

# Max Group

## Investor Presentation April 2016

[www.maxfinancialservices.com](http://www.maxfinancialservices.com)  
[www.maxindia.com](http://www.maxindia.com)  
[www.maxvil.com](http://www.maxvil.com)

*BSE Scrip Code: 500271, NSE Ticker: MFSL, Bloomberg: MAXF:IN*



## Sevabhav

- Positive social impact
- Helpfulness
- Culture of Service
- Mindfulness



## Excellence

- Expertise
- Dependability
- Entrepreneurship
- Business performance



## Credibility

- Transparency
- Integrity
- Respect
- Governance

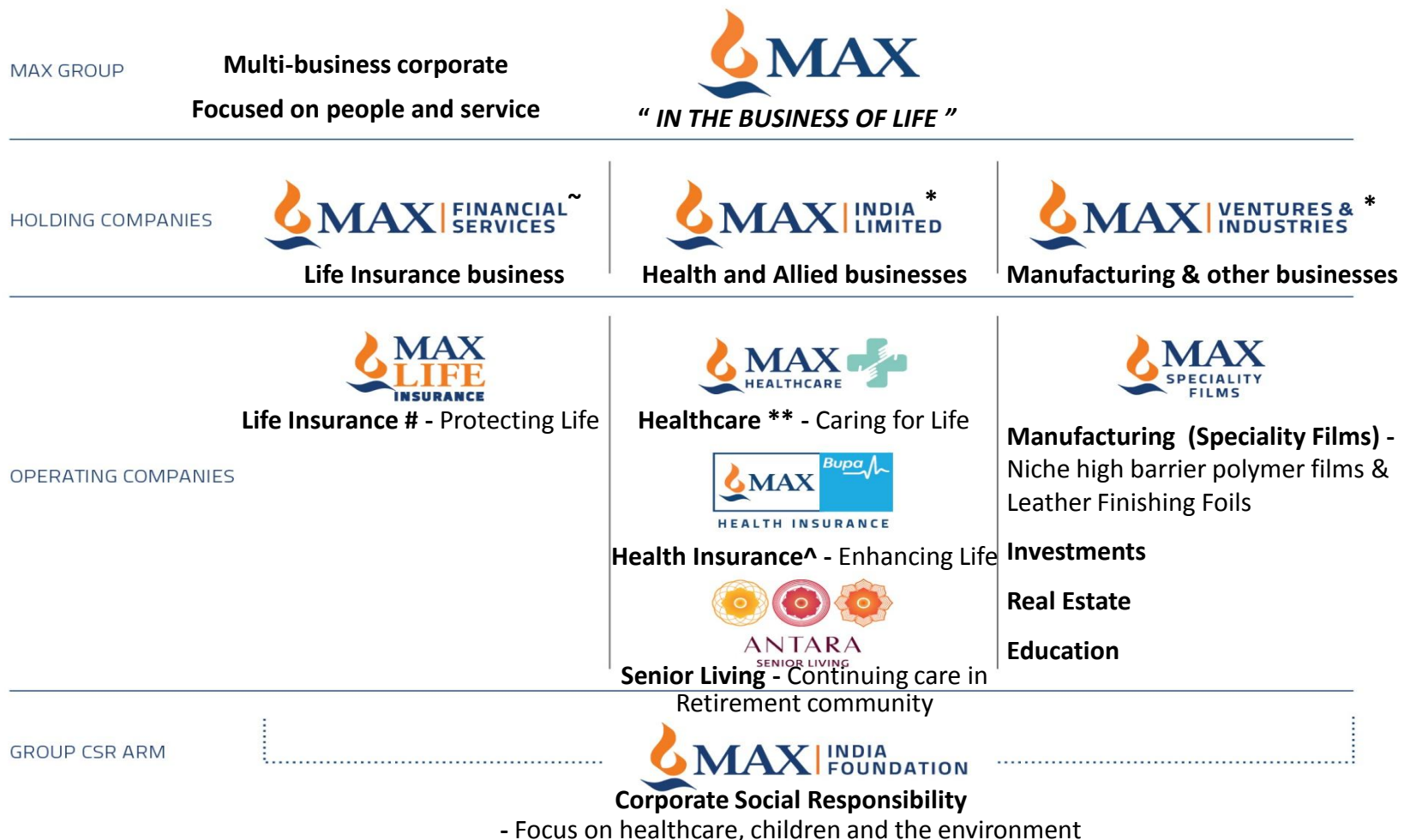
### *Max Way as an underlying ethos*

*courtesy*  
*transparency*

*respect/dignity*  
*performance orientation*

*progressiveness*  
*ethicality*

## MAX GROUP ARCHITECTURE



#74:26 JV with Mitsui Sumitomo; Largest non bank lead private life insurer

\*\* Equal JV with Life Healthcare, SA; with 2,500 beds capacity

^ 74:26 JV with BUPA Finance Plc, UK (Agreement executed between Max India and Bupa to reset the JVA to 51:49 for a consideration of Rs. 207 Cr. for 23% stake, to be acquired by Bupa from Max India post requisite regulatory approvals)

~ Max Financial services listed on Jan 27, 2016

\* Max India & MVIL listing to be initiated post FIPB approval

# A unique investment opportunity and a resilient business model

- 1 **INR 149 billion+ Revenues\*... 7.5 Mn Customers... 20,000 Employees... ~52,000^ Agents... 2,600+ Doctors...**
- 2 **Strong growth trajectory even in challenging times; a resilient & diversified business model**
- 3 **Steady revenue growth and cost rationalization leads to strong financial performance**
- 4 **Well established board governance....internationally acclaimed domain experts inducted**
- 5 **Diversified ownership.....marquee investor base**
- 6 **Superior brand recall with a proven track record of service excellence**
- 7 **Strong history of entrepreneurship and nurturing successful business partnerships**

Pharma

Electronic  
Component

Mobile  
Telephony

Communication  
Services

Plating  
Chemicals

Medical  
Transcription

Life  
Insurance

DSM 



Hutchison

COMSAT  
LOCKHEED MARTIN  
GLOBAL TELECOMMUNICATIONS

ATOTECH

HEALTHSCRIBE®

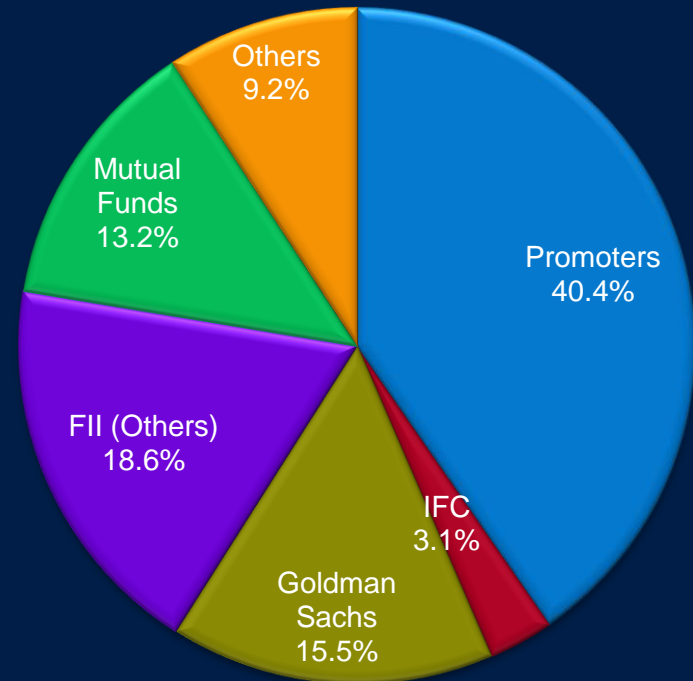
NEW  
YORK  
LIFE

# Growth potential recognized by the market.... high pedigree investor base

Shareholding  
Concentrated  
with Marquee  
Investors

- Temasek
- Fidelity
- Norges
- New York Life
- Comgest
- Reliance MF
- ICICI Prudential MF

Shareholding Pattern  
as on Dec 31, 2015



Number of outstanding shares : 26.70 Cr.

# MAX FINANCIAL SERVICES

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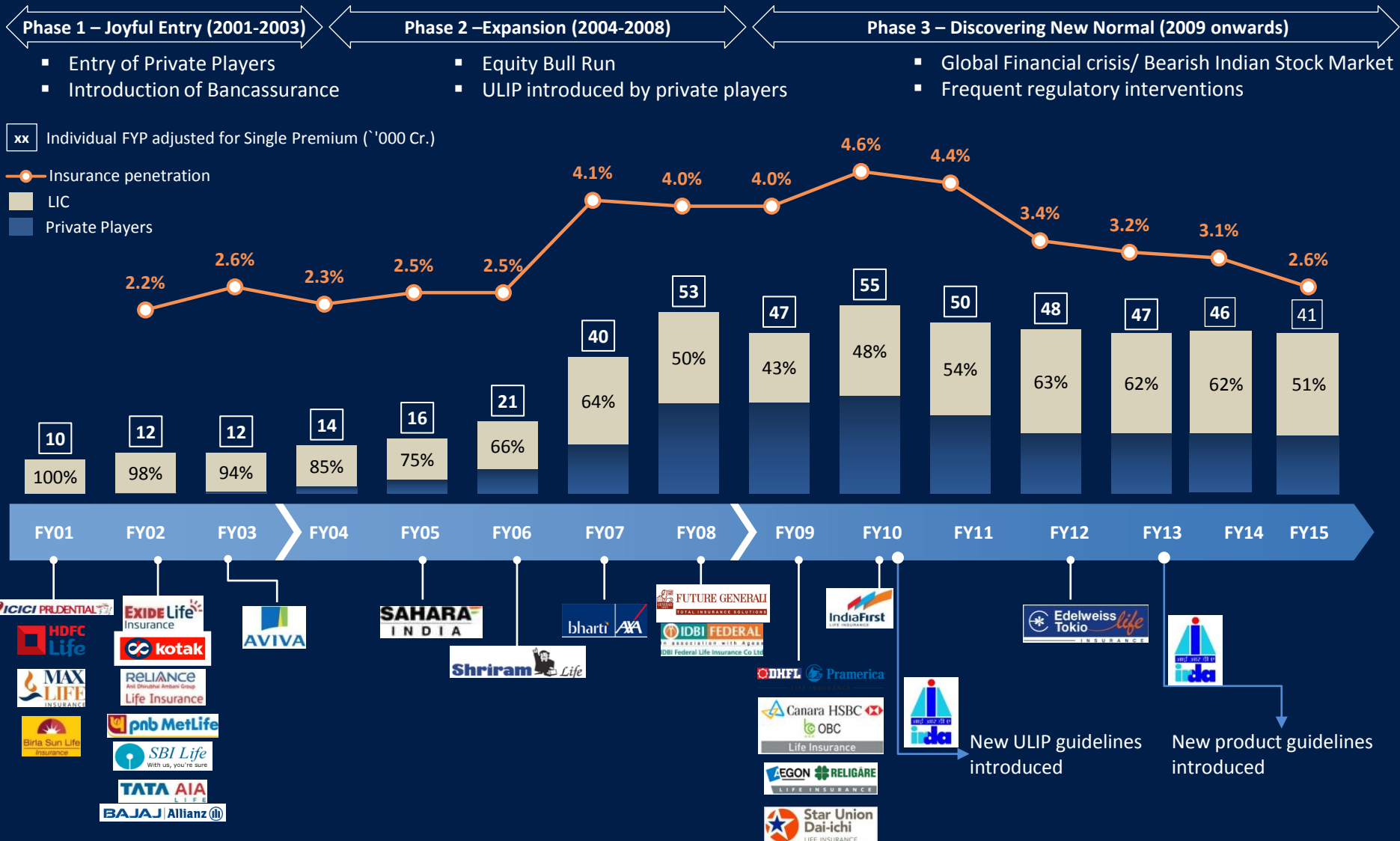
- MAX LIFE INSURANCE COMPANY -

[www.maxfinancialservices.com](http://www.maxfinancialservices.com)

[www.maxlifeinsurance.com](http://www.maxlifeinsurance.com)

- 1** Indian Life Insurance Industry has evolved rapidly; significant headroom still available for growth due to low penetration and favourable demographic profile
- 2** Aided by strong Governance and stable Management, Max Life is a differentiated Life Insurer with key strengths of Multi-Channel Distribution, Balanced Product Mix and Digital capabilities
- 3** We have been one of the fastest growing players with equal emphasis on profitability - We are in the top quartile across the comprehensive measures of success
- 4** With Rs 5,363 cr of MCEV, our net Margins and RoEV are amongst the best in the Industry
- 5** We have been consistently recognized for our performance, industry best practices, brand and technology

# Life insurance industry has evolved since the opening up of the sector in 2000-01

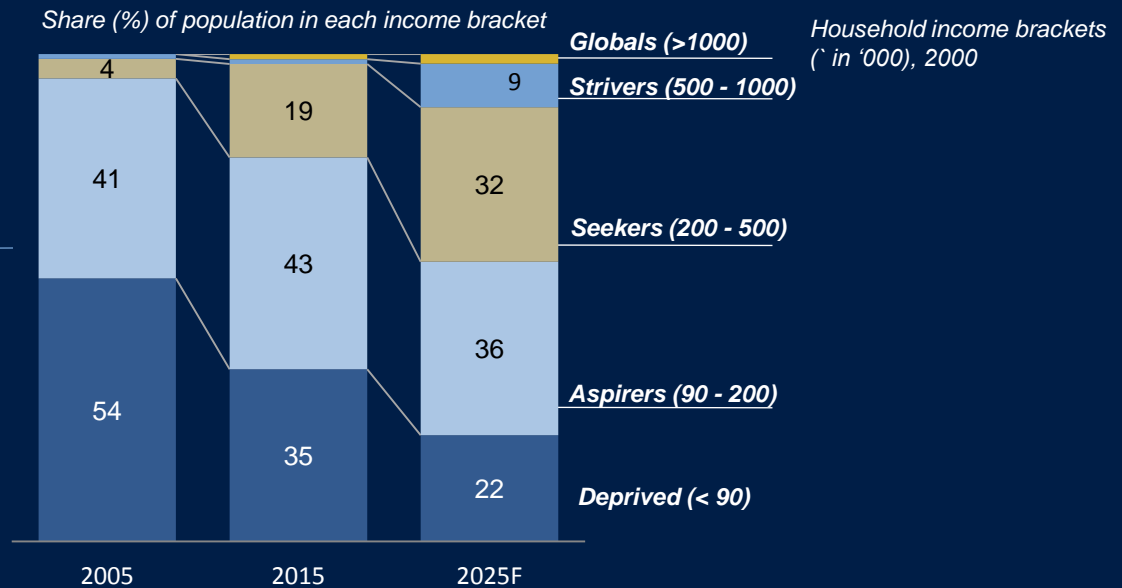


Source: IRDA Annual Report FY 2013-14 & FY14-15 data basis IRDA lead table

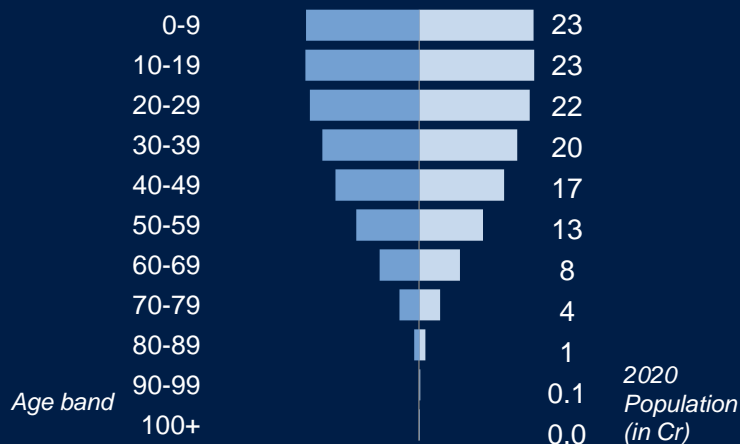


# Changing demographics and rising affluent class are potential factors to drive life insurance penetration

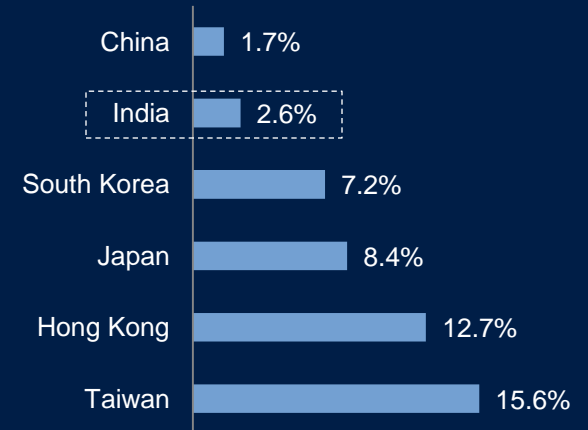
India is witnessing the fastest growth of “middle class” population

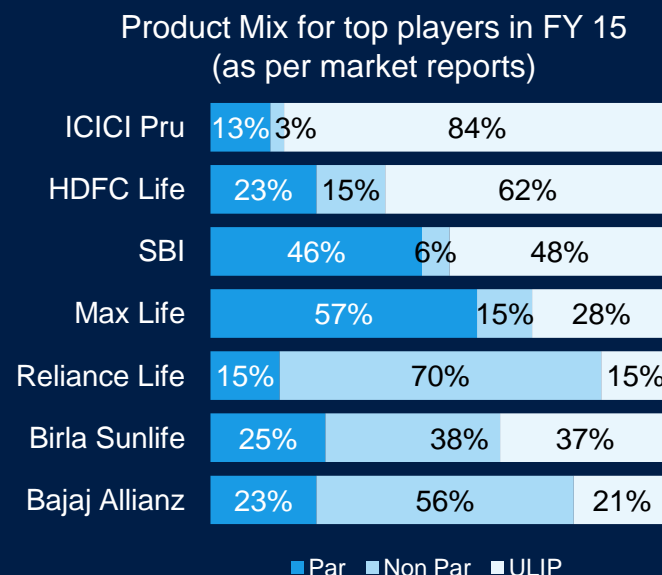
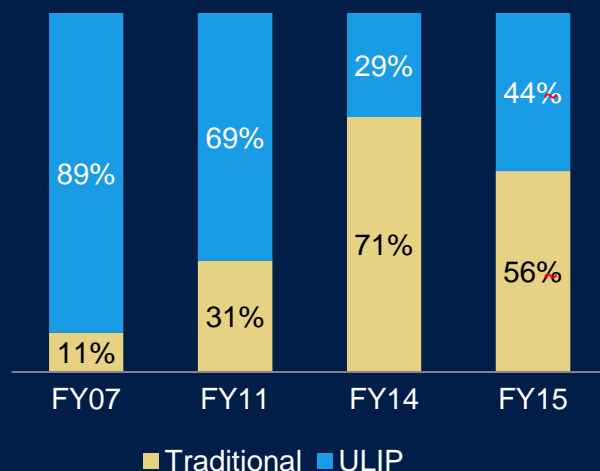


Population distribution is shifting towards 25-45 age group...



