Management Discussion and Analysis

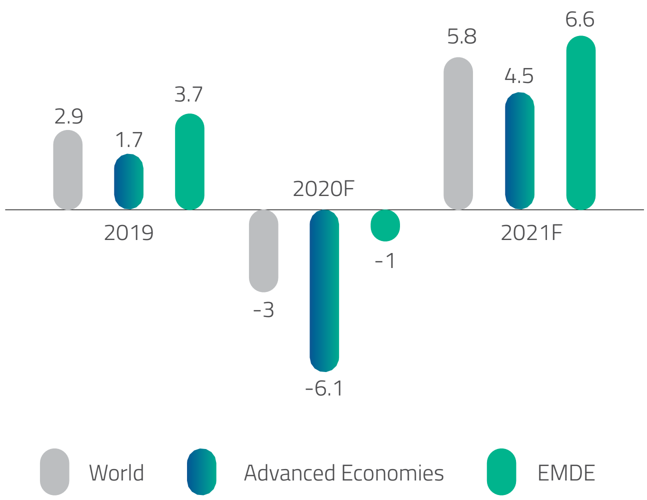
Global Economy Review

In the year 2019, the global economy saw substantial support from central banks, by means of rate cuts that resulted in a liquidity boost in the market. The lowering of interest rates was a good sign for corporates to issue new bonds at lower rates and increase their capacity to invest. The lower interest rates and supportive financial conditions boosted purchase of non-durable goods and services, encouraging job creation. Consumer confidence and household spending also increased on account of tight labour market conditions and gradually rising wages.[1] In the second half of 2019, there were indications of de-escalation of trade war between US and China, which is anticipated to result in smooth trade relations between the two countries.

Despite the positives, the global economy witnessed a challenging year in 2019. The GDP growth of the world economy stood at 2.9% in 2019 down from 3.6% in 2018[1]. This decline was also coupled with a slowdown in manufacturing, diminishing demands and lower consumption.

Advanced economies too registered a decline in GDP growth at 1.7% in 2019 as compared to 2.2% in 2018[1]. The decline in advanced economies resulted from US-China Trade wars, NAFTA negotiations, declining manufacturing activity in Germany and tensions related to Brexit. This was coupled with unfortunate natural calamities like the bushfire in Australia, which not only resulted in economic losses but, also led to catastrophic implications for wildlife.

Graph 1: GDP Growth rate (%)



(Source: IMF World Economic Outlook April 2020)

Emerging Market and Developing Economies (EMDEs) too witnessed a dull year in 2019, when the GDP growth declined to 3.7%, in comparison to 4.5% in 2018[1]. The decline was primarily led by geopolitical tensions between China and the US, which led to a slowdown in manufacturing. Rising tariff war between US and China also contributed to the decline in exports across the EMDEs, resulting in slowdowns in respective countries.

In 2020, the GDP is expected to contract by -3% due to the unprecedented Coronavirus outbreak[1], that led to closure of workplaces, disruption of supply chains, and lowered productivity all over the world due to a complete halt of manufacturing activity. These domestic disruptions have spilled over to trading partners through trade and global value chain linkages, adding to the overall macroeconomic effects that resulted in economic shocks across the globe. However, the situation is expected to stabilize by mid- 2020, leading to a GDP recovery to 5.8% by the end of 2021[1].

GCC Economy Review

Economic growth in the Middle East and Central Asia significantly weakened in 2019 due to muted oil prices and excess oil supply. The region's overall GDP growth has declined to 1.2% in 2019[1]. While most Gulf Cooperation Council (GCC) countries retained robust external positions in 2019, the constant slowdown in China and the continued global trade war coupled with subdued demand hindered its efforts to boost non-oil exports. Further, rising geopolitical tensions are increasing risk perceptions that could hurt prospects for investment in GCC countries.

Within the GCC, Saudi Arabia's efforts to diversify its economy from oil have advanced at a slower pace, but it is confident about achieving the same in the coming years. In the meanwhile, Saudi Arabia is financing its major projects through Public Investment Fund to boost liquidity and revive its economy. Debt level continues to rise in GCC countries with Oman and Bahrain being the most vulnerable to debt sustainability concerns.

The future prospects for GCC countries appear grim due to the sudden outbreak of Coronavirus which has led to countrywide lockdowns, resulting in massive disruptions in the supply chain. The production of crude oil has also stopped as demand diminished from airlines. Besides, the lockdown has also halted manufacturing activity around the world, lowering the demand for oil and its substitutes. The economic growth of Middle Eastern and Central Asian regions is expected to settle at -2.8% for 2020 and is anticipated to recover sharply in 2021 to reach at 4.0% due to reforms and adequate investments in the region[1].

