



Max India Limited

Earnings Conference Call Transcript

February 14, 2017

Moderator Ladies and Gentlemen, good day and welcome to the Max India Limited Q3 & 9M FY17 earning conference call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes.. I would now like to hand the conference over to Ms. Mohit Talwar – Managing Director of Max India Limited. Thank you and over to you, Mr. Talwar.

Mohit Talwar Thank you and welcome to all of you for taking time off to be on this call. I am Mohit Talwar – Managing Director Max India, and joining me on this call is Jatin Khanna, who is the CFO of Max India, Yogesh Sareen – CFO of Max Healthcare and Rahul Ahuja, who is the CFO of Max Bupa. They are not physically here, but they are on call, so if there are any questions pertaining to those businesses they will be happy to answer them.

Let me begin with a brief update on the merger and then I will move on to the Q3 results. As you would all know that the residual Max Financial Services after demerger of the life insurance business would merge with Max India. As an update on that process, we have filed the application with all the regulatory authorities which is IRDA, SEBI and CCI. There have been some queries which have been raised by IRDA on which we have reverted. The queries were pertaining to the structure which we had contemplated and that is something which is still with IRDA. We have represented to them and we are expecting a revert, hopefully, sometime this month. On SEBI and CCI applications, all queries have been addressed and the approval would only come after the IRDA approval is obtained. Realistically, I think this would take the better part of 2017, so we are hoping that sometime around Q3FY18, we would be in a position to formally close the process of merger.

Let me now move on to the key highlights for our businesses for the first nine months of FY17, very happy to share that Max Healthcare has had a robust revenue growth of 23% to achieve Rs.1,939 crore despite slowdown in the last two months on account of demonetization. This is something which has impacted all the hospital chains in India, but we have been somewhat fortunate that the impact is somewhat lesser. Significant proportion of revenue growth is driven by MHC Star Specialties with renal sciences leading the revenue growth at about 36%. EBITDA has also grown at a strong 34%, to Rs.203 crore, margins improved by 103 basis



points to 11%. The growth and profitability was driven primarily by improvement in margins of new hospitals, expanding to 7.5% versus 3.4% in the corresponding period. Return on capital employed for mature hospitals is at 19.2% and that has improved 239 basis points in the nine-month period and as margins expand, we see the returns should be improving even more. As you know, we have done two landmark acquisitions last year, which has provided the catalyst to step up the growth to every encouraging level. These were the Vaishali Hospital and Saket City Hospital. We expect a strong growth trajectory to continue for many more years as we double our bed capacity to over 5,000 beds from 2,500 beds currently. Most of these have been brownfield and we already have land banks in place to deliver this expansion program .

We also have line of sight on internal accruals as well as the leverage capacity to internally finance this growth. As the margin expands further and unmatured hospitals start to mature, Max Healthcare is expected to continue to outpace growth of most of the other corporate hospital chains in the country. As far as Max Bupa is concerned, it continues its fast pace of growth with GWP premium growing at 23% to Rs.401 crore. Losses excluding one-off items have reduced significantly to Rs.18 crore from Rs.52 crore in the previous year. The tie up with Bank of Baroda is gaining traction as branch ramp up is improving. Manpower has been deployed in over 65% of the branches and the IT systems have been integrated with the bank's core systems. This alliance will provide Max Bupa access to 5,400 branches and almost 60 million customers, so it should be good for the long term as far as this business is concerned.

Talking about quarter, no doubt demonetization impact has been felt across businesses though the impact like I said is expected to be minimal in Quarter-4, things are definitely improving. The hospital business continues to be slow in January more because of the mild winters, keeping weather-related diseases at bay, however, health metrics are robust. At this point, I would like to obviously talk about, you all might have read in the newspapers today that there has been regulatory intervention as far the pricing of stents are concerned. Now, this is being assessed. All hospitals are obviously going to be affected by this. There would be some impact, however, in our case since cardiac is not a significant part of our revenue stream, the impact would be far lesser as compared to competition. More on that as events unfold and we have done our research on it.

