# Max Financial Services Limited
# Q2 FY22 Earnings Conference Call
## November 10, 2021

---

**Moderator:** Ladies and gentlemen, good day and welcome to Max Financial Services Limited Q2 FY22 Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Mandeep Mehta – CFO for Max Financial Services Limited. Thank you and over to you sir.

**Mandeep Mehta:** Thank you, Nirav. Good morning, ladies and gentlemen thank you for being part of Max Financial Services earning call. My name is Mandeep Mehta – CFO for Max Financial Services. Before proceeding with the performance highlights, I would like to introduce my other colleagues, who are with me on this call. I have with me, Prashant Tripathy – MD and CEO of Max Life and Amrit Singh – CFO and Head of Strategy for Max Life.

Now quick highlight of business performance for first half of financial year '22:

Our consolidated revenue for H1 FY22 is at Rs. 15,271 crore, a strong growth of 21% in the most challenging business environment. The consolidated pretax profit for H1 FY22 declined by 45% to Rs. 134 crore related to the same period last year, primarily due to recovery in investment value in same period last year on Ind-AS basis.

Moving on to key business highlight for Max Life:

Max Life individual APE has grown by 18% to Rs. 2,127 crore in H1 FY22, market share is at approximately 10%. On 2 years CAGR Max Life grew by 11% while private industry grew by 8%. Max Life achieved highest ever quarterly margin of 29.1% in Q2FY22 versus 19.7% in Q1FY22 driving balanced product mix during the quarter. NBM for H1 FY22 also expanded by 110 basis point to 25.3%. Robust business growth at 24% year-on-year, VNB for H1 FY22 stood at Rs. 546 crore. VNB grew at CAGR of 22% over last 2 years. Max Life MCEV grew by 18% year-on-year at Rs. 12,988 crore. MCEV on an operating basis has grown by 16.5% which increases to 18% after excluding one-off impact of COVID-19, including non-operating variance RoEV is at 20.5%. Gross premium grew by 21% to Rs. 8,815 crore in H1 FY22. Renewal premium also grew by 19% to Rs. 5,706 crore in H1 FY22. 13-month persistency improved by 270 basis points to 85.2% and 61-month persistency by 160 basis points to 55%. Claim paid ratio improved by 13 basis points to industry best 99.35% in FY21. Death claim run rate came down in September 2021 after peaking in July '21. Pandemic reserves are at Rs. 235 crore at the end of September '21.

Even though the protection long-term opportunity continues to be attractive given the ongoing pandemic cautious approach was taken towards protection with additional underwriting controls. As a consequence, overall protection contribution reduced from 20% in H1 FY21 to 16% in H1 FY22. Individual sum assured of new business declined by 20% in H1 FY22 due to de-growth in protection business. Solvency surplus over 150% of RSM is at Rs. 1,869 crore with solvency ratio of 211%.

Max Life AUM crossed 1 lakh crore in Q2 FY22. AUM as at September ‘21 was Rs. 1,00,090 crore which grew by 29% year-on-year led by growth in unit-linked fund and controlled fund AUM. Max Life is now the fourth largest manager of private LI AUM, par fund size was more than Rs. 50,000 crore. Max Life is now appointed as “Sponsor” of Pension Fund for managing assets under National Pension Scheme and have sought IRDAI permission to set up a new company ‘PFM’ or Pension Fund Manager in line with the regulatory requirement. Pension fund subsidiary’s formation is underway.

Max Life is recognized one of the top 100 in the India's best work places for women in 2021 study by Great Places to Work Institute India. Max Life has also formulated an ESG strategy comprising of four pillars and these pillars are work ethically and sustainably, care for people and community, financial responsibility and green operations. Details of the ESG journey are included investor release.

To sum up:

Max Life will continue on its trajectory of driving strong shareholder outcomes with Axis as a new JV partner. Good progress made on five pillars of Max Life strategy with predictable and sustainable growth, product innovation to drive margin, customer centricity across the value chain, digitization and analytics as foundation and augment human capital as detailed above.

On that note I will hand over to 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 Sanketh Godha from Spark Capital.

