a good growth of 25% on a year-on-year basis, but quarter four slowed down a bit for us, which is okay. I think the competition in that space is very severe, and we don't write on some business at on deals which we don't believe will generate enough outcome for us.

Nischint Chawathe: You said that 59% growth is for the year or for the quarter?

Prashant Tripathy: 59% growth was for the year, for group credit life and we have the numbers for quarter four, I think even quarter four number is upward of 150% growth for the quarter for in group credit life.

Nischint Chawathe: And then if you can just give the share the absolute number of group credit business that you have done for the year?

Amrit Singh: Actually, that also has been provided on the slide if you go to slide in the investor deck. Yes, it's on Page 13. This is mixed for you; you want the group credit life separately.

Prashant Tripathy: Nischint allow us to send it to you separately, if that is okay with you.

Nischint Chawathe: Perfect. Just one or two more questions on the online operating side, if you could just sort of help us recollect what all does this include?

Prashant Tripathy: Okay, I think it does include all the aggregators business as well as business that comes on our website.

Nischint Chawathe: Got it. And then what is the right to win in this business? I mean if you're growing at 80% in this business, how do we think about this growth continuing going forward and what is the right to win over?

Prashant Tripathy: I think it's a very dynamic area and the only thing that should give you confidence of ability to constantly execute. If you were to look at our growth over the last 5 years, the growth rate has remained similar.

We must be growing at the rate of 50% for the last 4 years, 5 years until this business has grown 6x, 7x over the last 5 years maybe more. So I think the right to win is a very dynamic approach to the market in of course, if you were to break it into two parts, mostly looking at protection where we have been market leaders. It's a combination of the claims experience, your ability to underwrite faster, looking at newer cohort innovation as well as appropriate pricing.

Those are things for the right to win. If you were to look at savings market, of course, savings market is again very dynamic and your ability to constantly innovate come up with offerings which are attractive to the customers and leveraging every possible opportunity, including ULIP is the right to win.

So really, it's a core ability on innovation, on agility, on creating great journey for the customers as well as product designs which appear attractive. Those are things that I will say are key competencies.

Nischint Chawathe: And if your growth in other bancassurance partnerships which, again, have you fair competition with other insurers and the online proprietary is sort of faster than the company growth, then you would probably kind of constantly have this pressure of higher payouts because these channels will typically be higher payouts and probably on the lower margin than the rest of the -- than the other two channels?

Prashant Tripathy: You mean the online channels?

Nischint Chawathe: Yes. So I mean both online proprietary as well as other bancassurance partnerships. Now both are channels in which you are kind of competing with other insurers head on?

Prashant Tripathy: Of course, you're competing by the end of the day what plays a big role is what kind of product mix are you able to maintain? Which are the areas where you're winning and with the combination of protection as well as savings collectively I think you stand a fair chance of making reasonable profits for the company and which is a strategy that we follow.

So if one were to choose to write only savings and that too in ULIP, etc which is hugely attractive to the customer, maybe the margin profile will go down. So at the end of the day the answer lies is balancing the product mix.

Nischint Chawathe: No. So the point I'm trying to make is that these two channels are growing at a faster pace than Axis Bank and the agency or off-line proprietary as we call it. And typically, the margins in these two channels would be lower than the Axis bank and off-line proprietary. So in that sense, faster growth in these channels would probably directionally put more pressure on margins?

Prashant Tripathy: Yes. But of course, there are multiple other ways to do that by, I mean, really, maybe at a channel level at, for example, cost of acquisition level maybe you're right, but at the end of the day, you're adding so many customers to your franchise which potentially you could cross-sell at some point of time and look at maybe lifetime value of some of these customers.

So at this point of time, I will say we're not so fuss about channel level margins and rather we need to grow a channel or not. I think what we're trying to do is figuring out ways to preserve our margins, for example, add more GCL to our books, looking at growing our agency constantly working on mix on other channels, etc and that's the strategy that we will follow. Increasing riders, more attachments of riders to our protection, those are things that we are trying.

Amrit Singh: Just because you asked that question and add that number now, group credit life was around INR1,122 crore. This is a single premium. Group term life was around INR301 crore for the year.

Nischint Chawathe: INR301 crore for the year. Okay. Then that is up 59% year-over-year. That's what.

