MIRAE ASSET Sharekhan

Max Financial Services Ltd

Healthy Q2; structural story intact

Insurance	Sharekhan code: MFSL

Reco/View: Buy	⇔	CMP: **Rs. 1,690**	Price Target: **Rs. 1,910**	↑

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS	Neutral	⇔	Neutral
RQ	Neutral	↑	Positive
RV	Positive	⇔	Positive

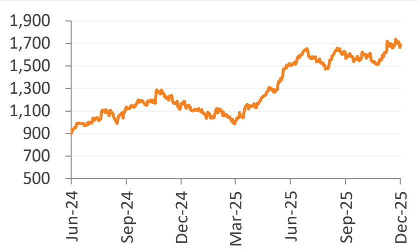
Company details

Market cap:	Rs. 58,338 cr
52-week high/low:	Rs. 1765/973
NSE volume: (No of shares)	7.3 lakh
BSE code:	500271
NSE code:	MFSL
Free float: (No of shares)	26.3 cr

Shareholding (%)

Promoters	1.7
FII	44.8
DII	47.3
Others	6.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.2%	7.9%	12.2%	44.4%
Relative to Sensex	5.1%	2.3%	6.9%	39.1%

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q2FY26 numbers were operationally strong, led by robust margins and healthy premium growth
- APE grew 15% y-o-y in H1FY26 which enabled market share gains, structural improvement in profitability was seen, renegotiation of distributor commissions, cost efficiencies, product repricing to mitigate VNB margin stress.
- Lower GST on premiums would pave way for sustainable growth, while other possible regulatory changes to be positive.
- We roll over our valuations and accordingly we revise our PT to Rs. 1,910 on the stock with a Buy rating.

Good show in Q2: Q2FY26 and H1FY26 financials were operationally strong, marked by healthy growth, margin expansion, and improving business quality, with VNB rising 25% y-o-y to Rs. 640 crore and VNB margin improving to 25.5% in Q2FY26, on a favourable product mix shift toward higher-margin segments. Retail protection and health APE alone grew 36% y-o-y in H1FY26, underlining a structural improvement in profitability. The loss of GST input tax credit created a 60-bps headwind to VNB margin in H1FY26, but this is being actively mitigated through distributor commission renegotiation, cost optimisation, product repricing, and operational efficiencies, allowing the company to maintain its FY26 VNB margin guidance at 24-25%.

Growth momentum stayed robust, with gross premium income up 18% y-o-y to Rs.15490 crore in H1FY26, renewal premium also up 18% y-o-y to Rs.9530 crore, and APE growth of 15% y-o-y, enabling market share expansion to 10.1% in H1FY26 from 9.3% a year earlier. Distribution performance remained a key strength, led by the proprietary channel with 22% y-o-y growth. Persistency metrics showed meaningful enhancement in longer-term cohorts, with 25th-month persistency improving 500 bps y-o-y to 76% and 61st-month persistency improving 200 bps y-o-y to 54%, reflecting better underwriting quality and sustainability of earnings. As per latest data for October 2025, the new business premium (YTD) for Max life increased by 17.2% YoY and was higher than industry growth of 8.3% YoY.

Regulatory tailwinds: Lowering of GST on premiums for individual life and health insurance products was rationalised to zero from 18% earlier while input tax credit(ITC) was also withdrawn. However, overall, premiums in general have reduced, other levers such as commission negotiations, operating cost optimization and re-balancing of product portfolio will cover up for the absence ITC. Lower premiums pave way for sustainable growth in insurance business as insurance penetration still remains low at 3.8% for FY24.

The government's proposed move to table the Insurance Laws (Amendment) Bill, 2025 during the sixth session of the 18th Lok Sabha marks a significant step toward a unified, future-ready reform agenda that could shape the evolution of India's still underpenetrated insurance market over the next decade. Industry participants are optimistic that the Bill will secure final clearance, paving the way for stronger growth, increased capital participation, and greater innovation across the sector.

Proposed rise in FDI limits from 74% to 100% could bring substantial capital in the sector, reduce net owned fund requirements from Rs. 5000 crore to Rs. 500 crore will aid new age insurers, composite licensing will enable single insurer to provide more differentiated offerings and also integrated or bundled solutions as per customer requirements, flexibility for individual agents to sell policies from multiple insurers will enhance scope of policy distribution. On overall basis all these positive developments ensure bright outlook for insurance sector in medium-to long term and this shall positively reflect on Max Financials' performance as well.

