



Life... Our focus



Max India Limited

ANNUAL REPORT 2005-06

A true Indian

Secular... Pioneer... Serving...



REPORTJUNCTION.COM

Bhai Mohan Singh

Chairman Emeritus

30th December 1917 to 27th March 2006

'Life – Our focus'

aptly summarises our corporate philosophy.

Our work ethic respects Life.

*And to work in such a spirit is akin to worship;
it earns the trust of all those we serve.*

*We bring new knowledge, new techniques and
technologies to support the people who supervise
and lead in the delivery of our services.*



*Building trust... every minute of every day-
our philosophy actively treasures Life
which is precious.*



CONTENTS

	Letter to Shareholders	4
	Management Discussion & Analysis	11
	Corporate Governance	25
	Shareholders' Information	32
	Company Information	35
	Financials	
	Max India Limited	37
	Max India Consolidated Statement of Accounts	83
	Max NewYork Life Insurance Limited	118
	Max HealthCare Institute Limited	158
	Other Subsidiary Companies	185

*belief,
faith,
rely,
confide.*

TRUST



LETTER to Shareholders



Dear Shareholders,

Success and Growth in the Services sector is about the number of people we bring together, and we create value for.

The central value in all our relationships is trust, as we undertake very responsible roles that concern the lives, health, and financial security of individuals and their extended families. The consistent upkeep of this TRUST has brought us closer to more and more people. This, in turn, has created further opportunities for MAX across its businesses. Today more than a million customers trust us.

Globalization, liberalization and free trade have multiplied the available opportunities in the service sector. India's GDP ranks among the top 15 in the world. The economy continues to forge ahead and the service industry of late has demonstrated a sense of dynamism and initiative. Over a period of six years since 2000-01, the services sector increased its share in GDP from 49.8 per cent to 54.1 per cent.

Let's look at the broad scenario ahead for Healthcare services and Insurance. The total healthcare spent in India is growing at over 12% to reach over \$ 60.9 billion by 2009. As per Industry estimates, fresh investments of US \$ 25 billion over the next 8-10 years will put this sector on the Global Healthcare Map. With US \$ 12 to 15 billion expected from domestic investments, the Indian healthcare sector represents a US \$ 10 billion opportunity for foreign investors. Opening up foreign investment in the life insurance sector has also brought significant resurgence with many new private entrants in this industry.

Overall life insurance industry growth for the private sector is expected to remain robust at 59% CAGR for the next five years, with market share expected to increase to 45% by 2010. By 2025, insurance penetration is expected to treble to 9.9% and insurance premiums to touch \$ 333 billion.

Last January, we completed two decades of enterprise and excellence, and are presently well embarked to replicate our


successful models and further extend our services.

A quick glance towards how we did that during the year...

Max New York Life Insurance Company Limited - The Annualized first year premium value of Rs. 536 crore, grew 119% year on year. The gross premium income of Rs. 788 for the year ended March'06, grew 91% year-on-year. The number of agents grew to over 15,000, growth of 70% year-on-year. The cumulative sum assured as of March'06 stands at Rs 27,136 crore.

Max Healthcare Institute Limited - Revenue from all the hospitals under operation for the year ended March'06 at Rs. 137 crore, grew 195% year-on-year. The registered patient base grew to 300,000, growth of 60% year-on-year. Average occupancy at all the hospitals during March 2006 exceeded 65%, with certain hospitals reaching peak occupancy of 90% plus during some days of the month.

The consistent upkeep of this TRUST has brought us closer to more and more people. This in turn has created further opportunities for MAX across its businesses. Today more than a million customers trust us.



Max HealthStaff International Limited - Over 700 nurses registered for overseas placement in a highly scalable operation. The first batch of nurses reached US and commenced their employment in highly reputed hospitals there.

Neeman Medical International- Neeman Asia repositioned from an SMO (Site Management Organization) to a CRO (Contract Research Organization) to move up the value chain.

Max Speciality Products- The business provided the highest return on capital employed -18% better than the competitors.

Max Telecom Ventures Limited- We exited the Telecom business completely with the sale of residual stake in Hutchison Essar which resulted in a profit of Rs. 427.6 crore, thereby completing our restructuring initiative. Further with the merger of MTVL into your company, the free reserves of Max India has increased to Rs 922 crore, placing the company on a strong financial footing.

At Max India, our endeavour is to keep paradigms and principles in place that attract the best talent to provide the highest quality of service in a well-managed and cost-efficient way to appeal to a large number of customers in a competitive market.

The year's developments have been a series of planned expansions, which have been meticulously implemented. As a result, the total income grew 120%. Cash from Operations was up 395% and the Group Investments were up 122%.

Core values across diverse businesses.

The values and positive image rub-off on the Group's companies stand them in good stead in their respective businesses. The core values of trust and concern for life are intrinsic to the Group's operations – in Life Insurance, Healthcare, Clinical Research, Healthcare Staffing, and Speciality Products.

