

Annual Report 2000-2001

Letter to Shareholders

Dear Shareholders,

Max greets the first year of the 21st century with a renewed sense of direction, anticipation, and excitement. We are addressing a century unencumbered by the past. An era, in which Max promises to fulfill a renewed set of ambitious and aspirations.

From Conception to Reality

MAX HEALTHCARE, MAX NEW YORK LIFE, MAX ATEEV

I write to you in a year of incredible change; a year of transition from the 'old' to the 'new' Max. The birth of Max Healthcare, Max New York Life, and Max Ateev (our IT business), marks a watershed, because an event of this scale comes seldom in the life of an organization. The fact that these three new businesses are already in the operational phase, reinforces our commitment to the goals of excellence and market leadership.

The vision of building new businesses based on human capital, and a strong spirit of enterprise, with support from our partners, is manifesting itself rapidly.

Max Healthcare has made a beginning with one Max Medcentre™ offering the complete range of Secondary level facilities, and two Dr Max™ Clinics, in the Primary healthcare area. In addition to most comprehensive Hospital Information Systems, each Max Healthcare facility boasts of medical and para-medical staff, who combine excellent credentials and rich professional experience, with a customer centric focus. Across its entire service delivery mechanism. Max Healthcare delivers world-class healthcare. The fact that all this has been achieved in a short period of time, is impressive by itself. What adds to the achievement, is the fact that Max Healthcare offers unique value propositions; easy to copy, but very difficult to duplicate. Steered by Nripjit Singh (Noni) Chawla Managing Director; and Dr. Nirmal Joshi, Medical Director & Chief Operating Officer, Max Healthcare looks ahead with characteristic confidence.

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Like Healthcare, and Information Technology, the Life Insurance business is central to Max. Max New York Life is distinct, and markedly different from all other private Life Insurance companies in the country. A look at new entrants in the insurance sector reveals essentially two types of players:

- *Financial Institutions, and large Financial Services Companies, whose entry into Insurance was predictable.*

- *Some of the relatively larger, private, multi business houses, who have their business interests in many sectors, and therefore have entered Insurance as well.*

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Max New York Life has quickly moved forward, to adopt and adapt the time tested business model created by New York Life over 156 years, and applied in diverse markets. In just eight months, Max New York Life has covered a lot of ground to create an excellent cadre of agents who are Life Insurance experts; an exceptional product base, and a presence in eight cities across the country. Max New York Life is very fortunate to have some of the best names in the financial services sector as its top management, supported by an exceptional team. Under the leadership of Anuroop (Tony) Singh, the Company is rapidly acquiring the status of a benchmark in Life Insurance.

In the IT area, Max Ateev is pressing hard to realize its potential. This is being made possible by an army of software engineers, management and support staff, and a fully equipped facility, capable of addressing every infrastructural need. Max Ateev provides end-to-end technology development services for business-wide supply chain integration, and e-enabling solutions. It also focuses on the development and deployment of a unique solution for Knowledge Management needs, by adapting core technology from MindCrossing (the US based e-business infrastructure and expertise provider, your Company holds equity in). Even at such an early stage of its life span, Max Ateev has received the ISO 9001 (2000 series) quality certification. This reflects its commitment to delivering each project with stringent quality assurance & internal control procedures. In keeping with its commitment to quality, Max Ateev aims at achieving the SEI CMM Level 5 certification. This will further reinforce commitment to world-class quality practices. Vivek Jetley, Managing Director, who leads Max's IT businesses, is also at the helm of Max Ateev. It is under his leadership, that Max Ateev has achieved impressive goals, and looks forward to several more achievements.

In addition to the three new businesses, recognising the emerging area of Clinical Research, your company has launched Neeman Medical International Inc. in Raleigh, North Carolina, USA. Neeman is the first Indian multinational Clinical Research firm. A knowledge based organization, it focuses on contemporary, ever evolving, and innovative research techniques. Through acquisition of majority stake in a reputed Clinical Research firm in Costa Rica, Instituto Costarricense de Investigaciones Clinicas(ICIC), Neeman has acquired strategic advantage, a firm foothold in this growing business area, and a globally replicable business model. With a steering team comprising among other, Dr. Guillermo Rodriguez., as Executive president & Global medical Director of Neeman ICIC; and Cathy White, Global CEO, Neeman Medical International Inc., the company is confident of a bright future.

Creating Synergy

For your Company, the launch of new businesses is the realization of our carefully considered strategic decision to shift from a manufacturing centered organization, to a service driven institution. Equally importantly, businesses like Healthcare and Life Insurance, benefit the consumer in an enduring manner. Life Insurance for example, stays with the consumer for decades, beyond generations. Healthcare enriches the consumer in a vital manner, which has no parallel.

These new businesses also offer your Company complementary windows of geographical reach, and business maturity. Healthcare is our local business, centered in, and around Delhi. Life Insurance has a national reach, and will transform Max into a consumer brand. Information Technology and Clinical Research represent national, as well as international visibility. Taken together, these businesses fulfill every company's dream of local, national and international presence.

Besides wielding the potential of developing into institutions, of adding lasting value to people's lives, and harnessing the intrinsic genius of India, Healthcare, Life Insurance, and IT promise very significant returns. Returns, which will be manifest as much in the creation of 'Reputational Capital' as in returns on investment. Through the years, Max has been acknowledged for its constantly evolving business profile, which seeks to maximize shareholder value.

