



Max Financial Services Limited

Q2 FY20 Earnings Conference Call Transcript

November 6, 2019

Moderator: Ladies and gentlemen, good day. And welcome to the Q2 FY20 Earnings Conference Call of Max Financial Services Limited. I now hand the conference over to Mr. Jatin Khanna – CFO from Max Financial Services Limited. Thank you and over to you, sir.

Jatin Khanna: Thank you. Good evening, ladies and gentlemen. Thank you for being part of Max Financial Services Earnings Call. My name is Jatin Khanna, I am CFO for Max Financial Services.

Before proceeding with the performance highlight, I would like to introduce my other colleagues who are with me on this call. I have with me the Prashant Tripathi – MD and CEO for Max Life and Amrit Singh – Head of Strategy for Max Life. I will first talk about the key highlights for H1 FY20 and then briefly recap the strategic priorities outlined in the last few calls.

As you are aware, that we had initiated a transaction for swapping part of our joint venture partner, Mitsui Sumitomo's stake in Max Life into Max Financial I wanted to share with you all that we could not reach an agreement on the definitive documents and have therefore mutually agreed to terminate this transaction. The existing joint venture arrangement with respect to Max Life between us and Mitsui Sumitomo will continue as is.

Now moving on to the results:

Max Financial had a robust revenue growth of about 10% to Rs. 8,635 crore, with a consolidated PAT of Rs. 119 crore, which is down 25% year-on-year due to a production mix shift in the favor of non-PAR products. The Non-PAR Savings contribution has gone up from 5% in H1 FY19 to about 20% in H1 FY20. And we also, as you are all aware, have made investments in the proprietary channel.

Now moving on to Max Life:

Happy to share the Max Life's MCEV post dividend has grown at 26% to Rs. 9,745 crore. Although, MCEV on an operating basis has grown at about 18.3% annualized in line with H1 FY19. As you are all aware that the first six months contribute lesser proportion to the overall sales relative to the last six months, so therefore the operating RoEV tends to be lower for first six months. But as we conclude a full year, we should be in line with last year at the very least due to sales seasonality.

So, now moving on to value of new business:

Our value of new business, post overrun, has grown by about 25% to Rs. 364 core. Our structural NBM expanded by 170 bps to about 25%, and actually NBM post cost

overrun have also expanded by 60 bps to about 21%. So, this has been possible because of higher focus on non-PAR products, which is in line with the industry's shift towards non-PAR products, though we continue to be lower in terms of overall contribution, because we prefer to maintain a balanced product mix.

Max Life's individual APE has grown at a strong 22% to Rs. 1,717 crore, with increased contribution from protection and non-PAR savings products. Max Life has outperformed the industry growth on new sales individual by growing 23% versus a private insurer growth of 16%, with the market share expanding by about 51 bps to 9.3%. Our proprietary channel's new sales have grown by about 20% in Q2 FY20 and has improved from 16% in Q1 FY20. Max Life's agency channel is one of the few agency channels that has delivered positive margins. Now continuing with a strong focus on digital, the e-commerce channel has also grown by about 27%.

The overall protection sales, including individual and group, grew by about 30% year-on-year, higher than the company growth. However, the individual protection sales have grown by about 32% year-on-year, and the group protection has grown by about 25% year-on-year. Axis Bank is delivering about 18% growth. And YES Bank is delivering about 56% growth in the new sales. Our gross written premiums have grown by a strong 14% to Rs. 6,432 crore with a 12% growth in renewals to about Rs. 4,141 crore, with the conservation ratios remaining at a steady 89%. We continue to rank # 1 on 13-month persistency, which has moved up by four places relative to peers. And our 13-month persistency is now tracking at around 85%.

Max Life's claims paid ratio improved by about 70 bps to about 96.8% in Q2 FY20. Our solvency surplus is about Rs. 1,600 crore, with the solvency ratio of about 224%. Our assets under management stood at about Rs. 65,425 crore, growing by about 17%. And we today manage, as you know we are the fourth largest asset manager in the life insurance space, and eighth largest, if you were to including the mutual funds as well. Our par-AUMs are currently at about Rs. 35,000 crore, and we have the highest par-AUM amongst the private players.

We have launched Max Life Innovation Labs to engage with startups offering innovative solutions. And we filed a couple of use cases under IRDA sandbox. Max Life improved its ranking by about eight places to about 35 amongst Great Places to Work, and was amongst top-20 BFSI places to work as well. Very happy to report that Max Life is the only life insurance company in top hundred when it comes to Great Places to Work in a study conducted by Economic Times and the Great Places to Work institute.

Now to sum up:

Max Financial Services continues on its trajectory of driving strong shareholder outcome by its new strategic plan. With the significant investment in proprietary channel, sustained efforts to deepen our bancassurance relationship, razor sharp focus on cost and improvement in protection mix, we are progressing on our aspirations of 25:25:25 target on EV, VNB growth and VNB margin over the next three years, of which you might have noticed that in this quarter we have already gotten to a VNB growth of 25, and the VNB margin of about 25 on a structural basis. As our growth pans out over the next few years and post over and also our margin hopefully, we will get to the structural margin. So therefore, the 25:25:25 aspiration will be delivered.

So, on that note, I will hand over the call to the moderator to open the floor for Q&A. Thank you.



Moderator: Thank you. We will now begin to question and answer session. The first question is from the line of Prashant Pawar from Newberry Advisors.

Prashant Pawar: We were just reading the disclosure on the exchanges about the cancellation of the earlier arrangement with the Japanese partner dated 6th of August. So can you just throw some light on this?

Jatin Khanna: Yes. So we had to finalize our definitive agreements with them in the next 90 days when we announced the transaction. We could not come to an agreement on some of those documents, because there were certain new items that sort of came to light. And therefore, we could not conclude those documents, so, we have annulled that transaction, and the share swap is not being contemplated any further.

Prashant Pawar: Can you elaborate a little more? I mean, you had given a detailed reason and a rationale for doing that transaction in first place, where you had mentioned that the Japanese partner had requested, and it helped in their jurisdiction to actually hold shares of the listed company. And what are the contours that led to the cancellation of this transaction?

Jatin Khanna: I don't know if I can share the specifics, given the confidentiality obligations with them. But, at this stage all I can say is that we could not come to an agreement, so therefore they are happy being where they are, and the JV remains as it was. So, it is back to square one.

Prashant Pawar: Okay. My second question is, any update on the arrangement with Axis Bank? Because we recently came to know that Axis Bank has also pointed some other competitive insurer, tied up with as a Bancassurance partner. So any progress on the talks, any light that you could throw?

