

Max India Limited

Investor Release February, 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.

Max India

- ***Structural clarity to be achieved by vertical split of Max India into 3 separate listed entities with mirror shareholding and divestment of clinical research:***
 - Max Financial Services (Life Insurance)
 - Max India (Healthcare, Health Insurance, Senior Living, Corporate Management Services and others)
 - Max Ventures and Industries (Specialty Films)
 - Max Neeman in the process of being divested to a Canadian CRO for US 1.5 Mn

Max Life

- GWP grows 11% to Rs. 2052 Cr. While APE grows 8%
- Expense ratio improves from 26.3% to 25.2%
- AUM grows 26% to Rs. 29,262 Cr.
- Conservation ratio up 80 bps to 81.7%

Max Healthcare

- IFC investment of Rs. 31 Cr. to maintain shareholding at 7.5% and redemption of preference shares implemented. Max India and LHC to hold 46% stake each
- Revenue grows 22% to Rs. 437 Cr.
- EBITDA grows 34% to Rs. 42 Cr.

Max Bupa

- In-principle understanding achieved with Bupa for resetting the JV to 51:49. Cash inflow of Rs. 182 Cr. assuming implementation by March 31, 2015
- GWP for Q3FY15 up 18% to Rs. 90 Cr. while B2C GWP grows 47%
- Average premium realization up 22%; Conservation ratio highest ever at 93%

Consolidated Financial Snapshot^ (Q3 & 9MFY15)

(Rs. Cr.)

Particulars	Quarter ended		Y-o-Y Growth	Nine month ended		Y-o-Y Growth
	Dec-14	Dec-13		Dec-14	Dec-13	
Total Revenue	3,779	3,376	12%	10,756	7,943	35%
Operating Revenue	2,477	2,328	6%	6,936	6,208	12%
EBITDA	293	135	117%	618	385	61%
PBT	235	77	206%	429	212	102%

Particulars	31-Dec-14	31- Mar-14	Growth
Net Worth	3,267	2,984	9%
Preference Shares	-	65	-
Loan Funds	571	702	-19%
Fixed Assets (Net Block)	1,111	1,495	-26%
Treasury Corpus (Debt M. Funds & Term Deposits)	728	247	195%
Life Insurance Investments (AUM)	29,262	24,716	18%

- Max Healthcare results consolidated on proportionate basis as it becomes a JV as opposed to a subsidiary earlier impacting revenue and PBT growth
- Gain from stake sale in Max Healthcare to Life Healthcare of Rs. 296 Cr. included in revenue and Rs 265 Cr. included in EBITDA/ PBT
- Expenses of Rs. 77 Cr. being carried forward to be charged over future projects of Antara recognized in the Q3 P&L as current focus is on ensuring the success of first project

Revenue and Profitability

- GWP for Q3FY15 grows 11% to Rs. 2,052 Cr while APE* growth was relatively slower at 8% due to large base effect from Oct'13 (60% y-o-y growth); robust growth trajectory continues in November and December
- Max Life share of private market stable at 10.2% in 9MFY15
- Product mix for the quarter: Par 51%, Non-par 25%, ULIP 24% as GIP (non-par) launched in Q3FY15
- Expense ratio improves from 26.3% in Q3FY14 to 25.2% in Q3FY15 as operating expenses reduce from 17% to 16.2% led by continuous cost-save initiatives
- Shareholder Profit Before Tax declines from Rs.134 Cr to Rs. 73 Cr on account of change in product mix to drive higher margins. Non-par and ULIP sales at 49% of new business for Q3FY15 vis-à-vis 25% in Q3FY14

Other Key Metrics

- AUM at Rs. 29,262 Cr. as at Dec 31, 2014; grows 26% y-o-y
- Over 3.63 million policies in-force as at Dec 31, 2014
- Sum assured in-force exceeds Rs. 211,000 Cr. as at Dec 31, 2014; up 10% y-o-y
- Conservation ratio improves 80 bps to 81.7%
- Business capitalised at Rs. 2,013 Cr. as at Dec 31, 2014; solvency surplus of Rs. 2,271 Cr. and margin at 469%

