



MAX INDIA LIMITED ANNUAL REPORT 2003-2004

Report



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FOCUSED & BUILDING

MAX INDIA LIMITED

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MAX INDIA LIMITED ANNUAL REPORT 2003-2004

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HAVING ESTABLISHED ITSELF
AS A QUALITY PLAYER MNYL
IS DETERMINED TO BE MOST
ADMIRER

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MAX NEW YORK LIFE NOW HAS
5608 AGENTS, OVER 1200
EMPLOYEES, AND A TOTAL SUM
ASSURED OF Rs 11,123 CRORE





THE STATE-OF-THE-ART, MAX
DEVKI DEVI HOSPITAL WILL BE
OPEN TO PATIENTS FROM
OCTOBER THIS YEAR



MAX HEALTHCARE IS NOW IN
MEDICAL COLLABORATION WITH
SINGAPORE GENERAL HOSPITAL



LETTER TO SHAREHOLDERS

FOCUS ON VALUE

MAX INDIA
CONTINUES
TO BELIEVE
IN

PEOPLE

KNOWLEDGE

ENTERPRISE

Everything that Max does today is “All about Life!” There is complete synergy in our core businesses of life insurance and healthcare

Dear Shareholders,

As we close another year of growth and consolidation, our vision unfolds to reveal the strong foundation of the legacy that we dream to build.

The two words that epitomize our efforts for the year are – “Focus” and “Build”.

Famous American Investor and stock market guru Warren Buffet says, “Wide diversification is only required when investors do not understand what they are doing.” Max India restructured its businesses to focus on core areas much before ‘specialization’ became an industry mantra; and particularly before Healthcare and Insurance became business buzzwords!

Thereupon, we embarked on the journey to become one of India’s most admired corporates for service excellence.

WHAT ARE WE BUILDING?

Our transformation from a B-to-B to a B-to-C company was essentially borne out of a need to super-focus on service-sector businesses. Whilst diversified business strategy made prudent business sense in

the 80s and 90s, the current context and competitive landscape demands acute focus in the chosen area. Moreover, I am glad that the nature of our new businesses make them more than just businesses to us; providing a simultaneous opportunity to pay back to society as a responsible corporate citizen.

Everything that Max does today is “All about Life!” There is complete synergy in our core businesses of life insurance and healthcare. Our ‘Champion Agent Advisors’ and ‘Champion Clinicians’ are the new face of Max, upholding our values and delivering our promise of care and service excellence.

Today, we are a 6000 strong family catering to over 250,000 customers in both the service businesses of life insurance and healthcare. By the end of this year, we shall have over 45 operational locations across India. Our presence in the NCR region is already significant and well acknowledged. As we progress further, Max shall be a household name- at least in North India.

THE YEAR IN REVIEW

Fiscal year 2003-04 marked the successful culmination of financial closure for all the future business requirements of the Group. All the businesses have reported increased revenue and strong fundamentals. The core businesses of Life Insurance and Healthcare are poised to realize their full potential and emerge as leaders in their respective segments, generating long-term value for investors.

On a consolidated basis, whilst still in a nascent phase in the growth of its new

businesses, Max India reported a 31% year-on-year increase in total income, from Rs. 390.62 crore in FY 2002-03 to Rs. 510.46 crore in FY 2003-04. Core businesses of Life Insurance and Healthcare achieved traction in their respective fields and continued robust growth.

On a stand-alone basis, the Company was successful in reducing its debt to Rs 93 crore as of March 31, 2004, from a level of Rs 144 crore as of March 31, 2003.

As a result of planned debt repayment, the financial expenses reduced from Rs. 26.28 crore in the previous year to Rs. 17.82 crore in the current year.

DIVESTMENT FROM MAX HEALTHSCRIBE

In the year under review, Max India divested its equity stake in Max HealthScribe Limited, a leading medical transcription company, to HealthScribe Inc., the US-based JV partner. Max India’s entire 64.99% stake was bought over by HealthScribe Inc. for US\$ 10.34 million or approximately Rs 46 crore. Profit of Rs 28.66 crore on this divestment translates into 58% CAGR over the three year holding period of this investment.

