

Max India Limited

Investor Release November 2015

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.

(Rs. Cr.)

Particulars	Quarter ended				Half year ended			
	Sep -15	Sep -14	Sep-14 (Adjusted)^	Adjusted Y-o-Y Growth	Sep -15	Sep -14	Sep-14 (Adjusted)^	Adjusted Y-o-Y Growth
Operating Revenue	2,587	2,485	2,332	11%	4,530	4,459	4,160	9%
EBITDA	190	183	163	16%	334	325	290	15%
PBT	133	116	116	15%	226	193	196	15%

Particulars	30-Sep -15	31-Mar-15	Growth
Net Worth	3,335	3,302	1%
Loan Funds	579	544	6%
Fixed Assets (Net Block)	955	867	10%
Treasury Corpus (Debt M. Funds & Term Deposits)	584	683	-14%

Update on Demerger

- Approval received from : Shareholders, Creditors, SEBI, Stock Exchanges, Competition Commission, Lenders and IRDA. High Court and FIPB approval being progressed
- Basis the current progress, the effective date of demerger is likely to be in December

Revenue and Profitability

- GWP for Q2FY16 grows 11% to Rs. 2,158 Cr. APE* grows 9% and renewals grow 11%.
- Product mix for the quarter: Par 57%, Non-par 19%, ULIP 24% (PY:65:3:32)
- Policyholder Cost (Opex + Commission) ratio improves 170 bps from 25.0% in Q2FY15 to 23.3% in Q2FY16 as operating expenses reduce from 15.7% to 12.9% led by continuous cost-save initiatives
- Shareholder pre-tax Profit at Rs. 143 Cr., declines 13% led by change in product mix

Other Key Metrics

- AUM at Rs. 32,896 Cr. as at Sep 30, 2015; grows 17% y-o-y
- Around 3.7 million policies in-force as at Sep 30, 2015
- Strong capital position with solvency surplus at Rs. 2,119 Cr. and solvency margin at 400% at Sep end
- Max Life continues its journey of being the most admired life insurance company by being continuously awarded for its performance on various counts with the latest one being
 - *Celent Asia Insurance Technology Award*
 - *Compliance 10/10 Award*

*Individual First Year Premium adjusted for 10% single pay

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

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	FYTD		Y-o-Y Growth
		Sep'15	Sep'14		Sep'15	Sep'14	
a) Gross written premium income	Rs. Cr.						
First year premium		471	432	9%	787	787	0%
Renewal premium		1,513	1,366	11%	2,584	2,356	10%
Single premium		173	139	24%	318	252	26%
Total		2,158	1,937	11%	3,689	3,395	9%
b) Shareholder Profit (Pre Tax)	Rs. Cr.	143	165	-13%	261	283	-8%
c) Policy Holder Expense to Gross Premium	%	12.9%	15.7%	279 bps	15.8%	17.9%	214 bps
d) Individual Adjusted Premium (APE*)	Rs. Cr.	476	435	9%	792	792	0%
e) Conservation ratio**	%	84%	87%	(252 bps)	82%	84%	(133 bps)
f) Average case size (Agency)	Rs.	36,150	31,411	15%	34,305	30,647	12%
g) Case rate per agent per month	No.	0.29	0.31	-8%	0.30	0.30	0%
h) Number of agents (Agency)	No.	41,530	44,521	-7%	41,530	44,521	-7%
i) Paid up Capital	Rs. Cr.	2,014	2,127	-5%	2,014	2,127	-5%
j) Individual Policies in force	No. L	37	36	1%	37	36	1%
k) Sum insured in force (Individual)	Rs. Cr.	1,69,645	1,40,097	21%	1,69,645	1,40,097	21%

*Individual First Year Premium adjusted for 10% single pay

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

Revenue

- Revenue across network of hospitals for Q2FY16 grows 24% y-o-y to Rs. 522 Cr.
- Avg. Occupancy** across healthcare facilities in Q2FY16 at 74.2% against 76.4% as ALOS improves by 5% and operational beds increase by 23%
- Outbreak of Dengue brings down the average realization, leading to modest improvement in Average Revenue per Occupied bed day* to 4%

Profitability

- MHC turns profit of Rs. 2 Cr. in Q2FY16 against a loss of Rs. 2 Cr. in Q2FY15
- Cash Profit for the quarter at Rs. 28Cr., grows 31% y-o-y
- Q2FY16 EBITDA at Rs. 52 Cr., grows 16% and EBITDA Margin at 10% against 10.6% mainly because of steep revenue growth of 52% in new hospitals caused by significant hiring in H2FY15 for new programs and acquisition of Pushpanjali Hospital yet to start contributing substantially to EBITDA. EBITDA Margin for existing hospitals improves 20 bps to 13.8%.