**Sanketh Godha:** My basic question is if I look at the product mix of 1H FY21 and 1H FY22, actually the product mix has deteriorated because the protection contribution has come down from 12 to 8 and non-par contribution remained flat but still, we have 110 basis points improvement in VNB margin and unit contribution and par contribution has also gone up. What explains this expansion in the margin despite a small deterioration in the product mix? That is first question. I have two more, maybe after you answer this, I will ask another two questions.

**Amrit Singh:** I'll take that question. I think two levers there, Sanketh, first one is our non-par product and the margin profile of that non-par product. As you'll recall, last year we had switched to a new product through an introduction of our newer non-par product design which was of better margin profile and was launched more around July-August timeframe last year. Now for the full six months running off that product the margin profile of that product is slightly better. The second one is a bit more of channels and product mix play that we have leveraged. More traditional products being sold by our proprietary channels actually has helped provide a little bit of operating leverage which has benefited the overall margin profile. These are the only two reasons which actually has caused this improvement in margin profile.

**Sanketh Godha:** The second question which I had was with respect to COVID claims. We are still carrying the same reserves what we were carrying at the end of June. So just wanted to understand how much COVID claims we have paid in second quarter, both on gross and net basis. And that 93-crore negative operating variance which you are seeing in EV is largely the amount what we have paid because of COVID in the current quarter?

**Amrit Singh:** So, we have disclosed the overall claims Sanketh, actually COVID claims there is always a time lag and it requires a little bit of investigation of tagging them properly. So, from a claim perspective the gross claims for H1, total claims is at Rs. 2,425crore and net claims it at Rs. 1,404 crore. You will see net claims increase in line with how the market experience. We did see in Q2 FY22 actually our net claims were higher. They were at Rs. 841 crore versusRs. 563 crore in Q1 FY22. That's the narrative on the claim side. I will not necessarily provide a specific number for COVID claims because it does take time for the claims to get tagged. But your second observation is also correct. We have kept our pandemic reserve position at Rs. 235 crore at the end of H1, some bit of this is actually also through the profit generated and profits getting routed into creation of reserves which actually can also be seen on the EV walk that you rightly pointed out where the operating variance of 93 odd crore largely is coming out of this extra provision that we have created.

**Sanketh Godha:** Finally, one data keeping question, in the past you used to disclose the absolute fixed crore figure of individual protection and group protection figure. It will be great if you can disclose it because in product mix what you have disclosed in one of the slides doesn't include the GTL when they reported APE. So, it gives a better clarity, so if you can give those figures it will be great. If you can give it for Q1 also it will be great.

**Amrit Singh:** You can derive that Sanketh, but I'll give that figure. The group APE is around Rs. 198 crore for the first half. The individual protection was around Rs. 175 crore for the first half.

**Sanketh Godha:** Rs. 198 crore is group protection only, right?

**Amrit Singh:** Yes. This is APE of group protection and individual APE protection is Rs. 175 crore.

**Moderator:** The next question is from the line of Madhukar Ladha from Elara Capital.

**Madhukar Ladha:** I just wanted to get a sense on outlook for margins and the protection business. We've seen some bit of slowdown in protection in this quarter in individual protection in this quarter and the insurance rates have also gone up. How do we see this trending out over the second half and also Axis Bank as a channel if I'm not wrong has grown just about 12% year-over-year? So, some comment over there would be helpful.

**Prashant Tripathy:** I will take the question on protection first. I would like to reconfirm that Max Life Insurance has a long-term view on protection and we do want to establish ourselves as a very strong protection player. In the first half last year when the COVID hit us for the first time, there was huge demand of protection business and that's the reason in the first half of the year we ended up selling record protection as a percentage of total sales. However, when this year began especially in the first half, the second COVID wave came and we had to restrict the supply little bit because of restrictions from reinsurancer, more friction in the business to make sure that the underwriting norms are alleviated and really the reduction in protection business is not out of demand. I think it was more out of supply.

As we embark on the second half the journey as we all can see that the issues of COVID have more or less settled. The business is going to reduce some of these supply side constraints, we are in active discussion with reinsurance partners to do that. We are going to push the peddle hard-on protection business and I'm hopeful that in the second half of the year we will do better than how we did in the second half of the year last year. That's my view with respect to pricing. Your information is correct. The reinsurance partners across different companies have come up with price revisions. In our case we are still to hear from our reinsurance partner. In all likelihood there may be some price revision but I will continue to say that India as a market offers very affordable prices as far as protection is concerned.