As a Group, it has been our privilege over the decades to promote gender empowerment, and to make employment opportunities and career prospects available across our companies to people of culturally diverse backgrounds. Their capabilities and their dedication to the corporate mission and its values help us to not only build our team, but also create a family unified by purpose and enriched in its relationships.

The core values of trust and concern for life are intrinsic to the Group's operations – in Life Insurance, Healthcare, Clinical Research, Healthcare staffing, and Speciality Products.



Covering 102 offices across 74 locations, MNYL employs more than 2,600 people and has a network of around 17,000 agent advisors.



Max New York Life Insurance Company Limited

Large reputed life insurance companies are faced with a great opportunity to expand geographically and offer products to more segments of the population, including the highly promising and untapped rural sector. The low per capita penetration of the life insurance industry holds out good opportunities for large reputed players to expand geographically and enter new demographic segments. There has also been an attitudinal change from viewing insurance as a tax saving instrument to a product offering cover and investment returns. With expansion in private distribution networks, aggressive advertising and changing perceptions, the industry is set on the growth path.

Among the fastest-growing life insurance companies in India, Max New York Life (MNYL) is among the top quartile private player. MNYL ranked number 3 amongst private life insurers in FY 2005-06 in terms of the number of policies sold. Buoyed by the performance of MNYL, Max India and the joint venture partner, New York Life has decided to increase the paid-up share capital to Rs.1000 crore. It is also the

only life insurance company with ISO 9001 certification. Covering 102 offices across 74 locations, MNYL employs more than 2,600 people and has a network of around 17,000 agent advisors.

With world-class training as the bedrock of success, MNYL sees training as a key differentiator. It is one of the life insurance companies to be certified by IRDA as a training institute. The organization maintains high agent productivity and has broken into the top 50 global list of MDRT (Million Dollar Round Table). Currently it has over 200 agents qualifying for MDRT.

The notable achievements in the financial year were:

- * The Annualized first year premium grew 119% from Rs 244 crore to Rs 536 crore.
- * The average case size per agent and the case rate per agent per month, among the highest in the industry grew by 24% and 5% respectively.
- * The paid up capital stood at Rs 557 crore, Rs 91 crore infused during the year.
- * The sum insured in force grew by 62% to stand at Rs 27,136 crore.

Max Healthcare Institute Limited

Max Healthcare owns and operates six hospitals with a total of 765 beds growing to around 900 beds by next year.

India's over 200 million strong middle class is driving unprecedented demand for quality healthcare. Increased participation from the corporate sector and continued investment in the public health programmes is supporting the expansion. Demand for quality healthcare is also driven by external markets. With healthcare services becoming an expensive proposition in Europe and North America, India offers the right blend of cost and expertise. With demand expected to outstrip supply over the next decade, the outlook for private medical care providers is very positive.

The specializations and creation of comprehensive capabilities at our Centres will be found to be in line with the latest thinking of bringing about optimization of treatment process. Hospitals should view themselves as centers for disease treatment and develop expertise in treating certain diseases. Our hospitals focus on "total patient care" and our doing this successfully delivers true value to the patient.

Max Healthcare has made investments in high-end technology and skilled manpower that uniquely strengthens its healthcare services and puts it ahead of other healthcare providers in the market. Quality is the cornerstone of all our activities. Four of our hospitals are ISO Certified. Our remaining two hospitals, Max Super Speciality Hospital, Saket, and Max Balaji Hospital, Patparganj are undergoing the ISO process. They are likely to be certified by the end of the year. In a bid to raise our quality standards, Max Healthcare plans to apply for NABH (National Accreditation Board for Hospitals) accreditation. Max Devki Devi Heart and Vascular Institute, Saket and Max Super Speciality Hospital, Saket, have already initiated NABH process. The pathology lab at Saket has also initiated the NABL (National Accreditation Board for Laboratories) process.

Currently Max Healthcare owns and operates six hospitals with a total of 765 beds growing to around 900 beds by next year. The 225-bed Max Super Speciality Hospital at Saket (Delhi) got functional from June 1, 2006. The Institute super specializes in Obstetrics & Gynaecology, High End Paediatrics, Orthopaedics & Joint Replacement and Neurosciences and other support specialties. Built as per International standards, the hospital has India's most advanced Neurosurgery Operation Theatre equipped with Asia's first, and the world's third Brain Suite at the Institute of Neurosciences.

Next financial year will see further ramp up of facilities and newer initiatives. The company is exploring opportunities to expand beyond the NCR. Max Hospital, Gurgaon, a 100-bed hospital is expected to be operational by June 2007.

