



Max India Limited

Investor Release

May 2013

Disclaimer

This release is a compilation of financial and other information all of which has not been subjected to audit 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.



Max India – Q4FY13 Key Highlights

Max India

- Max India Board recommends dividend of Rs. 2.20 per share to shareholders, with this the overall dividend for FY13 would be 610%
- Max India is no longer pursuing the plan for disposal of the Max Speciality Films division (MSF) to Treofan Germany GmbH & Co., KG
- MSF to be transferred to a separate subsidiary to enable a focused growth path and access to external capital by attracting strategic and / or financial investors
- Additional production line to be added in MSF at a capital outlay of Rs. 178 Cr., of which equity requirement is estimated at Rs. 60 Cr. to be funded from Max India and / or external sources
- Consolidated operating revenue for Q4FY13 at Rs. 2,470 Cr., grows 10% y-o-y. Operating revenue for full year at Rs. 8,180 Cr., grows 7% y-o-y
- Consolidated PBT for Q4FY13 at Rs. 28 Cr. against Rs. 48 Cr. in Q4FY12. PBT for full year at Rs. 991 Cr., grows 310%
- Treasury Corpus as at March 31, 2013 at Rs. 354 Cr.



Max India – Q4FY13 Key Highlights

Max Life

- APE for Q4FY13 grows 4% to Rs. 500 Cr. in line with the industry
- Max Life pays Rs. 113 Cr. as final dividend to Max India taking the total dividend payout for FY13 to Rs. 183 Cr.
- VNB for FY13 at Rs. 213 Cr., grows 27% y-o-y. EV as at Mar end at Rs. 3,756 Cr. (post-dividend); up 10% pre-dividend

Max Healthcare

- IFC Washington to convert part of its OCPS, including coupon, aggregating Rs. 115 Cr. to equity and increase stake from 2.3% to 7.5%
- Life Healthcare to also contribute Rs. 40 Cr. to maintain its stake at 26%
- Transaction values MHC at Rs. 1,986 Cr. pre-money and to further improve liquidity and debt/equity ratio of MHC
- Revenue for Q4FY13 up 40% to Rs. 315 Cr
- EBITDA for Q4FY13 at Rs. 22 Cr against –ve EBITDA of Rs. 4 Cr for Q4FY12. EBITDA for existing hospitals grows 2x to Rs. 34 Cr

Max Bupa

- GWP for Q4FY13 up 92% to Rs. 74 Cr
- New distribution opportunity through opening of Banca channel for Standalone Health Insurers

Antara

- Ground breaking of Dehradun Project on March 17, 2013
- Sales launch of the project on May 21, 2013... well received by potential customers



Consolidated Financial Snapshot (Q4 & FY13)

(Rs. Cr.)

Particulars	Quarter ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
	Mar-13	Mar-12		Mar-13	Mar-12	
Total Revenue	2,468	2,504	-1%	10,624	8,578	24%
Operating Revenue	2,470	2,251	10%	8,180	7,643	7%
EBITDA	87	105	-17%	1,213	430	182%
PBT	28	48	-42%	991	242	310%

Particulars	31- Mar-13	31- Mar-12	Growth
Net Worth	2,903	2,513	16%
Preference Shares	125	125	-
Loan Funds	676	549	23%
Fixed Assets (Net Block)	1,361	1,254	9%
Treasury Corpus (Debt M. Funds & Term Deposits)	409	397	19%
Life Insurance Investments (AUM)	20,458	17,215	19%

Revenue and Profitability

- Individual First Year Premium (adjusted for single pay) for Q4FY13 at Rs. 500 Cr., grows 4% y-o-y
- Gross Premium Income for Q4FY13 at Rs. 2,079 Cr. grows 8% y-o-y
- Product mix for the quarter: Par 73%, Non-par 16%, ULIP 11%
- Operating expense ratio further improves from 17% in Q4FY12 to 15% in Q4FY13
- Shareholder Profit Before Tax for Q4FY13 at Rs. 114 Cr against Rs. 122 Cr.

Other Key Metrics

- AUM at Rs. 20,458 Cr. as at March 31, 2013; grows 19% y-o-y
- Over 3.6 million policies in-force; grows 1% y-o-y
- Sum assured in-force over Rs. 169,000 Cr. as at March 31, 2013; grows 11% y-o-y
- Business capitalised at Rs. 2,127 Cr. as at March 31, 2013; solvency surplus of Rs. 1,769 Cr. and solvency margin at 520% despite Rs. 302 Cr. distribution of dividends during the year
- Embedded Value pre-dividend at Rs. 4,058 Cr; grows 10% y-o-y



