Max India Limited
Investor Release

Financial Year ended March 31, 2017

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 LIMITED

MAX HEALTHCARE

MAX Bupa HEALTH INSURANCE

ANTARA SENIOR LIVING
A Max India Enterprise

Max India – Key Highlights

1. Max to consolidate shareholding in MHC to ~50% by acquiring 3.75% stake from IFC for Rs 212 Cr; Warrants of Rs 300 Cr to be allotted to Sponsors, subject to shareholders approval, to acquire IFC's stake and meet other funding requirements

2. Max Healthcare : Robust revenue growth of 18% to Rs. 2,567 Cr in FY17; EBITDA grows at a strong 31% to Rs. 281 Cr. in FY17; margins improve by ~ 120 bps to 11.4%. Business impacted by demonetization and regulatory headwinds (Drug & Stent Price Controls, Minimum wage revision; Extension of maternity leave to 26 weeks)

3. Max Healthcare : Max Saket receives JCI accreditation, the world's gold standard for Healthcare quality; Liver Transplant Program launched in Feb'17, conducted 35 liver transplants within two months of launch

4. Max Bupa : Gross Premium grows 25% to Rs 594 Cr in FY17. Successful launch of Bank of Baroda, 30% of branches activated

5. Max Bupa : Losses (excluding one-off items) reduce marginally to Rs. 67 Cr in FY17 from Rs. 68 Cr in FY16, owing to new business strain

6. Antara : Dehradun community commences operations in Apr'17; Possession to residents has been completed and 15 residents have moved in the community

Max Healthcare – Agenda

1. *Attractive Industry opportunity*
2. *Strong operating & financial performance*
3. *Anchored for the future*

Max Healthcare – Agenda

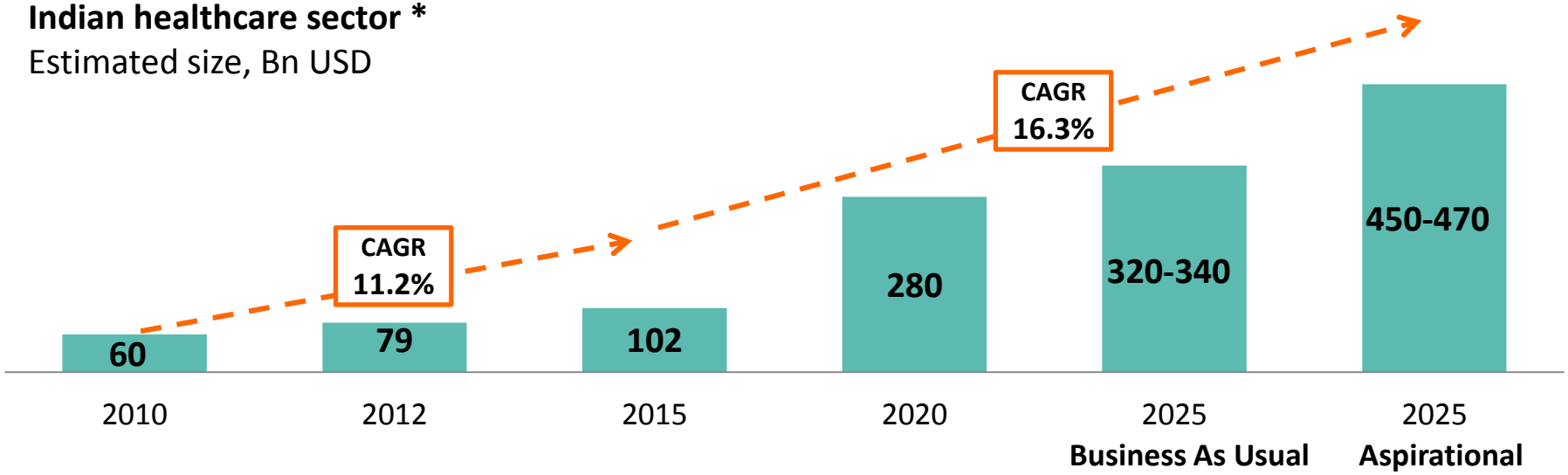
1 ***Attractive Industry opportunity***

2 *Strong operating & financial performance*

3 *Anchored for the future*

Indian healthcare industry is expected to reach ~$470 billion by 2025, fuelled by multiple demand drivers

Indian healthcare sector *
Estimated size, Bn USD



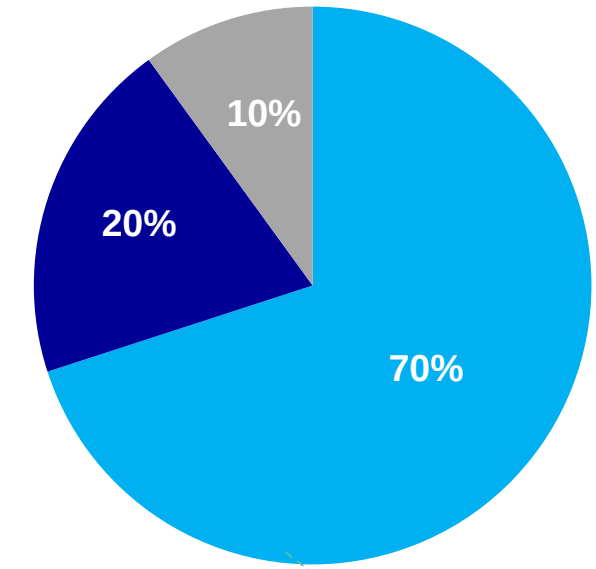
Demand drivers for growth

~500 mn additional middle class by 2025	***~134 mn*** population > 60 years by 2020	***~320 mn*** at risk of dying due to NCDs by 2020
~45% Insurance penetration by 2020	***~$8 bn*** medical tourism market size by 2020	***~2 mn*** beds required by 2025

* Includes hospitals, pharmaceuticals & medical technology / other companies
Sources: India Brand Equity Foundation – Healthcare report, 2012; BofA Merrill Lynch Global Research, IBEF Mar'15

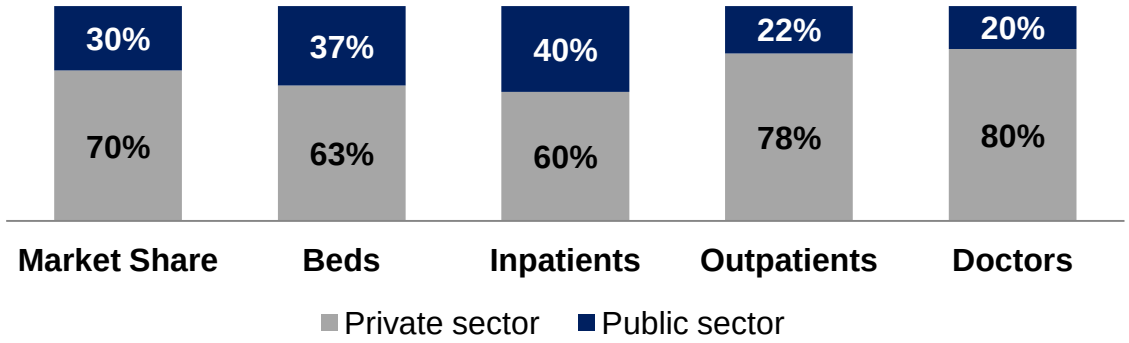
Hospitals constitute ~70% of Indian healthcare market with increasingly dominant role of private sector