Principally speaking Max Life Insurance would like to be in profitable business. So, as you can see from our approach, there's always a good balance that we try to establish between growth and margin, including what you saw in the second quarter of the year. So that principle will get applied to protection business also. We are going to increase the prices if required to protect our margins. In your assumptions you shouldn't assume huge pressures on margins on protection because we will wait to increase prices to absorb higher price from the reinsurance partners. That's really the sum and substance. Long-term in that second half should be better than first half, supply side constraints being removed and we woul d like to protect our margins.

**Madhukar Lodha:** And on Axis Bank?

**Prashant Tripathy:** Axis Bank is a very strong partner as you see and exactly one year ago during this period Axis Bank had done phenomenally well, actually large part of our growth that we saw last year was out of Axis Bank and on a very high base, this growth actually is reasonably good. You should see improvement in growth rates as we move forward quarter-on-quarter.

**Madhukar Ladha:** The other question I had was the Others channel, that has done very well in this quarter, so that's up. So, what does that include and what's driving that?

**Amrit Singh:** The others actually largely is I am assuming you are referring to other than Axis actually which is predominantly the YBL relationship that we carry and also a set of urban cooperative and few partner relationship that we carry. They were at a very low base actually as compared to last year which has driven the growth. For example, the YBL relationship for the first half has grown in the likes of 19%-20%. Though on a 2-year CAGR still it lower but because it was on a low base the growth numbers look quite robust.

**Madhukar Ladha:** But actually, I was not referring to the other banks. I was referring to like this proprietary Axis and then other banks and then there is a last sort of miscellaneous category, right?

**Amrit Singh:** If you could refer me to the reference point that you are making, probably we will be able to answer that which channel you are specifically asking actually. Are you referring to Slide #17?

**Madhukar Ladha:** Yes.

**Amrit Singh:** It's very insignificant part of the business actually. So maybe I can take this question with you offline but what I can give you a color is within proprietary. Our e-commerce channel continues to actually demonstrate strong growth, our specific channel that we have created for cross sell is actually also doing quite well. Now on sequential months since the lockdowns are getting opened up even agency is coming back from a strong momentum. Thisothers that you're talking about which is almost like a negligible less than zero percent kind of contribution. I have to come back to you the specifics of it.

**Moderator:** The next question is from the line of Rahul Bhangadia from Lucky Investment Managers.

**Rahul Bhangadia:** You have kind of partly answered in the questions before, but growth has been slightly sluggish in last 2-3 months, October was also pretty much flat. How do we look at this front going ahead if you could give us a sense of what exactly happened over the last 2-3 months and how do we look at it going ahead?

**Prashant Tripathy:** That's a very good question. I think the answer lies in what was happening last year, you may recall that Max Life Insurance was firing all cylinders and we are performing significantly better than other people and answer lies in 2-year CAGR perhaps. If you see our 2-year CAGR, we are still better than the top players, better than the private industry etc. and we have two large quarters. Somebody asked me this question in our last investor call that Q2 FY22 and Q3 FY22 will be difficult. We will like to share that, our VNB growth in Q2 last year was 41%. In Q3 FY21 it was 65%. So really, we have very large bases to deal with. On that 41% growth we have grown 15%. So that in a way in absolute terms might appear a bit lower but overall, in the context of the high base that's pretty good. As far as our growth is concerned, you were right coming out of COVID we did find that our own channels took a while to come up and the announcing reasonable growth for the month of October. For example, our own channels have grown about 18%-19%. And in the month of October again going back Axis Bank last year had grown phenomenally well. Our October month growth last year was 50%. So really some of this has to be seen in that context. I think as the year progresses starting November, we should start to see more and more growth, number one. Number two, I think there was a bias to drive VNB and margin in Quarter 2, some bit of that we will like to readjust with growth, so we will try to strike a right balance between product mix, margin and growth and that will definitely have a positive impact on the month coming up as well as in Quarter 4. Again, we like to say that we have a very large base of last year, Quarter 3 also to deal with and our performance has to be seen in the context of how we did last year.

