Management Discussion and Analysis

The following discussion of our financial condition and results of operations should be read together with the Audited Financial Statements, the notes and significant accounting policies thereto and the reports thereon, on the Financial Statements.

Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present our state of affairs, profits/loss and cash flows for the year. Investors are also requested to note that this discussion is based on the consolidated financial results of the Company.

Healthcare market

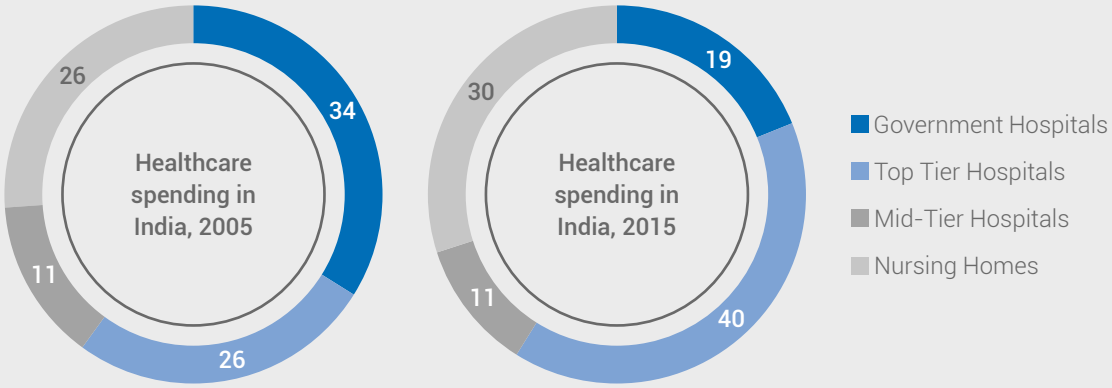
Indian healthcare market is expected to rank amongst the top three in terms of incremental growth by 2020. India was the sixth largest market globally in terms of size in 2014. The industry is expected to advance at a CAGR of 22.87 per cent during 2015–2020 to reach USD 280 billion. Rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare is expected to boost healthcare services demand in future. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research. Conducive policies for encouraging FDI, tax benefits, favourable government policies coupled with promising growth prospects have helped the industry attract private equity, venture capitals and foreign players.

Overall, the growth in the Indian healthcare industry will be primarily driven by socio-economic changes such as growing health awareness, increasing per-capita income, increasing penetration of health insurance, increasing instances of lifestyle diseases and an ageing population; technological advancements such as continuing development of mobile technology which will enhance the delivery of healthcare through telemedicine; affordability of healthcare in India, which will attract more patients as the treatment for major surgeries in India costs less than the cost in a developed country; and government policies in India that support the growth in the healthcare industry such as tax reliefs on hospitals in tier II and tier III cities, which will attract healthcare investment in these areas.

The private sector has emerged as a vibrant force in India's healthcare industry, lending it both national and international repute. Large investments by private sector players are likely to contribute significantly to the development of India's hospital industry, which comprises around 80 per cent of the total market. Private sector's share in hospitals and hospital beds is estimated at 74 per cent and 40 per cent, respectively.

A major portion of secondary, tertiary and quaternary healthcare institutions comes from private sector. Large investments by private sector players are likely to contribute significantly to the development of India's hospital industry with the sector poised to grow to USD280 billion by 2020.

"Indian Hospital Services Outlook"
(Source: Report by consultancy RNCOS, Grand Thornton, LSI Financial Services, OECD, Techsri Research)



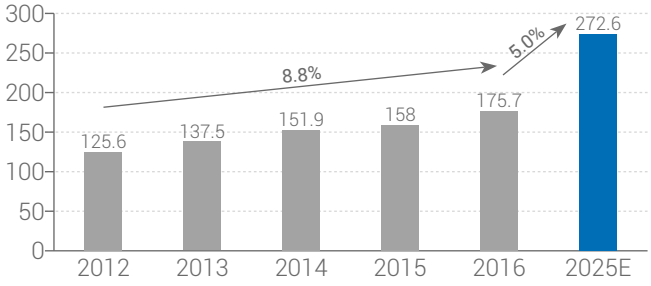
Oncology

GLOBAL OUTLOOK:

While cancer continues to be one of the leading causes of morbidity and mortality worldwide, the therapeutic innovation based on improved understanding of disease biology and translational research have also considerably changed the treatment paradigm for many cancers. Approximately 14 million people a year are diagnosed with cancer; and according to WHO the number will increase to 19 million by 2025, 22 million by 2030 and 24 million by 2035. One in five men and one in six women will develop cancer before the age of 75.

Given to the huge market needs, oncology has become top one treatment area in the developed countries. Based on IMS data, global cancer care treatment market reached USD 175.5 billion in 2016 and are estimated to be ~USD270 billion in 2025, mainly driven by healthy pipelines and higher adoptions of better and more advanced therapies such as targeted therapies, gene therapy and immune-oncology (I/O).

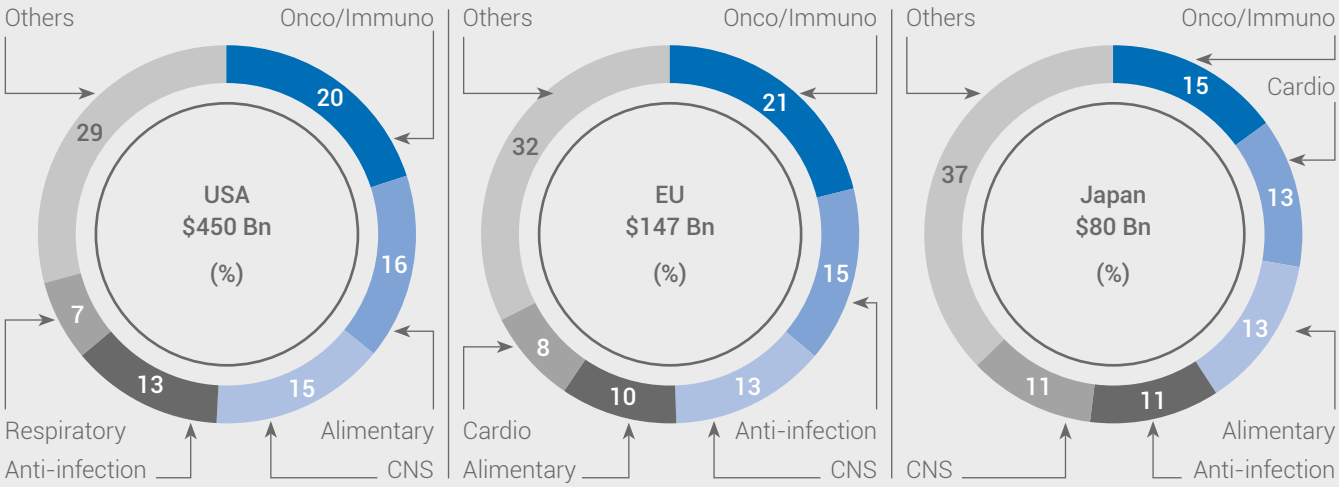
Global oncology market sales (Unit: USD B)



Source: IMS, Midas, Bernstein analysis

Oncology has become the top 1 treatment area in developed countries in 2016...

Value share among treatment areas



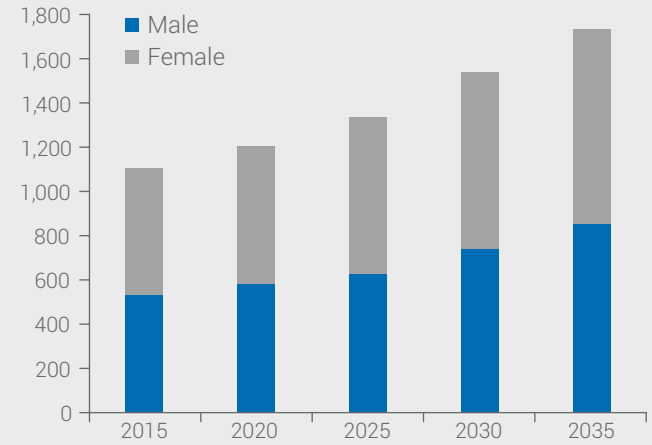
Source: IMS Midas (presented by Quintiles IMS Bernstein's 21 June Long View Future of
Note: Oncology and Immunology combined in the above charts

INDIA OUTLOOK:

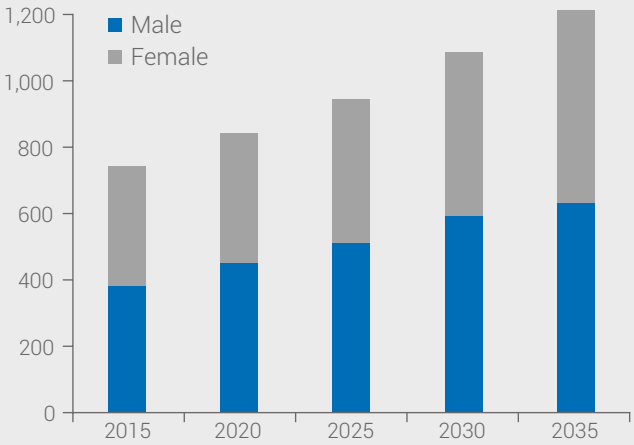
The Indian Council of Medical Research (ICMR) reported in their study that in 2016 the total number of new cancer cases was estimated to be around 14.5 lakh and the figure is likely to reach nearly 17.3 lakh new cases in 2020. The real incidence of cancer in India could be significantly higher than the reported figure, especially if comparisons are drawn with China which has approximately 10% more population but new cancer incidences are 4 times that of India as reported. Data from large randomised screening trials undertaken in India suggest that the real incidence of cancer could be at least 1.5 to 2 times higher than the reported incidence.

With incidence rising at a rapid pace, cancer is ranked as the sixth leading cause of death in India. A total of 1.1 million new cases of cancer are projected to have been diagnosed in India each year, of which breast and cervical rank among the top two cancers in terms of both incidence and mortality. The cancer mortality rate in India is high, at 68% of the annual incidence. This ratio indicates that fewer than 30% of Indian patients with cancer survive five years or longer after diagnosis.