[1]IMF World Economic Outlook April 2020

Indian Economy Review

India witnessed economic slowdown in FY 2020, with the country's real estate, automobile, construction sectors and overall consumption demand facing a serious and constant decline. The GDP growth rate stood at 4.2% for FY 2019-20, compared to 6.1% in FY 2018-19[1]. Contraction in manufacturing activity, weakened investments, and declining consumption demand primarily triggered the slowdown. However, the PMI activity, considered as an expansion activity, stood above 50% in FY 19-20, settling at 51.8% for the month of March 2020[2].

To address the downfall of the economy and to revive the same, Government of India introduced fiscal and monetary reforms. Favourable reforms such as infusion of ₹ 48,000 crore in the manufacturing sector, slashing interest rates to provide liquidity in the market, reduction in corporate tax rate, and introduction of Alternate Investment Fund for real estate sector helped to boost sentiment to a certain extent. These measures stabilized the economy and PMI activity touched its peak in 8 years to reach at 55.3% in Jan 2020[2].

The growth outlook for the Indian economy remains subdued due to the COVID-19 outbreak and it is anticipated to settle at 1.9% for FY 20-21[1]. The outbreak is expected to have far-reaching economic and social consequences for the region. There has been demand and supply shocks across sectors, with massive disruptions in the country's supply chain which has been affected due to lower demand for goods and services in FY 20-21. The economic activity is expected to rebound in the near-term with revival of strong demand for products and services. To further strengthen the economy, the government has proposed fiscal and economic reforms to improve economic health and push the GDP to 7.4% for FY 21-22[1].

Industry Overview

Global Healthcare Industry

The global healthcare industry in the year 2019 was a highly connected environment powered by large data networks, cloud computing, and mobile devices. There will be widespread increases in the number of connected healthcare networks providing seamless integration between care providers, patients, pharmaceutical companies, health insurers, and other invested parties anywhere in the world.

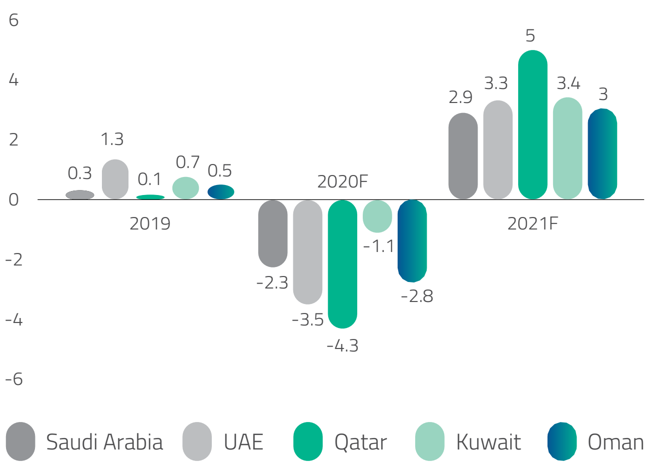
Global health care spending is expected to slow down to 3.2%[4] in 2019, from 5.2%[4] in 2018. This decline is on account of geopolitical tensions including the United States-China trade war, the fluctuating effects of currencies and decelerating global economic growth stemming from the United Kingdom's planned exit from the European Union (EU).

Lifestyle-related factors including smoking, poor diet, hypertension, obesity, and lack of physical activity attribute to many diseases which makes the life of people vulnerable. With the increasing use of advanced technology like robotics, data analytics, 3D printing and Artificial intelligence, the industry can control such diseases and can witness the next leap of growth.

Outlook

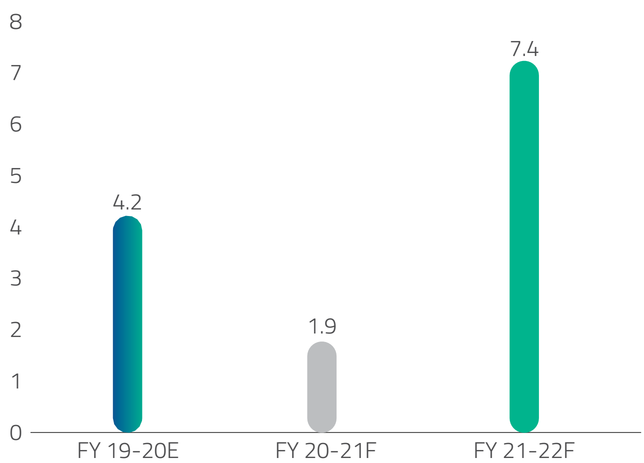
The global healthcare market is expected to reach US$ 11.908 trillion growing at the CAGR of 8.9% from 2018-2022[3]. Further, faster economic growth, technological developments and the increasing prevalence of diseases due to rising busy and sedentary lifestyles will lead to increased demand for healthcare. Global healthcare spending is expected to rise to 6.2% in 2020 as compared to previous year. The global population was 7.7 billion in 2019 and it is expected