The strategic divestment from Max HealthScribe was in continuance of our pursuit to focus on the core businesses of life insurance and healthcare. The divestment helps us realize our business vision whilst enabling HealthScribe to build on its core competency.

BUSINESS UPDATE

MAX NEW YORK LIFE

This year, Max New York Life (MNYL) maintained its strong position amongst all leading private life insurance companies in the country. Life insurance premium income increased from Rs. 96.59 crore in FY 2002-03 to Rs. 215.24 crore in FY 2003-04, a growth of 123% over the previous year. As of March 2004, Max New York Life had booked sum insured aggregating Rs. 11,123 crore, up 105% from Rs. 5,419 crore the previous year. MNYL’s product mix continues to be dominated by Whole Life policies, which comprise more than half the company’s product portfolio. The company is insuring young and healthy lives and is thereby building a sound business that has superior embedded value. MNYL has sold more than 290,000 insurance policies till March 2004 and has successfully established a pan-India presence by having a network of 35 offices in 27 cities.

This company has firmly established itself in the marketplace as a quality player. It is selling protection oriented, long life tenor insurance products; it has built the best-in-class capability for face to face selling; it has created a high degree of service orientation and quality management; it believes in and ensures strong execution and it has been able to significantly develop strong customer trust and market credibility.

The numbers speak for themselves –
● At Rs. 346 crore, MNYL is amongst the highest capitalized life insurance companies

© The company's group business is surging ahead with 132,000 lives covered during the financial year

© 96 per cent of the company's business portfolio comprises Whole Life and long-term endowment policies

© Employees in excess of 1,200

On the agency distribution side, the company has built a truly enviable sales force. The market acknowledges it. The agency persistency rates of MNYL are among the highest.

MNYL's average sum assured per policy is among the highest. The company tops in MDRT- the true measure of the excellence of any company's agency distribution system. 26 MDRTs in 2002, 45 in 2003 and 81 this year, makes MNYL the principal of choice for Agent Advisors.

Swiss Re gave MNYL a resounding endorsement when they conducted an underwriting and claims review process audit in June 2003. The company's Total Quality Management approach to business has resulted in it becoming India's First Life Insurance Company to get the ISO 9001:2000 certification.

Last year, MNYL was also rated among India's Top 20 Great Places to Work in the

for the project cost of Rs. 454 crore with a debt/ equity ratio of 0.9.

Since January 2004, new records have been set by Max Medcentre- Panchsheel, Max Hospital – Pitampura and Max Hospital – Noida in terms of outpatient and in-patient volumes. An increasing number of customers and the company's evaluation process 'TCEQ' (Total Customer Experience Questionnaire), have rated the overall experience at Max Healthcare to be better than other hospitals in the National Capital Region.

The count down to the Max Devki Devi Hospital at Saket has already begun. Preparations for completing Max Heart and Vascular Institute, comes closer, as the clock ticks, with operations expected to commence in the last calendar quarter of 2004. The exteriors of the building now give a glimpse of the final imposing edifice. The Institute for Joint Replacement and Orthopaedics, Institute for Neuro Sciences and Institute for Minimal Invasive Surgery, are expected to be commissioned in the second calendar quarter of 2005.

Max Healthcare has enhanced its network through a built-up hospital owned by 'Balaji Medical & Diagnostic Research

Max Healthcare has entered into a medical collaboration with Singapore General Hospital (SGH) in the areas of Medical Training, Nursing, Telemedicine, Paramedical and Processes. SGH is a prestigious institution and has a reservoir of expertise in healthcare delivery in the Asian context.

Max Healthcare, having a network of more than 335 leading doctors and an owned patient base in excess of 125,000 patients is aiming to achieve bed capacity of 1,100 beds by 2006; making it a dominant healthcare provider in North India and usher in an approach to modern medicine hitherto not seen in the country.

MAX SPECIALITY PRODUCTS: A TRADITIONAL ASSET

The BOPP product segment recorded a turnover of Rs 126.30 crore, registering a growth of 8% over last year. Sales of high value adding products like preferred unmetallised products, metallized films and thermal films grew by 20%, 29% and 95% respectively, over the previous year.