Jatin Khanna: See, at this stage all I can say that we are heavily engaged with them. And we have been over the course of many months been discussing to see how best we can structure this partnership further, and therefore extend what our current arrangement is. So, those discussions are still progressing. But till such time we have finality on those discussions, unfortunately, one is not in a position to share anything further. But all I can say is that the discussion are progressing at this stage.

Moderator: Thank you. The next question is from the line of Avinash Singh from SBICAP Securities.

Avinash Singh: So, I have two questions. The first one, again, on the Axis Bank, of course, I mean, amid all the noises the distribution channel is working fine. Now, just, I mean, based on this whatever they have announced and how they will do, eventually their motive will be also to increase their fee revenue. So my question is more on, how do you see, I mean, that channel for you to behave in FY21? Because I am not worried about FY20 because it's too close for anyone to significantly ramp up. So how do you see that channel working for you in FY21?

Prashant Tripathi: Just to reiterate the strength of the relationship, we will complete about nine years in this relationship together, we have done about more than Rs. 10,000 crore of sales. And we are at a very interesting juncture where there are questions and concerns about how the relationship evolves. Suffices to say that both parties like each other and we have huge respect for the value that Axis Bank brings to us. And in that spirit we will work closely with Axis Bank to see how the channel evolves. We have also come to know that there is a new partner who is being empanelled and we are yet

to see any particular assignment or where he will be included, etc., and we will work with the bank to have the overall channel evolve as they plan it. But we will respect bank's decision and work with them closely. I think the entire spirit, knowing the management of the bank, will be to grow the channel further. So, I think as we have seen in some of the industry examples, the pie itself will grow creating more space for everybody. And in that context, I will not be worried about our own position. I think we have been on growth trajectory since year one and I would expect that we will be on a growth trajectory.

Needless to say, we are equally keen to see how this relationship could convert into something more meaningful and something more structural, and we will continue to work with the bank so that such a relationship could be created. So, we will come back to you as soon as there is something more structural that evolves. But meanwhile, as you know, our relationship is until September 2021, and we continue to fire well with Axis Bank.

Avinash Singh: Okay. So broadly, you are saying that you don't see major disruption in FY21 and business as usual, broadly. I mean, of course, it will be subject to market position.

Prashant Tripathi: At this point I am very optimistic because of the reasons that I explained to you. It is a very long relationship, both parties like each other, as both sides have always said. And there is a desire to always keep this relationship very deep. So in that context, I think there is more hope and optimism that it will continue to work in the way it has worked. In all the conversations we have heard that the rationale for including the new partner is to grow the pie, the bank is reasonably optimistic about raising the business. And I think as the pie grows, all the participants will benefit. So I am really not quite negative at this point.

Avinash Singh: Okay. And the second one, I mean, our embedded value report, is it our internally calculated for the half year or is it reviewed externally?

Prashant Tripathi: No, we have a process to get it reviewed every two years. I think the methodology gets reviewed every couple of years. And then the actuarial team actually calculates it and produces it. Just to give you comfort, in our actuarial team there are five qualified actuaries and this is a unit which works very independently under the guidance of the Appointed Actuary. And we have been audited multiple times through due diligence exercises on the embedded value, and we haven't found anything as a negative surprise. So I feel very confident of the numbers, while it is not audited this time.

Moderator: Thank you. The next question is from the line of Hitesh Arora from Unified Capital.

Hitesh Arora: I Just wanted to get quick thoughts on merging the insurance company with the holdco, would you have any thoughts there?

Jatin Khanna: Yes. So, I think we have discussed this in the past that we remain committed to do this merger at an appropriate time. There are certain things which have to fall in place before we progress that merger. So, till such time we have sorted out some of those things, we unfortunately can't progress it. But the endeavor is in that direction and that ultimately there is no reason for this holdco to exist, because all it does is life insurance business. So, frankly, today also with or without holdco it is really Max Life which is listed. And tomorrow, our endeavor will be to eliminate this holdco structure as well.

Hitesh Arora: I think my understanding was, once these share swap transactions takes place and everything, then you are at least one step closer to merging. But I think, obviously,

that hasn't happened. So I think in that sense you have additional hurdles to cross, is my understanding with that correct?

Jatin Khanna: Not really, because the swap or no swap does not impact merger, because we have enough foreign shareholding headroom today available with us to collapse the holdco into the bottomco, whether or not the swap happens. So it's not really the swap which comes in the way or clarifies the merger.

Hitesh Arora: And then the other one would be the relationship with Axis I believe. But you have given more clarity there.

Jatin Khanna: That's the one, like I said before, we are engaged. So till such time we are fully done on that, it is difficult for us to give more details. But the relationship, like Prashant said, continues to be very extremely strong. And it's almost a 10 year relationship with the bank and has fared well for us as well as the bank. So once we are in a position to provide more clarity, we will be very happy to sort of comment share with you all.

Moderator: Thank you. The next question is from the line of Ajox Henry from B&K Securities.

Ajox Henry: Sir, my first question would be on the pledge going up to 91.3% from promoter pledge from 80.4% during the last three months. The stock price has remained almost consistent, but why has the pledge share gone up?

Jatin Khanna: I think, so few things there. I don't know whether you noticed the disclosures properly. The pledge has temporarily gone up, and within a week of going up it came back to sub-85% level, which is where it has been hovering around, when the price moves down to about say Rs. 400. Now, obviously, at the current share price, it will again go back to 80%, because the pledge was at 80% when the stock was at about Rs. 450-460. But from there the stock moved down to Rs. 400. So I think it's partly linked with the share price movement, though not directly linked, because while the share price has fallen almost 10% from there, the pledge only went up by 5%. The 84% which is what I think is the last reported number, from there to 91% was only a temporary aberration which one had to do for some unforeseen circumstances, is all I can say because the more I try to answer, more details and tell you exactly what happened. But what we have been told is that it was only a temporary this thing which we had to do it for a week. And then they have brought down the pledging.

Ajox Henry: So, now it's back to 80 levels?

Jatin Khanna: Well, I don't know if it has gotten down or not, because we don't as management handle those affairs. But if they have got the release then I am assuming it will about 80%, because the last reported was about 84%. And the price has moved up by about 10% from there. So it's obvious that it would be 80% or below 80% at this stage.

Ajox Henry: And sir on the Axis Bank, again, do we have each bank cover their employees, I mean, does Max Life's employee sit in each of Axis Bank branches?