Revenue for the quarter at Rs. 639 crore grows 16% year-on-year and lower due to the demonetization. EBITDA margin improvement although has been moderated to 26 basis points only and we are at 10.5% this quarter, which is purely on account of the fact that there has been extreme cost rationalization during this period. We have taken out Rs.40 crore in cost in the first nine months against the target of Rs.30 crore and expect another Rs.15 crore of cost take out in the last quarter. Significant to note that these costs have come out from across the cost lines, savings are equally spread across material cost, personal cost and indirect cost. Technology led cost rationalization and mixed improvement journey will continue for another three to four years as we achieve the desired margin levels. As an update on our new growth bets, these are progressing well too. Our pathology B2B business launched in May 2016 has already done over 250 plus tie ups. The B2C pathology business is also expected to be launched in Q4FY17, and we intend to scale up this business quite fast. We also launched our first standalone Oncology day care center in Delhi in June 2016 and this is doing very well. Liver transplant program was launched in February of this year with a team of 200 people having joined us already, so MHC is amongst a select few who actually has a very robust liver transplant program.

Our health insurance business performance in its chosen B2C segment continues to remain strong with B2C growth premiums about 24%. Good customer

experience and renewal growth of 30% has also resulted in the conservation ratio improving to 85%. Focus on costs here led to reduction in loss to Rs. 2 crore (excluding the one-off items) vis-à-vis 12 crore in the corresponding period. It is important to add that the secular trend is there for us to move towards the breakeven in 2019. Moving onto senior living business, that is nearing launch of operations with the last set of possession letters going out in the next few days. We expect the residents to start moving in before the close of this year. Nearly, half the units have already been sold before the commencement of operations. We believe that all our businesses will continue sustained growth and profitability trends in the current year and we are encouraged further by the improving trends after the short-term pain from the demonetization. To sum up, Max India is on a robust growth trajectory with Max Healthcare charting out a profitable growth path for the next five to seven years, to double its bed capacity to 5000 beds. Its revenue is growing at a strong 20% with EBITDA margins growing at around 35%. Max Bupa is also growing around 25% and is on course for an operating breakeven in FY19. Antara has fulfilled its timely delivery promise within this fiscal something very rarely seen in the residential developments. We are solvent with the treasury corpus at a very decent level of about Rs.320 crore, so on that note, I would like to hand it back to the moderator and then open up for question and answers.

- Moderator** Thank you very much, Sir. The first question is from the line of Hardik Doshi from First Voyager.
- Hardik Doshi** Just wanted to get a sense on the impact of the stent pricing control, how much would that impact our sales and profitability for the next year?
- Mohit Talwar** Like I said, this is something which has just come out this morning, so obviously we have not done our thorough scrub on this, but prima facie since the cardiac business is not significant one for us, we estimate that the impact in terms of our EBITDA could range somewhere between maybe Rs.10 to Rs. 20 crore, but that is something which we need to obviously do a little bit more work on, but that is our initial estimate, so not significant for us.
- Hardik Doshi** With this price control will all that profit be wiped out or there will be a certain proportion of the profit that you derive from the stent which will be?
- Jatin Khanna** The margin on the stents will come down significantly, but of course the impact is significant one because the prices reduction is very steep, but the contribution to the overall EBITDA and the margins of the business it is relatively smaller, the point that Mohit just made.
- Yogesh Sareen** There will be reduction in the absolute margin, however, we will still make some margin at this price, because we will obviously go back and negotiate prices with the manufacturers, so for sure there will be impact on the absolute amounts, but overall margins will also come down, but we will still have some margins.
- Hardik Doshi** On this pathology business, can you elaborate a bit on what the B2B strategy and the B2C strategy is over the next three to five years?
- Yogesh Sareen** Basically we are getting into the nursing homes and the smaller hospitals, and trying to run their lab and also going to clinics of the doctors, some of them even work with us, so that is the B2B strategy, where we are actually trying to get the samples into our labs and trying to improve the utilization level, so that is also in a way testing the market. B2C is basically we will go full out, with the strategy firmed up, as Mohit mentioned will be launched in end of Quarter-4. The endeavor is to really launch it in the NCR and go direct to the patients and be able to build a digital platform where we can get the patients to really log on and order for home

sample, etc., so that is the strategy that we have, so we are working out the numbers for next 3-5 years and will be able to share them by next quarter.