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From a humble beginning in 1984, Rs. 1,000 invested in Max have yielded Rs. 85,000 (taking into account Dividend declared, Bonus, and Rights Issues). As this relatively young Company adjusts its business mix in response to the rapidly changing industrial, commercial, social, and political milieu, it offers immense opportunity to the investor, but not the speculator.

The Spirit of Partnership

Nothing is possible in isolation; partnerships make everything possible. Your Company has historically grown through the 'JV route' and has a tradition of very enriching, very enduring partnerships. For our new businesses, we are fortunate to have Harvard Medical International, and New York Life, as our partners-in-progress. It is together with them, that we will realize the fullest potential of these businesses.

The measure of all things: people

At the heart of any creative effort, lie people; it is they who translate ideas into reality. Your Company has been fortunate in attracting the best professional talent for its new businesses. Across the spectrum of Max Healthcare, Max New York Life, Max Ateev, and Neeman Medical International, we are proud of the people who are energetically transforming ideas into reality, and translating plans into success. The fact that each of these

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The Path Forward

Whilst core business focus now rests on the new businesses, our older businesses of Pharmaceuticals and Speciality Products remain profitable, well managed, proven, and stand-alone. Business dynamics may influence re-structuring, introduction of financial or strategic partners. However, your Company has no plans to exit these businesses, which have grown under the able leadership of Vishal Malhotra, CEO-Pharmaceuticals, and K S Ramsinghaney, CEO-Speciality Products.

We build on the belief, that we are out to create the 'most admired service company' in the country. Our objective is difficult to achieve, but we are committed to it. Creating India's 'most admired service company' in the country. Our objective is difficult to achieve, but we are committed to it. Creating India's 'most admired service company' will take several years. The process will never really be complete, because perfection knows no full stops. But we will be proud of creating an organization recognized as a benchmark of excellence.

Max has learnt to cope with the frenetic pace of change. It has acquired the ability to inspire itself into action, and the self-confidence to make tough calls. It has honoured its very own tradition of always delivering, never disappointing.

Our 'learning' culture, our enthusiasm, our insatiable thirst for new ideas, is our fuel, and our central agenda. It explains our operating system, in which diverse businesses bow to a common goal. It is this passion, this unrelenting optimism, with which we view the path forward. As we look out, we know our greatest days lie ahead.

Max will always be, as it is today, grateful for your continuing confidence, trust, and support.

New Delhi

JUNE 13, 2001

For, and on behalf of the Board of Directors

ANALJIT SINGH

Chairman

MANAGEMENT DISCUSSION + ANALYSIS

Overview

The year 2000-2001 has been marked by Max's entry into the Services sector. It has seen the creation and launch of three new businesses: Max Healthcare, Max New York Life and Max Ateev, in the areas of healthcare, life insurance, and information technology respectively. It has also witnessed the growth of Neeman Medical International plc., which is the first Indian study conduct organization in Clinical Research. The pace at which the three businesses have been created, has been as impressive as the excellence they embody.

As the Management Discussion & Analysis will reveal, attention to detail in creating business models, and service excellence in delivery of value propositions to the customer, have been the hallmarks of all activities.

Whilst impressive ground has been covered by Max Healthcare, Max New York Life, and Max Ateev, our older, traditional businesses of Pharmaceuticals, and Speciality Products, have continued to grow. They have generated profits, and received recognition.

Emergence of the 'New' Max: Launch of Service Sector Businesses

Last year we set out to realize the potential of Healthcare, Life Insurance, and Information Technology by identifying our collaborators, forging alliances with some of the most respected names in the world of international business, studying/adapting best business models, and hiring professional talent. This year, each of the new businesses boasts of state-of-the-art infrastructure facilities, an outstanding human capital base, a carefully honed business model and delivery system, capped by a set of key differentiators, which distinguish it from competitors. Common denominators binding the businesses, are service excellence, obsessive customer focus, and constant innovation. Together, these new businesses will realize our ambition of emerging as one of India's most admired service organizations.

MAX HEALTHCARE

Last year, we had shared with you our mission of creating unparalleled standards of excellence in the field of healthcare. We are delighted to report, that we are well on our way to doing so.

Max Healthcare opened its facilities to the public in the first quarter of 2001. The company launched operations with two Dr Max™ Primary care clinics and one Max Medcentre™ in south Delhi, offering consultation, diagnostics and day care surgery. Work has commenced on three more Dr Max™ clinics to complete the South Delhi "hub" and two more Max Medcentres™ in North Delhi and NOIDA, slated to open in 2001-02. Max

Healthcare will also open Primary care centers dedicated to factories, office buildings, and shopping plazas, to cater to the clientele offered by these locations.

In a short period of time, Max Healthcare has been able to build credibility amongst all stakeholders, including customers. Market research has shown that about 60% of customers are attracted to Max Healthcare through favourable word of mouth publicity; the best testimonial for a healthcare company. In less than three months of operations Max Healthcare has served over 2100 patients, many of whom have become loyal customers.