Amrit Singh: Yes, there is a coverage which we kind of do on to the bank branches. So effectively, all the branches are covered by a Max Life employee. In some other branches there will be more employees as well.

Ajox Henry: Okay, fantastic. Just one more question, the individual term growth has been slower than competition. What is the reason, I mean, given that we have a huge opportunity

in that space? And the other thing is, banks are not selling term, why so? Compared to your top priority channels.

Amrit Singh: The term insurance sales is a fairly complicated sales, it is a long drawn process because there is a medical testing process which comes into it. A bank seller is typically used to or accustomed to more savings related design which are faster with respect to issuance. So there is that natural inertia which we experienced with our bank. Having said, there is an introduction of a product form which became life for us in the month of July end August starting, which is a limited pay kind of a design or a term return of premium. These products offer higher ticket sizes, so does create motivation. We are optimistic that even our bank sellers will now start leveraging this new product form which is available going forward.

Ajox Henry: Is there something like you get the money back once you, I mean...

Amrit Singh: Yes, term return of premium is that you will get the money back if you don't die over the tenure of the policy. Limited pay is you don't pay for all the years, you pay for shorter like you pay for 5 years and get cover for 40 years.

Ajox Henry: Is the margins will be lesser for this product type, VNB?

Amrit Singh: Yes, Margins are largely lesser for these products.

Ajox Henry: Okay. And one final question on the OPEX ratio. The OPEX ratio has gone up this half, so was this standard or is it because of the investment in the proprietary channel?

Amrit Singh: So that's correct, the operating expense has increased. And this was part of a stated strategy that we started last year. And this year actually the full run rates are kind of coming in and kicking in the year. And a large part of this investment actually has happened on the distribution front, either it is towards the new channel, new branches and new staff augmentation that we have done in the proprietary channel. Also we have to counter some of those open architecture impacts with some of our large relationships. We have augmented our manpower so as to ensure that our coverage ratios become superior. So, bulk of this increase is in the distribution area, the support functions and the fulfilment teams, the increase has largely remained flat or lower than inflation.

Moderator: Thank you. The next question is from the line of Manoj Bahety from Carnelian Capital.

Manoj Bahety: I have a couple of questions. First is, are we also contemplating to have more banks to distribute our products? Like Axis is having one another insurance company to distribute, so is that also one of the target? And secondly, is there a plan B, in case if Axis doesn't get renewed for any reason?

Jatin Khanna: So, before Amrit goes to response to the question, I just wanted to react to your closing comment to say that at this stage we have no reason to believe that our relationship which has been very healthy, productive and mutually beneficial is at any risk of not getting renewed or getting terminated. So I just wanted to sort of allay those concerns. And then over to Amrit to really talk about BD efforts.

Amrit Singh: So, I think on business development we continue to be very active in that particular space. And, in fact, in the last six months we have already on-boarded over 10 to 12 partners in this particular space. Now, the reality however is that, large banks

actually, not many of them are available. These relationships that we have on-boarded are either NBFCs or associated FinTech ecosystems, where we have been successful in either winning on the group side or towards the corporate agency side. But the effort continues to remain on this space. As and when opportunities open we will be keenly participating in those opportunities.

Manoj Bahety: Okay. And my second question is typically on the balance sheet. If we can give some color on our exposure, especially on Max balance sheet as well as from the policyholder point of view, how much exposure we may be having in troubled NBFC bonds? And is there any adequate provision which we have already done on this side? So if you can give some color on this, please.

Prashant Tripathi: Yes, we had to, I think IL&FS was the first one which we all know went through a difficult time. We had total of Rs. 40 crore exposure, Rs. 10 crore on the balance sheet side and Rs. 30 crore on policy holder side. As we speak, we have written off everything. The other exposure was for DHFL, we had about Rs. 5 crore on the balance sheet and the balance on unit linked. As we speak, we have written off close to about close to 60%. So not huge exposure to the shareholder at all at this point of time in any troubled NBFC.

Manoj Bahety: Sorry, DHFL, what was the total value, Rs. 5 crore you said on balance sheet and balance is?

Prashant Tripathi: It was on Ulips, about Rs. 195 crore.

Amrit Singh: That's on Ulips, so that's technically not on our balance sheet. The balance sheet holds Rs. 5 crore, so 60% value has been written off.

Prashant Tripathi: Of course, as share price moves the unit linked is mark-to-market, so everything...

Manoj Bahety: Right. Ulips, I think it is okay. Lastly, on promoter pledge side, last con-call I think one of the mention was that promoter pledge will come down after the Max Health transaction. If you want to give any color on that? Because still it is remaining same.

Jatin Khanna: Yes, the reason it is remaining same is because the monetization plans which we have been responsive have been underway have been undertaking. And have only partly been done, now like you spoke about the Max Healthcare monetization, that monetization is about six months or so away, at least, because once the new Max Healthcare relists is when he can think about monetizing or not. So the one Max Healthcare lists on a standalone basis is when he can take a call on monetizing his ownership there or not. At this stage, that remains where it is.

Manoj Bahety: But a part of his holding was directly bought, right, the new shares which you will get is separate but part of money he must have already got, right?

Jatin Khanna: You are right, and that had actually reduced the pledge to 80%, which is why the pledge was about 85%. After he got that money, the pledge came down to 80%. Then the price came down from Rs. 450- 460 to Rs. 400, which is why it went back to 85%. So, now, like I said, the price being Rs. 440 and if it goes up further or it sustains, and the private side decides to get some release done, the promoter side decides to get some release done, then there the pledge level may possibly be again around 80% or so. So it's partly a factor of share prices also.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampur from Nomura.

Adarsh Parasrampuria : My question is on the non-PAR saving, the mix gone up. If you can just break up the growth between, say, what part of this is annuity and what part of this is recurring premiums that you would get regular premium business?

Prashant Tripathi: Almost all of it is recurring. We are not yet writing annuity in a big way. And we kind of shifted this recurring from more of an income design to an endowment design. So we are writing more endowments. So in our endowment actually, I personally like endowment a bit more because they are short-term and simply more comfortable works in how we hedge them. So that in the sense will change.

Adarsh Parasrampuria : So all of what you have written in first half is like recurring premiums you will receive, right, so which involves a Re-investment risk?

Prashant Tripathi: And that's why I said, we move to a short-term endowment in a very significant manner and fully hedged. So, the re-investment risk is close to negligible.