Indian healthcare sector*
Market share %



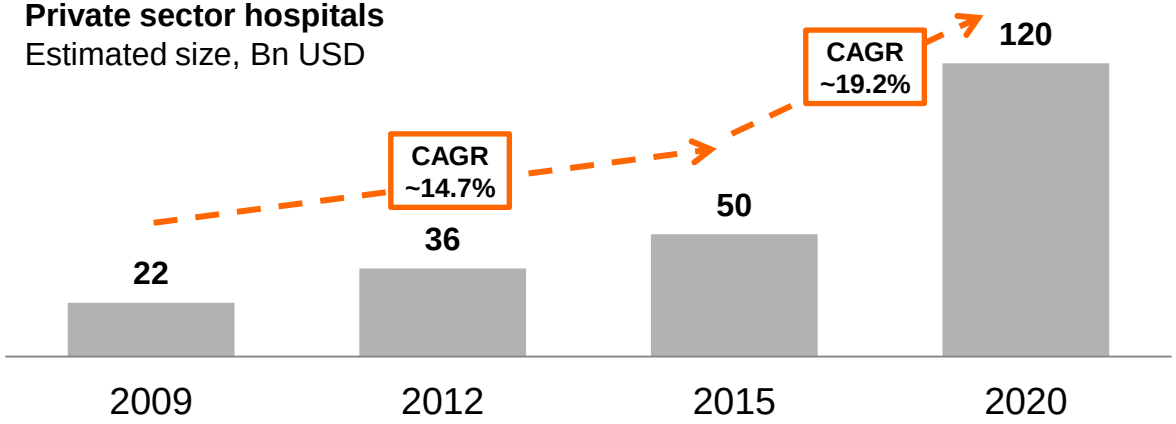
- Hospitals
- Pharmaceuticals
- Medical technology / Others

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



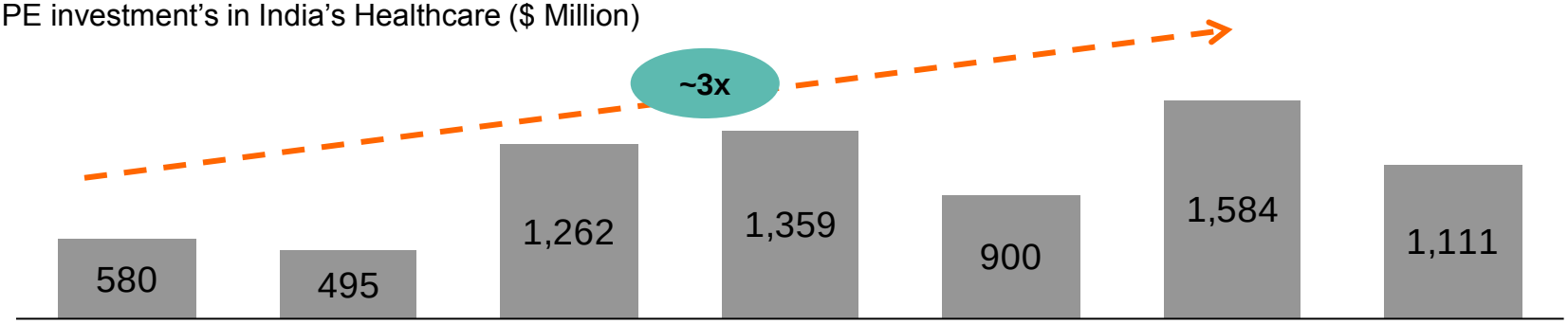
* Includes hospitals, pharmaceuticals & medical technology / other companies

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

Competition is intensifying with scale-up of well funded incumbents & availability of capital for new players

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)



	2010	2011	2012	2013	2014	2015	2016
No. of deals	**35**	**29**	**65**	**60**	**54**	**50**	**86**

Scale up of well funded incumbents

	CURRENT SCALE	FUNDING (RS. CR.)
Apollo Hospitals	8,600	550, (2013 - KKR)
Fortis Hospitals	4,800	820, (2013 - Stan Chart, IFC)
Medanta	1,300	700, (2015 - Temasek/Punj Lloyd)

	CURRENT SCALE	FUNDING (RS. CR.)
Narayana Health	6,500	290, (2014 - CDC)
Manipal Hospitals	4,900	900, (2015 - TPG Capital)
Care Hospitals	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

Max Healthcare – Agenda

1 *Attractive Industry opportunity*

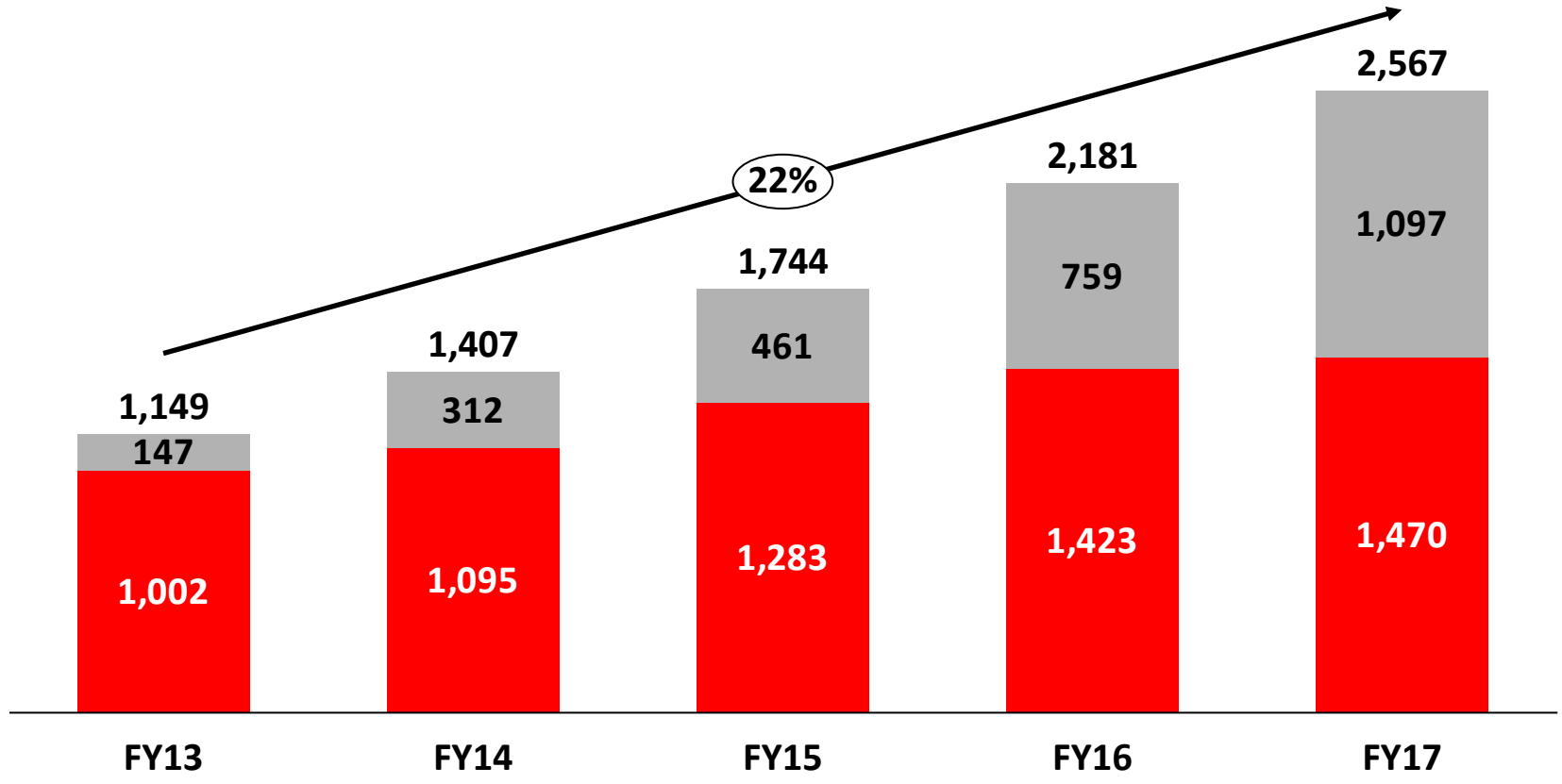
2 ***Strong operating & financial performance***