Max Speciality Products (MSP) continues to be a leader in the BOPP segment in India. It has positioned itself as a niche supplier of high quality BOPP films and value added products rather than mere commodities. In spite of saturation in the domestic market, MSP has continued to increase its sales quantity, through 90% capacity utilization.

For MSP's Leather Finishing Foil business, the focus continues to be on direct exports. MSP has successfully initiated commercialization of recently developed and highly promising Speciality Thick Foil Products.

OTHER BUSINESSES

Comsat Max, which became a wholly owned subsidiary of the Max group in FY 2003-04, has been moving its service offerings further up the value chain. Comsat Max now offers services that cut across the industry segments of Telecom, IT, BPO and are more broadly covered by IT enabled services in the area of networking, business continuity and knowledge solutions.

Successfully operating one of India's largest VSAT Services, the company's future growth drivers lie in Remote Network Management, Facilities Management Services, Application Service Provider and Knowledge Solutions. The company has developed specific applications and solutions for the banking sector and is already a leader in the segment.

adjudged as the overall best VSAT Service Provider by Voice & Data/ IDC Survey 2003. Neeman Medical International has now developed critical mass in all three of it's major geographies and is recognized as the SMO to work with when tackling global projects that include either India or Latin America as part of the development plan.

Max Healthcare, having a network of more than 335 leading doctors and an owned patient base in excess of 125,000 patients is targeting to achieve bed capacity of 1,100 beds by 2006

To signify the strategic shift in the focus of the company towards becoming a services centric business, its services revenue increased from Rs. 34.24 crore in the previous year to Rs. 37.68 crore in the current financial year.

Comsat Max has a Blue-chip clientele that boasts of some of top names in corporate India. The company was

CLOSING PERSPECTIVE

Max India completes 20 years of its existence in 2005.

As we look back on 19 years, we reflect upon the 'Spirit of Max'. What is this spirit? It is the spirit of victory in togetherness. It is the spirit of enterprise, aspiration, persistency and determination; perhaps best symbolized by the rising flame that burns

incessantly, illuminating the way ahead!

My gratitude to all employees and associates who have contributed to the success and growth of the company. The recognition that we earn is the accolade they deserve.

A word of thanks to our shareholders who have demonstrated faith in our abilities and have extended support to our plans.

Our gratitude to New York Life International, Harvard Medical International and Singapore General Hospital for their support.

For Max India Limited
NEW DELHI ANALJIT SINGH
August 12, 2004 Chairman

MNYL's TQM approach has resulted in it becoming India's First Life Insurance Company to get the ISO 9001:2000 certification

annual survey done by the Great Places to Work Institute, Inc. This was the first-ever survey done in India and featured some of India's finest companies.

MAX HEALTHCARE

Max Healthcare continued to move forward to become a dominant player in North India and a trusted provider of high quality healthcare services in the National Capital Region. Revenues from healthcare services witnessed a year-on-year increase of 111% from Rs. 12.84 crore in FY 2002-03 to Rs. 27.10 crore in FY 2003-04. Max Healthcare has achieved financial closure

Centre' in East Delhi. This enables Max Healthcare to provide care to thousands of residents in the trans-Yamuna area and nearby UP. Max Balaji Hospital, Patparganj, expected to be commissioned in the last calendar quarter of 2004, will be yet another step towards Max Healthcare becoming the chief healthcare provider for the National Capital Region.

Max Healthcare plans to launch a 100 + 100 bed Hospital at Gurgaon. Construction work is underway. Additionally, the Panchsheel, Noida and Pitampura Hospitals are being further augmented in terms of service profile and capacity.

WE RELENTLESSLY
PURSUE OUR
GUIDING PRINCIPLES
OF

SERVICE

QUALITY

EXCELLENCE

Our new focus areas are bound by a common thread with their relevance to People everywhere and their shared domain is Knowledge. In the year 2003-04, Max India took several strides forward in giving concrete shape to its vision of building “one of India’s most admired corporates for Service Excellence”. And the route to that is Operational and Service Excellence. Even as we expand at an incredible pace, we relentlessly pursue our guiding principles of Service and Quality.