Max Healthcare believes it will continue to strengthen its competitive advantage due to its strong value propositions. The Company is distinguished as an outstanding healthcare provider in Delhi, on account of:

- **Comprehensive Care** A comprehensive range of services, from consultation to diagnostics, day-care surgery to pharmacy, house calls to home delivery of medical reports.
- **Integrated Character** The Max Healthcare system seeks to cater to all the health needs of a family, ranging from Primary level service, to more complicated hospital care. Whether it is common cold, a cataract operations, or cardiac surgery, Max Healthcare will cater to all levels of need.
- **Convenience** Located within easy reach of the target segments, Max Healthcare clinics offer 24 hour accessibility and multi-locational reach.
- **Seamless Services** The Hospital Information systems (HIS), a sophisticated computer system, stores and helps track patient records in electronic form, linking the front office, the doctor diagnostic facilities and the pharmacy. The HIS, along with well designed patient flow processes and systems at the Max facilities, ensures a seamless flow of services for the patient during his/her visit to the facilities. The convenience of not having to carry past records and documents is a major advantage for regular customers.
- **Standardized Care** Physicians and support staff at Max Healthcare develop and follow Clinical Guidelines and carefully developed Standard Operating Procedures (SOPs) to offer standardized medical care to patients across all medical facilities.
- **Patient Friendliness** By clearly laying out service standards for all categories of staff, continued behavioral training, and anticipating customer needs, we have created a very patient friendly environment. Physicians are trained to listen to, preferences. This results in a high degree of trust, and fosters the creation of a relationship with customers. Max Healthcare's uniqueness in this area has been universally appreciated.
- **World-class Quality** Max Healthcare is committed to meeting world-class standards. This is manifest across the system: from well-qualified physicians, who keep pace with the latest developments in the field of medicine, to the best nursing practices, standard operating procedures, and clinical guidelines benchmarked against the best practices in the world, to state-of-the-art equipment, and strictly administered infection control levels. Max Healthcare is also in the process of acquiring accreditation for international quality standards for audits, from the Joint Commission for Accreditation of Health Organizations (JCAHO). It is also pursuing an ISO certification. In its efforts towards quality management, Max Healthcare is ably guided by Harvard Medical International.

As a business which relies on trust and credibility, and aspires to set medical service excellence standards, Max Healthcare has a very challenging task ahead. The challenge is compounded by the need to build sustainable competitive advantage. For this, Max Healthcare relies on:

- **An exceptional human resource base**, which is carefully selected and trained. As on date, Max Healthcare has 35 full-time physicians and specialists, 18 visiting consultants, 23 staff nurses and 25 technicians, who form an outstanding medical team.
- **A state-of-the-art Hospital Information System**, enables functional integration in multi-locational areas, by ensuring availability of records at the touch of a button at any of the facilities.

- **Continuous quality management** by a focused quality team in concert with experts from Harvard Medical International.
- **Medical excellence arising from**
 Collaboration with Harvard Medical International
 Practice of “evidence based medicine” rather than individual opinion or experience.
Data driven care—Max Healthcare physicians and the healthcare delivery team, capture and efficiently utilize patient related clinical data, to formulate clinical plans. Critical in this exercise, is the use of the computer-based HIS to access clinical, laboratory, and radiology data.
Cost-efficient medical care—This includes developing a “Max preferred medication” system (Formulary) in the Pharmacy. It ensures that as long as therapeutic equivalence is maintained, the least expensive medication within a class is prescribed.
Proactive care – Max Healthcare physicians routinely call back patients to follow up on care. Each clinical encounter is followed by a phone call from the physicians within 48 hours. Max Healthcare has a “reminder” system for important elements of care, for example, annual physical check-ups, mammograms etc., so that patients can be retained in the system for these continuing elements of care.

In a short period of time, Max Healthcare has built excellent brand equity in the Delhi area. As the healthcare industry grows and evolves, Max Healthcare is committed to creating and maintaining its competitive edge, making Max Healthcare synonymous with world-class healthcare delivery.

Max New York Life

Liberalization, a growing consumer culture, the latent potential for life insurance in India, alongwith an evolving financial marketplace, make Max New York Life's foray into the life insurance business, very opportune.

Max New York Life has been founded with a vision to become “India's Most Admired Life Insurance Company”. The strategy is to clearly establish itself as India's trusted life insurance specialist, wherein the brand will stand for financial strength, service excellence and fair dealings with the customer.

Since its inception in July 2000, Max New York Life has made rapid progress. Within a span of eight months, the company has acquired Government approvals, set up state-of-the-art infrastructure facilities, created a distinguished human capital base, installed IT systems/services, and emerged as a key player in the industry. The company has built a team of over 250 experienced employees, drawn from relevant industry backgrounds. It has 500 trained Agents & Advisors, eight general offices of over 5,500 sq.ft each, a 40,000 sq.ft head office and a strong, independent management team driving the business.

Max New York Life has distinguished itself by attaining the status of a leader, it is already the:

- *First Life Insurance JV to register under the Companies Act, 1956*
- *First Indo-American JV awarded the license to operate*
- *First to acquire national presence*
- *First Life Insurance company to offer 'Free Look™' period on policies*
- *First to maintain the highest solvency margins*
- *First to appoint Gram Sevaks*
- *First to introduce cause related marketing*

At the heart of the Max New York Life business model, lies the life insurance Agent & Advisor, who is the primary distribution channel; simply because this is the best way to market life insurance products. Agents and Advisors are carefully selected, intensively trained in every aspect of business and products, and imparted continuing education throughout their careers. Their skill and expertise add value to the life insurance products they sell, effectively understanding customer needs and tailor-making solutions to meet personal requirements.

In addition to designing and installing a detailed Agent development programme, Max New York Life has gone to great length to ensure that customers appreciate and buy policies as products and that these products are designed to fit individual needs. Historically, there has been a momentum for buying life insurance for tax savings and investments. Max New York Life aims to bring about a paradigm shift in the manner in which life insurance is sold; prioritizing risk assurance over savings.