Adarsh Parasrampuria: And can you just talk a little about most insurance companies talking about using now recently allowed FRAs, how does that help? Does the hedge cost or margin for a like-to-like product change if you get access to FRAs, if you can talk about what you used to do on the hedge earlier and how things will change now?

Prashant Tripathi : So, FRA actually is in our mind a better solution in terms of hedging, because underlying is G-Sec. What happens is that a large institution, large bank is going to hold G-Sec for you and in a sense charge us the holding cost. So, what happens is the delta between the rate that you will get, and the actual G-Sec is much lower versus the delta that used to exist between the overnight rates, which IRS was pegged that, and the rate that the bank will offer. So, actually the delta between the rates that we used to get for OIS and the rate that we get on FRA is significantly better, close to about 90 to 100 basis point, which in a sense is available for us to either increase the return to policyholder, it is a competitive situation, so it gives a good tool. And also, G-Secs are available for longer duration, the IRS was effective only for 10 years, G-Secs actually go to up to 20 years. So, in essence FRA is a better solution than the IRS was. And we are looking at it more positively.

Adarsh Parasrampuria: Perfect. The second question on the overruns, Your pre-overrun margins have gone up, but a lot more than post-overrun. And so what is the time frame you would think over the next 12 months, 18 months, three years that you want to close the gap completely on margins?

Prashant Tripathi : We are really talking about in the first half, Adarsh, we have just gone through first half. And the first half, as you know, is only 35% to 40% of the sales, large part of the sale actually comes in the second half. So having overrun in the first half of the year isn't new in our disclosures, as you have seen. And we don't disclose on the basis of any estimates for the final year. So as we will see how it goes. But I am hoping that the 3 percentage points delta that you see, if things work well and fingers crossed with respect to overall industry growth, we should take this 3% down to 150 basis points or a number like that. And hopefully, if agency continues down the trajectory the way it has performed, by next year we should have disclosed. But do I get worried about 100 -150 basis points overruns, the answer is no. As long as we are growing, we will continue to make investments because our objective is to continue to grow our own channels.

Adarsh Parasrampuria: Understood. And the last question is on the deal cancellation. There were a couple of questions already asked. I just wanted to know, during our discussions and even when we had discussions, it seemed clearly that the deal that was proposed with your partner was going to help in the reverse merger or the merging of these

two entities, the holdco and the insurance company. While you can still do it, I just want to, it even sound, at least talking to you all, it was a natural progression. So from an investor angle it will really help because we are in a situation where most investors are waiting for binary outcomes. It will really help if you can give a little more clarity than what you have provided until now on what led to that transaction not going through? And how does that in any form change what was the purpose there if it was not simplifying a merger process? And how does it change now?

Jatin Khanna: Sure. So Adarsh, like I said, unfortunately we have a JV partner to whom we have some confidentiality obligations. And I mean, without their approval, sharing details of what transpired between us and them may not be appropriate. So that is sort of first comment.

The second comment is that a reverse merger with or without the share swap of Mitsui Sumitomo or the Holdco level is totally impacted, because they are equally incentivized, just imagine they are swapping at the holdco to come on the listed side. Then remaining at the Bottom Co wherein if we collapse the Holdco into the Bottom Co, which creates a natural listing of the Bottom Co, there is no disincentive for them to approve such arrangement because they then get a listed company position. So I think, there is zero impact, both are totally not correlated when it comes to reverse merger into Max Life. That transaction is totally unimpacted by the share swap.

Adarsh Parasrampur: So you didn't mention certain things need to fall in place without affecting confidentiality that these two entities belong to the group or one is a listed company and the other is the majority subsidiary. Can you say what things need to fall in place, like what would only an Axis transaction prevents you from like merging the two or regulatorily what are the impediments to merging these two entities?

Jatin Khanna: Okay, sure. So I will focus more on the latter part of it. So on the latter part of it, there is, frankly, two items which we have to solve first before the merger can be achieved. Item number one, is that we have a contingent liability on a telecom divestment from the past 20 yrs, which is frankly sort of somewhere in the back burner. One will have to revise that sort it out. But like if you see our annual report, the liability pretty much is nonexistent at this stage because we have won that case at every level. But we have to finally get it shut, which is one process. The other process is that, the other is a regulatory approval, which is the IRDA approval for the reverse merger. So that is the other thing which has to sort of fall in place. I think those are the two things which we have to deliver on before we can consummate this reverse merger on more, let's say, regulatory front or whichever way you say talk about.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investor Capital.

Nidhesh Jain: Sir, firstly on pledge share, what should we expect it going forward? You are saying that it has reached around close to 80%. So in the future do we expect it to further come down or it will remain at those levels?

Jatin Khanna: I mean, frankly, we are management, it is not appropriate for us to get too much into what is happening at the promoter side. But since shareholders such as yourselves or analysts such as yourselves keep asking, so we already asked them that question. They are totally committed to bring it down. There was a question previously that it shot up in the interim, but they brought it down very quickly. So the endeavor, and the efforts are all in the direction of bringing it down. And you will see it coming down over a period of time. I mean, beyond that, I don't think so that we can say more to it. But at least, whatever feelers we get from them, they don't seem to be concerned about pledges at all. So they are clear that they will go off, it is just a matter of time.

Nidhesh Jain: Secondly, on the margins, this 170 basis point improvement in structural margins on YoY basis, what percentage is because of assumption changes that we carried out on effective tax rate and that CRNHR assumption change?

Amrit Singh: For CRNHR, we had reported earlier also, it's around 1.4-1.5%, and effective tax rate was around 0.8-0.9%.

Nidhesh Jain: Okay. So like-for-like, the margins have come down on a like-for-like basis?

Prashant Tripathi : Yes. We are behind on margins. While, it's a good question that you asked like-to-like, but you should be asking like-for-like versus peers, because the entire effort that we are putting was to make sure that it is aligned to the market. So this is a margin which is being reported equivalent to how the competition is reporting.

The second one is, of course, we had mentioned when we started to invest in our own channels, that the margins will see a downside. So whatever is the delta that you see for the time being is really coming from the extra investment that we are making, which is also showing up in the expense numbers. Hopefully, all of that is timing because the essence of margin is the structural margin where we are at. And hopefully, in about 18 months' time we should be able to cover the gap. We continue to work on our long-term objective of 25%. And hopefully, in the second half, you will see upside from here.

Nidhesh Jain: Sure. Because there has been a sharp improvement in the non-PAR savings product. So, it is surprising to see that on a like-to-like basis the margins have not improved.

