Max India Limited
Investor / Analyst Conference Call
April 16, 2012

Moderator: Good afternoon ladies and gentlemen. I am Ram, moderator for this conference. Welcome to the conference call of Max India Limited. We have with us today the senior management of Max India. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone key pad. Please note this conference is being recorded. I would now like to hand over the conference to Mr. Mohit Talwar, Deputy Managing Director of Max India Limited.

Mohit Talwar: Good morning, good afternoon ladies and gentlemen and thank you for taking time off to participate on this call. This is a proud moment for all of us here in Max and through this call it will be my endeavor to provide you details of our recent transactions with Mitsui Sumitomo, a Japanese insurance powerhouse which will be acquiring 26% stake in Max New York Life, however this is subject to regulatory approvals. Jatin Khanna, who helps me in investor relations, is also on the call. I will take questions in the end and in case there are some unanswered questions, we would definitely get back to you. So, let's get into the transactions straightaway.

This is a pure benefit for all shareholders, which is Max India, New York Life, as well as the incoming buyer, which is Mitsui Sumitomo. For Max India, what this clearly means is that the transaction creates a tangible value as being the largest promoter of MNYL; it provides the cash flow of 802 crore, which clearly reflects instrumental role that we have played as the majority partner in developing Max New York Life as a top quartile life insurer. It's also good that it gives us an opportunity to reward our shareholders who have waited patiently for the last so many years. However, this will be subject to board approvals. So, it's a little premature to kind of be absolutely definite in terms of what we are intending to do with the money. In addition, it creates a new benchmark in terms of the insurance valuation in India. This creates a strong momentum to explore growth opportunities in related businesses of social good and businesses of life. There would be organic growth opportunities which we would be exploring at a future date. And it has been our view that in longer term Max India is well suited to govern the company as it's really a home grown entity over the last so many years. As far as New York Life is concerned, it fits in with the strategic intent of really focusing on the North American and Mexican businesses. As most of you are aware, they have disengaged from their operations in China, in Thailand and Hong Kong. The only international operation which they had was India and Mexico. I think this opportunity came their way from MS and given the healthy valuation, they decided to exit from India and focus on their core home market.

A little bit about Mitsui Sumitomo. They are a financially strong and a very respected partners. They have a strong international business and strategic aspirations to participate in the growth of life insurance in India. They are one of the largest insurance groups, having presence in both life as well as general insurance, with a market capitalization of over USD 12 billion. In general insurance, they are the seventh largest global player and number one in Japan, with a presence in over forty countries. They are familiar to India, as they have a deep understanding of the Indian market, which they have built over the last eight years through a joint venture with Cholamandalam Finance. So far Mitsui Sumitomo have entered into life insurance markets in Asia, where they have presence in Thailand, China, Malaysia and Indonesia and India is the fifth life insurance market which MS is getting into.

Let's talk about the deal now. The specifications of the deal and the highlights are as follows. The transaction creates a new benchmark valuation for Max New York Life at Rs.10,504 crore, which translates into 3.26 times embedded value as at March 2011. This is the second largest foreign investment in the life insurance sector. So MSI deal, i.e. the acquisition of 26% stake in Max New York Life is valued at 2,731 crore. As I have mentioned earlier, Max India will realize a net cash value of 802 crore through participation in the stake sale process and will pay a tax somewhere in the region of about 138-140 crore of rupees. Max India stake in Max New York Life will continue to remain at 70%. This encouraging valuation offered by Mitsui Sumitomo, reconfirms our strong confidence in the superior performance which the joint venture has demonstrated which is also exemplified through the league table ranking, where we have improved our position to number four, from earlier being number seven, having gained a market share of 250 basis points. So, it gives us a lot of pride to share with you that Max New York Life is the largest non-bank promoted private life insurer today. It has a very robust solvency margin of 540%, which is more than three times stipulated by IRDA norms and its statuary profits for the calendar year 2011 grew four times over the previous year and is at 823 crore. So, MNYL is looked upon as a benchmark by its peers in critical aspects, such as high quality career agency model, customer retention, outstanding service quality, strong values and financial strength. So, as we get regulatory approvals and achieve the closure, the intention is to rebrand Max New York Life. The rebranding and the name change will now be Max Life Insurance Company and that will be further strengthening the trust and the consumer confidence in the Max India brand. The joint relationship with Mitsui Sumitomo will be highlighted in all future communication and there would be a tagline which will indicate our JV partner. The joint venture with MSI complements our strength and our vision, more importantly, Mitsui Sumitomo is totally aligned to our existing strategy.

