

# Max India Limited

## Investor Release July 2008

### *Disclaimer*

*This release is a compilation of unaudited financial and other information and is not a statutory release. This may also contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from our expectations and assumptions. We do not undertake any responsibility to update any forward looking statements nor should this be constituted as a guidance of future performance.*

## HIGHLIGHTS – Q1'FY09

- **Max India to foray into health insurance business in joint-venture with Bupa group**
  - Max India to hold 50% in the joint-venture
  - Registration with IRDA in fourth quarter of 2008
  - Market roll-out by fourth quarter of 2009
  - Initial capital of Rs. 100 Crore; peak capital commitment Rs. 400-420 Crore
  
- **Max India restructures MNYL joint-venture**
  - Enhanced value for Max India shareholders
  - New York Life has an option for 8 years to increase its shareholding in MNYL by upto 24%, subject to regulations
  - Option value at fair market based formula against a preferential formula earlier
  - Deposit of Rs. 174 Crore from New York Life refunded
  
- **Max New York Life becomes the first life insurer to declare its Embedded Value**
  - Embedded Value as at March 31, 2008 at Rs. 1,316 Crore
  - Implied New Business Margin is 20.4% on APE\*

## HIGHLIGHTS – Q1'FY09

- **Max New York Life scales up its growth plans further**
  - Peak capital commitment increased to Rs. 3,600 Crore
  - To increase its agency force from 47K agents to 300k agents by FY 11-12
  - To add 250 offices every year going forward – 900 agency offices and 700 rural offices by FY 11-12
  - Annualised First Year Premium target of Rs. 12,000 Crore by FY 11-12
  
- **Max Healthcare increases its service offerings**
  - Adds Institute of Internal Medicine
  - To add Oncology in the second half of this financial year
  
- **Max Speciality Products to add two thermal film lines**
  - Non-binding MoU with a US based world leader for manufacture and distribution of thermal films
  - First production line to be commissioned by October 2008 and second by August 2009

## CONSOLIDATED INCOME STATEMENT – SNAPSHOT

(Rs. Crore)

Details	Q1 2008-09	Q1 2007-08	Growth %	FY 2007-08	FY 2006-07	Growth %
Operating Revenue	1,022.15	563.40	81%	3,244.05	1,819.36	78%
Investment and Other Income	99.13	136.83	-28%	366.50	174.26	110%
Total Revenue	1,121.28	700.23	60%	3,610.55	1,993.62	81%
EBITDA	(12.47)	5.13		70.59	20.51	
Net Income Before Tax	(41.34)	(20.30)		(43.06)	(55.49)	

Website: [www.maxindia.com](http://www.maxindia.com) BSE Scrip Code: 500271, NSE Ticker: MAX, Bloomberg: MAX:IN

## CONSOLIDATED FINANCIAL POSITION – SNAPSHOT

(Rs. Crore)

Details	Q1 2008-09	Q1 2007-08	Growth %	FY 2007-08	FY 2006-07	Growth %
Shareholders' Funds	1,511.05	1,584.12	-5%	1,543.75	602.62	156%
Preference Shares*	250.00	-	-	250.00	-	-
Loans Funds	551.28	643.37	-14%	551.90	558.68	-1%
Fixed Assets (Net Block)	761.95	649.33	17%	718.23	628.36	14%
Treasury Corpus	1,079.63	1,319.82	-18%	1,261.39	285.05	343%
Life Insurance Investments (Assets under management)	3,973.49	2,131.09	86%	3,574.88	1,835.43	95%

\* Preference Shares issued to IFC Washington by Max Healthcare Institute Ltd.

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## MAX NEW YORK LIFE INSURANCE

- **Gross premium income of Rs. 865 Crore for the quarter ended Jun'08, grows 88% year-on-year.**
- **Annualized First Year Premium (new sales) of Rs. 541 Crore for the quarter ended Jun'08, grows 75% year-on-year.**
  - *Unit Linked products contribute 88% to the new sales for the quarter.*
- **Individual First Year Premium adjusted for single pay (APE) for the quarter ended Jun'08 at Rs. 425 Crore, grows 73% year-on-year.**
- **Assets Under Management at Rs. 3,973 Crore, grows 86% year-on-year.**
- **Life Insurance business capitalised at Rs. 1,232 Crore.**
  - *The shareholders infused Rs. 200 Crore as fresh capital during the quarter.*
- **Sum assured in force as at Jun'08 end around US\$ 18.5 billion (Rs. 780 billion), grows 59% year-on-year.**
- **2 million policies in force.**
  - *300k policies sold during the quarter, up 83% year-on-year.*

## MAX NEW YORK LIFE INSURANCE

- **Conservation ratio\*** for the quarter ended Jun'08 at 89% against 79% for the quarter ended Jun'07.
- **Agency force** as at Jun'08 end at 47,000 agents, grows 69% year-on-year.  
– *Around 10,000 net agents added during the quarter.*
- **Average case size per agent** at Rs. 22,000 for the quarter ended Jun'08 is in line with the previous year.
- **Average case rate per agent per month** at 1.2 for the quarter ended Jun'08 against 1.4 for the quarter ended Jun'07.
- **Geographic coverage** increases to 311 offices across 196 locations.
- **MNYL furthers its reach in emerging markets for life insurance products through a tie-up with IndianOil Corporation.**  
– *MNYL products to be made available through around 2,000 Kisan Seva Kendras of IndianOil.*