Graph 2: GDP Growth rate of GCC Contries (%)



(Source: IMF World Economic Outlook April 2020)

Graph 3: GDP Growth rate of India (%)



(Source: IMF World Economic Outlook April 2020)

[2]IHS Markit

[3]Research and Markets report on Global Healthcare Industry

[4]Deloitte Insights - 2020 Global Health Care outlook

to reach 8.5 billion by 2030 and spending on the global geriatric care market (home health, remote patient monitoring, etc.) will likely exceed US$1.4 trillion by 2023[5]. The effect of coronavirus have been manifold on the world, both in terms of lives and livelihood. The demand for advanced healthcare rose significantly. This will further augment demand for additional healthcare professionals as well as modern healthcare services to address critical diseases.

GCC Healthcare Industry

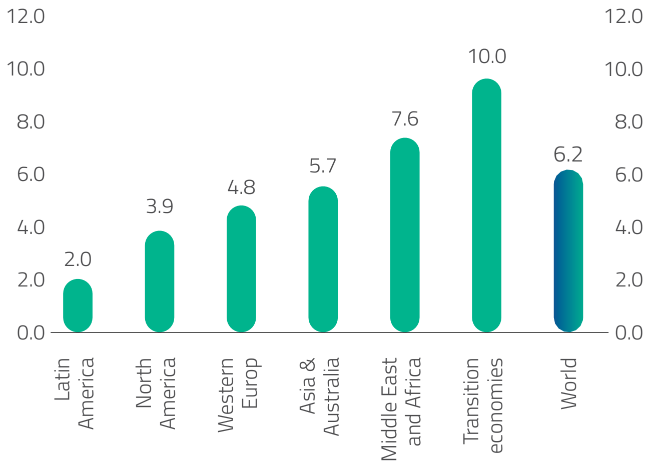
The healthcare market in the GCC is estimated to be worth US$ 104.6 billion in 2022, and expected to grow at a CAGR of 6.6% from 2018-2022[6]. Although there is enormous room for growth, the GCC population is only spending around half of what mature markets spend on healthcare. As such, there are several factors creating investible opportunities in healthcare like, enhanced focus on critical diseases, wider geographic footprint and capacity build through digitisation and value-based healthcare.

Gulf Cooperation Council (GCC), is a regional inter-governmental political and economic union consisting of six Arab states namely, Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman. The UAE and Saudi Arabia remain the strongest markets in the GCC, both in terms performance and economic growth. With the rise in economic growth and population, the region is expected to require 12,358 new hospital beds by 2022 with Saudi Arabia and U.A.E requiring 7,500 and 2,000 new beds, respectively. The Inpatient market is projected to contribute 43.4% of healthcare expenditure and outpatient market size is expected to grow by US$ 32 billion by 2022[6].

Oman's healthcare market is expected to reach US$ 4.3 bn by 2020, boosted by a five-year CAGR of 12.9% from 2015-2020[7]. It said that an increase in the population and the rising cost of treatment are the primary factors aiding growth. Oman spends on average about US$ 260 million annually towards pharmaceutical drugs and surgical consumables. The government aims to spend 5% of GDP on health.

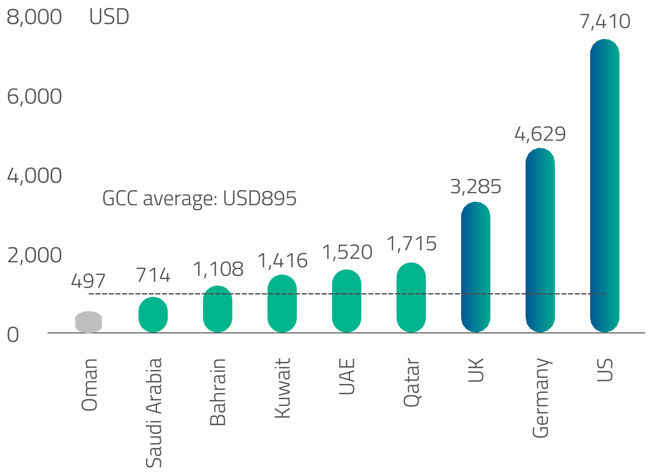
In 2019 the Qatar government allocated US$ 6.23bn to the health sector, representing 11% of its total budget[8]. This remained unchanged for 2020, with US$ 6.2bn allocated to health. Qatar's health spending is expected to grow by an average of 2.2% per year until 2022[7].

