



Report



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Life... Our focus

Max India Limited

ANNUAL REPORT 2006-07

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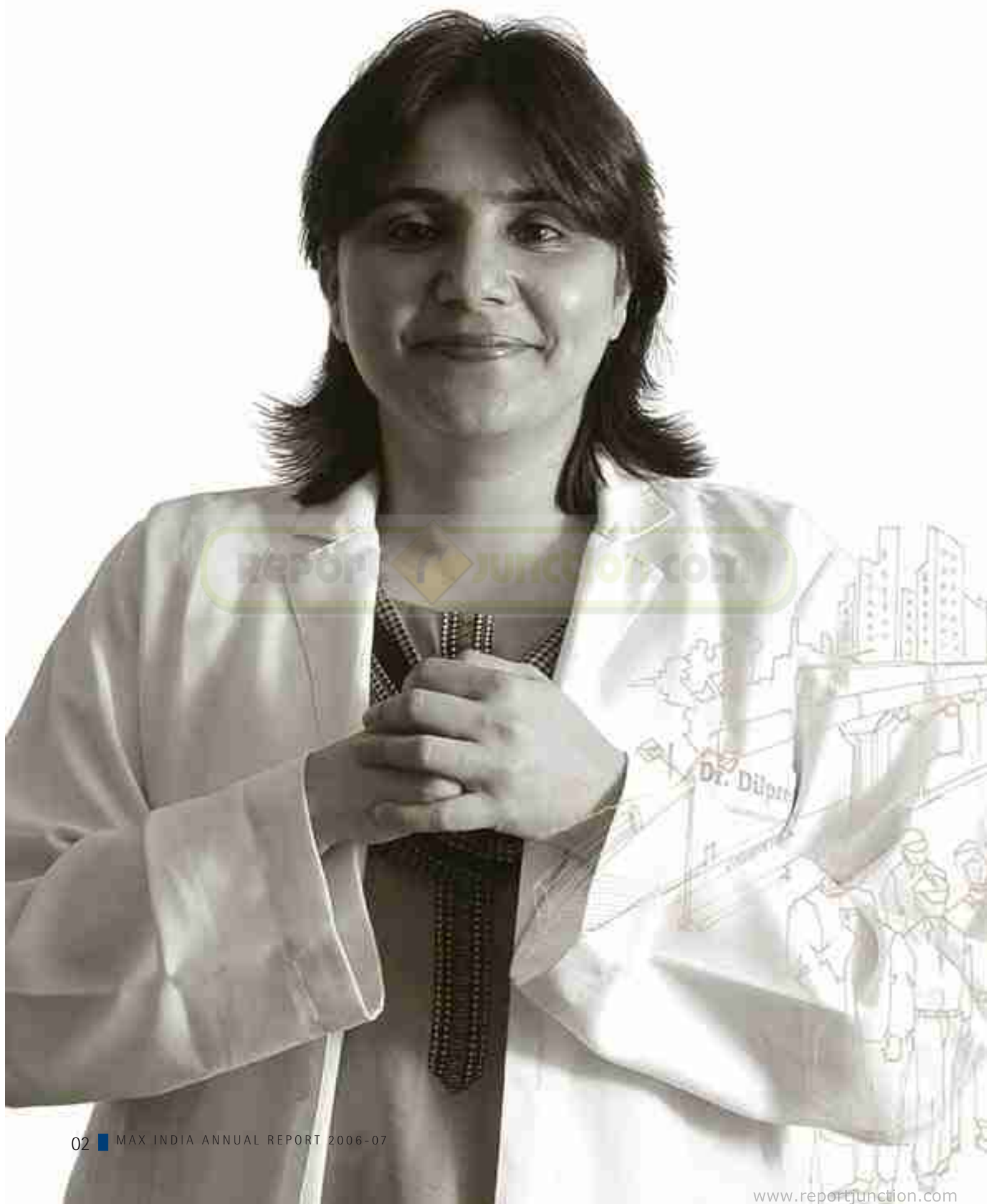
*Inspired by the 'Panchatatvas'-
fire, water, earth, air and space-
the indispensable and basic elements for
sustaining every life form.
Our services also extend to nurture life.
Thereby treasuring life which is precious,
all the time.*