What are some of the synergies which we expect from this deal? We expect bringing in the expertise of Mitsui Sumitomo in the areas of bancassurance and that can be leveraged to add value to our existing relationship, which we have with Axis Bank and others. It has expertise in both life and health insurance products. And as you know we are in both these businesses. And so we could get some synergies there as well. They have certain unique and innovative distribution channels which can be leveraged for example. They also distribute products through the auto dealers in Japan. They have over 5,000 agents to sell general insurance policies in India, which can be leveraged to cross sell the life insurance and the Max Bupa product. They have excellent risk management practices and I think we are going to benefit from that. More importantly and related to the healthcare business, they have expertise in particle radio therapy in Japan, which is effective in treating cancer and this is something which we would like to get to know and learn a little bit more and that we will do. As you know cancer is one major lifestyle disease which is hitting India in a big way.

In terms of the governance, Mitsui Sumitomo will have representation in our senior leadership team. They will have people on the ground who will be reporting to the head of distribution and that would help to exchange better ideas between the two companies. We also would like to thank New York Life for the outstanding contribution which they have given us over the last eleven years or so and I think even though there was no secondment of any of their officers in India, I think the governance between the two joint venture partners worked very well and we have grown today into a company which we are really proud of. We have obviously done a fair amount of work in terms of ensuring a seamless transition and there is more of that will be known as we go into the process of regulatory approvals. The business fundamentals remain intact. We have identified avenues to further strengthen our customer focus through multiple service channels. We are confident that our experience and committed management team, most of whom are founding members, will continue to lead the joint venture in this growth journey.

Max Life has been and will continue to be a board governed company, governed through a rigorous board process with Independent Directors who have strong domain expertise. So, nothing really changes on the ground as far as the governance or the operations are concerned. We will continue to leverage our strength, which we have developed over the last decade, which is through life insurance focus, we will focus on long term savings and protection. We will continue to have a balanced product mix and multiple channel distribution model, quality agency distribution and a loyal customer base of over three million customers. So, all in all I think this is a win-win situation as far as Max India is concerned, as well as for our new partners coming in. So, with that I would like to hand it back to the moderator and I will be happy to take questions. I just have a request that since we haven't got our board approvals in terms of results, I would like you all to restrict your questions to the particular deal itself and I am happy to take questions on that.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing * and 1 again. Our first question comes from Amit Ganatra from Religare.

Amit Ganatra: In this transaction, does your joint venture partner also has an opportunity to raise its stakes further?

Mohit Talwar: Yes, good question. We have given some affirmative rights, but we haven't given this. What we have agreed to do is that, if and when the FDI regulations do change, we would be in discussions with them. So, at that appropriate time, we will take a call.

Amit Ganatra: But there is no implicit agreement basically right now?

Mohit Talwar: We haven't given them an option at this stage.

Amit Ganatra: No option, no valuation, nothing.

Mohit Talwar: If we were to give them that option at that particular point in time, then the valuation will be the same as what it is today or FMV by the investment bank. And there is a list of investment banks who have been shortlisted.

Amit Ganatra: No, no, sorry, I could not get the second part.

Mohit Talwar: Second part of it is, while we haven't given them an option today, if and when the regulation changes, we will discuss with them, so that's an open question there. And should we decide to give them the option to claw up to a higher stake than 26%, then the valuation would be based on the current valuation or the fair market value, whichever is higher. Fair market value will be determined by a list, which we have shortlisted amongst the investment banks. Is that clear?

Amit Ganatra: Got it, thanks.

Moderator: Our next question comes from Abhishek Jain from JHP Securities.

Abhishek Jain: My first part of the question has already been answered. Second question is what is the tax liability for Max India on this stake?

Mohit Talwar: Like I said, it is around 138 to 140 crore.

Abhishek Jain: 138 to 140 crore.

Moderator: Our next question comes from Manish Ostwal from KR Choksey Securities.