3 *Anchored for the future*

Healthy revenue growth driven by new & mature hospitals

MHC Annual Gross Revenues by hospital age

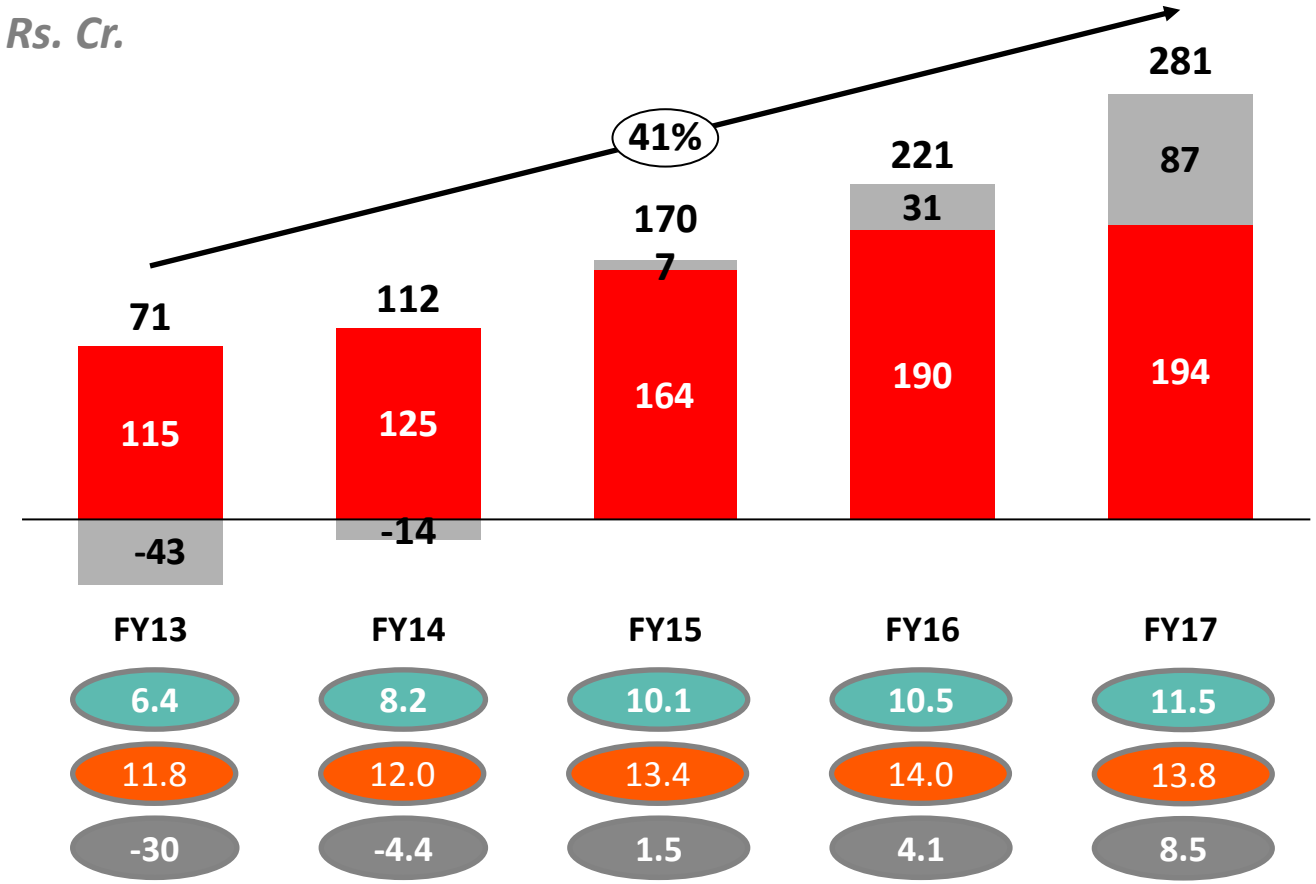
Rs. Cr.



NOTE: In FY17 some specialities transferred from Saket (mature unit) to Max Smart (new unit) as part of Saket complex integration, leading to marginal revenue growth in mature units

Steady margin expansion driven by cost efficiencies, build-up in mature units, and revenue scale-up at new units

MHC EBITDA by hospital age



ROCE for mature units at 18.1% *(17.3%)* ***and for new units at 1.7%*** *(-1.5%)*

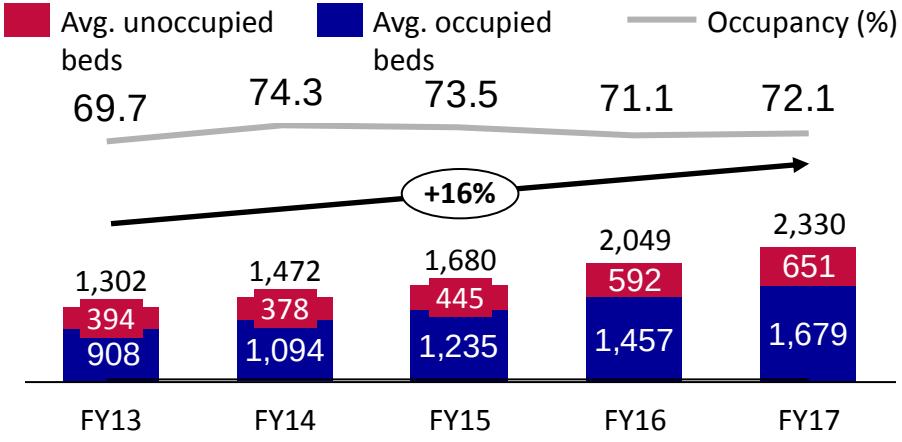
Note : FY16 excludes Rs. 6 Cr. of one time expenses towards the Pushpanjali and Saket City acquisitions; FY15 excludes Rs 3 Cr of one off expenses

xx *% EBITDA Margin, MHC* xx *% EBITDA Margin, > 5 Yrs.* xx *% EBITDA Margin, < 5 Yrs.*

