Management Discussion and Analysis

Global Economic Overview

The effects of economic crisis started to bottom out in last few years resulting in the world gaining strength and sight to incline towards policies for resolution of long-term issues which constricts sustainable development. In 2017, the growth has estimated reached to 3% which is indicates a remarkable marginal growth of 60 bps than the growth of previous year that stood at 2.4%. Such unparalleled growth was unseen post 2011. Labour Markets registered a growth in most of the countries and more than 60% of the countries have experienced growth in 2017 as compared to the previous years.

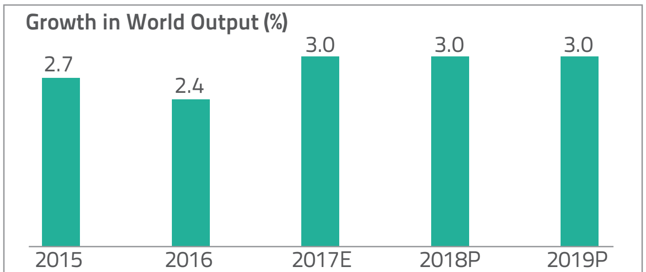
Although there has been strong economic activities across the world, it has been unequal between countries and regions. A majority of acceleration could be attributed to the strong growth in the developed nations although East and South Asia accounted a highest level of growth. Developing countries like Brazil, Russia have experienced a cyclical growth, eventually emerging out of recession.

There has been improvement in the condition for investment, owing to low financial volatility, stabalisation in the banking sectors and slight rebound in commodity sector. Financing costs stood low and spreads have slimmed down in the emerging markets reflecting a decline in risk. Global trade rebounded in 2017, starting off growing at an unprecedented rate in the first eight months, owing to the import demand in East Asia. Several major developed economies saw rebound in the capital goods as firms respond to improving conditions for investment.

Outlook

At the global level, it is expected that the growth would take place at a consistent rate of 3.0% in 2018 and 2019 driven majority by developing economies. Regions covering nearly 20% of the global population are anticipated to see negligible growth in average incomes in 2018-19. Growth in Least Developed Countries (LDCs) is expected to rise modestly from an estimated 4.8% in 2017 to 5.4% per cent in 2018 and 2019 respectively due to favourable external economic conditions and firming commodity prices which would support trade, financial flows and investment in natural resources projects.

(Source: UN)



(Source: UN)

GCC Economic Overview

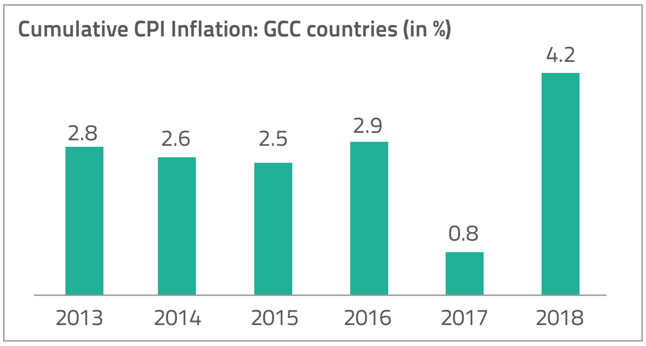
During the year under review, there has been a modest growth in the non-oil economy of the GCC states by 2.6% as compared to 1.8% in the previous year. Driven by the reduction in oil output under the OPEC+ agreement, the real GDP is estimated to decline by 2.3% in 2017 to 0.5%.

Out of six countries, four experienced a downfall in the CPI inflation due to lower import prices and challenging economic conditions. The huge fiscal deficit has narrowed down, owing to increasing oil revenues and fiscal consolidation. After a continuous downfall in the exports till 2016, it is under recovery due to rise in demand, leading to improvement in current account balance. The government debt has increased from a cumulative 22.0% to 25.5% of GDP

Outlook

It is expected that the oil output would increase by 1.9% and non-oil growth would register a downfall to 2.4%.Moreover, there would be a marginal rise in the inflation due to introduction of value-added tax in some countries or increase in domestic energy prices. The fiscal deficit is expected to decrease further over the middle term and is estimated to be $160 billion during 2018-22. Over time, the exports are expected to rise consistently. It is expected that the government debt would reach up to 29% of GDP in 2018.

(Source: IMF)



(Source: IMF)

Indian Economic Overview

India is one of the fastest growing economy among EMDEs and across the world. It grew fastest due to strong performance in construction and manufacturing. The economy grew at a rate of 6.7% from 7.1% in FY17 owing to the short-term effect of demonetisation and the rollout of GST last year. The country is outpacing China by nearly a percentage point. As compared to the last year, the GVA growth rate fell by 60 bps points from 7.1% to 6.5%.

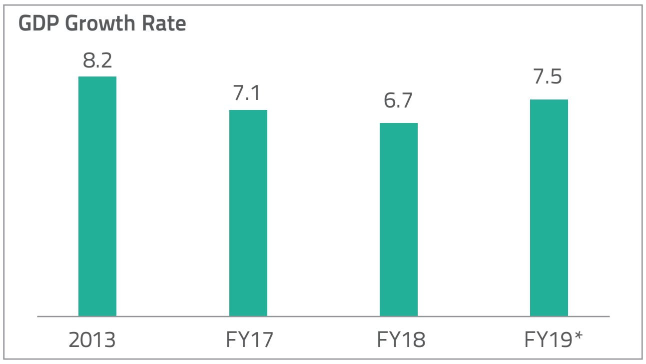
In the fourth quarter, the growth in agriculture, manufacturing and construction stood at 4.5%, 9.1% and 11.5% respectively. While the trade, hotel and transportation, communication and services grew at 8% in FY18 as compared to 7.2% in 2017 thereby rising up by 800 bps. The public administration, defence and other services grew at a CAGR of 10%, marking a downfall from 10.7% growth in the previous year.