Max Life Insurance



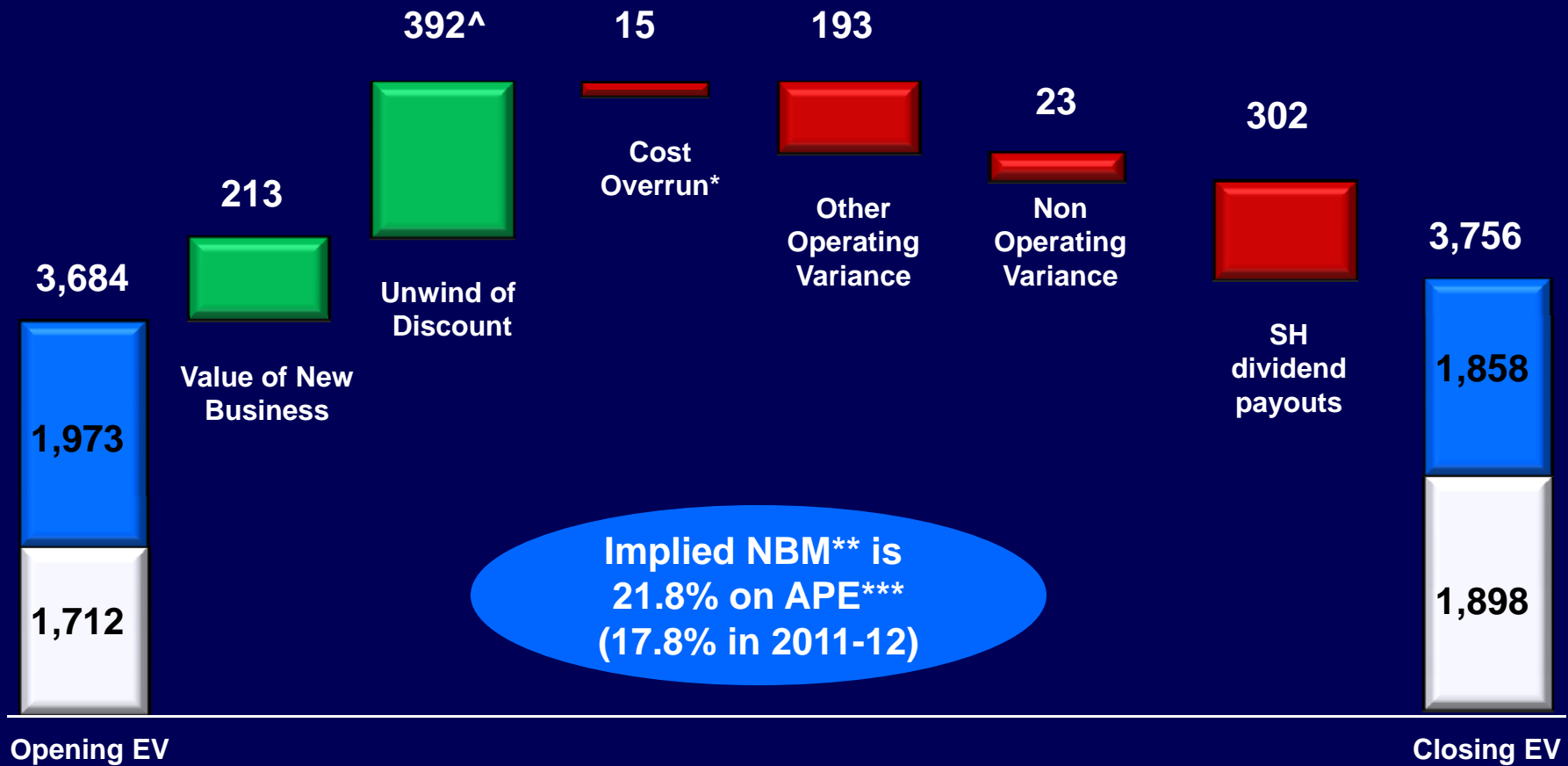
Key Business Drivers	Unit	Quarter Ended		Y-o-Y	Year ended		Y-o-Y
		Mar-13	Mar-12	Growth	Mar-13	Mar-12	Growth
a) Gross written premium income	Rs. Crore						
First year premium		507	512	-1%	1,529	1,551	-1%
Renewal premium		1,464	1,301	13%	4,739	4,489	6%
Single premium		108	107	0%	371	351	6%
Total		2,079	1,921	8%	6,639	6,391	4%
b) Shareholder Profit (pre-tax)	Rs. Crore	114	122	-6%	475	460	3%
c) Expenses of Management	%	15.1%	17.2%	12%	18.6%	19.4%	4%
d) Individual Adjusted Premium (APE*)	Rs. Crore	500	480	4%	1513	1506	0%
e) Conservation ratio**	%	81%	82%	-2%	78%	81%	-3%
f) Average case size	Rs.	25,109	24,593	2%	23,856	22,887	4%
g) Case rate per agent per month	No.	0.53	0.60	-12%	0.50	0.58	-14%
h) Number of agents	No.	35,384	35,379	0%	35,384	35,379	0%
i) Paid up Capital	Rs. Crore	2,127	2,127	0%	2,127	2,127	0%
j) Individual Policies in force	No. Lacs	36	35	1%	36	35	1%
k) Sum insured in force	Rs. Crore	169,167	152,150	11%	169,167	152,150	11%