Prashant Tripathi : Yes. The reason for that actually is that the point that I made earlier, we moved significantly from income designs to endowment designs, which are much better on risk management perspective, much simpler and shorter duration, where hedging is easier. Unfortunately, on them margins are lowest, the profile of new non-PAR that we are selling is not apple to apple versus last year.

Nidhesh Jain: Okay. And any comment on the channel-wise margins? Do our margins within proprietary, agency and direct, how these margins compare?

Prashant Tripathi : So I can give you a number for last year, because we actually look at last year, full year numbers. For last year, suffices to say that for our own channels and for third-party channels, the margins were similar.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities.

Nischint Chawathe: A couple of questions. Can you give us some guidance on APE growth for the year? And what kind of a product mix are we really looking at? Would you maintain such high ratio of non-PAR in the second half as well?

Prashant Tripathi: So while the ratio of non-PAR looks high, I think you are applying a frame of year-to-year growth. I think you should also apply a frame of which direction the industry has taken. And I think, with respect to the industry, I think our non-PAR mix is significantly lower. It's also a tactical move in light of the overall slowdown, especially in the equity market, where there is a bias towards banks which is guaranteed. Our long-term guidance, it's really hard to give the guidance at this point of time, honestly, because of how the economy is behaving and month-on-month growth. But I will put a peg on at least the 20% kind of a growth number on APE for the year-end. And the product

mix being similar, we will target a non-PAR, which is more in the range 20-22% and we will try to drive the protection mix a bit higher than that.

Nischint Chawathe: Sure. The other thing was, what was exactly the reason for a decline in earnings? I think somewhere you mentioned about higher non-PAR business. But I mean, is it high in reserving, I mean what is it that is taking your earnings sounds so much?

Prashant Tripathi : Absolutely, when you write non-PAR business, while margin-wise, IRR wise it is a bit superior. However, on the reserving methodology which works on a factor that the factor of reserves, you have to put more reserves. So the upfront reserving is higher which has generally bearing on the profit. And of course, as you continue to grow your non-PAR book, there is higher strain. So honestly, the decline in profit is something that I was expecting anyway.

Nischint Chawathe: Sure. What was the reason for higher investment variance?

Prashant Tripathi : We actually realized equities in Par fund ahead of time thinking that there will be a slowdown. So it is more like a timing variance. So it's a realized equity.

Nischint Chawathe: Sure. And the breakup of operating variance, if you could share?

Prashant Tripathi : So, there are small pluses and minuses everywhere, actually. So, persistency is a negative number, mortality is a plus number. And you would have seen in a couple of cohorts we have persistency go down, so that has a bearing. Overall, I will say, marginal negative on persistency, better on maintenance expenses and better on mortality.

Nischint Chawathe: Sure. And finally, the interest rate sensitivity kind of seems to have gone down in the first half versus the FY19. So how should we think about it?

Amrit Singh : So actually, on interest rate sensitivity, there is a change in methodology. You are talking specifically to the VNB sensitivity, I am assuming not to the EV sensitivity?

Nischint Chawathe: Yes.

Amrit Singh : So as consistent with what's happening in the market and what other players are also doing, we have started now accounting for the change in value of assets, which bag the new business reserves. So we have incorporated that as well. And that's the reason why the interest rate sensitivity has come down for us.

Nischint Chawathe: Actually, for EV it has gone down.

Ashish: You have rightly pointing out, it has going down marginally, but it is more from a rounding perspective, it is like 1.6%, becoming 1.45%. So it's not that significant as in terms of a change. Which is optically looking on little lower, that's it.

Moderator: Thank you. The next question is from the line of Prakhar Sharma from CLSA.

Prakhar Sharma: Just on the guaranteed or on the non-PAR savings part, maybe beating down too much compared to all my friends have asked. I just wanted to ask a couple of things conceptually. One, what is the level of guarantees that you would be offering? I know

these products will be divergent, but let's say, your retail segment, what is the highest selling product here? If you can give some color on what's the guarantee.

Prashant Tripathi : It's close to between 5-5.2%.

Prakhar Sharma: Okay. So, Prashant, what is the edge? Because, like, you have mentioned that competition is offering certain products. Not everybody in the competition is doing this, right, you have a few guys putting it forward, whereas the others are very, very clearly saying we don't want to do guaranteed products. What is the reason you would probably benchmark to probably a middle path here? And what's your edge in doing this without risking from an interest rate sensitivity?

Prashant Tripathi: Yes, that's a very good question, Prakhar, and I am glad you asked. You may recall, in all our previous discussions, we have always share that we want to maintain a proportion of non-PAR. And typically, we had talked about 15%, around 15% is what we want to maintain because selling non-PAR in a very measured way can give you upside on your overall margins. Now one needs to be really comfortable about the tools that we deploy to manage the risk. And you could manage the risk by doing two or three things; A) keep a tight control on the duration of the contract; B) making sure that you have tools deployed in form of good hedging solutions; and C) overall, being dynamic about looking at several products, pooling them in one bucket and then hedging it so that there is a diversification that is there at play.

Max Life's stated position is that, we do want to operate in a limited way in this space because it gives an upside. However, we don't want to be a predominantly non-PAR player. Will you see our non-PAR mix going beyond 25%, or significantly, the answer to that is, no. But we believe that there is a limited play that you could operate in. And it is also quite tactical. It becomes more relevant when there's uncertainty in the market where customers are looking for fixed returns, it becomes relevant. My sense is that, when the overall economy picks up, etc, the markets for this will slow down. So there's a tactical play in a limited way, Max Life's stated position is to work there because we are comfortable about the risk that we take.

Prakhar Sharma: And if I may just ask, to achieve your stated level of margins on this product, what is the baseline gross yield you need to make on these investments?

Prashant Tripathi: If you could just clarify your exact question, because in product pricing, and I will be reluctant to disclose our pricing assumptions in this forum. But however, suffice it to say that there are many assumptions that go around, the level of persistency, the level of returns that you will earn out of the underlying investments that you will make, the type of investments that you choose, surrender scale, that's what determines. So it is not apple to apple, I mean you can't apply a simple math to it.

Prakhar Sharma: Right. And the 5.2% is on a 5-pay product for...

Prashant Tripathi: 5 pay to 10 years tenures. It is a very large part of what we sold.

Moderator: Thank you. The next question is from the line of Hitesh Arora from Unifi Capital.

Hitesh Arora: Sir, just continuing on previous thing, do you offer deferred annuities as well?

Amrit Singh: So deferred annuity is not there in our product suite.

Prashant Tripathi: We are going to launch it soon.

