



Max India Limited

Investor Release

May, 2014

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 – Q4FY14 Key Highlights

Max India

- Operating revenue up 19% to Rs. 2931 Cr
- PBT grows 120% to Rs. 62 Cr
- Rs. 1.80 final dividend approved translating into payout of 180% for FY14

Max Life

- APE grows 21% while industry de-grows 11%, leads to increase in market share amongst private life insurers to 10%+
- Shareholder Profit (Pre-Tax) for Q4FY14 grows 7% to 121 Cr
- Embedded Value as at FY14 end Rs.3,953 Cr; operating RoEV at 15.6%

Max Healthcare

- Revenue up 20% to Rs.377 Cr
- EBITDA up 50% to Rs. 33.5 Cr
- Cash profit grows 177% to Rs.12.2 Cr

Max Bupa

- GWP up 38% to Rs. 102.5 Cr. and Net Earned Premium up 68%
- Lives covered cross 1.7 million mark (including RSBY)
- Stanchart, Deutsche and Ratnakar banca tie-ups successfully rolled out



Consolidated Financial Snapshot (Q4 & FY14)

(Rs. Cr.)

Particulars	Quarter ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
	Mar-14	Mar-13		Mar-14	Mar-13*	
Total Revenue	3,740	2,468	52%	11,683	10,624	10%
Operating Revenue	2,931	2,470	19%	9,139	8,180	12%
EBITDA	121	87	39%	506	1,213	-58%
PBT	62	28	120%	274	991	-72%

Particulars	31-Mar-14	31- Mar-13	Growth
Net Worth	2,984	2,903	3%
Preference Shares	65	125	-48%
Loan Funds	702	676	4%
Fixed Assets (Net Block)	1,495	1,361	10%
Treasury Corpus (Debt M. Funds & Term Deposits)	235	409	-43%
Life Insurance Investments (AUM)	24,716	20,458	21%

*Revenue comprises of operating revenue, investment & other income; It includes Investment gain on UL portfolio (MLIC) of Rs. 1470 Cr in FY14, against Rs. 810 Cr in FY13. In Q4FY14 MLIC UL Invt gain Rs 510 Cr vs loss of Rs 230 Cr in Q4FY13

*FY13 numbers include one off profits of Rs. 794 Cr. from sale of stake in Life Insurance business to Mitsui Sumitomo Insurance

Revenue and Profitability

- APE for Q4FY14 up 21% to Rs. 607 Cr while private insurance industry records 11% de-growth
- Gross Premium Income for Q4FY14 at Rs. 2,433 Cr; records 17% y-o-y growth
- Product mix for the quarter: Par 61%, Non-par 4%, ULIP 36%
- Expense ratio further improves from 25.8% to 24% for Q4FY14
- Shareholder Profit Before Tax for Q4FY14 grows 7% to 121 Cr

Other Key Metrics

- AUM at Rs. 24,716 Cr. as at March 31, 2014; grows 21% y-o-y
- Over 3.6 million policies in-force; grows 2% y-o-y
- Sum assured in-force close to Rs. 200,000 Cr. as at March 31, 2014; grows 18% y-o-y
- Conservation ratio improves to 83.7% in Q4FY14 vis-à-vis 80.7% for Q4FY13
- Business capitalised at Rs. 2,127 Cr. as at March 31, 2014; solvency surplus of Rs. 2,043 Cr. and solvency margin at 485% despite distribution of dividends during the year
- NWS offices deliver 15% growth for FY14 contributing to overall agency growth of 6% in FY14
- Embedded Value stands Rs.3,953 Cr as at March 31, 2014 post Rs. 309 Cr dividend payment to shareholders; operating RoEV (Return on Embedded Value) at 15.6% pre-dividend