Max New York Life products focus on protection from risk, and offer comprehensive security cover. The five 'Basic Policies', and seven 'Riders' can be customized to as many as 200 combinations, ensuring that the customer gets maximum flexibility in choosing a policy conditioned to his/her individual needs.

Max New York Life has demonstrated agility in offering its customers multiple bonus options, which allow them to decide when, and how they want to earn their bonuses. Coupled with this, are the company values of financial responsibility and transparency.

Max New York Life has stable investment policy, higher solvency margins and adheres to both Indian and US reporting norms. Innovative, mass customized products developed from the customer's point of view, combined with service expertise and value additions, lend strategic advantage to Max New York Life.

Max New York Life's belief is that Life Insurance adds value to the economy at many levels – benefiting the policyholder, his family, and the community as a whole. Life Insurance is a critical necessity in a country like India, with a vast population and lack of a national social security system. Max New York Life is founded with the aim of providing comprehensive security coverage and assurance to millions of Indians across the country.

M A X A T E E V

The word "Ateev", Sanskrit for limitless/boundless, epitomizes the potential offered by the Information Technology sector, in which max Ateev offers its services. Max Ateev provides end-to-end technology services for enterprise wide, supply chain integration and e-enabling solutions. It also provides software development services to a wide range of companies, especially technology companies focused on product development. The company also focuses on Knowledge Management technology and services – it develops and offers an Expertise Management Solutions, the core technology of which is licensed from Mind Crossing Inc., USA. This solution enables corporates and digital marketplaces to capture, manage, and deliver, both internal and external knowledge and expertise.

In less than a year, Max Ateev has set up a powerful delivery engine and signed some key initial clients. A team of 83 software professionals deliver high-end quality software projects and this number is expected to increase to 200 by the end of the next financial year. A 26,000 sq.ft state-of-the-art software development facility in Delhi is equipped with the latest IT infrastructure. Even at such an early stage of its life span, Max Ateev has received the ISO 9001(2000 series) quality certification. This reflects the Company's commitment to delivering each project with stringent quality assurances and internal control procedures. In keeping with its commitment to quality, Max Ateev aims at achieving the SEI CMM Level 5 certification.

The company is currently putting together a strong marketing team that will leverage the delivery engine already in place. Max Ateev opened its first marketing office in New Jersey, USA and now has dedicated resources covering Middle East. Strengthening its presence in the US and a new office in London are currently on the anvil.

The company has achieved several milestones in IT services, and is uniquely poised to become a force to reckon with in the Indian IT services industry. Recently the Company signed an MoU with Avnet Inc. – a Phoenix, Arizona based Fortune 300 company with annual sales exceeding \$12.3 billion, to provide software services to optimize Avnet's ERP (SAP) implementation. IT services projects completed till date, have been primarily with Max India's partner companies. However, these have showcased Max Ateev's abilities to work with core technology and are proof of the organization's ability to deliver large and complex projects.

Max Ateev is helping a healthcare IT systems company in USA in developing a "patient information portal". This solution transforms patient information stored in disparate systems and data sources. Information can be accessed over the Internet or on a hospital's Intranet, without compromising the integrity or the security of the data. This module has been developed to provide easy access to caregivers, and to accrue benefits of secure, two-way transmission of real-time patient information from their offices and homes.

Max India has investments in another IT services organization – HealthCast, L.L.C., USA – an advanced healthcare information solutions provider, dedicated to helping healthcare providers (hospitals) capture the value of the data stored in their disparate legacy systems with easy-to-use and easy-to-implement enterprise solutions. Max Ateev is working closely with HealthCast in developing core technology solutions within the healthcare vertical. This integration is also helping Max Ateev build domain expertise in healthcare and concentrate on the vertical with its IT services offering.

Max Ateev is also building new partnerships with technology leaders and has currently signed up with Oracle under the Oracle Partnership program and has signed an MoU with Cincom, a Cincinnati based \$250 million software company. These partnerships will allow Max Ateev to be able to work on new technologies, receive updates on trends and be able to evaluate joint business opportunities. These partnerships are key for max Ateev to reach out to a bigger market by being able to leverage technical expertise and business associations, both in India and overseas.

The Company's partnerships with Cincom is focused on joint development of applications in the Indian and US markets around Cincom's Small Talk platform, and on integrating Max Ateev's Expertise Management Solution with Cincom's CRM products.

Max Ateev also focuses on the development and deployment of unique solution for knowledge management by adapting core technology from MindCrossing Inc. USA. The MindCrossing technology has been successfully converted from its original avatar of being a B2B based knowledge commerce solution to its current Intranet – based Knowledge Management Solutions for corporates.

Max Ateev has signed up, within a short span of time, two clients for its Expertise Management Solution and has signed an MoU with a third client. These companies – a leading Public Relations agency, a well-known law firm and a leading software development and quality assurance company, are adopting the Expertise Management Solution for their internal Knowledge Management requirements.

