



IN THE BUSINESS OF  
**LIFE**

Report  junction.com

MAX INDIA LIMITED | ANNUAL REPORT 2008-09





## CONTENTS

■ In the Business of Life	03
■ Letter to Shareholders	04
■ Management Discussion and Analysis	16
■ Corporate Governance	58
■ Shareholders' Information	68
■ Financials	
Max India Limited	75
Max India Consolidated Statement of Accounts	125
Max New York Life Insurance Company Limited	171
Max Healthcare Institute Limited	255
Other Subsidiary Companies	293



## IN THE BUSINESS OF LIFE

### TRUST + SERVICE = GROWTH

We are in The Business of Life...

Building each of our businesses involves Trust

Customers choose insurance companies and products on Trust

The ailing choose healthcare and hospitals based on Trust

Pharmaceutical and medical companies choose clinical research partners on Trust

Manufacturers of food products and edibles select packaging material based on the Trust of health and safety

Trust is paramount to our business...

As is our unwavering passion for best-in-class Service

Everywhere; for every customer; all the time

Because we believe in a simple truth...

When you combine Trust with Service

You get Growth

**Max India Limited...Growing for India**



## LETTER TO SHAREHOLDERS ■■■■

IN 2008-09, **MAX INDIA**  
AS A GROUP CROSSED THE  
**US\$ 1 BILLION** REVENUE MARK



### Dear Shareholders,

2008-09 has been the most volatile year witnessed by the world economy since the 1930s. If you will recollect, despite the US overhang of sub-prime loans, the year started with a continuing global price spiral. The prices of all major commodities continued to rise to alarming levels — and peaked in July 2008 when crude oil crossed US\$ 145 per barrel.

Then came September 2008 and with it the severe jolts from the US: the failure of Fannie Mae and Freddie Mac forcing a full-fledged government takeover; bankruptcy of Lehman Brothers; Merrill Lynch being forced to sell to Bank of America; the collapse and takeover of AIG; and the failure of Washington Mutual. As if on cue, the British financial system



■ MAX INDIA GROUP'S TOTAL  
■ CONSUMER BASE INCREASED  
■ FROM 2.5 MILLION IN 2007-08  
■ TO 3.5 MILLION IN 2008-09

started to kneel over: first HBOS, then Bradford and Bingley, and finally a bailout of RBS.

Soon the world faced a massive meltdown — starting with a complete freezing of liquidity and soon spreading to the real economy. While the financial system has come back to some sort of normalcy, thanks to global interventions that are estimated to have cost well over US\$ 3 trillion, the real economy continues to limp. As I write this letter to you:

- GDP growth for US in 2009 is estimated at -2.7%, with unemployment now at 9.5% and rising
- Growth in the Euro Zone is expected to be worse still — estimated at -4.4% for 2009
- Japan is heading for another period of severe de-growth, with GDP growth for 2009 estimated at -6.1%
- With an estimated 11% to 12% fall in the real value of world trade, China's growth is expected to reduce to around 7%
- India's growth is down from the 9% plus range of the last three years to 6.7% in 2008-09, with the chances of it being the same in 2009-10

■ India is not essentially decoupled from the global economy. While international trade is still a small part of its GDP, there is significant coupling in terms of investment flows into the country. And this has certainly been affected. Even today, the Government of India has a large role in managing the domestic economy. The direction and nature of this role is becoming critical in this economic environment. For India, one would have to agree with Amartya Sen, Nobel prize-winning economist, that the "invisible hand of the market place has to be balanced by an emphasis on the visible hand of good governance.

In such a milieu, is your Company, then, still in a "sweet spot" that I wrote of in the last two annual reports? While there may be some differences in the extent of growth, I would still argue that Max India is in a good place. Let me explain.

For the most part, Max India is in the business of life. Protecting Life through its life insurance subsidiary Max New York Life, a joint venture between Max India and





■ DURING 2008-09, WE LAID  
■ CONSIDERABLE EMPHASIS ON  
■ FURTHER ENHANCING THE  
GOVERNANCE SYSTEMS OF  
MAX INDIA AND OUR GROUP  
COMPANIES TO HELP BUILD  
A TRANSPARENT, TRUSTED  
COMPANY

New York Life, a Fortune 100 company. Caring for Life through its healthcare company, Max Healthcare, a subsidiary of your Company. Enhancing Life through its health insurance company, Max Bupa Health Insurance, to be developed as a joint venture between Max India and Bupa Finance Plc., UK which is set to launch soon. And, Improving Life through its clinical research business Max Neeman, also a fully owned subsidiary of Max India.

One thing becomes clear if you look at all the economic data pouring out from different parts of the world. It is this: despite the severe downturn in growth across all countries, very few have seen any long term deterioration in spends that have to deal with the business of life. To be sure, life insurance has found it difficult to sustain the high growth rates of the past. But even here, things are not as dismal as they are in the financial sector in general or in manufacturing and exports. And as far as healthcare goes, it remains one of the very few beacons of light in a pall of gloom. In fact, in 2008-09, Max India as a group crossed the US\$1 billion mark in terms of revenues and its total consumer

base increased from 2.5 million in 2007-08 to 3.5 million in 2008-09. Your Company, therefore, remains well positioned even in these difficult times.

During 2008-09, we also laid considerable emphasis on further enhancing the governance systems of Max India and our group companies to help build a transparent, trusted Company. Several renowned personalities with specific domain expertise that fit the Companies' profile were inducted as Directors on the Boards of our different group companies.

Mr. Anuroop (Tony) Singh was appointed as Vice Chairman (Non- Executive) of Max India Limited. Earlier, he has held leadership positions at Max New York Life (MNYL), ANZ Grindlays Bank, Bank of America and American Express. Noted economist, Dr. Omkar Goswami, was appointed as an Independent Director on the Board of Max New York Life. Max Healthcare appointed Dr. Ajit Singh as an Independent Director on its Board. He has a rich 20 years of experience at Siemens in various roles, most recently as the CEO of the Image & Knowledge Management Business Group of Siemens Healthcare.



- THE MARKET SHARE OF MNYL AMONGST PRIVATE SECTOR INSURANCE COMPANIES INCREASED BY 100 BASIS POINTS TO 6%

Additionally, Ms. Marielle Theron was appointed as Non- Executive Director at Max New York Life. She previously headed Business Development & Strategy, Asia, for Swiss Re Life & Health, a large global re-insurer. Mr. Tony Coleman, from Sydney, Australia, was appointed as Business Advisor to the Group and a permanent invitee to the Max India Board. He is currently Chairman of Enterprise & Financial Risk Committee of the International Actuarial Association.

Let me now highlight the performance of each of Max India's businesses. The details are to be found in our comprehensive chapter titled Management Discussion and Analysis.

### MAX NEW YORK LIFE (MNYL)

In a difficult year, when most of the competitors in private sector life insurance were forced to de-grow, your Company continued increasing its business.

- Number of policies sold since inception crossed 36 lakh, with sum assured of around Rs. 94,000 crore
- Policies sold increased by 38% to 12.1 lakh in 2008-09 – crossing the 10 lakh policies a year mark for the first time since inception