GST has likely boosted the manufacturing sector which grew at an average rate of 8.8% during the last two quarters of FY18. The growth in the private consumption remain stable at 6.6%, Investments is also showing signs of recovery thereby indicating the prospects of faster growth in the coming financial years.

Outlook

The economy is expected to grow at 7.5% in the fiscal year 2018-19. The growth of the global further would catalyse exports from India. The trend in the investment activity is positive with consistent rise and the same is expected with a greater strength in the coming years. Provided inflation does not disrupt, the policy rate is expected to remain stable. A prospect surge in the oil prices stands a risk to subdue the growth rate of the economy. Moreover the tightening of the monetary policies of the developed nation would slim down the capital inflows in the country and may also lead to the possibility of financial stress. Overall, there is strong possibility of higher growth in 2018-19 as compared to the growth rate of 2017-18.

(Source: Economic Survey of India)



(Source: Economic Survey)

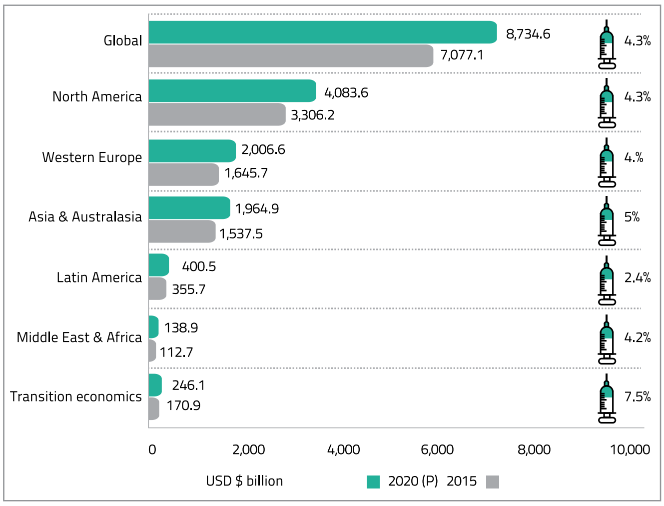
Global Health care Industry

The global health care spending is expected to rise at a CAGR of 4.1% from 2017-2021 from 1.3% in 2012-2016, owing to the consistent surge in aging and increase in population and labour costs, expansion of developing economies and advances in medical maneuver. It is expected to reach to an estimate of $8.7 trillion by 2020 from $7 trillion in 2015.There would be wide gap in per person health care spending across the world ranging from $11356 in United States to just $53 in Pakistan in 2021.

From 2016-2021, it is anticipated that the life expectancy rate would shoot up by more than one year thereby registering an average of 74.1 years from 73 years resulting in 11.5% of the total population being above the age of 65 years. The significant rise in the life expectancy rate would be result of falling infant mortality rates being an outcome of initiatives taken to improve living conditions and ease in accessibility to health care and vaccinations.

Improvement of financial performance and operating margins be a major concern. The trend of rise in costs and declining costs would persist due to increase in demand, funding limitations, need of upgrades of infrastructure and technology. The future involves change in pattern of care including increased visits and higher quality services being the major cost drivers.

However, various strategies are being implemented by the health care providers to manage declining margins and rising costs, such as shift in pattern from treating patients in the hospitals to outside the hospitals settings to reduce costs. Major health care companies are resorting to Mergers and Acquisitions (M&A) to gain economies of scale.



(Source: The Economist Intelligence Unit, June 2017)

GCC Health care Industry

GCC is a political and economic alliance of six Middle Eastern countries, namely Saudi Arabia, Qatar, Kuwait, UAE, Bahrain and Oman. A changing demographic and epidemiologic structure is propelling demand in the healthcare services in GCC. Moreover, the regional authorities played a significant role in accelerating the growth in the healthcare sector despite the contraction in the oil revenues which is suppressing the spending. Encouraged by incentives and mandatory health insurance and other reforms, investments by private sector is surging in the region.

UAE

The population of the country is expected to grow at a CAGR of 3.0% from 10.1 million in 2017 to 11.8 million in 2022. Out of which, 15% would be around 50 years of age leading to rise in demand for healthcare services. The current healthcare expenditure stands at around 4.3% of the GDP i.e. $16.1 billion and is expected to upswing to $25.6 billion by 2022. The inflation in medical industry is expected to downfall from 9.6% in the current year to 7.6% by 2022.

With the rise in sedentary lifestyles, there is a rise in risk of diseases like diabetes, hypertension and cardiovascular problem thereby leading to lengthy treatments which in turn is boosting the healthcare revenue. The implementation of mandatory healthcare insurance policy across the country by the government is leading to better utilization of medical facilities in the country.

The number of hospital beds is expected to touch the mark of 14,969 by 2022 from an estimated 12,900 in 2017. The country would register a rise in the inpatient admission from 660.3 thousand in 2017 to 766.2 by 2022 while the outpatient visit is expected to rise from 36.9 million to 42.7 million during the same period. UAE is the one of the fastest growing medical tourism hubs globally. It hosted around 3,26,649 medical tourists in 2016, increasing annually at a CAGR of 9.9%. The country is also aiming to promote its medical facilities in countries like Russia, India and China and attract around 5 million tourists by 2020.