Manish Ostwal: Yes, my question is, since your new foreign partner has expertise in general insurance segment also, so any plans of Max India moving into that stage in near to medium term?

Mohit Talwar: Well, no plans currently, because we have got our plates full right now. We have got so much happening. We have got to go through this whole process of integration. There is a lot happening around Max Healthcare. There is Max Bupa, which needs to be gaining traction. So, there is a lot at this point in time. So, there is nothing in the near term at least.

Manish Ostwal: And secondly, could you elaborate the new synergy between the new foreign partner and Max India, could you elaborate something?

Mohit Talwar: Yes, I thought I did that in terms of the synergy benefits which could accrue. But, if you want I could kind of repeat it. We feel that there could be synergies around bancassurance, because we are very strong in that. In Japan, they sell most of it through bancassurance. Risk management, that is another strong area. They have expertise in both life as well as health insurance, so that is something which we could leverage of. They also have 5,000 agents selling general insurance at this point in time. So, that is something which we would like to see how we can capitalize on. And lastly, they have a technology in terms of very advanced cancer technology called particle radio therapy in Japan and that is something which we will try and see if we could bring that technology into our healthcare business in India.

Manish Ostwal: Thank you and all the best.

Moderator: Our next question comes from Vishnu Goyal from UTI Securities.

Vishnu Goyal: Hi Mohit Talwar, congratulations on the deal.

Mohit Talwar: Thank you Vishnu.

Vishnu Goyal: I have two questions. One is, what is the plan for this 800 crore, if that is the right number, the amount of cash flow you got through this deal? And second question is, you must have got, basically you must have evaluated many other JV partners and what could be the key difference between this one and the second best, apart from the valuation?

Mohit Talwar: Let me take the first question first, which is, you asked me what is going to be the end use and I kind of alluded in my remarks that I think our shareholders have waited a long time. So, we are obviously contemplating, rewarding those shareholders. It is a little premature to give you more details on that, because I do not have any board approval. But, I think there could be some good news on that. As far as the second question is concerned in terms of other suitors, yes, it is a fact that there were other suitors who also approached us. Because, if you really look at it, today in India if there is one pure play life insurance company who is in the top quartile, clearly we stand out. So, we went through a process of evaluation before we decided on Mitsui Sumitomo and one of which was obviously valuation, but the other reason was also to do with focus in terms of what sort of agency role to play, whether they are into bancassurance, it was around products, it was around chemistry, it was around reach, a whole lot of factors. And I thought that there is an excellent fit with Mitsui Sumitomo and we are also getting a healthy valuation. So, and as you very rightly know that this is a decision which is a three way decision and not just a unitary decision from Max India. So, that's how we kind of decided upon the joint venture partner.

Vishnu Goyal: I said, can IRDA regulation be prohibitive or can come in way of a special dividend or they don't regulate your dividend policies?

Mohit Talwar: No, the dividend is from Max India, it is not from Max New York Life. So, IRDA does not have any regulatory oversight on Max India.

Moderator: Next question comes from Vishal Modi from HDFC Securities.

Moderator: Sorry sir, the line is not active. We will take the next question. Our next question comes from Anand Vasudevan from Franklin Templeton.

Anand Vasudevan: Just a question, what do you intend to do going forward. Firstly, on the branding, during the call I think you mentioned a couple of times, you talked about Max Life, how are you going to rebrand your business, your life insurance business?

Mohit Talwar: Like I had mentioned that we are going to be changing the name now from Max New York Life to Max Life Insurance Company. And that's the process which we will have to go through. There are approvals which are required, one of which is IRDA. We will have to go to ROC. So, that will take some time. In the interim we will continue to retain Max New York Life and that's something which has been agreed with New York Life that for a period of six months we will continue with the same name.

Anand Vasudevan: So, why are you not bringing on the Mitsui Sumitomo name onto the brand?

Mohit Talwar: Well, we are going to be bringing in the name in the form of a tagline and I kind of mentioned that as well. So, all our collateral stationary, hoardings, offices will be rebranded with Max Life with the tagline which will say a joint venture with Max India and with MS, MS is the short from for Mitsui Sumitomo, with their logo. So, there will be, their brand will also be visible.