Max Life Insurance



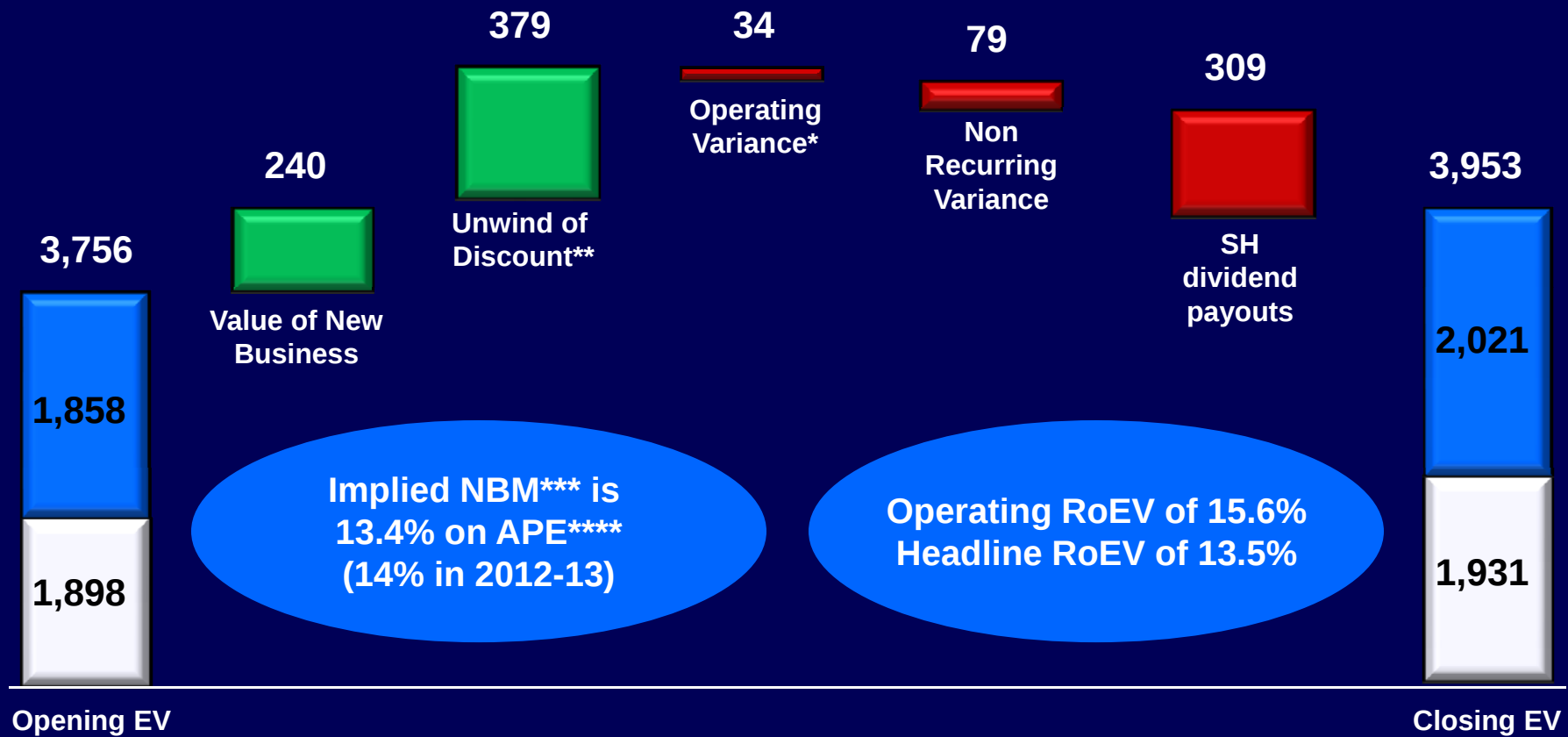
Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Mar'14	Mar'13		Mar'14	Mar'13	
a) Gross written premium income	Rs. Crore						
First year premium		623	507	23%	1,787	1,529	17%
Renewal premium		1,651	1,464	13%	5,017	4,739	6%
Single premium		159	108	48%	474	370	28%
Total		2,433	2,079	17%	7,279	6,639	10%
b) Shareholder Profit (Pre Tax)	Rs. Crore	121	114	7%	503	475	6%
c) Expense to Gross Premium	%	24.0%	25.8%	7%	27.1%	28.4%	6%
d) Individual Adjusted Premium (APE*)	Rs. Crore	607	500	21%	1,769	1,513	17%
e) Conservation ratio (Old Definition)		83.7%	80.7%	3.7%	80.0%	78.5%	2.0%
f) Average case size (Agency)	Rs.	30,316	25,109	21%	29,127	23,856	22%
g) Case rate per agent per month	No.	0.41	0.53	-22%	0.41	0.50	-18%
h) Number of agents (Agency)	No.	42620	35384	20%	42620	35384	20%
i) Paid up Capital	Rs. Crore	2,127	2,127	0%	2,127	2,127	0%
j) Individual Policies in force	No. Lacs	36.29	35.55	2%	36.29	35.55	2%
k) Sum insured in force (Including Group)	Rs. Crore	199,660	169,167	18%	199,660	169,167	18%