KSA

The healthcare industry is poised to grow in the backdrop of rising population which is estimated to cross 35.7 million by 2022. The current healthcare expenditure in the country is estimated to be $44.3 billion i.e. 6.5% of the GDP and is expected to acquire a 7.3% of the GDP which would be $59.5 billion by 2022.

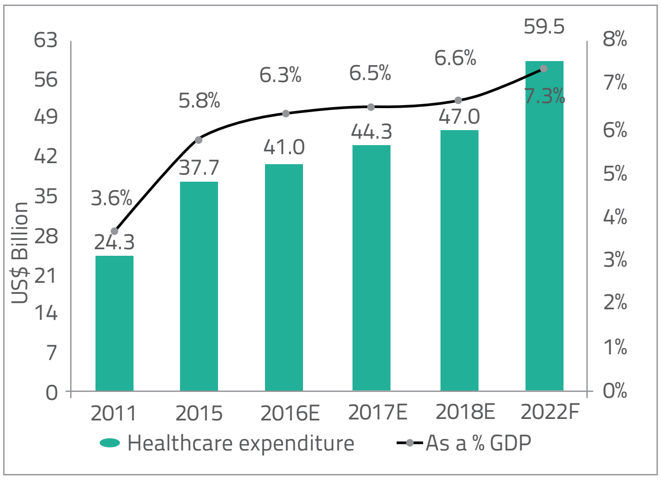
The country ranks 13th in the world for prevalence of diabetes and 14th in obesity leading to a rise in the spending on regular medical visits, related medical examinations and its drugs. The growth in specialized hospitals, polyclinics are expected to meet the rising demand.

The number of hospital beds are estimated to be 72,589 in 2017 and is expected to rise up to 79,780 beds by 2022. Moreover the medical inflation is expected to decline from 6.2% in 2017 to 4.5% in 2018.During the year under review, the inpatient admission stands at an estimate of 3,502 thousand and is expected to rise to 3,886.7 thousand by 2022. Additionally, the outpatient visits are also expected to surge from 142.5 million the current period to 157.3 million by 2022.

The key challenges for KSA are lower health care spend compared to the western world, acute shortage of manpower and stringent regulations constraining the growth of the sector.

(Source: IMF – October 2017, WHO, MOH, WTW)

Current Healthcare Expenditure in KSA



(Source: WHO)

Qatar

The need of medical services is accelerating due to fast-paced growth in the population of the country at an average rate of 8.3% in the last five years to 2017. However, the growth is expected to experience a slowdown in the coming years. The current healthcare expenditure is expected to downfall in from 4.1% of GDP i.e. $4.9 billion to 3.5% of GDP i.e. $5.8 billion while the medical inflation is expected to downfall by a slim rate of 0.1% from 1.4% in 2017 to 1.3% in 2022.

There has been a remarkable growth in the standard of living and expansion in the network of international food retailers leading to a considerable surge in the intake of sugary and calorie-rich packaged foods resulting in rise in per capita spending on healthcare. The country is reforming its policies to welcome international players in the country for foreign investments and back up development of sectors, including healthcare.

The number of hospital beds stands at 8,547, with an expectation to marginally rise to 9,807 by 2022. Additionally, the inpatient admission and outpatient visit is expected to rise from 325.1 thousand to 373 thousand and 19.4 million to 22.2 million respectively.

(Source: IMF – October 2017, WHO)

Oman

The population of Oman is forecasted to grow at a CAGR of 3.2% from 4.1 million to 4.8 million, the fastest among the GCC countries, between 2017 and 2022. Moreover, the prevalence of diabetes is expected to increase from 12.6% in 2017 to 15.4% to 2040, leading to rise in the healthcare expenditure. The healthcare expenditure is expected to rise from 4.4% to 5.3% of GDP to $4.9 billion. The medical inflation is anticipated to rise from 5.1% to 6.6% between 2017 and 2022.

There would be an increase in the expenditure on healthcare services due to phase-wise implementation of compulsory health insurance for the private sector. This would result in more private organizations setting up clinics in the country.The number of hospital beds is expected to surge from 6,793 in 2017 to 7,937 beds in 2022. Similarly, there is an expectation of rise in inpatient admission and outpatient visits from 476 thousand to 556 thousand and 22.2 million to 26 million between 2017 and 2022.

(Source: IMF – October 2017, WHO)

Bahrain

The population in Bahrain is expected to grow at a CAGR of 2.0% from 1.3 million to 1.4 million between 2017 and 2022.About 13% of the rising population would be above the age of 50 leading to rise in demand for healthcare services. The healthcare expenditure is expected to increase from 5.4% of the GDP to 5.8% of the GDP between 2017 and 2022. Moreover, there would be remarkable downfall in the medical inflation from 5.7% to 3.2%.

There is a high incidence of NCDs in the country leading to prolonged treatment which results in increase in healthcare expenditure and need for specialized medical centres. The government is proposing the implementation of compulsory national health insurance scheme which could encourage expatriates to use private as well as public healthcare facilities. Moreover, it government has passed new laws which allow 100% foreign direct investments across various sectors including healthcare simulating the development of the sector.