Graph 4: Health spending growth in 2020 (% change in nominal Us$)



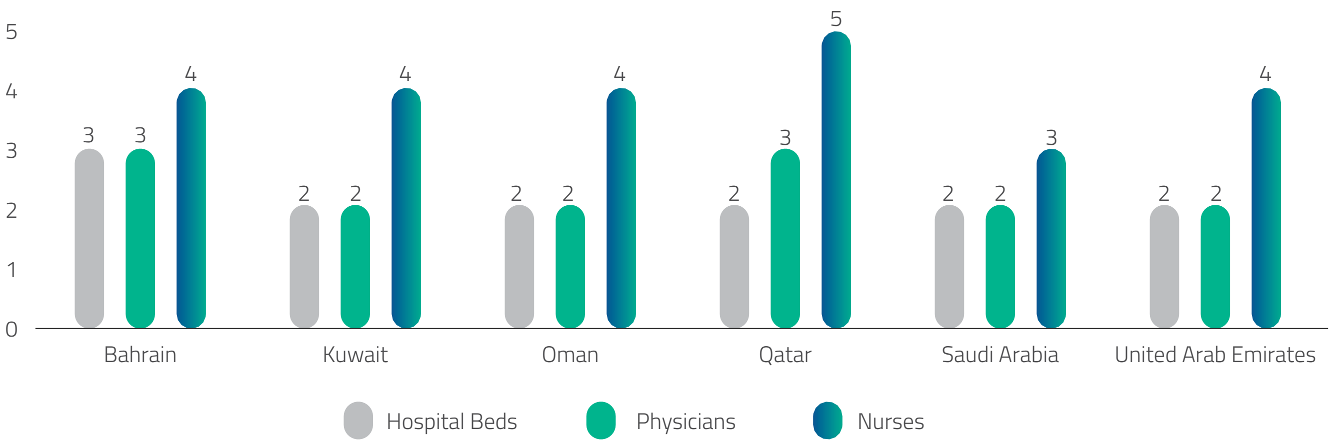
(Source: The Economist Intelligence Unit)

Graph 5: GCC Per Capital Healthcare Expenditure



Source: World Bank

Graph 6: Medical Facilities per 1,000 Inhabitants



[5]Deloitte report on Global Healthcare Industry 2019
[6]Alpen Capital report on GCC Healthcare Industry
[7]Alpen Capital report on Oman Healthcare Industry
[8]Report by Alpen Capital and Ministry of Health

GCC Healthcare Industry Trends

- Advanced technology: The utilization of big data and clinical analytics is anticipated to improve the quality of treatment and offer cost-efficiency to patients. The rapid penetration of Internet of Things is helping to improve diagnostics and decision-making. While Artificial Intelligence speeds up administrative tasks and aids robotic surgery, remote healthcare is being facilitated with advancements in telecommunication. Besides, 3D printing has opened new avenues of treatment, innovating customized solutions at incredible speed. Chat-bots are also likely to speed up standard processes in the healthcare industry.

- Demographic Shift: UAE's population is gradually growing, exhibiting trends for demographic change. According to the World Bank estimates, UAE's population is likely to grow from 9.4 million people in mid-2017 to almost 11.1 million by 2030, with an average life expectancy of 79.8 years. Residents aged 65+ are expected to comprise a growing proportion of UAE's population, increasing from 1.1% at present to 4.4% by 2030. The demographic shift is anticipated to open up opportunities for the healthcare industry in UAE as well as other GCC countries.

- Opportunities for Medical Professionals: The opportunities to develop medical professionals within the UAE is gradually growing. As more and more opportunities for medical studies open up, the country is poised to develop a vast pool of medical professionals equipped with knowledge to tackle complex medical procedures. As per the Dubai Health Authority (DHA) Strategy 2016–2021, a government directive supports Dubai's aim to attract, retain, and develop a healthcare workforce that is determined to offer access to world-class medical educational facilities. Given that 82% of physicians and 96% of nurses in the UAE are expatriates, these initiatives are likely to reduce dependence on healthcare practitioners from abroad.

Growth Drivers:

- Growing demand for quality healthcare: The healthcare industry in the UAE and KSA is witnessing a staggering demand, mostly on account of the mandatory insurance coverage required for all residents of these countries. A vast majority of people in the GCC are below the age of 29 and therefore, its population is relatively young. However, in the years to come, the demographic shift will increase the aged population significantly. This segment, above 65 years of age, has a proportionally higher healthcare cost per capita for treatment of diabetes, hypertension, heart ailment and other illness. As a result, the ageing population of GCC countries is fuelling growth in the healthcare industry.

- PPP opportunities in healthcare: The opportunities for Public Private Partnership in healthcare is driving growth of smart hospital initiatives utilizing new-age technology such as Artificial Intelligence, Blockchain and Robotics. In UAE and Saudi Arabia, in particular, there is a rapid rise in private sector investment in healthcare. To meet the growing demand for healthcare services, additional beds are being arranged in private hospitals and this is likely to improve opportunities for investment.