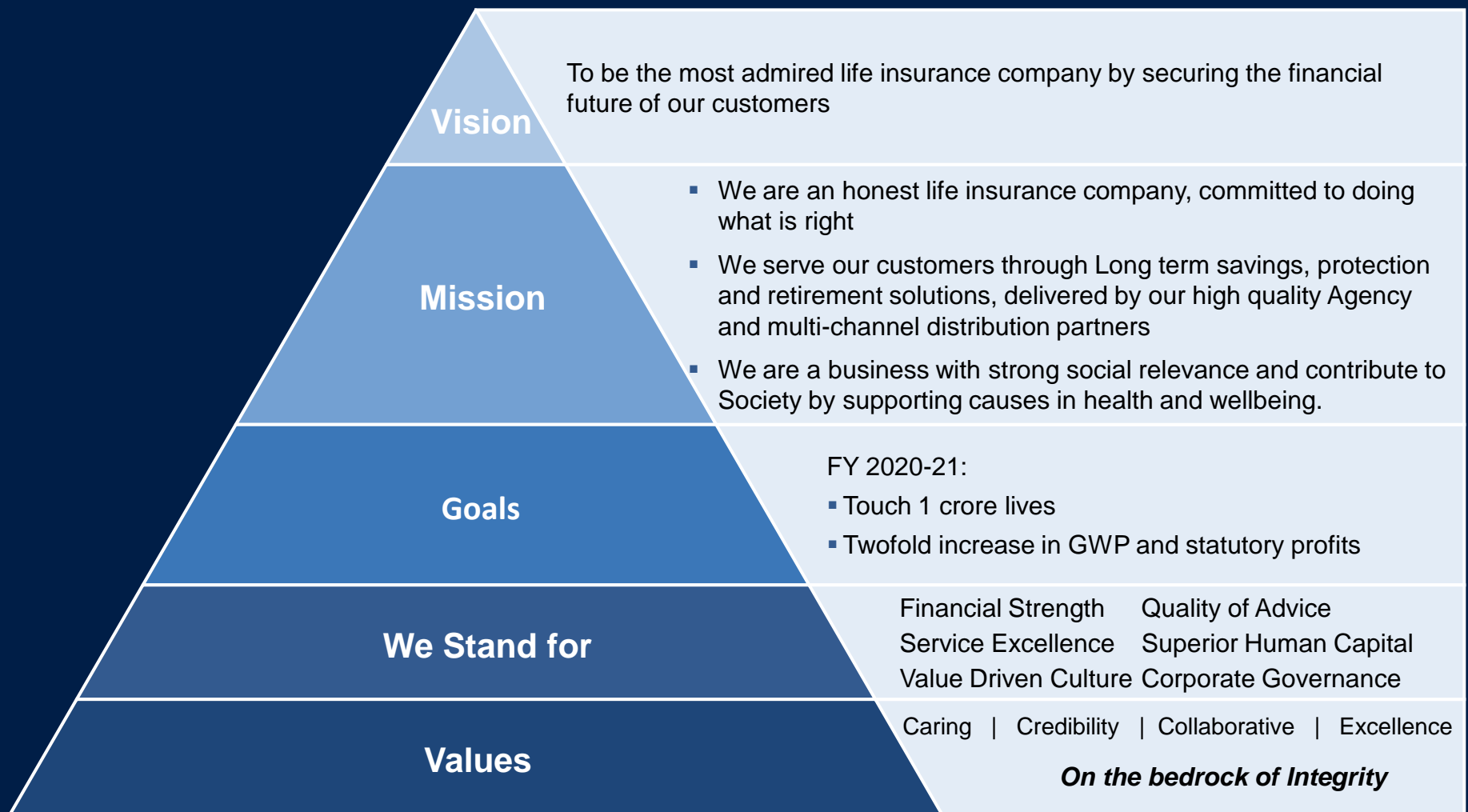
Life Insurance Penetration (Premium/GDP)- %





## KEY INSIGHTS

- Improved performance of capital markets has revived interest in ULIPs. Some top players leveraged it to record high new sales growth (individual adjusted @10% SP) - ICICI Prudential (YoY: +41%), HDFC Life (YoY: +25%) and SBI Life (YoY: +11%)
  - While ICICI Prudential and SBI Life had a high UL share across channels, HDFC Life delivered growth driven by high UL share in their banca channel only
- Top agency led players like Reliance Life and Birla Sunlife continued to have a Traditional heavy portfolio
- Max Life's UL share accounted for 28% of total portfolio as a result of increased customer demand



## 1 Comprehensive multi-channel distribution model

- Highly efficient and productive agency channel with focus on quality of advice
- Largest Banca relationship for a Non Bank promoted insurer : Axis Bank
- Relationship with growing Banks : Yes Bank and LVB
- Well positioned for in-organic growth in distribution

## 2 Balanced Product Mix with focus on Long Term Savings and Protection (LTSP)

- Focus on protection oriented balanced product mix
- Triangulation of customer, product and channels to drive profitability

## 3 Superior Customer Outcomes and Retention

- Top quartile on all customer measures i.e. Retention, Claims and Customer Servicing
- “Treating Customers Fairly” framework adopted to drive our customer centricity agenda
- Differentiated brand with “Sachchi Advice”

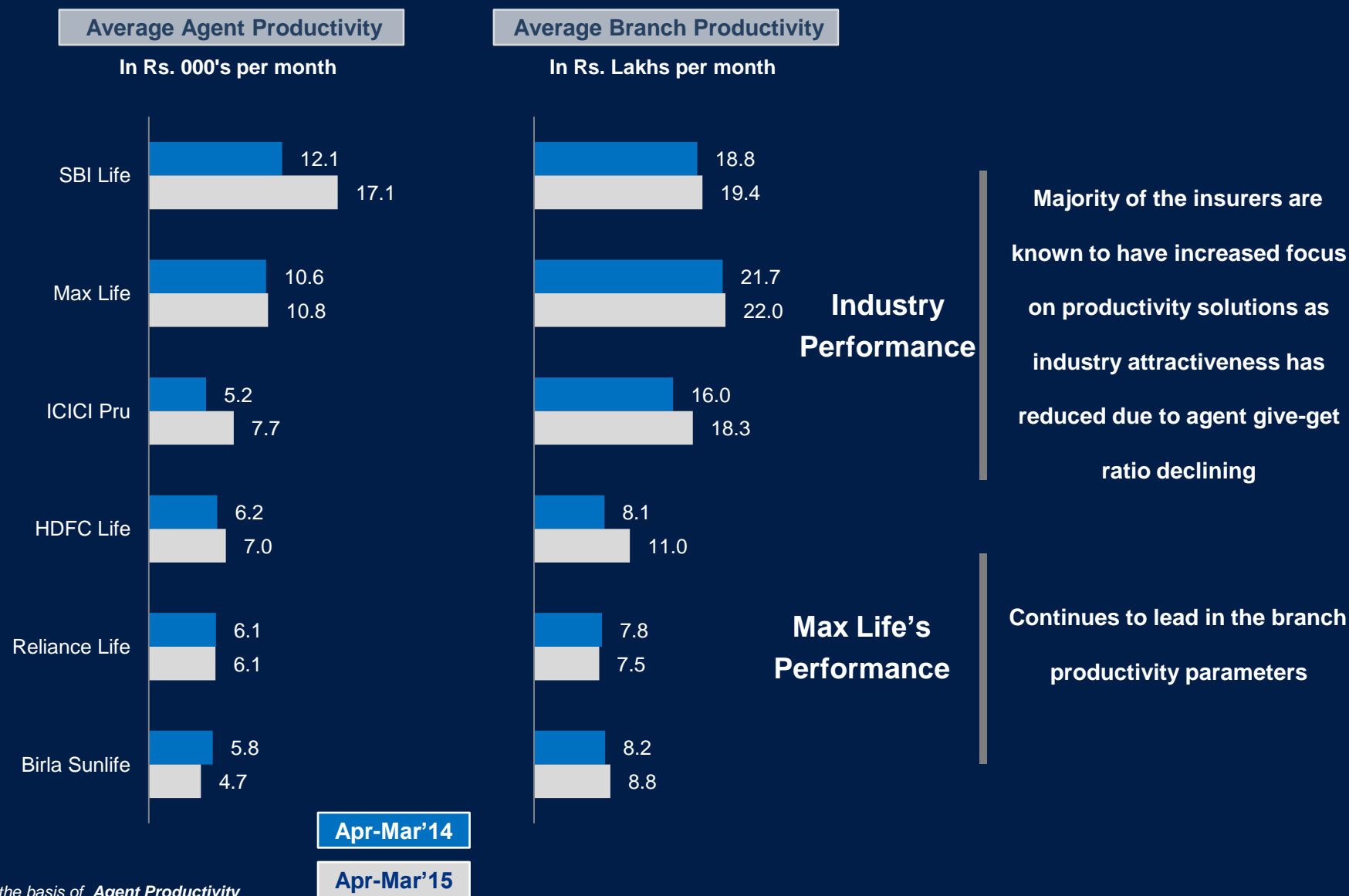
## 4 Superior Financial Performance with Profitable Growth

- Bias for profitable growth against sales growth
- Industry best margins and RoEV
- Strong track record of profits and dividends

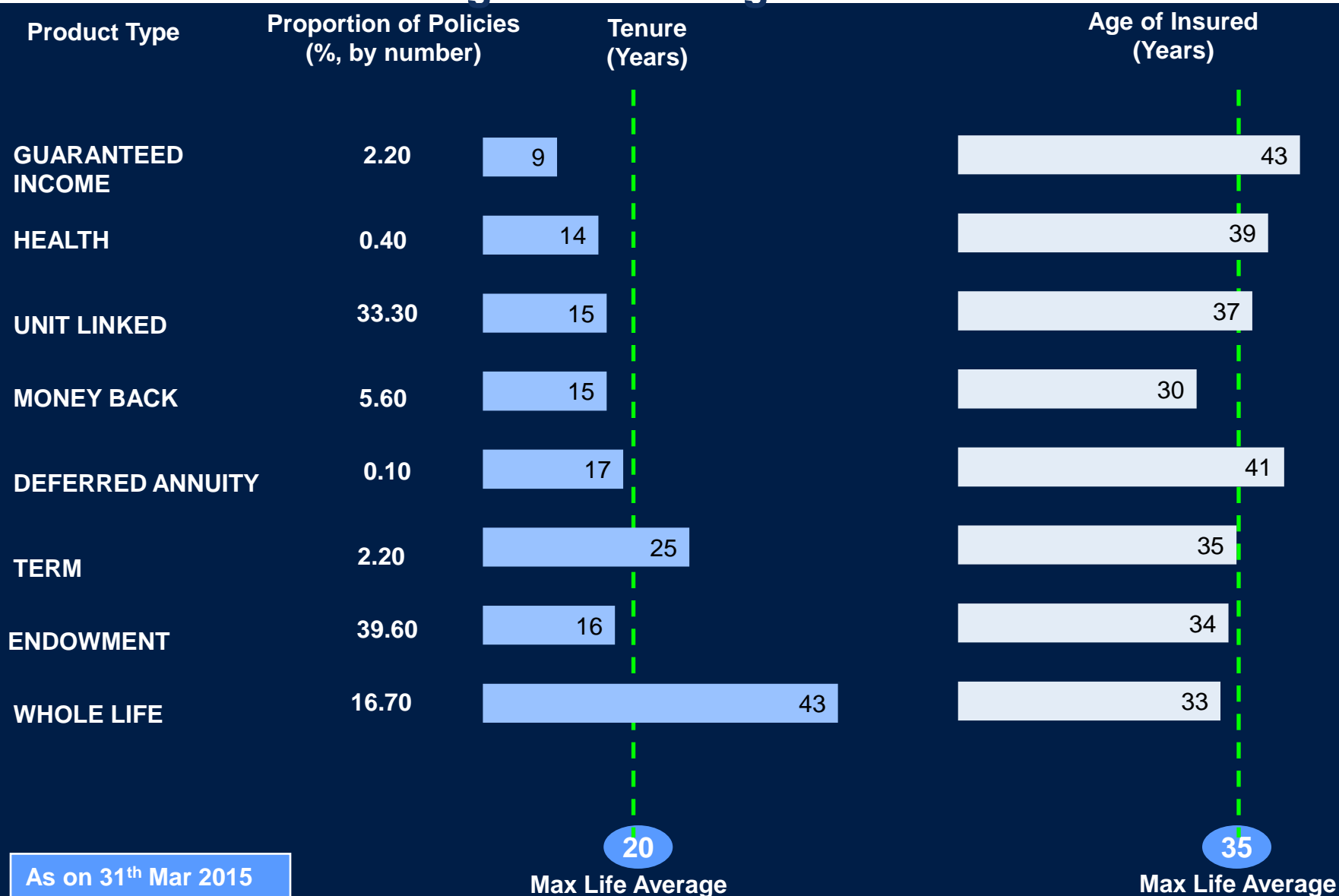
## 5 Invest in future ready Digital solutions

- Turbo charge through technology and to create distribution capabilities
- Invest in digitising customer journeys

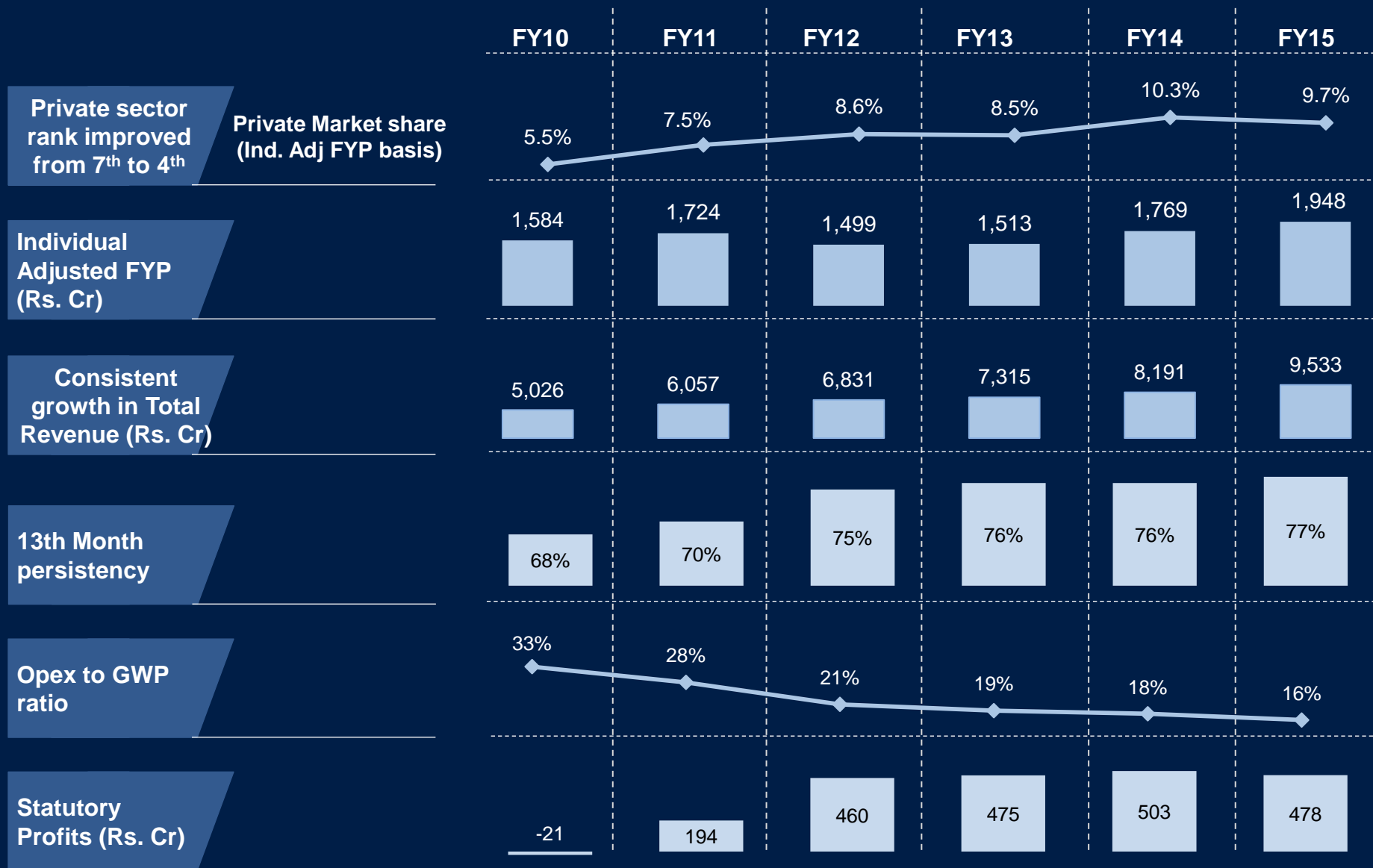
Active advocacy with Regulator on regulatory changes to drive business and Industry best practices