Estimated number of new cancer incidences ('000)



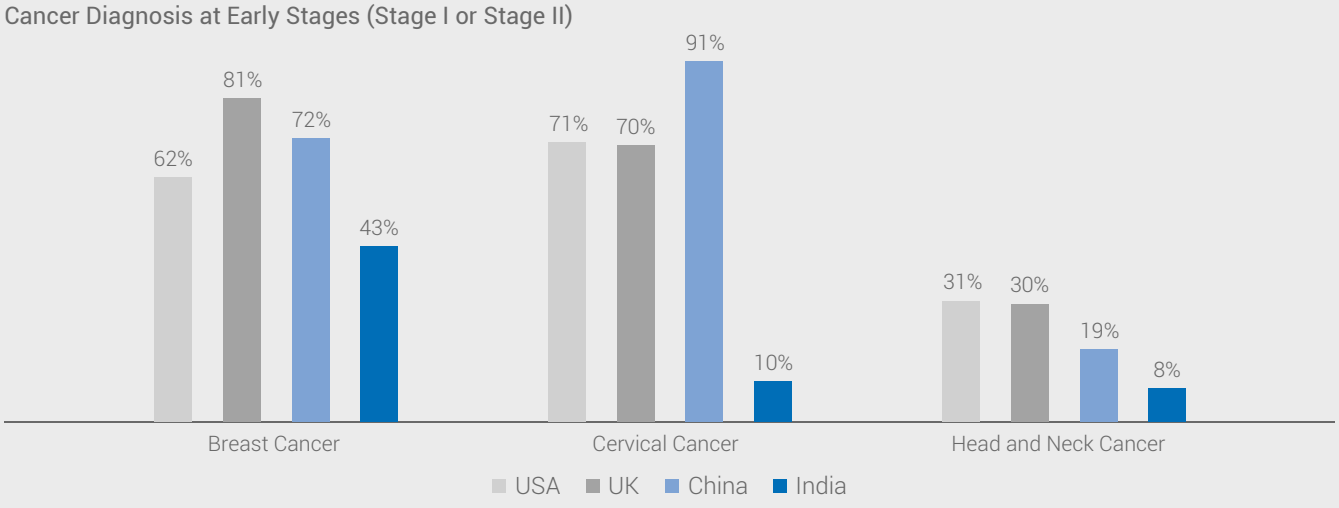
Estimated number of cancer deaths ('000)



The reported incidence of cancer in India is based on data collected from the cancer registries, which cover less than 10% of the population, resulting in a significant margin of error in estimation. The gap between reported and real cancer incidence can primarily be attributed to under-diagnosis of cancer in India. The under-diagnosis of cancer is represented in the relatively late stage of presentation of cancer cases in India relative to China, the United Kingdom and the United States. Data collected between 2009 and 2011 show that only 43% of breast cancer cases were diagnosed at early stages (i.e., stage I or stage II) of the disease in India while it is 62% in the United States, 81% in the United Kingdom and 72% in China. While this varies with the type of cancer, the rate of diagnosis in India is generally more delayed compared to other countries. (Source: Call for Action: Expanding cancer care in India dated July 2015, page number 3, published by Ernst & Young)

The following graph sets out the comparison of early stage (i.e., stage I or stage II) cancer diagnosis during the period from 2009 to 2011 in India, and in the United States, the United Kingdom and China during the period from 2009 to 2013, by different cancer types:

Cancer Diagnosis at Early Stages (Stage I or Stage II)

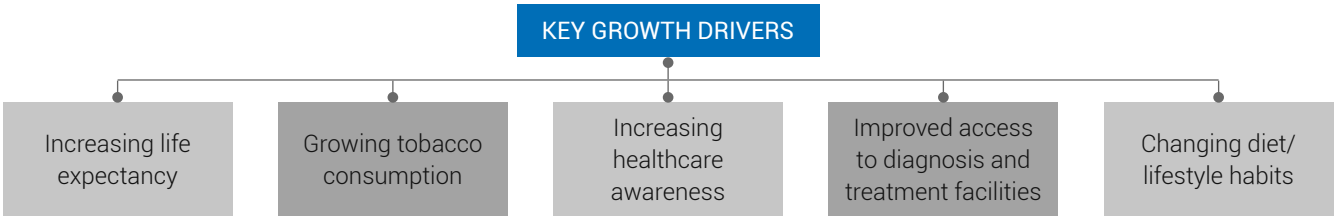


(Source: Call for Action: Expanding cancer care in India dated July 2015, page number 14, published by Ernst & Young)

Lack of awareness of cancer and the lack of participation in screening programs in India are significant contributory factors for the relatively late stage of the disease presentation and consequently low reported cancer incidences in India. Fewer than 1% of women in India aged between 40 and 69 years participated in recommended breast screening mammograms once in 24 months, as compared to 30% in China and 65% in the United States in 2014.

Key Drivers of Cancer Incidence

High incidence of cancer in India is attributed to factors such as, poor immune conditions, genetic pre-disposition and hormonal conditions, industrialization, over growth of population, ageing population, lifestyle and food habits. Demographic factors alone are expected to result in an increase in cancer incidences of 100,000 to 350,000 cases a year.



The annual expenditure in India for the diagnosis and treatment of cancer was estimated to be between US$1.7 and US$2.0 billion. Even at for-profit hospitals in India, the cost of cancer care, including treatment with the most advanced technologies (such as PET-CT and LINAC based radiation therapy) is one of the lowest in the world and represents only a fraction of the cost of treatment in the United States and Europe even after adjusting for purchasing power parity. The table below sets out the cost of cancer treatment in India and the United States by service offerings, during 2014 and 2012, respectively:

Cost of Cancer Treatment (Amounts in INR)

Type of treatment	India	United States	United States (purchasing power parity adjusted)
Chemotherapy	150,000 - 240,000	1.3 - 1.8 million	510,000 - 720,000
Surgery	60,000 - 100,000	1.5 - 1.8 million	600,000 - 720,000
Radiation Therapy	60,000 - 100,000	1.1 - 1.4 million	420,000 - 540,000

Even though the cost of cancer treatment in India is significantly lower than other countries, high quality cancer care is still inaccessible to a large proportion of the Indian population with patients having to travel outside their towns to avail of cancer treatment.

The profile of cancers in India is also changing, and is becoming more similar to that seen in more urbanised and higher income societies. For instance, in 2000, the most prevalent cancers in India were head and neck cancers in men (associated with all forms of tobacco use) and cervical cancer in women (associated with human papillomavirus infection and poor female sanitation). Breast cancer has currently surpassed cervical cancer as the most prevalent cancer in women. The incidence rates of gastrointestinal cancers, which have traditionally been low in India in comparison to developed nations and China, have also shown an increasing trend.

Fertility

An estimated 220 million women in India are of reproductive age (between 20 and 44 years of age) and about 27.5 million couples in this group are estimated to be suffering from infertility. The number of infertile couples in India is expected to increase from 27.5 million in 2015 to between 29 and 32 million by 2020.

The total fertility rate (defined as the average number of children that would be born to a woman if she experiences the current fertility pattern throughout her reproductive span (15 to 49 years)) in India has witnessed a rapid decline over the last few decades, from 3.9 in 1990 to 2.3 in 2013.

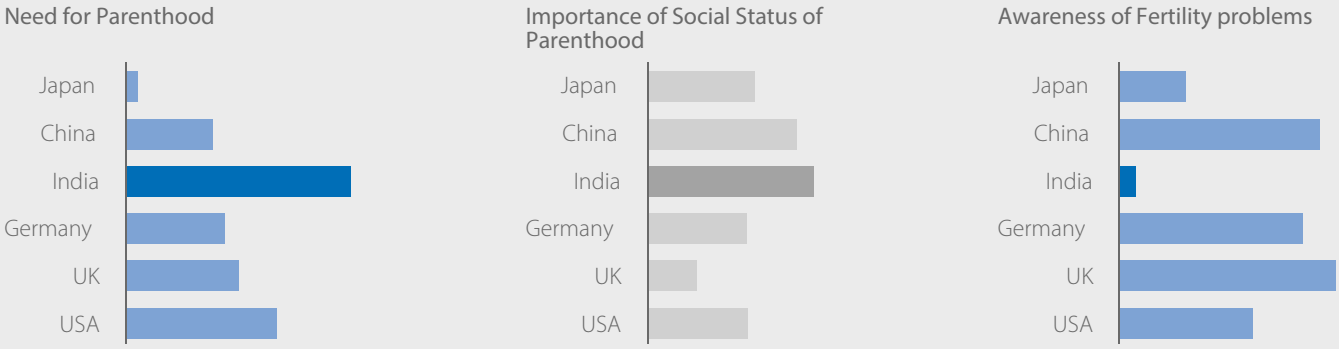
The prevalence of infertility in India has been rising owing to (i) demographic changes with an increase in the number of women of reproductive age; (ii) lifestyle changes; (iii) prevalence of several known clinical factors; and (iv) ethnicity. Awareness of infertility and fertility treatment options in India are among the lowest in the world.

The primary assisted reproduction treatment options for infertility include intrauterine insemination ("IUI") and in-vitro fertilization ("IVF"). The IVF market in India is significantly underpenetrated relative to the potential demand. India recorded 2,786 IVF cycles per million infertile women aged between 20 years and 44 years in 2015, compared to 46,042 IVF cycles in the United States in 2013, and 6,494 IVF cycles in China in 2014.

As of 2015, around 1% of the 27.5 million couples suffering from infertility in India presented for fertility assessment. It is estimated that the potential demand for IVF cycles in Bengaluru, Delhi and Mumbai is nine to twelve times higher than the current actual demand.

The following graph sets out a comparison of (i) the need for parenthood, (ii) the importance of social status associated with parenthood, and (iii) the relative awareness of infertility problems in India, the United States, the United Kingdom, China, Japan and Germany:

Factors Influencing Infertility Treatment



The number of IVF cycles performed in India has grown at a compound annual growth rate of 18.1% over the last 10 years. This growth in fertility treatment in India mirrors similar trends witnessed in most developed countries as infertility prevalence has increased.

The number of couples presenting for infertility treatment and evaluation in India is expected to increase from 270,000 in 2015 to around 650,000 to 700,000 annually in 2020. The number of IVF cycles performed in India is forecasted to increase from 100,000 in 2015 to an estimated 260,000 in 2020.