- Prioritizing value based care: With an objective to offer outcome-based and cost-efficient healthcare, value based care aims to improve the overall quality of care offered by healthcare facilities. It takes on a holistic approach to ensure quality care while offering cost savings for stakeholders including healthcare providers, insurance companies and healthcare product manufacturers. It is particularly growing in UAE and Saudi Arabia.

- Age of Innovation: The healthcare industry remains at the cusp of evolutionary changes as advanced and innovative technology influences positive developments in the sector. In the next 2-3 years, AI platforms across select healthcare workflows, is likely to result in a 10-15% gain in productivity. In 2019, digital health technology, catering to out-of-hospital settings, increased by 30% to cross the US$25 billion[9] mark globally . Moreover, 5-10% of healthcare-focused enterprise blockchain applications moved from pilot stage to partial/limited commercial availability in 2019.

Challenges in the GCC Healthcare Industry

Some of the major challenges affecting the growth of healthcare sector in GCC countries are:

- GCC countries lack skilled medical professionals and depend on a transient expatriate population, which doesn't always provide the continuity required for long-term health planning.

- Increasing cost of healthcare in the GCC

- Extensive reliance on Government financing and schemes, i.e. rise of Public Private Partnership is needed to boost the industry.

- Inconsistencies in quality and standardization of services leads to complexity in processes, resulting in outflow of patients to countries outside the GCC.

Indian Healthcare Industry

The healthcare sector in India has evolved significantly over the years, with positive contribution to the country's economic growth and enhancing healthcare system. The country is focusing on four main pillars of strengthening the healthcare sector - preventive healthcare, affordable healthcare, supply-side interventions and mission mode intervention.

With these approaches in mind, the Government of India is planning to increase public health spending to 2.5% of the country's GDP by 2025[10]. The competitive cost and quality medical services has increased the demand for country's medical tourism, attracting patients from across the world.

Given the positive growth of the healthcare sector, the life expectancy is expected to exceed 70 years by 2022, giving more demand to the healthcare services. This will result in investment of over US$ 200 bn on medical infrastructure by 2024[11]. Further, these investments will lead to job creation of around 40 million by 2020 directly & indirectly, with currently the sector employing around 3 million people directly.

[9]Report by Frost and Sullivan on opportunities in GCC healthcare sector

[10]IBEF – Indian Healthcare Sector March 2020

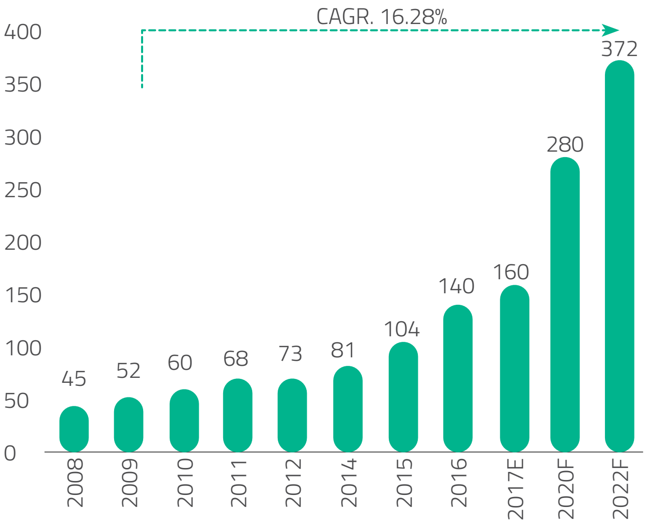
Government Initiatives[10]

- In Union Budget 2020-21 the government announced an outlay of ₹ 69,000 crore (US$ 9.87 billion) for the healthcare sector, inclusive of ₹ 6,400 crore (US$ 915.72 million) for Pradhan Mantri Jan Arogya Yojana (PMJAY).
- Around 125.7 million families have enrolled in the Pradhan Mantri Jan Arogya Yojana (PMJAY), as of July 2019. Under this scheme, 16,085 hospitals, including 8,059 private hospitals and 7,980 public hospitals have been enrolled. The treatment initiatives are also expected to include 19 Ayush packages.
- The launch of 'Ayushman Bharat' demonstrates the Indian government's commitment to provide 'healthcare for all' and it is aligned to the United Nations Sustainable Development Goals.
- For approved expenditure incurred on operating technology, enabling healthcare services such as tele-medicine and remote radiology, can avail tax incentives in the form of 250% deduction.
- Income tax exemption for 15 years for domestically manufactured medical technology products.
- Over 100 million people are expected to benefit from the National Nutrition Mission, whereby states and districts will be covered by the programme. For nutrition-related programmes, ₹ 35,600 crore (US$ 5.09 billion) has been allocated in Union Budget 2020-21.
- The Government of India also approved the continuation of National Health Mission with a budget of ₹ 34,115 crore (US$ 4.88 billion), as per the recent budget.