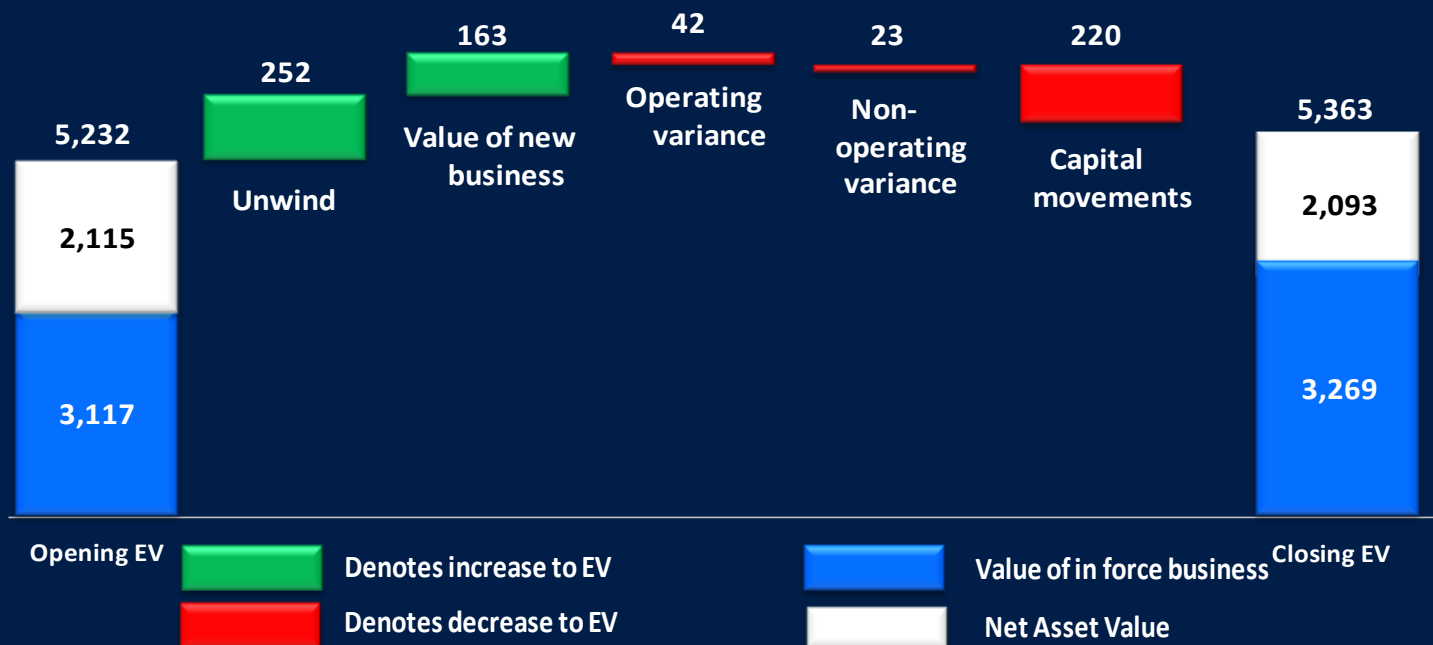


# Balanced Product Mix with focus on Long Term Savings & Protection



# Track record of strong financial performance with profitable growth





- The EV as at 30th September 2015 is Rs 5,363 Cr, after allowing for shareholder dividend payout of Rs 220 Cr in H1 FY16.
- The annualised Return on EV<sup>1</sup> over H1 FY16 is 13.8 per cent while the annualised Operating Return on EV is 14.8 per cent
- The Value of New Business (VNB) written during H1 FY16 is Rs 163 Cr and the portfolio new business margin is 20.2 per cent (before cost overrun) and 17.0 per cent (after cost overrun of Rs. 25 Cr.)
- EV as at March 2015 was reviewed by Milliman and their opinion was shared along with the disclosure at March 2015. The latest disclosures follow the same methodology

Note: The results are developed using market consistent methodology, but they are not intended to be compliant with the MCEV Principles issued by the Stichting CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

<sup>1</sup> The Return on EV is calculated before capital movements during the year.

<sup>2</sup> 1 Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium (FY15 APE : 1967 cr.)





## OVERALL PERFORMANCE RECOGNITION

- Won the Indian Insurance Awards, 2015 for “Bancassurance Leader Award” and “Agency Productivity Award”
- Awarded the “World Finance Best Life Insurance Company India”, 2015
- Sole Life insurer recognized for Analytics capability – Predictive Underwriting (NASSCOM)



## INDUSTRY FIRST- CREATING BENCHMARKS

- First to offer Freelook period of 15 days to the customer; which was later made mandatory by Regulator
- First private life insurer to launch integrated customer strategy including Treating Customer Fairly
- First life insurance company in India to be awarded ISO 9001:2008 certification
- Only life insurance company in India to implement Lean methodology of service excellence

## BUSINESS EXCELLENCE



- Underwriting standard ranked 'Excellent' by Swiss Re after benchmarking against global and local best practices;
- Declared Best Underwriting Initiative of the year in the Asia Banking, Financial Services & Insurance Excellence Awards
- Won Two Awards at ASQ World Conference 2015 for Quality Impact Story Board and Use of Emerging Technology
- Second Runner up trophy in ‘National Excellence Practice Competition (Service category)’ By CII



## CLAIMS SETTLEMENT

- ET Wealth rated Max Life claims settlement highest in the Industry at 99.58%
- Ranked #1 in Claims Paid % with 95.5% (93.9% in FY14) and Outstanding Claims Ratio of 0.1% in FY15
- Swiss Re-commendation for claims settlement TAT (2012)



## ACCOLADES FOR PEOPLE PRACTICES

- Recognized amongst India's Best Companies to Work For (Ranked 51<sup>st</sup> up from 58<sup>th</sup> last year by Great Places To Work). Ranked 2<sup>nd</sup> in Insurance Industry
- Max Life has featured in the top 100 GPTW list for last 4 consecutive years
- Employee Engagement score among top 10 percentile of IBM Kenexa's global database (Employee Engagement Index : 85% favorable vs 83% in 2014)



## DISTINCTIVE BRAND

- Brand Excellence Award and recognition as Superbrand (2013-14),
- 1st on Customer Loyalty (57% vs. 53% market average of Top 10 private insurers) in FY14
- Max Life i-genius won Silver and Bronze 'Abby' award at Goafest 2014



## TECHNOLOGY

- CIO 100 Award for technology implementation (2008/2009/2010/2011)
- Won CII Industry Innovation award 2015 for Maxis 2020 (synergy between technology & process related improvements between Max Life & Axis Bank), from amongst 400 submissions across sectors

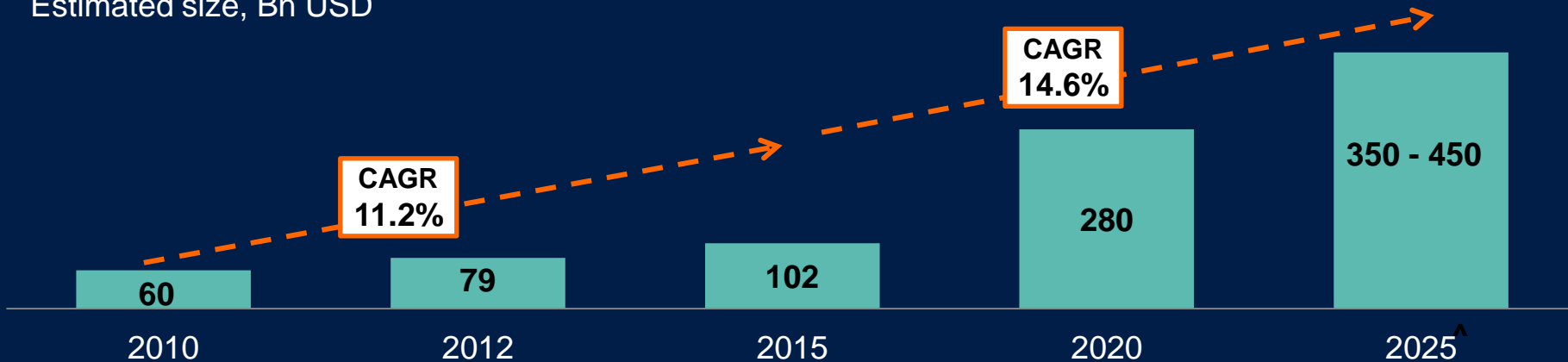
# MAX INDIA

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- MAX HEALTHCARE -

## Indian healthcare sector\*

Estimated size, Bn USD



<sup>^</sup> Depending upon public spending levels, insurance proliferation, and success of public-private partnerships by 2025

## Demand drivers for growth

**~500 mn**  
additional middle class by 2025

**~45%**  
Insurance penetration by 2020

**~134 mn**  
population > 60 years by 2020

**~\$8 bn**  
medical tourism market size by 2020

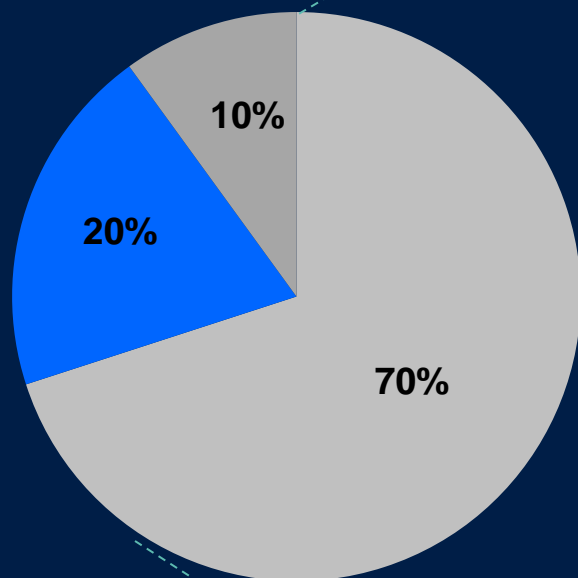
**~320 mn**  
at risk of dying due to NCDs by 2020

**~2 mn**  
beds required by 2025

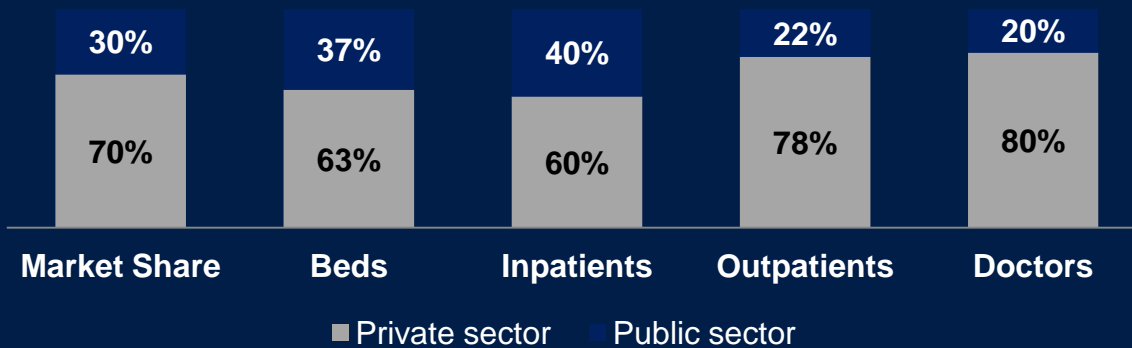
\* Healthcare sector includes hospitals, pharmaceuticals, and medical technology sub-sectors

Sources: India Brand Equity Foundation – Healthcare report, 2012; BofA Merrill Lynch Global Research, IBEF Mar'15

## Indian healthcare sector \* Market share %

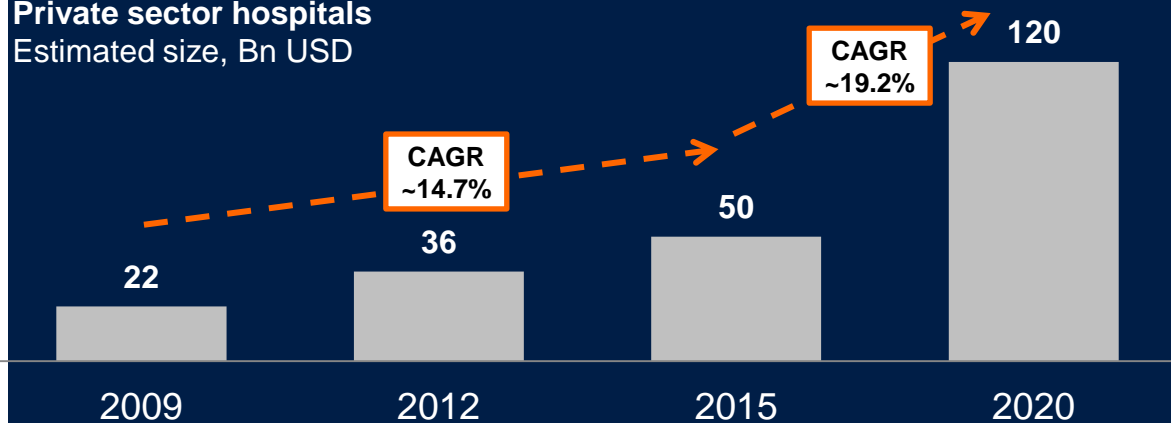


Private players have established a dominating presence in tertiary / quaternary care



Market size of private hospitals is expected to reach ~\$ 120 bn by 2020

## Private sector hospitals Estimated size, Bn USD

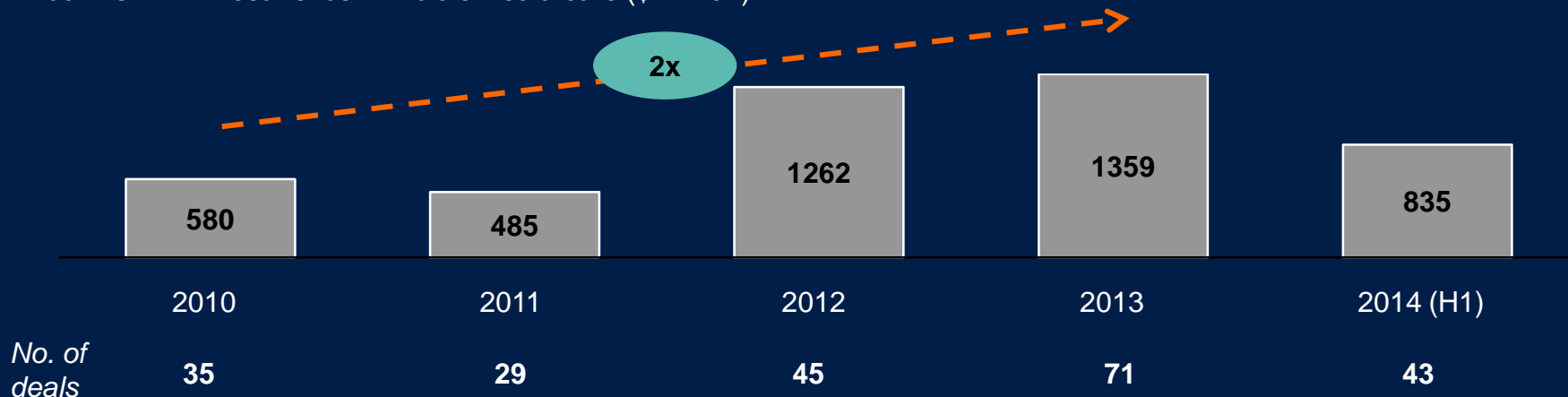


\* Includes hospitals, pharmaceuticals & medical technology / other companies

Sources: BofA Merrill Lynch Global Research, IBEF Mar'15

The surge of VC/ PE investments in recent years has eased funding constraints on growth

Annual VC/ PE investment's in India's Healthcare (\$ Million)



## Scale up of well funded incumbents

	CURRENT SCALE	FUNDING (RS. CR.)		CURRENT SCALE	FUNDING (RS. CR.)
	8,600	550, (2013 - KKR)		6,500	290, (2014 - CDC)
	4,800	820, (2013 - Stan Chart, IFC)		4,900	900, (2015 - TPG Capital)
	1,300	700, (2015 - Temasek/Punj Lloyd)		2,500 (2012)	560, (2012 - Advent)

Note: Fortis and NH operational beds not split between owned and managed; Manipal's # of managed beds assumed to be same for 2010 and 2013; assumed exchange rate of 1\$=INR60

Source: Crisil research, company websites and presentations, secondary sources

*To become an admirable institution known for service excellence, medical excellence, scientific research, and medical education*

## WHAT WILL WE BE KNOWN FOR



- Integrated care
- Clinical excellence
- Transparency
- Speed
- Tech enabled continued care