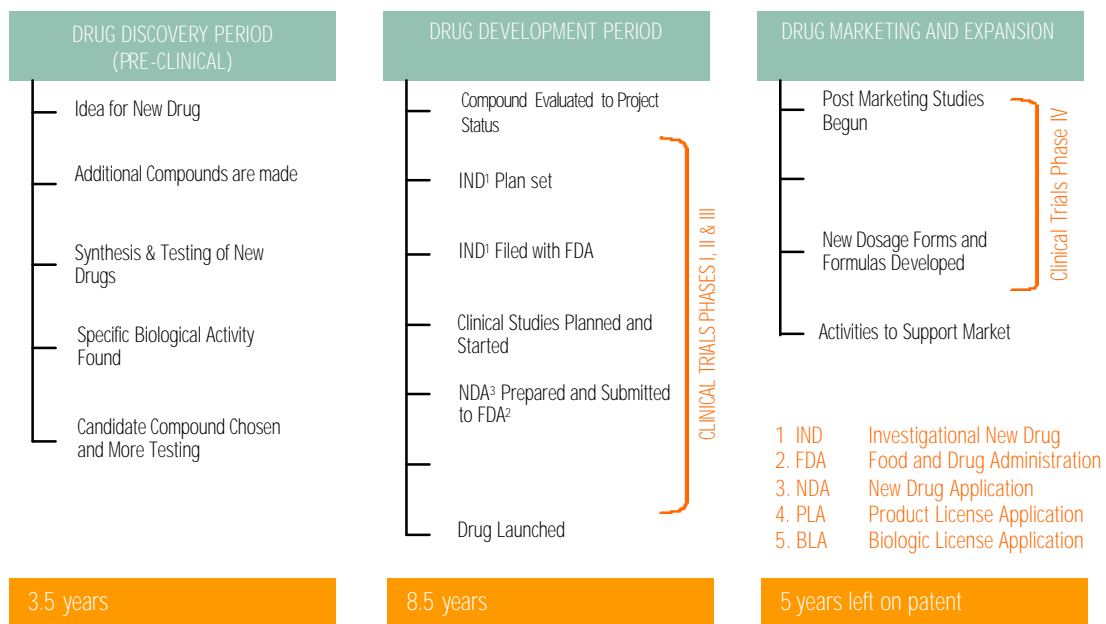
To provide an impetus and accelerate growth of the young organization, max Ateev has engaged the services of McKinsey & Co. to help set-up the strategic roadmap for both IT Services and Knowledge Management. McKinsey & Co. will work in tandem with the team at Max Ateev to develop a sustainable value proposition for Max Ateev's offerings.

NEEMAN MEDICAL INTERNATIONAL

Drug discovery, development, and marketing is extremely expensive, complex, and time consuming. It takes a pharmaceutical company approximately US\$ 500 million, complex animal, and human testing, and 10-12 years, to deliver a new chemical entity to the patient as a drug. The detailed testing process in developing a drug, which spans several different stages, is called Clinical Research. This comprises the following:

Phase I studies are primarily concerned with assessing a drug's safety. This initial phase of testing in humans, is done in a small number of healthy volunteers. Phase II focuses on the drug's efficacy. This may last from several months to two years, and involve upto several hundred patients. In Phase III, a drug is tested on several hundred, to several thousand patients. It helps a more thorough understanding of the drug's effectiveness, benefits, and range of reactions. Before submission to the authorities for approval, a drug goes through the Late Phase III/Phase IV studies. These compare the drug to alternative available in the market, monitor its long-term results, and its cost effectiveness.

NEEMAN MEDICAL INTERNATIONAL The Pipeline Concept of Drug Development



From expanding the frontiers of medical knowledge, to testing new drugs, to improving existing medicinal systems, the knowledge-based business of Clinical Research has global potential. Max initiated the development of its Clinical Research business almost a year ago, through Neeman Medical International. Within a short time of its launch, Neeman Medical International signed an agreement with Instituto Costarricense de Investigaciones Clinicas (ICIC), a Clinical Research Company based in Costa Rica, to acquire 75% of its shareholding. Neeman will use ICIC as a base for its Latin American Operations. ICIC is expected to give Neeman a jump-start in South America, and a globally replicable business model. Today, Neeman Medical International has clinical research centers in San Jose, Costa Rica; and New Delhi, India. Built on the foundation of Clinical Research expertise, global access and business strength, Neeman's marketing and services team located near Research Triangle Park in Cary, North Carolina, is attracting the industry's attention with its

ability to provide multinational development projects, the management, standardization, and quality, largely unavailable until now.

Performance of Max's divisions

M A X P H A R M A

Max Pharma showed 10% growth in sales in a year, which saw consolidation of its Carbamazepine and Azithromycin businesses. Carbamazepine's domestic sales were satisfactory, but planned exports did not materialize. The situation is expected to improve next year, when regulatory formalities are completed. The Max Pharma plant at Nanjangud, near Mysore, received the US FDA approval for Carbamazepine; this will facilitate access to the American market. Azithromycin Sales volumes improved dramatically by 90% over the previous year, but realizations were marginally lower. Price changes and a highly competitive export market were responsible for this. Max Pharma successfully commercialized Oxcarbazepine (an anti-epileptic), Tramadol (an analgesic) and Citalopram (an anti-depressant). In particular, the synthesis of Citalopram is a major scientific achievement by Max Pharma, and is expected to generate good market response.

The Company received the prestigious "National Award for R & D efforts in Industry (2000)". The Award is instituted by the Department of Scientific & Industrial Research, Ministry of Science & Technology. Max Pharma received the honour for its work in the area of Technology Absorption. The Company was re-certified for ISO 9002 in March 2001.

M A X S P E C I A L I T Y P R O D U C T S

Max Speciality Products (MSP) achieved impressive growth. Due to continued growth in excess of 15% per year in BOPP consumption in India, the demand-supply gap for BOPP in the country has already been bridged. However, with the Indian BOPP market projected to grow further by 10% to 15% per annum for next 3 to 5 years, MSP has increased its capacity to three times, i.e. by 6000 tons per annum. This will sharpen the competitive edge enjoyed by the Company, while fostering better growth prospects.

