

Max India Limited

Investor Release February, 2014

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Max India – Q3FY14 Key Highlights

Max India

- Operating revenue grows 14% to Rs. 2,329 Cr
- PBT up 72% to Rs.77 Cr

Max Life

- APE grows 20% to Rs.453 Cr.; YTD Private market share up 120bps to 10.2%
- Expense ratio improves from 28.3% to 26.3%
- Shareholder PBT grows 12% to Rs. 134 Cr
- Conservation ratio** improves to 80.9% vis-à-vis 78.8% in Q3FY13

Max Healthcare

- Revenue grows 21% to Rs.360 Cr
- EBITDA grows 29% to Rs.32 Cr
- Network of hospitals records cash profit of Rs.12 Cr in 9MFY14 versus cash loss of Rs. 8 Cr in 9MFY13

Max Bupa

- GWP for Q3FY14 up 36% to Rs. 76 Cr
- 3 banca tie-ups: Standard Chartered, Ratnakar & Deutsche Bank

Antara

- First project at Dehradun launched successfully, construction work commenced after all regulatory approvals
- Strong response from target market with encouraging sales momentum

Consolidated Financial Snapshot (Q3 & 9MFY14)

(Rs. Cr.)

Particulars	Quarter ended		Y-o-Y Growth	Nine months ended		Y-o-Y Growth
	Dec-13	Dec-12		Dec-13	Dec-12	
Total Revenue*	3,376	2,677	26%	7,943	8,156	-3%
Operating Revenue	2,329	2,050	14%	6,208	5,711	9%
EBITDA	136	101	34%	385	1,126	-66%
PBT	77	45	72%	212	963	-78%

Particulars	31-Dec-13	31- Mar-13	Growth
Net Worth	3,012	2,903	4%
Preference Shares	65	125	-48%
Loan Funds	642	676	-5%
Fixed Assets (Net Block)	1,461	1,361	7%
Treasury Corpus (Debt M. Funds & Term Deposits)	252	409	-38%
Life Insurance Investments (AUM)	23,132	20,458	13%

*Revenue comprises of operating revenue, investment & other income; It includes Investment gain on UL portfolio (MLIC) of Rs. 957 Cr in 9MFY14, against Rs. 1,040 Cr in 9MFY13. In Q3FY14 MLIC UL Invt gain Rs 776 Cr vs Rs 414 Cr in Q3FY13

Revenue and Profitability

- APE* for Q3FY14 at Rs. 453 Cr., grows 20% y-o-y
- Max Life share of private market up from 9.0% in 9MFY13 to 10.2% in 9MFY14
- Gross Premium Income for Q3FY14 grows 11% to Rs. 1,841 Cr.
- Product mix for the quarter: Par 75%, Non-par 8%, ULIP 17%
- Expense ratio improves from 28.3% in Q3FY13 to 26.3% in Q3FY14
- Shareholder Profit Before Tax for Q3FY14 up 12% to Rs. 134 Cr

Other Key Metrics

- AUM at Rs. 23,132 Cr. as at Dec 31, 2013; grows 15% y-o-y
- Over 3.6 million policies in-force; grows 3% y-o-y
- Sum assured in-force exceeds Rs. 191,000 Cr. as at Dec 31, 2013; grows 16% y-o-y
- Conservation ratio** improves to 80.9% vis-à-vis 78.8% in Q3FY13
- Digital Channel launch gains encouraging response
- New Work System for agency continues to bear fruit as agency records 8.5% growth vis-à-vis Q3FY13
- Business capitalised at Rs. 2,127 Cr. as at Dec 31, 2013; solvency surplus of Rs. 2,127 Cr. and solvency margin at 530%

