MAX

Max India Limited
Annual Report 2004 - 05

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The top picture frames are actual pictures of our Life Insurance, Healthcare, Clinical Research, Healthcare Staffing and BOPP businesses.

The lower single row depicts elements of Enterprise, Knowledge, People, Excellence & Persistence - the driving values of the Company.

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CHAIRMAN'S

LETTER TO SHAREHOLDERS

Today, we are a 10,000 strong family catering to over 7,25,000 customers in our various businesses...

Dear Shareholder family,

I am delighted to inform that our Vision 2000 is taking shape predictably. This emerging vision is best captured by our newfound slogan describing the business of the Max India Group. I have pleasure in sharing with you that slogan:

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Your company 'Protects' Life through Max New York Life; 'Cares' for Life through Max Healthcare and 'Improves' Life through Neeman Medical International.

Max India completed 20 years on January 15th, 2005. This is a vital year in the life of the Company and I want to thank you with enthusiasm for your support and commitment all through these years, in particular, during the last five years of re-structuring and renewal.

Today, we are a 10,000 strong family catering to over 7,25,000 customers in our various businesses and in particular, our service focused businesses of Life Insurance and Healthcare. The other businesses of Speciality Plastics, Clinical Research, Healthcare Staffing and our investments in the Telecom Sector are all established activities in their own niche areas contributing valuably to the strength, character and reputation of the Max India Group.

As I write, our Group has over 52 operational locations

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across the country and our presence in the National Capital Region is practically a household phenomena.

Most recently, Max New York Life was adjudged a Global 49 Life Insurance Company as a participant in the Million Dollar Round Table (MDRT) Club of Life Insurance Agent Advisors. The Company is distinguished from all other Life Insurance players with 46% business from Whole Life and Term Products.

As for Max Healthcare, we are already 5 Hospitals in 5 locations in the National Capital Region. As our Tertiary Care Heart and Vascular Hospital, Max Devki Devi Heart and Vascular Institute gets established, it is a proud moment for your Company.

Next year, we will be 7 Hospitals in 6 locations in the National Capital Region at Max Healthcare. At Max New York Life, we have an increasing footprint in Agency Distribution, Bancassurance and Corporate Agency.

More details about the company's activities are provided in the material that follows and I hope you will indulge us in getting more familiar with the fine work your Company is doing.

The Year in Review

In the fiscal year 2004-05, the consolidated income of the Group increased by 37% to Rs 699.79 crore. Consolidated Service income increased by 59% over previous year to be at Rs 516.24 crore. Income from the Life Insurance business grew by 90% to Rs. 434.42 crore, while income from the Healthcare business increased by 68% to Rs. 45.39 crore. The consolidated operating cash profit increased from Rs. 5.90 crore in FY 03-04 to Rs. 79.08 crore in FY 04-05.

Max India's investments increased from Rs. 317.59 crore in FY 03-04 to Rs. 596.09 crore in FY 04-05. Assets under management in the Life Insurance business stood at Rs. 457.63 crore as at March 2005 end, increasing 87% from Rs. 245.32 crore as at March 2004 end.

The leading international private equity fund- Warburg Pincus, enhanced its stake in the Max Group. It completed its balance investment of Rs. 119 crore in Max India Limited; taking its total investment to Rs. 200 crore. Warburg Pincus now holds 10 million equity shares in Max India Ltd. representing 28.7% stake in the fully diluted equity base of the Company.

Warburg Pincus invested Rs. 115 crore at Rs. 40 per share in Max Healthcare. The second issue together with the initial investment of Rs. 25 crore, represented 23% stake in the fully diluted equity base of Max Healthcare. Warburg Pincus' total investments in Max Healthcare after current fund infusion stand at Rs. 140 crore.

We welcome Warburg Pincus as a financial partner who has put in Rs. 340 crore in the Group. Their confidence and trust in our potential and capability is deeply appreciated.

Divestment from Comsat Max

In FY 04-05, Max India divested its equity stake in Comsat Max in favour of Bharti Infotel Ltd., a subsidiary of Bharti Tele-Ventures Ltd., India's leading private sector telecom company, for a cash deal of Rs. 33 crore.