Outlook

India is expected to rank amongst the top three healthcare markets in the world in terms of incremental growth by 2020. Indian healthcare sector is expected to reach US$ 372 bn by 2022, growing at a CAGR of 22% from 2016-2022[12]. Rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare is expected to boost healthcare services demand in future. Further, there is immense scope for enhancing healthcare services penetration in India, thus presenting ample opportunity for development of the healthcare industry.

Graph 7: Healthcare Sector Growth Trend (US$ Billion)



(Source: IBEF Indian Healthcare industry March 2020)

Company Overview

As one of the largest private healthcare service providers operating in Asia (GCC and India), Aster DM Healthcare Ltd (Aster), continues to focus on providing accessibility to quality healthcare services. Aster operates in multiple GCC countries with presence in UAE, Oman, Saudi Arabia, Qatar and Bahrain. Besides this, the company has also operations in India as well. It has grown from a single clinic to a performance-driven healthcare enterprise spread across 380 establishments in 7 countries. The Company headquartered in Dubai, United Arab Emirates and provides services through its large network of hospitals, clinics, pharmacies under various brands like 'Aster', 'Medcare' and 'Access'.

Aster's quality of medical care and track record of building long-term relationships with its doctors and other medical professionals has enabled it to build a strong brand across its area of operations and gain consumer confidence. Aster has a diversified portfolio of healthcare facilities, consisting of 12 hospitals, 108 clinics and 238 retail pharmacies in the GCC states, 13 multi-specialty hospitals and 9 clinics in India as on March 2020.

Aster represents highest standards of patient care reflected in several industry recognitions and patient endorsements on rating platforms. Never content to rest on its laurels, Aster DM Healthcare is constantly seeking opportunities to set new yardsticks with advanced developments. With many more innovative and ambitious initiatives, Aster DM Healthcare has radically catalysed the healthcare revolution across Middle East.

Key Strengths

- Driving synergies: Being present in GCC and India, Aster drives multiple operational as well as strategic synergies. While in GCC, it offers services across hospitals, clinics & pharmacies, providing primarily primary, secondary and tertiary/quaternary care, it leverages its brand to source quality medical professionals

[11]Livemint and Invest India

[12]Pharma Med HD 2019 Transforming the perception of Indian Health Care Industry

through its India operations. Strategic and sizeable network of clinics enable an efficient patient feeder structure. GCC operations contributes ~81 % of revenue, enabling it to leverage and promote medical value tourism to India.

- Integrated healthcare provider with strong brand equity: Aster, over 30 years, has created a healthcare eco-system across two key geographical regions. In GCC region, Aster's primary care clinics act as the initial touch-points in the patient journey, while hospitals stand to provide higher level of medical care. It has a strong patient endorsement across its multiple offerings of primary, secondary, tertiary care and quaternary care.

- Benchmark Healthcare practices: Aster places emphasis on improvement around systems and processes around the patient-care network. It also has the best in class technology and infrastructure to treat its patients backed by experienced nurses and doctors that provide proper care and due diligence. All our network of facilities ensures maintenance of best healthcare practices and patient care.

- Experienced Management Team: With over three decades of experience and an experienced management team of professionals, Aster continues to expand its outreach. Over the years, it has widened its area of offerings with a team of professional and qualified doctors and nurses, ably-guided by its top management.

Business Review

- GCC Hospitals

  Aster provides diverse range of services through its hospitals in GCC. The output patient services provided by the company includes consultations for various issues and preventive health screenings.

Hospitals-GCC	Location	Commencement or Acquisition year	Bed Capacity	Operational Beds
Medcare Hospital	Dubai, UAE	2007	64	55
Al Raffa Hospital	Muscat, Oman	2009	86	72
Al Raffa Hospital	Sohar, Oman	2010	78	67
Medcare Orthopaedics and Spine Hospital	Dubai, UAE	2012	33	27
Aster Hospital Mankhool	Dubai, UAE	2015	126	108
Medcare Women and Child Hospital	Dubai, UAE	2016	112	95
Medcare Hospital	Sharjah, UAE	2017	130	113
Sanad Hospital	Riyadh, KSA	2011	218	218
Aster Hospital	Doha, Qatar	2017	61	30
Aster Hospital Qusais	Dubai, UAE	2018	154	99
Ibri Hospital	Ibri, Oman	2019	31	24
Cedars Hospital	Dubai, UAE	2019	18	0

- GCC Clinics

  Aster possesses one of the largest network of clinics in UAE, operating to the highest quality of standards and offers affordable health care, thereby, setting new benchmarks in care to make a positive difference to the lives of its patients. The company has 90 clinics present in UAE, 8 clinics present in Oman, 8 clinics present in Qatar and 2 clinics in Bahrain.