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*Another element integral to life- is trust.
Because Trust is the essence of our relationship...
with our people
with the people we serve
with our stakeholders.*

*Our heritage of building Trust is all about
Being focused in our core values...
Integrity,
Understanding,
Care and responsibility.*

*And above all
Always holding close to our heart
Our most cherished mantra*

“Life... our focus.”

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Creating value... within

We care to nurture our most valuable asset- our people.

People, who are with us. Who make us stand apart as one of the most trusted corporate entity. It is their wholehearted dedication and proactive attitude that creates a sense of purpose in our mission.. to care, to protect, to worship life.

This aptly summarizes the wise saying- "*what exercise is to body, employment is to mind and morals*" by Henry David Thoreau, American writer & thinker

We understand the value of caring. We actively care to provide them safe, secure and congenial work environment to develop their own skill and advance within the organization. This permeates value right across the organization in a variety of ways in terms of accountability and responsibility, not only to us but also to our business, our customers, our communities and our stakeholders.



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*or shall we say -
a company is known by the
people it keeps*





An enterprise is known for
its focus on quality
execution and service
excellence.



LETTER to Shareholders

Dear Shareholders,

India is in a sweet spot and Max India reaping benefit from *Max Vision 2000* after the Company re-invented itself as a service sector focused enterprise. In our new incarnation with '**Life...our focus**' and building a value based organization, the bet has paid off. Max New York Life and Max Healthcare are shining as premium players in the fast growing privatized life insurance and healthcare sectors.

In a relative flattening of world markets, the country's GDP growth has been fueled by an increasing confidence in India; larger and larger investment spend by Indian Industry and FDI; quarter on quarter increase in corporate profits; gains in the manufacturing sector, and; higher than ever saving rates not only by individuals but also by corporates. And lastly, tremendous growth in the service sector.

As this goes to print, the appreciation of the rupee is becoming an area of worry in the country. For Max India, I am pleased to point out that our Life Insurance and Healthcare Businesses are relatively insulated from this phenomenon and Max Speciality Products, which has reasonable exports, is protected from about equal imports.

Your Company is in a strong position in all its business operations and well postured to achieve significant growth ahead. With sound proof of concept and execution supported by respectable availability of investable funds through the QIP in Max India and financial support from International Finance Corporation in Max Healthcare, we see a buoyant picture for the Company and its shareholders.

Now, in some detail.

In 2006-07, Max group grew as relentlessly as the Indian economy and the service sector. Let's take a snapshot. In 2006-07, Indian economy grew a whopping 9.4%, faster than the advance estimate of 9.2%, pushing the absolute size of the economy to nearly Rs. 40 lakh crore or \$1 trillion. Savings and investment touched record levels, at 32.4% and 33.8% of GDP respectively. With a growth rate of 13 per cent, the service sector efficiency gains in manufacturing, higher levels of investment and overall corporate profitability were the key drivers of economic activity. FDI equity inflow in India touched a record high of \$16 billion in 2006-07 compared to \$5.5 billion in previous fiscal. Overall industrial growth was 11.5 per cent as compared to 8.2 per cent in last fiscal year.

Indian Life Insurance industry witnessed a phenomenal growth rate of more than 100% in new business premium income. With expanded geographical reach, and introduction of better products, private life insurers captured nearly 26% share of the new business premium income. The new business premium income for the industry stood at Rs. 75,407 crore during the year. Expected to grow at a CAGR of around 45-50% from the year 2006-07, the market is expected to reach the value of around Rs. 1683 billion in the year 2009.