*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. Cr.

March 31, 2014



Denotes increase to EV



Net Worth



Denotes decrease to EV



Value of In-force business

* Includes Rs 6 crs of cost underrun..

** 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. 40 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 100%).



Max Life – Key Assumptions to Embedded Value



Economic Assumptions

Cash/Money Market/TB	8.5%
G Secs	8.8%
Corporate Bonds	9.6%
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	14.1625% (12.5% + 10% surcharge + 3% education cess)

The economic assumptions used are internally consistent and have been set with regard to current economic conditions

Operating Assumptions

Operating assumptions like mortality, morbidity and lapses are set on a best estimate basis, based on Company's own experience where available. Maintenance expense assumptions are in line with the current experience and acquisition expense assumptions are based on structural level expenses



Max Life – Sensitivities to Embedded Value



Base Case (% change*)	Value of In force	Value of New Business
Mortality +10%	-2.20%	-5.20%
Mortality -10%	2.20%	5.20%
Lapses +10%	-3.90%	-6.50%
Lapses -10%	4.20%	7.20%
Maintenance Expenses +10%	-1.10%	-1.80%
Maintenance Expenses -10%	1.10%	1.80%
RDR +100bps	-4.20%	-7.20%
RDR – 100bps	4.70%	8.00%
Investment Return +100bps and RDR +100 bps	-2.00%	-0.10%
Investment Return -100bps and RDR -100 bps	2.20%	0.00%

* For the purpose of par sensitivity analysis, the impact on enhanced dividends has not been allowed for.



Max Life Embedded Value – Basis of Preparation



Max Life's Embedded Value is guided by the European Embedded Value (EEV) principles and is consistent with the reporting of traditional embedded values on a deterministic basis

Allowance for risk has been made through the use of a single risk discount rate ("Top down discount rate approach"), including allowance for the time value of financial options and guarantees

Explicit allowance is made for the cost of capital where the capital is defined as the higher of the internal required solvency margin (being 170% of the Minimum Required Solvency Capital) and the internal economic capital requirement

Operating experience assumptions are set on a best estimate basis, reflecting the Company's recent experience as well as the expected future experience adjusted for Management actions and non recurring factors contributing to current experience in order to avoid arbitrary changes in assumptions

Operating experience assumptions are monitored on a six-monthly basis at a granular level, including channel and product, and are reviewed by the Product, Actuarial and Risk Management Committee of the Board

The EV assessment does not include any value generated by future new business but various assumptions used to make the assessments are based on the ability of the company to continue writing new business

It is to be noted that the EV methodology is in line with accepted international practices, however the results have not been subject to an external review. The results have been reviewed internally by members of the Product, Actuarial and Risk Management Committee of the Board, including actuaries who have expertise in this area.