- GCC Retail Pharmacies

  Aster has a huge pharmacy network of 238 stores catering to its customers a wide range of products including nutritional supplements, baby care, personal care, medical device, rehabilitation products etc. Companies has its Pharmacies present in the UAE (212), Oman (8), Qatar (6), Jordan (10) and in Bahrain (2).

- Indian Hospitals

  Aster has 13 hospitals in India with an installed capacity of 3,693 beds. These hospitals offer a wide range of care services such as Cardiac, Orthopaedic, Neurology, Oncology, etc. The company, during the year, also witnessed a significant rise in inpatients and outpatients count in its Indian hospitals.

Hospitals-India	Location	Commencement or Acquisition year	Bed Capacity	Operational Beds
Aster Aadhar Hospital	Kolhapur, Maharashtra	2008	176	151
MIMS Kozhikode	Kozhikode, Kerala	2013	678	465
MIMS Kottakkal	Kottakkal, Kerala	2013	229	171
Aster CMI	Bengaluru, Karnataka	2014	509	326
Aster Medcity	Kochi, Kerala	2014	670	440
Aster Prime Hospital	Hyderabad, Telangana	2014	158	112

Hospitals-India	Location	Commencement or Acquisition year	Bed Capacity	Operational Beds
DM WIMS Wayanad	Wayanad, Kerala	2016	NA	NA
Dr. Ramesh Guntur	Guntur, Andhra Pradesh	2016	350	175
Dr. Ramesh Main Centre	Vijaywada, Andhra Pradesh	2016	184	160
Dr. Ramesh- Labbipet	Vijaywada, Andhra Pradesh	2016	54	50
Dr. Ramesh Sanghamitra-Ongole	Ongole, Andhra Pradesh	2018	150	150
MIMS Kannur	Kannur, Kerala	2019	302	236
Aster RV	Bengaluru, Karnataka	2019	233	94

Operational Review

100% legal ownership in Dubai: One of the very important milestones that Aster has crossed is 100% legal ownership of our subsidiaries in Dubai which contributes majority of its GCC business. As per UAE law requirements, UAE nationals have to hold directly or indirectly at least 51% of the share capital of UAE Company and foreign investors cannot acquire more than 49% of legal ownership. The government of UAE has now permitted 100% ownership to foreign companies. Subsequently, the government department has released the list of business activities that can have 100% foreign ownership and healthcare was a part of it.

Beds: The total number of operational beds increased YOY from 2,179 units to 2,530 units in India and decreased YOY from 913 units to 908 units in GCC hospitals.

Hospital Patient Visits: The number of inpatients count increased from ~218,000 in FY19 to ~254,000 in FY20. Further, the growth in number of outpatient counts was observed at ~3.59 million in FY20 from ~3.14 million in FY19.

Financial Performance

(Figures in ₹ crores)

	FY 2019-20	FY 2018-19	Change
Revenue from Operation	8,739	7,963	10%
EBITDA	1,258	863	46%
Adjusted PAT*	296	335	-11%

Financial Ratios

Ratio	FY 2019-20	FY 2018-19	Change
Debtor Turnover Ratio (times)	4	4.5	-0.5
Inventory Turnover Ratio (times)	10.3	11.7	-1.4
Interest Coverage Ratio (times)	2	3.3	-1.3
Current Ratio	1.1	1.4	-0.3
Net Debt Equity Ratio**	0.7	0.6	0.1
EBITDA Margin (%)	14.4%	10.8%	360 bps
Adjusted PAT Margin* (%)	3.4%	4.2%	-80 bps
Return on Net Worth (%)	9.0%	10.7%	-170 bps

*Post NCI excluding exceptional income/expense

** Net debt excludes lease liability.

Reasons for Variance in financial ratios

The growth in revenue is primarily driven by scale up of operation for Aster Qusais Hospital in Dubai. Growth in India is primarily driven by opening up of new RV Hospital in Bangalore and scale up of operations in MIMS Kannur, MIMS Calicut and Aster CMI.

The increase in EBITDA is because of rent reversal due to IndAs impact of ₹ 290 Crs and revenue growth.

Due to adoption of Ind AS 116, Reported PAT has reduced by 17% to ₹ 277 Crs. Without considering the Ind AS impact, PAT grew by 2.6% to ₹ 342 Crs compared to last financial year.

Expansion Plans

Aster plans to expand and strengthen its brand with the help of its geographical presence in GCC Countries and in India. The Company intends to increase its revenue share from India operations by optimally utilising the beds and also adding new units. Presently the company has 25 hospitals in India and GCC put together.