Max India is proud to have nurtured Comsat Max to make it the best VSAT services provider in India and a leader in the business communication solutions market. With a strong human capital base and state-of-the-art infrastructure, Comsat Max will be an asset in the Bharti fold. Comsat Max has contributed significantly to the Max Group and has been yet another success story. The divestment helps us realize our business vision whilst enabling Bharti to build on its core competency.

Business Update

Max New York Life

Max New York Life has firmly established itself in the marketplace as a quality player. It has maintained its strong position amongst all leading private life insurance companies in the country. The following were the highlights of 2004-05:

- Operating cash profit of Rs. 112.31 crore earned in FY 04-05 against Rs. 4.34 crore in FY 03-04

Max New York Life has firmly established itself in the marketplace as a quality player

Max Healthcare continued on its path to becoming the chief healthcare provider of the National Capital Region of Delhi with over 1400 beds by 2008

- Annualized First Year Premium (AFYP - new sales) valued at Rs. 241.51 crore for the year ended March 2005, growth of 65% year-on-year
- Unit Linked Policies contributed 32% of total sales for the company for the period Jan - Apr 2005
- Long tenor products and a young customer base builds up strong business fundamentals for MNYL. With clear focus on the Whole Life segment, the average age of insured as well as the balance tenor of the policy is around 29 years

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- Average case size per active agent at Rs. 15976 for the quarter ended March 2005, grew 68% from Rs. 9496 for quarter ended March 2004
- MNYL maintains high agent productivity. Ranked No. 1 in Annualized First Year Premium (AFYP) per agent per month and Case Rate per agent
- Number of policies sold during FY 04-05 increased to 216,671 from 145,582 in the previous year. Number of Individual policies in force increased from 153,995 as of March 2004 to 375,085 as of March 2005
- Sum assured in force increased 50% from Rs. 112 billion as of March 2004 to Rs. 167 billion as of March 2005
- 35% growth in agency force in FY 04-05, 1959 agents added in 12 months and 659 in quarter ended March 2005
- MNYL maintains a persistency rate of around 80% throughout the year, higher than the industry average of around 70%
- Geographic coverage increased to 38 offices and future plans to cover 62 offices. Corporate Agent coverage extends to an additional 100 towns
- Strong Co-operative Bank relationships created during the year, partnership from inception with Yes Bank

Max Healthcare

Max Healthcare continued on its path to becoming the chief healthcare provider of the National Capital Region of Delhi with over 1400 beds by 2008. It has recently received the prestigious ISO 9000: 2001 Certification from BVQI International for three locations. Following are the highlights of the business:

- Revenue grows 68% year-on-year from Rs. 27.02 crore as of March 2004 to Rs. 45.39 crore as of March 2005
- Max Devki Devi Heart and Vascular Institute, Saket (South Delhi) - commenced operations in January 2005. This facility has an inpatient capacity of 250 beds including 52 ICU beds. The state-of-the-art facility is equipped with 3 Operation Theaters and 2 Cathlabs with high-end Radiology facilities
- Max Hospital, Patparganj (East Delhi) - a 125 bed hospital; only one of its kind in East Delhi; comprehensive with full range of services with specializations in Non-invasive Cardiology, Mother & Child care, PHP, Dialysis, Blood Bank, Traumatology, Catheterization Lab is operational since May 2005
- Max Healthcare owned patient database continues to grow, reinforcing the strength of the Max Healthcare brand. Current database of over 220,000 patients, up from 135,000 patients as of March 2004. Patient transactions per month crossed the 50,000 mark
- Network of doctors expands further increased from 400 as of March 2004 to 600 at present. Number of physicians on rolls is at 150 against 100 as of March 2004 and network of visiting consultants stands at 450 against 300 as of March 2004
- Number of corporate clients increased from 250 as of March 2004 to 300 at present
- Number of employees increased from 550 in March 2004 to 950 in March 2005
- Max Hospital, Saket (250 beds) and Max Hospital, Gurgaon (200 beds) are scheduled to be completed in 2006
- With the current round of fund infusion into Max Healthcare, the Company has now fully tied up its long term funding needs for the Rs. 600 crore healthcare project
- Project to be funded by Rs. 325 crore in equity and Rs. 275 crore in debt. The Debt-Equity ratio is 0.84

Neeman Medical International

The business of Clinical Research complements Max Group's core strengths in Healthcare. India has a huge untapped drug research market and Neeman Medical International (NMI) has geared itself for seizing this opportunity not only in India but also in overseas markets. NMI has now developed critical mass in all three of it's major geographies and is recognized as the company to work with when tackling global projects that include either the US, India or Latin America as part of the development plan.