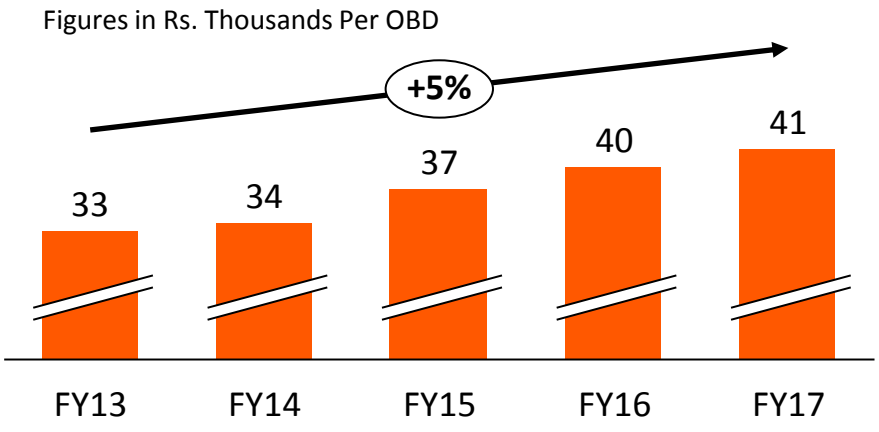
NOTE: In FY17 some specialities transferred from Saket (mature unit) to Max Smart (new unit) as part of Saket complex integration, leading to marginal EBITDA growth in mature units

Strong momentum across all volume and value levers in last 5 years

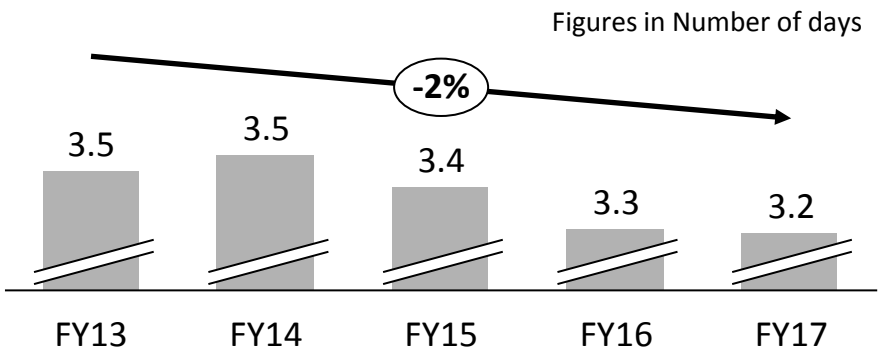
Maintained healthy occupancy levels despite strong bed addition momentum



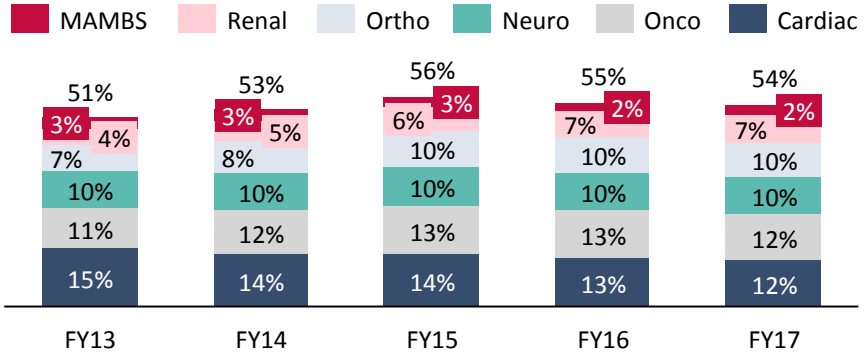
Steady growth in Revenue per occupied bed



Consistent improvement in Average Length of Stay



Consistent focus on key tertiary tower specialities



Note: Cardiac revenue impacted by stent price capping in FY17

MHC Network* – Performance Dashboard (Q4 & FY17)

Key Business Drivers	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
	Mar-17	Mar-16		Mar-17	Mar-16	
a) Financial Performance						
Revenue (Gross)	**628**	**600**	**5%**	**2,567**	**2,181**	**18%**
Revenue (Net)	604	575	5%	2,454	2,098	17%
Direct Costs						
Material Cost	148	148	0%	614	558	10%
Clincian Payout	44	45	-2%	194	169	15%
Contribution	**412**	**382**	**8%**	**1,647**	**1,372**	**20%**
*Contribution Margin^*	68.1%	66.4%	177 bps	67.1%	65.4%	173 bps
Indirect Costs						
Personnel Cost	204	187	9%	814	678	20%
Other Indirect overheads	101	98	3%	430	364	18%
HO Costs	30	34	-12%	121	115	6%
EBITDA	**77**	**63**	**23%**	**281**	**215**	**31%**
*EBITDA Margin^*	12.8%	11.0%	182 bps	11.4%	10.2%	120 bps
Finance Cost	30	32	-5%	133	100	34%
Cash Profit	**47**	**32**	**50%**	**148**	**115**	**28%**
Depreciation	33	29	12%	124	105	18%
Profit before tax	**15**	**2**	**542%**	**24**	**10**	**141%**
b) Financial Position						
Net Worth				1,108	1,071	3%
Net Debt				1,102	1,056	4%
Tangible Fixed Assets - Gross Block				2,038	1,944	5%

*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; ^ on the basis of net revenue

MHC Network* – Performance Dashboard (Q4 & FY17)

Key Business Drivers	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
	Mar-17	Mar-16		Mar-17	Mar-16	
a) Patient Transactions (Nos in lacs)						
Inpatient Discharges	0.44	0.43	3%	1.89	1.64	15%
Day care Procedures	0.13	0.12	3%	0.49	0.35	39%
Outpatient Footfalls	15.84	15.15	5%	64.41	55.38	16%
Total	**16.41**	**15.70**	**5%**	**66.79**	**57.37**	**16%**
b) Average Inpatient Operational Beds	2,291	2,300	0%	2,330	2,272	3%
c) Average Inpatient Occupancy	70.0%	69.7%	35 bps	72.1%	71.1%	95 bps
d) Average Length of Stay (days)	3.25	3.39	4%	3.25	3.26	0%
e) Average Revenue/Occupied Bed Day (Rs)	42,477	40,577	5%	41,187	40,392	2%
f) Other Operational Data						
Physicians				2,692	2,858	-6%
Employees				8,711	8,159	7%
Customer Base (in million)				3.6	3.0	20%

*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; ^ on the basis of net revenue

MHC Network Hospitals (Mature & New) – Performance Dashboard (Q4 & FY17)