Hitesh Arora: Okay, understood. Just pardon my ignorance, can you elaborate on the endowment product you had mentioned earlier, what is that?

Amrit Singh: So basically, what Prashant meant was that these are designs where you pay premiums for five years. And then after the 10th period, 10th year, you will get a lump sum back. So that's what is called an endowment design. And alternate to this design is an income design, where you after that particular period also started receiving monthly or annual incomes for a defined period of time. So the product that is dominant in our non-PAR portfolio is a 5-pay, 10 kind of a variety, which is an endowment design, where you just get a lump sum back after the end of the policy tenure.

Hitesh Arora: And that's invested where, in fixed income or is it in equities?

Prashant Tripathi : No, all in fixed income.

Hitesh Arora: Okay. That's what I thought. Just one more question. What is the proportion between group credit and retail protection? What is the proportion between the two of the business that you generate?

Prashant Tripathi: I think we do clarify, actually our 14%, the one we disclosed, about 7% is in the group side and 7% is on the retail protection. Around 1% credit protect, 6% group term kind of policies and a little over 7% will be individual.

Hitesh Arora: Okay. So you have been facing any competition there in your group protection business, given there are all maybe 5, 6, 7 players who are operating in the space or the same set of HFCs, etc., or banks. Have you been facing pressure, pricing pressure, what differentiates you in that space for you to garner additional market share?

Prashant Tripathi : There is always a pressure in life insurance. While group credit life and credit life is on a group platform, but it gets sold more as individual. There is competition everywhere. But Max Life is a differentiated player and it has deep relationships and on that strength we play. The bigger challenge is about how the market is growing. Unfortunately, a large part of this GCL also comes from NBFCs who are going through their own downturn cycle. So that's putting more pressure than competition per se, actually.

Hitesh Arora: In terms of growth, in terms of new business resonating?

Prashant Tripathi: We have a tepid growth there, that is the key reason why it is.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from Jefferies

Harshit Toshniwal: I have a couple of questions. On the non-PAR return guarantee protect again. So as you said that in FRA, there is some holding cost with some annual charge. So if I assume a 10-year G-Sec, 15-year G-Sec of 7.5%, for example, gross return, then how much basis points would be the holding cost charging in general, broad sense?

Prashant Tripathi : Yes. Closer to about 0.5%, perhaps. It varies depending on the quote.

Harshit Toshniwal: Okay. But along with this holding cost, there is going to be some kind of finance cost also because it is a kind of partly paid instrument when it comes to Life Insurance. Or you all pay the lump sum amount today itself to the bank?

Prashant Tripathi: We don't say anything right now. We will pay when the transaction will take place.

Harshit Toshniwal: Right. So this 50 basis point entails that holding cost and finance cost, both? Or how is it?

Amrit Singh : That's correct, it entails both actually.

Harshit Toshniwal: Okay. And then one more thing relating to this question. So if, for example, I consider 22% margin, let's say it's a 50 basis point of cost, then also I have around 150 basis points of number which comes more on the expense side. Is the number of expense that lagged in this product?

Prashant Tripathi : Again, like I clarified earlier, you can't do this math in such a straight manner. And the G-Sec rates are different. also the duration for which you buy is different. So there are so many moving pieces that it is really hard to do this straight math. But if you are very interested in detailed exercise, you can reach out me, and I will be very happy to connect.

Harshit Toshniwal: Okay. Sure, sir. And one more question, if I am allowed. Can you let me know the telecom contingent exposure which you mentioned, the amount in absolute terms?

Jatin Khanna: The amount varies depending, it is a very complicated story which is across years, across different commissions, how much penalty, how much interest, this and that. But net, net, what I can sort of tell you is that, that case is a very strong case in our favor. And that's why we won at every level, this case has come up too. And the last 20 years department hasn't even pursued that case, it belong to 1998. So now we are sitting into 2019, and it's still lying at ITAT level. Otherwise you know, if there is a case wherein Income Tax authorities can see an opportunity, they will pursue it very strongly.

Harshit Toshniwal: Okay. The reason why I am asking is that, because at some point of time, however small amount is, you might need to settle that....

Jatin Khanna: That's what I said in the call, that the eventual endeavor is to sort of collapse both and merge and list. Therefore, to that extent, the work has already begun in that direction to bring it out of the back burner and to try and sort it out. So we will sort it out at some stage and then initiate this whole transaction.

Harshit Toshniwal: Because if the amount is not that large, then winning or losing a case might not be the more important part but settling it out and clearing it becomes more important for the reverse merger to happen.

Jatin Khanna: No, well, it's not sort of meaningless that will it depend on where the whole thing goes. So the point, it's not the value which is coming in the way, basically, like I said, from our perspective it is an open-and-shut case. But to that extent things are still, because tax parties did not pursue it over the last so many years, so we will not even touch it. But now with the whole request from shareholders to sort of work in the direction of a reverse merger or think about the reverse merger. And also, we are sort of trying to revive it and this sort it out and close it up.

Moderator: Thank you. The next question is from the line of Arvind Krishna from Allegro Capital Advisors.

Arvind Krishna: Just want to understand, from a regulatory perspective, I am assuming the promoter of Max Life is Max Financial Services. Sir, the two questions related to this. In the

case of a reverse merger, who then becomes the promoter from a regulatory perspective? And secondly, are there any restrictions of the current promoter of Max Financial Services exiting the business?

Jatin Khanna: Well, the answer is that, firstly, when the merger happens, the current promoters will continue to be the promoter of the merged entity. So that is sort of answer to your first question.

Secondly, there is no regulatory restriction per se from the current promoters from exiting. However, I think one thing which we will have to bear in mind is that as the control shifts, it has to shift into an Indian resident, because this company has to be Indian owned and controlled. So while it's Indian owned and controlled, testing is at the life insurance company level, and Max Financial is an Indian company. But for it to retain the character of being an Indian company, it has to be Indian controlled. So whenever he cedes control, and if he cedes control, then that control has to go in favor of an Indian.

Arvind Krishna: Okay. And just to confirm, the promoter of Max Life is the MSI, or it would be Max Financial Services? Because technically, it's MSI, the reverse merger into Max Life, the promoter seems to exist if it is Max Financial Services?

Jatin Khanna: So if there is a reverse merger into Max Life, then Mr. Singh will become promoter of Max Life.

Arvind Krishna: Will become the promoter, okay.

Jatin Khanna: Along with MSI, those who are the existing promoters also.

Arvind Krishna: Okay. Excellent. The second thing, as you mentioned, the solution to the telecom exposure you won at every level. What level is it currently at? Is it at the Supreme Court level or it's all litigation done?

