

Max India Limited

Investor Release

Quarter & Half year ended September 30, 2017

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Max India – Key Highlights (Q2 & H1FY18)

1 **Max Healthcare** : Revenue grows 9% to Rs. 1,414 Cr in H1FY18, impacted by regulatory interventions and other temporary factors

2 **Max Healthcare** : EBITDA at Rs. 133 Cr. in H1FY18, declines 5% y-o-y on regulatory impact and other temporary issues. EBITDA, adjusted for regulatory impact, has grown 37% y-o-y. Margins normalised for regulatory impact have expanded sharply by 215 bps to 10%, significantly sharper than the 100-150 bps expansion over last few years

3 **Max Bupa**: Gross Premium grows 26% to Rs 327 Cr in H1; Normalised profit (excluding one-offs) of Rs 9 Cr in H1 vs. net loss of Rs 16 Cr in PY

4 **Max Bupa**: Launched health ATMs - the first such innovation in the country. 20 machines to be launched in Pilot Phase; will be expanded to 100 locations in six months

5 **Antara**: Dehradun community commenced operations in Apr'17; 102 units sold and 32 residents have moved in the community

MHC Network* (Financial Snapshot – Q2 & H1FY18)

Revenues

- Gross revenue for Q2FY18 grows 7% to Rs. 712 Cr, impacted by stent & knee implants price caps, temporary factors such as suspension of cashless insurance since resumed, low vector borne diseases, closure of Inpatient facility in Pitampura , gaps in clinician hiring in Neuro now fill etc.
- We expect revenue growth to recover in Q3 and Q4 as the temporary factors reverse. Strategies under works for mitigating the impact of regulatory interventions over medium-term
- Preferred channels outpaced overall growth... Walk-in : 20%, and International : 16% with expansion of upcountry channel driving 34% growth and sharp focus on new international markets
- Preferred Services... Oncology grows 31% in Q2FY18. Performed 117 surgeries thus far in newly launched Liver Transplant programme
- Avg. Rev./Occupied Bed day in Q2FY18 improves to Rs 43,959, grows 11% y-o-y

Profitability

- EBITDA for Q2FY18 at Rs. 69 Cr, grows 8% q-o-q over Q1FY18 and 43% y-o-y over rebased EBITDA for PY for regulatory interventions
- EBIDTA Margin for Q2 at 10.3%, improved by 267 bps over PY rebased EBIDTA
- To mitigate regulatory impact, cost savings of Rs 93 Cr have been identified, out of which Rs 34 Cr realised in P&L during H1FY18

*The above results are for MHC Network of hospitals, includes results for Max Super Specialty Hospital, Saket, unit of Devki Devi Foundation, Max Super Specialty Hospital, Patparganj, unit of Balaji Medical and Diagnostic Research Centre; Saket City Hospital unit of Gujarmal Modi Hospital & Research Centre and Max Multi Speciality Hospital Greater Noida unit of Four Season Foundation

MHC Network* – Performance Dashboard (Q2 & H1FY18)

Rs Cr

Key Business Drivers	Quarter Ended		Y-o-Y Growth	Half Year Ended		Y-o-Y Growth
	Sep-17	Sep-16		Sep-17	Sep-16	
a) Financial Performance						
Revenue (Gross)	712	667	7%	1,414	1,300	9%
Revenue (Net)	676	640	6%	1,342	1,248	8%
Direct Costs						
Material Cost	169	159	6%	336	319	5%
Clinician Payout	116	109	7%	234	213	10%
Contribution	390	372	5%	773	716	8%
<i>Contribution Margin^</i>	57.8%	58.1%	(26) bps	57.6%	57.4%	17 bps
Indirect Costs						
Personnel Cost	170	148	15%	337	294	15%
Other Indirect overheads	117	113	3%	232	222	4%
HO Costs	34	31	9%	70	60	16%
EBITDA	69	80	-13%	133	140	-5%
<i>EBITDA Margin^</i>	10.3%	12.4%	(217) bps	9.9%	11.2%	(129) bps
Finance Cost	32	35	-9%	64	70	-8%
Cash Profit	37	44	-16%	69	70	-1%
Depreciation	34	30	15%	67	60	12%
Profit Before tax	3	15	-79%	2	10	80%
Tax	1	-	-	2	-	0%
Profit /(loss) after tax	2	15	-83%	(0)	10	-102%
b) Financial Position						
Net Worth	1,124	1,108	1%	1,124	1,108	1%
Net Debt	1,168	1,078	8%	1,168	1,078	8%
Tangible Fixed Assets - Gross Block	2,056	1,985	4%	2,056	1,985	4%

*The above results are for MHC Network of hospitals and includes results for Max Super Specialty Hospital, Saket, unit of Devki Devi Foundation, Max Super Speciality Hospital, Patparganj, unit of Balaji Medical and Diagnostic Research Centre ; Saket City Hospital unit of Gujarmal Modi Hospital & Research Centre & Max Multi Speciality Hospital Greater Noida unit of Four Season Foundation
^ on the basis of net revenue

MHC Network* – Performance Dashboard (Q2 & H1FY18)