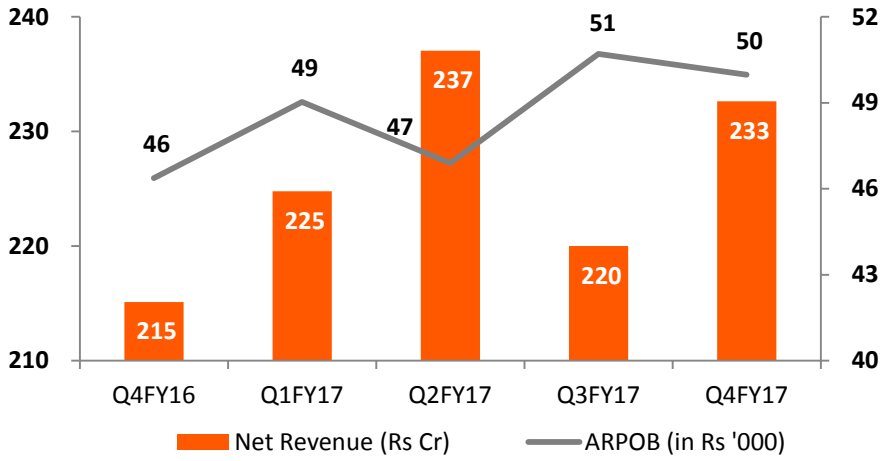
Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Mar-17	Mar-16		Mar-17	Mar-16	
Mature Hospitals*							
a) Financial Performance							
Revenue(Net)	Rs. Cr	327	345	-5%	1,394	1,357	3%
EBITDA	Rs. Cr	46	51	-10%	194	190	2%
EBITDA Margin	%	14.1%	14.8%	(74) bps	13.9%	14.0%	(14) bps
b) Average Inpatient Operational Beds	No.	1,056	1,095	-4%	1,102	1,095	1%
c) Average Inpatient Occupancy	%	71.1%	73.5%	(243) bps	74.1%	74.8%	(67) bps
d) Average Revenue/Occupied Bed Day	Rs.	49,629	48,633	2%	48,495	46,690	4%
e) Return on Capital Employed (Annualised)	%	19.5%	17.8%	169 bps	18.1%	17.3%	80 bps
New Hospitals^							
a) Financial Performance							
Revenue(Net)		270	227	19%	1,035	727	42%
EBITDA	Rs. Cr	28	14	108%	85	31	178%
EBITDA Margin	%	10.4%	6.0%	448 bps	8.3%	4.2%	403 bps
b) Average Inpatient Operational Beds	No.	1,235	1,205	2%	1,228	1,184	4%
c) Average Inpatient Occupancy	%	69.1%	66.2%	293 bps	70.2%	66.9%	332 bps
d) Avg. Revenue/Occupied Bed Day	Rs.	36,192	32,454	12%	34,260	32,310	6%
e) Return on Capital Employed (Annualised)	%	3.5%	1.0%	250 bps	1.7%	-1.5%	316 bps

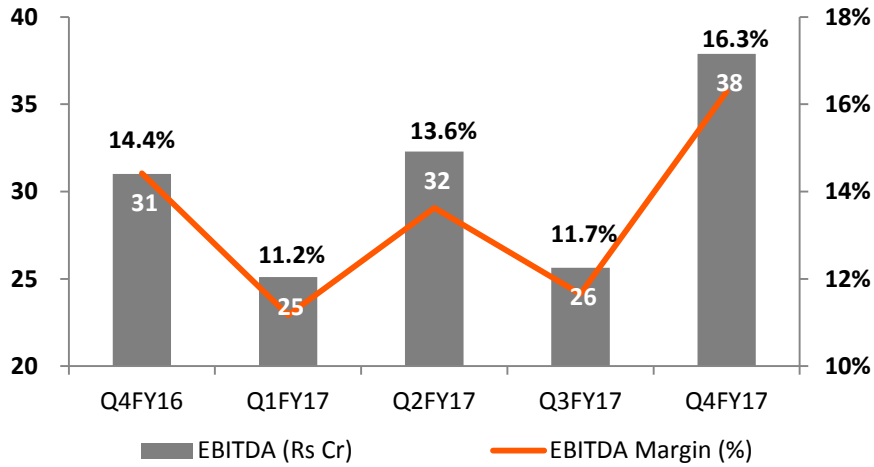
***The above results are for MHC Network (Saket West, Panchsheel, Gurgaon, Noida, Pitampura) and includes results for Max Super Specialty Hospital, Saket, unit of Devki Devi Foundation and Max Super Speciality Hospital, Patparganj, unit of Balaji Medical and Diagnostic Research Centre**

^ The above results are for Shalimar Bagh, Mohali, Dehradun, Bathinda, Vaishali & Saket City hospital unit of Gujarmal Modi Hospital & Research Centre

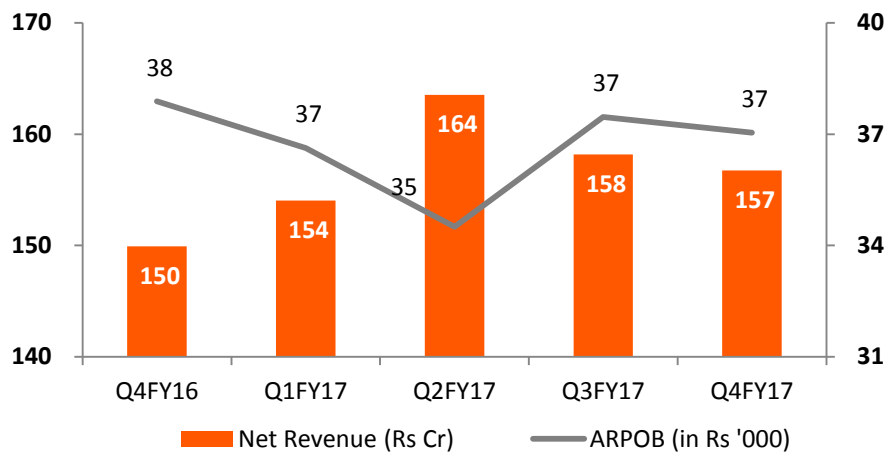
MHC Network Hospitals (Saket* & East Delhi^ Complex) – Performance Dashboard (Q4 & FY17)

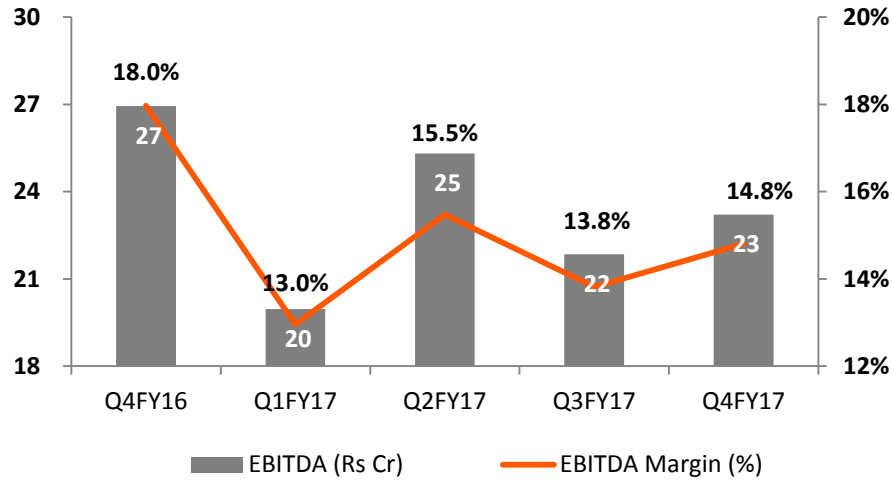
Saket Complex*





East Delhi Complex*





*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

MHC has a proven record of building an institution

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
- **Max Saket** received **JCI accreditation** – highest standards of clinical governance and compliance