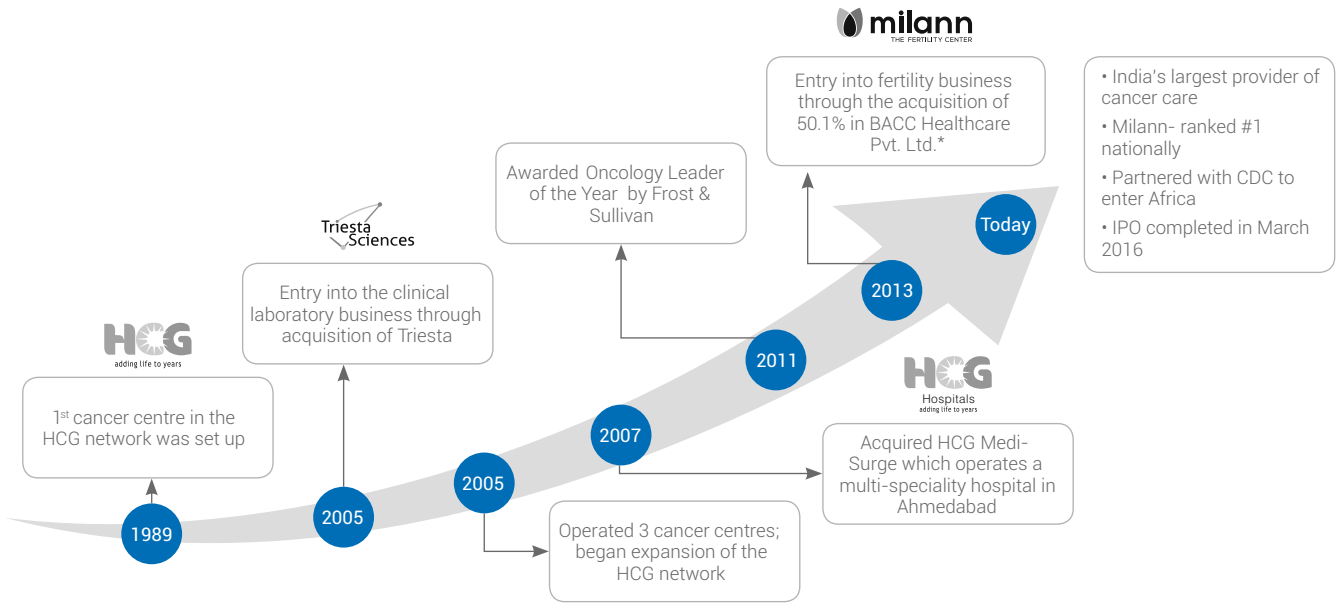
The fertility treatment market in India is highly fragmented and unregulated. An estimated 75% of the IVF cycles in India are done by about 500 clinics, comprising a few corporate chains and private clinics of leading physicians. There is no requirement to obtain any permission or have any specific qualifications to open infertility or assisted reproductive technology clinics in India. As a result, in the last 20 years, there has been an increase in the number of fertility clinics that use techniques requiring handling of spermatozoa or oocyte outside the body or the use of a surrogate mother.

(Source: Call for Action: Expanding IVF treatment India dated July 2015, published by Ernst & Young)

Company Overview

HCG is a leading provider of tertiary and quaternary healthcare services focused on cancer and fertility specialties. Under the "HCG" brand, we operate the largest cancer care network in India in terms of the total number of cancer treatment centres licensed by the AERB as of May 31, 2015 (Government of India, Atomic Energy Regulatory Board)

Evolution of HCG as a Provider of Speciality Healthcare and India's Largest Provider of Cancer Care



*We operate infertility treatment clinics providing comprehensive assisted reproductive services under brand 'Milann'

Our Business

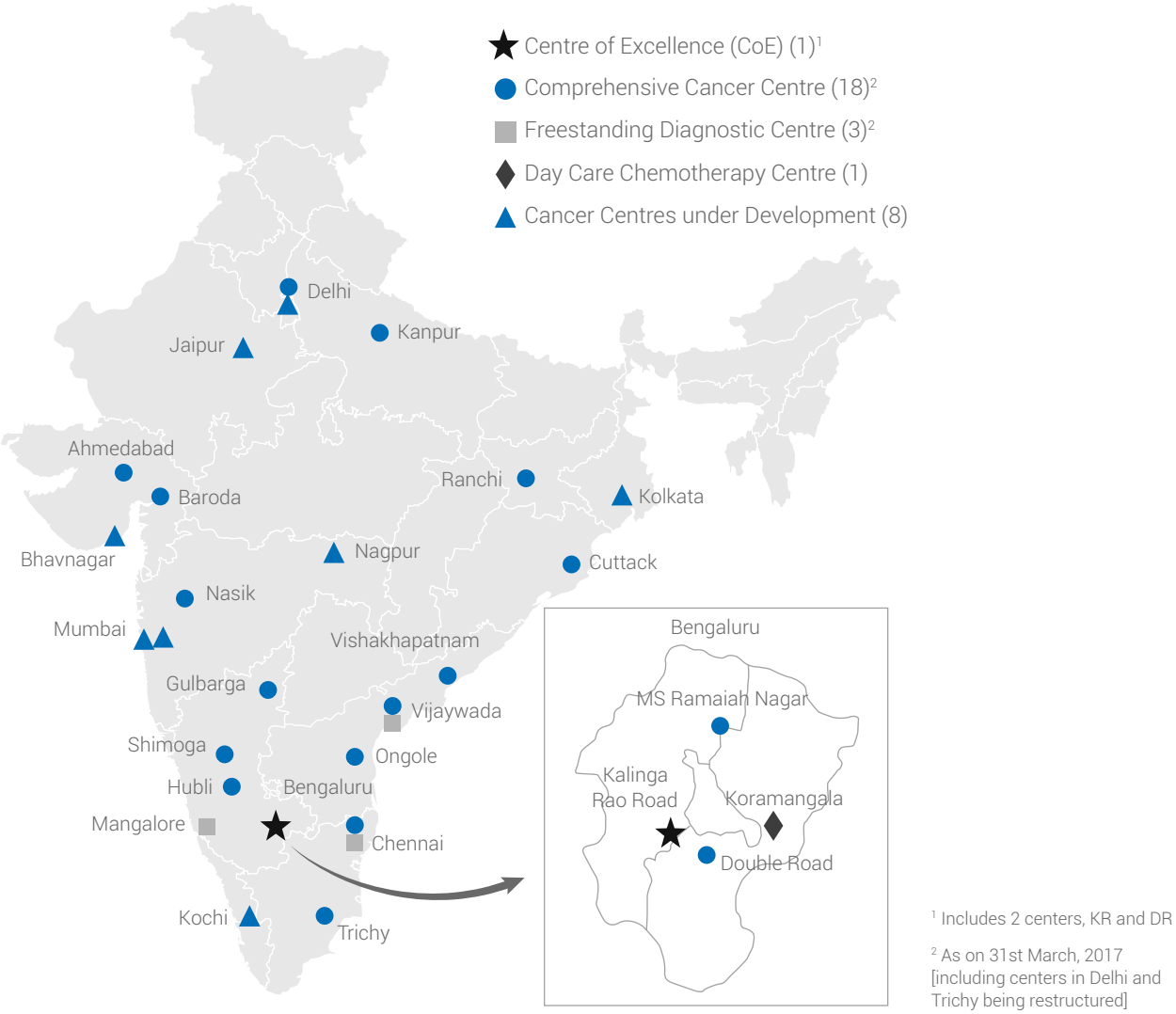
ONCOLOGY:

The Company is the largest provider of cancer care in India under the "HCG" brand. It owns and operates comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery).

As of March 31, 2017, our HCG network consisted of 18 comprehensive cancer centres, including our centre of excellence in Bengaluru, 3 freestanding diagnostic centres and 1 day care chemotherapy center across India. Each of our comprehensive cancer centres offers, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). Our freestanding diagnostic centres and our day care chemotherapy centre offer diagnosis and medical oncology services, respectively.

HCG's Cancer Care Network in India

Network of Existing and Under Development Cancer Care Centers[1]



[1] Includes 2 centers, KR and DR

[2] As on 31st March, 2017 [including centers in Delhi and Trichy being restructured]

We follow a multidisciplinary approach to cancer care across our HCG network, wherein specialist physicians from various disciplines collaborate to provide the best course of treatment for each patient. This allows us to share and develop best practices, build clinical expertise and adopt standardised protocols for diagnosis and treatment, thereby improving the quality of our cancer care services. We believe that as a result, we are able to better serve our patients and ensure consistent clinical outcomes.

In our HCG network, our specialist physicians adopt a technology-focused approach to diagnosis and treatment. For instance, we use advanced technologies, including molecular pathology and molecular imaging for accurate diagnosis and staging of cancer, which enable us to decide upon the appropriate course of treatment for each patient. We also utilise targeted nuclear medicine therapies as well as advanced radiation treatments to minimise side effects and improve the outcome of treatments. By ensuring that we adopt

these diagnostic and treatment technologies throughout our HCG network, we are able to provide consistent quality of care to all patients.

Given the large number of patient cases treated across our HCG network, we believe that we are able to efficiently utilise our equipment, technologies and human resources, thereby deriving economies of scale. Furthermore, through the adoption of a centralised drug and consumables formulary, we are able to lower the overall cost of drugs and consumables. We believe that our business model is scalable and when combined with efficient utilisation of resources, it enables us to operate within a competitive cost structure.

We believe that our current model of providing speciality healthcare in India can be replicated in other underserved healthcare markets. We intend to establish a network of speciality cancer centres in Africa, similar to our cancer care network in India. We believe that our planned network will cater to the increasing unmet demand for cancer care in Africa due to which, a large number of cancer patients travel outside the region to avail quality cancer care, including to our comprehensive cancer centres in India. We have entered into a definitive agreement with CDC, pursuant to which CDC will invest in our Subsidiary, HCG Africa, which has been formed to establish a network of comprehensive cancer centres in Africa.

Fertility:

Milann is the leading provider of fertility treatment under the brand "Milann". It owns and operates comprehensive reproductive medicine services including assisted reproduction, gynaecological endoscopy and fertility preservation. Milann is the first to receive ICMR approval for Uterus Transplant and has been Ranked No 1 in India and first in the South India region in the fertility segment in the Times Health All India Critical Care Hospital Ranking Survey 2017. (Source: All India Critical Care Hospital Ranking Survey 2017, published on Times Health, Times of India on December 16, 2016)

HCG acquired 50.10% equity interest in BACC Healthcare Pvt Ltd in 2013 which operates fertility centres under the Milann brand, through itself and its wholly-owned subsidiary, DKR Healthcare Pvt Ltd. Pursuant to this acquisition, we operate seven Milann fertility centres across Bengaluru, Delhi, Chandigarh and Mumbai as on March 31, 2017.

