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Max Healthcare, the hospital arm of Max India, may enter into an equity-cum-strategic alliance with a PE-firm backed global hospital major, reports **Arun Kumar** from **New Delhi**.

"The company is in discussions with two global PE funds that have significant stake in two separate large hospital chains and is likely to conclude the deal with one shortly," said a source. As a precursor, Max India last week decided to buy out Warburg Pincus' 16.37% stake in Max Healthcare.

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Max India Arm Looks for Strategic Partner

Max Healthcare said to be in discussions with two PE-backed hospital majors for alliance

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NEW DELHI

Max Healthcare, the 1,100-bed hospital subsidiary of Max India Group, is likely to enter into an equity-cum-strategic alliance with a private equity (PE) firm-backed global hospital major.

"The company is in discussions with two global PE funds that have significant stake in two separate large hospital chains and is likely to conclude the deal with one of them shortly," said a person familiar with development.

As a precursor to the proposed transaction, Max India decided to buy out 16.37% stake in Max Healthcare from private equity major Warburg Pincus last week to consolidate its holding in Max Healthcare to 91%. Max India is the flagship company of Analjit Singh, which owns majority stake in life and health insurance ventures, besides the hospital chain.

"The possibility of a strategic alliance with a global hospital major cannot be ruled out," Max India chairman Analjit Singh said. He, however, refused to divulge the details.

"One of two potential suitors is an Asian PE fund having significant investment in a large hospital chain in South East Asia, while the other fund is US-based and owns significant stake in a leading hospital chain," said the person quoted above. "This is not a typical PE's investment; rather it would be a strate-



Max India chairman Analjit Singh

gic investor, where the global hospital major would bring in synergy."

Under the proposed transaction, the potential strategic investors will pick up a significant minority stake, which will be over 26% in Max Healthcare, said another person familiar with development. Besides Max India's 91% stake, Washington-based International Finance Corporation owns 3.1% stake in the healthcare company, while the remaining 6% is owned by overseas corporate bodies.

The proposed transaction is likely to be at an equity value of around ₹1,500 crore for Max Healthcare, which is a significant premium to the exit price that Warburg Pincus charged from Max India.

Warburg had sold 16.37% stake for ₹140 crore, which puts an equity value to Max

Healthcare at ₹855 crore.

"The acquisition of Warburg's stake was the first leg of bringing in a strategic partner in the hospital chain," the second person said.

"Instead of a financial investor, it is much better to have a strategic investor that also provides synergies and global inputs besides bringing new business to the table," the first person said.

Max Healthcare network of hospitals registered revenue of ₹685 crore in 2010-11, a growth of 28% over the previous year.

The company's business turned profitable in the last quarter of FY11 with its earnings before interest, taxes, depreciation, and amortisation, or Ebitda, more than doubling to ₹52 crore.