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***
- ***Business World Healthcare Award in Patient Experience & Safety***

19 awards across clinical safety, operational excellence, service quality, and others

Clinical Safety (5)

•Best patient safety initiative (prevention of patient fall)

•Best quality initiative (BCMA medication process improvement)

•Infection Prevention and Practices (1st runner up)

Operational Excellence (7)

•Best use of six sigma in Healthcare

•Best green hospital (reducing carbon foot print of tertiary care hospital)

Service Quality (3)

•Best customer service in Healthcare

•Best storyline at South Asia Team Excellence Award (Mission Pride)

Others (4)

•ET Best Healthcare brand

•Excellence in training and development

Max Healthcare – Agenda

1 *Attractive Industry opportunity*

2 *Strong operating & financial performance*

3 ***Anchored for the future***

Four dimensions to value creation for MHC

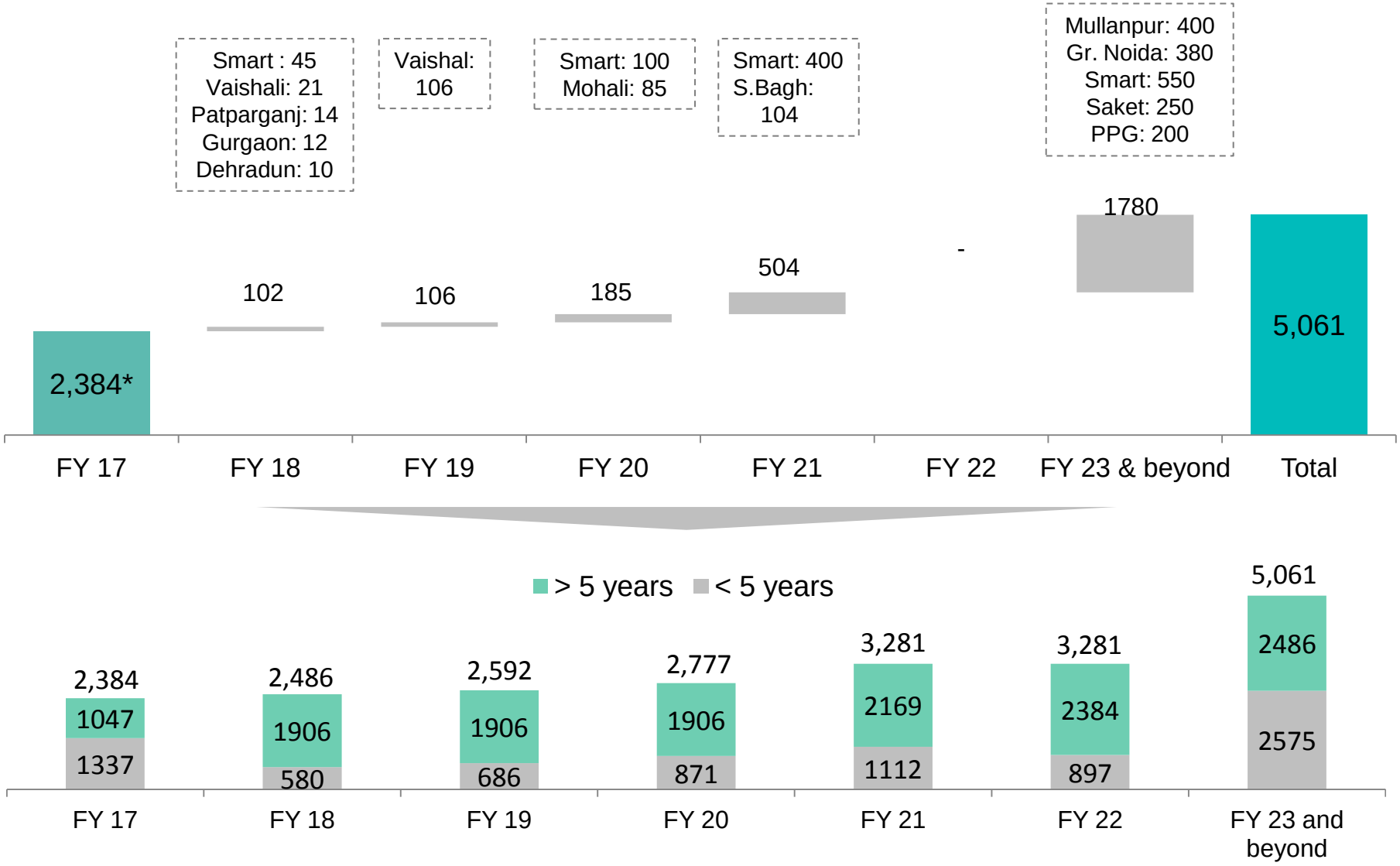
- Focus on identified key specialties
- Channel optimization
- Cost initiatives

- Differentiated positioning
- Service experience
- Patient safety
- People
- Compliance

- M&A
- FAR
- Greenfield

- Pathology
- Onco daycare
- Digicare

MHC poised to derive strong growth from healthy mix of mature and New units



* Bed Capacity as at March 31, 2017

Max Bupa – Agenda

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Max Bupa – Agenda

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Industry landscape

Key drivers of growth

Low penetration and coverage

- HI penetration (premium as % of GDP) is only ~0.2%
- Only 27% of population has any kind of health insurance, but significant under insurance

Increasing affluence and awareness

- Rise in income levels and healthcare spend per capita
- Middle class expected to increase to 41% of population by 2025 (from 5% in 2005)[1]

Rise in health care costs

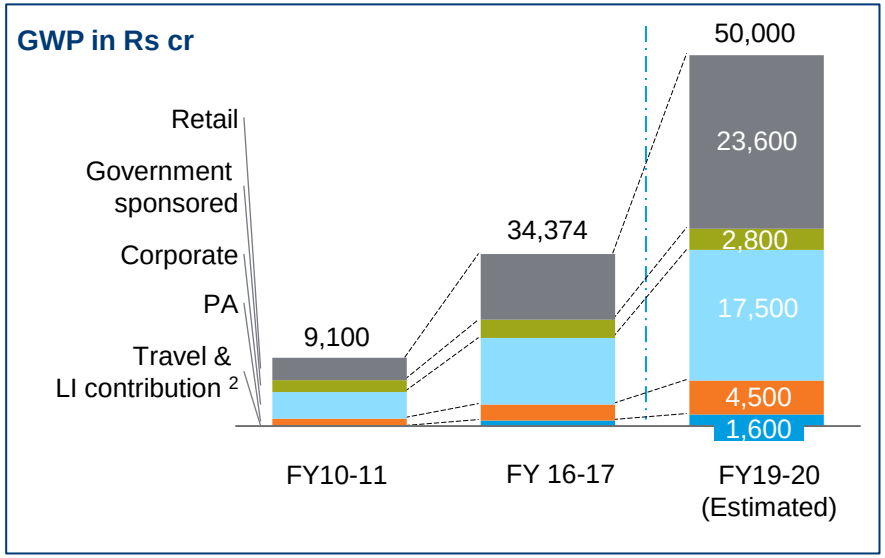
- Medical inflation over 10%
- High out-of-pocket expenses (62% v/s ~10% in US/UK & ~30% in China)

