

Price: 1,242

Recommendation: Buy

Industry: Life Insurance

Sector: Financial Services

Report Date: 23-Apr-2025

Axis Max Life Insurance, formerly Max Financial Services Limited, leverages the combined trust of Axis Bank and Max Life to expand its presence, especially in Tier-2 and Tier-3 cities. With robust growth in premiums, innovative products, and strategic partnerships, the company focuses on digitalization, operational efficiency, and regulatory readiness to drive sustainable, long-term value for stakeholders.

Sales		Profit & Loss		Profitability Matrix	
Current Year	16.2 Cr	Operating Profit(Year)	-9.69 Cr	Operating Profit Margin	-59.7 %
Previous Year	57.8 Cr	Operating Profit(Quarter)	-1.57 Cr	EBITDA Margin	-60.68 %
Current Quarter	4.32 Cr	PAT (Year)	-11.2 Cr	Net Profit Margin	-52.2 %
Previous Quarter	3.69 Cr	PAT (Quarter)	-1.57 Cr	EPS	-0.30
Revenue (QYoY)	5.52 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E		Sales Growth	-40.7 %	Sales Growth	17.07 %
PEG Ratio		PAT Growth	-180.58 %	Sales Growth QYoY	-21.74 %
EV/EBITDA	-4799	EPS Growth	9.09 %	PAT Growth	-36.18 %
P/B	6.35	Dividend Yield	0.00	PAT Growth QYoY	-36.44 %
Capital Allocation		Holdings		Leverage	
RoE	-0.17 %	Promoter	1.74 %	Debt/Equity	0.00
RoA	-0.17 %	FII	44.8 %	Debt	1.38 Cr
RoCE	-0.17 %	DII	47.3 %	Market Cap	42910 Cr
RoIC	-21.4 %	Public	6.21 %	Enterprise value	42855 Cr
		No of Shares	34.5 Cr	Cash Equivalents	56.2 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Max Financial Services Limited, now rebranded as Axis Max Life Insurance, has undertaken significant strategic initiatives to enhance its market presence and operational efficiency. The rebranding aims to leverage the combined trust and recognition of Axis Bank and Max Life Insurance, particularly in Tier-2 and Tier-3 cities, where brand awareness and consideration have already shown improvement. A recent survey by Kantar highlights the positive impact of this refreshed brand, which is expected to drive long-term value for stakeholders. Additionally, the company has onboarded eight new distribution partners, including group credit life partners, brokers, and corporate agents, contributing to sustainable growth and surpassing the 100 crore mark in contributions. These partnerships, coupled with investments in digitalization, such as the launch of a product configurator to reduce product setup time by 50%, underscore the company's focus on innovation and operational agility.

Axis Max Life Insurance has demonstrated robust growth across key metrics, outperforming the private sector and industry averages. For the first nine months of FY'25, individual adjusted first-year premiums grew by 25%, compared to 19% for the private sector and 14% for the overall industry. The proprietary channels expanded by 41%, supported by both offline and online segments, while the Banca channel grew by 14%. The company's product innovation strategy has been pivotal, with the launch of offerings like Smart Term Plan Plus and SEWA 2.0 driving a 37% growth in retail protection business and a 250% increase in rider APE. ULIP sales grew by 49%, contributing to a product mix shift, though efforts are underway to rebalance towards non-PAR and PAR segments to optimize margins.

Future growth perspectives remain optimistic, with the company targeting a 20% sales growth and high single-digit VNB growth for FY'25. The management is focused on maintaining a margin profile of 25% while driving market share gains. Proprietary channels, including agency, direct selling, and online platforms, are expected to be key growth drivers, alongside scaling partnerships with Axis Bank, YES Bank, and new distribution partners. The company is also preparing for potential regulatory changes, such as the Insurance Amendment Bill, which could expedite the listing of Axis Max Life Insurance and facilitate structural enhancements. Strategic investments in brand penetration and digital capabilities are expected to further strengthen the company's competitive position.

Constructively, Axis Max Life Insurance has effectively mitigated challenges posed by new surrender regulations, limiting the margin impact to 100 basis points through adjustments in customer IRRs, distribution compensation, and cost optimization. Persistency metrics have improved, with a 5-point increase in net promoter score and a rise in 13th-month persistency to 87%. The solvency position remains strong at 196%, and assets under management have grown by 20% to 1.72 lakh crore. These achievements, coupled with a clear roadmap for scaling proprietary channels and rebalancing product mix, position the company for sustainable and predictable growth in the medium to long term.