The number of hospital beds is expected to increase from 2,698 in 2017 to 2,979 in 2022.There would be a considerable rise in the inpatient admission from 135 thousand to 149 thousand and outpatient visits from 7.7 million to 8.5 million in the same period.

(Source: IMF – October 2017, WHO)

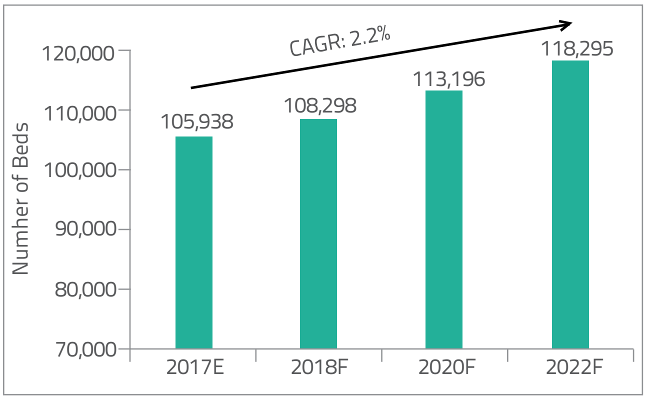
Kuwait

The population of Kuwait is anticipated to grow at a CAGR of 2.8% from 4.3 million to 5.0 million between 2017 and 2022 , out of which, nearly 20% of the projected population will age over the age of 50 resulting in growth in the demand of the healthcare services and need for long-term care centres. The healthcare expenditure for the same period is expected to rise from $4.9 billion to $5.8 billion. However, this growth could also be seen as a downfall in the share of GDP from 4.1% to 3.5%. Moreover, there would be meagre downfall in the medical inflation from 1.4% in 2017 to 1.3% in 2022.

The number of hospital beds is forecasted to increase from 8,547 to 9,807 between 2017 and 2022. There would be a considerable rise in the inpatient admission from 325.1 thousand to 373 thousand and also in outpatient visits from 19.4 million to 22.2 million during the same period.

Kuwait stands at 11th in the world in terms of prevalence of obesity and rising risks of cardiovascular diseases. With such health profiles, there would be a rising need for long-term treatments and high healthcare spending.

(Source: IMF – October 2017, WHO)



(Source: WHO, IMF, WTW, MOH)

Special traits of GCC healthcare industry

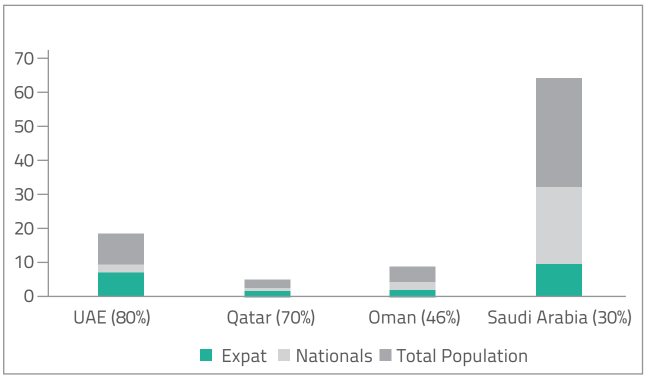
Prevalence of primary and secondary healthcare facilities

- The percentage of old age people in total population is relatively lower than other age groups resulting in a limited requirement for tertiary and quaternary care.
- Due to lack of support systems such as families and relatives expat community travel back to their home countries for major health issues
- The private healthcare is mainly focused on primary and secondary healthcare
- Recently a trend can be seen in UAE where focus is on selective tertiary care, however it will remain proportionately lower.
- Only Saudi Arabia with large population of nationals is suitable for tertiary and quaternary care facilities.

Seasonality of Patient Volumes

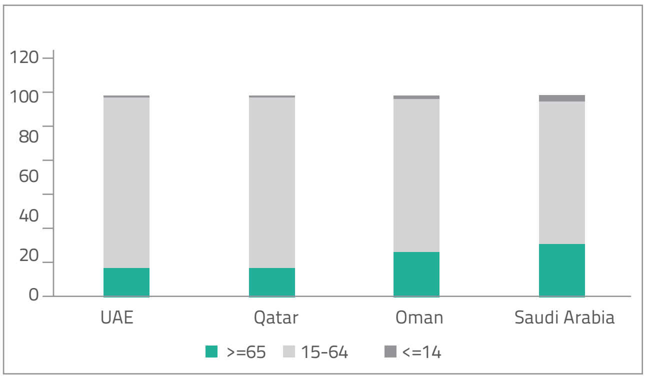
- In summer months, from May to August, an increase in temperature results in a shift of expat population out of GCC states
- Many of our doctors belonging to expat community also avail their annual leaves during this period
- During this period, there is a decline in in patient volumes across our primary and secondary healthcare facilities.