Jatin Khanna: It's at ITAT level. Like I said, because we kept winning, so we have no intention to sort of pursue it forward. And since the department hasn't pursued it forward because they thought that it's a weak case. So therefore, it's being sort of lying in the back burner for 20 years at ITAT.

Arvind Krishna: Okay. And just one last question. There was a certain holding company cost, and you had on one the previous call mentioned, need to bring this down. Any progression on that, any update you can provide on that?

Jatin Khanna: Yes. So in the last call we had said that you will see on a run rate basis this holdco cost to trend to about Rs. 55 - 60 crore a year this year itself. And then by, I think, FY22, it will further go down. So if you look at it today, this quarter, net holdco, whatever P&L has other than the Axis put option cost, for the quarter is a negative Rs. 14 crore. So if you annualize the Rs. 14 crore, it's Rs. 56 crore. And it will keep coming down as the time progresses.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital.

Sanketh Godha: Just the way we disclosed our VNB walk in FY19 from opening VNB to a change in business mix, effective tax rate and the cost overruns and closing. So similar VNB walk, can we get it for H1? So what led to the margin expansion? How much was led by product mix and the effective tax rate and everything of that kind?

- Amrit Singh :** Well, details, typically we do share it at the end of the year. But I did respond to a question which was around what is the amount for CRNHR and effective tax rate. So around 1.5-1.6% was CRNHR, and around 0.8-0.9% is effective tax rate.
- Sanketh Godha:** With respect to the assumption changes, just wanted to know operating leverage and the business mix, how much it would help to contribute. And basically, those are the two key ones which I was looking at.
- Amrit Singh :** So actually, with respect to the business mix kind of moving towards non-PAR designs, and that's causing some margin expansion, that has actually got nullified largely because of the interest rate movements, which has also impacted the margin profile of the new products which have been written. So there at the moment, I would say, maybe flattish actually. The changes that are happening largely are happening on account of the CRNHR, effective tax rate and a bit of a higher overrun position that you see for H1. But as Prashant highlighted, I think as H2 unfolds, the overrun position kind of becomes better, and full year margin will be a better margin to take a view on.
- Sanketh Godha:** Okay. Can we assume that full year margins would be somewhere around 22 plus for the full year?
- Prashant Tripathi:** Yes. I mean, as the market evolves, currently, as I mentioned to you earlier, taking a bet on what will be the growth rate is a bit harder considering there is slowness everywhere. But if I were to take a reasonably optimistic view, I think we will hit a number upwards of 22 looks like.
- Sanketh Godha:** Okay. And just wanted to understand, I mean, if the other insurance companies takes a bit of market share in Axis Bank, then the growth what we have reported in 1H could be relatively lower because of the business moving to the other company?
- Prashant Tripathi:** Nothing has moved to the other companies. So far it is all Max Life Insurance really there.
- Sanketh Godha:** Yes. As of now, not. But maybe they'd a bit start selling from Q4 onwards and maybe subsequently next year or full year. Then, I mean, just wanted to know whether you have budgeted something in your internal numbers that a slowdown could happen potentially because of the other company coming into the major channel which distribute your product?
- Prashant Tripathi:** I think open architecture and competition and fighting really hard is a way of life, and Max Life has done that multiple times. So I am not quite worried about what would be the impact. If there is a impact, tactical impact, we know how to manage it. So let's see how it goes. At this point in time, for this year, I am not anticipating a huge counter share loss because of open architecture.
- Sanketh Godha:** Okay. And finally one question, rather two questions. So after September 2021, whether the equity tie-up still on the table on Axis Bank taking equity share in Max Life after they have opened to the third player? And second question is that, if equity tie-up is not on the table, whether the OPEX level at the operating level, that is Max Life level, will go up, and therefore, there could be impact on the margins accordingly.
- Prashant Tripathi:** As and when we come to discussing, I must say, at this point in time, Max Life, and we have a bias towards creating something which is more structural, more equity-oriented, and we will target to work on that direction. So if that happens, which is our bias, it will be great. If that doesn't happen and there is an open architecture without any equity structure, we will negotiate and see what alternate structure could be

created, and we will keep you on loop. I think with Max Life, what we'll be transparent to come and share our estimates, at this point of time, very hard for me to take a guess on this.

Sanketh Godha: Okay. And finally, one last question. I mean, given its equity tie-up as of now, there should be a minimum business which Axis would have promised to you. So we are significantly higher than that minimum business, so what has been promised or we are very close to that number?

Jatin Khanna: Well, it's not appropriate to discuss the contracts which are signed between two parties, because you are there and sometimes breaching the confidentiality of that contract, my request is that we cannot answer this question. I will appreciate it.

Sanketh Godha: No, I understand that. My more question was, because if it is substantially higher than the minimum required, then my worry is that potentially there could be a market share loss at Axis Bank level. And that's the reason why I was asking, if it is very closer to the minimum required.

Jatin Khanna: I understand where you are coming from. But I cannot discuss contracts between us and Axis Bank in an open forum, or bilaterally, for that matter, because there's a confidentiality clause in any agreement which we have to respect.

Prashant Tripathi: I must, repeat that Max Life Insurance continues to remain very optimistic about the relationship and very positive about the relationship that we have with Axis Bank. It's a cherished, valued relationships where both the partners have worked together to deliver industry-based outcomes. And we continue to remain proud of where we are in the journey with Axis Bank. We will work with them to make sure that the win-win that we have created together continues to be a way of our life as we go along. Let's keep it at that level.

Moderator: Thank you. The next question is from the line of Manoj Bahety from Carnelian Capital.

Manoj Bahety: My question is mainly, like in the current arrangement, a big portion of our agency fee is paid by way of shares. In case we collapse our structure to holdco, that time I think we won't be able to pay that. So can you quantify the impact on our RoEVs and NBM margins of this agency commission which we are paying right now by way of equity?

And secondly, like your 25-25-25 guidance which you have given, whether that includes that agency commission by way of cash, or it will still continue by way of equity? Thanks.

Jatin Khanna: I don't think so we are in a position to discuss at this stage, till such time we have any firmed-up arrangement with the bank. To give any details around how this is, how this will shape up and things like that. Let the right time come, we will be happy to tell. And you know we have been transparent always on our relationship with the bank. So let the right time come, we will be happy to share more details. But at this stage, I will request that, as you know, we cannot.