*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'14	Dec'13		Dec'14	Dec'13	
a) Gross written premium income	Rs. Cr						
First year premium		480	446	8%	1,267	1,165	9%
Renewal premium		1,399	1,265	11%	3,754	3,366	12%
Single premium		174	129	34%	426	315	35%
Total		2,052	1,841	11%	5,447	4,846	12%
b) Shareholder Profit (Pre Tax)	Rs. Cr	73	134	-45%	356	382	-7%
c) Expense Ratio	%	25.2%	26.3%	-	26.7%	28.4%	-
d) Individual Adjusted Premium (APE*)	Rs. Cr	489	453	8%	1,281	1,162	10%
e) Conservation ratio**		81.7%	80.9%		82.9%	78.3%	
f) Average case size (Agency)	Rs.	37,930	30,122	26%	33,067	28,699	15%
g) Case rate per agent per month	No.	0.29	0.43	-32%	0.30	0.41	-27%
h) Number of agents (Agency)	No.	47,128	43,120	9%	47,128	43,120	9%
i) Paid up Capital***	Rs. Cr	2,013	2,127	-5%	2,013	2,127	-5%
j) Individual Policies in force	No. Lacs	36.3	35.8	1%	36.3	35.8	1%
k) Sum insured in force (Including Group)	Rs. Cr	211,401	191,379	10%	211,401	191,379	10%

*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)

*** Due to buyback of 1% stake from Axis Bank as per the agreed arrangement and proportionate stake from MSI to maintain foreign holding at 26%

Revenue

- Revenue across network of hospitals for Q3FY15 grows 22% y-o-y to Rs. 437 Cr
- Avg. Occupancy** across healthcare facilities at 69.4% in Q3FY15 against 75.3% in Q3FY14. Lower incidence of Dengue in NCR leads to this decline
- However, improved business mix results in 16% increase in Average Revenue per Occupied bed day* for Q3FY15, which is now close to Rs. 30K, more than making up for decline in average occupancy

Profitability

- Contribution margin for Q3FY15 grows 24% and contribution margin improves from 62% to 63.2%
- Q3FY15 EBITDA at Rs. 42 Cr, grows 34% y-o-y
- Cash profit for Q3FY15 up 141% to Rs. 22 Cr while YTD cash profit stood at Rs. 62 Cr, up 429%

Other Drivers

- Average length of stay improves 5% to 3.36 days
- Registered patient base stands close to 2.4 million
- 2164 Physicians on roll vis-à-vis 2095 in Q3FY14

* 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-14	Dec-13		Dec-14	Dec-13	
a) Revenue (Gross)	Rs. Cr						
Inpatient Revenue		329	272	21%	964	768	26%
Day Care Revenue		16	13	19%	45	36	25%
Outpatient Revenue		94	75	26%	281	223	26%
Other Operating Income		(2)	-	-	(2)	3	-
Total		437	360	22%	1288	1030	25%
b) Profitability							
Contribution (%)	%	63.2%	62.0%	-	62.4%	61.7%	-
EBITDA	Rs. Cr	42	32	34%	128	80	60%
EBITDA (%)	%	9.7%	8.8%	-	9.9%	7.7%	-
Cash Profit	Rs. Cr	22	9	141%	62	12	429%
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		32,649	29,628	10%	98,643	83,882	18%
Day care Procedures		6,805	4,745	43%	19,850	13,325	49%
Outpatient Registrations		1,072,689	934,258	15%	3,304,297	2,805,031	18%
d) Average Inpatient Operational Beds	No.	1,717	1,511	14%	1,659	1,449	15%
e) Average Inpatient Occupancy	%	69.4%	75.3%	-	74.1%	74.3%	-
f) Average Length of Stay	No.	3.36	3.53	5%	3.43	3.53	3%
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	29,996	25,952	16%	28,512	25,933	10%

*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

Business Drivers

- Gross Written Premium for Q3FY15 grows 18% to Rs. 90 Cr. while Net earned premium records 28% rise to Rs. 82 Cr.
- B2C GWP continues its strong trajectory with a 47% growth and accounted for 94% of GWP for Q3FY15 vis-à-vis 75% in Q3FY14; B2C First year premium grows 23%
- Average premium realisation increases 22% as share of Platinum, Gold and EFF products in GWP increases from 67% in Q3FY14 to 69% in Q3FY15
- Conservation ratio for Q3FY15 highest ever at 93%
- Urban lives-in-force over 805K, 177K+ lives covered in Q3FY15

Products & Distribution

- B2C market share increases to 9% (Apr-Dec'14) Vs 6.7% (Apr-Dec'13) of private players
- Bancassurance continues to gain traction as Banca and Alliances' contribution to GWP increases to 21% in Q3FY15 vis-à-vis 11% in Q3FY14
- Distribution Network
 - Office network expanded to 26 as against 21 in Q3FY14
 - Provider network expanded further and now touching 3,500 hospitals