Population (in Million)



Source: World Bank

Population Age (in %)



Source: World Bank

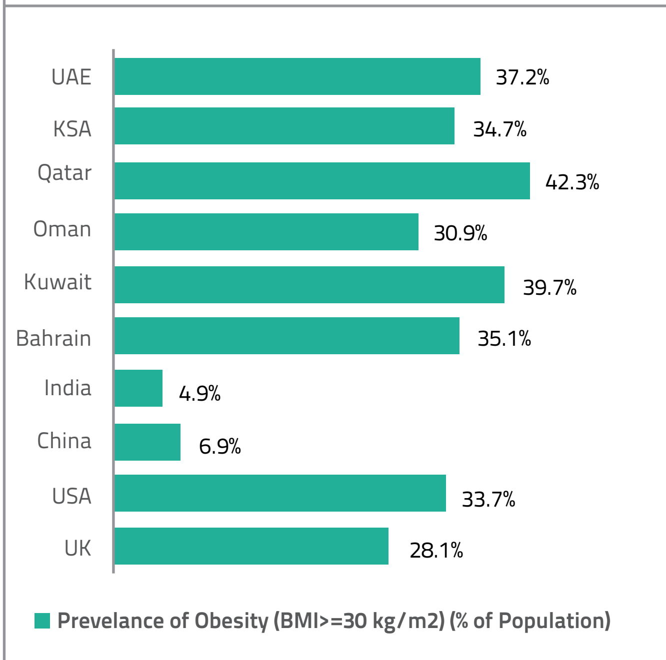
Key Growth Drivers

Growth in Population: The population of the alliance are expected to rise by 2022 from the 6.6 million to 61.6 million. For UAE, the populations of Dubai and Abu Dhabi would upswing the most. Expatriates are an important part of the population of these countries. They don't have complete access to the public sector hospitals and thus are mostly reliant on the services by the private sector making a significant impact on the consumption of health care services within the respective countries.

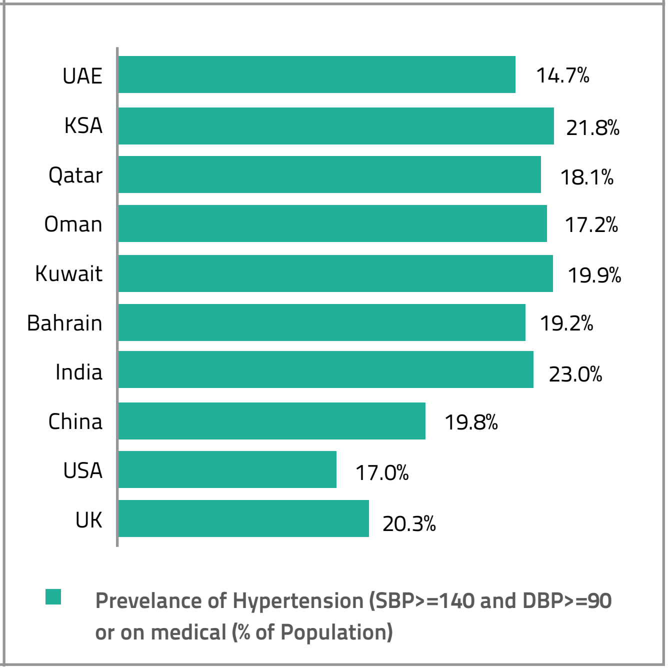
Evolving Demographics: The population of the GCC states is swiftly moving to a higher age bracket thus increasing the prospect of growing demand for the health care services. In UAE, population below 35 accounts for more than 50% while the population above 55 years is around 6% in 2016 which is expected to increase to 9% in future. In KSA, the population bracket of 35-54 years has grown from 26% to 30% in 2016 and is expected to increase to 41% in 2020 while the population above 55 years increased from 7% to 9% in the same period.

High Prevalence of non-communicable disease: The rising inactive lifestyle of the local population has increased the prospects of diabetes, obesity and hypertension. The prospect is expected to increase due to rise in high calorie food habits.

Age-Standardised Obesity Estimates (2014)



Raised Blood Pressure Estimates (2014)

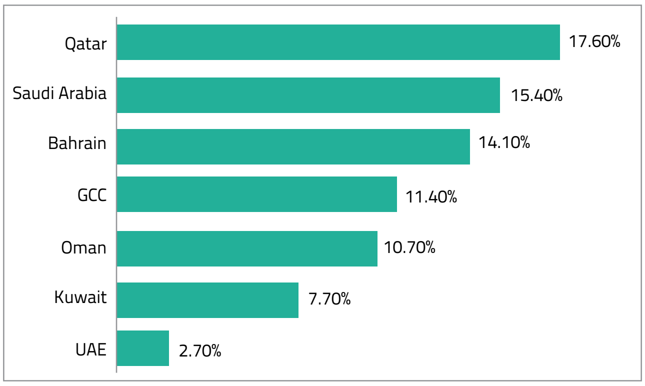


(Source: World Health Organisation Report 2014, Frost & Sullivan Analysis)

Rise in Government Spending: According to the Sharjah's Investment and Development Authority estimation, the Emirate health care market is expected to grow by $50 million from 2015 to 2020.In GCC states, more than half of the health care expenditure is made by the government. In UAE, the government has allocated a budget of $1.13 billion to the health care sector in 2017, with the expectation of growth at a CAGR of 8% in 2016 with a vision to provide high quality health care services to public.

Growth in Medical tourism: Inbound medical tourism is expected to be a key growth driver for the UAE and the KSA. In UAE stand ahead in the medical tourism industry reflecting Dubai as the key hub for medical tourism in the country. By 2020, Dubai is anticipated to attract 500000 tourists, estimated to generate $71 million in 2020 from $18 million in 2012 thereby marking a CAGR of about 24% between 2014 and 2020.In KSA, the volume of medical tourists is projected to increase at a CAGR of 15.3% between 2015 and 2020. However, the downfall in oil prices have enforced the government to encourage population in getting treated locally rather than travelling aboard.