Anand Vasudevan: Just to understand exactly what you said about the possibility, if FDI rules are relaxed, do you have an agreement that if the rules are relaxed that Mitsui, the MS will be able to acquire the remaining stake at 3.2 times EV or higher depending on what the market value is?

Mohit Talwar: So, let me again clarify what I said. Are you familiar with the agreement we have with New York Life on the FDI?

Anand Vasudevan: No, is there anything specific about it?

Mohit Talwar: In New York Life, we have given them an option that should the FDI rules change, then in that case Max India will have to necessarily dilute at fair market value less 10% discount, that is what was given to New York Life. We have given no such option to Mitsui Sumitomo. Having said that, at that opportune time we will be willing to talk to them and discuss with them that should they want to claw up and should the valuations be right, then we will agree to do that. Is that clear?

Anand Vasudevan: Yes. So, when you say, should the valuations be right, do you mean that it has to be at least 3.2 times embedded value?

Mohit Talwar: No, I think that will be decided by the investment bankers at that point in time.

Anand Vasudevan: Okay, that's clear now. And the other question is on the health insurance business. You talked about potential synergies with Mitsui Sumitomo and how does it affect the status of your JV with Bupa?

Mohit Talwar: Health insurance is a separate business for us, so it doesn't affect anything that Max Bupa is doing. It's just that health insurance is sold through agents and so you have agents in the general insurance category kind of just helps in synergies there. Of course you require IRDA approval to kind of get them accredited. So, that's something which we will definitely have to go through at the right time. What I am trying to say is that there is expertise available there which we can tap.

Anand Vasudevan: Okay. And that will be part of the life insurance business.

Mohit Talwar: No, no, it is not going to part of the life insurance business. Life insurance agents are life insurance agents. Health insurance agents are health insurance agents. What I am trying to say is that when we are adding on to our agency, we will obviously try to get expertise from agents who are well tuned into selling of health insurance. And some of these agents, because of their 5,000 agents operating in India, I think we will be able to get them across. It will just add to the agency list that we currently have.

Anand Vasudevan: And finally given that now there is capital at the corporate level and given your new partner's expertise in general insurance, are there any plans for general insurance?

Mohit Talwar: No, like I said nothing immediately.

Moderator: Our next question comes from Amit Ganatra from Religare.

Amit Ganatra: See, basically what we have got from this entire transaction is something kind of a profit sharing, New York Life basically has exited and it has, stake has been thrown to some other partner and from the profit that they could have some sort of a share. So, was this part of the earlier agreement that should they decide to exit, they would be required to share?

Mohit Talwar: No, this is not part of any profit sharing. There is a lot of work which went into it, almost one year of work in trying to crystallize this deal. I must tell you here that in our JV agreement which we had signed with New York Life, we had a consent right. Now what that consent right said was that if New York Life were to sell to a competitor or if Max was to sell to a competitor, you needed a consent from the other party. So, all we did was, we exercised our consent right at a cost and that cost would commensurate with the size and scale of the business which we have created over the last eleven years. It reflects that.

Moderator: Our next question comes from Tabassum from Goldman Sachs.

Tabassum: Can you just expand on the employees that might come to work with Max India? How many number of employees are expected to work on this insurance business from your joint venture partner and what kind of role are we looking at?

Mohit Talwar: We basically have proportionate representation on the board, that's one. We will have a representative of MS, who will report into the head of distribution and there would be a couple of middle management level staff. We have said that as many trainees that they want to send, we are open to that. That's going to be the construct.

Tabassum: In addition to the person who will be reporting to head of distribution…

Mohit Talwar: There are some more officers which they want to stick on, that's something which we have agreed to. So, they would be at the middle management level.

Moderator: Our next question comes from Subramaniam from Sundaram Mutual Fund.

Subramaniam: Hi sir and congratulations on the deal.

Mohit Talwar: Thank you.

Subramaniam: My question was, are there any cost savings that Max might have on the exit of New York Life in terms of any payments they were making and would the new agreement entail any additional cost that Max Life would have to incur?

Mohit Talwar: No, there is a saving, definitely. We were paying a brand fee to New York Life and that's now going to be waived. So, there is definitely a benefit which will accrue even through the joint venture. So, that's one immediate saving I can talk about.

Subramaniam: How much would this be?

Mohit Talwar: 77 crore.