Jatin Khanna

If I may just add to what Yogesh just said, I think there are two fundamental pillars of the B2C strategy. First is that, Max Healthcare enjoys a huge amount of brand value, customer trust in this region, and the density of this region is very high, so the whole idea is that we will leverage the brand and trust of customers to really go direct to the customers rather than letting them go to some other pathology shop next door, and the second pillar is that we are the only one who is positioned to provide end-to-end customer value proposition which is to say that if you go to a lab, all you can get is a test done, whereas if you come to Max Healthcare, you can get a test done, you can get immediate triggers in terms of criticality, you could immediately book your appointments with the list of the doctors, which will come from which you can pick up the right doctors etc., So the point being that the trust as well as the end-to-end value proposition for the customer is really the winning strategy for us from a pathology business stand point.

Moderator

Thank you. The next question is from the line of Deepak Malik from Edelweiss.

Deepak Malik

My first question is on the top line, so top line in the current quarter has slowed down to 16% and if I see the nine months then it is around 23%, so can we assume that this 7-8% impact is because of the demonetization?

Mohit Talwar

Two reasons, one is demonetization and the other also is, I spoke about the fact that we have had some what of a mild winter and this is the period when basically you have more winter prone diseases, which unfortunately did not happen this year, so a combination of both these has resulted in a lower turnover growth.

Jatin Khanna

Basically as Mohit pointed, the larger impact in the last quarter was more because of demonetization, the impact on mild winter was somewhat smaller in the previous quarter, but will be felt in this current quarter. Now, we have delayed winters in Delhi which is mostly in January, so we will see some impact in January because of the mild winter.

Deepak Malik

This mature hospital growth has slowed down to almost 1%, is it also because of the same reason?

Jatin Khanna

Absolutely.

Deepak Malik

You think that demonetization impact will be there in the Quarter-4 also or is it largely not done?

Jatin Khanna

Demonetization impact will be much smaller relative to the impact which we are seeing on account of the variation in the season, but there is an impact which is persistent as we see in January at least. Things are getting better in February, but we are yet to see half of the February, but we saw some impact in January clearly.

Deepak Malik

Second thing, Sir, on the path lab business, so how big is our path lab business?

Yogesh Sareen

At this point of time, we are just doing B2B which is roughly Rs. 40 to 50 lakh per month business. It had touched the high of Rs.75 lakhs, but it came down after the demonetization, and this is all outside of the hospital. We do have some sample pickup at home at this time, which will get merged to the B2C business when we kind of launch it. I would say, if I include that, the number would be probably Rs. 80-85 lakh per month.

Jatin Khanna Bigger part of pathology business will be B2C which is yet to be launched, so as we launch it, and as we speak and Mohit alluded to it also in his opening remarks, we are thinking of an aggressive growth strategy for the pathology business, but that is something that is currently under works. So we will not be able to give you any directional sense on that at this point in time, but needless to say that the focus, attention and desire to grow that business is very high.

Deepak Malik In-house path lab business is how big?

Yogesh Sareen In-house path lab, we do not really measure business because there is a lot of packages that is the way we have, we just do not charge the patient, so it will be a very different kind of number because you do not really bill that to patient at times, so it is only for the OPD that you bill and some of the open packages.

Deepak Malik When we say B2B, I can understand you can put the labs in the other hospital or you can have the pickup points, but when you say B2C launch what does that mean, will you be opening the front ends in the market or how will that work, because these labs are there in the hospital itself, so how will they cater to the customer directly?

Jatin Khanna If I was to attempt this question, the way it will work is, that we will have path collection agent, we will do the whole thing entirely digitally, so through a health app you can book your sample collection, somebody will come to your place and collect the sample. The reports will also be given through the health app and if there is any deficiency found which require an immediate escalation, then we will not wait for the entire report to be sent to the customer, escalation will go instantly with an alert to say that you can come and visit these doctors in the hospital and if you like to book an appointment please click on a button. The whole value proposition will be entirely digitally delivered, that is the whole idea, and we will use our internal labs to do the testing because we have excess capacity, we have laboratories to take care of the volumes which come from B2C.