**Rahul Bhangadia:** Any sense you could give us on how you're looking at margins given that if you want to push growth here as of now as you said the focus was more VNB margin. So where do you see that going in general because you previously guided for 25%-26% kind of a number.

**Prashant Tripathy:** I will take you to similar numbers, actually 25%-26% between 25-26 is where we would like to be similar to last year. And we will like to rebalance the product mix in a manner so that we are hitting these kind of margins as well as are able to drive reasonably robust growth.

**Moderator:** The next question is from the line of Abhishek Saraf from Jefferies India.

**Abhishek Saraf:** I have just one on the non-par savings side. This quarter our share of non-par savings is partly around 34%. So where do we see this kind of cap non-par savings that we want to make because traditionally you have said that it should be around 30% to 35% kind of level? Secondly in this quarter, in October, specifically the yield curve seems to have flattened a bit and front end has moved up, so has that in any way affected the demand for non-par savings which was guaranteed from our side and could this lead to lower margins in non-par savings versus what we had seen in the past few quarters?

**Amrit Singh:** So, Abhishek if I got your question right because the voice was bit muffled, I think the first question was how do we see non-par savings a guaranteed product in our portfolio? What kind of ranges are we comfortable? As we have been re-iterating, the 30% to 35% levels is where we would like this particular product to remain. That's the first point. I think the second question that you were trying to ask is from a demand perspective was that the question?

**Abhishek Saraf:** Basically, what I wanted to say is that in October we have seen the yield curve has flattened a bit and especially the front end has moved up. What implications does that have for non-par saving, both from the growth perspective on demand side and also from margins perspective?

**Amrit Singh:** So, Abhishek on that, we monitor very closely almost on a monthly basis and our decision of how we should reprice etc. is a factor of the yield curve, the kind of hedging rates that we are getting in the market and obviously the competing product forms. But within the non-par category actually we do have multiple levers. We have levers of the payment term variant that we are selling, the nature of the product that we are selling whether it's an income design, whether it's an endowment design. I think among all of these mixes, we try to optimize and manage for the margin profiles. Where we are sitting today, I think we are quite comfortable on how the margins are getting emerged and even some of these movement that you're seeing on yield curve we are quite okay that there are offsetting levers that we have to solve for some bit of these. You will also see us do certain set of introductions also in this particular product category which will also help us offset any of these pressures that can be foreseen in the near future.

**Abhishek Saraf:** Do you expect this kind of demand trend taking further let's say into the next year because the reinsurance companies have been indicating that if yield curves flattens out probably the kind of growth that we have seen in the month of May will not be seen going forward and I am asking because non-par savings have been one of the key anchor for our margins over last several quarters.

**Amrit Singh:** If you look at in the industry, I think if you go back in time also when the yield curves were more flatter, you would have seen the non-par demand depending upon who wanted to sell and the kind of supply people wanted to create, there was always demand available in the market. This is a product form which is a part of a portfolio strategy and investor can look into which is around saying that a component of my assets being allocated are towards guaranteed kind of design. If your question is, can we keep doing 30%-35% kind of penetration levels? I have no reason for us to believe that that's not possible in a market like India, given there are always a set of consumers which are looking for the guaranteed proposition as part of their portfolio balancing act. The other additional thing on non-par is, if the interest rate do move up, it also creates an opportunity for us to also reprice it and make it more favorable as a product form as well. These are some levers that are available. I think from a demand perspective see no reasons that delivering 30%-35% of our business sitting in this category would come under any pressure.

**Moderator:** The next question is from the line of Ajox Fredrick from Unified Capital.

**Ajox Fredrick:** The growth slowdown was predominantly because of the last year's base having that one particular product. It was a good move last year. In fact, a fantastic move. One, are we working on some kind of moves like that, so that we prop-up growth again that's one? And two on protection, if we are cautious on the pure term side why not we kind of push the return of premium because ours is quite balanced on the protection side and some of our peers are doing pretty well on the return on premium side? Those are the two questions, both on the growth strategy.

