

CHAIRMAN'S MESSAGE

We have commissioned two new hospitals, increased the number of beds from 4,651 to 4,762.

REVENUE (IN ₹ CRORE)

6,760

Revenue excludes interest and investment income.

EBITDA (IN ₹ CRORE)

651

Dear Shareholders,

It gives me great pleasure to present in front of you the first annual report of Aster DM Healthcare Limited, after successful listing on Indian Stock Exchange on 28th February, 2018. Aster DM Healthcare is a 30-year old well integrated, comprehensive healthcare service organization with presence in 9 countries.

I consider it appropriate to share with all of you some basic facts about the company. Our presence in India dates back to 2001 with a large 300-bed hospital in Kerala. Proportion of our revenue from India has grown from 11% in FY15 to 17% in FY18. Even now we have 83% of revenues coming from the establishments outside India and hence we have the unique distinction of being one among the very few companies listed in the Indian stock market with operating units, income and profits arising outside India.

Before providing operational and strategic achievements about the company, I would like to share with you our financial performance for the FY18. I am extremely happy to announce that we have posted a revenue growth of 13% (constant currency growth of 18%) for the whole year and we have delivered a 189% (constant currency growth of 200%) growth in PAT (pre – non-controlling interest) during FY18. The revenues (excluding finance and investment income) for FY18 stood at ₹6,760 crore and EBITDA at ₹651 crore.

Apart from the successful listing and good financial performance, FY18 has been an eventful year for Aster DM Healthcare. We have commissioned two new hospitals, increased the number of beds from 4,651 to 4,762. We have 17,335 employees as on 31 March 2018. We take pride in the fact that we are a comprehensive service provider, ranging from Primary to Quaternary medical care in 9 countries, through our 101 Clinics, 19 Hospitals and 207 Pharmacies. We also have the unique distinction of serving the customers by



providing quality healthcare to all segments of the society regardless of their economic or social positioning. In line with this, we conceptualized the Company's three brands - Medicare for the high income, Aster for the middle-income and Access for low-income strata of the population. We have perfected these models in UAE over last 10 years and can roll it out in other geographies, as and when required. This gives us a unique strategic advantage to serve the full pyramid of human population.

More important to us than the number of establishments, is our achievements in the area of clinical quality and patient care. We are proud that most of our hospitals in India are accredited by the NABH. In fact, way back in 2007, our MIMS hospital at Calicut became the first multi-specialty hospital in India to be accredited by the NABH. We have six hospitals, including one in India that are accredited by Joint Commission International (JCI). Our highly specialized doctors are providing excellence in patient care, and doing many procedures that have been attempted for the 'first' time in the country. Some examples include the paediatric dual liver and kidney transplant from a live donor, robotic trans-vaginal renal transplant, minimally invasive multilevel cervical disc decompression etc. Recognition by way of awards were plenty, some of the important ones during the year include the Asia Healthcare Excellence Award, FICCI Award for Healthcare Innovation, Asian Hospital Management Association Award, Dubai Quality Appreciation Award, International Patient Safety Award etc. In this digital age, one of the best barometers of performance for any institution is the Google Rating. I am proud to share that you will see us at the top of the list in Google Rating in most places where our establishments are present.

Our greatest strengths are the soundness of our vision, philosophy and values rooted in ethical approach which is important for any industry, more so in the healthcare sector. We envision a 'Caring Mission with Global Vision' with the philosophy that 'Profit should be the by-product and not the aim in health care'. Our six core values are Passion for the work we do, Respect for all stake holders, Integrity in our actions, Compassion to our patients, Excellence in what we do and Unity as a Team. We make it a reality through the team work of a seasoned and committed management and clinical team. We are proud that the retention of our senior management and top consultants have been over 90% in last 10 years. Focus on human capital, investments in state-of-the-art equipment and fostering an environment of innovation has helped us retain skilled talent reflected in our low attrition rate. The Company has 17,335 employees who we proudly call 'Asterians' including 1,430 doctors and 7,926 nursing and paramedical personnel, focused on delivering compassionate care through our brand promise to clientele: 'We'll Treat You Well.'

I would like to call to your attention an unique aspect of seasonality of operations in our business which impacts our financial performance. The seasonality is because of the decline in volumes across hospitals, pharmacies and segments during the summer months in the GCC countries from where we derive about 80% of our annual revenues. The H1 and H2 revenues in GCC are usually split 45%-55% but the EBITDA split can vary as much as 30% and 70% for H1 and H2. This is due to the high fixed cost and financial efficiencies kicking in with higher revenues in H2. This skews the picture significantly for the first and second half-yearly results.

While we have done very well in the last 10 years in business growth and financial performance, we are aware of the challenges and risks

REVENUE MIX



| Geography | FY18 | FY15 |
|-----------|------|------|
| GCC | 83% | 89% |
| India | 17% | 11% |

in doing business in multiple geographies. One of the challenges for us with large portion of the revenues arising from GCC is the oil price to a certain extent. We have faced the impact of this in Saudi Arabia couple of years back with receivables going up and have restructured the business to insulate against this as much as possible in the last two years.

Another key challenge is getting good healthcare professionals for the ever-expanding need of our institutions. While this is a challenge for all healthcare companies, we are marginally in a better situation because of the access to the medical and paramedical graduates passing out of our own sister institutions in Kerala. There are challenges like increase in minimum wages of nursing and paramedical staff in some of the geographies like Kerala where we have significant presence, but we hope that we can manage this by market correction of tariff as we go forward.

Healthcare, as we all know is a sector with significant potential in geographies like India and GCC. At the macro level, the GDP spent on healthcare in India is very low and there is significant demand supply gap. Low affordability and insurance penetration are major reasons why healthcare hasn't taken off to the extent required. With the new National Health Protection Scheme announced by the Central Government covering half of the population in India, we expect improvement of capacity utilization in some of our Indian hospitals and scope for further expansion. Our strategy for India is to focus on large hospitals in Metros and Tier-I cities with an asset-light model. We also foresee significant potential in bringing patients to our hospitals in India for high end procedures due to our presence in GCC countries through medical value travel. We already have 15-20% of revenues of some of our large hospitals like Aster Medcity in Kochi, coming from foreign patients. We have a large part of our business in GCC with an asset-light model providing high ROCE. Further, our GCC operations is exposed to stable currencies pegged to US dollars, creating a natural hedge to currency fluctuations.

We look forward to a great year ahead with the trust and faith of our shareholders and patients. I would like to thank all our shareholders who have put their trust on us. I would also like to thank our employees for their dedication and hard work and look forward to another exciting year.

Dr. Azad Moopen
Founder, Chairman and Managing Director