Others

- MHC to acquire 51% stake in 300-bed Saket City Hospital. Fully expanded and combined with existing capacity in Saket, MHC to have one of India's largest 2000-bed facility, in the most prime part of Delhi. This along with Medical Office Building in the same complex, will create Asia's most admired Medicity.
- Average length of stay improves 5% to 3.25 days in Q2FY16

* Average Revenue per Occupied Bed Day = Inpatient Revenue/ Occupied Bed Days

**Occupancy has been calculated on average operational beds

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Half Year Ended		Y-o-Y Growth
		Sep'15	Sep'14		Sep'15	Sep'14	
a) Financial Performance	Rs. Cr						
Revenue (Net)		522	423	24%	994	826	21%
Contribution Margin	%	64.8%	63.9%	90 bps	64.3%	63.8%	50 bps
EBITDA	Rs. Cr	52	45	16%	97	85	14%
EBITDA Margin	%	10.0%	10.6%	(60 bps)	9.8%	10.3%	(50 bps)
Cash Profit	Rs. Cr	28	22	31%	60	40	50%
Profit	Rs. Cr	2	(2)	-	12	(7)	-
b) Financial Position							
Net Worth	Rs. Cr				780	418	86%
Net Debt	Rs. Cr				748	665	(10%)
Fixed Assets - Gross Block	Rs. Cr				1,685	1,405	37%
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		42,743	34,100	25%	78,464	65,994	19%
Day care Procedures		7,256	6,841	6%	14,006	13,045	7%
Outpatient Registrations		14,17,497	11,49,478	23%	26,75,868	22,31,608	20%
d) Average Inpatient Operational Beds	No.	2,034	1,660	23%	2,022	1,629	24%
c) Average Inpatient Occupancy	%	74.2%	76.4%	-	72.8%	76.6%	-
d) Average Length of Stay	No.	3.25	3.42	5%	3.22	3.46	8%
e) Avg. Revenue/Occupied Bed Day (IP)	Rs.	28,863	27,709	4%	30,373	27,799	9%

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Half Year Ended		Y-o-Y Growth
		Sep'15	Sep'14		Sep'15	Sep'14	
Existing Hospitals*							
a) Financial Performance							
Revenue	Rs. Cr	344	306	13%	675	600	13%
EBITDA	Rs. Cr	47	41	14%	89	79	13%
EBITDA Margin	%	13.8%	13.6%	20 bps	13.2%	13.2%	-
b) Average Inpatient Operational Beds	No.	1,094	1,074	2%	1,095	1,073	2%
c) Average Inpatient Occupancy	%	78.3%	78.0%	-	75.6%	77.6%	-
d) Avg. Revenue/Occupied Bed Day (IP)	Rs.	32,269	29,591	9%	33,111	29,428	13%
New Hospitals^							
a) Financial Performance							
Revenue		178	117	52%	319	226	41%
EBITDA	Rs. Cr	5	4	8%	8	9	-
EBITDA Margin	%	2.8%	3.9%	-	2.5%	2.7%	-
b) Average Inpatient Operational Beds	No.	940	586	60%	800	556	44%
c) Average Inpatient Occupancy	%	69.5%	73.6%	-	68.9%	74.6%	-
d) Avg. Revenue/Occupied Bed Day (IP)	Rs.	24,390	24,057	1%	26,264	24,533	7%

*The above results are for MHC Network of hospitals and includes results for Max Super Specialty Hospital, Saket, unit of Devki Devi Foundation and Max Super Speciality Hospital, Patparganj, unit of Balaji Medical and Diagnostic Research Centre

^ Only results for Mohali, Bathinda, Dehradun, Shalimar Bagh and Vaishali hospitals

Revenue and Profitability

- Gross Written Premium for Q2FY16 grows 28% to Rs. 111 Cr. driven by 25% growth in new sales and 31% growth in renewals
- Average premium realisation increases 6%
- Conservation ratio (B2C segment) for H1FY16 improves 240 bps to 84%
- Urban lives-in-force at 859K, 233K lives covered in Q2FY16
- Stern focus on costs lead to reduction in loss from 18 Cr. in Q2FY16 to Rs. 22 Cr. in Q2FY15 despite increase in claim ratio in Q2FY16

Other Key Metrics

- Market share at 4.8%, improves 48 bps y-o-y
- Bancassurance continues to gain traction as Banca and Alliances' contribution to GWP increases to 24% in Q2FY16 vis-à-vis 19% in Q2FY15
- Max Bupa is the only health insurance company in Asia to be recognized for '**Best Customer Service**' at the coveted Customer Experience Management Asia Summit 2015 held recently in Singapore

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Quarter Ended		Y-o-Y Growth
		Sep'15	Sep'14		Sep'15	Sep'14	
a) Gross written premium income	Rs. Cr						
First year premium		43	34	25%	81	63	29%
Renewal premium		69	53	31%	130	97	35%
Total		111	87	28%	212	160	33%
b) Net Earned Premium	Rs. Cr	95	80	19%	184	154	20%
c) Net Profit / Loss Before Tax, normalized	Rs. Cr	(18)	(22)	-	(31)	(48)	-
d) Claim Ratio (B2C Segment, normalized)	%	57%	51%	(6%)	57%	52%	(5%)
e) Average premium realization per life (B2C)	Rs.	6,820	6,452	6%	6,816	6,173	10%
f) Conservation ratio (B2C Segment)	%				84%	82%	240 bps
g) Number of agents	No.				11,717	10,278	14%
h) Paid up Capital	Rs. Cr				831	726	14%

*Adjusted for abnormal past claims for the previous year amounting to Rs. 9 Cr., settled in the current year

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Half year Ended		Y-o-Y Growth
		Sep -15	Sep -14		Sep -15	Sep -14	
a) Sales Quantity – BOPP	Tons	10,626	11,566	-8%	22,157	22,486	-1%
b) Revenue	Rs. Cr.	183	200	-9%	378	390	-3%
c) Profitability:							
Contribution Margin	Rs. Cr.	38	34	13%	87	67	29%
	%	21%	17%		23%	17%	
EBITDA	Rs. Cr.	21	20	8%	49	37	33%
	%	12%	10%		13%	9.5%	
PBT	Rs. Cr.	7	3	2x	21	5	4x
	%	4%	1%		6%	1%	

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