Business Standard

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WEEKEND

SANJAY K SHARMA

Almost all of Analjit Singh's businesses have turned profitable

Out of the woods

Has Analjit Singh, the perennial start-up man, finally found his groove? Bhupesh Bhandari meets him to find out

Analjit Singh says he was very excited when a home ministry official called to say that the government had decided to give him a Padma Bhushan, the third-highest civilian award in the country. The response of friends and associates over the next few days overwhelmed him too. "I was surprised to find that so many people were aware of my social and public work," he says.

But there's more that sets his pulse racing these days. Max India along with its subsidiaries — Max New York Life, Max Healthcare, Max Bupa and Max Neeman — made a small profit of ₹38 crore in the quarter ended December 31, 2010, after a long tread in the red. Max New York Life and Max Healthcare, Singh's two expensive ventures, turned cash-positive during the quarter. Two other businesses, packaging films (a division of Max India) and clinical research (Max Neeman), have been profitable for some time. That leaves Max Bupa, the health insurer, which has just begun operations and is projected to break even only in 2014. Singh expects to close the books for 2010-11 with a profit, as against a loss of ₹44 crore in 2009-10.

Singh, the perennial start-up man of India, seems to have finally found his groove. He turned 57 in January and says that among his last two New Year resolutions, one is to stay fit and the other, give more time to his family.

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Singh likes to call himself a self-made entrepreneur, though his father was Bhai Mohan Singh of Ranbaxy. Here's why.

Upon his return from the US in 1982, Singh was put in charge of a new project to make amino-penicillic acid, raw material for the semi-synthetic penicillin that Ranbaxy made. So he set up a company called Max India — M for his father, Bhai Mohan Singh; A for his mother, Avtari Kaur; and X for everybody else.

But the project was fraught with problems: The government was unwilling to give a licence and the technology had to be imported, but there were restrictions on the foreign exchange that could be used for such a purpose. Still, Singh went ahead. The cost of the project was ₹5 crore, of which the family contributed just ₹65 lakh. The rest came from loans which Singh repaid over 18 years after the factory started in 1985.

It wasn't easy. Ranbaxy, which gave Max almost 60 per cent of its business, pulled the plug in 1991, two years after the family separation, when it decided to set up its own plant for raw material. Singh had other run-ins too with his brother, Parvinder Singh, who ran Ranbaxy. To hedge his risks, Singh diversified into penicillin and formulations, and also became a distributor for Upjohn. Over the next few years, he exited all pharmaceutical ventures.

The urge for stable cash flows led him to packaging films and trading of electronic components for telecommunications. Singh's next stop was radio paging with Motorola. But it was a service business and he had taken a hardware vendor as a partner! He then brought Hutchison Whampoa into the business. And when cellular telephony was opened up, he along with Hutch bagged the lucrative Mumbai circle. But differences emerged between them — Singh wanted to grow a national footprint, while Hutch was keen to stick to Mumbai. So, in April 1998, Singh sold 90 per cent of his stake to Hutch for ₹549 crore. (The remaining 10 per cent was sold in tranches around 2004.) He then tied up with British Telecom but couldn't get any licence.

With cash in his pocket, Singh began to think about life afresh. He gave himself a six-month break. McKinsey was brought in for advice. When nothing came out of long meetings, a consultant handed Singh a piece of paper and a pen, and asked him to write his obituary in 800 words — how he would like to be known. All of a sudden, Singh knew what he wanted: Make Max the most admired company in service excellence. (His idols were Naresh Goel of Jet Airways and the Oberois of East India Hotels.) The businesses Singh chose for his new innings in 2000 were life insurance and healthcare.

Detractors didn't give him much of a chance. Except mobile telephony, Singh had always been in B2B sectors; life insurance and healthcare, on the other hand, have always been highly consumer-centred. Did he have it in him to run these businesses profitably?

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Eleven years later, with profits in life insurance and healthcare within sight, Singh can afford to breathe easy. He can also call himself a rich man. Max India is worth ₹3,500 crore on the stock market; he owns over a third of that, which puts his wealth at over ₹1,000 crore. He owns close to 8 per cent in Vodafone Essar, which could be worth hundreds of millions of dollars. (Hutch got Ashim Ghosh and him on board to make the shareholding compliant with the rule that foreign investment cannot exceed 74 per cent in a telecommunications service provider. He stayed put once Vodafone acquired Hutch and some time back, bought Ghosh's stake as well.) He has put ₹50 crore in the upcoming campus of Indian School of Business at Mohali near Chandigarh.