**Prashant Tripathy:** Of course, there are series of product launches planned in the second half of the year. As we speak today, we are going to launch a very large par design targeted towards all the customers and most channels. So, we are going to do that. In the month of December, we have a new non-par design coming up and in the first quarter of next year we have another ULIP. There are lot of product launches planned in the second half of the year and I feel very optimistic about the avenues that they are going to create. In the first half of the year as per the product calendar that we had, we were to get into in a big way the protection, health and wellbeing space. We launched all those products designs, unfortunately because of COVID. The kind of push that we would have ideally given in a pre-COVID situation we couldn't give for the reasons that we just explained to you. But those are long-term product designs and they're going to help us as we move. So, to answer your question first, very bullish about new product launches in the second half of the year, we feel very optimistic about the avenues .

Talking about the non the protection plans, yes close to about 25% to 28% of our protection is already return on premium. We always like to remain focused on return on premium kind of product design. But if you heard me correctly, I did say that starting October-November, our view on protection is going to be far more bullish. Now that the fear of COVID is somewhat diluted also to talk about some of the numbers we called our protection customers about a month ago and we called about 15,000 of our protection customers. We found that about 93% of all the customers had already taken the vaccine, at least one dose and about 65% to 68% had taken both doses. So overall coverage and this we are talking about representative sample, overall coverage of vaccine is pretty good. We feel quite optimistic about the avenues for driving protection business. As we speak, we are trying to eliminate the supply side constraints at our end as well as working with the reinsurance partner so that we could go back to the protection levels that we witnessed last year. Like I mentioned we are a long-term player on protection on the online space, we are #1 on protection, continue to remain #1 and our long-term view towards optimizing the outcomes of the business protection is a big lever.

**Moderator:** The next question is from the line of Shreya Shivani from CLSA India.

**Shreya Shivani:** First is on the new product that Amrit spoke about, the new non-PAR products which was launched in July-August last year and which has a better margin profile. If you can help me understand in the non-PAR mix of 31% in 1H, how much is the share of this new product? It will help us understand how much this product, how rapidly this has been scaled up. And second question is a data keeping question. It's on our retail protection. How much of our retail protection is done by our own online channel and how much of it done by web aggregators?

**Amrit Singh:** So, first question on the new product which is a Smart Wealth plan. Almost all of it is now Smart Wealth plan. There is no old product that is flowing. ~100% of the business is Smart Wealth plan. On the second question, you are specifically asking within E-commerce actually. The split of aggregators and non-aggregators?

**Shreya Shivani:** Yes, for retail protection, specifically.

**Amrit Singh:** That would be around 40% to 45% would be our owned, 55%-60% would be from aggregator space.

**Shreya Shivani:** In overall retail protection which is sold, how much is?

**Amrit Singh:** E-commerce actually.

**Shreya Shivani:** You have given me a split within the E-commerce, 40%-45% your own and highest against on web aggregators but within the entire retail protection that is sold, both of them combined how much do they make?

**Amrit Singh:** 50-50 right now, online and offline.

**Moderator:** The next question is from the line of Avinash Singh from Emkay Global.

**Avinash Singh:** Couple of questions not related to really the quarter. First one, on your NPS or Pension Manager's License as well as also, you have become part of the account aggregator system. Of course, these both are a long-term strategy where benefit will take over long term. In the near term any impact on your cost of capital if at all any so that is a question number one. And second again, if you can just help us of course, we have some sort of a cursory comment in the presentation. But progress or changes in the non-operational part that's, I mean not Max Life , but on Max Financial, what sort of an approach we have now towards the structural simplification of Max Life and Max Financial as well as any updates on MSI share swap as well as Axis additional 7% stake?