Reverse merger time-line key: If Insurance Bill gets the Parliament nod in the Winter or Budget Session, there will be greater visibility on the schedule for the reverse merger of Max Life with Max Financial Services. This reverse merger, which is aimed at eliminating a holding company discount and listing the insurance business directly, could be a key catalyst for the stock.

Our Call

Valuation and Outlook: The management reiterated its FY26 APE growth guidance of 15–17% and medium-term RoEV guidance of 18–19%, and maintained its VNB margin guidance in 24-25%, supported by the ongoing mix shift toward higher-margin products and cost discipline. The GST-related margin headwind appearing manageable within its broader long-term growth and profitability trajectory. Hence, we expect healthy levels in persistency, continued market share gain, and resilient overall performance. We roll over our valuations and value the stock at ~2.2x Average Embedded Value for FY27-FY28E, thus accordingly we revise our PT to Rs1910 on the stock with a Buy rating.

Key Risks

Slow APE growth, any pressure on VNB margins and any adverse regulatory policies/guidelines may impact financial performance.

Valuation Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
APE (Rs cr)	7,433	8,770	10,086	11,649	13,396
VNB (Rs cr)	1,973	2,107	2,423	2,811	3,289
VNB Margin (%)	26.5	24.0	24.0	24.1	24.5
EV (Rs cr)	19,494	25,192	29,475	34,338	40,347
ROEV (%)	20.2	17.7	18.2	18.3	18.4
P/EV (x)	3.7	2.9	2.4	2.1	1.8
P/VNB (x)	36.5	34.2	29.7	25.6	21.9

Source: Company; Mirae Asset Sharekhan estimates

Stock Update

Company Update

Outlook and Valuation

■ Sector Outlook – Large opportunity, but competition, regulatory risks higher

Insurance penetration is still low in India as compared to international benchmarks. Factors such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap; and credit protection products are still at an early stage and has the potential to grow multi-fold as penetration of retail loans improves in the country. Hence, we believe the insurance sector has a huge growth potential in India. Against this backdrop, we believe that strong players with the right mix of products, services, and distribution is likely to gain disproportionately from the opportunity. However, there is a high risk of regulatory changes/ competition, which can impact profitability.

■ Company Outlook – Eyeing balanced outcomes

Max Financial is building a strong franchise with a multi-channel distribution network built upon a balanced product mix. Over the medium term, management has indicated a balanced mix of business with non-PAR, ULIP and protection. We believe cost management, re-balancing of the product mix, and further diversification of distribution channels are key levers for improvement in profitability and growth. Reverse merger remains a key catalyst besides industry-leading performance.

■ Valuation – Maintain Buy with revised PT of Rs. 1910

The management reiterated its FY26 APE growth guidance of 15–17% and medium-term RoEV guidance of 18–19%, and maintained its VNB margin guidance in 24-25%, supported by the ongoing mix shift toward higher-margin products and cost discipline. The GST-related margin headwind appearing manageable within its broader long-term growth and profitability trajectory. Hence, we expect healthy levels in persistency, continued market share gain, and resilient overall performance. We roll over our valuations and value the stock at ~2.2x Average Embedded Value for FY27-FY28E, thus accordingly we revise our PT to Rs1910 on the stock with a Buy rating.

About company

Max Financial Services Limited (MFSL) is part of India's leading business conglomerate – Max Group. Focused on life insurance, MSFL currently owns majority stake in life Insurance business, which is the sole operating subsidiary of MFSL. Axis Max Life Insurance Company Limited is a Joint Venture between Max Financial Services Limited and Axis Bank Limited. It has built its operations over two decades, offers comprehensive long-term savings, protection, and retirement solutions through its high-quality agency and multi-channel distribution partners.

Investment theme

The company has gained critical mass and enjoys strong operating parameters in the industry. We believe the company's well-diversified product mix and strong distribution channel augur well and will help sustain healthy business growth.

Key Risks

- Slow APE growth, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	MS&AD Insurance Group Holdings Inc	21.86
2	HDFC Asset Management Co Ltd	9.13
3	Nippon Life India Asset Management	5.70
4	Nippon Life India Trustee Ltd	5.64
5	ICICI Prudential Asset Management	3.33
6	Vanguard Group Inc/The	3.14
7	Kotak Mahindra Asset Management Co	2.99
8	DSP Finance Pvt Ltd	2.95
9	KOTAK MAHINDRA TRUSTEE CO LTD	2.93
10	Capital Group Cos Inc/The	2.81

Source: Bloomberg

SOMIL RAMESH MEHTA

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

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