Subramaniam: And the new agreement does that entail any payment of any royalty or fee to Mitsui Sumitomo?

Mohit Talwar: No, it doesn't.

Subramaniam: Thanks, that's it.

Moderator: Our next question comes from Shaukat Ali from Quantum Securities.

Shaukat Ali: I wanted to know the final shareholding pattern of Max New York Life once this deal is concluded? Like 70% stays with Max India, 2% probably with…

Mohit Talwar: You can probably take it as 4%, 4% is with Axis Bank.

Shaukat Ali: 4% is with Axis Bank?

Mohit Talwar: Yes.

Shaukat Ali: 70% is Max India.

Mohit Talwar: Correct.

Moderator: Our next question comes from Arun Gopalan from Systematix.

Arun Gopalan: Congratulations on your deal.

Mohit Talwar: Thank you.

Arun Gopalan: The question that I have is from the perspective of the synergy that you were talking about, that you would enjoy with Mitsui Sumitomo on board. You were talking about oncology or cancer treatment that they specialize in, in Japan. But, what would be the structure? Going through the Sumitomo group structure, I couldn't find any specialization which they are talking about in terms of oncology. So, where within the group do they specialize in this and how would you benefit from such a synergy? Because, I believe the tie up you have with the South African entity on Max Health also has some kind of a synergy in terms of hospital management which you were looking at. But, in this I am not able to see much of anything to do with oncology. So, could you tell me what they specialize in there and how the group would benefit? That's part one of my question. Second part of my question is, how involved would MS be at board level or at a decision making level in Max?

Mohit Talwar: Let me take the second question first. Once they will have board representation, I don't believe that they are going to be getting into the day to day operations of the joint venture, so that's one point which I wanted to make. We have given them some affirmative rights, but most of the rights are informative and consultative. And pretty much we function with the Goldman Sachs in Max India or a life healthcare in our Max Healthcare business and it works very well. Ours is a very consultative kind of a group and most of the things that we do, we actually take our partners into confidence. But, in terms of day to day operations, that will be minimal. In terms of your first question, Mitsui Sumitomo is an ocean out there. They have got several companies. One of those companies has this technology. And what I meant was that since we are in the healthcare business, since oncology is an integral part of our specialty, having set up cancer hospitals in Mohali and Bathinda and in Saket and in Patparganj, we believe that, that technology could auger well for us, now we are not talking about setting up any joint venture or anything like that, but we are just talking about that technology; we can import that into India, that will be really good for us. And it has no relevance or no bearing whatsoever with Life Healthcare, which is a joint venture, construct. So, that's separate. I think Life Healthcare would be only too pleased that if we get in an advanced technology, it is just going to be good for the business.

Arun Gopalan: So, it is an informal understanding that the company might have with MS, that we could at a later date have such an exchange of technology.

Mohit Talwar: Precisely.

Moderator: Our next question comes from Manish Shukla from Deutsche Bank.

Manish Shukla: Couple of questions here. First, does this change mean that there will be any kind of changes to the product offering from Max Life Insurance? And secondly, I believe there would be a significant amount of input from New York Life India actuarial process and the product design process for Max Life, how would that change going forward?

Mohit Talwar: So, no change in terms of what we are offering. In fact I just wanted to take the second question also at the same time. When we talked about actuarial expertise and product innovation, whilst New York Life has been excellent partners to us. I think their relevance was at a particular point in time. Over the last four-five years, we have become a home grown company. Whether it is product based distribution, whether it is regulatory agenda, all of which happens locally here. And I also kind of mentioned earlier in my remarks that there has been not one person who has been seconded from New York Life to be based in India. So, we have a management team which is really the founder members and over the last eleven years we have gained expertise in all of these areas. Apart from that, you have talked about actuarial, we have on the board, we have got Non-Executive Directors who were recruited through Egon Zehnder, out of a global search, who are domain experts exactly in this particular area, which is actuarial. So in a nut shell what I am trying to say is that, all this knowledge and domain and everything else is available here in the joint venture itself. So, it's not as if we are going to be missing anything out going forward. And in terms of products, no change, in fact we are going to be adding new products and all of which are going to be designed here in India as it has in the past.

Manish Shukla: Just one last question. What is your estimate of the likely timeframe for the regulatory approach?