Deepak Malik Is it correct to say that then this kind of model will work more in terms of preventive healthcare because there people generally go online and do the booking at all because in case of sick care when the test has to be done so people prefer to go to the lab directly, so will it be more to start with the preventive healthcare?

Jatin Khanna That is not the idea, but depends on the customer's choice and preference. We might over time have few centers as well, wherein customer can go in for the personal visit.

Deepak Malik Okay, those centres will be outside the hospital?

Jatin Khanna Absolutely.

Deepak Malik Will this be primarily in NCR and Delhi market?

Jatin Khanna To start with, yes.

Moderator Thank you. The next question is from the line of Kiran Paranjape, individual investor.

Kiran Paranjape My question is about Antara senior living, just wanted to understand what kind of revenue or EBITDA we are looking from this activity which is a new activity for us next year which is FY18?

Jatin Khanna It is a little premature to look at the metric because currently we are sort of commissioning the project and there is also a little bit of accounting issue there because there is the lease model to collect the revenues over 60-year period, etc., and I think in the last call, we had spoken about this whole asset lite strategy which we are working towards, wherein we will want to be in many more communities and therefore directionally, currently business is in its very nascent stage and the P&L of the business will not be representative, so give us another 9 to 12 months to shape up that strategy and we will come back and share the directional sense on this business

Moderator Thank you. The next question is from the line of Ullhas Paymaster from Ulhas Paymaster Proprietor.

Ulhas Paymaster What sort of revenues are you expecting from the path lab business in the next two-three years?

Jatin Khanna The opportunity, we think in the Delhi market is about Rs.6,000 crore and clearly one could capture about 10% of that market over time, so may not be two-three years, but clearly over the next four-five years we should get to more like a Rs.600 crore type of revenue but it will include the in-house pathology as well, so the external revenue could be more like Rs 250-300 crore but this is again, initial sort of estimate because like I said that we are looking at accelerating this business and scaling it up, but that planning is happening as we speak, maybe we can talk more about it in the next quarter, in terms of how big we can make this business over the next three to five years, but having said that at least Rs. 250-300 crore is not ruled out.

Ulhas Paymaster What sort of EBITDA margin you plan to have in this business, but outside work?

Jatin Khanna Generally, if you look at this business globally, people do about 20-25% EBITDA margin, so I do not see a reason why it should be any different for us. It could have been better, but because we are not setting up standalone labs and there will be some transfer pricing with the hospitals as well, so maybe it will be in the ballpark of 20-25%.

Moderator Thank you. We have follow-up question from the line of Deepak Malik from Edelweiss.

Deepak Malik How much CAPEX have we done in the current quarter because I can see the number of beds is same?

Yogesh Sareen In the nine months, we spent roughly Rs. 50 crore of CAPEX which is mainly on the replacement of equipments and some small additions to the beds, etc., besides that we also spent roughly Rs. 45 crore on the projects and this is the project is Shalimar projects which is undergoing at this point of time. We also started the project in Vaishali, we are going to add another 150 beds, so this is actually capital work-in-progress, so the overall number is roughly Rs.100 crore in the nine months.

Deepak Malik What is this number for the quarter?

Yogesh Sareen The quarter number would be roughly Rs.35 crore.

Deepak Malik When these 150 beds will come in Vaishali?

Yogesh Sareen The Vaishali beds will get operational by FY19.

Deepak Malik When I am seeing your November investor presentation, I am seeing there is some change in the plan, the way you earlier guided for the addition of beds and now what the latest presentation is showing?

Jatin Khanna Deepak, if you recollect we spoke last time that essentially what we have done is, earlier we were setting up 300 beds in Saket City and then 600 in the next phase, what we have now done is that we have accelerated Saket City beds to 650 and therefore, the balance 300 of the 1200 available capacity then gets pushed out by say about two-three years after the 650 comes in. That is the only change, but other than that I did not think so there is any other significant change to the bed expansion.