Revenue

- Revenue across network of hospitals for Q4FY14 grows 20% to Rs.377 Cr
- Average Revenue per Occupied bed day* for Q4FY14 up 4% to at Rs. 26,996

Profitability

- Contribution for Q4FY14 at Rs. 232 Cr., grows 22% y-o-y
- Q4FY14 EBITDA at Rs.33.5 Cr, grows 50% y-o-y
- Cash profit for Q4FY14 up 177% to Rs. 12.2 Cr.; Network of hospitals turns cash positive at Rs. 24 Cr in FY14
- EBITDA drag from new hospitals down 75% from Rs.11.6 Cr to Rs. 2.9 Cr in Q4FY14

Other Drivers

- Avg. Occupancy** across all healthcare care facilities improves to 74.3% in Q4FY14 significant improvement from 70.6% in Q4FY13, despite 12% increase in avg. operational beds
- Average length of stay maintained around 3.5 days
- Registered patient base crosses 2 million mark
- 2,042 Physicians on board in Q4FY14

* 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-14	Mar-13		Mar-14	Mar-13	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		205	188	9%	786	715	10%
Day Care Revenue		12	9	32%	45	35	27%
Outpatient Revenue		70	64	9%	258	242	7%
Other Operating Income		(2)	4	-	(4)	10	-
Total		285	265	7%	1085	1002	8%
b) Profitability							
Contribution Margin	Rs. Crore	174	159	10%	666	607	10%
Contribution (%)	%	61.3%	59.9%	-	61.4%	60.5%	
EBITDA	Rs. Crore	36	34	7%	127	115	11%
EBITDA (%)	%	12.8%	12.8%	-	11.7%	11.4%	-
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		20,198	19,760	2%	82,472	79,148	4%
Day care Procedures		4,751	3,342	42%	15,988	13,509	18%
Outpatient Registrations		778,985	821,654	(5%)	3,013,323	3,218,886	(6%)
d) Average Inpatient Operational Beds	No.	1,067	1,012	5%	1,038	998	4%
e) Average Inpatient Occupancy	%	74.7%	77.9%	-	76.0%	76.2%	-
f) Average Length of Stay	No.	3.55	3.59	1%	3.49	3.51	1%
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	28,536	26,454	8%	27,304	25,737	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



Max Healthcare – New Hospitals[^]



Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Mar-14	Mar-13		Mar-14	Mar-13	
a) Revenue (Gross)	Rs. Crore						
Inpatient Revenue		74	41	82%	260	118	121%
Day Care Revenue		1	1	75%	5	3	73%
Outpatient Revenue		14	8	74%	48	25	93%
Other Operating Income		-	-	-	(1)	1	-
Total		89	50	79%	312	147	113%
b) Profitability							
Contribution Margin	Rs. Crore	56	32	77%	197	96	106%
Contribution (%)	%	63.1%	63.6%	-	63.1%	65.4%	-
EBITDA	Rs. Crore	(3)	(12)	75%	(13)	(43)	69%
EBITDA (%)	%	(3.3%)	(23.3%)	-	(4.3%)	(29.5%)	-
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		8,588	4,938	74%	30,196	15,966	89%
Day care Procedures		1,033	546	89%	3,121	1,846	69%
Outpatient Registrations		215,172	132,357	63%	785,865	417,492	88%
d) Average Inpatient Operational Beds	No.	477	364	31%	434	304	43%
e) Average Inpatient Occupancy	%	73.4%	50.4%	-	70.4%	48.4%	-
f) Average Length of Stay	No.	3.67	3.38	(9%)	3.69	3.36	(9%)
g) Avg. Revenue/Occupied Bed Day (IP)	Rs.	23,484	24,226	(3%)	23,374	21,960	6%