## KEY ENABLERS



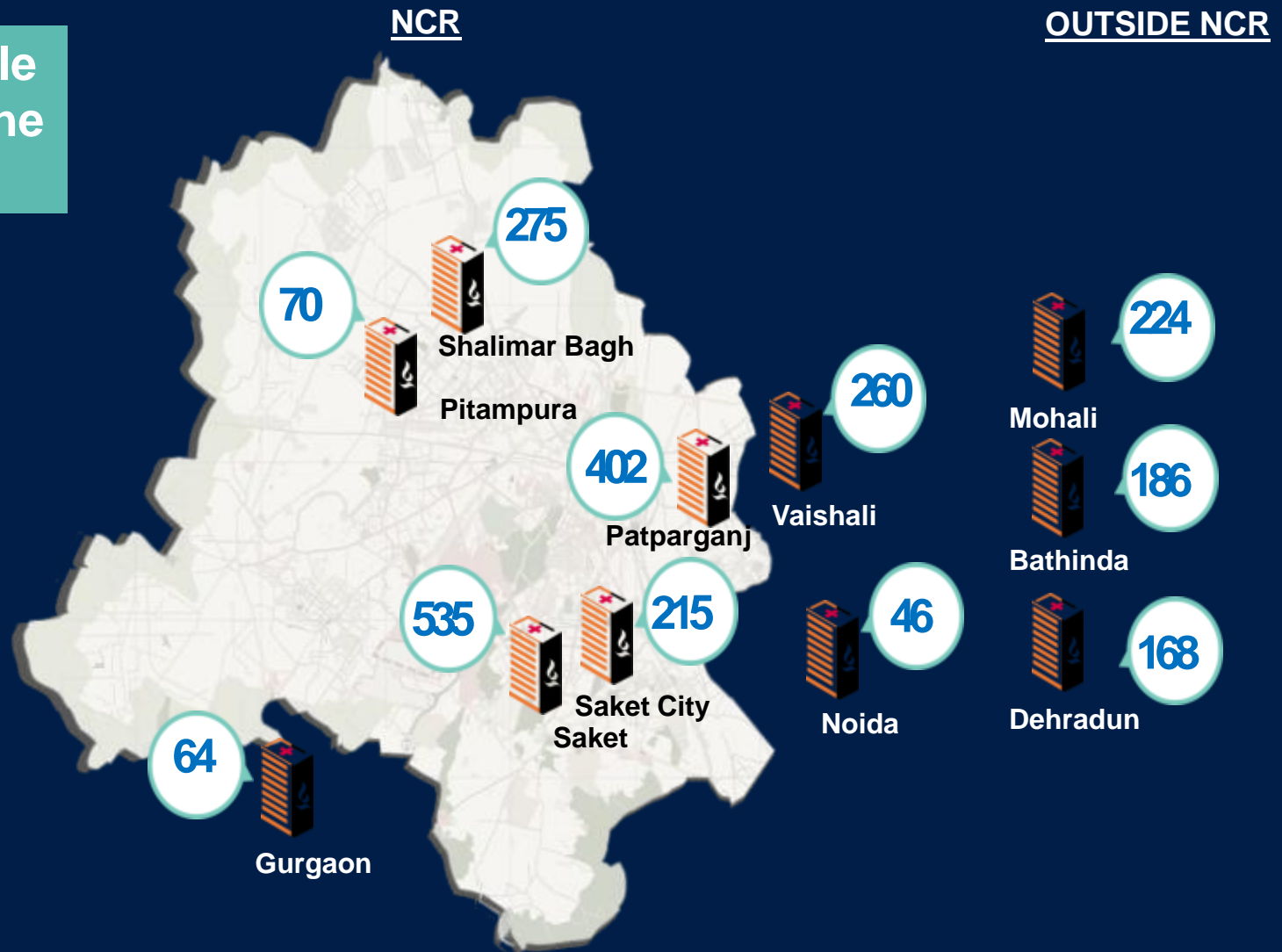
- **Strong talent pool** of clinicians, nurses and healthcare leaders
- **Technology and analytics** enabled clinical outcomes and customer experience



## WHERE DO WE WANT TO BE

- #1 in selected specialties in chosen geographies
- Focus on Tertiary and Quaternary care
- Physical infrastructure in North India; however serving more than 300 towns in India and 30+ countries

2400+ available  
beds across the  
network





## Robotics



*Advanced robotics provides high precision, and minimum invasive surgery across multiple specialities such as Oncology, Neurology*

## Brain suite



*Advanced image guided surgery - provides real-time views and automated image processing*



*High dose radiation with extreme precision (~ 0.5 mm accuracy)*

## Novalis LINAC



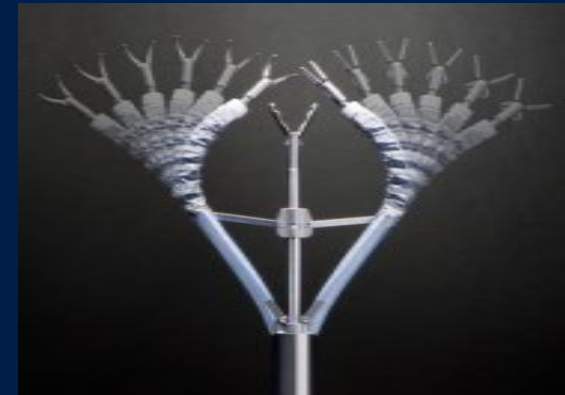
*Provides precise correlation and facilitates proper treatment for Oncology, surgical planning and radiation therapy*

## PET-CT

CyberKnife\*

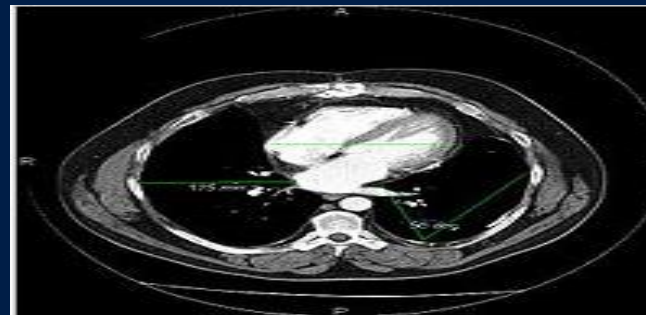


*Robotic radio-surgery (non-invasive) system for both cancerous & non-cancerous systems*



SPIDER

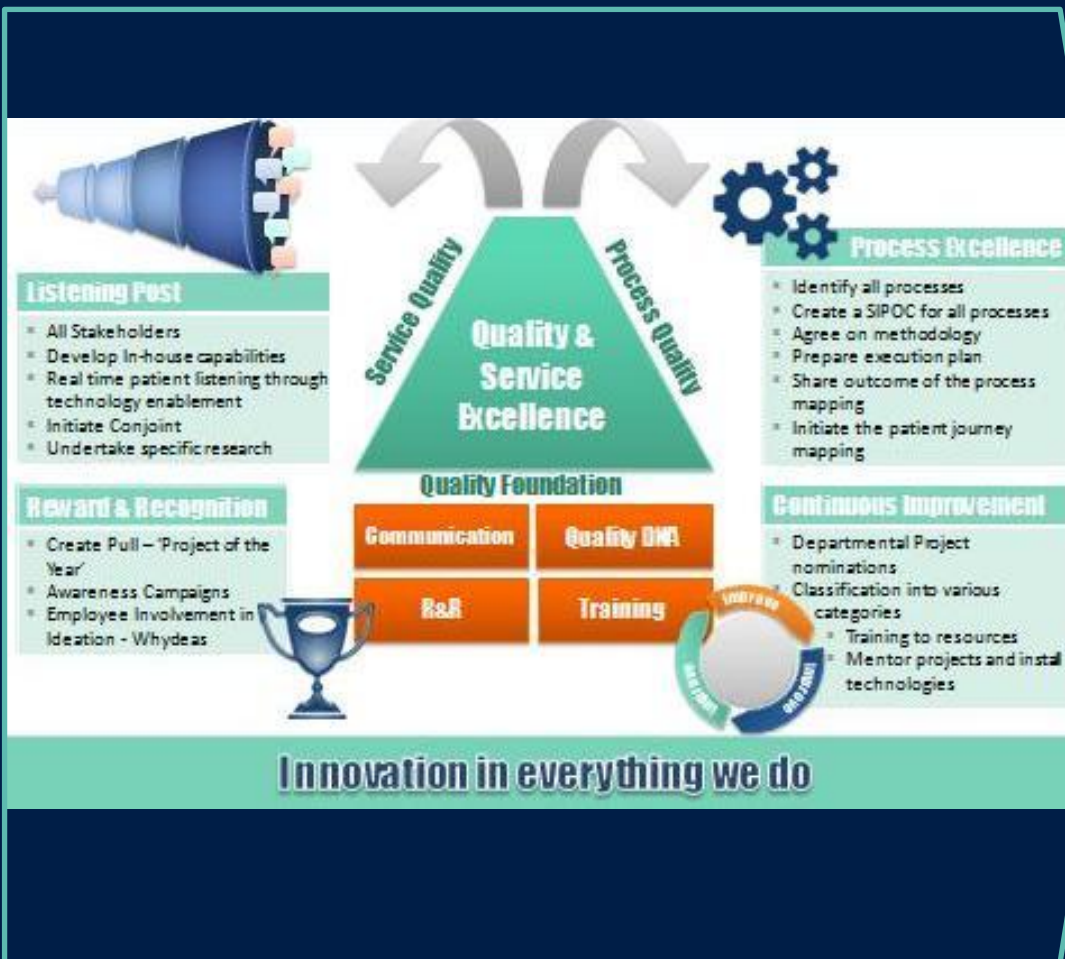
*Designed for revolutionary single incision laproscopic surgery through catheter-based, flexible instruments*



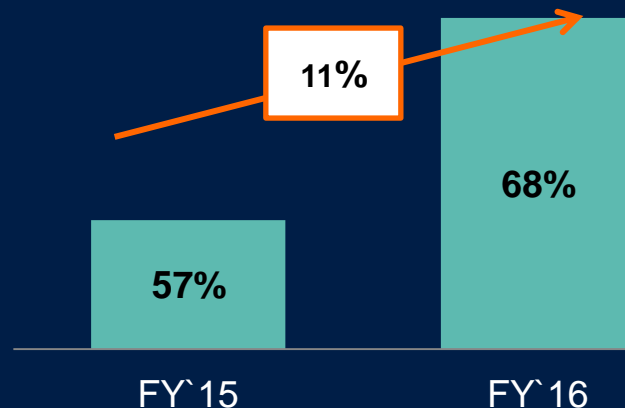
## Picture Archiving & Communication System - PACS

*Economical digital storage and convenient access to medical images from multiple modalities*

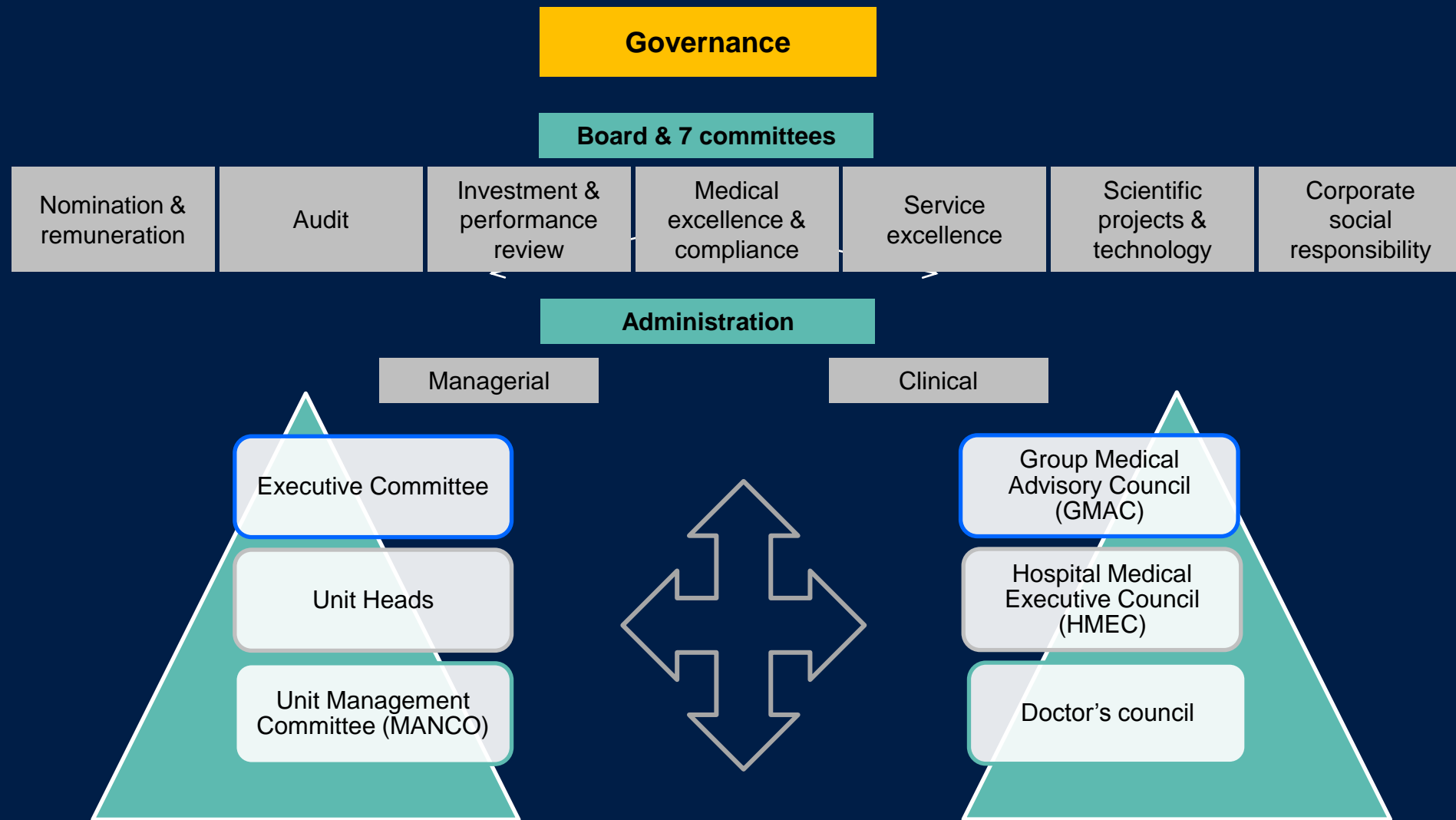
\* planned



## Top 2 Box Rating\*



- “Sevabhav” trainings and Reward & Recognition platform has led to positive shift in mindset
- Structural Interventions through Six Sigma and other methodologies has resulted into business impact of over **15 Mn USD**





**First MHC  
hospital started in  
2002**

Strengthened capabilities to provide comprehensive tertiary & quaternary care

Network of highly qualified doctors, nurses and medical personnel

Organic growth through expansion of hospital network

JV with **Life Healthcare, South Africa**, extending expertise and global reach



**MHC is one of the top  
3 healthcare chains  
in India**

**ISO  
9001:2000  
& ISO  
14001: 2004  
certified**

**DL Shah  
National  
Award on  
'Economics  
of Quality'**

**FICCI  
Excellence  
Awards -  
Operational  
Excellence**

**NABL /  
NABH  
accredited**

**Leadership  
positions in  
NatHealth  
and CII -  
healthcare**

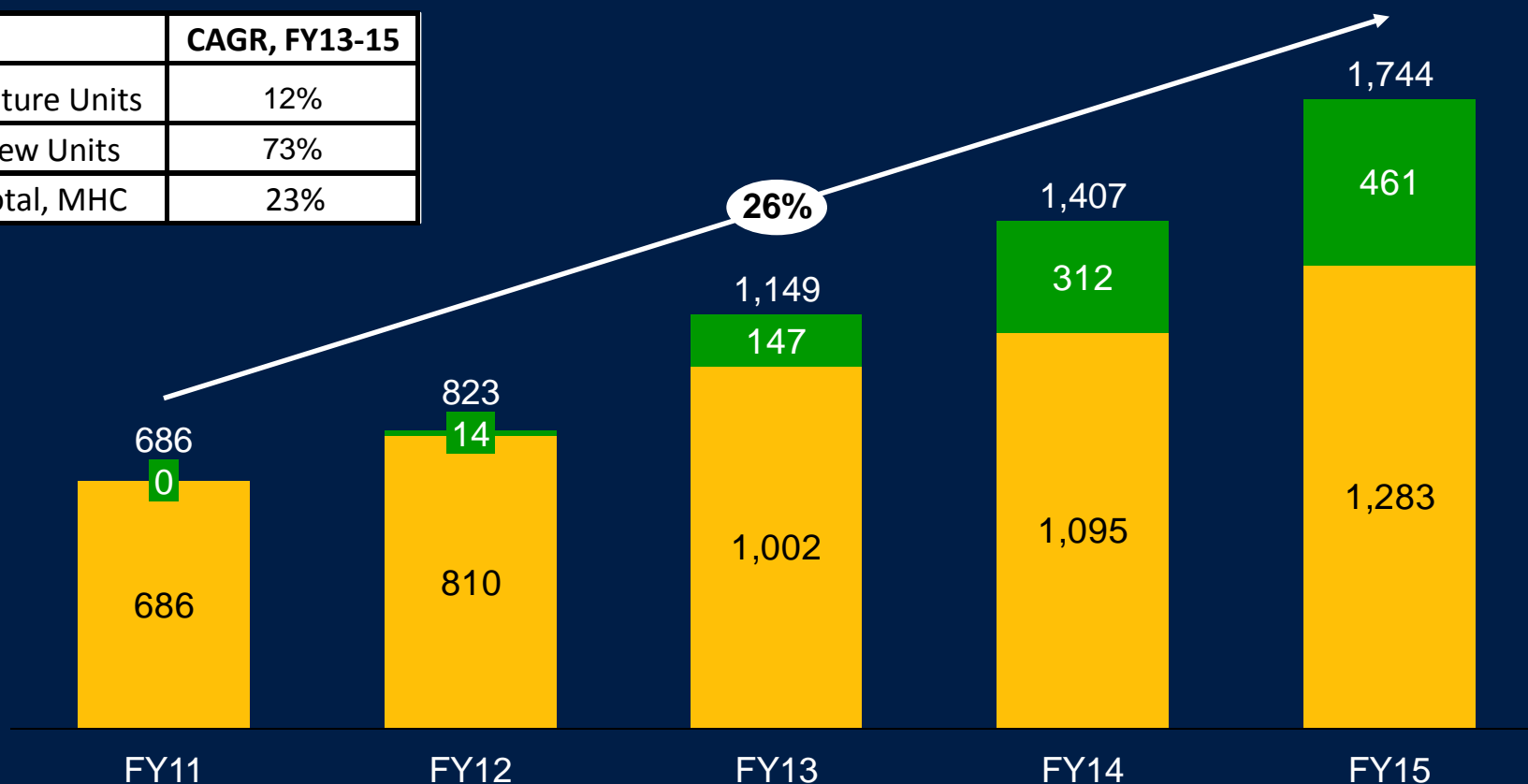
# Healthy revenue growth driven by new & mature hospitals

## MHC Annual Gross Revenues by hospital age

Rs. Cr.