Country wise CHE Growth (CAGR: 2010-2015)



(Source: WHO)

Country	No. of Hospitals	Year
Saudi Arabia	470	2016
UAE	126	2015
Qatar	14	2016
Oman	74	2016
Bahrain	25	2015
Kuwait	33	2016

Indian Healthcare Industry

According to WHO, India's total healthcare expenditure stood at 4.2 % of the GDP in 2015, which can be attributed to under-penetration of healthcare services and lower preferences among people to spend on healthcare. In 2016, the healthcare industry had an estimated valueof $110 billion. The per capita government expenditure on healthcare of India is $68.6in 2015 while in US it is $4541 and UK it is $2808 as of 2014.

Bed Density in India

The bed density in India stands at 10 beds per 10000 people which is significantly lower than the global median of 29 beds. The count is even lower than that of other developing nations such as Brazil which has a bed density of 23 beds per 10000 people, Vietnam with a bed density of 20 beds and Thailand with a bed density of 21 beds. In order to stand equivalent to the global median, India would have to add about 3 million beds to its current capacity.

Medical Personnel

In addition to insufficient bed density, the country also faces a challenge of insufficient medical personnel. India is short by 18 physicians and 10 nursing personnel per 10000 of population to reach the global median which is 25 physicians and 25 nursing and midwives personnel. Even on this parameter, India below some of the developing nations such as Brazil that has 19 physicians and 76 nurses, Malaysia which has 12 physicians and 33 nurses and Vietnam which has about 12 physicians per 10000 population.

Cost Advantage

The cost of healthcare services in India is quite competitive in relation to the developed countries and other Asian countries. The availability of medical facilities for critical treatments like cancer and joint replacement at lower costs, and better care makes India an attractive destination for medical tourism for people looking for advanced treatments at affordable prices without quality compromise. Africa, South and West Asia together accounts for more than 90% of medical tourist travelling to India.

(Source: IBEF)

Central Government Health Scheme is a comprehensive medical care provided to the employees of Central Government and pensioners who have voluntarily enrolled under the scheme. It caters to the employees belonging to the Legislature, Judiciary, Executive and Press domains. It provides healthcare under the following system of Medicines: Allopathic, Homoeopathic, Ayurveda, Unani, Siddha and Yoga.

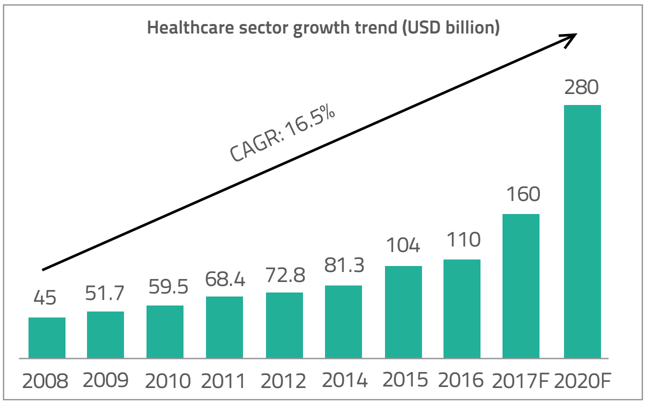
The regulatory environment for establishing a hospital in India is quite strict and demands several approvals. Additionally, such establishments are regulated under the purview of policies such as Clinical Establishment Bill, 2010 which endows it with guidelines for registration and operations and its impact on the environment. In India, hospitals are accredited by National Accreditation Board for Hospitals and Healthcare Providers (NABH), which is compulsory for hospitals to get empanelled under the Central Government Health Scheme (CGHS).

Government Initiatives

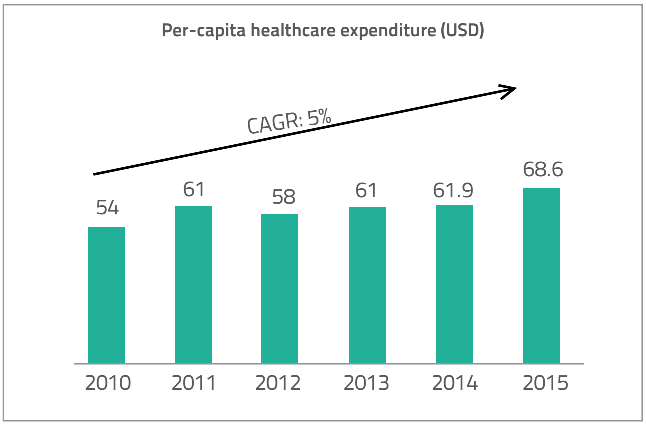
With the aim to propel health care in the country, Indian government is developing human resource, cutting down out-of-pocket expenditure and improving the quality of care through policies like National Healthcare Policy 2017, Mental Healthcare Policy 2017, Prevention and Control of HIV and AIDS Act 2017 and Affordable Medicines and Reliable Implants for Treatment (AMRIT). The primary aims of these policies to develop healthcare manpower, increase life expectancy rate and reduce mortality rate by surging government healthcare expenditure to 2.5% off GDP by 2025. It also targets to reduce the costs substantially for general population by opening AMRIT stores to provide lifesaving drugs and cardiac implants at 60-90% discount to patients and establishing diagnostics centres at public health care hubs for public to avail diagnostics services at no cost.