BACC Healthcare Pvt Ltd. is led by a team of qualified and experienced fertility specialists. Its founder, Dr. Kamini Rao has a successful track record of over 25 years of providing fertility treatments. Our Milann fertility centres provide comprehensive reproductive medicine services, including assisted reproduction, gynaecological endoscopy and fertility preservation; and follow a multidisciplinary and technology-focused approach to diagnosis and treatment. Our Milann network also operates on a model similar to our HCG network, wherein the various Milann fertility centres aim to provide medical services following established protocols with a focus on quality medical care across diagnosis and treatment. During Fiscal Years 2017 and 2016, our Milann fertility centres registered 4,273 and 3,753 new patients and performed 1,823 and 1,311 IVF procedures, respectively. Our Milann fertility centres also offer training programmes for fertility specialists and embryologists.

Reference Lab:

Triesta Sciences, is the one point, state-of-the-art solution for cancer diagnostics, Genomics (Next Generation sequencing based diagnostics) biomarker and translational research, laboratory services and clinical research services. Based out of Bangalore, Triesta Sciences is an integration of Laboratory services, Research and Development and Clinical Research with a focus on innovation, quality and accuracy for better diagnosis and prognosis of Cancer.

Under our Triesta brand, we provide hospital laboratory management services by way of establishing and operating laboratory within the hospital premises. We also provide clinical reference laboratory services in India with specialization in oncology, and our offerings include molecular diagnostic services and genomic testing. Our Triesta central reference laboratory is located in our centre of excellence in Bengaluru. Our Triesta central reference laboratory is accredited by NABL in India, as well as by CAP for quality assurance of laboratory tests performed. Additionally, Triesta offers research and development services to pharmaceutical and biotechnology companies in the areas of clinical trial management and biomarker discovery and validation. Triesta is led by a team of specialist oncopathologists, molecular biologists and clinical researchers. We believe that Triesta is well- positioned to leverage the opportunities in hospital lab management services, clinical reference laboratory services and research services through the wide variety of patient cases across our HCG network on account of its strong capabilities and business strengths.

Multispeciality:

HCG operates two multi-speciality hospitals in Ahmedabad and Bhavnagar, both in the state of Gujarat. We acquired 100% equity interest in HCG Medi-Surge (formerly known as Medi-Surge Associates Private Limited) at Ahmedabad in July 2007, which equity interest was subsequently reduced to 74%.

HCG Multispecialty in Ahmedabad and Bhavnagar are tertiary care hospitals with 118 and 39 available operational beds, respectively, as of March 31, 2017. It provides comprehensive inpatient and outpatient treatments. Its key specialties include cardiology, neurology, orthopaedics, gastroenterology, urology, internal medicine and pulmonary and critical care.

Hospital Network

EXISTING HCG CANCER CENTRES IN INDIA

As of March 31, 2017, we operate a network of 18 comprehensive cancer centres, three freestanding diagnostic centres and a day care chemotherapy centre across eight states in India. All of these centres are majority owned by us. The following table sets out our existing comprehensive cancer centres as on the date of this report and their facilities and service offerings:

Location of the comprehensive cancer center	Commencement of Operation (calendar year)	Facilities and Services				
		Number of Beds[3]	Number of RT-LINACs	Number of Operation theatres[8]	Number of PET- CT scanners	Laboratory
Karnataka Cluster						
Bengaluru - Double Road	1989	51	1	4	-	Yes[11]
Shimoga1	2003	60	1	3	-	Yes[12]
Bengaluru - Kalinga Rao Road[2]	2006	225	3[7]	7	2	Yes
Bengaluru - MS Ramaiah Nagar	2007	22	1	1	1	Yes[12]
Hubli	2008	70	1	2	1	Yes[12]
Gulbarga	2016	85	1	3	-	Yes
Gujarat Cluster						
Ahmedabad1	2012	78	2	4	-	Yes
Baroda	2016	60	1	3	1	Yes
East India Cluster						
Ranchi	2008	56	1	2	-	Yes
Cuttack	2008	116	2	2	1	Yes
Others						
Nasik	2007	77[4]	1	3[9]	1	Yes[12]
Delhi	2007	-	-	-	-	-
Vijaywada	2009	30[5]	2	1	-	Yes
Chennai	2012	35	1	-[9]	-	Yes[12]
Ongole	2012	19[6]	1	2	-	Yes
Tiruchirappalli	2014	-	-	-	-	-
Vishakapatnam	2016	88	1	-[9]	1	Yes[12]
Kanpur	2017	90	1	3	1	Yes[12]

Notes:
1. Operated through our Subsidiary.
2. Our comprehensive cancer centre located at Kalinga Rao Road in Bengaluru is our centre of excellence.
3. Number of beds includes ICU beds (as applicable).
4. We utilise the beds, including the ICU beds of our partner.
5. In addition, we have 120 self care beds at our centre in Vijaywada.
6. In addition, we have 61 self care beds at our centre at Ongole
7. Includes a WBRRS system.
8. Includes major and minor operation theatres. Major operation theatres are used to perform complex surgeries and minor operation theatres are used to perform minor surgical procedures.
9. Surgical services are provided by our partner.
10. PET-CT procedures are performed at the SMH DCA Imaging Centre, which is part of our comprehensive cancer centre in Delhi.
11. Laboratory services are provided by our Triesta central reference laboratory.
12. Laboratory services are provided by our partner.

As of March 31, 2017 we also had three freestanding diagnostic centres, of which one is located in Chennai and one each in Mangalore and Vijaywada, respectively. Our freestanding diagnostic centres are equipped with PET-CT scanners and provide radiology and diagnostic services. We established some of these centres under partnership arrangements.

Going forward, the HCG Centres in Delhi and Tiruchi have been restructured where HCG would not be operating the centres as part of HCG Network. HCG will however continue to provide services across treatment planning and allow usage of its installed equipment's at the hospital and receive fee incomes for the same.

As of March 31, 2017, we also had a day care chemotherapy centre in Bengaluru. Our day care chemotherapy centre provides medical oncology services and carries out minor surgical procedures.

HCG CANCER CENTRES UNDER DEVELOPMENT IN INDIA

New Centres

As on the date of this report, we were in the process of establishing 8 new comprehensive cancer centres in India, all of which are under various stages of development. We expect these centres to commence operation by end of FY 2018. All of these centres are majority-owned by us.

The table below sets out details of our comprehensive cancer centres under development in India as on the date of this report and their facilities and service offerings:

Location of the comprehensive cancer centre	Facilities and Services				
	Number of Beds[4]	Number of RT-LINACs	Number of Operation Theatres[4]	Number of PET-CT Scanners	Laboratory
Nagpur[1]	115	1	4	1	Yes
Mumbai - Borivali[1]	105	1	6	1	Yes
Kochi	100	1	4	1	Yes
Gurgaon	85	1	3	1	Yes[7]
Jaipur	93	1	3	1	Yes
Kolkata[1]	80	1	3	–[6]	Yes[7]
Mumbai – Cooperage	32	1	2	1	Yes
Bhavnagar[3]	90	1	3	-	Yes
Nashik Phase II	92	1	5	-	Yes

Notes:
1. Set up through limited liability partnership with our partner(s).
2. Set up by through our Subsidiary.
3. Our existing multi-speciality hospital at Bhavnagar will be upgraded into a comprehensive cancer centre through the addition of radiation and medical oncology capabilities.
4. Including major and minor operation theatres. Major operation theatres are used to perform complex surgeries and minor operation theatres are used to perform minor surgical procedures.
5. Surgical services will be provided by our partner.
6. PET-CT procedures will be performed by our partner.
7. Laboratory services will be provided by our partner.

EXPANSION OF EXISTING CENTRES

As of March 31, 2017, we also completed expansion of one of our existing HCG comprehensive cancer centre at Ahmedabad to cater to the increasing demand for cancer care at the centre, where we have added new equipment, including a linear accelerator, a PET-CT scanner, an MRI scanner and a gamma camera.

MILANN CENTRES

The following table sets out our existing Milann fertility centres as of March 31, 2017 and their facilities and service offerings:

Location	Year	Number of Beds	IVF	Endoscopy Operation Theatre	Embryology Laboratory	Neonatal ICU
Shivananda Circle, Bengaluru	1989	38	√	√	√	√
Jayanagar, Bengaluru	2010	26	√	√	√	√
Indiranagar, Bengaluru	2012	6	√	√	√	-
MSR Nagar, Bengaluru	2015	6	√	√	√	-
Delhi	2016	4	√	√	√	-
Chandigarh	2016	3	√	√	√	-
Mumbai	2017	6	√	-	√	-

Operational Highlights

KARNATAKA CLUSTER

During the year under review, the Karnataka cluster had 6 operational centres and operated 522 beds. There was strong adoption of daVinci technology at our centre of excellence in Bangalore, with over 175 robotic surgeries completed. Our Centre in Gulbarga launched in Q4 FY 16, saw a good response and achieved break-even in record time with positive EBITDA for FY 17. With adoption of new technologies, reduction in government patients and development of centres outside of Bangalore, the centre of excellence is focused on high-end treatments and hence reduced 41 beds towards optimization in Q1 FY 17. The number of beds operated in the Karnataka cluster at end of FY 17 were 522 as compared to 563 beds in FY 16.

Revenues increased from INR 2,624 million to INR 2,899 million in FY 17. EBITDA margins improved from 23.2% to 24.8%, ARPOB's increased by 15.7% to INR 32,894/day on the back of change in payer mix in the current year. With continuing expansion on pan-India basis as well as improving performance in other geographies, share of Karnataka region as a percentage of total revenues for HCG Centres (excluding Fertility) continues to reduce and was at 45% in FY 17 as compared to 49% in FY 16.

GUJARAT CLUSTER

The number of centres in Gujarat cluster increased to 4 with the addition of the Baroda facility which started in Q1 FY 17. The number of beds increased to 304 from 299 in the previous fiscal. The Ahmedabad cancer centre completed the expansion with addition of new equipment, including a linear accelerator, a PET-CT scanner, an MRI scanner and a gamma camera. The Bhavnagar centre which started in May 2015 has achieved break-even and is ramping up well and will be adding cancer infrastructure shortly. Baroda centre, launched in May'2016 has grown well and is nearing break-even levels as per plan. While the revenues of the cluster have shown an increase of 35.3% to INR 1,855 million, the ARPOB's have also improved to about INR 32,132 /day. The EBITDA margins are at 18% excluding the losses from the new centres. We continue to strengthen our position in state of Gujarat with share of revenues of HCG Centres from this cluster increasing from 25% in FY 16 to 29% in FY 17 and remain positive about this region.