MFSL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HDFC AMC	97263.59	39.52	32.35%	-3.55%	29.59%	-0.43%	18.05%
Bajaj Finance	577557.54	36.14	22.07%	5.52%	27.33%	6.17%	16.70%
Max Financial	42910.15		-0.17%	17.07%	-21.74%	36.18%	36.44%
Bajaj Finserv	335153.81	39.09	15.28%	-4.93%	10.34%	6.90%	3.40%
Jio Financial	163951.14	101.67	1.23%	12.52%	17.97%	7.24%	1.76%

Aspect	Commentary
Revenue	Revenue declined YoY by 40.7%, indicating challenges in sustaining sales momentum. However, QoQ growth of 17.07% suggests recovery efforts are yielding results. The company’s focus on Tier-2 and Tier-3 cities and innovative product launches may support future revenue growth.
Profit & Loss	Operating profit and PAT remain negative, reflecting ongoing financial strain. Quarterly PAT improved slightly, but annual losses persist. Strategic cost optimization and product mix rebalancing are critical to reversing profitability trends.
Profitability Matrix	Profitability metrics are weak, with negative margins across operating profit, EBITDA, and net profit. EPS remains negative, highlighting the need for improved cost management and revenue growth to achieve sustainable profitability.
Valuation Matrix	Valuation metrics show high P/B ratio and negative EV/EBITDA, indicating overvaluation relative to earnings. Dividend yield is zero, reflecting reinvestment priorities. PEG ratio suggests limited growth potential without strategic improvements.
Growth (YoY)	Sales growth declined by 40.7% YoY, while PAT growth fell sharply by 180.58%. EPS growth of 9.09% is a positive signal, but overall growth metrics highlight the need for stronger operational and market strategies to drive recovery.
Growth (QoQ)	QoQ sales growth of 17.07% signals recovery, but PAT growth remains negative at -36.18%. EPS growth of 9.09% is encouraging, suggesting incremental improvements. Sustained focus on proprietary channels and partnerships is essential.
Capital Allocation	Return metrics like RoE, RoA, and RoCE are negative, indicating inefficient capital utilization. Cash equivalents of 56.2 Cr provide liquidity, but strategic investments are needed to improve returns and drive long-term growth.
Holdings	Promoter holdings are low at 1.74%, while institutional investors (FII and DII) hold significant stakes, reflecting confidence in the company’s potential. Public holdings are minimal, suggesting limited retail investor participation.
Leverage	Debt levels are low with a debt/equity ratio of 0.00, indicating strong financial stability. Solvency remains robust, supporting growth initiatives. However, leveraging debt strategically could enhance operational capacity and profitability.

Analyst viewpoint: Axis Max Life Insurance demonstrates strong potential for short to mid-term growth, driven by its strategic focus on Tier-2 and Tier-3 cities, innovative product launches, and robust distribution partnerships. The company's QoQ sales growth of 17.07% reflects recovery efforts, while proprietary channels expanded by 41%, showcasing its ability to outperform industry averages. Investments in digitalization, such as the product configurator reducing setup time by 50%, and the launch of offerings like Smart Term Plan Plus and SEWA 2.0, have contributed to a 37% growth in retail protection business and a 250% increase in rider APE. Persistency metrics have improved, with a 5-point rise in net promoter score and 13th-month persistency reaching 87%, indicating enhanced customer retention. The solvency position remains strong at 196%, and assets under management have grown by 20% to 1.72 lakh crore, further solidifying its financial stability.

While the company faces challenges such as negative profitability metrics and a YoY revenue decline of 40.7%, its strategic cost optimization and product mix rebalancing efforts are expected to mitigate these issues. The management's focus on achieving a margin profile of 25%, targeting 20% sales growth, and scaling proprietary channels positions Axis Max Life Insurance for sustainable growth. Additionally, the potential regulatory changes, including the Insurance Amendment Bill, could expedite structural enhancements and listing opportunities, further boosting investor confidence. Despite mild concerns around valuation metrics, the company's operational agility and strategic initiatives make it a compelling buy recommendation for the short to mid-term horizon.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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