	CAGR, FY13-15
Mature Units	12%
New Units	73%
Total, MHC	23%

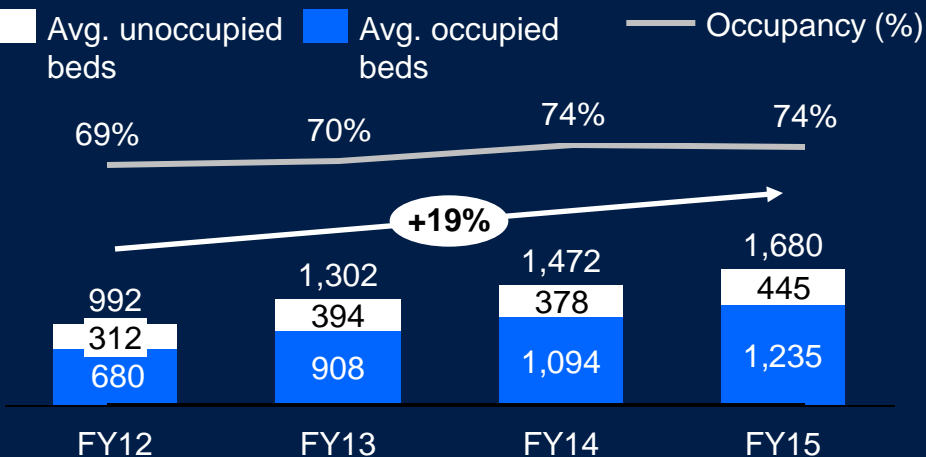
■ New Units, < 5 Years
 ■ Mature Units, > 5 Years





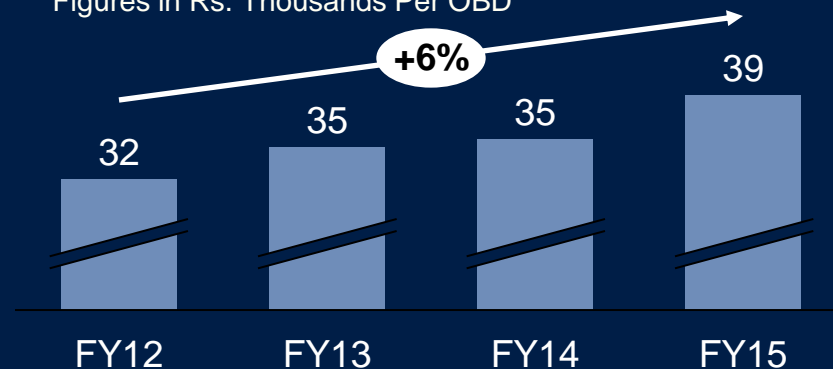
# MHC has built momentum across all volume and value levers during the last 5 years

## Maintained healthy occupancy levels despite strong bed addition momentum



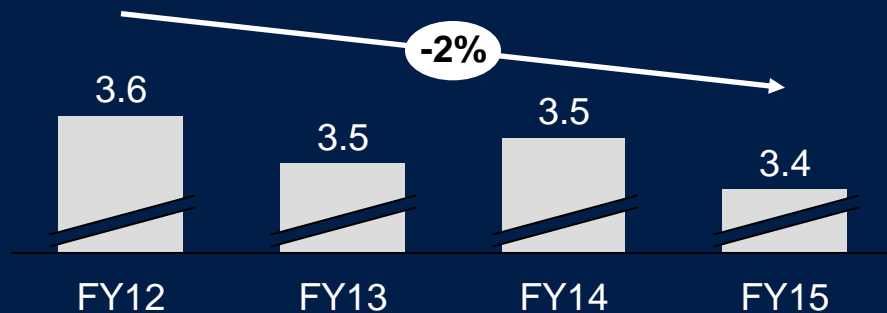
## Steady growth in Revenue per occupied bed

Figures in Rs. Thousands Per OBD

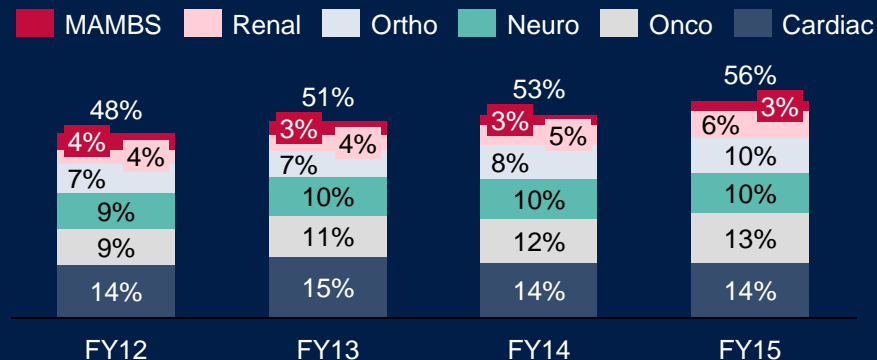


## Consistent improvement in Average Length of Patient Stay

Figures in Number of days



## Sharper focus on key tertiary tower specialities



## MHC EBITDA by hospital age

Rs. Cr.

■ < 5 Years ■ > 5 Years



ROCE for mature units at 16.0% vs. -4.8% for new units (FY15)



FY15	MHC	Fortis	Apollo
Operational Beds	+1700	+3700	~4200 (standalone)
Capital Employed	1345 Cr	6656 Cr	3530 Cr
Annual Revenue	1739 Cr, +24%	3206.5 Cr, +15%	3526 Cr, +13.0%
International Revenue/ Qtr.	167 Cr +40%, 9.6% of total	318 Cr + 33% 9.9% of total	N.A
Operating EBIDTA	170.4	14.7*	626.9**
EBITDA Growth (YOY)	50.4%	N/A	6.8%
ROCE	6.8%	-0.60%	12.8%
ALOS (days)	3.42	3.64	4.43
ARPOB	1.37 Cr p.a	1.26 Cr p.a	1.16 Cr p.a**
EBITDAR/ Bed	23.33 Lacs p.a	18.08 Lacs p.a	21.36 Lacs p.a
<b>Top Specialties***</b>	Cardiac 14%, Onco 13%, Ortho 10%, Neuro 10%, Renal 6%	Cardiac 28%, Ortho 8%, Neuro 8%, Renal 7%, Onco 5%	Cardiac 25%, Neuro 12%, Ortho 11%, Oncology 8%

\* Apollo: Revenue and EBIT has been adj. for doctor fees and 80% of total depreciation is assumed to pertain to hospitals

\*\* MHC EBITDAR excludes Lease Rentals and EWS discounts; excludes non-hospital business

\*\*\* Fortis EBITDAR before BT cost



**Pushpanjali Crosslay Hospital  
(Before acquisition)**



**Rechristened MHC Vaishali  
Post acquisition**



- Founded by prominent Delhi clinician; operational since 2010
- Strategically situated on National Highway 24; 5 minutes from Max PPG - Potential to dominate the E. Delhi and Western UP
- Large asset with potential to grow
  - 340 beds, expandable to 540
  - Built on a plot size of 3.46 acres with 0.4 Mn. sq. ft. Builtup
- Infrastructure matching MHC's LTFS standards

Metric	Unit of Measure	Pre Aquisition	July-15	Avg. (Dec-15 - Feb-16)
<b>Financial Indicators:</b>				
Revenue	Rs Lacs	1209	1,207.8	1,596.0
EBITDA	Rs Lacs		12.5	250.9
EBITDA Margin	% to Net Rev.		1%	15%
ARPOB	Rs. per OBD	15583	17,396	21,945
<b>Bed Utilization :</b>				
Available Beds	Nos	260	256	260
Beds occupancy	%		56%	68%
Tertiary : Secondary Mix :	Ratio	57:43	57:43	61:39
ER conversion	%		45%	54%

## What will it be?

**Largest private facility in India – 2000 beds in fully built state**

**Top 3 in Asia for tertiary and quaternary care – destination centre of choice**

**Integrated complex with Max Saket –**  
dedicated OPD tower, clusters of OTs and ICUs, centralized lab and ER

**ILLUSTRATIVE**



## How will we get there?

**Facility design based on comprehensive demand mapping – demand from NCR, catchment areas in North India and international markets**

**7 centres of excellence – oncology, neurosciences, transplants, cardiac-sciences, orthopaedics, MAMBS and mother & child**

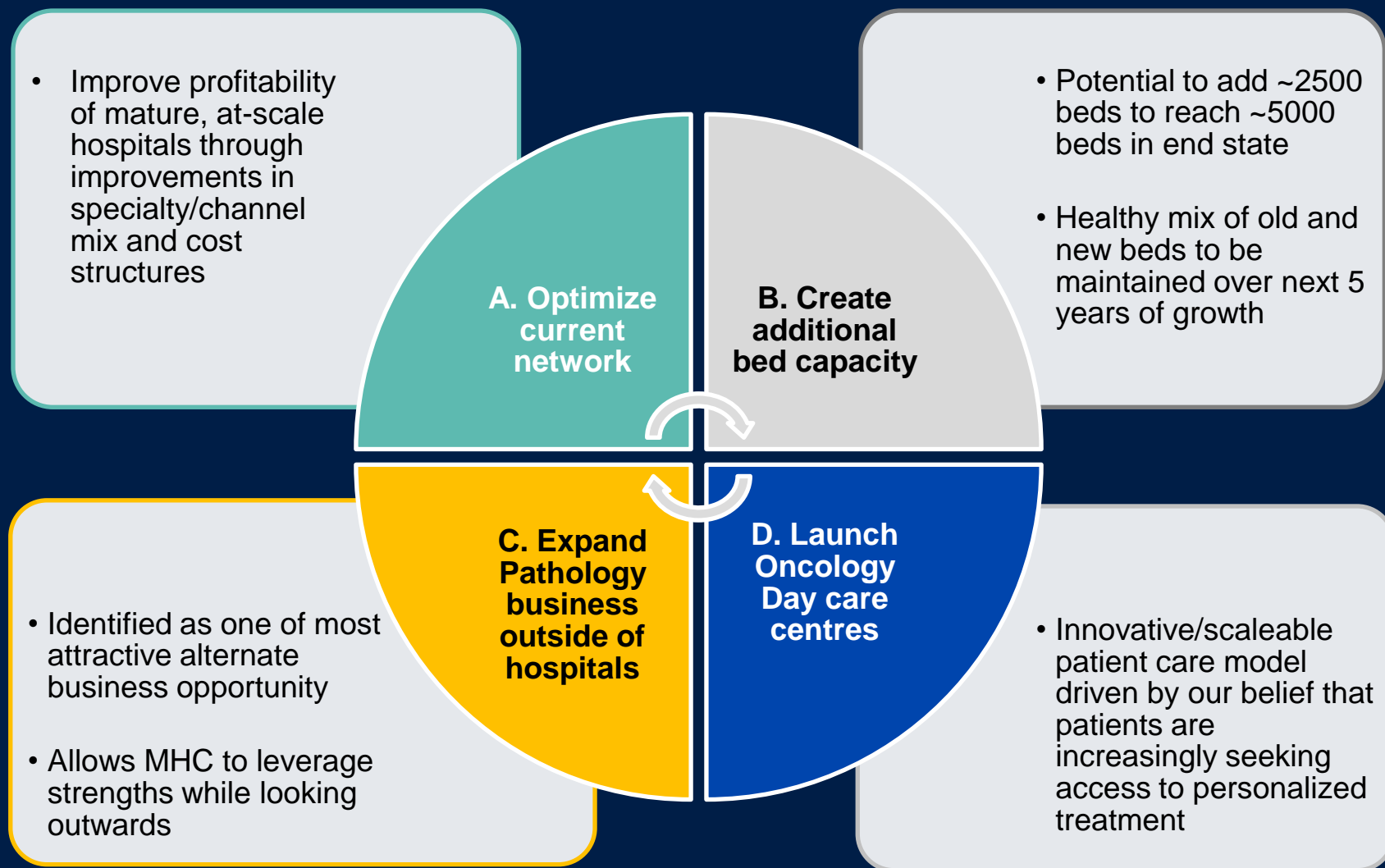
**Asia's most pre-eminent oncology centre – dedicated tower with 300-500 beds**

**State-of-the-art transplant centre – for all transplants including heart, liver, kidney, bone marrow**

**India's first international patient centre – catering to patients from developing and developed markets**

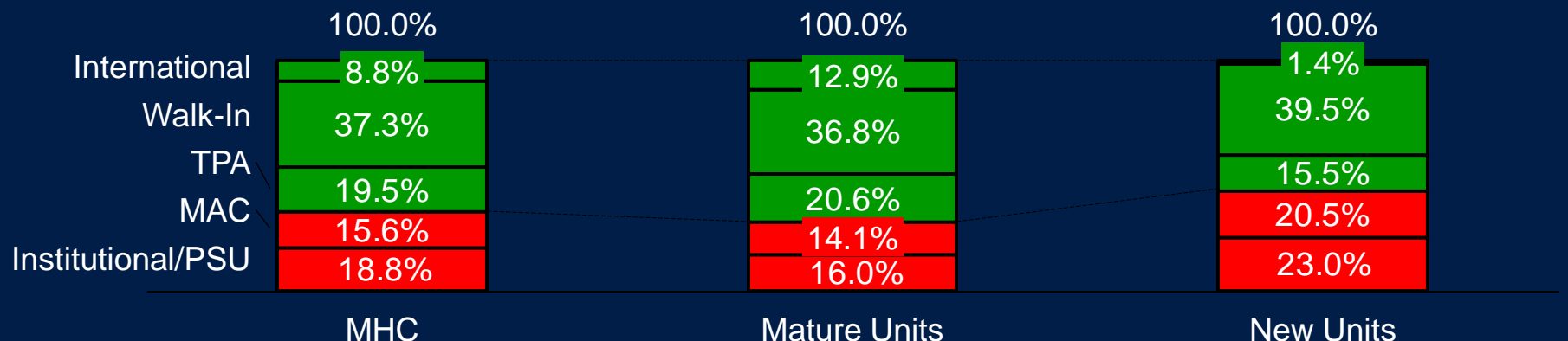
**Structured plan for clinician recruitment- attracting renowned clinicians from India and overseas, especially for focus specialties by creating an attractive ecosystem, including research and education**

- Enterprise Value of Rs. 1,025 Cr. (Equity Value Rs. 325 Cr. for 51% stake and debt of Rs. 325 Cr. to be assumed; Rs. 375 Cr. (+12% p.a.) to be paid within 3 years for the balance 49% stake)



As the new units in the network mature, the share of preferred channels will increase in the revenue mix and tend to mirror the share in current mature units

Healthcare revenue channel share\*, 9MFY16  
Percent



## Action plan in place to further increase the share of preferred channels in the mature units

### Walk-in

- Sustained **brand effort / experience delivery** on new positioning
- **ATL/BTL campaigns** for key specialties
- Strengthen **ER capabilities**

### Inter-national

- Establish **direct presence** and **digital footprint** in select markets
- Expand in attractive **new markets**
- **JCI Accreditation** at flagship units

### TPA

- Seek **new engagement models** in the prevention/ wellness space
- Assess **co-development of product** targeted at new customer segments

### MAC

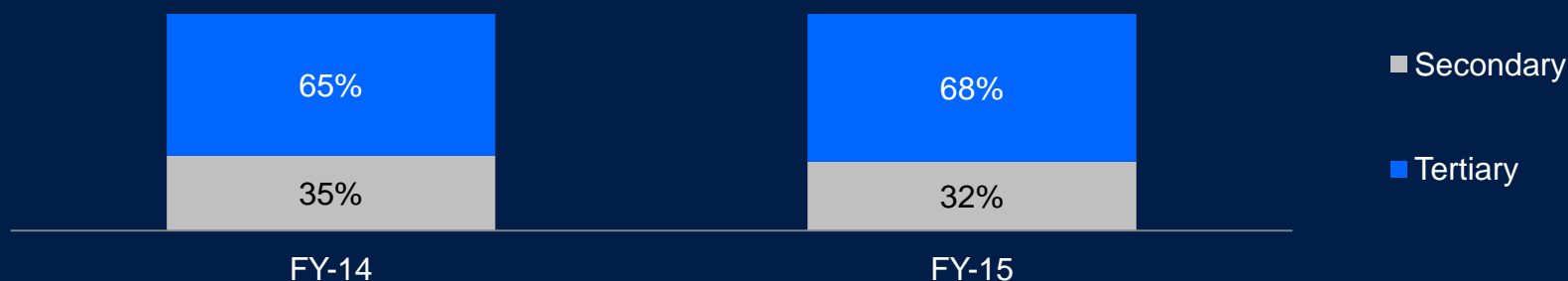
- Maintain share & improve quality of business via **upcountry channel**

### Institutional

- **Deprioritize; profitability improvement** through focus on collections, material cost, and ALOS

Share of preferred tertiary/surgical specialties to increase in the revenue mix, in line with the historic trends