EAST INDIA CLUSTER

Currently we have Cuttack and Ranchi as the two mature centres in the East India cluster. These centres have seen good traction and we closed the year with revenues of INR 491 million in FY 17 as compared to INR 414 million in FY 16 which is an increase of 18.5% over the last fiscal. EBITDA margins at 26.1% showed an increase of almost 100 bps over last year's margin of 25.1%. The expansion at the Cuttack center with addition of new technologies was adopted well with ARPOBs improving by 10.1% to INR 12,233.

EMERGING CLUSTERS

Maharashtra: With around 125 million population as catchment and with estimated incidence of 170,000 new cancer cases and growing need for high quality cancer care, this region presents an attractive market opportunity. Also, from a payor profile perspective, the region has largest affluent population in the country as well as efficient Govt. administered healthcare schemes and ability to attract medical tourism. With positive experience from our long term presence in Nashik, we have consolidated the operations with our partner and planning to expand the operations with launch of Phase II with addition of over 92 beds in forthcoming fiscal. Also we are on track to launch our centres in Mumbai city located at Borivali and South Mumbai, as well as in Nagpur, in the forthcoming fiscal with addition of 260 beds across these centres. Going forward, we would have strength of over 400 operational beds across 4 centres in this region as compared to one centre in Nashik in the year under review.

North India: This region presents a catchment of over 400 million population across U.P., Delhi/NCR, Haryana, Rajasthan and Punjab with very affluent payer profile and an attractive destination for international patients. With our existing Delhi centre already reorganized, we have planned 3 new cancer centers across Kanpur, Gurgaon and Jaipur in prime locations in these cities. The centres will add a total of 240 beds through independent standalone facilities and offer comprehensive cancer services with state-of-the-art technologies. The flagship centre in Gurgaon / NCR has great location, the Kanpur centre is in partnership with leading hospital group of Uttar Pradesh and the Jaipur centre will offer the most advanced cancer technology in the said region. With the Kanpur centre already launched, and other centres in development, we would have strong presence in North India which is a large and attractive market opportunity for the Company.

MILANN CENTRES

The current fiscal was a good year for Milann with new registrations increasing 14% to 4,273. The number of IVF cycles increased by 39% to 1,823 compared to the 1,311 cycles in the last fiscal. Consequently, revenues increased to INR 590 million compared to 461 million in last year which was an increase of 28%.

Financial Performance

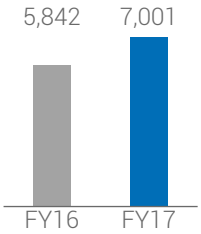
The financial statements of HealthCare Global Enterprises Limited and its subsidiaries (collectively referred to as "HCG" or the Company) are prepared in compliance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013 and Indian Accounting Standards (Ind AS).

The discussions herein below relate to consolidated statement of profit and loss for the year ended March 31, 2017, consolidated balance sheet as at March 31, 2017 and the consolidated cash flow statement for the year ended March 31, 2017. The consolidated results are more relevant for understanding the performance of HCG.

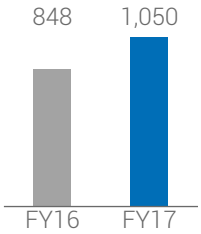
In accordance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013, HCG started following the Indian Accounting Standards (Ind AS) for preparation of its financial statements from April 1, 2016. The financial statements for the financial year ended March 31, 2016 have also been restated accordingly.

Significant accounting policies used for the preparation of the financial statements are disclosed in the notes to the consolidated financial statements.

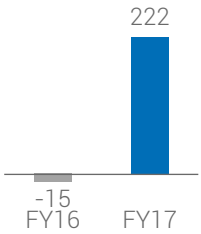
Operating Revenue (INR mn)



Operating EBITDA (INR mn)



PAT (INR mn)



Particulars	Fiscal Year 2017		Fiscal Year 2016		Growth vis a vis FY 2016
REVENUE	(in millions)	% of revenue	(in millions)	% of revenue	%
Revenue from operations					
Income from medical services	4,781.8	67.4	3,972.7	67.5	20.4
Income from pharmacy	2,165.7	30.5	1,808.2	30.7	19.8
Other operating revenues	53.6	0.8	60.8	1.0	-11.8
Total Revenue from Operations	7,001.1		5,841.7		19.8
Other income	96.7	1.4	39.9	0.7	142.3
Total Revenue	7,097.8	100.0	5,881.7	100.0	20.7
EXPENSES					
Purchases of stock-in-trade	1,759.2	24.8	1,491.3	25.4	18.0
(Increase)/ decrease in stock-in-trade	(50.1)	(0.7)	8.9	0.2	-661.8
Employee benefits expense	1,219.3	17.2	1,005.3	17.1	21.3
Finance costs	230.0	3.2	383.3	6.5	-40.0
Depreciation and amortisation expense	568.3	8.0	440.8	7.5	28.9
Other expenses	3,022.8	42.6	2,488.6	42.3	21.5
Total Expenses	6,749.4	95.1	5,818.2	98.9	16.0
Profit/ (Loss) before tax and exceptional items	348.4	4.9	63.4	1.1	449.3
EXCEPTIONAL ITEMS	0.00	0.00	60.7	1.0	
Profit/ (Loss) before tax	348.4	4.9	2.7	0.0	NM
TAX EXPENSE					
Net tax expense	118.0	1.7	(19.7)	(0.3)	NM
Profit/ (Loss) after tax before share of profit/ (loss) of minority interest	230.4	3.2	22.4	0.4	929.2
Share of profit of minority interest	8.7	0.1	37.0	0.6	-76.5
Net Profit/ (Loss) for the period	221.7	3.1	(14.6)	(0.2)	NM

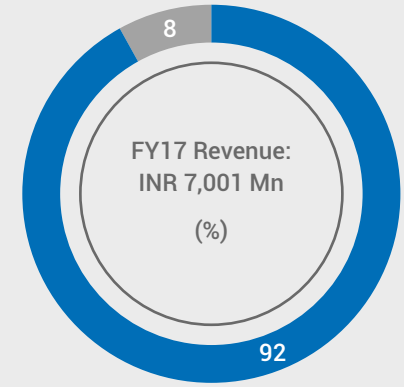
REVENUE

Our total revenue increased by INR 1,216.2 million (20.7%) as compared to Fiscal Year 2016 to INR 7,097.8 million in Fiscal Year 2017. This increase was primarily due to an increase in our revenue from operations.

Revenue from operations

Our revenue from operations increased by INR 1,159.4 million, or by 19.8%, from INR 5,841.7 million in Fiscal Year 2016 to INR 7,001.1 million in Fiscal Year 2017. This was primarily due to an increase in ARPOB, additional facilities in existing centres and commencement of new centres. During the Fiscal Year 2017, our Gujarat and Karnataka clusters contributed additional revenues of INR 300.1 million and INR 273.8 million respectively compared to Fiscal Year 2016 due to increase in occupancy and higher ARPOB. Our new centres, Baroda in Gujarat, Visakhapatnam in Andhra Pradesh and Kanpur in Uttar Pradesh contributed additional revenue of INR 309.8 million combined. Our fertility centres contributed additional revenue of INR 128.4 million, contributed by increase in patients in existing clinics and ramp-up in the new centres.

REVENUE BREAK-UP:



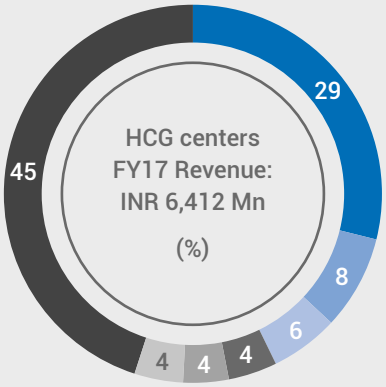
milann THE FERTILITY CENTER

HCG[1] centers Fertility[2] centers

[1]Centers operated under the "HCG" brand18* comprehensive cancer centers, 2 multispeciality hospitals, 3 diagnostic centers and 1 day care chemotherapy center, as at March 31, 2017

[2]7 fertility centers operated under the "Milann" brand, as at March 31, 2017

*Includes cancer centers in Delhi and Tiruchi currently being restructured



Gujarat East India A.P.
Tamil Nadu North India
Maharashtra Karnataka

Other operating revenues

Our other operating revenues decreased by INR 7.2 million, or by 11.8%, from INR 60.8 million in Fiscal Year 2016 to INR 53.6 million in Fiscal Year 2017 primarily on account of lower utilisation of export incentive.

Other income

Our other income increased by INR 56.8 million, or by 142.3%, from INR 39.9 million in Fiscal Year 2016 to INR 96.7 million in Fiscal Year 2017. This was contributed by income from mutual funds amounting to INR 22.8 million in Fiscal Year 2017, increase in net gain on foreign currency transactions and translation by INR 16.6 million, from INR 4.5 million in Fiscal Year 2016 to INR 21.2 million in Fiscal Year 2017, and increase in interest income by INR 18.9 million, from INR 23.9 million in Fiscal Year 2016 to INR 42.7 million in Fiscal Year 2017.

EXPENSES

Our total expenses increased by INR 931.2 million, or by 16.0%, from INR 5,818.2 million in Fiscal Year 2016 to INR 6,749.4 million in Fiscal Year 2017. The increase in expenses is in line with the business growth and primarily contributed by increase in employee benefits expense and other expenses.

Cost of consumption

Cost of consumption comprises of our expenses related to purchases of stock-in-trade and changes in inventories of stock-in-trade. Cost of consumption related to usage of drugs, medical and non-medical consumable items increased by INR 208.9 million, or by 13.9%, from INR 1,500.2 million in Fiscal Year 2016 to INR 1,709.1 million in Fiscal Year 2017.

Cost of consumption as a percentage of our total revenue decreased from 25.5% in Fiscal Year 2016 to 24.1% in Fiscal Year 2017. This was primarily due to savings generated on account of centralisation of our procurement functions and our efforts in implementing a centralised formulary of drugs and consumables.

Employee benefits expense

Our employee benefits expense increased by INR 213.9 million, or by 21.3%, from INR 1,005.3 million in Fiscal Year 2016 to INR 1,219.3 million in Fiscal Year 2017. This was primarily due to commencement of operations of our comprehensive cancer centres at Baroda and Visakhapatnam, and augmentation of operations at comprehensive cancer care centre at Gulbarga and our Milann fertility Centre in Delhi.