Deepak Malik In the next two years means, FY17 this year and plus FY18, there will be only 84 new beds addition?

Jatin Khanna Yes.

Deepak Malik Any reason why we pushed Vaishali by one year to FY19, because earlier we were expecting in FY18?

Yogesh Sareen Yes, one is that we obviously have this acquisition in the month of December last year we had some beds there, and so we want to make sure that we stretch on the debt-equity and on the EBITDA that is under control and secondly, also there were some delay in terms of getting the EIA approval for the Vaishali, so it is three to four months delay which actually pushes in to the next financial year, so it may not be as much of a difference in terms of the timing, but it just pushes it to the next financial year.

Deepak Malik Mohali also has been shifted or is it?

Yogesh Sareen Mohali, we actually have to get the permission, we have not got the permission as yet, so we have given the application that we file with the Government of Punjab for giving us some land for putting the parking in place and so that permission is not yet received, so that is actually a regulatory permission that we require from Government of Punjab to expand the hospital and that permission is not yet in.

Deepak Malik Last one on Saket City, earlier we were planning for 85 beds in FY17 and then 300 beds in FY21 and now we are thinking of 650 beds in FY21?

Jatin Khanna The 85 beds; because we have the liver transplant program which we introduced, which requires a much bigger spacerelative to the normal bed, so therefore, we scaled down the beds in Saket City. The 650 beds as I spoke about, that we just submitted the master plan and as per the revised master plan there was some change in FAR norms in Delhi because of which we could have built in the same tower about 650 beds, so we accelerated the beds a little bit. From 300 we made it 650 and then we said that now that 650 will come in the first phase then we do not probably need to set up the 300 also next year itself, so we pushed that out.

Deepak Malik Next year, since there is no bed addition, will the CAPEX come down, how much will be the CAPEX for this FY18?

Jatin Khanna The CAPEX spent is in advance of the expansion, so we start spending on the CAPEX two years before the bed comes in, so we will be spending on Vaishali and Shalimar Bagh next year very clearly. Mohali depending on when approval comes, but needless to say CAPEX will get spent and of course the replacement CAPEX is the routine CAPEX which anyway will happen as it normally happens.

Deepak Malik How much CAPEX shall we assume for the next one year and plus in the next four-five years?

Jatin Khanna Routine CAPEX you can assume about 2.5% of the revenues and on the beds you just take an average 75 lakhs per bed and then you spread it over two years before the bed comes on.

Deepak Malik Second thing, when we have to buy up the stake, the rest of the stake in Saket City that will happen in FY'19-20 or earlier than that?

Jatin Khanna As per the contract, we have to do it in FY19. Now, we can supposedly do it earlier than that because it is a 12% cost to us which is also not tax deductible, so it is in our interest to do it relatively earlier, but we are waiting for all the regulatory approvals for the incremental sort of 1200 beds to be in place before we really sort of acquire that shareholding and then pay for it. Now as soon as that gets done, we will be happy to acquire the shareholding and needless to say that the funding for the same is already tied up.

Deepak Malik Jatin, then if I have to take a view of next five years, then earlier expectation was there will be a Rs.2000 crore of CAPEX and in that Rs.1200 crore will be on the new bed addition and around Rs.800 crore on the buyback of the stake, so that remains same or is there any change in that?

Jatin Khanna There will be slight change, because the 300 beds of Saket City has been pushed out so to that extent may be not Rs.2,000, it could be Rs.1,800 crore..

Deepak Malik In the next five years, we should build in 1,800 crore.

Jatin Khanna Yes.

Moderator Thank you. The next question is from the line of Sandeep Mukherjee from Ratnabali Capital Market.

Sandeep Mukherjee I had just a question regarding the mature hospital and new hospital's EBITDA margin, when are you expecting to match it up, currently the mature hospital margin is around 13.3% and new hospital margin is 6.7%, how much time will it take you to match it up?

Yogesh Sareen Actually, it would take next two to three years to really match it. You have seen the growth of the new hospitals have grown smartly in last quarter EBITDA margin at unit level is up from 8% to 11.5%, and also you have to consider the fact that some of these hospitals are outside of the NCR where the pricing is a bit lower, for example, Dehradun and Mohali and Bathinda, these are operated at 72-85% kind of price points as compared to NCR, while the lot of other costs remain same.