*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)

Amount in Rs. Crore

March 31, 2013



Implied NBM is 21.8% on APE*** (17.8% in 2011-12)**

- Denotes increase to EV
- Denotes decrease to EV
- Net Worth
- Value of In-force business

* Cost Over-run includes over-runs that are relevant to Embedded Value. ^ Unwind calculated on the expected basis where the Net Worth earns 8.15% and the VIF earns 13%.
 **VNB includes shareholders' interest in the residual estate from participating business aggregating Rs. 32 Cr. Implied NBM is on a structural basis.
 ***APE – Adjusted Premium Equivalent (Annualized First Year Premium adjusted for 10% of Single Premium; Limited Premium valued at 50%).



Max Life – Key Assumptions to Embedded Value



Economic Assumptions

Cash/Money Market/TB	7.50%
G Secs	7.96%
Corporate Bonds	8.76%
Equities	13.00%
Unit Linked Fund Growth Rate	10.50%
Interest Rate on Non-Unit Reserves	8.15%
Inflation	6.50%
Risk Discount Rate	13.00%
Service Tax	12.36%
Tax Rate	13.52% (12.5% + 5% surcharge + 3% education cess)

Sensitivity

- For change in risk discount rate by 1%, the value of in-force business would change by 4–5%.

Operating Assumptions

- Operating Assumptions like mortality, morbidity and lapses are based on our own experience and validated with industry / reinsurers experience.
- Expense assumptions are in line with experience and are unchanged from that used last year.



Max Life’s EV guided by European Embedded Value principles

“Top down” allowance for risk including allowance for time value of financial options and guarantees

Explicit allowance for cost of capital where capital is the higher of the required solvency margin and internal capital requirements

Actuarial assumptions based on past experience and on management’s views of future trends in experience

Results not audited nor subject to external review but the EV methodology is in line with accepted international practices

Revenue

- Revenue across network of hospitals for Q4FY13 at Rs. 315 Cr., grows 40% y-o-y
- Average Revenue per Occupied bed day* for Q4FY13 at Rs. 26,029, grows 6% y-o-y

Profitability

- Contribution for Q4FY13 at Rs. 191 Cr., grows 40% y-o-y
- Contribution margin improves from 58.5% in Q4FY12 to 60% in Q4FY13
- Q4FY13 EBITDA at 22 Cr vis-à-vis negative 4 Cr in Q4FY12
- EBITDA margin for existing hospitals at 12.8% vis-à-vis 7.8% in Q4FY12

Other Drivers

- Avg. Occupancy** across all healthcare care facilities improves to 70.6% in Q4FY13, despite 24% increase in avg. operational beds.
- Average length of stay at 3.55 days
- Registered patient base touching 1.7 million; accretion of over 23% over Mar 2012 levels
- Average patient transactions of over 3.25 Lacs/month for Q4FY13

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

**Occupancy has been calculated on average operational beds.



Max Healthcare* – Existing Hospitals[^]



Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
		Mar-13	Mar-12		Mar-13	Mar-12	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		188	153	22%	715	578	24%
Day Care Revenue		9	7	29%	35	26	34%
Outpatient Revenue		64	57	12%	242	206	17%
Other Operating Income		5	-	-	10	-	-
Total		265	217	22%	1002	810	24%
b) Profitability							
Contribution Margin	Rs. Crore	159	127	24%	607	484	25%
Contribution (%)	%	60.0%	58.5%		60.5%	59.7%	
EBITDA	Rs. Crore	34	17	102%	115	50	131%
EBITDA (%)	%	12.8%	7.8%		11.5%	6.2%	
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		19,760	16,821	17%	79,148	68,118	16%
Day care Procedures		3,342	2,933	14%	13,509	10,969	23%
Outpatient Registrations		821,654	763,155	8%	3,218,886	3,052,310	5%
d) Average Inpatient Operational Beds	No.	1,012	975	4%	998	944	6%
e) Average Inpatient Occupancy	%	77.9%	70.5%	10%	76.2%	70.9%	7%
f) Average Length of Stay	No.	3.59	3.71	3%	3.51	3.59	2%
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	26,454	24,540	8%	25,737	23,605	9%

*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 Specialty Hospital, Patparganj, unit of Balaji Medical and Diagnostic Research Centre

[^] Excludes Mohali, Bathinda, Dehradun and Shalimar Bagh



Max Healthcare – New Hospitals[^]



Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
		Mar-13	Mar-12		Mar-13	Mar-12	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		41	8	494%	118	10	1140%
Day Care Revenue		1	0.5	100%	3	0.5	383%
Outpatient Revenue		8	3	273%	25	3.5	581%
Other Operating Income		-	-		1	0	-
Total		50	11.5	333%	147	14	969%
b) Profitability							
Contribution Margin	Rs. Crore	32	7	334%	96	8	1129%
Contribution (%)	%	64.0%	60.9%		65.3%	57.1%	15%
EBITDA	Rs. Crore	(12)	(21)	44%	(43)	(37)	-16%
EBITDA (%)	%	-24.0%	-183.0%		-29.3%	-264.3%	
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		4,938	1,059	366%	15,966	1,257	1170%
Day care Procedures		546	231	136%	1,846	345	435%
Outpatient Registrations		132,357	38,288	246%	417,492	50,960	719%
d) Average Inpatient Operational Beds	No.	368	138	167%	304	48	533%
e) Average Inpatient Occupancy	%	50.4%	28.5%	77%	48.4%	24.0%	102%
f) Average Length of Stay	No.	3.38	3.40	1%	3.36	3.36	-
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	24,226	21,960	10%	21,960	22,444	-2%

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

Business Drivers

- Gross Written Premium for Q4FY13 at Rs 74 Cr, grows 92% y-o-y
- Conservation ratio for Q4FY13 at 84% against 71% in Q4FY12
- Urban lives-in-force cross 460K, over 163K lives covered in Q4'FY13
- Overall enrolled lives cross 1.2 million mark

Capital Requirement

- Peak equity commitment of Rs. 690 Cr.; Rs. 504 Cr. infused as at March 31, 2013

Products & Distribution

- Group Personal Accident (GPA) approved by IRDA on 1st May'13; launched on 15th May'13
- Significant distribution opportunity as Banca channel opened up for standalone health insurers; discussion with several banks in advanced stage
- Distribution Network
 - Office network expands to 21; 15 more offices approved by the board to be opened by end of 2013
 - Provider network expanded further to around 1,900 hospitals



Max Bupa Health Insurance



Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
		Mar-13	Mar-12		Mar-13	Mar-12	
a) Gross written premium income	Rs. Crore						
First year premium		41.1	30.9	33%	127.7	81.5	57%
Renewal premium		32.5	7.5	333%	79.5	17.5	353%
Total		73.6	38.4	92%	207.2	99.1	109%
b) Net Earned Premium	Rs. Crore	40.3	19.5	107%	128.4	50.9	152%
c) Average premium realization per life	Rs.	5,325	4,999	7%	5,126	5,307	(3%)
d) Conservation ratio	%	84%	71%		81%	69%	
e) Number of agents	No.	9,398	6,438	46%	9,398	6,438	46%
f) Paid up Capital	Rs. Crore				504	384.5	31%
g) No. of Lives	No.	163,577	88,491	85%	460,690	215,131	135%

Key Business Drivers	Unit	Year Ended		Y-o-Y Growth
		Mar-13	Mar-12	
a) Sales Quantity – BOPP	Tons	51,220	49,786	3%
b) Revenue	Rs. Cr.	713	695	3%
c) Profitability:				
Contribution Margin	Rs. Cr.	95	126	(25%)
	%	13%	18%	
EBITDA	Rs. Cr.	43	77	(44%)
EBITDA%	%	6%	11%	
PBT	Rs. Cr.	4	38	(89%)
	%	0.6%	5.5%	

- FY 13 witnessed aberrations in domestic market leading to pressure on margins:
 - 30% capacity increase, industry-wide, due to additional capacities coming on stream
 - irrational /predatory pricing by select competitors
- Export volumes maintained but margins impacted by volatile Global markets.
- MSF only player to achieve 100% capacity utilization

Recent trends are encouraging:

- Robust Domestic demand growth rate ~ 15% to 17%, operating rates likely to reach ~90% in mid term
- Uptick in price since Mar'13 after bottoming out in Jan & Feb'13, monthly performance run rate improving
- Share of high margin product sales gradually increasing
- Longer-term prospects of industry positive; lifestyle changes and FDI in retail to be key drivers

Financial Performance

- Revenue for FY13 at Rs. 24 Cr., down 13% y-o-y due to industry slowdown consequent to regulatory uncertainty
- Net Loss for FY13 at Rs. 2 Cr. vis-à-vis net profit of Rs. 2 Cr. in FY12 as order execution continues to be impacted by delays in regulatory approvals

Operational Performance

- Current order book stands at Rs. 22 Cr.
- Client base stands at 108
- 315 studies being executed across 540 sites
- Database of principal investigators expands to 2,000 physicians
- Patient retention rate at 92% in Q4FY13



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