Finance costs

Our finance costs decreased by INR 153.3 million, or by 40.0%, from INR 383.3 million in Fiscal Year 2016 to INR 230.0 million in Fiscal Year 2017 primarily on account of reduction of loans as a result of those being prepaid out of our IPO proceeds.

Depreciation and amortisation expense

Our depreciation and amortisation expense increased by INR 127.5 million, or by 28.9%, from INR 440.8 million in Fiscal Year 2016 to INR 568.3 million in Fiscal Year 2017. This was primarily due to increase in our fixed assets on account of purchase of new medical equipment.

As a percentage of revenue, this group of expense was at 8.0% in FY2017 as compared to 7.5% in FY2016.

Other expenses

Our other expenses increased by INR 534.2 million, or by 21.5%, from INR 2,488.6 million in Fiscal Year 2016 to INR 3,022.8 million in Fiscal Year 2017. This was primarily due to increases in our medical consultancy charges, rent including lease rentals, housekeeping and security expenses, and legal and professional charges.

Other expenses, as a percentage of revenue, have slightly increased from 42.3% in Fiscal Year 2016 to 42.6% in Fiscal Year 2017. The key expense line items include:

Description	Fiscal Year 2017	% of Total Revenue	Fiscal Year 2016	% of Total Revenue
	(in millions)	%	(in millions)	%
Medical Consultancy charges	1,559.3	22.0	1,297.3	22.1
Rent including lease rentals	334.4	4.7	224.3	3.8
Repairs and maintenance	231.3	3.3	204.0	3.5
Power, fuel and water	164.2	2.3	143.5	2.4
Housekeeping and security	160.1	2.3	125.3	2.1
Lab charges	135.0	1.9	110.7	1.9
Advertisement, Publicity and Marketing	105.1	1.5	95.6	1.6

Medical consultancy charges increased by INR 262.0 million, or by 20.2%, from INR 1,297.3 million in Fiscal Year 2016 to INR 1,559.3 million in Fiscal Year 2017 due to growth in number of patients treated.

Our rent expenses including lease rentals increased by INR 110.2 million, or by 49.1%, from INR 224.3 million in Fiscal Year 2016 to INR 334.4 million in Fiscal Year 2017. This was primarily due to increase in rent on account of addition of new units at Baroda in Gujarat and Visakhapatnam in Andhra Pradesh and new centres in Milann; augmentation of business in Bhavnagar and Gulbarga, and expansion of facilities in Cuttack and HCG Medi-Surge.

Our Housekeeping and Security expenses increased by INR 34.9 million, or by 27.8%, from INR 125.3 million in Fiscal Year 2016 to INR 160.1 million in Fiscal Year 2017. This was primarily due to addition of new units at Baroda, Visakhapatnam and Kanpur; augmentation of operations at Gulbarga and Bhavnagar and normal business growth at other units.

PROFIT/ (LOSS) BEFORE TAX

Our profit before tax and exceptional items was INR 348.4 million in Fiscal Year 2017 as compared to a profit before tax amounting to INR 2.7 million in Fiscal Year 2016.

TAX EXPENSE

We recorded net current tax of INR 115.2 million and deferred tax of INR 2.8 million in Fiscal Year 2017 as a result of which net tax liability for FY 17 was INR 118.0 million. We recorded net current tax of INR 37.8 million and deferred tax credit of INR 57.5 million in Fiscal Year 2016 as a result of which net tax credit for FY 16 was INR 19.7 million.

PROFIT/ (LOSS) AFTER TAX BEFORE SHARE OF PROFIT/ (LOSS) OF MINORITY INTEREST

Our profit after tax before share of profit/(loss) of minority interest was INR 230.4 million in Fiscal Year 2017 as compared to a profit after tax before share of profit/(loss) of minority interest amounting to INR 22.4 million in Fiscal Year 2016.

SHARE OF PROFIT/ (LOSS) OF MINORITY INTEREST

Minority's share of profit was INR 8.7 million in Fiscal Year 2017 as compared to a share of profit of INR 37.0 million in Fiscal Year 2016.

NET PROFIT/ (LOSS) FOR THE YEAR

As a result of the foregoing, our net profit for the year was INR 221.7 million in Fiscal Year 2017 as compared to a net loss amounting to INR 14.6 million in Fiscal Year 2016.

ASSETS

The following table sets out the principal components of our assets as at March 31, 2017 and 2016. *(INR in millions)*

Particulars	As at March 31,	
	2017	2016
	(in millions)	%
NON-CURRENT ASSETS		
Property, Plant and Equipment	6,170.1	5,193.9
Capital work-in-progress	1,482.3	1,208.6
Goodwill	608.9	608.9
Other intangible assets	68.1	26.9
Financial Assets		
- Investments	39.5	36.3
- Loans	29.3	22.2
- Other financial assets	478.6	309.5
Deferred tax assets (net)	167.1	164.3
Income tax assets (net)	261.3	302.2

Particulars	As at March 31,	
	2017	2016
	(in millions)	%
Other non-current assets	517.5	289.8
Total non-current assets	**9,822.6**	**8,162.5**
CURRENT ASSETS		
Inventories	187.7	133.5
Financial Assets		
- Investments	74.9	600.3
- Trade receivables	1,032.2	695.4
- Cash and cash equivalents	852.2	576.1
- Loans	20.2	18.9
- Other financial assets	138.5	150.8
Other current assets	136.0	98.6
Total current assets	**2,441.8**	**2,273.5**
Total assets	**12,264.4**	**10,436.0**

We had property, plant and equipment amounting to INR 6,170.1 million as at March 31, 2017 and INR 5,193.9 million as at March 31, 2016. Our property, plant and equipment assets primarily consist of medical equipment, buildings, land, leasehold improvements, furniture and fixtures and vehicles.

Increase in our property, plant and equipment assets is primarily on account of additions to medical equipments, lab and data processing equipments, leasehold improvements, furniture and fittings and office equipments in relation to commencement of operations of our comprehensive cancer centres at Baroda, Vishakhapatnam and Kanpur.

The increase in our capital work-in-progress from INR 1,219.4 million as of March 31, 2016 to INR 1,406.1 million as of March 31, 2017 was primarily on account of new projects which are under development that include comprehensive cancer care centres in Mumbai, Nagpur, Kolkata, Jaipur, and Kochi.

We had goodwill amounting to INR 608.9 million as of March 31, 2017 and 2016. Our goodwill comprises payments made to our partner for securing exclusive rights to operate a centre, and pertains to acquisitions of our Milann fertility centres and HCG Medi-Surge.

The increase in our other intangible assets from INR 26.9 million as of March 31, 2016 to INR 68.1 million as of March 31, 2017 was primarily on account of software licenses addition for ERP and Hospital Information Systems (HIS).

We had non-current investments of INR 39.5 million as of March 31, 2017 and INR 36.3 as of March 31, 2016. We had non-current loans amounting INR 29.3 million as of March 31, 2017 and INR 22.2 as of March 31, 2016.

We had other non-current financial assets of INR 478.6 million as of March 31, 2017 and INR 309.5 as of March 31, 2016. This primarily comprises of Security Deposits amounting to INR 312.4 million and Term Deposits amounting to INR 145.3 million as on March 31, 2017.

Our deferred tax assets increased to INR 167.1 million as of 31 March 2017 from INR 164.3 million as of 31 March 2016. Our income tax assets decreased to INR 261.3 million as of 31 March 2017 from INR 302.2 million as of 31 March 2016 which is primarily on account of tax refunds in our holding company and our subsidiaries.

We had other non-current assets amounting to INR 517.5 million and INR 289.8 million as at March 31, 2017 and 2016 respectively and the increase is on account of prepaid expenses by INR 122.2 million and our capital advances by INR 105.6 million, both primarily pertaining to projects under development.

We had current investments amounting to INR 74.9 million as of March 31, 2017 comprising of investments made in mutual funds as against INR 600.3 million as of March 31, 2016.

We had outstanding gross trade receivables amounting to INR 1,032.2 million and INR 695.4 million as at March 31, 2017 and 2016 respectively. We made provisions for doubtful trade receivables amounting to INR 385.9 million and INR 352.7 million as at the end of March 31, 2017 and 2016. Our trade receivables comprise receivables from government payors, corporate bodies, insurers and patients who pay directly to us.

We had other financial assets of INR 138.5 million as of March 31, 2017 as against INR 150.8 million as of March 31, 2016 and other current assets of INR 136.0 million as of March 31, 2017 as against INR 98.6 million as of March 31, 2016. Our other financial assets primarily comprise of unbilled receivables amounting to INR 112.9 million and Term Deposits amounting to INR 25.6 million, while other current assets consist of advance to vendors amounting to INR 66.8 million, prepaid expenses of INR 44.3 million, and rental advance of INR 24.9 million as on March 31, 2017.

Labilities And Indebtedness

LIABILITIES

The following table sets forth the principal components of our liabilities as at March 31, 2017 and 2016. *(INR in millions)*

Particulars	As at March 31,	
	2017	2016
	(in millions)	%
NON-CURRENT LIABILITIES		
Financial liabilities:		
- Borrowings	2,833.8	2,458.3
- Other financial liabilities	801.2	728.9
Provisions	30.5	29.0
Deferred tax liabilities	11.7	6.4
Total non-current liabilities	3,677.2	3,222.6
CURRENT LIABILITIES		
Financial liabilities:		
- Borrowings	416.3	371.8
- Trade payables	1,410.4	1,084.2
- Other financial liabilities	1,567.3	917.4
Other current liabilities	228.7	216.7
Provisions	49.4	38.1
Current tax liabilities	13.9	-
Total current liabilities	3,686.0	2,628.3
Total liabilities	**7,363.2**	**5,850.9**

A significant portion of our liabilities comprise of non-current borrowings. We had non-current borrowings amounting to INR 2,833.8 million and INR 2,458.3 million as at March 31, 2017 and 2016 respectively.

We had outstanding trade payables amounting to INR 1,410.4 million and INR 1,084.2 million as at March 31, 2017 and 2016 respectively. These primarily comprised payables towards purchase of drugs, consumables, various services including medical consultancy charges, legal and professional fees, housekeeping charges and security charges, and salaries and bonuses of employees.