Singh agreed to be white knight to the Oberoi family after ITC had bought close to 15 per cent in East India Hotels. The Oberois finally decided to walk to the altar with Mukesh Ambani. Singh does not want to talk about it, but the grapevine suggests that there was a mismatch between what he was prepared to invest and the control he was offered. The two were putting up a hotel together in Dehradun. That alliance too has been called off. Singh, however, continues to own 4 per cent of East India Hotels. But that didn't set him back for long. These days he is busy planning new businesses with his children — two daughters and a son. "I am totally calm and at peace, and therefore very happy," says Singh. "I have embraced the principle that all ups and downs are a part of life. Life is not about us — we are about life."

> Singh does not sit on the Max India board to protect the interests of his family

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The urbane demeanour apart, Singh has done some serious course-corrections in the healthcare and life insurance business — which have caused some pain as well — to turn them profitable. After the Insurance Regulatory & Development Authority clamped down on the margins on unit-linked insurance products, Max New York Life turned towards traditional products which offer better margins. Such products now make up 85 per cent of the company's portfolio. "We went into the trenches for five months and totally revamped our strategy," Singh says. Cost rationalisation, including manpower, was done across businesses.

In Max Healthcare, categories like oncology and minimal access surgery were added to the portfolio. Business also came from the addition of a full range of tertiary care. From here, Singh wants to drive scale. (Warburg Pincus and International Finance Corporation have bought close to 30 per cent in Max Healthcare.) On the anvil are four new hospitals in Dehradun, Bhatinda, Mohali and New Delhi which will double Max Healthcare's capacity to 2,000 beds. Apart from the usual cost advantages, scale, says Singh, also brings in accountability.

Instead of a national footprint, Max Healthcare has consolidated in and around Delhi and is only now spreading into North India. "Our patient-base is 1.1-million strong, we get 250,000 footfalls every month, and we have 1,200 doctors," says Max India director (corporate development) Mohit Talwar. "We are among the largest hospital chains in Delhi and our average occupancy is around 70 per cent." Still, Singh is aware that profit margins in healthcare are low, though the sector is immune from business cycles. "If you want to make super profits, you shouldn't be in healthcare," he says.

But have his companies delivered on service excellence? "Amongst private players, we have the best record in medical outcome, average length of stay, occupancy and infection," says Singh of Max Healthcare. More steps are afoot. Habib Rehman, the former ITC Hotels honcho, has been appointed to the Max Healthcare board to prime the hospitality piece of the jigsaw.

At the group level, Singh has brought in Prashant Hoskote from Mashreq Bank in Dubai as vice-president (quality and service excellence) of Max India. Till now all his companies measured quality parameters like customer satisfaction and loyalty, complaint management and processes with their own yardsticks. They will now be scored on the uniform Max Performance Excellence Model. Every CEO will be given target scores regularly. "What this has done is escalated quality into every CEO's KRAs (key result areas)," says Hoskote. "Every board in its meeting gives at least an hour to quality."

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With business growing in size, Singh has taken steps to improve governance. Nine independent directors have been appointed on the four boards: Max India, Max New York Life, Max Healthcare and Max Bupa. "I didn't know seven or eight of them," says Singh. According to him, executive-search specialist Egon Zehnder helped him zero in on the attributes required for the directors and then helped him find such people.

Singh, of course, is the chairman of Max India. To maintain his independence, he does not sit on the board to protect the interests of the family. Instead, his family has appointed Ashwini Windlass, one-time head of Max India, to represent its interests — just like Warburg Pincus and Goldman Sachs have appointed directors to safeguard their interests. If the family has an issue, it is raised by Windlass and it may be answered by Singh!

The staff that helps the family with its new ventures, paperwork, treasury operations, tax returns, and so on is not drawn from group companies — they are on the family's payroll. Their space inside the Max India office in south Delhi has been taken on rent by the family from the company. Singh holds three structured shareholders' meetings with his business partners, New York Life and Bupa, without the aid of company executives so that the principal shareholders speak in one voice in board meetings.

It sure has been a long journey for Singh.