

Letter to Shareholders

Dear Shareholders,

THE BHAGVAD GITA HAS A GUIDING VERSE, WHICH TRANSLATES THUS: THE WORLD CONSISTS OF PAIRS OF OPPOSITES LIKE PROFIT AND LOSS, HEAT AND COLD, JOY AND SORROW AND HONOUR AND DISHONOUR. IT IS UNPREDICTABLE. IT IS CONSTANTLY CHANGING AND IS IMPERMANENT. ENDURE THESE FLUCTUATIONS. ONE WHO IS NOT TROUBLED BY THEM, IS BALANCED IN JOY AND SORROW, AND IS STEADY, IS FIT FOR EXCELLENCE. LOOKING BACK AT 2010-11, I MUST ADMIT THERE WERE CHALLENGES. THIS MADE US LOOK BEYOND. WE REMAINED UNPERTURBED, STRIVED HARD FOR 'EXCELLENCE', AND SUCCEEDED.

> 2010-11 BROUGHT TO LIFE SOME VERY "INTERESTING TIMES" WITH GOOD NEWS AND DIFFICULTIES, VICTORIES AND CONFLICTS, UNEXPECTED EVENTS BOTH GOOD AND BAD, JOYS AND HEARTBURNS – A STATE WHERE THESIS AND ANTI-THESIS COMBINED IN MYRIAD DIFFERENT WAYS AND COLOURS

On 1 September 2010, the Insurance Regulatory and Development Authority (IRDA) mandated significant, industry re-defining regulatory changes. It was like being hit by a dozen tornadoes and typhoons at the same time. The chapter on Management Discussion and Analysis explains the sea changes that the IRDA has brought about in the life insurance industry. Max New York Life (MNYL) had to anticipate and react very quickly to these changes. Which it did admirably - and often beyond the call of duty. It swiftly rallied forces, re-configured its businesses and priorities and moved on to profitable growth. I dare say that it was one of the very few private sector life insurance players that

could weather a regulatory storm that was as profound as it was far reaching.

Consider the facts. Notwithstanding being buffeted by that life-threatening storm, MNYL's total revenue (first year premium plus renewals) grew by 20% to ₹5,813 crore; its market share among private players based on adjusted first year premium went up by 200 basis points to 7.5%; its cost ratio improved from 42% to 38%, due to stringent cost management initiatives; its assets under management grew by 37% to ₹13,836 crore; it maintained more than double the stipulated solvency margin; its profit after tax grew more than 12 times to ₹283 crore; and it generated shareholders' profit of ₹194 crore in 2010-11 compared to a loss of ₹21 crore in 2009-10.

I must put on record my sincere appreciation to the core MNYL team, to its Vice Chairman, Anuroop (Tony) Singh, to key resources from your Company, to an excellent, focused, rapid action facilitating team from McKinsey & Company and to one of my gurus and mentors, Ram Charan, for effecting such a fundamental turnaround under some of the most dire external circumstances.

May we not have any more unsettling changes such as the one we witnessed in September 2010. And may MNYL now be poised for consistently focused, profitable, value enhancing growth – as the preliminary evidence suggests it is.

Compared to the changes that hit the insurance industry, the rest of your Company's business looked like plain sailing.

Max Healthcare is on a profitable growth path. With the new blocks at Patparganj and Saket getting fully operational, the average number of operational hospital beds increased by 23% from 751 in 2009-10 to 926 in 2010-11. Today, a network of six top class hospitals and two speciality medical centres in Delhi and the National Capital Region (NCR) is serviced by around 1,250 doctors, 1,725 nurses and 1,840 para-medical and other staff. The registered patient base now runs at over 11.4 lakh patients. There are over 2.5 lakh patient



> I MUST PUT ON RECORD MY SINCERE APPRECIATION TO THE CORE MNYL TEAM, TO ITS VICE CHAIRMAN, ANUROOP (TONY) SINGH, TO KEY RESOURCES FROM YOUR COMPANY, TO AN EXCELLENT, FOCUSED, RAPID ACTION FACILITATING TEAM FROM MCKINSEY & COMPANY AND TO ONE OF MY GURUS AND MENTORS, RAM CHARAN, FOR EFFECTING SUCH A FUNDAMENTAL TURNAROUND UNDER SOME OF THE MOST DIRE EXTERNAL CIRCUMSTANCES

transactions per month.

Its revenue across its network of hospitals and medical centres grew by 29% to ₹685 crore in 2010-11. EBIDTA more than doubled to ₹52 crore in 2010-11. More significantly, the EBIDTA margin rose by 320 basis points – from 4.4% in 2009-10 to 7.6% in 2010-11.