We had other non-current financial liabilities amounting to INR 801.2 million and INR 728.9 million as at March 31, 2017 and 2016 respectively. These primarily comprised gross obligation under written put option.

We had other current financial liabilities amounting to INR 1,567.3 million and INR 917.4 million as at March 31, 2017 and 2016 respectively. These primarily comprised current maturities of long-term debts amounting to INR 951.9 million and INR 406.1 million, interest accrued on borrowings amounting to INR 106.8 million and INR 88.1 million; current liability on written put option of INR 380.9 million and INR 343.2 million; and payable on purchase of fixed assets amounting to INR 127.7 million and INR 80.0 million as at March 31, 2017 and 2016 respectively.

Our other current liabilities amounted to INR 228.7 million and INR 216.7 million as at March 31, 2017 and 2016 respectively. This was primarily comprised of advance from customers amounting to INR 163.9 million and INR 167.9 million, and Statutory remittances amounting to INR 64.8 million and INR 48.8 million as at March 31, 2017 and 2016 respectively.

INDEBTEDNESS

(INR in millions)

Particulars	As at March 31,	
	2017	2016
SECURED LOANS		
- Term loans from banks	1,409.2	791.7
- Term loans from other parties	34.5	60.0
- Vehicle Loans	1.6	0.4
- Working capital loans	416.3	371.8
Total secured loans	1,861.6	1,224.0

Particulars	As at March 31,	
	2017	2016
- Deferred payment obligations	1,834.5	1,487.8
- Long term maturities of Finance Lease obligations	490.6	509.0
- From other parties	15.4	15.4
Total unsecured loans	2,340.4	2,012.2
Total borrowings	4,202.1	3,236.2
Total borrowings represented by:		
Long-term borrowings	2,833.8	2,458.3
Short-term borrowings	416.3	371.8
Current maturities of long-term borrowings	951.9	406.1
Total	**4,202.1**	**3,236.2**

To fund our working capital and capital expenditure requirements, we have entered into various loans and facility agreements with various financial institutions. As at March 31, 2017, we had INR 4,202.1 million of indebtedness outstanding. All of our indebtedness outstanding as at March 31, 2017 was denominated in INR except for U.S.$ 27.8 million and Euro 0.2 million in outstanding loans from various equipment vendors. We have repaid a portion of our term loans from bank and working capital loans out of our IPO proceeds.

SUMMARY OF CASH FLOW STATEMENT:

Particulars	Fiscal Year 2017	Fiscal Year 2016
Net cash flow generated from/(used in) operating activities	912.8	732.0
Net cash flow generated from/(used in) investing activities	(2,098.0)	(2,035.7)
Net cash flow generated from/(used in) financing activities	891.5	2,155.9
Net cash flows generated for the year	(293.7)	852.2

Cash flow generated from/ (used in) operating activities

For the fiscal year ended March 31 2017, we had profit before tax of INR 348.4 million and our operating profit before working capital changes was INR 1,094.2 million. Our cash generated from operations after adjusting for changes in working capital was INR 973.5 million. This reflected cash inflow on account of an increase in trade and other payable by INR 334.9 million; and cash outflow on account of an increase in trade and other receivables by INR 370.0 million and an increase in inventories by INR 54.2 million. After adjusting for changes in working capital and a net income tax payment amounting to INR 60.7 million, our net cash flow generated from operating activities was INR 912.8 million for the fiscal year ended in March 31 2017.

Cash flow generated from/ (used in) investing activities

For the fiscal year ended March 31, 2017, our net cash flow used in investing activities was INR 2,098.0 million. This reflected payments for property, plant and equipment amounting to INR 1,926.6 million primarily relating to recently completed projects like Kanpur and projects under development which includes our upcoming comprehensive cancer care centres in Borivali, South Mumbai and Nagpur; and expansion at our HCG cancer centre in Ahmedabad.

Cash flow generated from/ (used in) financing activities

For the fiscal year ended March 31, 2017, our net cash flow generated from financing activities was INR 891.5 million. This primarily reflected proceeds from borrowings amounting to INR 1,341.9 million and proceeds which were partially offset by repayment of borrowings amounting to INR 420.6 million and interest paid amounting to INR 213.3 million.

RATIO ANALYSIS: SNAPSHOT OF 2016 AND 2017

Key Ratios	Fiscal year - 2017	Fiscal year - 2016
Ratios – Leverage		
Debt/Equity	0.86	0.71
EBITDA/Interest	4.99	2.32

Key Ratios	Fiscal year - 2017	Fiscal year - 2016
Ratios – Profitability		
Return on Equity	5.2 %	- 0.5 %
RoCE	9.9 %	9.0%
Ratios – Per Share		
EPS	2.69	-2.43
P/E*	85.7	-
Market Capitalisation/Total Revenue*	2.78	2.53

*Based on the closing share price as on March 31st on BSE.

Credit Rating

The long term credit rating of HCG has been upgraded in Q4 of FY17 from BBB(+) to A(-) by ICRA (associate of Moody's Investor Services). 'A' Rating for instruments signifies adequate degree of safety regarding timely servicing of financial obligations. We moved from category of having moderate degree of safety to adequate degree of safety. The outlook on the long term rating has been revised to Stable from Positive.

Internal Control System And Their Adequacy

At HCG, management has the overall responsibility to design, implement and monitor an effective process and control environment that is aligned to the inherent risk profile of the organization. Management is responsible for the identification, evaluation and management of significant risks. The Company has institutionalized a framework to focus on key risks that might impact achievement of business objectives. The framework entails a structured process to identify, assess and monitor the risks and initiate suitable mitigation strategies for effective risk management. The Board monitors exposure to these risks with the assistance of various committees and senior management.

The internal control framework is designed to manage and mitigate the risks faced by the Company. The company has designed and implemented an entity level control framework setting the control philosophy and principles which guide the organization policy and operating process framework.

The organizational role, responsibility and accountability structures with appropriate performance oversight processes are defined and aligned to provide an enabling environment to the business units and functions to operate as per the design control environment. Review and oversight procedures are designed to monitor effective adherence as per design.

The internal control system is commensurate with the nature of business, size and complexity of operations and has been designed to provide reasonable assurance on the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

As a part of overall governance mechanism around financial reporting and as stipulated under the Companies Act, 2013, Internal Controls over Financial Reporting (ICoFR) framework have been institutionalized. The adequacy and operating effectiveness of the internal controls affecting financial reporting is assessed by the management.

The internal control framework is supplemented with an internal audit program that provides an independent view of the efficacy and effectiveness of the process and control environment and supports a continuous improvement program. The internal audit program is managed by an Internal Audit function with direct reporting to the Audit and Risk Management Committee of the Board.

The scope and authority of the Internal Audit Function is derived from the Audit Charter approved by the Audit and Risk Management Committee of the Board. The Internal Audit function develops an internal audit plan to assess control design and operating effectiveness, as per the risk assessment methodology.

The Internal Audit function provides assurance to the Board and management that a system of internal control is designed and deployed to manage key business risks and is operating effectively.

Management provides action plans to address the observations noted from the internal audit reviews and action plans are monitored towards resolution under the supervision and guidance of the Audit and Risk Management Committee.

The Audit and Risk Management Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of internal audit observations.

Enterprise Risk Management

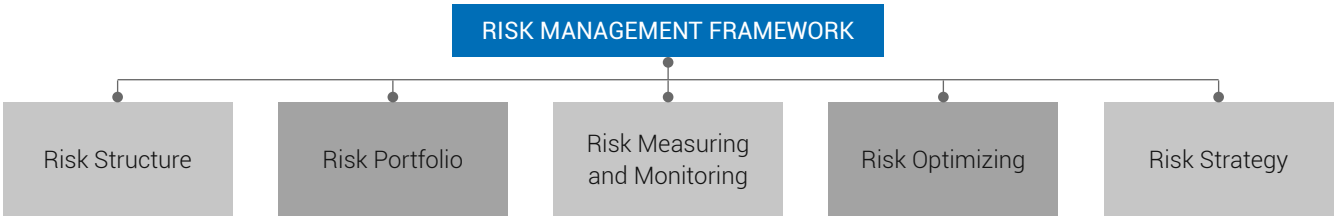
HCG operates in a business environment that is characterized by increasing competition and market uncertainties. It is exposed to a number of risks in ordinary course of business. This is inevitable, as there can be no entrepreneurial activity without the acceptance of risks and associated profit opportunities.

Accordingly, risk management activities at HCG are not aimed at eliminating all risks in their entirety, but rather at helping to identify and assess the risks the company encounters in its daily business. This allows the company to manage the risks in an efficient manner to take informed decisions, to exploit the opportunities available and thereby enhance the value of the company and its stake holders.

Risk Management Framework:
The Risk Management framework has been developed and approved by senior management in accordance with the business strategy.

The key elements of the framework include Risk Strategy, Risk Structure, Risk Portfolio, Risk Measuring & Monitoring and Risk Optimizing. The implementation of the framework is supported through criteria for risk assessment and categorization, risk escalation matrix, Risk forms & MIS.

The overall objective of risk management process is to optimize the risk-reward relationship.



Risk Categorization:
Risk Categorization into different buckets help to prioritize risks, within an entity. It assists management in ensuring that they have captured all categories of organizational risks, not just traditional, financial hazards.

HCG identifies and categorizes risks into

- Financial Risk
- Reputation Risk
- Regulatory/Legal Risk
- Employee Risk
- Patient/Customer Risk

The Board of Directors considers a number of factors for risk categorization during risk identification and assessment.

Risk Measuring and Monitoring:
A risk review involves the re-examination of all risks recorded on the risk assessment repository to ensure that the current assessments remain valid and review the progress of risk reduction actions.