Prashant Tripathi: Yes, on your second question around the 25-25-25 guidance, that's on the basis of assumptions that we will have an ongoing or a new structure, mostly equity linked, so the cost of that equity has not been counted in the 25-25-25 disclosure.

- Manoj Bahety:** Okay. So the cost of equity or whatever business we are getting right now from Axis, so the agency fee is not counted in this 25-25-25, right?
- Prashant Tripathi:** I would say when we get into a structure, it will be beyond a fee arrangement. I think we will look at value creation collectively, and it will not be a tactical arrangement that we will get into; provided, of course, we have meeting of minds and the regulatory approvals in place. Likewise, in the past, when we created the structure, equity sharing is not, while it may appear as a form of percentage of fees, but when we created it, it was a part of value share that we thought was appropriate to do with a valued partner. So we don't see that actually the way you are doing. However, I understand that you could derive that number. I don't have that number.
- Jatin Khanna:** Yes. I mean, and I can sort of tell you that because I am the architect of the first structure which was put in place on this front, the whole idea was alignment of interest and having sort of skin in the game, and therefore, that was the spirit in which it was done.
- Manoj Bahety:** But even if the Axis structure setting, but if we do like collapse of our existing structure, then also I think it won't be possible for you to continue with the equity structure. Like if Max Life get merged with Max Financial and there is only one company, then you can continue with this kind of structure even if the current structure with Axis continues?
- Jatin Khanna:** No, like I said, let the time come. Let us get to that point where we are in a better position to answer your question.
- Prashant Tripathi:** And alternate structures are being thought through, so it may not be exactly the same structure of giving equity, buying back yearly, etc., etc. It may be a different structure.
- Moderator:** Thank you. We will take one last question from the line of Prateek Poddar from Nippon India.
- Prateek Poddar:** Sir, just one question. One is on the proprietary channel mix. If I look at it on H1 basis, it's already 35%, or it's closer with 34%, between 34-35% on H1. My understanding was when you reach this sweet spot, you would get operating leverage, and hence, margins should expand from operating leverage. That isn't happening. So how should I think about that?
- Prashant Tripathi:** No, not quite, actually. I mean once you hit 34-35%, it doesn't quite mean that you will start to recognize operating leverage because it depends on the size of pie. I think that size of pie will be seen only if we continue to grow for at least 18 more months at this rate, the rate at which we are growing for last three-four years. 18 more months, and we operate that size. And as the agency is closer to about 35%, 36%, we will be able to start to achieve the operating leverage.
- Jatin Khanna:** And we have just done the expansion, so it's too early to say that we will hit a point where all the cost of those expansion can be absorbed and, therefore, operating leverage...
- Prateek Poddar:** What is the sweet point there, if I may ask?
- Jatin Khanna:** And also we are in the middle of that expansion as we speak. So it's not that it's done and dusted.

Prateek Poddar: Yes, I understand that. So I am just trying to understand when will we reach this sweet spot in terms of not a time line but an absolute amount or something quantitative just to get some sense as to this bridge between pre-overrun and post-overrun will eventually get bridged.

Prashant Tripathi: I can give you only in terms of timing. Unfortunately, the timing is 18 to 20 months.

Prateek Poddar: I am sorry, just being persistent, my apologies for it. But there would be certain assumptions behind this timeline, right?

Prashant Tripathi: Absolutely. I mean there are certain expectations of growth rate of our own channels. There are assumptions on growth rate on third-party channels, and some of them I have shared with you in the past.

Jatin Khanna: And also, we have to conclude the expansion first. We are still in the middle of all of that.

Prateek Poddar: Could you share assumptions, or it's not possible at this time? In terms of when you say in next 18 months, what broad assumptions you are building in such that we would realize these benefits? I am just trying to think about that, nothing else.

Prashant Tripathi: I am really coming from expense overrun assumptions. You see 3 percentage points expense overrun, which by the end of the year will be 1.5%. If we have one more year like this where we continue to grow, and I stop expanding further, I think we will hit expense overruns of zero, beyond of which the operating leverage will start to accrue.

Prateek Poddar: Sure. And that's really helpful. And sir, if I may just leave you with one thought. The recent partner of Axis Bank is being valued by street as double the market cap of yours. Maybe if you could give, it would be really, really helpful if you could give out some clarity in terms of pledge. Because the quality of franchise which you guys have and the quality of the other partners' quality of franchise as of now, I think there is a lot of difference between the market caps. So maybe just as one suggestion, if you could come out with the mix.

Jatin Khanna: I take your feedback. Now every time there is a monetization you have seen there is a clear announcement which is made to that effect to say that, be it Max Healthcare, be it the hotel in London which was monetized and all. So there's almost been Rs. 1,000 crore monetization which has been done by the sponsors over the last three-four months. So every time there is a monetization, there is a sort of announcement. Now you obviously can't share these things on a premature basis to say, by the way, tomorrow, if I am going to monetize X or Y asset of mine, and therefore, the pledge will come down accordingly. What I can tell you is the sponsors are pretty comfortable with where they are because they know very clearly where this whole thing is headed, at least in their mind, because when we speak, this is what sort of we get out of them. To say that don't worry, leave it to us, we are at it, then it will get sorted, and like you have seen that the movement has already happened in that direction. So you have to have a little, all I can say is have a little bit patience. If sponsors are working in that direction, and they have done two instances of monetization already, there will be a third and a fourth and a fifth, hopefully, to sort this out there.

Prashant Tripathi: But I didn't quite understand on who is the new partner you are talking about.

Prateek Poddar: No, what I was just trying to say is, if you were to look at Axis Bank's partner which has just recently been inducted, and the valuations that the market gives in terms of

absolute market cap when they arrive at say a target price of that company, and their market share relative to your market share and your market cap, there's a big difference. That's it, nothing else.

Prashant Tripathi: I mean we can talk offline on that.

Jatin Khanna: We get the nudge. So frankly, we get the nudge, we get the feedback. Like I said, the responses are pretty well conversant of this pattern, have taken steps in this direction and are committed to take them in this direction.

Prashant Tripathi: And nevertheless, we really appreciate the compliment. I heard you say that the quality of franchise that we have built is significantly better. I take that as a compliment. Thank you.

Prateek Poddar: I think that is not from me, I think everyone in the market appreciates that, too. Thanks.

Prashant Tripathi: Okay. The share prices will always show up once you guys believe in us.

Prateek Poddar: Sir, we believe. But anyways, we can take it offline.

Jatin Khanna: Once you believe in what you say, it will show up in the market.

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

Jatin Khanna: 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, and have a good day.