The fiscal year 2003-04 marked the successful financial closure of all the future business requirements of the Group. All the businesses have reported increased revenue and strong fundamentals. The core businesses of Life Insurance and Healthcare moved forward through growth and achievement and are poised to realize their full potential to emerge as leaders in their respective segments, generating long-term value for the investors.

**SIGNIFICANT
DEVELOPMENTS OF 2003-04****FINANCIAL HIGHLIGHTS**

The process of business building by various subsidiaries continued. The core businesses of life insurance and healthcare achieved traction in their respective fields and the impact of increase in size of operations and resultant economies is becoming visible as each of these businesses get closer to their break even levels.

**MAX INDIA LIMITED ON A STAND-
ALONE BASIS**

- Profit before tax of Rs. 30.64 crore as compared to Rs. 3.23 crore in the previous year.
- Secured loans reduced from Rs. 60.07 crore in the previous year to Rs. 34.07 crore as of March 31, 2004. Unsecured loans reduced from Rs. 83.93 crore in the previous year to Rs. 59.00 crore as of March 31, 2004.
- As a result of planned debt repayment, the financial expenses have been reduced from Rs. 26.28 crore in the previous year to Rs. 17.82 crore in the current year.

**MAX INDIA LIMITED ON A
CONSOLIDATED BASIS**

- Consolidated revenues increased from Rs. 390.62 crore in the previous year to Rs. 510.46 crore in the current year, signifying a 31% year-on-year growth.
- Consolidated service income increased by 59% year-on-year from

2002-03 to Rs. 215.24 crore in FY 2003-04, a growth of 123% over the previous year.

- Income from healthcare services increased from Rs. 12.84 crore in FY 2002-03 to Rs. 27.10 crore in FY 2003-04, a growth of 111% over the previous year.

- Losses before tax reduced by 29% over the previous year, from Rs. 130.62 crore in FY 2002-03 to Rs. 92.77 crore in FY 2003-04.

- Consolidated fixed asset base of Rs. 303.16 crore as of March 31, 2004 as compared to Rs. 257.26 crore as of March 31, 2003.

- Investment portfolio of Rs. 318.01 crore as of March 31, 2004 as compared to Rs. 259.66 crore as of March 31, 2003.

**DIVESTMENT FROM MAX
HEALTHSCRIBE**

Max India Limited divested its equity stake in Max HealthScribe Limited (MHL), a leading

medical transcription company, in favour of HealthScribe Inc., the US-based JV partner.

Under the divestment agreement, the 10,820,634 equity shares of Rs 10/- each,

CORE
BUSINESSES
CLOSER TO
BREAK EVEN
LEVELS

representing entire 64.99% of Max India’s stake, was bought by HealthScribe Inc. for USD 10.34 million or approximately Rs 46 crore.

MHL, originally founded by HealthScribe Inc. in 1994, provides medical transcription services to hospitals, clinics and physician practice groups. Headquartered in Bangalore, the JV was formed in 2000 when Max India bought controlling stake. MHL was a pioneer in the early days of offshore medical transcription and as the largest India-based medical transcription operation, has become a premier business process outsourcing (BPO) company in India serving the healthcare market.

Max HealthScribe has contributed significantly to the Group and has been yet another success story. Profit of Rs 28.66 crore on this divestment translates into 58% CAGR over the 3 year holding period of this investment.

The fiscal year 2003-04 marked the successful financial closure of all the future business requirements of the Group. All the businesses have reported increased revenue and strong fundamentals

Rs. 203.87 crore in FY 2002-03 to Rs. 324.19 crore in FY 2003-04.

- Life insurance premium income increased from Rs. 96.59 crore in FY

WE HAVE
ESTABLISHED
A COUNTRYWIDE
PRESENCE

NETWORK OF 35 OFFICES

REPRESENTATIVES OF 27 CITIES

Max New York Life's vision is to become "India's most admired life insurance company". In a short span of time, the company has established a strong reputation with customers, agents and employees due to its quality business model and best business practices.