Healthcare revenue specialty share\*, FY15  
Percent



Action plan in place to grow focused specialties



ONCOLOGY

- Build distinguished leadership in all DMGs
- Establish a standalone centre
- Personalized medicine



TRANS-PLANT

- Build comprehensive transplant center in Saket complex; launch LTP
- Establish KTP and BMT programs in selected locations



NEURO SCIENCES

- Provide end to end service offering
- Launch specialized clinics
- Invest in high end Neuro equipment



CARDIO SCIENCES

- Focus on high-end procedures
- Partnerships with renowned global institutions – people & best practices

## Rs. ~40 Cr. of cost saving achieved during FY16

### MATERIAL COST

- Procurement efficiency and formulary driven substitutions
- Materials management and control, spl. In PSU cases

### CLINICIAN COST

- Contract negotiations and optimization

### PERSONNEL COST

- Organization restructuring
- Physician compensation re-modelling

### OTHER INDIRECT COST

- Contract negotiations
- Work optimization by leveraging benchmarks

**Rs. 40 Cr. of further cost efficiency built up being targeted for FY17**

## Focus on structural improvements

### Build strength in procurement



- Best in class cost
- Optimized formulary
- Support low cost supplier/vendor ecosystem

### Invest in technology / digital



- Best in class manpower productivity (Smart Kiosks, e-ICU etc.)
- Leverage technology to provide health services outside of hospital

### Re-engineer/simplify processes

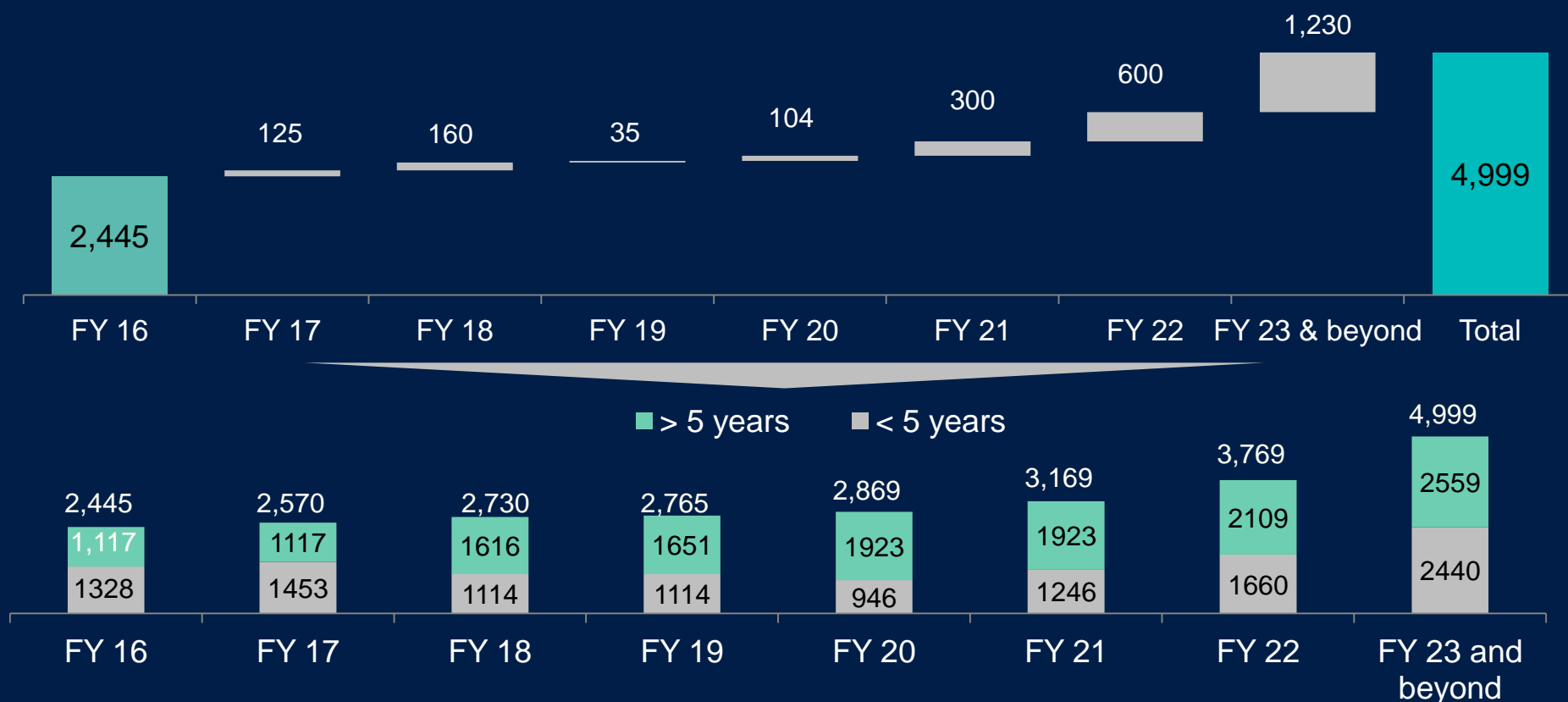


- Reduce manpower and other indirect costs through elimination of wasteful steps



# MHC will continue to derive growth from its healthy mix of old and new beds

SKT City : 85 Vaishali: 40	Vaishali: 160	Mohali: 35	Shalimar Bagh: 104	SKT City : 300	SKT City : 600	Mullanpur: 400 Gr. Noida: 380 Saket: 250 PPG: 200
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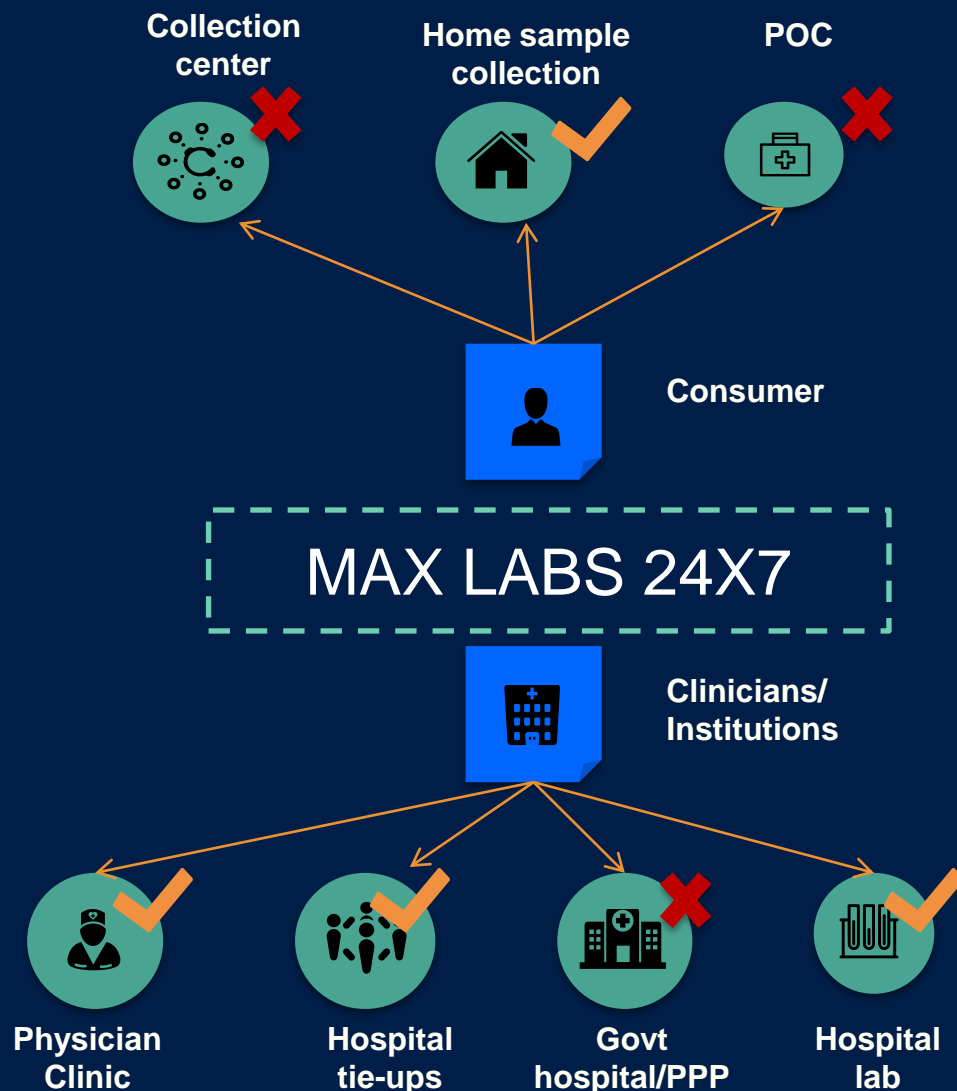




## Why will MHC succeed?

- **Significant demand:**
  - Path market in NCR poised to grow 3X by 2020 – INR 2100 Cr to ~Rs 6,200 Cr
- **Supportive supply situation:**
  - **Organized players (CAGR ~ 26%)** outpacing industry growth
  - Very few organized players currently. No significant consolidation expected
- **Attractive entry model**
  - Possible for MHC to enter **B2C & B2C business models** with low-capex by leveraging **existing infrastructure**
- **Encouraging financials**
  - Existing players have EBITDA margins of **20%+,** EBITDA on incremental revenues for MHC expected to be significantly higher (> 35%)

**Rs. ~205 Cr. of Revenues from in-house IPD/OPD Pathology services (FY15)**



## Our belief

Patients are increasingly seeking access to a more personalized treatment (vis-à-vis at a hospital) along with a unique adjunctive ambience/experience and a high focus on efficiency

## Our differentiators

1. Led by a stalwart Med. Oncologist
2. End to end design partnership with GE
3. Staff expertise and iron clad processes
4. Comforting ambience



Actual design images



Actual design images

# MAX INDIA

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- MAX BUPA HEALTH INSURANCE -



- India's leading conglomerate
- Successful track record of building market leading businesses
- Expertise in life insurance, health insurance & healthcare businesses
- Group revenues in FY 2015 – INR 149 billion
- In-depth understanding of the Indian market
- Strong DNA of service excellence
- Strong track record of creating value and sharing it with its strategic partners



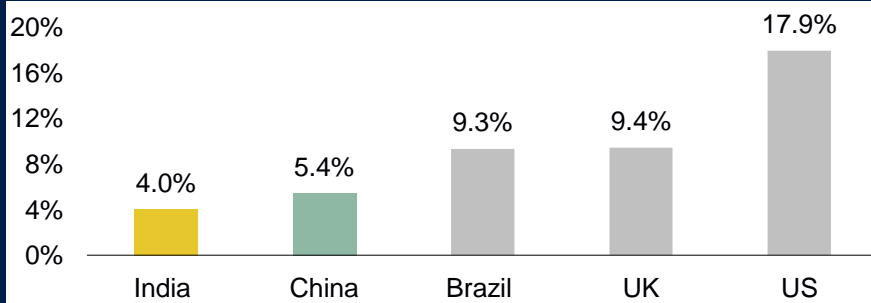
- **74:26 JV of Max and Bupa, with Bupa's stake to increase to 49% post regulatory approvals**
- **Perfect blend of global expertise and local knowledge of Healthcare and Insurance**
- **Started in Apr 2010**
- **JV to be Indian owned and controlled with Bupa contributing it's global expertise in Health Risk Management & product development and Max contribution on other aspects such as people, policies, regulatory etc.**



- Largest independent health insurance provider in UK
- Global Expertise in health insurance and healthcare
- 22 million customers in over 190 countries
- Group revenues in 2014 - ~£9.1 billion
- Voted as best international health care provider globally
- Bupa is committed to supporting Max Bupa's growth and helping Indian consumers live healthier and more successful lives
- Bupa sees Max Bupa as a huge growth opportunity and a chance to truly impact the health of millions of people.

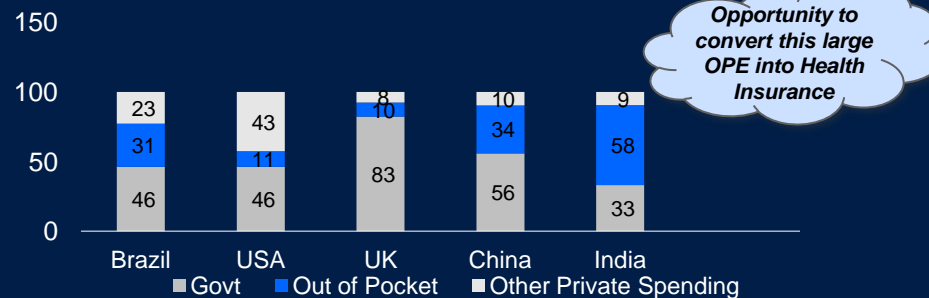
**Leveraging the strengths of both partners to build a robust and profitable enterprise with focus on service excellence**

## India has the lowest expenditure on Health in Comparison to its Peers (% of GDP) - CY12



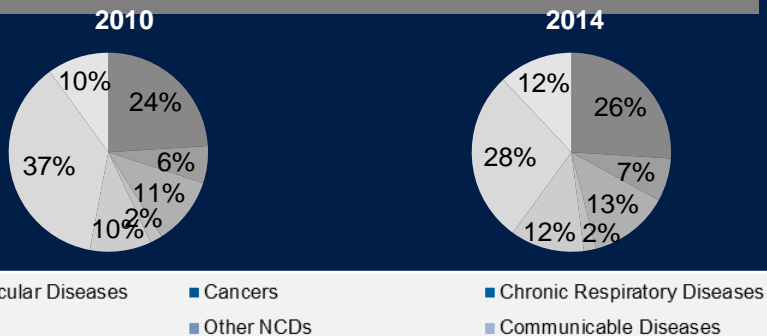
Source: World Health Organization

## Significant Portion of Health Costs in India is still "Out-of-Pocket" (%) - CY12



Source: World Health Organization

## Increasing Incidence of Non Communicable / Lifestyle Diseases %



Source: WHO – Non Communicable Disease Country Profile 2014

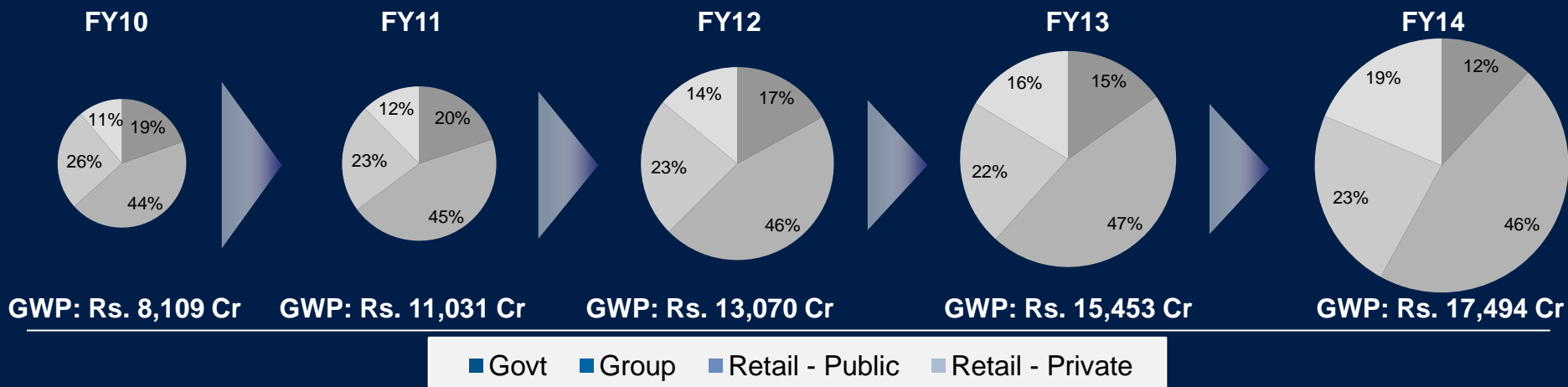
## Health Insurance Drivers

- Only **15%** of the population of India is covered under some form of health insurance with private health cover available for only **2.2%** of population
- Health care costs accounted for **only 4%** of GDP; **58% of the health costs of this met as 'out-of-pocket'** expenditure
- Rising health costs and increased incidence of life-style diseases have brought the spot-light on benefits of health insurance
- Growing real income, urbanization and increased corporatization of health care leading to exponential growth in the health insurance segment

**Health Insurance is Poised to Grow at 21% CAGR to reach Rs. 55,000 Cr in GWP by FY20**

# Private Retail Health Insurance : *fastest growing segment*

Private-Retail Health segment has seen highest growth over last 5 years with a CAGR of 38%...  
Segment wise distribution of Gross Written Premium %



... and having the lowest claims ratios in the Health Insurance Industry  
Claims ratio (NIC as % of NEP)<sup>1</sup>



<sup>1</sup> Claims ratio for FY 14 not published by IRDA

## Objectives of IRDA

1. **Protection of Policy Holder**
2. **Stability of the Industry**
3. **Increase penetration of Health Insurance**

## Proposed changes

- ☐ **Policy level changes by the Union government**
  - Insurance laws (amendment) bill
  - Universal Health Assurance Mission - fully funded for poor; incentives for others
  - Tax exemption for HI increased in latest Union budget
  - RSBY might be shut for private insurers
- ☐ **Distribution related changes** around Bancassurance, Agent recruitment & licensing, Deregulation of commission rates, Rural and social obligations etc.
- ☐ **Pro-consumer regulatory activism**
  - Exposure draft on Protection of Policyholder's interest
  - Regulatory environment moving towards customer centricity
- ☐ **Product/Services**
  - Pricing control – Limited flexibility in re-pricing of B2C books (min 3 years) & unfair pricing of group health cover by insurers under IRDA scanner now
  - IRDA encouraging insurers to focus on non-indemnity products and innovate on payment mechanisms (EMI options etc.)