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healthcare sectors.*





Healthcare spending is on an upward track partly due to the nation becoming wealthier and willingness of consumers to spend more on healthcare. Customers, patients and the like are becoming more demanding and sensitive to value and quality care. Shift in disease profile from infectious to lifestyle diseases, improved medical technology, lower lengths of stay in hospital, will all provide a further fillip to the healthcare spending. The sector needs around 1 million beds by 2012, which will need a total investment of US\$ 78 billion over next six years, 90% of which will be made by private sector.

An enterprise known for its focus on quality execution and service excellence, Max group's principal competitive strength lies in its strong management team comprising of professionals with wide experience and early mover advantage in each of its core businesses.

In June 2007, the Company concluded a Qualified Institutional Placement of Rs. 1000 crores at Rs. 240 per share. The Company intends to use the net proceeds from this issue to meet its additional funding requirements in line with its strategic business plans to further grow each of its existing businesses. Encouraged by an almost 100% CAGR of its life insurance business since inception, the Company has committed itself to growth plans for this business. A portion of the proceeds is also expected to be used for general corporate purposes including acquisitions and investments in new ventures.

A well-planned, progressive business model and expansion strategies have resulted in a robust financial performance. In the fiscal year 2006-07, the consolidated income of the group increased by 79.4% (excluding one-off item of sale of stake in Hutch Essar in 2005-06) to Rs. 1993.53 crore, principally reflecting increased income from life insurance and healthcare subsidiaries.

As a Group, it has been our focus to continuously evolve better HR practices for manpower retention and motivation. At MNYL, Leading HR firm Gallup conducted employee engagement survey to examine efficacy of existing HR policies. Conducted with an employee response rate as high as 81%, Gallup findings revealed MNYL employees have a strong emotional connect with its vision and rate the company as one of the best in India in leadership feedback, clarity on

performance parameters and career pathing. MNYL also introduced MyCare-a comprehensive employee benefit package providing accidental and life benefits to MNYL employees.

At MHC, subsequent to the Employee Engagement survey conducted by Hewitt in 2005-06, many new initiatives were taken.

Applause - An Employee recognition programme, Comprehensive HR Information System (HRIS) and an Employee portal were launched. HR Policies with reformed employee friendly policies; Compensation Plan Restructuring, Competency Mapping and Broad-banding were some new initiatives. A good people centric governance not only helps us build our team but also create a family unified by purpose and enriched in its relationships.

Max New York Life Insurance Company Limited (MNYL)

A robust distribution network of 165 offices across 121 cities and more than 25,000 agent advisors, 17 Bancassurance relationships, and around 300 people strong Direct sales team to support MNYL's strong growth

Taking into account the changing socio-economic demographics, rate of GDP growth, changing consumer behavior and occurrences of natural calamities, the Indian life insurance market is expected to reach the value of around Rs.1683 billion in the year 2009 from Rs.754 billion in the year 2007.

MNYL is the fifth largest life insurance company in India in terms of new business premiums and fourth largest private player in terms of number of policies sold. With 165 offices across 121 cities and more than 25,000 agent advisors, 17 Bancassurance relationships, and around 300 people strong Direct sales team, the company has built a robust distribution network to support the strong growth.

During the financial year, MNYL has further strengthened its operations by introducing significant reduction in time taken in policy issuance, renewal premium reminders, claims settlement etc.

Quality has been a focus area for the company. During the year, the ISO 9000 certificate was renewed, confirming the high standards of well-documented processes. Six Sigma further strengthened its roots in the organization with 17 Green Belts certified in the first batch of training and another 24 completed Six Sigma projects and are ready to be certified.

Growth in insurable population, low levels of insurance penetration and rising Indian income levels are all significant factors expected to continue to positively effect the results of our Life Insurance business.

With our strength of strong distribution channels and effective customer support tools, we intend to emerge as a brand of first choice, a preferred employer and a principal of choice for agents by concentrating our focus to:

- * Protection oriented, long tenor life insurance products and innovating new product offering.