Moderator: Thank you. Next question is from Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sorry for harping on this economic variance number. I mean if you look at the other insurance companies, we typically reported 4 to 5 percentage positive economic variance number in the current year. But our number is negative. I'm still not able to understand why this number is negative. Is it largely because you're getting more annuity in the current year and ALM mismatch cropped up in the business because of the annuity business.

And therefore, the negative operating variance has come because it's still very difficult to comprehend that it's a negative number. Given for others, it is 3.5% to 5% positive in economic variance and you're operating the same macro. So that's point number one. The second question is that your individual protection growth is very solid in the fourth quarter. Now obviously, if I look at it from the full year point of view you are even bigger than IPru and HDFC Life in an absolute rupees crore in premium number. Your market leader if I take it as a pure term. Just wanted to understand this business growth is largely driven because you have some change in your reinsurance treaties or your ability to underwrite has become more smoother than what it was in the past.

What is leading to that growth? Because your growth seems to be very high. I mean if you can give a little color there, it will be useful. And lastly, on the online business which has done very well. If you -- I mean you indicated the point, but if you can break down that growth into your own website and may be third-party channel like PB or any aggregator in that sense?

Amrit Singh: Firstly, you're asking a question on non-operating variance comparison with the competition. I can only hypothesize.

Sanketh Godha: I'm saying economic variance.

Amrit Singh: EV has elements of many, many layering there. And I can only, and I said this before in the call also, I think no 2 EVs are comparable in that particular manner. You'll have to look at percentage of unit-linked business in some of these players and further within unit-linked business what is the percentage of equity for one player versus another because that has a bearing on the positive effects of equity coming through.

You should also look at percentage of shareholder net worth as a proportion of embedded value because on the shareholder side, any of these variances will be a positive variance and further again there are also components of equity becomes important.

And lastly, then you have to look at the nature of the EVs others have with respect to quantum of single premium that they are writing because single premium immediately lock in. You get that realization as positive because of the changes that have come through.

So I just say that these are actually computed the way we compute and the economic variance is the predominant reason and these are transitory in nature. And I'll kind of stop at that. I will not be able to give you a specific answer that why another player is higher and why we are low because I don't have insights into it.

Sanketh Godha: Amrit just a small thing in annuity are we largely deferred annuity, and that's why that's why we are not getting the benefit of what others would have got to some extent?

Amrit Singh: Sanketh, we just started writing annuity business in this particular year. EV comprises of multiyears of business that got written with even if that is higher, it won't have that kind of an impact.

Sanketh Godha: Amrit, why I'm asking, again, sorry to harp on that point. And then that your economic variance number in the past broadly was in sync with the other players. This year is completely off. So I'm still finding it very difficult to comprehend. That's the only reason I am asking it?

Amrit Singh: At this point in time, I've already explained.

Sanketh Godha: On protection business and the online you can explain it will be okay?

Amrit Singh: Yes. So I think protection, as we have been calling it out that among two segments of choices that we want to grow, protection, health and annuity are large opportunities available in India to continuously keep penetrating better into. In line with that strategy and also the fact that last few years were a bit slow from a protection business perspective, just some of that has kind of come into play, and we have seen the growth of protection business happening for us.

Obviously, it is supported by some bit of easing that has been happening over the last entire I'd say ever since COVID got over with respect to underwriting ease is coming into picture, as more and more confidence gets built into the kind of life being onboarded, the kind of underwriting happening and the kind of mortality experiences that are evident in the books.

Those have helped provide the necessary support to protection growth as well. And we continue to be very positive about individual protection business and we will continue to remaining focused on doing this faster than other category growth rate.

Sanketh Godha: At product level, we are maintaining the same margin or at the expense of growth we are okay to compromise a bit margin in protection, I mean to say.

Amrit Singh: I mean, at the end of the day, VNB growth in what you're trying to optimize for. And even in protection there are instances, but it's not like a sharp decline. It has to do with certain segments of choice that you try to win in, whether you're operating greater than INR2 crore sum assured market or any other some of those markets.

But if you ask me a very pointed question did we see some shrinkage? Some shrinkage we have seen. I won't call it a very significant shrinkage in the margins.

Sanketh Godha: Perfect. And on the online business that's 79% growth, it should be...

Amrit Singh: Yes. So, online business actually as we do significant portion through our own assets for maxlifeinsurance.com. And there we have, there is continuous buys on driving higher-margin product forms like protection and health kind of businesses.