Moderator Thank you. We have next question from the line of Amit Bagadia from Okasa Finvest.

Amit Bagadia I would like to ask where would the business of Max Labs be housed in? Would it be Max Healthcare or would be a separate 100% subsidiary?

Jatin Khanna It is currently Max Healthcare, we will want to grow this Business for at least a year or two years as an SBU and then house it in a separate company.

Amit Bagadia Would we be holding 100% stake in this?

Jatin Khanna I mean we will first put it in a separate company, it is too early to talk about that, but we will never say no to anything and always remain open for opportunity, so I would not say yes or no at this point in time.

Moderator Thank you. We have follow up question from the line of Deepak Malik from Edelweiss.

Deepak Malik My question is on Max Bupa, so I heard you in your initial remarks that you said that in FY19, it will do the break even, so can you give more color on that, how we are seeing this business panning out in the next two three years, how we are getting confidence that it will become breakeven in the next one year?

Mohit Talwar Just before I hand over to Rahul, as I had mentioned the growth rates are there for everyone to see, it is growing at a pretty healthy cliff. Also the losses have been coming down and that is on account of the fact that the renewal premiums are again at a very high level. I also mentioned the fact that there is a strong focus in terms of cost rationalization, so given the fact that we have seen this year-on-year and they have been meeting plans, it is estimated that in FY 19, we should be seeing breakeven.

Rahul Ahuja This has been pretty much our plan of breaking even in FY19 as Mohit has said that there is immense opportunity as far as health insurance is concerned in India both in terms of penetration and awareness. We see a big uptick in the business and our projections are that we will grow in a similar range of 23% to 27% year over year in this business and also once you achieve an X amount of scale, your operating leveraging obviously kicks in which will take us to our breakeven two years from now. When we say FY19, it is about two years from now.

Deepak Malik How much is the average realization growth which is happening means the pricing growth how much is that in this 24%?

Rahul Ahuja Is your question as to how much of this is pricing and how much is capacity?

Deepak Malik Yes?

Rahul Ahuja Price increase is something which does not come every year for us, one has to go to the regulator and seek approvals as far as increase in price for products is concerned, that said, in the current financial year Heartbeat, our flagship product, we have got a price increase approval from the regulator which is on an average about 17-18% across geographies or different zones that we play in, so that is one part of it. As far as capacity is concerned, we are largely growing our capacity in agency as well as our Banca partnership, which is Bank of Baroda, which is recently acquired relationship, so both these put together increase in capacity will lead to increase in top line as well, but as I said, price increase average anywhere between 8-10% p.a., but we get it only every two to two-and-a-half years.

Deepak Malik The last time you got the price increase it was two years back, in FY15?

Rahul Ahuja No, the last product that we introduced in the market was Health Companion, which was almost little over three years ago and that is when we have re-priced as well.

Deepak Malik This price increase in this year when was it taken?

Rahul Ahuja So, Heartbeat on the new business, we implemented the price increase in end of November, however, on the renewal business since there is an option given to the

customer for 90 days, the mandatory price increase will kick in from end of February this month.

Deepak Malik So, if i remove the price increase, is it fair to say that around 8-10% is the volume growth which is happening in this?

Rahul Ahuja Not really, because my price increase impact this year, so for this year, I will grow at about 23-24% overall, GWP, however, my price increase impact will only come in for two to three months and you should also understand that the way accounting is done in this business, it is based on earned premium not GWP, so earned premium in the last three-four months will be very little what I will account for in my balance sheet will be very little, because it is a 12-month contract generally and large part of that will go in the next year.

Deepak Malik Okay, so that large part of impact will be coming in the next year?

Rahul Ahuja The full impact of pricing will be next year, this year it will be very minimal.

Deepak Malik Next year should be very robust for Max Bupa?

Rahul Ahuja As we are saying, there is good opportunity in this segment of industry and we are looking at anywhere between around 25% growth.

Deepak Malik How much market share currently we have in this business?