## Choices

## Specifics

### Segment

- **Focus on B2C segment**, with limited play in B2B (renew only profitable accounts) & B2G (to meet regulatory obligations)

### People

- Making Max Bupa a **'workplace of choice'**

### Distribution

- **Distribution model to focus on Agency & Banca**
- **Investments in direct channels** to support the "pull" model

### Product

- **Focus on urban B2C segment**, Heartbeat is flagship product, while Health Companion complements by targeting mass affluent customers
- **Product portfolio approach** with HRM lens and continuing focus on **comprehensive** product features

### HRM

- **Bedrock of the company** – Executed via TQM philosophy to become enterprise DNA
- Invest in **HRM** capabilities to enable **benefit management**

### Claims Mgmt

- Claims philosophy of **paying all genuine claims as per contract**
- **In-house claims processing** & operations

### Customer experience

- **Exemplar service** based on customer segments and partners; enable self-service

### Marketing

- **'Family positioning'** with industry first propositions
- Focus on health and well-being – initiatives like **'Walk for Health'**



# Extensive focus on key growth levers to maximize long-term value

## Leveraging Max India and BUPA capabilities

- Max India - strong understanding of Indian Insurance landscape, learning's from Max Life's success and leverage synergies with Max Life and MHC
- BUPA – Product design, underwriting and clinical expertise

## Bancassurance would catapult growth

- Opened up to Standalone Health insurers in February 2013
- 4 tie-ups - Standard Chartered, Deutsche, Federal Bank and Ratnakar Bank successfully launched

## Pricing for profitability

- Value based pricing based on data and analysis
- Selective targeting of profitable Group business

## Continuous product innovation

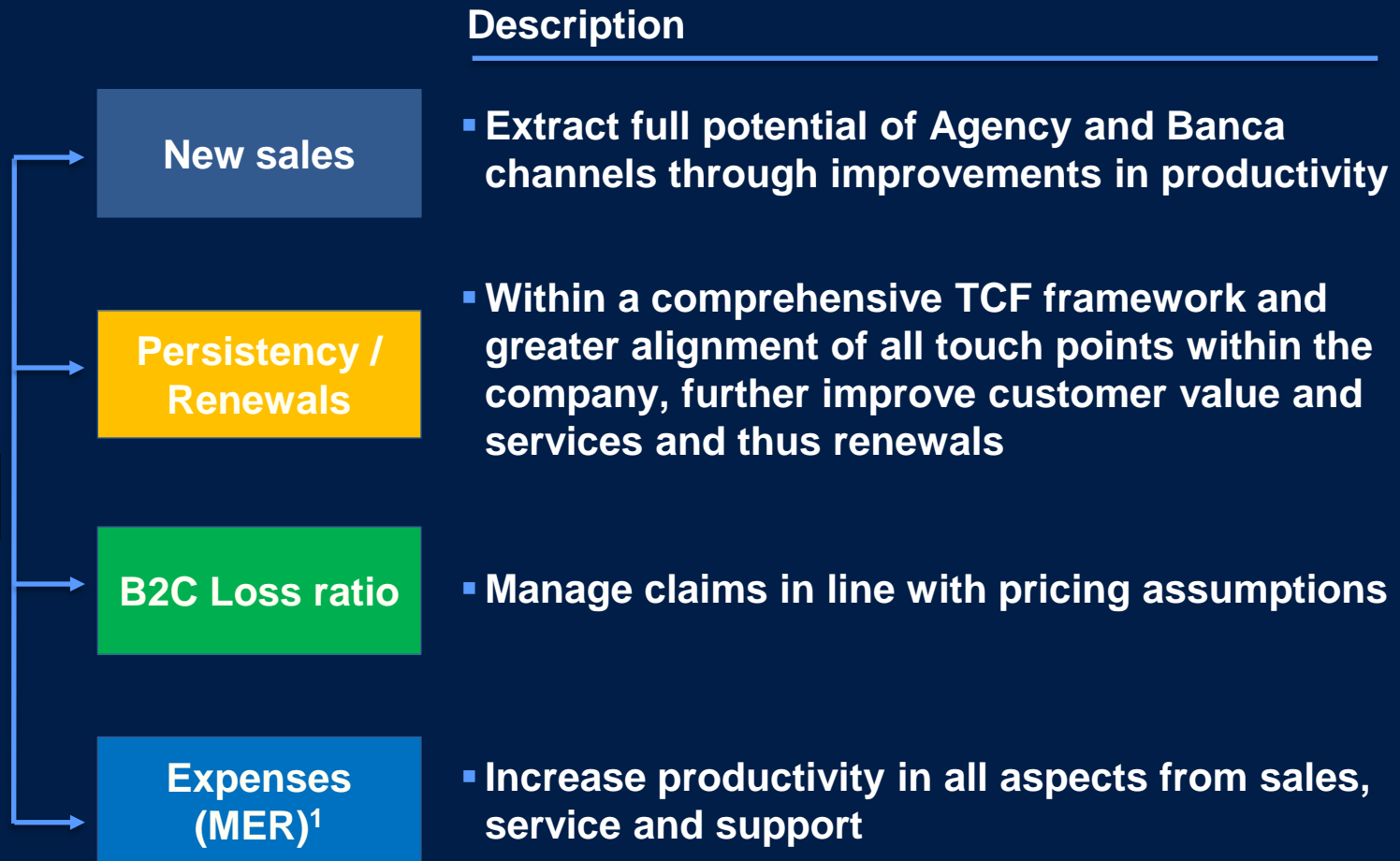
- Build a culture of innovation and expertise.
- Focus on wellness and specialized products with no age limit and high sum assured.
- Emphasis on Health Risk Management

## Focused customer profile

- Focus on the mass affluent+ customer base
- Robust underwriting procedure

## Factsheet\* – Max Bupa

Gross Written Premium^	INR 373 Cr.
Customer Base^	~800K
Number of Employees	~1,500
Number of Agents	~9,000
Number of Offices	26
Partner Hospitals	~3,500

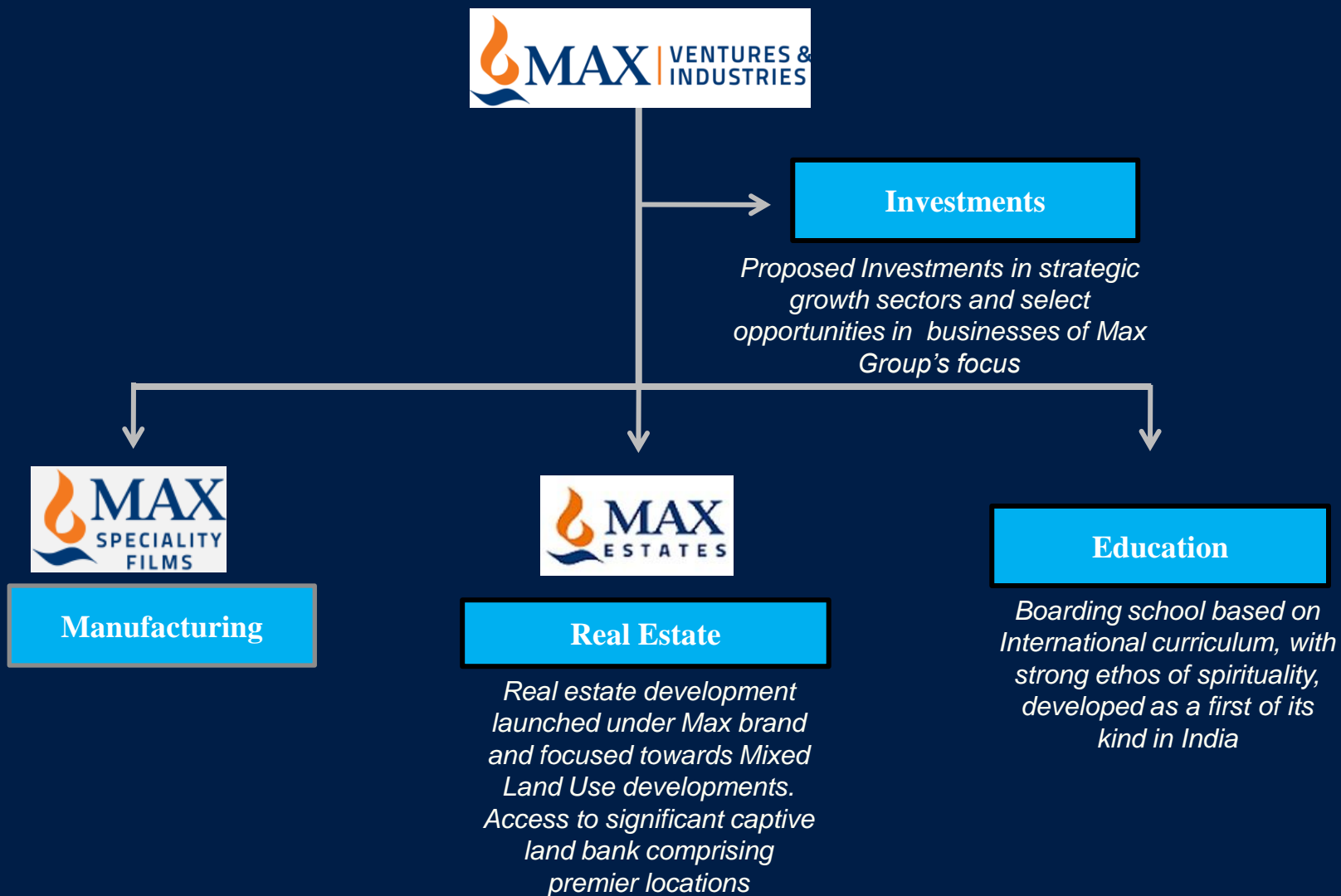


- Peak capital of ~ INR 1000 Cr
- Breakeven in FY 2017-18

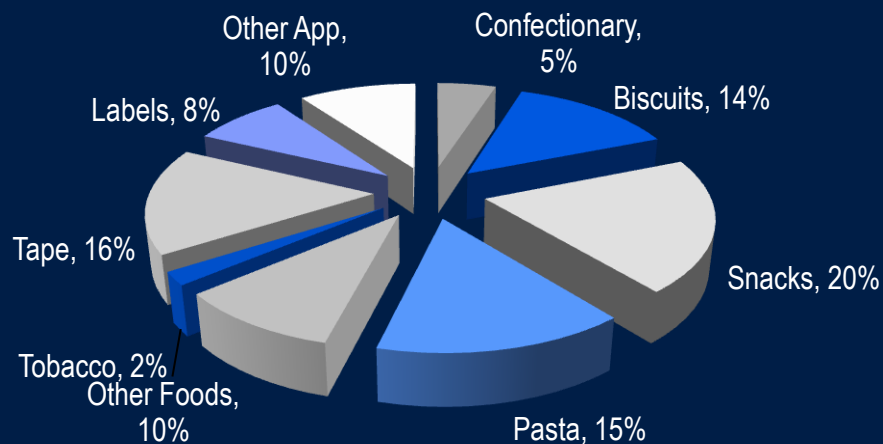
# MAX VENTURES & INDUSTRIES

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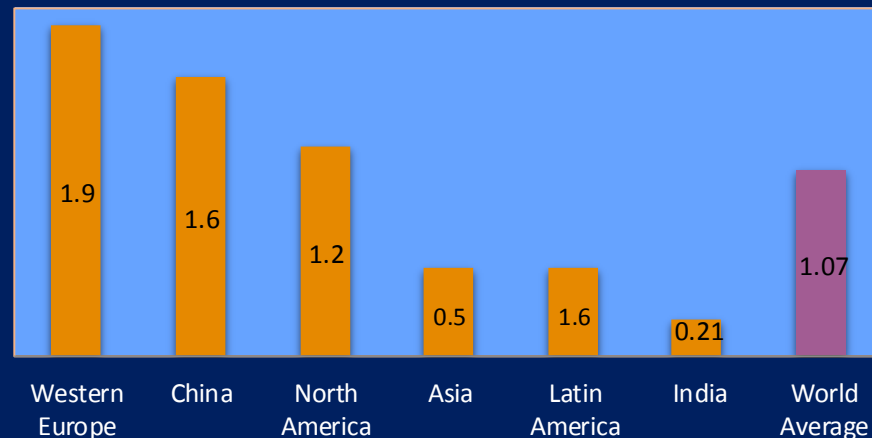
- INVESTEMENTS
- REAL ESTATE (MAX ESTATES)
- EDUCATION
- MANUFACTURING (MAX SPECIALITY FILMS)



**Global Demand FY 15**

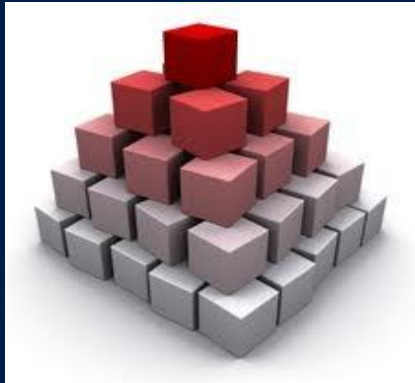
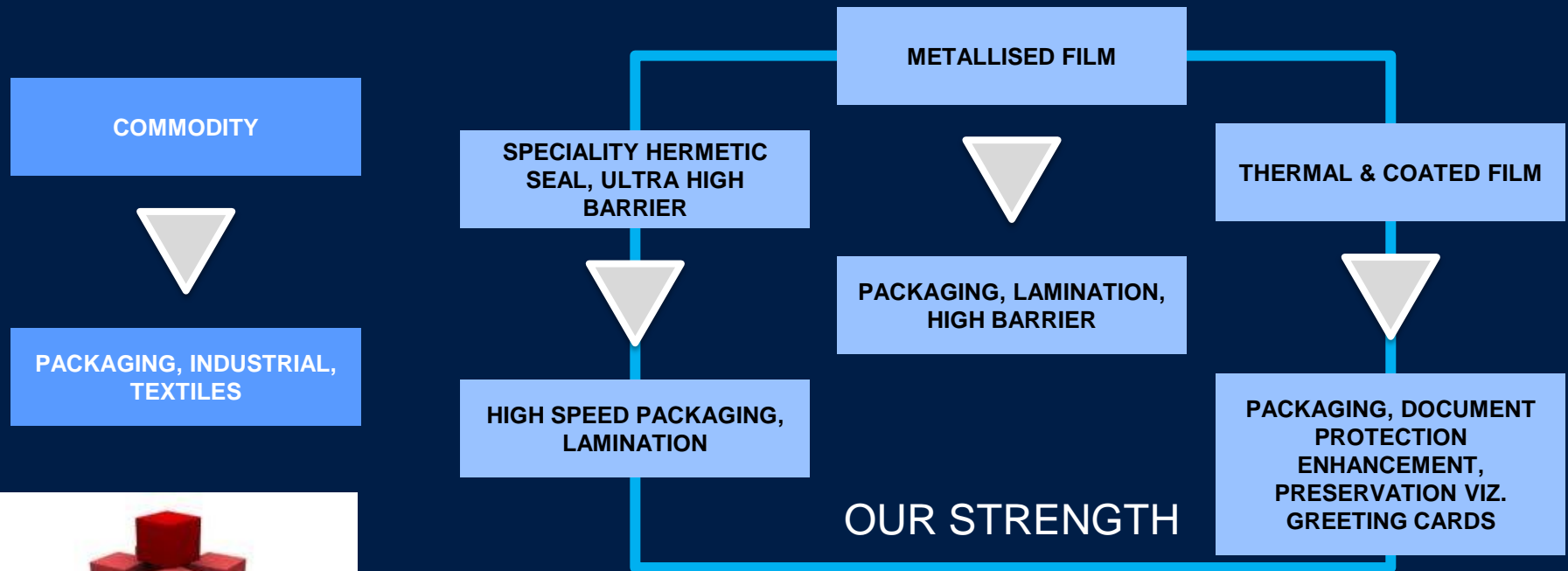


**(KG's) Global per capita consumption of BOPP**



## Key Highlights

- Growth of flexible packaging Industry ~ 12-14% in India
- Per capita consumption of BOPP in India relatively lower
- Growth in FMCG and organized retail and changing urban life styles & rural demand.
- Competitive pricing and costs spurs exports from India and restricts imports.
- Shift from PET to BOPP (Indian BOPP:PET products ratio around 1:2 against 3:1 globally)
- BOPP films are recyclable and have a competitive advantage over other plastic and traditional products
- Converter industry growing & India becoming global hub for supplies of Flexible Laminates



## *Max Speciality Films is much more than packaging...*

- Established in 1990 MSF manufactures 'Speciality' BOPP (Bi- axially Oriented Polypropylene) & Thermal Lamination Films
- Committed to innovation, product quality and service excellence
- Deep Partnerships with Brands and converters in India & Abroad
- Significant market share of converts 65-70% output served to FMCG industry
- Geographical footprint covers Europe, the middle East, the US, Latin America, Africa, Australia, South Korea, CIS countries & SAARC

## REVENUE & QUANTITY GROWTH

### MSF Growth - FY07-15

Revenue CAGR: 20 %  
Quantity CAGR: 18 %  
EBITDA CAGR: 19 %

## CAPACITY GROWTH

CAGR of 25%

CURRENT CAPACITY

4 METALLIZERS

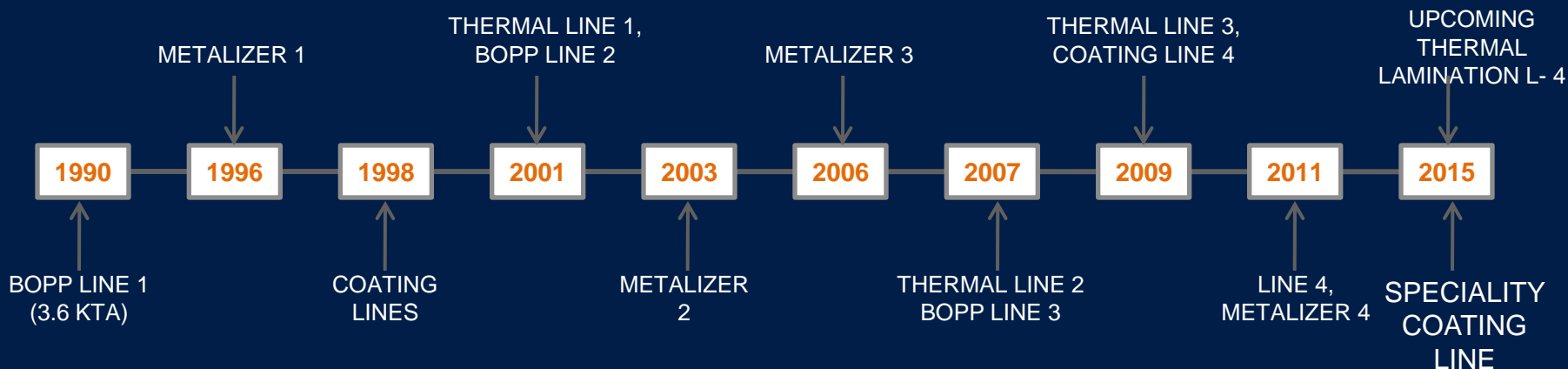
4 BOPP LINES

3 EXTRUSION LINES

3 COATING LINES

R & D LAB

54 KTA



## Our Customers ... Brands / Converters



## Markets We Serve

### FOOD PACKAGING



Plain  
Coextruded  
Pigmented  
Metalized  
Overwrap

### NON FOOD PACKAGING



Overwrap  
Metalized

### INDUSTRIAL PACKAGING



Release  
Cable Insulation  
Labels

### GRAPHIC LAMINATION



Thermal Lamination Films  
Wet Lamination films



Enhances Aesthetics &  
Longevity of documents



Recognized by National & International organizations  
for “**product development**” & “**process innovation**”



GOLDEN PEACOCK AWARD IN 2011



WORLD STAR AWARDS IN 2010 & 2012



INDIA STAR AWARD IN 2010, 2012& 2015

**Recently won INDIASTAR AWARD 2015 in  
INNOVATION & PACKAGING DESIGN  
Category  
for its ANTI SKID FILM**

# MAX INDIA FOUNDATION (MIF)

[www.maxindiafoundation.org](http://www.maxindiafoundation.org)

## Max India Foundation

- Corporate Social Responsibility (CSR) Arm of the Max India Group focused on providing quality healthcare to the underprivileged, facilitating awareness of health related issues, and promoting and fostering an eco-friendly healthy environment.