And on aggregator business which has an element of variability. We are actually open experimenting with both savings and protection market as well. And a reasonable part of the growth momentum in this particular year has also come out of our now strong presence in the savings market. Historically, you are aware that we have been a strong player in the e-commerce protection side where we have held on to 1st position for many years which has maintained in this particular year itself.

But the year saw us entering into the savings market quite significantly where we were around 10%, 12% market share. Last year, we moved to almost 22%, 23% kind of market share in the online space in the savings market as well. And some of this happened on the back of a fair bit of constant innovation on products and also the launches of various funds that we did during the year.

So, which is what you will see then, I mean given the answer web aggregators has grown much faster than owned channels, but largely because of the category that they entered into which category was not in our base in last year's perspective.

Sanketh Godha: Perfect. Got it Amrit. Thanks for your answer.

Moderator: Thank you. next question is from Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: I have two follow-up questions. One is on the product innovation side. This year, we have seen strong product innovation happen on protection or the health category. Going forward over the next one year which of the categories do you think that there is opportunity to introduce new products or plug gaps that could be one.

And then the second question is on the regulatory environment. We have seen multiple regulatory changes happened over the last 1.5 years. If you could talk about how do you see the regulatory environment playing out over the next 1 to 2 years that would be very helpful?

Prashant Tripathy: So innovation opportunity exists. I mean at the end of the day the categories are quite well designed. We have the par designs, the non-par designs, annuity, protection designs etc, but within that there's always an innovation possibility either on features or stories or cash flows and those are things that we continuously do.

So of course, there are possibilities, for example, last year there were several things that we did, and one of them was our product SEWA which has done very well. And the reason for our growth in the protection & health segment.

So of course, there is a pipeline of products. And in our organization rather than telling you where all it will come from, I would like to spend time on in telling you how we approach innovation. So generally, there is a team dedicated to innovation. There are panels which are created with customers, the research team, the distributor, distribution partners and constant engagement takes place.

We are continuously in dialogue with our partners who have better visibility in their customer segments. We are continuously looking at new segments where we could go to. So if you ask me some of that we will yield outcome and we'll keep us on the journey of innovation. Of course, there's a calendar looking at several areas. We are looking at innovation in the area of protection.

We are looking at innovation in the area of non-par and some of that will come through as we go along. On your second question with respect to regulated landscape, I think overall, I would say the regulatory regime under our respected Chairman, Mr. Panda is perhaps the most favourable I've seen in many years with an exception to some of these ongoing discussions which are taking place that too, I'm very hopeful that it will create a win-win for the industry.

I think the steps that the regulator is taking me for long-term growth of the industry. If you were to go through the flexibilities that got created, be it around product or distribution or governance or principal based movement, simplification of compliance, capital, listing, everything that you see is quite favourable. So with that post your regulatory posture, I'm very optimistic that as we go along, we will have a supporting environment.

Supratim Datta: Got it. Thanks a lot.

Moderator: Thank you. We have one last question. We take the last question from the line of Bhuvnesh Garg from Magma Ventures. Please go ahead.

Bhuvnesh Garg: Thank you for the opportunity. Two questions. Firstly, on the EV side of it. So in the case of economic variance, so how should we look at it going forward? For example, if a similar scenario plays out in next -- in some years in the future. Would our EV economic variance would play out in a similar way or are we going to change our strategy on this? Yes, that's point first.

Amrit Singh: So there is no strategy on economic variance which is generally, hold to maturity and that's why these are called nonoperating variances. And as the market moves they will move up and down. And there won't be any inconsistencies in the way it is completed and reported out. So if there is a change, and there are many elements of it, the curve etc it will find its way reversing back itself in non-operating variance as well.

Bhuvnesh Garg: And second question is on commissions. Now we have -- Axis Bank has infused capital in the company. So do you see any possibility of change in commission structure with Axis Bank? Any thoughts on that?

Prashant Tripathy: I think commission structures will remain how they have been and we expect a stable environment with respect to commissions with Axis Bank.

Bhuvnesh Garg: Got it. Thank you sir. Thank you and all the best.

Prashant Tripathy: Thank you.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Amrit Singh: Thanks a lot. Thank you ladies and gentlemen for being on our call and we look forward to more such instructions. Good night to everyone.

Disclaimer: Please note that this transcript has been slightly edited for the purpose of better reader experience.