Maxfoil, the unique Leather Finishing Transfer Foil business of MSP, achieved excellent growth. Maxfoil wields promising export potential. Efforts are on to optimize this over the next few years. For the first time (during its brief exposure in the international market), Maxfoil's products were selected for display in the Central Hall in the International leather Garment Fair held in Bologna, Italy, in November 2000. Considering the segment in which it operated, this was a major honour. In India, Maxfoil was awarded the prestigious "Golden Peacock Award" in the category of "Eco-Innovation Devices" by the Institute of Directors, New Delhi.

Performance of Max's Joint Venture companies

C O M S A T M A X L I M I T E D

Comsat Max's installed VSAT base grew from 676 to 1537. Such impressive growth has been driven by offering better values/services and gaining market share from competitors. Comsat Max's mission of being a service provider of choice in VSAT and other value added services was formally recognized when the company won the "Techies 2000 Award" for the "Best VSAT Service Provider" of the year. Another honour was the recognition of Comsat Max as the top service provider in the Mesh DAMA VSAT market, and one of the top two players in the Shared Hub TDMA VSAT market. This recognition was recorded in the internationally acclaimed "COMSYS

Report". The report also noted that Comsat Max's commitment to service excellence kept pace with its business growth.

This year also saw Comsat Max becoming a Class A Internet Service Provider (ISP), and the launch of services focused on corporate customers across the country. Starting with more than 20 customers, the company is confident of creating outstanding value in this area as well. Comsat Max views the path forward very enthusiastically. It wants to expand its repertoire, and cater to a wider range of customer needs. New services in the areas of E-Security, Data Centres and Disaster Recovery Services are envisaged. These Data Centres, being set up at Delhi and Mumbai, will be of global standards. Among other services, they will offer a variety of managed hosting and security services to corporate clients.

HEALTHSCRIBE INDIA LIMITED

Max India's Medical Transcription business, HealthScribe, experienced a year of substantial growth, with a rise in revenues to Rs. 28.78 Crores from Rs. 8.77 Crores. The number of lines produced by the Company expanded to 4.93 million lines per month at the year-end. The Company has made considerable investments in expanding capacity through an enhanced training program. Some 628 new transcriptionists entered the Company in the last 15 months, having completed an arduous 18-week classroom-training programme.

This was reinforced by a further 18 weeks of practical experience, before entering live production. The unique HealthScribe training system has been developed over 7 years to cater specifically to the Indian environment. HealthScribe continues to increase its staff

base and will recruit at least an additional 600 transcriptionists during the current year. As a result HealthScribe will substantially expand its output during the current year and further boost its revenues.

The Company will continue to refine processes and controls, to enhance product quality and build on the operational excellence of its facility. As it expands its productive base over time, the unit cost of production will fall significantly below that of its American competitors. This, together with the large industrial scale of operation, will create a distinctive organization.

AVNET MAX LIMITED

The year saw the marked shift from a high demand, low-supply scenario, to a slowdown. There has been a slowdown of wired communications products worldwide, and a slump in the production of the wireless mobile phone segment. This has been compounded by a slowdown in the Personal Computer (PC) segment. The Department of Telecom's order of digital switches (C-Dot technology), which was 30% lower than the projected figures, also impacted sales. The average selling price of components fell due to inventory corrections worldwide, which not only affected margins, but also affected long term customer orders.

A downturn in memory prices for the PC business was another major setback. Whilst business was impacted by market dynamics, the year also saw opportunities in segments like automotive electronics (CDI for 2-wheelers), electronic energy meters, cable modems, and digital set top boxes for the broadband convergence segment.

Avnet Max has adopted some key strategic imperatives, which include addressing the broadband segment, and targeting the cable modem business, by offering components and solutions. Since the market is expected to grow exponentially in coming years, this focus is expected to give handsome returns. Investments in the AMD microprocessors segment, re-structuring the line card, and bringing in more lines with an objective of increasing offerings to customers in the high growth segments, will also enhance business returns.

MAX GB LIMITED

Max GB emerged as the largest seller of Amoxicillin in the country. The demand for which has been growing at a healthy rate. Amoxicillin manufactured by Max GB is considered amongst the best in the world. The consistently high levels of quality resulted in accreditation of ISO 9002 and CGMP certification for the company. Max GB also received the Certificate of Suitability from the European Union for the sale of Amoxicillin in the European market. High safety standards also fetched three safety awards for Max GB from the Punjab state government.

MAX ATOTECH LIMITED

In the field of Printed Circuit Board (PCB) chemicals, strong production trends in the industry, and introduction of new product range, saw the consolidation of Max Atotech's leadership position in the domestic market. This was achieved despite general recession in the industry. Relaxation in the import regime also impacted the indigenous PCB industry. Similar business dynamics were faced in the General Metal Finishing sector, where realization of the market potential earlier outlined, did not take place. However, the business performance of Max Atotech is a clear indicator of the inherent resilience of the company.

Max Atotech gained the ISO 9002 accreditation by KPMG, for introducing and maintaining sterling quality, product, and process standards. The company has made additional investments in health and safety, across all areas of procurement, production, storage, and sales. Though these initiatives, it aims to achieve the ISO 14002 accreditation.