BUSINESS IS GROWING RAPIDLY

MNYL's strategy has been to build a quality business portfolio by insuring young and healthy lives and by selling protection-based life insurance products to its customers. The growth of the company in its third full year of business operations shows that the strategy is paying off handsomely. In 2003-04, Max New York Life earned a total premium income of Rs. 215 crore, a 124 per cent increase over the previous year. The company sold 1,45,582 policies during the year, as against the 77,531 it wrote last year. The total number of policies sold by the company now stands at 2,92,112. The company distributed life insurance worth Rs. 5,700 crore during the year, as against Rs. 3,283 crore last year. The total sum assured with the company is now Rs. 11,123 crore.

The company's agency force stands at 5,608, a 66 per cent growth over the number of Agent Advisors in the previous year. The agency distribution system set in place by Max New York Life is widely acknowledged as the best in the Indian marketplace and the number of Agent Advisors who make it to the Million Dollar Round Table (MDRT), the symbol of

excellence among insurance professionals worldwide, continues to rise. The company led private life insurers in India with 26 MDRTs in 2002 and 45 in 2003. This year this number has further gone up to 81.

PAN-INDIA PRESENCE

Max New York Life has established a countrywide presence. It added 13 cities to its network during the financial year. As of March 31, 2004, it has a network of 35 offices and representatives in 27 cities. Among the cities where the company established offices and representatives this year were: Surat, Indore, Nagpur, Ludhiana, Jalandhar, Aurangabad and Nashik. In addition, it opened three rural area offices in Patiala, Bhatinda and Sangrur by establishing a unique hub and spoke model in Punjab to take the benefits of life insurance to rural India.

The company believes that life insurance is a product that is best sold face to face by trained Agent Advisors. Having spent its first few years in setting up a proprietary agency distribution system, the company is now

aggressively pursuing alternative channels of distribution. During the year Max New York Life established corporate agencies in Aurangabad, Jodhpur, Udaipur and Nashik. The company also established its first bancassurance relationship by tying up with the Thane Janata Sahakari Bank in Maharashtra. The company has also formed strategic alliances and is pursuing some others.

Group business is gathering momentum with the company entering more than a hundred corporate relationships and covering 132,000 lives, as against 42,000 lives the previous year.

CUSTOMER SERVICE ENHANCEMENT

Max New York Life has launched a Direct Customer Service programme to provide personalized services to those customers who wish to deal directly with the company. Importantly, the company's claims experience has been better than expectations. A total of 338 claims were paid during the year amounting to Rs. 5.58 crore. The average turnaround time in the settlement of these claims was 5 days and all claims were settled within the IRDA stipulation of 30 days. Swiss Re conducted an audit of the Company's underwriting and claims process and gave it a satisfactory rating, calling the claims process as being of a "very high standard".

The company also moved to a new technology system, which will bring in multiple business benefits and help improve processes. The project required 14 months

and over 15,000 man days to complete. A team of more than 60 people from Max New York Life were involved in putting the world-class policy administration system in place.

QUALITY PORTFOLIO

Max New York Life aims to be a quality player selling true life insurance products in a market where people are grossly under-insured and where life insurance has traditionally been viewed as an investment and tax saving device. 96 per cent of the company's business portfolio is made up of Whole Life and long-term endowments. The average tenure of policies is over 30 years and the average age of people insured is around 28 years.

STRONG MEDIA VISIBILITY

Max New York Life maintains its top quartile ranking with Cirrus in terms of media visibility. Cirrus is a corporate image monitor that measures and evaluates a company's media visibility and evaluates that visibility in terms of issues, trends, publication and journalist influence, share, and tone of voice. At the end of March 31, 2004, Max New York Life was ranked third among 12 private life insurance companies in terms of media visibility.

THE YEAR AHEAD

In 2004-05, Max New York Life will further consolidate its market presence by extending its reach to more cities and aggressively grow its agency operations and diversify into alternative distribution channels. The company will also launch

26
MDRTs
IN 2002;
45 IN
2003 AND
81 IN
2004

unit-linked insurance plans and form more strategic alliances.

