

THE EVOLUTION OF ANALJIT SINGH

The stake sale of Max Healthcare shows how Analjit Singh transformed from just a shrewd investor to a far-thinking builder of companies



Max India Chairman Analjit Singh placed ten independent directors on the boards of his two companies of which he only knew one. PHOTO: SANJAY K SAHRMA

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New Delhi, 8 November

For much of his career, Analjit Singh has been known as an entrepreneur who excelled at seeding businesses and then exiting them at a pace quicker than most. When the 57-year-old chairman of Max India recently sold a 26 per cent stake in Max Healthcare to Life Healthcare, South Africa's second-largest hospital chain for ₹516 crore, it was clear that Singh had architected a great deal (valuing Max India's hospital arm at ₹2,000 crore). The company needed a strategic investor after PE major Warburg Pincus exited it in July.

Still, it left many industry watchers who had seen Singh make a departure from his old style and actually build and stick to businesses in the recent past, puzzled. Was this the old Analjit they were seeing, or the new and improved one?

"At 74% ownership, how can there be an exit?" Singh says. "There's no exit. We run the business, morning, afternoon, evening, and night," he said in an interview with *Business Standard*.

Yet, this wasn't always so. "Starting in 1985, it took me 15 years to figure out where my heart really lies," he says. Between 1998-2000, he exited nine businesses he had founded or inherited in an effort to build wealth that fate snatched away from him during an acrimonious family split. Today, his sights have been firmly trained on nurturing businesses of life or social good, namely insurance and healthcare.

"The reasoning of exits were not typical of my business mantra which is invest, build, sell, exit. No, that was pertinent to that stage of my life," he says. This was 13 years back, Singh was 46-years-old and the game was different. "When we entered the new businesses, I made some assurances to my colleagues that these are not only in the business of life, but also businesses for my life. These businesses have to go after me, and not in my lifetime," he says.

Singh has nurtured his newer businesses in ways that he never has before—by strengthening the boards, processes, professionalising management and implementing board managed-structures. With some help from management guru Ram Charan, two of his closest

confidants, Anuroop (Tony) Singh and Ashwani Windlass, Analjit has put in place a new governance model at Max.

Analjit strengthened the boards by roping in people who are not just eminent but are functional experts. Earlier, Max India was an executive-managed and governed company. Today, it is board-governed. In the last two years, he has inducted 10 independent directors on the boards of his two companies, Max New York Life and Max Healthcare. Barring one, Analjit did not know nine; they were picked by executive search firm Egon Zehnder International.

What made him embrace change? Analjit found that the business environment was getting too complex and conventional wisdom was not adequate. Therefore, he needed collective wisdom from a very sound lot of people. "I wanted less pressure on myself. I was sick and tired of being the sole owner of a decision, right or wrong, and trying to figure it out on my own," Analjit says.

Two years back, Analjit appointed an erstwhile colleague and board member, Ashwani Windlass, as the nominee of the family on the board of Max India. Till two years ago, the family which owns 42 per cent of Max India, had no rights, no covenants. Today, the family has formal rights like other investors.

Clearly, Singh has evolved both as a man and as a leader and come a long way from his invest-build-sell-exit mode that marked the first phase of his career. "He has changed a lot from a young person with no hands-on experience on the

business he inherited to well on his way to building an institution. He has learnt a lot and applied that learning. Your outlook changes as you move up in life," explains Tony Singh.

Ever since his return to India after an MBA at Boston University to found Max India in 1982, Analjit had acquired a reputation for being a serial entrepreneur—and it's easy to see why in hindsight. The third son of Ranbaxy founder Bhai Mohan Singh, he began his career with Ranbaxy in 1981 and was put in charge of a joint sector company Max India to make penicillin.

The ensuing family split was perhaps the most defining event for Analjit. Analjit and his older brother Bhai Manjit Singh complained that they were short-changed in the trifurcation. The family jewels, they alleged, went all to their elder brother, Parvinder Singh. All Analjit wanted was to establish himself and his financial independence. For the next two decades, he dabbled in several businesses, entering and leaving as many as 10 joint ventures and as many businesses.

Things worsened for Singh after the split. Ranbaxy, which was the principal buyer of penicillin that Max made, decided to source it from elsewhere. The Gulf War drove the packaging films business into losses. Analjit realised that India was at the cusp of a telecom revolution, and tied up with Motorola for radio paging services in the country.

Soon, he realised his mistake—he had tied up with an equipment maker for a

services business. Wiser, he set up a 51:49 joint venture with Hutchison Whampoa of Hong Kong for cellular services. But even before the sector could ride the valuations, Analjit cashed out in 1998. He sold his 41 per cent stake in the mobile venture to Hutch for ₹561 crore.

For a while, it seemed like Analjit had hung up his jacket to bask in the afterglow of a successful investing career, until a consultant gave him a piece of paper and pen, and asked him to write his obituary in 800 words. Backed by advice from McKinsey, Analjit trained his guns on services and entered four sunrise sectors: life insurance, healthcare, IT-enabled services and clinical studies.

Analjit has proved to be as adept a builder of businesses as he has been an arbitrageur. Max India reported consolidated net profits of ₹9 crore for the year ended March 2011 against a loss of ₹72 crore for the year before on the back of a 20 per cent growth in operating revenues. Max New York Life became the third largest private life insurer, increasing its market share amongst private life insurers to 11.9 per cent in Q1FY12 to from 7.7 per cent in Q1FY11. Its first-year premium declined 14 per cent for the quarter, less than the 44 per cent decline of other private insurers. Max Healthcare too doubled its operating margin to 6 per cent during the quarter. Max Bupa Health Insurance has begun making inroads into the market.

Still, hurdles remain. The two key businesses may have turned around but have trailed their peers. Both the businesses have cowed up a lot capital, time and taken longer to break even than the promoters had anticipated—although curiously this obliquely underscores Analjit's eye on long term performance rather than short term profits. Though Max New York Life is consolidating its position, many of its peers turned around much earlier.

Similarly, Max Healthcare trails its peers Apollo Hospitals and Fortis by a large margin; both have significantly more number of hospitals. "We want to be the best in quality; not the largest in business," says Analjit. To have better control over its operations and clinical outcomes, Max restricted itself to NCR, and now to North India. The deal with Life Healthcare comes as a validation.

When Analjit seeded these businesses, he expected them to turn around in five years; they have taken almost a decade to do so. "They have been much more difficult than I had imagined. The complexity, the challenge, the time, the capital, has been much more difficult," concedes Analjit.

Going ahead, Analjit would like Max to be a top quartile player in each of its businesses: life insurance, health insurance, and healthcare. He would like to see the life insurance business to be among the top three players and Max Healthcare to be among the top player in terms of clinical outcomes.

Considering his newer avatar, those should be eminently attainable goals for a someone who has discovered that exploring the art of building businesses is more meaningful and fun than selling them.

(Read an exclusive interview with Analjit Singh at www.business-standard.com)

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ANUROOP (TONY) SINGH
Vice-Chairman,
Max India

