
Rating Rationale for ABK Consultants Pvt. Limited's NCD Issue amount outstanding ₹ 28.4 Crore (originally the NCD Issue was rated for an amount of ₹ 600 Crore with a tenor of 60 months)

NCD Issue: BWR A- (SO)

Outlook : Stable

Brickwork Ratings has reaffirmed **BWR A- (SO) (Pronounced BWR A minus Structured Obligation)** for ABK Consultants Pvt. Limited's ("ABK" or "the Company") secured NCD Issue amount outstanding ₹ 28.40 Crore (originally the NCD issue was rated for an amount of ₹ 600 crores with a tenor of 60 months). Brickwork Ratings '**BWR A**' stands for an instrument that is considered to offer **ADEQUATE** credit quality in terms of timely servicing of principal and interest obligations.

ABK Consultants P Ltd is a wholly owned subsidiary of Max India Ltd which is promoted by Mr. Analjit Singh. The rating has, inter alia, factored redemption of the bond to the extent of 90% of the face value of debentures, credit enhancement offered through pledge equity shares of Max India Ltd, structured payment mechanism and experienced management supported by strong and committed promoter group. The rating is however constrained by current volatility of stock market, poor coverage ratios of Max India Ltd and losses from insurance business and the regulatory changes announced by IRDA that imposed several constraints on ULIPs to increase their longer term life insurance content which will affect MNYL's profits, raise the capital adequacy and solvency requirements.

BUSINESS OPERATIONS

Max India Ltd is a multi-business corporate focused on health services. The company's portfolio of businesses includes:

- Max New York Life Insurance Company Limited which is a joint venture with New York Life offering both individual and group life insurance solutions.
- Max Healthcare Institute Limited, a healthcare provider of standard, seamless, integrated and international class healthcare services;
- Max Bupa Health Insurance Company Limited which is a joint venture with Bupa Group. MBHI is at an inception stage and has commenced commercial operations in 2009-10 and delivering high quality health insurance products.
- Max Neeman Medical International Limited, which provides clinical research services across the entire value chain of new drug development to pharmaceutical, biotech and clinical research customers, and
- Max Specialty Films, which manufactures a range of sophisticated barrier and packaging films.

In 2009-10, the Life Insurance business contributed about 86% of groups overall revenues followed by Specialty Plastic products (8%) and Healthcare Business (6%).

FINANCIAL PERFORMANCE

At consolidated level, Max India Ltd's Total income increased from ₹ 4891.4 crore in FY09 to ₹ 7728.8 crore in FY10. Service Income, which includes Life Insurance Premium, Healthcare Business, Clinical Research Business, Construction Activities and other services, increased from ₹ 4106.10 crore in FY09 to ₹ 5150.30 crore in FY10. Income from Investment activities, included Profit on Sale of long term and current Investments, interest on loans and unrealized gain on investments, also increased substantially from ₹ 330.2 crore in FY09 to ₹ 2073.6 crore in FY10. Consequently, the Net loss has reduced from ₹ 333.2 crore in FY09 to ₹ 44.0 crore in FY10.

On consolidated basis in FY09, the total debt was ₹ 347.4 crore which increased to ₹ 961.5 crore in FY10. The Company has allotted CCDs for an aggregate consideration of ₹ 521.92 crore to Xenok Limited, a wholly owned indirect subsidiary of GS Capital Partners VI Fund, L.P. and certain affiliated funds which are controlled by The Goldman Sachs Group, Inc., on a preferential basis. As a result, the debt-equity ratio on consolidated basis increased from 0.47 times in FY09 to 0.79 times in FY10.

The unaudited financial results of Q3 FY11 on a consolidated basis show that for the quarter ending December 2010, the company's operating income increased to ₹ 1678 crore from ₹ 1442 crore in Q3 FY10. The company has reported Net Profit of ₹ 38 crore in Q3 FY11 as compared to Net Loss of ₹ 94 crore reported for Q3 FY10.

Consolidated balance sheet and income statement of Max India Ltd. for the period 2008 to 2010 and quarterly performance upto Dec 2010 are as per Annexure I, II & III respectively.