Rise in incidence of chronic diseases
(viz. Cancer, heart diseases) & lifestyle related diseases (diabetes)

Regulatory & policy level interventions

- IRDAI's consumer-centric approach
- Higher tax saving incentives on HI

Health insurance market (including PA, Travel & contribution by life insurers)



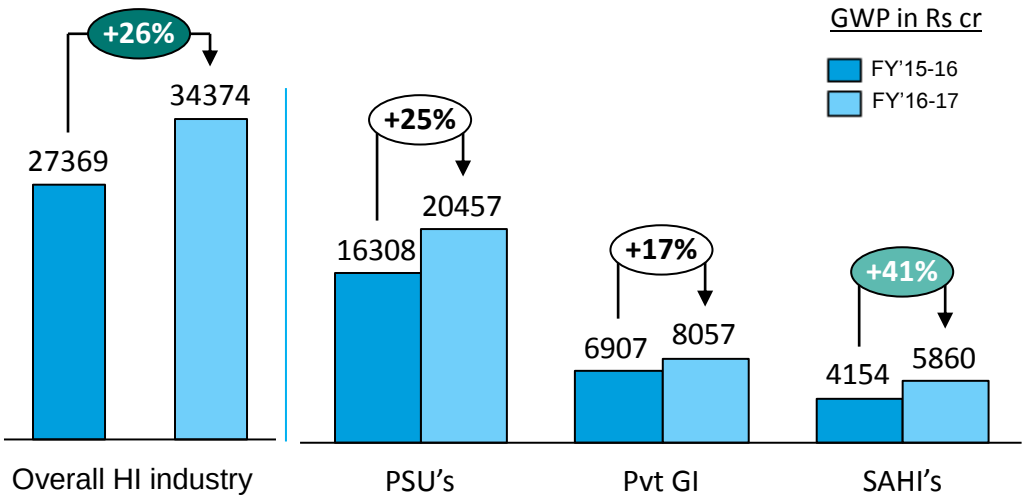
Indian health insurance market is likely to grow by ~15% CAGR in next 3 years

1 Mckinsey report 'Tracking the growth of India's middle class' in 2007

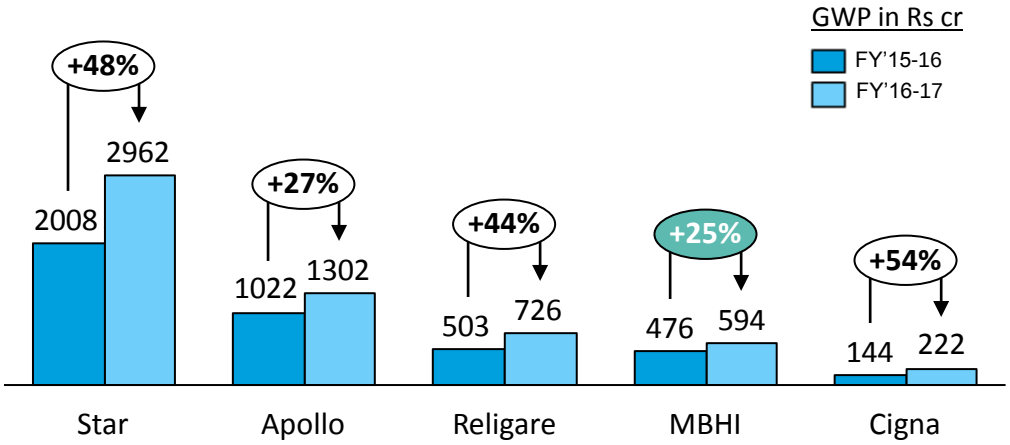
2 Growth rates for Travel & LI contribution of HI not available (Assumed at 16% same as 5 year CAGR of PA)

Recent industry developments

SAHIs are the fastest growing section in the industry…



…led by distribution expansion as well as product launches



Key recent trends

- **Heavy investments to add capacity**
  - SAHI players (Apollo, Star, Religare) have been adding capacity in agency channel over last 2 years – branches as well as frontline sales force
  - Banca tie-ups over last 2 years, adding significant capacity to their network
- **Multiple product launches**
  - Niche proposition like Cancer care, Dengue care, Maternity specific, Health savings product etc.
  - Increased focus on health & wellness offerings (Cigna, ICICI Lombard, Aditya Birla Health)
- **Industry continues to attract new entrants**
  - Kotak General – paid-up capital of Rs 150 cr with initial focus on motor and health retail segment
  - Aditya Birla Health Insurance commenced business in Oct'16
  - Aspire health insurance to become 7th SAHI player – has already filed an application with IRDAI
  - Reliance health insurance is in the pipeline to become subsequent SAHI player
- **Stake sale**
  - Foreign insurers are raising stake (Mitsui Sumitomo – Chola MS, Fairfax Holdings – ICICI Lombard, Cigna – Cigna TTK)
  - HDFC ERGO General Insurance acquired 100% shares of L&T General Insurance for Rs 551 cr
  - Religare enterprise to sell its entire 80% stake in Religare Health Insurance to a consortium of investors for INR 1,040 cr