Risk Communication and Escalation need to be embedded in the culture of an organization to make it effective. At HCG, the Board of Directors drive the Risk Management Process through its Audit and Risk Management Committee by adopting the following communication and escalation procedure:

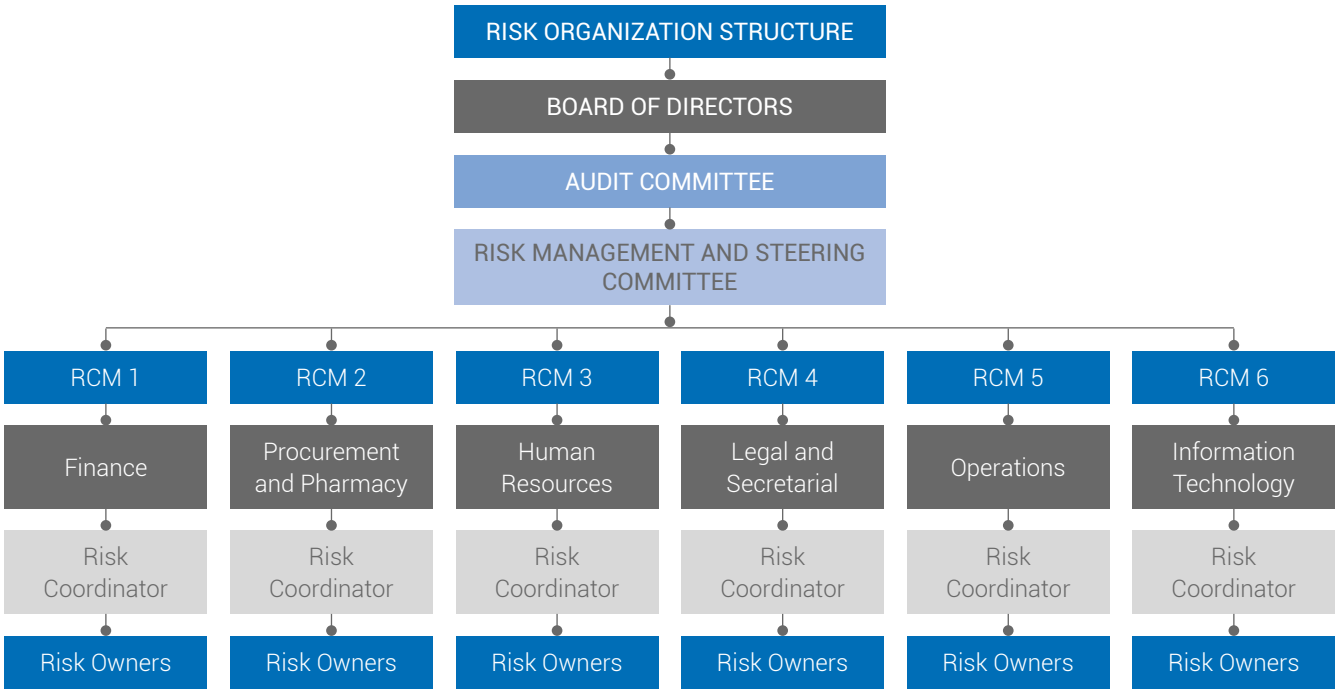
- Employees continuously identify needs to update / modify the risks and escalate them to their respective Unit / Functional Head.
- The respective Unit/ Functional Head or designated personnel collate the identified risks/ modifications and forward the same to the respective Risk Coordinator for collation and escalation to Risk Management Committee. Standard forms for identification/ modification/ deletion of risks are used for this purpose.
- The Risk Coordinator collates the risks and forwards the same to the Risk Management and Steering Committee (RMSC) on a periodic basis.
- The Risk Management and Steering Committee is responsible for reviewing and validating the risks/ modifications for all departments.
- The RMSC categorizes and rates the risks (using the risk appetite).
- Risk Owners for each risk are identified and approved by RMSC. Risk Owners may be at any level in the organization depending on the nature and categorization (e.g. strategic, operational, compliance or reporting) of the risk.
- Designated Risk Coordinator updates the Risk Assessment Repository on the basis of the approvals obtained from the RMSC.
- RMSC provides half yearly updates to the Chairman & Board of Directors for key risks, their assessment and status of action plans for mitigating these risks.

The escalation of key risk information will assist in ensuring that significant risks identified at the line level are available for consideration in the context of the overall operations of the business.

Risk Management Organization
A robust organizational structure for managing and reporting risks is a prerequisite for an effective risk management process. The organization structure needs to be supported by clearly defined non- overlapping roles and responsibilities which are communicated and understood.

In order to ensure that this policy is followed in letter and spirit, a Risk Management and Steering Committee (RMSC) is constituted comprising of Key personnel nominated from the following departments:

Operations • Finance • Compliance • Legal • Procurement & Pharmacy • IT • HR



Quality Control and Audit

Monitoring the quality of our patient care is one of our prominent focus. We take action to identify and eliminate the recurrence of any unexpected or adverse incidents. As part of that, we embrace patient feedback, self-examination and peer review.

We review and publish our inpatient services performance against a number of important measures including hygiene, infection rate and patient satisfaction. We use these benchmarks to help us deliver high quality patient care in a safe environment and look at ways to continually improve our patient experience.

We are subject to various internal and external audits, incident reporting and feedback monitoring processes. Internal audits are carried out by members of our staff at each cancer centre on a half-yearly basis. Our internal audits are based on standard requirements set out by NABH and may impose corrective and preventive actions, as necessary, for any non-compliance with such requirements. Similar audits are undertaken with respect to our Triesta central reference laboratory for compliance with NABL and CAP standards. Internal quality control in our Triesta central reference laboratory is carried out on a daily basis and is an automatic process carried out by our machinery.

External audits are carried out by NABH at our centre of excellence in Bengaluru and at HMS. External audits by NABL and CAP are carried out at our Triesta central reference laboratory. External audits by NABH, NABL and CAP are based on the standards set out by these bodies and are voluntary. The external accrediting bodies also set out certain quality standards, which are monitored by our internal quality departments and a monthly report of quality indicators is presented to our corporate quality team, which oversees the quality functions of our Company. Further, our internal quality team documents the policies and procedures mandated by the accrediting bodies. The accrediting bodies verify these policies and procedures. Our corporate quality team also develops specific quality indicators to monitor clinical outcomes based on documented clinical procedures.

From time to time, AERB also conducts audits at our cancer centres relating to quality assurance of radiation equipment, radiation safety measures taken by our cancer centres, any changes in the representations made by our cancer centres while obtaining the AERB approval and the adequacy of the skills and number of manpower and resources at each cancer centre.

The quality department of each cancer centre reviews all feedback received from patients daily and takes measures to appropriately address such feedback. Incident reports are collected and analysed by the quality departments weekly and appropriate remedial measures are undertaken.

Employee surveys are carried out twice a year by the human resource departments of each cancer centre and the results of such surveys are shared with the quality departments and the management team of each cancer centre for remedial measures.

Each cancer centre also has other committees which are responsible for quality control, such as hospital infection control committees, pharmacy and therapeutics committees, employee grievances committees and ethics committees.

We also have a quality management system structured as per the ISO9001:2008 guidelines for quality management systems across our Milann fertility centres. The key quality assurance practices at our Milann fertility centres include standardised treatment and management protocols, service delivery by

experts in reproductive medicine, globally accepted medical equipment, regular calibration and maintenance of key equipment, quality control processes such as standardised processes for tests and audits.

Our Milann fertility centres undertake weekly clinical audits aimed at enhancing clinical outcomes, patient safety and care. The clinical audit process reviews and evaluates medical management in line with clinical and scientific best practice standards, clinical success rates, possible causes and courses of action for unsuccessful outcomes, quality metrics for clinical, embryology and laboratory outcomes and policies and action plans for continuous quality improvement.

Human Resources Management – Employee Relations and Development

The Human Resources (HR) department at HCG is driven by the mission to help HCGians realize their potential – to develop, grow and achieve their purpose, build the right culture and capabilities to enable us to serve our patients and to make HCG the best place to work for passionate, innovative people who want to make a difference.

We believe that we are able to attract and retain highly skilled specialist physicians due to our reputation for clinical excellence, our technology-focused approach, the exposure and experience we provide in relation to clinical best practices and the training programmes we offer for their ongoing development. We believe that the abilities and expertise of our team of specialist physicians differentiate us relative to our competitors. Several of our specialist physicians have received accolades and awards in recognition of their contribution to their respective fields of medicine.

Our senior management team has extensive experience in the management of healthcare businesses. We believe the experience, depth and diversity of our management team, complemented by the clinical expertise and relationship base of our physician Promoters, is a distinct competitive advantage in the complex and rapidly evolving healthcare industry in which we operate.

In order to maintain the quality of care we offer to our patients, our physicians and other medical staff must pursue a rigorous programme of continuing education. We offer a wide range of health education sessions and seminars on-site at our centres and hospitals to our physicians and medical staff, as well as to healthcare professionals outside our network of centres and hospitals. The sessions are led by expert physicians and other healthcare professionals from our network of centres and hospitals, who have first-hand knowledge of the latest clinical developments and research. We believe that these sessions provide an important forum to discuss recent developments to improve patient care and teach our physicians and medical staff new skills. In addition, we believe that they also provide an important opportunity for us to showcase the capabilities of our centres, hospitals and physicians and allow our physicians to grow their referral networks.

We also offer physicians the opportunity to consult with each other on challenging cases and treatments. For example, at our weekly tumour board discussions, we discuss selected complex cases from across our HCG network. This allows knowledge sharing and enables us to develop best practices and protocols which are implemented across our HCG network. We also evaluate the clinical activities of each centre and hospital as part of our annual evaluations to ensure that high quality treatments or services are provided to patients.

Furthermore, we have a dedicated learning and development department, which continuously monitors the learning and development activities and ensures that a high quality of service is provided to our patients, thereby improving patient satisfaction. Our learning and development department provides continuing education for quality improvement to our employees. It identifies areas in which training is required, and develops an employee development plan for each employee, pursuant to which employees are provided various skill enhancement trainings.

At our centre of excellence in Bengaluru, we offer a Diploma of National Board medical residency programme for radiation oncology, medical oncology and pathology, in affiliation with the National Board of Examination.

In addition, we offer various certificate medical and nursing courses on oncology, a paramedical course on advanced radiotherapy technology, a laboratory research course and various other medical and non-medical courses for our employees.

Our Milann fertility centres also offer a post-graduate fellowship programme in reproductive medicine services to fertility specialists, in affiliation with the National Board of Examination. Additionally, our Milann fertility centres offer training programmes in IVF for fertility specialists and embryologists. We believe that these education and training programmes are critical capabilities that we have and these enable us to develop an in house trained team of specialist physicians.

Forward Looking Statement

Except for the historical information contained herein, statements in this discussion contains certain "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our Company's strategies, objectives, plans or goals are also forward-looking statements. These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy, future business plans, our growth and expansion in business, the impact of

any acquisitions, our financial capabilities, technological implementation and changes, the actual growth in demand for our services, cash flow projections, our exposure to market risks as well as other general risks applicable to the business or industry.

The Company undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof. These discussions and analysis should be read in conjunction with the Company's financial Statements included herein and the notes thereto.