Max Healthcare will be raising its capacity to 1,900 beds by FY 2012 by not only increasing beds in Delhi and the NCR but also by commissioning more hospitals in North India. You will soon see a new super speciality hospital in Shalimar Bagh (New Delhi); in Dehradun (Uttaranchal); and in Bhatinda and Mohali as a public-private partnership with the Government of Punjab. You should also expect to see Max Healthcare earning profits on a sustained basis while delivering superior patient care across several therapeutic areas.

Max Bupa, your Company's joint venture with Bupa Plc, UK focuses on providing excellent health insurance services. It is a new venture, and 2010-11 was its first full year of operations. Properly priced and well-serviced health insurance is new to India – where the few who got insured typically did so through low priced, loss-making public sector health insurance policies. Thus, while there is considerable demand for such insurance, I expect that it will take a few years for the business to gain sufficient traction; and somewhat longer to deliver profits. Even so, I have been impressed by Max Bupa's performance. At the end of its first full year of operations, it had





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 > MAX HEALTHCARE IS ON A PROFITABLE GROWTH PATH. 2011-12 WILL SEE IT DOUBLE ITS CAPACITY AND EXPAND ITS GEOGRAPHIC FOOTPRINT, WITH STATE-OF-THE-ART HOSPITALS COMING UP ACROSS NORTH INDIA”

covered a total of 46,000 lives during 2010-11; it earned a gross written premium of over ₹25 crore; and built multi-channel provider networks and associations with hospitals. I hope that the business continues growing smartly with an eye on quality growth, high service benchmarks and profits.

Max Neeman, your Company's calibrated foray into clinical research for global pharmaceutical companies is bearing fruit. Though a small relative to MNYL and Max Healthcare and in a very early stage of development, Max Neeman has a client base of 77 global pharmaceutical

entities – having increased it by 20 in 2010-11. I expect growth from this dual-shored operation.

Max Speciality Films (MSF), your Company's Bi-axially Oriented Polypropylene (BOPP) film and metallising facility in Punjab has continued doing well. MSF's sales turnover was ₹456 crore in 2010-11 against ₹363 crore in 2009-10. Net revenues increased by 25% from ₹333 crore in 2009-10 to ₹417 crore in 2010-11. Despite a 22% increase in overall industry capacity, MSF's operating margin (EBIDTA to net sales) was maintained at 11.7% in

2010-11, which is very creditable in this industry EBIDTA increased by 23% to ₹53 crore in 2010-11 and PBT increased by 77% to ₹36 crore.

In the aggregate, therefore, your Company has grown in the midst of a rapidly changing environment. Consolidated operating revenue increased by 20% to ₹6,668 crore in 2010-11. It has also turned around: consolidated profit before tax was ₹32 crore in 2010-11 versus a loss of ₹86 crore in 2009-10. On a consolidated basis, net profit was ₹9 crore in 2010-11 compared to a net loss of ₹72 crore in 2009-10. And the treasury corpus was ₹540 crore as on 31 March 2011.

From the above, it is truly visible that Max India Group is on a sustainable and profitable growth trajectory. Over the last two years, the initiative of putting in place an effective Board governed style of working has strengthened the result orientation of our key businesses, including emphasis on outcome based performance and risk management.

However, we continue to live in challenging and complex times, with increasing competition, pressure on profitability, and our commitment to excellence is the key to future success and profitable growth. To strengthen the leadership of your Company, I recently took a decision to step down from the day to day role in my capacity as Managing Director of your Company. Rahul Khosla was appointed by your Board as the future Managing Director of your company on June 8th and will formally be instated as Managing Director on August 18, 2011.

Rahul brings with him value based



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“ MSF CONTINUES TO DO WELL, WITH ITS NEW LINE COMING ON-STREAM, EXPANDING CAPACITY BY 75% TO 52,000 TPA, AND ITS PRODUCTS WINNING GLOBAL RECOGNITION WITH THE WORLDSTAR PACKAGING EXCELLENCE AWARD FOR 2010 ”



leadership, high energy and rich experience having held key positions in American Express Bank, Bank of America, ANZ Grindlays Bank, Standard Chartered and lastly Visa in Singapore.

Please join me in welcoming and wishing Rahul the very best for his success in his role as Managing Director of your company.

I will continue to serve as Executive Chairman of your company as well as Chairman of its subsidiaries, Max New York Life Insurance, Max Healthcare and Max Bupa.

I wish to sincerely thanks my partners, New York Life Insurance, U.S.A., Bupa, UK; all the Directors who painstakingly work, heading various Sub-Committees of Boards, my Vice Chairman Anuroop (Tony) Singh and the leadership teams of your company and the overall Max India Group.

I look forward to an exciting year ahead and hope that we are able to continue navigating the impermanency, in our quest for excellence and profitable growth.

Analjit Singh
Chairman