Outlook

Indian healthcare market is expected to rise multifold and reach to a valuation of $280 billion by 2020, growing at a CAGR of 16.5% from 2008-20, propelled by rising demand for pocket-friendly healthcare services, growing incidence of lifestyle diseases. Increasing healthcare costs, inception of telemedicine, swift processing of health insurance, mergers and acquisitions to reach the untapped markers and government initiatives are driving healthcare market in India. The growth of healthcare industry would also gain momentum due to increasing expenditure on research and development, rising collaborations with foreign institutions.



(Source:IBEF)



(Source: IBEF)

Company Overview

About the Company

Aster DM Medicare Ltd, is one of the largest healthcare services provider across GCC states and an emerging player in India. The company conducts operations in all GCC states, comprising of UAE, KSA, Oman, Bahrain, Kuwait and Qatar as well as in Philippines, Jordan and India with headquarters in Dubai, Kerala and UAE. It provides services under multiple segments of health care industry such as hospitals, clinics and retail pharmacies serving people across different economic segments through different brand names like 'Aster", 'Medcare" and 'Access". Aster and Medcare addresses the needs of people belonging to upper and middle income segments; Access offers pocket-friendly health care services to working class expatriates and lower income segment in GCC states. In India, the company conducts business under the names of 'Aster", 'MIMS", 'Ramesh", 'Prime", 'Aster Aadhar" and 'Aster CMI".

Key Strengths

Active Presence in GCC states

The company is one of the largest health care service provider across the GCC states, well-settled to capitalise the untapped growth in the healthcare sector with the help of first mover advantage, strong brand presence and neat track record.

Well Diversified Portfolio

The company has established itself across multiple geographies, multiple health care delivery verticals and serving across different economic segments. After establishing itself across GCC states, the company is increasing its presence in Southern states of India, offering wide spectrum of services through 9 hospitals in GCC states and 10 hospitals in India.

High quality of health care services

The company never compromises with its well-defined quality and patient safety protocols in patient handling and care since its inception, quite evident through the quality certifications and accreditations obtained from several local and international agencies including accreditation from the JCI for its units in Dubai. Other units across the world have also received awards and recognition from regional boards for uncompromised quality of the services. It believes in receiving constructive feedback from its patients through discussions, feedback forms and even through call centres.

Ability to attract and retain high quality medical professional

With a workforce of 17335 employees comprising of 1430 full-time doctors, 5735 nurses and 9970 other employees, the company's mission is to provide quality care to patients by attracting and retaining highly qualified and skilled medical professional. Approximately 30% of the doctors in our hospitals and clinics specialise in various clinicalfields such as cardiology, cardio vascular thoracic surgery, neurovascular surgery, nephrology, orthopedics, oncology andgastroenterology.

Business Review

GCC Hospitals

The Company has 9 hospitals in GCC; 5 in UAE; 2 in Oman; 1 in Qatar and 1 in Saudi Arabia with total 761 operationalbeds. These hospitals provide a wide range of services through a number of dedicated specialized units. They also provide outpatient services including consultations for a range of issues and preventive health screenings. In addition, the Company has developed ancillary and diagnostic services which are provided through these facilities to complement the clinical services provided by them as well as the retail pharmacies business segment which are located inside the hospitals.

Hospitals-GCC	Location	Commencement or Acquisition year	Bed Capacity	Operational Beds	Owned or Leased
Medcare Hospital	Dubai, UAE	2007	64	55	Leased
Al Raffa Hospital	Muscat, Oman	2009	86	74	Leased
Al Raffa Hospital	Sohar, Oman	2010	73	63	Leased
MedcareOrthopaedics and Spine Hospital	Dubai, UAE	2012	33	27	Leased
Aster Hospital Mankhool	Dubai, UAE	2015	114	100	Leased
Medcare Women and Child Hospital	Dubai, UAE	2016	102	89	Leased
Medcare Hospital	Sharjah, UAE	2017	124	110	Leased
Sanad Hospital	Riyadh, KSA	2011	218	218	Owned
Aster Hospital	Doha, Qatar	2017	61	25	Leased

GCC Clinics

The Company has clinics in GCC states which function as outpatient medical facilities offering various healthcare services ranging from general medicines to medical specialties. It has 94 clinics in GCC states where 77 clinics in UAE are under Medcare, Access, and Aster, making it one of the largest chains of primary healthcare providers in UAE.

GCC Retail Pharmacies

The Company has 207 retail pharmacies in GCC states, and it is one of the largest pharmacy chain operating in UAE. Out of total Aster brand pharmacies in GCC states, 174 are in UAE, 9 are in Kuwait, 12 are in Jordan, 6 are in Qatar and 6 are in Oman. Over the past 5 years, there has been a rapid growth in the number of pharmacies. It offers branded drugs, generic drugs, over the counter drugs, along with a wide range of nutritional, lifestyle, and beauty products in its retail pharmacies.

Indian Hospitals

The Company has 10 hospitals in India with total of 2,777 operational beds. It has won various awards and certifications for its hospitals in India including JCI, NABH, and NABL. There has been a steady growth in the number of inpatient and outpatient visits in Indian hospitals. The Indian hospitals offer a wide range of medical services including Cardiac, Orthopedic, Neurology, Oncology, etc.