Max India Limited: Subsidiary Companies

MAX TELECOM VENTURES LIMITED

Max Telecom Ventures Limited (MTVL) a 60.8% subsidiary of Max India.

MAX UK

Max UK provides a variety of services to Max India, its subsidiaries, and joint ventures. During the year, the company consulted for Neeman Medical International, helping the Clinical Research business expand its presence. It also provided services to Max Asia Pac, and Max India Limited.

Other Subsidiary Companies

Operations of other subsidiary companies have been discussed elsewhere in this Report.

Deployment of Surplus Funds

As on March 31, 2001, surplus funds available were Rs. 157.17 Crores. During the year, capital markets were weak, characterized by a significant correction in stock prices towards the end of the year. Through a judicious

mix of short and medium term investments, the Company made a satisfactory return on its debt portfolio. Compared to last year, a substantially greater portion of surplus funds were invested in the new businesses.

Closing Perspective

The objective of our new businesses can be summed up as “helping people live better lives”. The very summation reflects the huge responsibility hidden in this simple sentence. We are acutely aware of the fact that beyond businesses, we are creating institutions. The process is very tedious, strewn with challenges, and the unexpected. But in the end, it promises to make Max a household name in the country and a respected name in the arena of global business. We conclude the year 2000-2001 with a tall order to ourselves; that of being our own worst critics. Fulfilling this order is the only route to our objective of becoming one of the most admired service companies in the country. Once we do that. We would have served every interest. That of shareholders, the community, JV partners, employees. Above all, we would have fulfilled that idea of Enterprise, Knowledge and People, we all know as ‘Max India Limited’.

COMMUNITY CONTRIBUTION

A strong and abiding sense of responsibility towards all its stakeholders is vital to Max. The community in which we live and operate, is one such stakeholder. Whilst your Company has always demonstrated its sensitivity and commitment to society, it made a significant contribution to the cause of earthquake victims in the state of Gujarat. Details of this effort, which brought together all businesses, employees, and received the support of our JV partners, are presented below.

Contribution of Gujarat Earthquake Relief

Employee contributions, which cut across all businesses, levels, and areas of work, were reinforced by organizational contributions, to total an impressive amount. By intent and design, we had decided to support, and work through 2-3 NGOs, which were best equipped to address the ground realities. We also decided to stagger our support in two phases. Phase I looked at the immediate/short term relief work; Phase II focused on the re-building/re-construction needs. In Phase I we decided to help with issues of 'Distribution' and 'Communication'. These were manifest in two initiatives:

'MaxAid Vans'

Eight vans, called 'MaxAid Vans' assisted in distribution of medicines, food, essential clothing, besides transporting doctors, paramedics, and relief workers. Stationed in Bhuj, Surendranagar, Kutch and Radhanpur, they were later deployed in Patan, Jamnagar, and Vadhwan.

Comsat Max Communication Centres

In addition to the funds committed by them, Comsat Max set-up 2 Communication Centres. These 'Comsat Max Communication Centres' were established from the ground up, in a record 3 days! Located in the severely impacted areas of Bhuj and Surendranagar, the 'Comsat Max Communication Centres' offered Internet/e-mail access to the relief agency, members of the Media, and other relevant audiences.

For Phase II of our relief efforts, we chose the SOS Children's villages of India, and a local grassroots level NGO in Gujarat, called *Sadvichar Parivar*. The SOS Children's Villages are internationally recognized for their work in giving underprivileged children a wholesome life. The mission of SOS villages is 'to help orphaned children, by providing them with a family, a permanent home, education, and strong foundation for an independent life'. With children as a very vulnerable section in Gujarat, the relevance of SOS Children's Villages assumed great importance. *Sadvichar Parivar* is very widely respected in the state. It is a 38-year-old organization, dedicated to several social activities, including disaster relief.

The Max family's organizational contribution i.e. funds committed by companies and JV partners from their corporate corpus, went to the SOS Children's Villages of India. Employee contributions, i.e. the amounts pledged by individual employees, were directed to *Sadvichar Parivar*. Both will help Gujarat get back on its feet; through different, but completely complementary routes.

Max Foundation

In addition to helping earthquake victims in Gujarat, Max has continued its community contributions on several other planes. Max Pharma, for instance has been regularly organizing health camps, a crèche for children of workers, helping local public sanitation programmes and supporting eco friendly cooking devices like smokeless chullahs.

To optimize the impact of these community contributions, Max India is working towards the creation of its community development arm, the Max Foundation. Overarching in scope and character, the Foundation will bring together internal and external resources, using them consistently for the greater common good. By doing so, we will add to our worth as a mature and responsible corporate citizen.

CORPORATE GOVERNANCE

One of the cornerstones of Max, is governance. We see governance as a system of practices aimed at ensuring transparency, fairness, independence, accountability, and social responsibility. It is our mission to implement these values as markers for every step taken by Max, in line with our spirit to excel.

Your Company has a well-articulated policy for practicing Governance at all levels. At the management level, Max encourages a decentralized and empowered management system, whilst aligning the management, the Corporate Office, and the Board, to goals and values of the Company. The governance model at the management level is organized through various forums: a Corporate Council, an Executive Council, and an Operations Review Council. This is explained as follows:

The Corporate Council comprises the Chairman, Director-Finance, Director-Legal & Corporate affairs, and the Chief of Human Resources. It partners with the Executive Council, to facilitate Corporate-Business interaction, create synergies, and execute common briefs. It also offers functional inputs to Businesses on a case-by-case basis.