Source: GI council; Market intelligence, team analysis

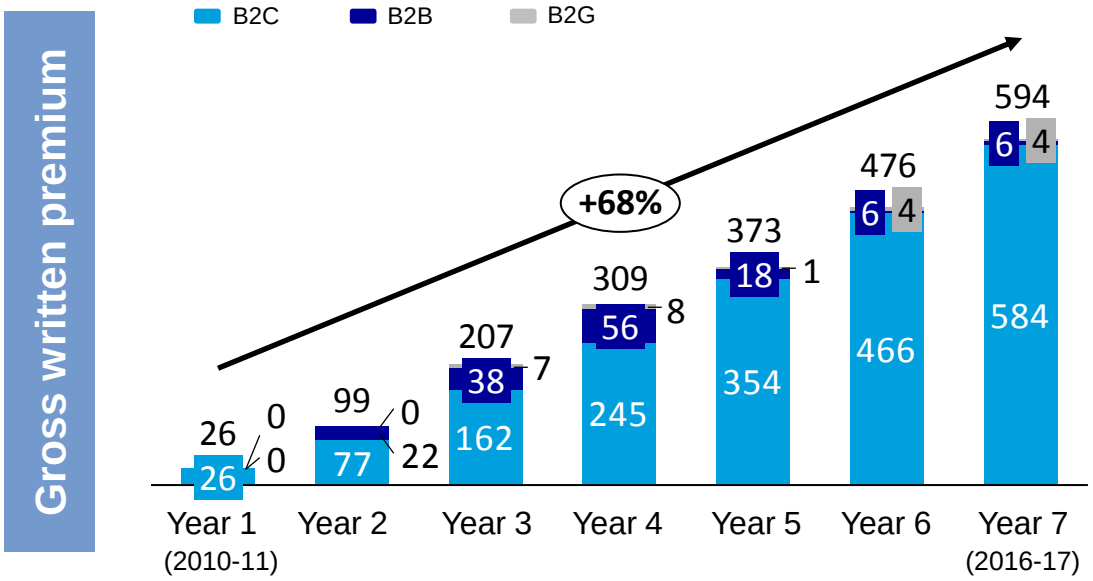
Max Bupa – Agenda

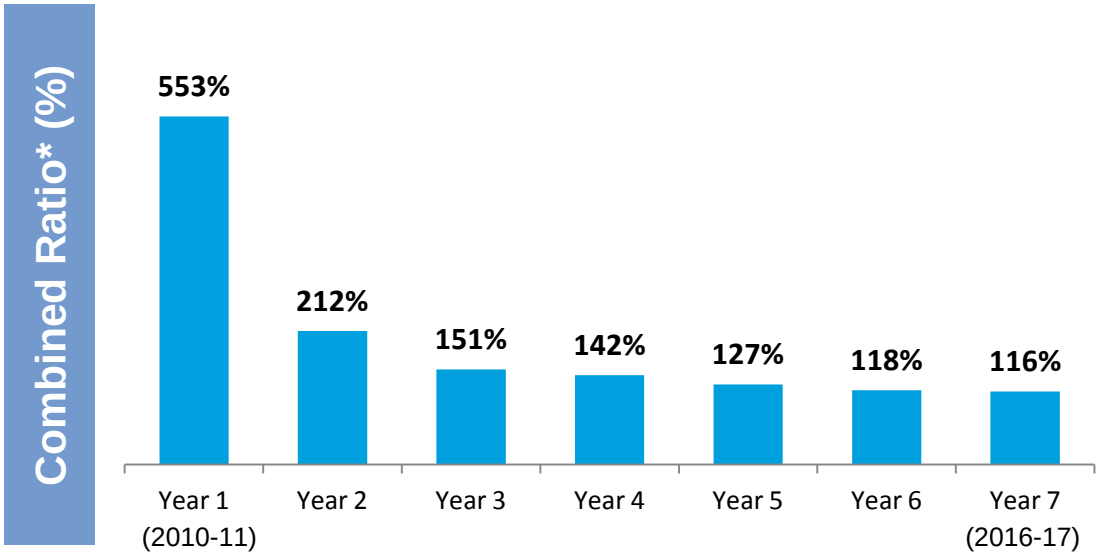
1 *Attractive Industry opportunity*

2 ***Strong operating & financial performance***

3 *Anchored for the future*

Healthy growth with consistent improvement in combined ratio





- Max Bupa's focus has been on the B2C segment since inception
- While it is harder to build a B2C book (linear customer acquisition vs. lumpy demand of B2B or B2G), Max Bupa has grown faster than market (market growth ~22% CAGR)
- B2C focus driven operating model choices and some execution challenges have resulted in higher upfront opex spend

* Combined ratio = Claim ratio (Net claim incurred / Net Earned premium) + Opex ratio (Opex / GWP) + Commission ratio (Net commissions / GWP)

Max Bupa – Performance Dashboard (Q4 & FY17)

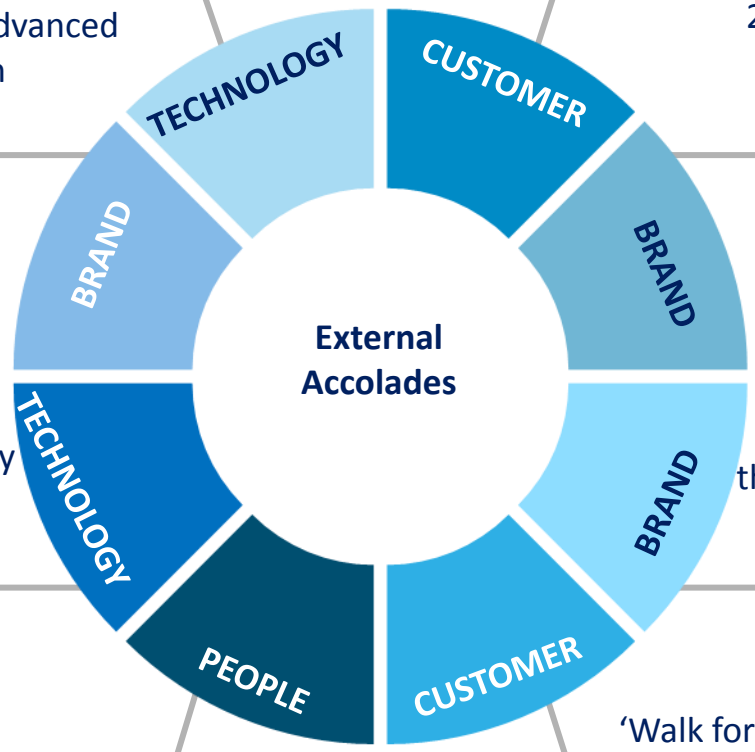
Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth	Year Ended		Y-o-Y Growth
		Mar-17	Mar-16		Mar-17	Mar-16	
a) Gross written premium income	Rs. Cr						
First year premium		67	53	27%	209	180	19%
Renewal premium		126	98	29%	385	296	28%
Total		**193**	**151**	**28%**	**594**	**476**	**25%**
b) Net Earned Premium *	Rs. Cr	164	107	53%	544	393	38%
c) Net Loss **	**Rs. Cr**	**(12)**	**(19)**	**36%**	**(4)**	**(68)**	**95%**
d) Claim Ratio(B2C Segment, normalized)	%	59%	48%	1100 bps	57%	56%^	100 bps
e) Avg. premium realization per life (B2C)	Rs.	7,242	6,812	6%	7,063	6,800	4%
f) Conservation ratio (B2C Segment)	%				83%	82%	100 bps
g) Number of agents	No.				17,011	12,581	35%
h) Paid up Capital	Rs. Cr				926	898	14%

* Earned Premium higher by Rs 35 Cr in Q4 & Rs 53 Cr in FY17 to change in unearned premium accounting from 1/365 method to 50% of net written premium

** Loss before one-offs adjustments is Rs 49 Cr in Q4FY17 vs Rs 25 Cr in Q4FY16 and Rs 67 Cr in FY17 vs Rs 68 Cr in FY16

^ Adjusted for abnormal past claims for the previous year amounting to Rs. 7 Cr., settled in FY16

External recognition



'Technology Maturity' for CRM at the 6th India Insurance Awards – CRM recognized as an advanced technological innovation

The only Health Insurer to be listed as a Superbrand in 2016-17

Celent award for Model Insurer – Asia in category of 'IT Management Best Practices'

'Living our Values' identified as a Best Practice HR model

Won 'India's Most Valuable and Admired Health Insurer 2016' award by Pharma Leaders

Won the Economic Times 'Best BFSI Brands Award 2016'

Recognized as one of the top 50 brands'15 in India by Pitch and Exchange4media

'Walk for Health' recognized as an Internal Best Practice in Social Innovation category

Max Bupa – Agenda

1 *Attractive Industry opportunity*

2 *Strong operating & financial performance*

3 ***Anchored for the future***

Strategic priorities – strengthening the foundation

A

Provider of choice in the **A**ffluent segment in Urban India

B

Broad base the franchise with partnerships & alliances

C

Build a **C**ustomer centric, **C**ompliant & **C**ost conscious **C**ulture

D

Digitally enable end to end customer journey

Portfolio management approach to renewals and profitable growth

Compelling product proposition

Build Digital

Optimize expenses & robust claims management

Strengthen processes & technology

Enable the workforce

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