*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	9 months ended		Y-o-Y Growth
		Dec'13	Dec'12		Dec'13	Dec'12	
a) Gross written premium income	Rs. Crore						
First year premium		446	378	18%	1,165	1,022	14%
Renewal premium		1,265	1,187	7%	3,366	3,276	3%
Single premium		129	94	37%	315	262	20%
Total		1,841	1,659	11%	4,846	4,560	6%
b) Shareholder Profit (Pre Tax)	Rs. Crore	134	120	12%	382	361	6%
c) Expenses of Management Ratio	%	26.3%	28.3%	-	28.3%	28.9%	-
d) Individual Adjusted Premium (APE*)	Rs. Crore	453	377	20%	1,162	1,013	15%
e) Conservation ratio		80.9%	78.8%	2.7%	78.3%	77.5%	1.1%
f) Average case size (Agency)	Rs.	30,122	23,114	30%	28,699	23,408	23%
g) Case rate per agent per month	No.	0.43	0.56	-23%	0.41	0.49	-16%
h) Number of agents (Agency)	No.	43,120	37,146	16%	43,120	37,146	16%
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	3%	36	35	3%
k) Sum insured in force (Including Group)	Rs. Crore	191,379	164,293	16%	191,379	164,293	16%

*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 Q3FY14 grows 21% y-o-y to Rs.360 Cr
- Average Revenue per Occupied bed day* for Q3FY14 up 5% to at Rs. 25,952

Profitability

- Contribution for Q3FY14 at Rs. 223 Cr., grows 20% y-o-y
- Q3FY14 EBITDA at Rs.32 Cr, grows 29% y-o-y
- Cash profit for Q3FY14 up 137% to Rs. 9 Cr.
- EBITDA drag from new hospitals gradually declining; 2 of the 4 new hospitals have achieved EBITDA level break-even

Other Drivers

- Avg. Occupancy** across all healthcare care facilities improves to 75.3% in Q3FY14 from 69.6% in Q3FY13, despite 10% increase in avg. operational beds.
- Average length of stay stable at 3.5 days
- Registered patient base touching 2 million
- 2051 Physicians on roll vis-à-vis 2013 in Q3FY13

* 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	9 months ended		Y-o-Y Growth
		Dec-13	Dec-12		Dec-13	Dec-12	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		200	181	11%	581	527	10%
Day Care Revenue		12	10	27%	32	26	25%
Outpatient Revenue		62	60	3%	189	178	6%
Other Operating Income		(1)	2	-	-1	6	-
Total		273	253	8%	801	737	9%
b) Profitability							
Contribution Margin	Rs. Crore	169	156	8%	492	448	10%
Contribution (%)	%	61.9%	61.7%		61.4%	60.8%	
EBITDA	Rs. Crore	33	33	-	91	81	12%
EBITDA (%)	%	12.0%	13.0%		11.3%	10.9%	
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		21,396	20,667	4%	62,274	54,358	5%
Day care Procedures		4,193	3,354	25%	11,478	10,197	13%
Outpatient Registrations		742,441	794,519	(7%)	2,234,097	2,397,231	(7%)
d) Average Inpatient Operational Beds	No.	1,050	1,012	4%	1,029	993	4%
e) Average Inpatient Occupancy	%	76.7%	76.6%	-	76.4%	75.7%	-
f) Average Length of Stay	No.	3.46	3.50	1%	3.47	3.48	-
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	27,073	25,387	7%	26,895	25,492	6%

*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

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months ended		Y-o-Y Growth
		Dec-13	Dec-12		Dec-13	Dec-12	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		71	37	94%	186	77	141%
Day Care Revenue		1	1	62%	4	2	77%
Outpatient Revenue		12	7	82%	34	17	102%
Other Operating Income		-	-	-	(1)	1	-
Total		84	44	90%	223	97	131%
b) Profitability							
Contribution Margin	Rs. Crore	52	29	78%	141	64	120%
Contribution (%)	%	61.9%	66.2%	-	63.1%	66.1%	-
EBITDA	Rs. Crore	(2)	(8)	81%	(11)	(32)	67%
EBITDA (%)	%	(1.9%)	(18.7%)	-	(4.7%)	(32.6%)	-
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		8,232	4,870	76%	21,608	11,221	93%
Day care Procedures		738	474	56%	2,088	1,300	61%
Outpatient Registrations		191,631	113,904	68%	570,693	284,941	100%
d) Average Inpatient Operational Beds	No.	461	366	26%	420	283	48%
e) Average Inpatient Occupancy	%	72.3%	50.4%	-	69.2%	47.5%	-
f) Average Length of Stay	No.	3.73	3.63	(3%)	3.70	3.35	(9%)
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	23,247	21,667	7%	23,330	20,935	11%