Key Business Drivers	Quarter Ended		Y-o-Y Growth	Half Year Ended		Y-o-Y Growth
	Sep-17	Sep-16		Sep-17	Sep-16	
a) Patient Transactions (Nos in lacs)						
Inpatient Discharges	0.53	0.51	5%	1.05	0.99	7%
Day care Procedures	0.13	0.13	1%	0.26	0.25	4%
Outpatient Footfalls	17.99	17.64	2%	35.24	33.51	5%
Total	18.66	18.28	2%	36.56	34.75	5%
b) Average Inpatient Operational Beds	2,369	2,354	1%	2,362	2,337	1%
c) Average Inpatient Occupancy	74.3%	77.9%	(367) bps	73.6%	74.7%	(107) bps
d) Average Length of Stay (days)	3.03	3.21	6%	3.02	3.11	3%
e) Average Revenue/Occupied Bed Day (Rs)	43,959	39,522	11%	44,441	40,696	9%
f) Other Operational Data						
Physicians				2,854	2,571	11%
Employees				9,202	8,436	9%
Customer Base (in lacs)				39.1	32.9	19%

MHC Network Hospitals (Saket* & East Delhi^ Complex)

– Performance Dashboard (Q2 & H1FY18)

Key Business Drivers	Unit	Quarter Ended		Y-o-Y	Half Year Ended		Y-o-Y
		Sep-17	Sep-16	Growth	Sep-17	Sep-16	Growth
Saket Complex *							
a) Financial Performance							
Revenue(Net)	Rs. Cr	257	237	9%	512	462	11%
EBITDA	Rs. Cr	30	32	-8%	62	57	8%
EBITDA Margin	%	11.6%	13.6%	(206) bps	12.1%	12.4%	(29) bps
b) Average Inpatient Operational Beds	No.	721	750	-4%	728	753	-3%
c) Average Inpatient Occupancy	%	78.1%	75.7%	244 bps	76.8%	72.5%	429 bps
d) Average Revenue/Occupied Bed Day	Rs.	52,139	46,898	11%	52,511	47,914	10%
e) Average Length of Stay	(days)	3.25	3.26	0%	3.23	3.19	-1%
East Delhi Complex ^							
a) Financial Performance							
Revenue(Net)		173	164	6%	336	318	6%
EBITDA	Rs. Cr	21	25	-18%	41	45	-9%
EBITDA Margin	%	12.0%	15.5%	(344) bps	12.2%	14.3%	(202) bps
b) Average Inpatient Operational Beds	No.	694	659	5%	685	652	5%
c) Average Inpatient Occupancy	%	78.8%	83.0%	(421) bps	78.0%	79.4%	(139) bps
d) Avg. Revenue/Occupied Bed Day	Rs.	36,752	34,506	7%	37,160	35,499	5%
e) Average Length of Stay	(days)	3.04	3.37	10%	3.03	3.24	7%

*Saket Complex includes Saket West Block, Saket East Block (unit of Devki Devi Foundation) & Max Smart (unit of Smart Hospital & Research Centre) hospital

^East Delhi Complex includes Max Patparganj (unit of Balaji Medical and Diagnostic Research Centre) & Max Vaishali hospital

Max Bupa (Financial Snapshot – Q2 & H1FY18)

Revenue

- Gross Written Premium (GWP) for Q2FY18 grows 22% to Rs. 168 Cr. driven by 29% growth in renewals and 8% growth in new sales. The slowdown in new sales is due to significant price increase made in Q1 across products
- Average premium realisation (B2C segment) for Q2FY18 at Rs 8,057 grows 16%
- Urban lives-in-force crosses 1.5 million, 380K lives covered in Q2FY18
- Conservation ratio (B2C) for Q2 at 83%, marginal decline despite price increase
- Max Bupa launched health ATMs - the first such innovation in the country
 - To issue health policies upto Rs 1 mn without manual intervention
 - 20 machines to be installed in Pilot Phase across Bank of Baroda branches
 - To be expanded to 100 locations by FY18 end

Profitability / Others

- Net loss at Rs 5.6 Cr in Q2FY18 vs profit of Rs 23 Cr in PY. Normalised profit (excluding one-offs) of Rs 0.1 Cr in Q2 vs net loss of Rs. 10 Cr in PY
- B2C claims ratio for the quarter marginally improved to 60.3% v/s 60.4% in PY

Award and Accolades

- Won the “most innovative medical insurer award” in Business world Healthcare Summit Awards

Max Bupa – Performance Dashboard (Q2 & H1FY18)

Key Business Drivers	Quarter Ended		Y-o-Y Growth	Half Year Ended		Y-o-Y Growth
	Sep-17	Sep-16		Sep-17	Sep-16	
a) Gross written premium income						
First year premium	54	50	8%	108	92	17%
Renewal premium	115	89	29%	219	168	30%
Total	168	138	22%	327	260	26%
b) Net Earned Premium*	146	148	-2%	279	260	7%
c) Net Profit /(Loss) ^	(6)	23	-124%	(5)	18	-129%
d) Claim Ratio(B2C Segment, normalized)	60.3%	60.4%	10 bps	57.9%	57.0%	(90) bps
e) Avg. premium realization per life (B2C)	8,057	6,937	16%	7,952	6,937	15%
f) Conservation ratio (B2C Segment)	83%	84%	(159) bps	83%	84%	(147) bps
g) Lives In force in millions (including RSBY)				2.5	2.2	15%
h) Number of agents				13,357	14,705	-9%
i) Paid up Capital				926	926	-

* Earned Premium lower by Rs 6 Cr in Q2FY18 & Rs 14 Cr in H1FY18 due to change in Unearned premium accounting from 1/365 method to 50% of net written premium, excludes the impact of reinsurance ceded

^ Normalised profit (excluding one-offs) at Rs 0.1 Cr in Q2 vs net loss of Rs 10 Cr in PY; H1FY18 profit of Rs 9 Cr vs net loss of Rs 16 Cr in PY

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