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- Neeman Medical International achieved consolidated revenues of US$ 3.2 million for the year ended March 2005. Order book size is over US$ 5.5 million
- Neeman US continued to expand its operating sites and physicians network base
- Neeman Asia made a turnaround in FY 04-05; reports a profit of Rs. 16.84 lacs
- Aggressively expanding capacities; Neeman Asia ties up for research sites with
  - Indo American Cancer Hospital, Hyderabad (100 Beds; 70,000 OPDs p.a.)
  - Mediciti Hospital, Hyderabad (150 Beds; 175,000 OPDs p.a.)
  - Deenanath Mangeshkar Hospital & Research Center, Pune (500 Beds; 350,000 OPDs p.a.)
- Neeman Asia sets impressive operating standards,

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becomes first US FDA approved site in India

- Favorable patent regulations to catalyze exponential growth
- Neeman Latin America expands geography; commences operations in Nicaragua in a strategic partnership with Instituto Centroamericano De Investigaciones Clinicas (ICIC), an affiliate of UCEM University (Universidad Centroamericana de Ciencias Empresariales) of Nicaragua
- Neeman Latin America is geared up to expand further to Brazil, Mexico and shortly, Argentina
- Neeman continues to increase its therapeutic expertise and now also has capabilities in Ophthalmology, Interventional Cardiology, Rheumatology and Psycho Geriatrics
- Customers include all major Pharma companies like GSK, Wyeth, Pfizer and CROs like Quintiles, PPD etc

Max Speciality Products

Max Speciality Products remains a strong, profitable player in the BOPP industry and despite a slump in profit margins, has produced good results.

- Steady business; generated revenue of Rs. 116.89 crore and positive EBITDA of Rs. 18.64 crore in FY 04-05
- Has 100% capacity utilization; installed capacity 8,800 tons per annum
- Offers niche products and exclusive customer base
- High production yield
- Stringent cost management yields PBDIT of 16% to net sales despite pressure on selling price and constantly increasing input prices. This yield is the highest in the BOPP industry
- Highest return on net capital employed - 21%, better than competitors

Max HealthStaff

Max India Limited has acquired 19,72,500 equity shares Rs.10/- each in Max Healthstaff International Limited, constituting 50% of its paid up capital from Trophy Holdings Private Limited for a total consideration of Rs.2.50 crore. With this acquisition, Max Healthstaff International Limited has become a wholly owned subsidiary of Max India.

Max HealthStaff has established the Max Institute of Nursing and Development (MIND)- offering an excellent training and recruitment programme for nurses

Max HealthStaff has established the Max Institute of Nursing and Development (MIND)- offering an excellent training and recruitment programme for nurses. In one year, It is already the biggest programme of its kind in North India with hundreds of nurses currently enrolled. The immigration process for the first batch has already begun.

Closing

I can today say with confidence that we have moved the spotlight in our businesses to service excellence. This mission is shared by each one of my colleagues.

Max India thanks all its shareholders, employees and associates who have demonstrated support and encouragement for the company's business objectives.

I also wish to convey our gratitude to our partners- New York Life International and Singapore General Hospital.