Max Healthcare has over 2000 employees and 800 leading physicians of the region, including some internationally renowned physicians, are professionally associated with it. Adequate emphasis is placed on training with Max Institute of Medical Excellence (MIME) establishing new benchmarks in clinical skills based training in the country. In a short span of 10 months, MIME has organized more than 1800 man-days of in-house training and 2000 man-days of CMEs across Max Healthcare.

The patient transactions per month crossed 88,000 patients mark in March'06 up from 50,000 transactions per month in March'05.

Max HealthStaff International Limited

While we have been addressing the requirements in North America, there is a shortfall of healthcare personnel in other regions including Middle East and Europe as well. Demand for nurses is increasing exponentially and expected to increase till at least 2020. After the setting up of NCLEX

- RN examination centers in India from April 2006, Health Staffing as an industry got a major push. More companies, big and small are expected to enter this industry. With growing competition, attracting trainees and providing high quality nurses to the staffing partners in the US will be a key challenge.

MHS has been able to maintain
100% pass rate for NCLEX - RN exam,
which is among the highest in
the industry globally.

Max HealthStaff has three sourcing and training centres operating successfully in Delhi, Chandigarh and Kottayam and plans to open two more centres in the coming year to increase its resourcing base. Max HealthStaff has already firmly established itself as the leader in this field in the last two years, and during the year under review, 23 nurses have already started working in the US. There are close to 700 registered nurses in pipeline at different stages of the program. MHS has the first mover advantage being the only large scale professionally managed company in this business. MHS would leverage this advantage to firmly establish itself as the market leader and number one player in this industry.

MHS has entered into multiple alliances with major staffing corporations in the US and has significant requirements from them. MHS has been able to maintain 100% pass rate for NCLEX - RN exam, which is among the highest in the industry globally.

Neeman Medical International

There is a global trend of Pharma companies looking at India to carry forward their drug development initiatives. Most of the US and European nations are outsourcing clinical trials to India. Patient enrolment for Clinical Trials in India is 2-3 times faster than other sites



Neeman has set impressive operating standards, with three successful FDA audits; they are the first ever-Indian sites to be inspected by US FDA.



in US/Europe. Clinical Data captured in India is being used more and more for Data Submission to US FDA in new drug approval. India also offers significant cost advantage in clinical trials with costs being 40-60% lower with respect to other sites in USA/ Europe.

Current outsourced clinical trial activity in India is at around Rs. 3.5 billion (about US \$ 75 million) and is estimated to go up to Rs13.2 billion (about US \$ 281 million) by 2010.

In recent years, the highest numbers of clinical trials have been done in the areas of infection and oncology. Several trials are also underway in psychiatry, neurology, endocrinology, respiratory, cardiology and dermatology. To meet the increased manpower needs, both industry and private institutes are training people in clinical research.

India is a preferred destination for conduct of global clinical trials because it has a vast patient population, genetically distinct groups, specialty hospitals, nearly 700,000 hospital beds, over 200 medical colleges, high quality medical healthcare professionals, sophisticated technological infrastructure, and skilled English speaking investigators. India has its own Good Clinical Practice guidelines and its regulatory framework is in conformity with international standards in Good Manufacturing Practice (GMP) and Good Laboratory Practice (GLP). Strong international acceptability of research carried on in India encourages Indian clinicians to participate in clinical trials.

Neeman Medical International offers Clinical Research Services, which include regulatory, site management, monitoring, data management services and clinical trial material supply chain management.

Neeman's operation in India is spread across 12 cities and has access to more than 600 GCP/ICH trained Principal investigators. As more clinical trials are awarded, the organization will be expanding to B Class towns as well. Neeman has set impressive operating standards, with three successful FDA audits; they are the first ever-Indian sites to be inspected by US FDA.

Neeman's operation in US has access to 86 sites in 6 states. It is projected to expand to 9 states with over 250 trained Principal Investigators. Neeman Costa Rica acquired in 2000 has 13 years of clinical research experience with major pharma/CROs and has access to more than 150 Principal Investigators. They have been awarded 168 trials and have had 6 successful FDA audits. Neeman recently started a Data Management Center in New Delhi. With the introduction of this new line of service Neeman has now become an end-to-end service provider for the pharmaceutical and biotech industry. The Data Management Center has high-end technology manned by experienced and trained manpower. The centre provides services in the area of Data Entry, Validation Management, Statistical Programming, Analytics and Medical report writing.

Max Speciality Products

With the onset of the retail boom and the mall culture in India, large growth in flexible packaging is anticipated during the next 2-3 years. Flexible packaging has clear cost advantage over rigid packaging, and the consumer trends are also in its favor. Today's consumer prefers the ease of opening and they have grown accustomed to it. Moreover, packaged instant foods have become ubiquitous and this is yet another reason for the popularity and the increasing domestic demand for BOPP, which is growing at 20% in India.

In spite of the buoyancy in the market, the penetration of flexible packaging using BOPP film is still at a primary stage.