Rahul Ahuja Amongst the private players, it is about 4.25%.

Deepak Malik How is it moved in the last three-four years?

Rahul Ahuja It has been pretty much similar, because if you see the five players, they are growing in that range that is depending on the player between 20 to 30%, is what the new entrants are growing at.

Jatin Khanna Deepak, the market share gain or not is a factor of your expansion, so for example, we had few players that were adding on to some banks last year, so you would have seen them growing faster relative to us, for example. Now, we have got Bank of Baroda, so we will grow faster or in line with the industry or Standalone Health Insurers next year and then we are working towards a variable agency model, basically try and expand agency offices at a much lower cost, so that the economics of the agency also become very encouraging, therefore, it is a point in time when you really grow your distribution footprint, what determines what your market share of that particular period is, so on a secular basis like Rahul said we pretty much been growing in the line with the standalone health insurance.

Deepak Malik How many banks we have the marketing tie up with?

Mohit Talwar We have with six banks currently including a regional rural bank.

Deepak Malik Which are those banks?

Mohit Talwar We have Standard Chartered, Deutsche, RBL, Federal Bank, Bank of Baroda and Sarva UP Gramin Bank.

Deepak Malik All the other frontline banks like SBI and ICICI and all, those already have their own services, means they already offer their own products?

Rahul Ahuja If you are following this industry, the regulator had opened it up in the form of open architecture, so there is lot of opportunity, every bank can now have three health insurance players, so I think every bank is currently open to have more than one partnership and some of the banks you mentioned have only one, so the opportunity is surely there.

Jatin Khanna Deepak, I will also want to add one more thing here which is to say that most of the players we mentioned have their general insurance business, and in addition to general insurance, health insurance is another tie up which you can do separately, so from a standalone health insurance standpoint, not too many banks have the tie ups today, so pretty much most of the banks are available. If somewhere a question of how much for the capital you want to commit, how much energy you want to commit, how much bandwidth do we have etc., sort of growth at this point in time and to be very frank, the Bancassurance model is slightly untested for health insurance given that it is a new sort of business on a standalone basis and therefore, all the banks are currently also looking at this kind of tie ups, it is the other thing which I will add.

Mohit Talwar I just want to come here in terms of this profitability and growth and market share, the way to assess this business is somewhat different from our other businesses. The critical success factor of a health insurance company really is around health risk management and how do you manage the claim ratio. It is not so much about how much of top line you have actually got during the year. If you look at what our claim ratios are looking like at this point in time, it is probably best in class. It is in the 50s, so long as you have your proper underwriting standards and you have done the right selection, that is why we are in the B2C segment. You will find that our growth rates may be lower than the others, but however, when it comes to profitability via the claim ratio, we are probably best in class and that is the way to look at this business.

Deepak Malik That is what I was looking at, that claim ratio has come down significantly from 59% to almost 54% in the current quarter?

Mohit Talwar Yes, correct.

Deepak Malik Which one is the largest distributor for us now?

Rahul Ahuja Are you talking about channels or are you talking about the Banca partners?

Deepak Malik May be you can?

Rahul Ahuja Agencies are our largest channel, because it has been there since the start of the business and then we have our alliances business, which is largely few NBFC that we deal with along with Banca.

Deepak Malik The largest customer or the largest partner, how much percentage of business will be coming from him, 10%-15%, how much will be?

Rahul Ahuja As far as my banca and NBFC partners are concerned, my largest would be about 7-8%.

Deepak Malik Generally how much margins they charge for this selling of your products there?

Rahul Ahuja It is all in line with what IRDA stipulates, the margin whatever is the commercial is in line with that IRDA stipulates.

Moderator

Thank you. Ladies and Gentlemen, this was the last question. I would now like to hand over the floor to Mr. Mohit Talwar for his closing comments. Over to you, Sir.

Mohit Talwar

Thank you for taking time out. This call I think has been recorded so the transcripts will be available on our website in case anyone wants to see them. I hope we have been able to address your queries, however, our lines are open. You have our numbers and our coordinates, so please get in touch if something additional is required. Thank you very much for the call.