**Amrit Singh:** As we indicated in the opening remarks the PFRDA, the Pension Fund Regulator has actually given us a nod to allow us to become a Pension Fund Manager. We are in the process of right now seeking regulatory approval from our regulator IRDAI and then subsequently there is a time window and a time horizon provided to set up a subsidiary. As part of our application, the PFRDA actually prescribed Rs. 50 crore that needs to be put in as capital into the business and you can add another Rs. 5-crore odd so Rs. 55 crore of total capital we will have to put in, which will get reduced from our solvency from a competition perspective. That's the kind of commitment that we would need to put into to get this particular business started, which actually from an overall solvency perspective, 1%-1.5% kind of implication is not a material one. The second question on structural simplification as you are aware we have filed to the regulator on the MSI transaction and I think the correspondence with the regulator we will not comment on it on the call, continues to be in conversation with regulator, looking for approval of that particular transaction. Post that transaction as you are aware the step of our Axis transaction is supposed to happen. We are hopeful the moment it gets concluded we will do that step of the transaction as well.

**Moderator:** The next question is from the line of Neeraj Toshniwal from UBS Securities.

**Neeraj Toshniwal:** Wanted to understand your strategy in Credit Life with Axis on board, bodes very granular but it has been picking up, that is one. Second on the target product mix, I guess you wanted to pull down ULIP as you communicated in first quarter and that there will be second quarter to be aligned similar level at the first half but this is something against the industry trend which have been through very strong ULIP flows? Wanted to understand what is our target mix we are looking at and your thoughts on that?

**Amrit Singh:** I think on credit life we have reiterated multiple times, it's a tactical play for us, it's not a strategic choice and as disbursement volume picking up in the industry, we have also seen strong growth actually happening in this particular segment and Credit Life business actually has grown almost 200% in the first half for us. Though it continues to remain tactical given the kind of margins that we are getting and the long-term sustainability of margins more important in this particular line of business. And our approach towards this line of business will remain in a similar manner which is a bit tactical rather than making it a large part of our VNB contribution in structured volumes.

On second, on ULIPs actually I think if I got your question right you are saying there is a large momentum of ULIP which is being experienced. What's your view on it? I think overall we will like to remain balanced from a product mix perspective though some bit of quarters ups and downs will keep happening. Generally, in the last quarter is heavier on ULIPs because of being a large quarter and ULIPs historically have been higher that particular quarter. We will see some of those trends also pan out for us. We will leverage it to an extent but will try to remain overall balanced. I think the related question always there is from Quarter 2 is a 29% margin and as in call someone had asked what the margin outlook would look like and we said it will be more in the range of 25-26%. It's a balanced mix of sales and margins and overall mix that we will try to optimize for. We will leverage it to an extent but you will not necessarily see us swing in large volumes to a ULIP, we will remain more balanced.

**Neeraj Toshniwal:** How much you would have provided in this quarter for the reserving? Though we are maintaining similar reserves; how much additional we would have provided in this quarter?

**Amrit Singh:** We spoke of it I think from the profits around near about Rs. 90-100 crore has been provided which you can also see in the EV walk that we have provided.

**Neeraj Toshniwal:** On the protection price, I think you already hike in April. So, are we charges further hike in our portfolio?

**Prashant Tripathy:** It is very competitive thing and we always like to look at how the competition is moving. With the hike that we did in April we continue to be aligned to the competition. Now on that base competition is going to increase the prices. Our last hike didn't include the impact of COVID wave 2. We should expect some bit of price hike, so what will be the extent of the price hike. We will be able to determine that after we have concluded our discussion with their insurance partner.

**Moderator:** The next question is from the line of Dhaval Gada from DSP Mutual Fund.

**Dhaval Gada:** First Amrit, I know you answered this multiple times around margins but just to be clear if you could give a sense of the margin differential between the last price hike versus the current one in the non-PAR savings business, that will help us understand part of the margin movement. The second question related to margin is in the current mix, the share of protection is relatively less compared to what our aspiration is. In that context as we move to more normalized environment do you see the current 25% margin increasing even further by at least a couple of 100 basis points as the production share improves?

**Amrit Singh:** Dhaval actually on specific product level and segment level margin profiles we don't share. But I indicated the reasons why the margins actually have improved, the new non-PAR product that is now running through and which is the dominant part of our sale, is actually a better margin profile product. Secondly, was leveraging product mix plays within the channels actually the way we kind of wrote bit more participating designs in our agency in the first half, actually created us the leverage play that we bought for us which actually is the reason why the margin profiles have improved.