OUTLOOK

Max India Ltd has diversified presence in healthcare business and has shown consistent track record of good growth in all businesses. Cost reduction and capacity expansion measures undertaken by the management have resulted in business turning profitable in the third quarter of the current fiscal. The life insurance business which contributes significantly to the overall revenues of company may face some pressures due to evolving regulatory scenario. Therefore, initiatives taken by the management in strengthening distribution, cost reduction and customer retention will be key to maintain profitability of the company.

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Annexure I: Abridged Consolidated Balance Sheet (₹ in Crore)

	2010	2009	2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS	1846.3	1511.2	1543.8
Share Capital	46.5	44.4	44.3
Warrants against Share Capital	86.7	-	-
Reserves and Surplus	1713.2	1466.8	1499.4
Preference Shares	250.0	250.0	250.0
LOAN FUNDS	961.5	347.4	551.9
Secured Loans	385.7	344.2	374.8
Unsecured Loans	575.8	3.3	177.1
Deferred Tax Liability (Net)	2.0	0.2	34.2
Policyholders' Liabilities	9171.1	4985.4	3227.4
Funds for Future Appropriations	62.3	16.9	43.4
Minority Interest	341.1	276.4	172.6
	12634.3	7387.5	5823.3
APPLICATION OF FUNDS			
NET FIXED ASSETS incl CWIP	965.1	930.3	718.2
INVESTMENTS	10938.4	5637.9	4840.3
CURRENT ASSETS, LOANS AND ADVANCES	1263.1	1322.9	883.9
Inventories	43.1	40.6	38.7
Sundry Debtors	313.5	273.5	241.2
Cash and Bank Balances	120.2	228.4	32.0
Other Current Assets	92.1	68.2	47.5
Loans and Advances	694.2	712.2	524.6
Less: CURRENT LIABILITIES AND PROVISIONS	904.6	702.3	625.6
Current Liabilities	874.9	679.5	616.7
Provisions	29.6	22.7	8.9
NET CURRENT ASSETS	358.5	620.6	258.3
MISCELLANEOUS EXPENDITURE	101.7	3.9	6.5
Profit and Loss Account	270.6	194.9	-
	12634.3	7387.5	5823.3

Annexure II: Abridged Consolidated P&L Statement (₹ in Crore)

	2010	2009	2008
INCOME			
Sales	446.3	441.3	360.5
Less: Sales Return	(2.4)	(3.7)	(4.0)
Excise Duty	(22.8)	(36.1)	(34.7)
	421.1	401.6	321.8
Service Income	5150.3	4106.1	2922.2
Income from Investment Activities	2073.6	330.2	324.9
Other Income	83.8	53.5	41.6
	7728.8	4891.4	3610.5
INCREASE/(DECREASE) IN INVENTORY	(1.1)	(0.2)	5.0
	7727.7	4891.3	3615.6
EXPENDITURE			
Manufacturing and Other Expenses	5857.1	3414.9	2690.8
Personnel Expenses	769.1	843.8	454.8
Administration Expenses	941.9	842.0	399.4
Financial Expenses	59.1	50.6	47.3
Depreciation	141.1	97.0	66.3
	7768.3	5248.3	3658.6
PROFIT BEFORE TAX	(40.6)	(357.0)	(43.1)
Tax Expense	3.4	(23.8)	16.7
PROFIT / (LOSS) AFTER TAX	(43.9)	(333.2)	(59.8)
PROFIT BROUGHT FORWARD	(194.9)	30.4	79.3
BALANCE CARRIED FORWARD	(270.6)	(194.9)	30.4

Annexure III: Quarterly Performance (₹ in Crore)

S.No	Particulars	Quarter ended		Nine Months ended	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
1	Net Sales	110	81	293	241
2	Other operating income incl. investment income	14	7	40	8
3	Total Sales	124	88	334	250
4	Expenditure of which:				
4.1	Raw Material Cost	74	52	200	158
4.2	Employee Cost	15	9	48	24
4.3	Depreciation	4	3	11	9
4.4	Other Expenditure	26	22	73	62
4.5	Total Expenditure	118	85	328	252
5	PBIDT	10	6	17	19
6	PBT	(7)	1	(19)	3
7	PAT	(7)	(0)	(29)	2