Mohit Talwar: Well, it is difficult to give you an exact timeline. But, I would imagine that it would take about two to three months, if not earlier. One of the advantages in this arrangement is that the Japanese are already present in India so all the diligence and KYC or whatever, which needs to happen, that's already kind of there. So, hopefully that leg of the transaction would be cut short. So, we are hoping that within the next sixty-ninety days we should get our approvals on this.

Moderator: Ladies and gentlemen, if you have a question please press * and 1 on your telephone key pad. Our next question comes from Shrey Loonker from Reliance Mutual Fund.

Shrey Loonker: Good afternoon everybody. Just wanted to check, you mentioned that there is a saving of 77 crore on New York Life. Is the present agreement with Mitsui watertight enough to not entail something like this in the future or is it just an as of now situation?

Mohit Talwar: If I got your question right, what you are saying is, is there anything in the shareholder agreement which talks about brand fee? Is that your question?

Shrey Loonker: Yes, brand fee, technical fee, any other nomenclature?

Mohit Talwar: No, like I said, there is nothing in there whereby any of these sorts of payments are to be made in the future. This is as of now. We were paying a brand fee to New York Life and that's now waived and that aggregates 77 crore.

Shrey Loonker: Correct. I am just trying to understand, is there an avoidance clause in the agreement or is it just that there is no mention of it. So, I am just trying to understand in the future, say two years, three years down the line, if they were to demand, is there any protection that we have, is the agreement watertight enough to avoid that situation?

Mohit Talwar: Well, they don't have an affirmative right on that. So, they could request at best. And then it's for us to decide whether we entertain that request or not. But, there is no avoidance, there is no affirmation. It's just that, it is not there in the shareholder agreement at this point in time.

Shrey Loonker: That's helpful. This 77 crore saving, I am just trying to understand, because there is some bit of lack of understanding on our part on this. Does it impact our cost overrun significantly?

Jatin Khanna: Shrey, this is Jatin. It would normally impact the cost overruns, but as you would imagine that there is rebranding etc. which is involved. Now that rebranding cost etc. will be made out of this 77 crore savings. So, from that standpoint it will not reduce cost overruns.

Mohit Talwar: If nothing had really changed, then yes, 77 crore would have made a difference. Since we are getting into a new arrangement here, there would be some amount of what we call, the transition cost. And I think this 77 crore will help in terms of defraying some of those costs.

Shrey Loonker: I think in the press meet it was elucidated that we would open inorganic route as well, given the cash war chest that we have now. Could you just elaborate more on that, just a thinking of philosophy?

Mohit Talwar: Yes, there was some mention of that, but Shrey you tell me, what inorganic opportunity exists today? I see none. We have the bottom quartile players and unless there is a strong value proposition, I don't think we would venture that path. So, like I said in the near term, we anyway have our hands full with lots that's happening within the group. And 800 crore, I don't know whether it's a huge war chest, but it is a very decent number. So, at this point in time, at least in the near term I don't expect any inorganic opportunities in the life insurance space. But, going forward we don't know, let's see. We are open to it.

Shrey Loonker: Can I take more questions or you want me to fall back in the queue?

Mohit Talwar: It depends on the moderator. I am happy to answer your questions.

Shrey Loonker: We are running a very healthy solvency surplus in our life insurance business. What is the steady state solvency business that both the JV partners will be amicable to? And how does the situation resolve itself? If you could just help me understand the whole, on a steady state capitalization level of the JV, of the insurance JV?

Mohit Talwar: I can tell you the, first of all this is not something which we have discussed with Mitsui Sumitomo at this point in time, other than the fact that at any point in time there is going to be a healthy solvency ratio in the joint venture. What I can tell you is that, there is 150% solvency ratio which is prescribed by IRDA. The arrangement with New York Life was very clear that we would, if it is 150, we would be at 170. If it was 170, we would be at 190. So, there would always be some kind of a cushion over and above the prescribed margins. I think going forward, this is a healthy trend. We like to be in a solvent situation. The policy holders like to believe that, like to see that as well. So, we would be at a level which is more than the prescribed ratio, but there is nothing which has been inked between the two JV partners.