On the second question I think over a longer horizon if the question is from a margin expansion over a longer horizon definitely, the answer is yes. I think the mix of protection, annuity, riders, all of these will come in play with respect to expanding them up margin profiles as an organization as an industry as well. If you are asking us a near term question? I think it's the right balancing of product mix which will also come in play even though in the second half the momentum on protection will come back but somewhere also there will be a balancing act with respect to the ULIP proportion also coming in play which will have some of those balancing element's kind of come through. The only point that we are trying to reiterate as we have been saying since the start of the year, given we are on a very high base of VNB growth that we demonstrated last year, our attempt would be to actually ensure that we hold on or expand the margin profile and hence lined up between 25% to 26% margin profile for a full year basis.

**Dhaval Gada:** On protection, so pre 3Q FY20, the growth momentum was quite strong over the last several quarters, we have seen tapering down, 2-year CAGRs are flat on retail protection. So just in your view when do we see normalization and back to that 3Q FY20 kind of growth momentum? Any thoughts that you have? Do you see post the current price hike that you anticipate should, I mean in your estimate when should this normal run rate come back?

**Amrit Singh:** The protection CAGR actually on a 2-year basis still in the ranges of 20%-22%

**Dhaval Gada:** I was referring to retail?

**Amrit Singh:** I am talking about retail only. Even retail protection for us the 2- year CAGR is actually growing in the ranges of the 17% to 20% have been corrected actually. There is momentum, there as we see or even in the first half. Now in the second half, I think once some of the supply constraints which we have already actually removed, we have eased under writing norms, we have increased the sum assured limits that we are taking. Earlier there was a big embargo on all substandard lives, there has been relaxation given in those substandard lives as well. I think the momentum will start coming back and you will see the protection momentum improve from here on.

**Moderator:** The next question is from the line of Abhishek Saraf from Jefferies India.

**Abhishek Saraf:** This is on protection side itself. Of course, we are expecting that the momentum should pick up but what is your view on the fact that if prices are hike across the board, how will the demand be impacted? I think that we are building in not the material impact on demand but don't you think that that is consumers are going to react differently and maybe a person who was buying let's say 2 crore sum assured he may actually settle in for lower sum assured given that the prices have gone up materially over the last 1.5 years?

**Prashant Tripathy:** We are talking about Life Insurance; we are not talking about commodities and hence the demand supply math with respect to price increase doesn't follow the normal process. So basically, if you look at the prices, the prices are comparable. I mean internationally speaking India still continues to be on the lower side. We haven't seen a huge impact on demand because the prices go up and we are talking about life insurance, we talk about life and people are far more flexible with respect to that. At the end of the day price will be determined by market forces and we are aware of that. The hypothesis has proven multiple times over last 2-3 years that the price increase doesn't have material impact on demand.

**Abhishek Saraf:** One last thing on the Group Protect, are we participating any of the GTL business because last two quarters we have been seen there is a fade away so are we trying to get into that business in this quarter or any time soon?

**Amrit Singh:** On GTL business we have participated all, we have been renewing out accounts, we have been honoring those accounts. In fact, the GTL business has also grown around 18% in the first half and in the second quarter almost 59%-60% kind of growth. We have been very selective about it and we have priced for the risk given this is an annual kind of a product; we have priced for the risk and we are participating now both on renewal and even on new clients though keeping the overall risk perspective in consideration.

**Moderator:** The next question is from the line of Dhaval Gada from DSP Mutual Fund.

**Dhaval Gada:** One follow-up on retail protection. Amrit, you mentioned the 2-year CAGR growth. I was just trying to understand what's been the volume CAGR on that basis in your view?

**Amrit Singh:** Volume, number of policies?

**Dhaval Gada:** Yes, number of policies.

**Amrit Singh:** Just give me a second, actually don't have that ready. There is a decline there Dhaval from a number of policies perspective over a 2-year CAGR. It's around 2% kind of a decline has happened Dhaval there.

**Moderator:** Thank you. I now hand the conference over to the management for closing comments.

**Mandeep Mehta:** Thanks, Nirav. Thank you, ladies and gentlemen, for being on Max Financial earning call. We look forward to more such interaction in the future. Thank you once again. Goodbye.

**Moderator:** Thank you very much. On behalf of Max Financial Services Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

-End-

---