\* Conservation Ratio = Renewal Premium for the current period / (First Year+Renewal Premium for the previous period)

# MAX NEW YORK LIFE INSURANCE

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Jun-08	Jun-07		Mar-08	Mar-07	
a) Sales Value (Annualized first year premium)	Rs. Crore	541	309	75%	1,676	970	73%
b) Average case size	Rs.	22,145	21,848	1%	21,923	21,810	1%
c) Case rate per agent per month	No.	1.16	1.44	-19%	1.46	1.63	-10%
d) Number of agents	No.	46,851	27,727	69%	36,896	25,048	47%
e) Net agents added	No.	9,955	2,679		11,848	9,763	
f) Conservation ratio*	%	89%	79%		83%	78%	
g) Gross written premium income	Rs. Crore						
First year premium		424	240	77%	1,326	751	77%
Renewal premium		369	173	113%	1,117	588	90%
Single premium		72	47	53%	272	161	69%
<b>Total</b>		<b>865</b>	<b>460</b>	<b>88%</b>	<b>2,715</b>	<b>1,500</b>	<b>81%</b>
h) Paid up Capital	Rs. Crore	1,232	732	68%	1,032	732	41%
i) Individual Policies in force	No.	1,985,626	1,205,730	65%	1,750,725	1,098,230	59%
j) Sum insured in force	Rs. Crore	77,650	48,816	59%	69,887	44,674	56%

\* Conservation Ratio = Renewal Premium for the current period / (First Year+Renewal Premium for the previous period)

## MAX HEALTHCARE

- **Revenue across network of hospitals at Rs. 100 Crore for the quarter ended Jun'08, grows 21% year-on-year.**
- **EBITDA of Rs. 5 Crore for the quarter ended Jun'08, grows 82% year-on-year.**
- **Average Occupancy across all healthcare care facilities at 62%.**
  - *Average length of stay improved to 3.2 days.*
- **Over 1,250 doctors in the network.**
  - *Physicians on rolls increases to over 500.*
- **Number of employees, excluding physicians, increases from over 2,400 in Jun'07 to around 2,800 in Jun'08.**
- **Registered patient base of over 600,000 patients.**
  - *Average patient transactions for the quarter at over 150,000 transactions a month.*

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Jun-08	Jun-07		Mar-08	Mar-07	
a) Revenue	Rs. Crore						
Inpatient Revenue		78.1	66.8	17%	301.5	197.1	53%
Outpatient Revenue		21.4	15.3	40%	70.9	47.7	49%
<b>Total</b>		<b>99.5</b>	<b>82.1</b>	<b>21%</b>	<b>372.4</b>	<b>244.8</b>	<b>52%</b>
b) Profitability							
Contribution Margin	Rs. Crore	54.5	43.6	25%	197.7	126.3	57%
Contribution (%)	%	54.8%	53.1%		53.1%	51.6%	
EBITDA	Rs. Crore	5.1	2.8	82%	19.6	(18.1)	
EBITDA (%)	%	5.1%	3.4%		5.3%	-7.4%	
c) Patient Transactions	No.						
Number of Procedures							
- Cardiac Care		1,821	1,829	0%	7,648	5,595	37%
- Orthopaedics		561	527	6%	2,004	1,601	25%
- Neurosciences		204	192	6%	657	498	32%
- Obstetrics & Gynaecology		1,147	1,010	14%	4,171	3,103	34%
- Others		2,471	2,027	22%	8,214	5,924	39%
Medical Admissions		5,869	5,269	11%	23,838	19,950	19%
Outpatient Registrations		459,863	348,641	32%	1,592,804	1,105,420	44%
d) Average Operational Beds	No.	700	625	12%	662	610	9%
e) Average Occupancy	%	61.5%	65.9%		65.8%	63.5%	
f) Average Length of Stay	No.	3.2	3.5		3.4	3.5	
g) Average Revenue per Occupied Bed Day	Rs.	19,930	17,841	12%	18,914	15,540	22%

## MAX SPECIALITY PRODUCTS

- All BOPP lines running at 100% capacity utilization.
- Return on Capital Employed for the quarter ended Jun'08 at 18%.

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Jun-08	Jun-07		Mar-08	Mar-07	
a) Sales Quantity - BOPP	Tons	6,809	3,899	75%	23,929	11,985	100%
b) Revenue	Rs. Crore	97.8	52.9	85%	306.0	166.0	84%
c) Profitability:							
Contribution Margin	Rs. Crore	34.4	20.6	67%	119.9	61.8	94%
	%	35.2%	38.9%		39.2%	37.2%	
EBITDA	Rs. Crore	13.9	6.8	104%	49.6	21.0	136%
	%	14.2%	12.9%		16.2%	12.7%	
PBT	Rs. Crore	7.1	0.9	689%	24.5	11.8	108%
	%	7.3%	1.7%		8.0%	7.1%	

## CLINICAL RESEARCH

- Revenue of Rs. 3.3 Crore for the quarter ended Jun'08, grows 136%.
- The business turns profitable at Rs. 0.4 Crore.
- Order book of Rs. 36 Crore as at Jun'08 end, grows 140%.
  - *New orders of Rs. 4 Crore received during the quarter.*
  - *Business Development pipeline of around Rs. 85 Crore.*
- 2 new customers added during the quarter.
  - *Client base increases to 45.*
- Database of over 750 principal investigators.
- Patient Retention rate maintained at 98%.



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