### Awards Received:-

- Golden Peacock Award for CSR 2015
- "Best Overall CSR Practices 2015" at the World CSR Day
- "Outstanding Social Impacts" Award 2014 at the World CSR Day Congress
- Golden Peacock Award for CSR 2013
- "Best CSR Practices 2013" at the World CSR Day
- "Best CSR Practices 2013" at 7<sup>th</sup> Indy's Award
- Golden Peacock Award for CSR 2012
- Global CSR Awards at the World CSR Day 2012
- Golden Peacock Global CSR Award 2011



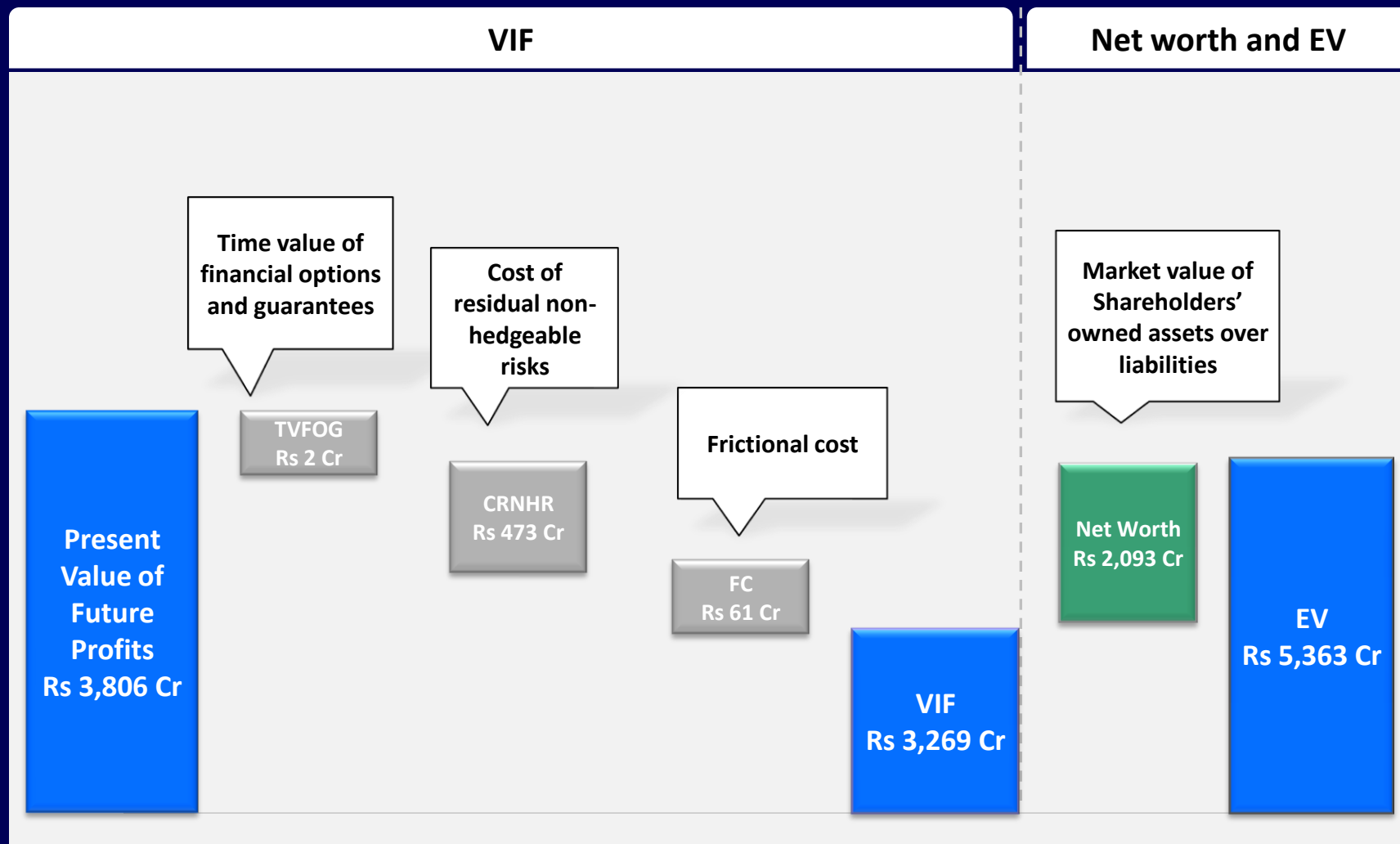
## Factsheet\* – MIF

<b>Locations</b>	652
<b>NGO Partners</b>	394
<b>Beneficiaries</b>	16,31,883
<b>Initiatives</b>	<ul style="list-style-type: none"> <li>• "Dhakrani" Village Adoption in Dehradun district to address healthcare needs, waste disposal and sanitation.</li> <li>• Pan India Immunization</li> <li>• Artificial Limbs &amp; Polio Callipers</li> <li>• Health Camps</li> <li>• Surgeries &amp; Treatment</li> <li>• Palliative Care</li> <li>• Lifeline Express Camps</li> <li>• Multi-speciality Camps</li> <li>• Cancer Awareness</li> <li>• Environment Awareness</li> </ul>

# Annexures

# Overview of the components of the EV as at 30<sup>th</sup> September 2015

All figures in Rs Cr



Note: Figures may not add up due to rounding.

Sensitivity Results	EV		VNB	
	Value (Rs Cr)	% change	Value (Rs Cr)	% change
<b>Base Case</b>	<b>5,232</b>	<b>-</b>	<b>460</b>	<b>-</b>
Downward shift of 100 bps in the risk free interest rate curve <sup>Note1</sup>	5,347	2%	419	(9%)
10% increase in expense	5,178	(1%)	443	(4%)
10% increase in mortality	5,168	(1%)	449	(2%)
10% increase in lapse / surrender	5,127	(2%)	435	(6%)
10% immediate fall in equity values	5,167	(1%)	460	negligible

## Notes:

1. The EV and VNB sensitivities are calculated annually. The sensitivity impacts are not expected to change materially from March 2015.
2. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
3. Reserving assumptions are unchanged in all the sensitivities.

## Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FIMMDA<sup>1</sup> as at 30<sup>th</sup> September 2015. The spot rates beyond the longest available term of 30 years are assumed to remain at 30 year term spot rate level.
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- A flat rate adjustment is made to the yield curve such that the market value of government bonds is equal to discounted value of future cash flows of those bonds.
- Samples from the un-adjusted spot rate yield curve as on 30<sup>th</sup> September 2015 and 31<sup>st</sup> March 2015 are given here:

Year	1	2	3	4	5	10	15	20	25	30 +
Sep 2015	7.37%	7.67%	7.62%	7.71%	7.84%	7.62%	7.91%	8.10%	8.22%	7.93%
Mar 2015	8.01%	7.96%	7.93%	7.89%	7.89%	7.95%	8.04%	8.12%	8.03%	7.79%

## Demographic Assumptions

The lapse and mortality assumptions are approved by a Board committee and are set by product line and distribution channel on a best estimate basis, based on the following principles:

- Assumptions are based on past experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

<sup>1</sup> Fixed Income Money Market and Derivatives Association of India

## Expense and Inflation

- Maintenance expenses are based on the recent expense studies performed internally by the Company. The VIF is reduced for the value of any maintenance expense overrun in the future. The overrun represents the excess maintenance expenses expected to be incurred by the Company over the expense loadings assumed in the calculation of PVFP.
- Expenses are denominated in fixed Rupee terms and are inflated at 6.25% per annum.
- The commission rates are based on the actual commission payable (if any).

## Tax

- The corporate tax rate is assumed to be 14.42% for life business and nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- The mark to market adjustments are also adjusted for tax.



Rank	Company	Individual New Business Premium (Rs. Cr) Premium Adjusted for 10% single premium			
		FY15	FY14	Growth (%)	Private Market Share
1	ICICI Prudential	4,596	3,253	41%	23.0%
2	SBI Life	3,120	2,811	11%	15.6%
3	HDFC Life	2,967	2,374	25%	14.8%
4	<b>Max Life</b>	1,948	1,769	10%	9.7%
5	Reliance Life	1,202	1,121	7%	6.0%
6	Bajaj Allianz	775	1,002	-23%	3.9%
7	Birla Sunlife	738	837	-12%	3.7%
8	PNB MetLife	712	577	23%	3.6%
9	Kotak Life	617	465	33%	3.1%
10	Exide Life	441	500	-12%	2.2%
	Others	2,874	2,536	13%	14.4%
	<b>Private Total</b>	19,992	17,243	16%	
	<b>LIC</b>	20,774	28,520	-27%	
	<b>Grand Total</b>	40,765	45,763	-11%	
	<b>Market Share of Pvt. Players</b>	49.0%	37.7%		

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	9 months ended		Y-o-Y Growth
		Dec'15	Dec'14		Dec'15	Dec'14	
a) Gross written premium income	Rs. Cr						
First year premium		456	480	-5%	1,242	1,267	-2%
Renewal premium		1,602	1,399	15%	4,186	3,754	12%
Single premium		203	174	17%	520	426	22%
<b>Total</b>		<b>2,260</b>	<b>2,052</b>	<b>10%</b>	<b>5,949</b>	<b>5,447</b>	<b>9%</b>
b) Shareholder Profit (Pre Tax)	Rs. Cr	140	73	92%	401	356	13%
c) Policy holder expense to Gross Premium	%	13.7%	15.2%	-	15.0%	16.9%	-
d) Individual Adjusted Premium (APE*)	Rs. Cr	465	489	-5%	1,257	1,281	-2%
e) Conservation ratio**		85.3%	81.8%		83.4%	82.9%	
f) Average case size (Agency)	Rs.	39,529	37,930	4%	36,075	33,067	9%
g) Case rate per agent per month	No.	0.35	0.29	20%	0.32	0.30	6%
h) Number of agents (Agency)	No.	40,351	47,128	-14%	40,351	47,128	-14%
i) Paid up Capital	Rs. Cr	2,013	2,013	-	2,013	2,013	-
j) Individual Policies in force	No. Lacs	37	36	1%	37	36	1%
k) Sum insured in force (Individual)	Rs. Cr	1,79,178	1,45,591	23%	1,79,178	1,45,591	23%

\*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)



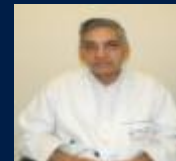
**Dr. Pradeep Kumar Chowbey, Padmashri**  
Director of Max Institute of Minimal Access, Metabolic and Bariatric Surgery. More than 35 yrs of experience in Lap Surgery, completed 70,000 major Lap procedures



**Dr. Sandeep Buddhiraja**  
Director- Clinical Directorate & Institute of Internal Med.  
Over 23 years of experience in the field of Internal Medicine



**Dr. S.K.S. Marya**  
Chairman - Orthopaedics & Joint Replacement  
Renowned Joint Replacement Surgeon having 30 years experience



**Dr. K.K. Talwar**  
Chairman - Cardiology, Max Healthcare  
Clinical experience of more than 39 years  
Former Head, Department of Cardiology, AIIMS



**Dr. Harit Chaturvedi**  
Chairman – Cancer Care, Director & Chief Consultant - Surgical Oncology.  
Over 25 years of experience in Surgical Oncology.



**Dr. A.K. Singh**  
Director – Max Institute of Neurosciences, Dehradun  
Renowned Neuro Surgeon having 40 years experience  
Recipient of the BC Roy award



**Dr. Anurag Krishna**  
Director- Paediatrics & Paediatrics Surgery  
Over 20 years of experience in Paediatric surgery - complex congenital malformations

Strong consultant bench strength of **350+** across specialities :

- Cardiac – **100+**
- Oncology – **50+**
- Orthopaedics – **50+**
- Neurosciences – **50+**
- Renal – **50+**
- MAMBS – **25+**

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Nine months Ended		Y-o-Y Growth
		Dec-15	Dec-14		Dec-15	Dec-14	
a) Financial Performance	Rs. Cr						
Revenue (Net)		529	424	25%	1,523	1,246	22%
Contribution Margin	%	66.2%	64.7%	150 bps	65.0%	64.0%	100 bps
EBITDA	Rs. Cr	54	42	29%	152	128	19%
EBITDA Margin	%	10.3%	10.0%	30 bps	10.0%	10.2%	(20 bps)
Cash Profit	Rs. Cr	23	22	8%	84	62	35%
Profit	Rs. Cr	(5)	(1)	-	7	(7)	2x
b) Financial Position							
Net Worth	Rs. Cr				1,071	726	47%
Net Debt	Rs. Cr				1,048	586	79%
Tangible Fixed Assets - Gross Block	Rs. Cr				1,935	1,438	35%
c) Patient Transactions (No. of Procedures)	No.						
Inpatient Procedures		42,181	32,649	29%	1,20,645	98,643	22%
Day care Procedures		9,034	6,805	33%	23,040	19,850	16%
Outpatient Registrations		13,47,117	10,72,689	26%	40,22,985	33,04,297	22%
d) Average Inpatient Operational Beds	No.	2,139	1,823	17%	2,064	1,756	18%
c) Average Inpatient Occupancy	%	69.7%	69.4%	30 bps	71.7%	74.1%	(240 bps)
d) Average Length of Stay	No.	3.20	3.36	-5%	3.21	3.43	7%
e) Avg. Revenue/Occupied Bed Day (IP)	Rs.	30,153	29,996	0.5%	30,296	28,512	6%

\*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

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Nine months Ended		Y-o-Y Growth
		Dec-15	Dec -14		Dec-15	Dec -14	
a) Gross written premium income	Rs. Cr						
First year premium		46	34	36%	127	97	31%
Renewal premium		68	56	21%	198	152	30%
<b>Total</b>		<b>113</b>	<b>90</b>	<b>26%</b>	<b>325</b>	<b>249</b>	<b>30%</b>
b) Net Earned Premium	Rs. Cr	102	82	26%	286	235	22%
<b>c) Net Loss</b>	<b>Rs. Cr</b>	<b>(9)</b>	<b>(19)</b>	<b>53%</b>	<b>(49)</b>	<b>(67)</b>	<b>28%</b>
d) Claim Ratio(B2C Segment, normalized)	%	55%	51%	-420 bps	56%*	52%	-450 bps
e) Avg. premium realization per life (B2C)	Rs.	6,756	6,478	4%	6,794	6,278	8%
f) Conservation ratio (B2C Segment)	%				83%	82%	170 bps
g) Number of agents	No.				11,975	9,756	23%
h) Paid up Capital	Rs. Cr				876	763	15%

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Nine months Ended		Y-o-Y Growth
		Dec-15	Dec -14		Dec-15	Dec -14	
a) Sales Quantity – BOPP	Tons	10,701	10,399	3%	32,858	32,885	-
b) Revenue	Rs. Cr.	165	175	-6%	543	565	-4%
c) Profitability:							
Contribution	Rs. Cr.	39	33	16%	125	100	25%
	%	23%	19%		23%	18%	
EBITDA	Rs. Cr.	19	16	18%	68	54	28%
	%	12%	9%		13%	10%	
PBT	Rs. Cr.	5	0.3	>100%	27	6	4x
	%	3%	0.2%		5%	1%	

# Disclaimer

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