For Max India Limited
ANALJIT SINGH
Chairman

New Delhi
AUGUST 11, 2005

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MANAGEMENT DISCUSSION & ANALYSIS

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MANAGEMENT

DISCUSSION & ANALYSIS

Max New York Life

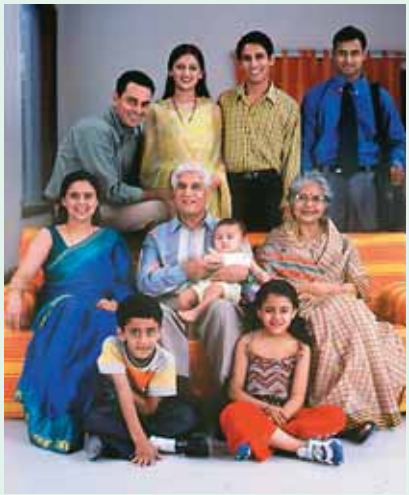
Max New York Life (MNYL) has consolidated its position as one of the top and highly respected private life insurers in India. There are now 13 private life insurers in the sector, actively pursuing growth plans. MNYL continues to build a distinct identity for itself by ramping up business steadily and building a quality business by insuring young and healthy lives. It is a true Life Insurance player with focus on providing life insurance on a protection platform.

The steady progress of MNYL is adequately reflected in the numbers:

- MNYL's first year premium income went up from last fiscal's Rs. 137 crore to Rs. 233 crore, a 70% year-on-year growth
- Renewal premium went up to Rs. 180 crore, growth of over 131% over the previous year
- Total premium income went up from Rs. 215 crore to Rs. 413 crore
- MNYL has now sold cumulative life insurance worth more than Rs. 16,400 crore
- More than 216,000 policies were sold during the year taking the total number of policies sold till date well beyond 500,000
- Cumulative sum assured of more than Rs. 16,400 crore.
- Highest Agent Advisor persistency rates amongst all private ife insurers

MNYL has a network of 46 offices in 34 cities giving it a pan-India presence. It employs more than 1,750 people with 8,450 Agent Advisors as of July 2005.

MNYL's Agent Advisors are widely recognized as the best in the business. They are among the industry's most highly trained life insurance sales professionals. In 2004, MNYL won the trophy for best performance in agency operations among all New York Life countries outside the United States. New York Life runs an annual competition in which it's agency operations in nine countries of operation compete for the Chairman's Trophy. The best performance is measured on six different parameters and Max New York Life finished way ahead of others. MNYL's agency channel won several other New York Life awards including best case-rate, best in promotion and stood second in Asia Challenge Cup. MNYL's MDRT qualifiers continue to rise each year. This year, 126 Agent Advisors have qualified for the MDRT. MNYL has dominated MDRT among private life insurers in India since its inception. Also in the last two years, MNYL has been the only Indian private life insurance company to be listed in the top 100 companies



worldwide in terms of MDRT membership numbers.

A feather in the cap of MNYL is its entry into the list of Top 50 MDRT companies in the world. The latest MDRT rankings have the company at the 49th position, a quantum leap from its 62nd position last year.

Consistent with its vision of building a long-term, rock solid life insurance business, having built a sustainable agency distribution system, MNYL is now aggressively pursuing additional channels of distribution. Other channels are now significantly contributing to MNYL's business numbers. The bancassurance channel is gathering momentum with three significant partnerships being signed in the last quarter of the financial year.

The rural business is ramping up rapidly. MNYL met all rural and social compliance targets and, in addition, established a network of eight area offices and eighteen other rural branches in Punjab, the State chosen by MNYL to pilot a comprehensive rural business model.

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MANAGEMENT

DISCUSSION & ANALYSIS

Max New York Life

A significant milepost of the year was the launch of LIFE MAKER™, a flexible Unit Linked Investment Plan (ULIP). The product provides the customer with the flexibility to manage their financial needs, including protection, investment and liquidity. Franklin Templeton Investments (India), one of India's largest and highly respected asset management companies, is advising MNYL on fund management. The unit-linked plan launch has added to MNYL's product suite and has grabbed a lion's share of new business sales.

MNYL was ranked in November 2004 among India's Most Respected Companies, the annual survey of India's best companies conducted by Business World Magazine. The Most Respected Companies list is based on a rigorous nationwide peer-perception survey, unlike most jury-based listings. This year, 1,078 (563 in the first phase and 515 in the second) senior managers across the country working in 17 industrial and service sectors were polled in an eight-month exercise to come up with the results. MNYL was rated among seven most respected insurance companies in India. These included public sector insurers and covered both life and non-life companies.

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