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

Business Drivers

- Gross Written Premium for Q3FY14 grows 36% to Rs 76 Cr while net earned premium records 89% rise to Rs.64 Cr
- Conservation ratio for Q3FY14 stable at 80%
- Urban lives-in-force over 630K, 166K lives covered in Q3FY14
- Overall enrolled lives cross 1.8 million mark
- B2C market share is ~8% (2013) Vs ~6% (2012) amongst private players, a gain of 2%
- Market rank (private players) improved from 10 (2012) to 7 in (2013)

Capital Requirement

- Rs. 601 Cr. Capital infused as at December 31, 2013

Products & Distribution

- 2 new Bancassurance tie-ups signed with Standard Chartered Bank and Ratnakar Bank; Deutsche Bank launch records encouraging response
- GHI (wider group insurance) base product approved by IRDA. This will expand B2B (affinity group) and Banca opportunity
- Distribution Network
 - Office network stands at 21
 - Provider network expanded further to over 3,400 hospitals

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months ended		Y-o-Y Growth
		Dec-13	Dec-12		Dec-13	Dec-12	
a) Gross written premium income	Rs. Crore						
First year premium		41	33	23%	112	86	30%
Renewal premium		35	23	54%	94	47	100%
Total		76	56	36%	206	133	55%
b) Net Earned Premium	Rs. Crore	64	34	89%	169	88	92%
c) Average premium realization per life	Rs.	5,312	5,127	4%	5,310	5,083	4%
d) Conservation ratio (B2C)	%	80%	81%	-	81%	78%	-
e) Claim Ratio	%	48%	64%	-	58%	60%	-
f) Number of agents	No.	10,534	8,217	28%	10,534	8,217	28%
g) Paid up Capital	Rs. Crore	601	476	26%	601	476	26%
h) No. of Lives (excl Rural & Social)	No.	166,047	121,400	37%	457,639	297,113	54%

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months Ended		Y-o-Y Growth
		Dec-13	Dec-12		Dec-13	Dec-12	
a) Sales Quantity – BOPP	Tons	12,179	12,435	-2%	35,171	38,721	-9%
b) Revenue	Rs. Cr.	198	168	18%	551	549	0%
c) Profitability:							
Contribution Margin	Rs. Cr.	30	19	55%	88	82	7%
	%	15%	12%		16%	15%	
EBITDA	Rs. Cr.	15	6	158%	42	41	2%
	%	7%	3%		8%	7%	
PBT	Rs. Cr.	3.2	(3.9)	-	10	12	-19%
	%	2%	-2%		2%	2%	

- Revenue up 18% over Q3FY13 on the back of 21% higher realisations
- Improved realisations led to 158% higher EBITDA vis-à-vis Q3FY13
- MSF continues to operate at peak capacity vis-à-vis 65-70% industry average
- Jaideep Wadhwa appointed as CEO w.e.f February '14.
 - Carries a 27 year strong track record in leading manufacturing business (Ingersoll Rand, Tomkins plc)
 - Joins MSF from Actis where he spent the last 2 years as a Director

Financial Performance

- Total Revenue for Q3FY14 at Rs. 4.1 Cr vis-à-vis Rs.7.4 Cr in Q3FY13 as regulatory approvals continue to impact the industry
- Despite significant revenue reduction, pro-active cost rationalisation limits EBITDA level loss to Rs.0.9 Cr as against EBITDA of Rs.0.1 Cr in Q3FY13;
- Loss before tax at Rs. 1 Cr versus loss of Rs. 0.1 Cr for Q3FY13

Operational Performance

- Current order book stands at Rs. 18.6 Cr.
- Client base stands at 117
- 331 studies being executed across 550 sites
- Database of principal investigators maintained at 2,000 physicians
- Patient retention rate maintained at 92% in Q3FY14

MAX INDIA LTD.

Max House, Okhla, New Delhi – 110 020

Phone: +91 11 26933601-10 Fax: +91 11 26933619

Website: www.maxindia.com