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months ended		Y-o-Y Growth
		Dec-14	Dec-13		Dec-14	Dec-13	
a) Gross written premium income	Rs. Cr						
First year premium*		34	41	(18%)	97	112	(14%)
Renewal premium		56	35	61%	152	94	62%
Total		90	76	18%	249	206	21%
b) Net Earned Premium	Rs. Cr	82	64	28%	235	169	39%
c) Net Profit / Loss Before Tax	Rs. Cr	(19)	(21)	10%	(67)	(83)	19%
d) Claim Ratio (B2C Segment)	%	51%	38%	-	52%	50%	-
e) Av. premium realization per life (B2C)	Rs.	6,478	5,312	22%	6,278	5,310	18%
f) Conservation ratio (B2C Segment)	%	93%	84%		90%	84%	
g) Number of agents	No.	9,756	10,534	(7%)	9,756	10,534	(7%)
h) Paid up Capital	Rs. Cr	763	601	27%	763	601	27%

* B2C First year premium growth at 23% for Q3FY15

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Nine months ended		Y-o-Y Growth
		Dec-14	Dec-13		Dec-14	Dec-13	
a) Sales Quantity – BOPP	Tons	10,399	12,152	-14%	32,885	35,113	-6%
b) Revenue	Rs. Cr.	175	197	-11%	565	550	3%
c) Profitability:							
Contribution	Rs. Cr.	30	25	22%	100	83	20%
Contribution Margin	%	17%	13%		18%	15%	
EBITDA	Rs. Cr.	17	15	10%	54	43	26%
EBITDA Margin	%	9%	8%		10%	8%	
PBT	Rs. Cr.	0.4	2	-80%	6	7	-14%
Margin	%	0.2%	1%		1%	1%	

- 14% drop in Sales Quantity is predominantly because of shift to high margin yielding thin films
- Higher realisations per unit coupled with cost rationalisation, lead to 10% higher EBITDA vis-à-vis Q3FY14
- Decline in PBT is on account of higher interest cost on fresh borrowings consequent to transfer of MSF to a subsidiary resulting in liquidity of Rs. 110 cr. for Max India
- Continues to aggressively tap growth opportunities with key FMCG brands

Annexure

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months ended		Y-o-Y Growth
		Dec-14	Dec-13		Dec-14	Dec-13	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		235	200	17%	683	581	18%
Day Care Revenue		13	12	8%	39	32	20%
Outpatient Revenue		76	62	22%	228	189	21%
Other Operating Income		(3)	(1)	-	(8)	(1)	-
Total		321	273	18%	942	801	18%
b) Profitability							
Contribution (%)	Rs. Crore	64.0%	62.0%	-	62.9%	61.4%	-
EBITDA	%	43	33	30%	122	91	34%
EBITDA (%)	Rs. Crore	13.3%	12.0%	-	12.9%	11.3%	-
Cash Profit	%	26	15	71%	69	42	64%
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		21,981	21,396	3%	66,140	62,274	6%
Day care Procedures		5,190	4,007	30%	15,455	11,237	38%
Outpatient Registrations		820,503	742,627	10%	2,518,049	2,234,338	13%
d) Average Inpatient Operational Beds	No.	1,092	1,050	4%	1,079	1,029	5%
e) Average Inpatient Occupancy	%	73.0%	76.7%	-	76.0%	76.4%	-
f) Average Length of Stay	No.	3.34	3.46	3%	3.41	3.47	2%
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	32,062	27,073	18%	30,284	26,895	13%

*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-14	Dec-13		Dec-14	Dec-13	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		94	71	32%	280	186	50%
Day Care Revenue		3	1	115%	6	3	74%
Outpatient Revenue		18	12	46%	53	34	56%
Other Operating Income		(2)	-	-	(2)	-	-
Total		113	84	34%	337	223	51%
b) Profitability							
Contribution (%)	Rs. Crore	61.8%	62.1%	-	61.4%	63.1%	-
EBITDA	%	-	(2)	-	8	(11)	-
EBITDA (%)	Rs. Crore	-	(1.9%)	-	2.5%	(4.7%)	-
Cash Profit	%	(5)	(7)	30%	(5)	(30)	84%
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		10,668	8,232	30%	32,503	21,608	50%
Day care Procedures		1,615	738	119%	4,395	2,088	113%
Outpatient Registrations		252,186	191,631	32%	786,248	570,693	38%
d) Average Inpatient Operational Beds	No.	625	461	36%	579	420	38%
e) Average Inpatient Occupancy	%	63.2%	72.3%	-	70.5%	69.2%	-
f) Average Length of Stay	No.	3.41	3.73	9%	3.46	3.70	7%
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	25,827	23,247	11%	24,952	23,330	7%

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

* EBITDA for Q3'FY15 is NIL predominantly on account of hiring of team for Oncology to create a dedicated 80-bedded Oncology unit in the Shailmar Bagh hospital

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