The company will continue to play a thought leadership role in focusing attention on key industry issues.

Max New York Life will continue to espouse the cause of Indian life insurers to move towards a maturity level where self-regulation becomes possible. This, the company believes, will come if all companies come together on a common platform to adopt best business practices where the customer's interest is paramount.

The company will also continue to focus on pensions, which are an extension of the financial relationship life insurance companies have with customers.

Max New York Life will further build on its present strengths and will continue to map its progress according to stakeholder expectations. That is the way to grow and continue the company's journey towards becoming India's most admired life insurance company.

SOLD
1,45,582
POLICIES AS
AGAINST
77,531
WRITTEN
LAST YEAR





THREE NEW HOSPITAL BUILDINGS 215 CORPORATE CLIENTS

DOMINANCE IN NCR

FUNDING TIED-UP

Max Healthcare is India's first provider of comprehensive, standardized, seamless, and integrated world-class healthcare services. Seeking to service all three levels of healthcare (primary, secondary and tertiary), within one system, Max Healthcare is building its network in phases; starting with primary level clinics, establishing secondary care general hospitals and then advancing to tertiary care speciality hospitals. Having launched its operations in January 2001, Max Healthcare is primarily focused on the National Capital Region and is well on its way to becoming Delhi's chief healthcare provider.

VISION

To deliver world-class healthcare with a service focus, by creating an institution committed to the highest standards of medical & service excellence, patient care, scientific knowledge and medical education.

MISSION

- ⊙ Create unparalleled standards of medical and service excellence
- ⊙ Brand of **FIRST CHOICE**
- ⊙ Principal choice for physicians
- ⊙ Ethical practices
- ⊙ Dominant player in Delhi – National Capital Region

COMPREHENSIVE HEALTHCARE SYSTEM

Max Healthcare model envisages setting up of a world-class healthcare model offering the best medical assistance delivered

seamlessly through state-of-the-art medical facilities at Primary level (Dr Max™ Clinics), Secondary level (Secondary Care Hospitals & Max Medcentre™ Nursing Home + Diagnostics) and Tertiary level (Max Multi-Speciality Hospital).

PRIMARY CARE

DR. MAX™ CLINICS

These are conveniently located neighbourhood clinics. The services at Dr.Max™ clinics are designed to support and supplement the service of regular family physicians. A Dr. Max™ clinic includes specialist doctor consultation in a range of specialties; Specialist clinics – Child Development Clinic and Adolescent Health Clinic; Chronic care programmes – Diabetes, Asthma, Hypertension and Arthritis. In addition it offers basic diagnostics (X-Ray and ECG), pathology collection, Physiotherapy, and Dentistry.

DR. MAX™ IMPLANTS

Dr Max Clinics™ are also replicated as Dr Max™ Implants; these are dedicated primary care centres in institutions like

REGISTERED PATIENTS
CROSSED THE
100,000 MARK
DURING THE
YEAR

factories, office buildings, schools, etc. They cater to the captive clientele offered by these locations. At present, Dr Max™ Implants are at Hutch, GE Capital, EXL Services, Wipro Spectramind Call Centre, National Highways Authority of India (NHAI), Japanese Embassy and Vasant Valley School.

SECONDARY CARE HOSPITALS AND MAX MEDCENTRE™

- ⊙ State-of-the-art conveniently located facilities Offering consultancy and a complete range of Diagnostics including MRI, CT Scan, etc.
- ⊙ In-patient services
- ⊙ Well-equipped operation theatres with Hepa filters and electrostatic proof flooring where a range of surgeries can be conducted:
- ⊙ 24 hours Emergency Services
- ⊙ ACLS (Advanced Cardiac Life Support) equipped ambulance – depending on the severity of the case – the patient is accompanied by both the nurse and doctor or at least the nurse
- ⊙ A comprehensive Maternity programme covering ante natal (pre-

