

Pick of the week

Max Financial Services Ltd. (MAXF)

Recommendation: **BUY**

Current Price: ₹1031

Potential Upside: **21.2%**

Date: **17th January 2022**

Time Period: **12 Months**

Target Price: ₹1250

Why invest?

- The business remains highly profitable with 21% medium-term operating RoEV.
- VNB margin will likely expand to 26.5% from 25.3% in 1HFY21 – this reflects benefit of higher volumes in 2H and interplay of renewed focus on protection and non-par business (low base of 4QFY21), offset by higher ULIPs.
- A high APE base will likely suppress yoy APE growth in 2H although large Covid-related reversals in 4QFY21 will provide some support to VNB.
- Axis Bank remains a strong medium-term growth driver even as a balanced product mix and continued focus on protection will sustain high margins.
- At our FV, the stock will trade at 3.1X EV December 2023E.