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

Business Drivers

- GWP for Q4FY14 at Rs 102 Cr, grows 38% y-o-y while net earned premium grows 68% to Rs.68 Cr
- Conservation ratio for Q4FY14 at 86% against 83% in Q4FY13
- Urban lives-in-force cross 662,000, over 205K lives covered in Q4FY14
- Overall enrolled lives cross 1.7 million mark
- Average realizations up 12% to Rs. 5,490 based on higher (77%) proportion of EFF/Gold/platinum sales in Q4FY14 as against 58% in Q4FY13

Products & Distribution

- B2C market share grows to 8.2% (FY14) vs. 6.2% (FY13) amongst private players and rank (private players) improves from 10 (FY13) to 7 in (FY14)
- Deutsche, Standard Chartered and Ratnakar Bancassurance tie-ups successfully launched; Federal Bank to be launched in Q1FY15
- IRDA approval received for Heartbeat V3 – will enable higher realizations and improved features
- Awards:
 - 'Model Insurer Asia of the year' 2014 award by CELENT
 - 'Innovation in Quality of Service Delivery' 2014 by Health care award 2014 (part of world Brand Congress)
- Distribution Network
 - Office network stable at 21 given expanded footprint through Banca
 - Provider network expanded further to over 3,400 hospitals



Max Bupa Health Insurance



Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
		Mar-14	Mar-13		Mar-14	Mar-13	
a) Gross written premium income	Rs. Crore						
First year premium		50	42	20%	163	128	27%
Renewal premium		52	32	61%	146	79	84%
Total		102	74	38%	309	207	49%
b) Net Earned Premium	Rs. Crore	68	40	68%	237	128	85%
c) Conservation ratio (B2C Segment)	%	86%	83%	-	81%	81%	-
d) Average premium realization per life	Rs.	5,490	4,912	12%	5,110	4,706	9%
e) Claim Ratio (B2C Segment)	%	50%	52%	4%	50%	51%	2%
f) Number of agents	No.	11,401	9,398	21%	11,401	9,398	21%
g) Paid up Capital	Rs. Crore	669	554	21%	669	554	21%
h) No. of Lives	No.	205,107	163,577	25%	662,746	460,690	44%

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year ended		Y-o-Y Growth
		Mar-14	Mar-13		Mar-14	Mar-13	
a) Sales Quantity – BOPP	Tons	11,222	12,458	-10%	46,354	51,220	-10%
b) Revenue	Rs. Cr.	195	176	11%	746	725	3%
c) Profitability:							
Contribution Margin	Rs. Cr.	33	20	67%	121	102	19%
	%	17%	11%		16%	14%	
EBITDA	Rs. Cr.	15	1	931%	57	43	33%
	%	7%	1%		8%	6%	
PBT	Rs. Cr.	4.0	(8.3)	-148%	14	4	252%
	%	2%	-5%		2%	1%	

- Revenue up 11% over Q4FY13 as realizations continue upward trend; EBITDA accordingly increases from Rs. 1 Cr to Rs. 15 Cr
- Enhanced tie up with Brands and achieved 36% market share in domestic segment.
- Records Rs.4 Cr Profit before tax vis-à-vis loss of Rs.8.3 Cr in Q4FY13
- Business transferred to a 100% subsidiary w.e.f. 1st April, 2014

Financial Performance

- Total Revenue for FY14 at Rs. 21.5 Cr vis-à-vis Rs. 24 Cr for FY 13 given slowdown in H1 on account of regulatory issues
- Cost containment measures result in positive EBITDA of Rs. 0.1 Cr in FY14 as against a loss of Rs. 1 Cr. in FY13
- Loss before tax reduces to Rs. 0.8 Cr in FY 14 versus loss of Rs. 1.8 Cr for FY13.

Operational Performance

- Current order book stands at Rs. 17 Cr.
- Client base stands at 118
- 335 studies being executed across 551 sites
- Database of principal investigators maintained at 2,000 physicians
- Patient retention rate maintained at 92% in Q4FY14

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