- delivery), delivery and post natal care
- ⊙ OPD consultation in all specialties
- ⊙ Preventive Health Programme (total body check-up depending on the age and sex of the patient)
- ⊙ Chronic Care programme in Diabetes, Asthma, Arthritis and Hypertension
- ⊙ Complete range of diagnostics:
- ⊙ Complete Pathology Laboratory; Complete Radiology; X-Ray, Ultrasound, Fluoroscopy, Bone Densitometry, Mammography; Cardiology: TMT, Doppler, Echo, ECG; MRI and CT; Neurology: EEG, EMG, NCV; Holter analyzer; Urodynamics, Lithotripsy & Laser
- ⊙ 24 hour Pharmacy

- revenue from inpatient work grew from 27% to 46% of the total revenue.
- ⊙ Around 2800 surgeries were performed at these centres during the year
- ⊙ Number of registered patients crossed the 100,000 mark during the year

FINANCIAL PERFORMANCE

- ⊙ Revenue for the year from healthcare services grew 111%; from Rs 12.84 crore to Rs 27.10 crore
- ⊙ Cash losses for the year grew from Rs 23 crore to Rs 25 crore; due to further investments in the existing centres and for projects under implementation
- ⊙ Project Cost of Rs 454 crore to be funded by Rs 210 crore of senior debt,

One of the three secondary hospitals has reached the EBIDTA break even level during the year; other two are expected to achieve this level by end of the current financial year

OPERATIONS PERFORMANCE – SECONDARY HOSPITALS

- ⊙ The Secondary hospitals at Panchsheel, Pitampura and Noida registered significant growths during the year. Overall revenue of the company from these facilities grew by around 115% from Rs 12.4 Crore to Rs 26.9 Crore
- ⊙ The clinical work in the secondary centres shifted significantly towards inpatient and surgical work; the overall

- which has been fully tied up with multi lateral funding institutions and Indian Banks. Some Indian banks have already disbursed during the year.
- ⊙ Equity to be funded by holding company fully tied up
- ⊙ Significant focus to cut down the cash losses through cost reductions and revenue ramp up
- ⊙ One of the three secondary hospitals has reached the EBIDTA break even level during the year; other two are





MAX SPECIALITY PRODUCTS

expected to achieve this level by end of the current financial year

- © Current year projected growth 70% from the existing operations; and total growth of 200% including Saket Hospital

PROJECTS—TERTIARY CARE HOSPITAL

- © Max Devki Devi Hospital, Saket to be launched during the current financial year in two phases
- © East Wing will focus on heart and vascular work – to be named as Max Heart & Vascular Institute. It will have 248 beds and cover an area of 21976 sq. metres
- © West Wing will have
 - Institute of Neuro Sciences
 - Institute of Joint Replacement & Orthopaedics
 - Institute of Minimally Invasive Surgery
- © Leading physicians for the tower specialties identified
- © In addition, to the above, the focus would also include Internal Medicine, Pulmonology, Gastroenterology, Endocrinology & Other Support Services
- © To employ 750 people in the first phase; 2000 people by end of project

- © Applying for Accreditation by NABL and ISO Certification

- © Total project cost Rs 240 Crore

PROJECTS—SECONDARY CARE HOSPITALS

Expansion projects have been undertaken at Noida and Pitampura to increase in-patient bed capacity; Noida will be a 55 bed hospital post expansion and Pitampura is scheduled to become a 110 bed hospital from September 2004.

MAX BALAJI HOSPITAL, PATPARGANJ

To be incorporated in Sept. 2004

- © **Beds** 110 with 4 OTs and 2 Labor Rooms
- © **Services** General Practitioner, OTs. & Gynaecology, Paediatrics, Trauma, Orthopaedics, Urology, Cath Lab, PHP, full Pathology & Radiology, Dentistry, Blood Bank with components.

MAX HOSPITAL, GURGAON

To be incorporated in 2005

- © **Beds** 100 + 100 (later addition)
- © **Focus on** PHP, Obstetrics & Gynaecology, Paediatrics, Ophthalmology, Plastic & Reconstructive Surgery, 24 hr Chemist, General &

PITAMPURA IS SCHEDULED TO BECOME A 110 BED HOSPITAL

Minimally Invasive surgeries, Blood Bank with components.