Jatin Khanna: The other thing Shrey which I would like to add here is that, we have done lot of projections in terms of the most aggressive growth scenario to the most pessimistic scenario on the life insurance side. The business doesn't need any more capital ever. So, from 170% threshold level, we will always be adequately capitalized to meet the solvency.

Shrey Loonker: Right. If you could just help us understand, say for a 20% CAGR growth henceforth, how much excess capital are we sitting on as of today?

Jatin Khanna: Our business plans are around a similar number and whatever capital we are currently sitting on is in a way excess capital only, because as the life insurance product starts maturing, especially on the participating side, there is lot of solvency capital which gets built in through the surplus of the traditional portfolio. And that as per the regulations is available against your solvency margins. So, therefore we will always have a very, very healthy solvency situation till the time the regulatory framework remains the way it is.

Shrey Loonker: And would it be appropriate to say, the only way to claw down the solvency surplus ratio is either achieve a far higher growth rate than budgeted or pay out dividend from the life insurance JV? Are these the only two ways that the solvency ratio can be normalized?

Jatin Khanna: Actually, let me first answer the second one. Unfortunately the solvency ratio cannot be normalized through the dividend, because as you all know, the law stands that you will have to either first wipe out your accumulated losses or depreciation before you can declare any dividend. So, that itself leaves about 1,100 crore of solvency surplus in the business. Now, even if we were to dividend out this year's profits, they will be in a very healthy situation from a net worth standpoint. Now beyond that the surplus in the participating point will just add on to solvency. So, therefore even if we were to grow aggressively, but I don't know what will happen in 100%-200% growth scenario, but of course if 20 becomes 25 or 30, I don't see a capital shortfall situation.

Shrey Loonker: Right. But, in that case then what would be the unabsorbed depreciation, once we write that off we would become eligible to pay out dividends?

Jatin Khanna: That was written off in FY11. FY12 only had a residual amount of 4 crore.

Shrey Loonker: Only 4 crore?

Jatin Khanna: Yes.

Shrey Loonker: So, once we absorb this 4 crore of unabsorbed depreciation through our profits, the remaining profits are technically free to be distributed.

Jatin Khanna: That's right and which you would already know, first nine months, Max New York Life had made 338 crore of profit.

Shrey Loonker: Correct. So, almost the entire amount is as of now distributable in the form of dividends with no strings attached.

Mohit Talwar: You will appreciate that we haven't had our board meeting, so I don't want to kind of walk that path at this stage please.

Shrey Loonker: No, no, I am not ending at an indication; I am just trying to understand in theory what prevails.

Mohit Talwar: Yes, in theory you are right.

Shrey Loonker: That's fair. Just the last question. On the market positioning, we were number four for almost the whole of this year. Could you just elucidate how we want to be in terms of market positioning, is there a market share in mind, is there a positioning in mind? Or how, what would be the strategy there for the next two-three years? Because, I believe the other insurance peers have kind of prepared their balance sheet and their structures and they also have aspirations to grow in the next year. So, just wanted to think how are we thinking? Are we tracking growth rate which will be higher than the industry going forward or will it be in line?

Mohit Talwar: So, our business plan, the way it's been framed is that we would be higher than what the private market is. Having said that, we are not chasing market share, we are looking for strong profitable growth. And lastly I would like to just say that, whatever we do, whenever we do, we would like to be amongst of what we believe the top quartile player. And top quartile really means the top five or six; we would like to be in that space. Hopefully we will be there.

Shrey Loonker: That's very helpful. Yes, thank you very much and all the best.

Mohit Talwar: Thank you Shrey.

Moderator: Ladies and gentlemen, if you have a question, please press * and 1 on your telephone key pad. Our next question comes from Vishal Modi from HDFC Securities. Sorry sir, the line is not active.

There are no further questions. Now, I hand over the floor to Mr. Mohit Talwar Talwar, Deputy Managing Director of Max India Limited for closing comments.

Mohit Talwar: Thank you ladies and gentlemen. I do hope that this call was useful for; if there are any additional questions, please do not hesitate to get into touch with us. And there will be a recording of this call, so in case if anybody has missed out or anything, you are most welcome to kind of hear the transcripts. And we look forward to more interaction going forward. Thank you again.

Moderator: Ladies and gentlemen, this concludes your conference for today. The replay will be available from 16th April to 20th April. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.