Hospitals - India	Location	Commencement or Acquisition year	Bed Capacity	Operational Beds	Owned or Leased
Aster Aadhar Hospital	Kolhapur, Maharashtra	2008	175	150	Owned
MIMS Kozhikode	Kozhikode, Kerala	2013	678	544	Owned
MIMS Kottakkal	Kottakkal, Kerala	2013	229	171	Owned
Aster CMI	Bengaluru, Karnataka	2014	509	233	O&M
Aster Medcity	Kochi, Kerala	2014	670	421	Owned
Prime Hospitals Ameerpet	Hyderabad, Telangana	2014	158	100	Leased
DM WIMS Wayanad	Wayanad, Kerala	2016	880	798	O&M
Dr. Ramesh Guntur	Guntur, Andhra Pradesh	2016	350	150	Leased
Dr. Ramesh Main Centre	Vijaywada, Andhra Pradesh	2016	184	160	Leased
Dr. Ramesh- Labbipet	Vijaywada, Andhra Pradesh	2016	54	50	Leased

Operational Review

Beds - The total capacity of beds increased from 4651 in 2016-17 units to 4762 in 2017-18 units, where there was an increase in number of beds in GCC states from 668 units in FY17 to 875 units in FY18 and number of beds in India stood at 3887 units. The total number of operational beds also increased from 3451 units in 2016-17 to 3538 units in 2017-18.

Hospital Patient Visits- The total number of outpatient visits increased from 2.4 million in FY17 to 2.9 million in FY18. There was an increase in inpatient visits from 1,57,800 in FY17 to 2,11,000 in FY18.

Financial Review

Revenue - During the year, our revenue grew by 13% from Rs.5,963crore in FY17 to Rs.6,760 crore in FY8. This happened as the Company experienced a growth on an operational front which resulted in a positive financial growth. There was a significant amount across all the business segments of the Company.

EBITDA - There was a growth of 79% in EBTDA from Rs.364 crore in 2016-17 to Rs.651 crore in 2017-18. Around 23% revenue growth in Indian business resulted in an EBITDA growth of around 6 times in Indian operations from Rs.14 crore in FY17 to Rs.99 crore in FY18.

PAT- A strong growth in revenue and EBITDA resulted in a growth of 189% in Profit After Tax from Rs.98 crore in FY17 to Rs.282 crore in FY18.

Expansion Plans

The Company plans to invest Rs.650 crore in FY19 and Rs.300 crore in FY2020 as capital expenditure to setup new healthcare facilities and upgrade existing facilities in India as well as in GCC states. The Company plans to open 3 new hospitals with 238 beds in UAE, expansion of the Saudi Arabia hospital with additional 69 beds. It has also planned to open 3 new hospitals and add 923 beds in India in Kerala, Karnataka, and Tamil Nadu.

Strategy & Outlook

Moving ahead, the Company will focus towards eight key strategies given below:

Strengthening of hub and spoke model in GCC:

- To capitalize on the existing primary care clinics network in GCC by adding secondary tertiary care hospitals
- In FY18, 65 bed Aster Hospital, Doha commenced operations to utilize the untapped Aster clinics network in Doha
- Planned addition of ~240 beds over next 2 years in UAE to capitalize on Aster and Access brand clinics, located farther away from our existing Aster Hospital in Mankhool, Dubai
- Above strategy will enable expansion of our quality services in middle and low economic segments category of patients, where there is a supply-demand gap.

A comprehensive human resource strategy utilizing our geographical diversity and catering to future growth:

- To create an enabling environment for skill development and growth of doctors and paramedics, providing quality care to our patients
- Maintain the current high retention of senior doctors across the group
- Identify and add to the strong pipeline of doctors for our expansion & replacement requirements; early identification is key, especially in GCC countries due to strict licensing requirements
- Selective GCC licensing of doctors from our Indian hospitals – to enable need based transfer to GCC hospitals & clinics
- Retention of skilled paramedics in Indian operations, by fulfilling aspiration of career growth outside India

Scalable systems implementation, tightly integrated with operations/market requirements:

- Systems implementation with focus on scalability and future business requirements
- Enhancement of patient experience through technology at each patient touchpoints
- Information systems to drive productivity improvement

Strengthening of our medical tourism network:

- To further strengthen integration of GCC & India operations to provide consistent quality experience to patients across geographies
- To position our premium segment Medcare hospitals as service provider of choice for affluent international patients travelling to Dubai for medical tourism; Strategy in-line with Dubai government's medical tourism strategy with a vision of making as a globally recognized destination for elective health and wellness treatments

Profitability growth & brand positioning using product mix and technology:

- Focus on margin expansion through sale of own / exclusive licensed products
- Shift to online ordering of prescription for enhanced patient experience

Building of brand, talent and capability in KSA – a key market:

- There is significant demand for quality healthcare services in Kingdom of Saudi Arabia (KSA), currently the largest economy in GCC with the highest population;

  Further, current policy reforms expected to improve the business environment in KSA

- Having successfully diversified our revenue streams in KSA, ADMHL further plans to strengthen our brand, talent pipeline and management capability

Specialized, asset-light growth in India:

- Focus on key centres of excellence - Orthopedics, Medical Oncology, Cardiac Sciences, Neurosciences, Gastroenterology, Women and Child, Bariatric, Integrated Liver care, Nephrology, Urology, NICU & Dermatology
- Growth in addition to the current committed projects to follow an asset-light model in metropolitan and tier-I cities with large format hospitals (400 to 500 beds each)
- Expansion into tier-II and tier-III cities in partnership with local hospitals by leveraging IT/telemedicine, instead of building/leasing hospitals

Cost Optimization:

- Back office integration across strategic business units
- Clear demarcation of medical and non-medical activities hospitals/clinics and re-allocation of activities accordingly
- Centralization of purchases utilize our economies of scale