INTERNAL CONTROLS

Internal Controls in the business are adequate and is reviewed by the internal audit team of Max India periodically and there exists a system to periodically review the status of implementation of recommendations.

RISKS

- © Delays in project implementation and start up of facilities leading to:
 - Higher cash losses
 - Lose first mover advantage
- © Medico legal cases of substantial amounts
- © Key physicians not joining per plan

INDUSTRY STRUCTURE AND DEVELOPMENT

Installed capacity of BOPP films, in India, increased substantially by approximately 35% during 2003-04. Aggressive market positioning by leading competitors, will result in increase of capacity by additional 30% before end of 2004.

Demand for the product in India has been growing impressively in-excess-of 15% year-on-year. However, due to a sharp increase in capacity, the margins have been reduced to an all-time-low in the last decade.

Globally, the BOPP Films' demand (which is in excess of 30 times India's capacity) has been consistently growing at the rate of 8%. This provides an opportunity for increasing exports from India.

OPPORTUNITIES

Demand of packaging-converters in India (for their domestic & export markets) provides a big opportunity for growth for high quality BOPP film producers. Max Speciality Products has positioned itself as a niche supplier of high quality BOPP films and value added products rather than commodities. Therefore, in-spite of over-capacity in India, MSP has continued to not-only-remain-fully-loaded, but also increased its sales quantity, through optimisation of available capacity. MSP continues to be the preferred supplier for top-end quality-conscious customers of BOPP films.

For MSP's Leather Finishing Foil business, the focus continues to be on direct-exports and the exports-led speciality business. MSP has successfully started

commercialisation of recently developed and highly promising STF Products.

THREATS, RISKS AND CONCERN

Though, BOPP films' Industry has been growing at a reasonable rate, both in India and globally, yet the disturbing fact is that the explosion in capacity-addition, has happened mostly in China, the Middle East and South East Asia. There is a potential threat of 'dumping' in India, at very low prices. Recent reduction in import duty from 25% to 20% and the appreciating rupee can further compound this concern. However, for MSP, the negative impact of this threat is reduced to a large extent, as the possibility of large scale imports/dumping, can be mainly in commodity-BOPP-films rather than in niche/ specialised products.

MSP's customer-retention at 90% has been exemplary in-spite of its limited capacity. This has been achieved due to continually improving Customer Satisfaction Index (CSI), through consistent quality of products and services.

MSP's main drive will be to continue to improve its product mix with increasing ratio of higher value-added speciality products.

INTERNAL CONTROL SYSTEM AND ADEQUACY

Internal Audit Department, comprising of a team of qualified and experienced employees, conduct regular audits. Both the divisions of MSP are ISO 9001:2000 accredited and there are well established management systems in Max Speciality Products.

FINANCIAL PERFORMANCE

For 2003-04, Max Speciality Products, recorded sales turnover of Rs 133.0 crore, and PBIDT of Rs 24.5 crore versus Rs 123.0 crore and Rs 26.3 crore respectively, for the previous year.

During 2003-04, Maxmet Division recorded sale of Rs 126.20 crore, registering a growth of 8% over last year. Impressive growth was achieved in all product segments with higher value-additions viz. Metallised Films, Thermal Film and Preferred unmetallised Films, by 29%, 95% and 20% respectively, over the previous year.

The negative impact of a sharp squeeze in margins (due to substantial increase in installed capacity and therefore over capacity of BOPP films in India) was overcome to some extent, by better product-mix.

HUMAN RESOURCES

Human Resources are the most valuable asset at MSP and it continues to attract and retain the best available talent. MSP provides an excellent and professional work-environment and ensures customised training & development programmes for all levels of employees. Innovation and Merit performance are recognised and rewarded. Max Speciality Products has also initiated skill-upgradation and education programmes for its workmen. The total number of employees (as on March 31, 2004) are 310.

Max Healthcare envisages setting up of a world-class healthcare model offering the best medical assistance delivered seamlessly through state-of-the-art medical facilities