The Executive council is represented by the Chairman, heads of businesses, and corporate functional heads. Its responsibilities comprise policy review, guidelines, and setting up systems for Max India and its businesses, including JVs at large. It also serves the organization's strategic business interests, and identifies synergies between businesses.

The operations Review Council, is a forum comprising representatives of the Corporate Council and the business groups. Its mandate is to constantly review the progress of business plans, address areas of concern, and suggest measures to optimize performance. Operations review for Joint Ventures is dealt with by the Boards of the respective Joint Ventures.

Governance practices developed by Max, complement those stipulated by law.

As per the Schedule of Implementation under Clause 49 of the Listing Agreement executed with the Stock Exchange, Max is required to implement the Corporate Governance Code in the financial year 2001-2002. However, as a proactive step, we have introduced several initiatives on Corporate Governance as recommended by the Listing Agreement, from 1999 onwards; well before we were enjoined to do so. These initiatives are detailed as follows:

Composition of the Board

The Board has twelve directors, eight of whom are non-executive directors. With the exception of the chairman, and the Chairman Emeritus, all others are independent directors. None of the non-executive directors has any pecuniary relationship with the Company.

Attendance of Directors at the Board Meetings and last Annual General Meeting

The board and its committees discussed corporate performance, operational issues, formulation of policies, annual budgets, strategic decisions relating to joint ventures, apart from statutory matters. Since the last quarter of the calendar year 2000, the company decided to schedule 5 pre-fixed board meetings in a year to

consider business items. This was done to ensure 100% attendance of directors at these business board meetings.

Attendance record of participating directors at the board meetings and the Annual General meeting held during the year ended march 31, 2001 is as follows:

Directors	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Dr. Bhai Mohan Singh	13	4	
Mr. Analjit Singh	13	11	✓
Dr. S. S. Bajjal	13	10	✓
Mr. Jagdish Anand	*8	5	
Dr. D. V. Kapur	*11	5	
Mr. R. P. Soonawala	*10	2	✓
Mr. N. C. Singhal	13	8	✓
Mr. K. K. Mathur	13	11	✓
Mr. Ashwani Windlass	13	7	
Mr. Ajay Bahl	*10	1	
Mr. Bharat Sahgal	⊕3	3	**
Mr. Anuroop (Tony) Singh	⊕3	3	**
Mr. N. S. Chawla	⊕4	4	**
Mr. Vivek Jetley	13	13	
Mr. Surendra Kaul	13	11	

* Meeting held before relinquishing office

** Appointed after the AGM

⊕ Meetings held after being co-opted on the Board

Management Discussion and Analysis

The Management Discussion and Analysis section, and the section on Corporate Governance, have been included in the Annual Report since 1998-99.

Committees of the Board

A U D I T A N D C O M P L I A N C E C O M M I T T E E

This committee comprises of Mr. N.C. Singhal (Chairman), Mr. K.K. Mathur, and Mr. Ashwani Windlass. All the members of committee are non-executive directors. This committee oversees appointment of statutory auditors and internal auditors; review of internal controls, delegation of authority limits; the company's financial statements, including annual and quarterly financial results; and financial accounting practices & policies.

A P P O I N T M E N T , C O M P E N S A T I O N A N D G O V E R N A N C E C O M M I T T E E

This committee comprises of Mr. Analjit Singh (Chairman), Dr. S.S. Bajjal, and Mr. Ashwani Windlass, All the members of the committee are non-executive directors. This committee oversees the induction of Executive

and non-executive directors on the Board; the method, criteria and quantum of compensation for executive and non-executive directors; recruitment of key management employees, their compensation; and formulation of initiatives leading to greater transparency and improved corporate governance.

BUDGETING AND NEW BUSINESS DEVELOPMENT COMMITTEE

This committee comprises of Dr. S.S. Bajjal (Chairman), Mr. Analjit Singh, Mr. N.C. singhal, Mr. Ashwani Windlass, Mr. Vivek Jetley, and Mr. B. Anantharaman. It oversees investments in new areas of business; expenditure on existing businesses; control and monitoring of revenue budgets, capital expenditure and investments made by the company.

INVESTMENT COMMITTEE

This committee comprises of Mr. Analjit Singh (Chairman), Dr. S. S. Bajjal, Mr. Ashwani Windlass, Mr. Vivek Jetley, and Mr. B. Anantharaman. This committee oversees investment of funds; review of product mix, portfolio balancing and sectoral allocation; besides review and authorization of banking operations.

ESOP COMPENSATION COMMITTEE

This committee comprises of Dr. S. S. Bajjal (Chairman), Mr. Analjit Singh, Mr. Ashwani Windlass, Mr. Vivek Jetley and Mr. Surendra Kaul. It administers the company's ESOP Scheme, in line with the Securities Exchange Board of India (SEBI), guidelines.

INVESTOR GRIEVANCE, AND SHARE TRANSFER COMMITTEE

This committee comprises of Mr. K. K. Mathur (Chairman), Mr. N. C. Singhal, Mr. Ashwani Windlass, Mr. Vivek Jetley and Mr. Surendra Kaul. It approves the transfer and transmission of securities; issuance of duplicate certificates; redressal of investors' grievances; suggests and monitors measures to improve investor satisfaction.

In addition on the above, a governance model has also been developed for each of our businesses and joint ventures. Your company is actively represented on the Boards of companies, in which it has made investments.

New Delhi

June 13, 2001

For Max India Limited

ANALJIT SINGH

Chairman, Corporate Governance Committee