In GCC, Aster Sonapur Hospital has started operating in May 2020 and Sharjah hospital is in the advanced stage of completion.

In India, Aster plans to expand Aster Aadhar Hospital in Kolhapur by adding 60 beds. In Bangalore, there are 2 hospitals being commissioned with the construction of a 350-bed hospital in process and another 600-bed hospital in the design stage.

Strategies for Road Ahead

Home Healthcare Business: As part of Aster's strategy to enter less capital intensive business, it is now entering the Home Care Business. It has acquired Wahat Al Aman Home Health Care LLC, Abu Dhabi which offers home care services wherein nurses are deputed at residence of the patients to provide healthcare services. We have seen an uptake in India where nursing, pharmacy lab service and Home ICU being the top generating revenue services. The present focus is on extending care for the discharge patients through home care.

Teleconsultation Services: There has been a sharp uptake in the teleconsultation services due to COVID-19 pandemic. There is an untapped potential which can immediately be tapped up. In India, total number of doctors enrolled on eConsult portal are 581 across all Aster Hospitals. Teleconsultations for International patients have been done through existing platform as a pilot for 25-30 patients.

Aster Labs: Aster plans to expand the lab business in India. It has established Aster Labs in India. Recently, Aster Labs started providing confirmatory test service for Covid-19 in Bengaluru. Till mid-July 20, the Company has conducted more than 14,000 COVID-19 tests including government & private hospitals samples. Presently, the Aster Labs team is focusing on strengthening B2B business by entering MOUs with other hospitals.

Discontinuing Loss Making Operations: In line with the Company's strategy of discontinuing loss-making operations, Aster has closed operations in Philippines and Kuwait and the focus is now on sweating the present assets well and putting into operation the unutilized beds.

Human Resources

The company has a continuous focus to forte its workforce and expand its human resources capabilities. It continuously invests in their career development, to enhance and improve their technical competencies and to retain a competitive edge. To create an enabling environment for skill development and growth of doctors and paramedics, Aster continuously provides quality training to its employees. As of 31st March 2020, the company has employee strength of 21,091 including 3,086 doctors, 7,263 nurses and 10,742 other employees.

Risk Management

The Company operates in a dynamic environment and it is exposed to many risks, which can affect the business continuity. The Company's risk management activities seek to identify and appropriately address any significant threat to the achievement of its objectives. The Company has a Risk management policy in place and takes appropriate actions to mitigate the risk from time to time.

Risks	Impact	Mitigation
Rising Competition	The healthcare sector is competitive, as increasing healthcare providers (newer and existing hospitals, low-cost nursing homes etc) try to establish themselves among patients. Increasing subsidies from the government and improvement in services from the government hospitals may cause attrition in patients and disrupt business sustainability.	The Company has a rich experience of over 30 years in the industry, having built a resilient business model to tackle any competition. The Company's acquisition strategy as well as associating as partners with the best and quality professionals in the industry ensures that it continues to provide affordable services to its patients and stay ahead of the competition curve.
Legal Factors	The healthcare industry is subject to laws, rules and regulations that differ from country to country. Changing regulations in the healthcare industry is often challenging and require efforts and investments to comply. Providers are also required to obtain and maintain various clearances, licenses, registrations and other approvals within the area of its operations.	Aster continuously monitors its legal environment and renew all its licenses across the countries in which it operates. The company abides by all rules and regulations implemented by the government and health standards authority ensuring complete compliance and smooth business operations across both GCC and India region.
Talent Risk	The attrition of key talented personnel and inability to attract, retain a sufficient number of qualified doctors, nurses and other healthcare professionals, could have a material adverse effect on business, financial condition and results of operations.	The Company continues to strengthen its work culture and recruit high quality doctors and other healthcare professionals, such as nurses, pharmacists and technicians.
Technology Risk	Advanced technology have helped the healthcare sector to treat patients well. With the help of Robotics, 3D printing and data analytics and blockchain, healthcare industry has evolved rapidly. Non-adherence to such development may lead to loss of revenue for the company.	The Company has a state-of-the-art technology which is among the best in world. It continuously invests in technology and processes to address rising critical diseases and serve patients through its multiple healthcare offerings. A dedicated training module for all its staff further ensures best clinical outcomes for various complex cases.

Risks	Impact	Mitigation
Quality Risk	Failure to deliver safe and quality based clinical healthcare service may affect the brand and future of the company. Healthcare quality is measured by factors such as medical care, expertise of healthcare professionals and final outcome of patient care.	Aster continues to lead as a healthcare service provider in GCC countries and in India. It has a specific focus on quality of services, delivering patient care with advanced medical care. Its facilities are certified with quality accreditations from leading health organization like JCI and NABH.
Revenue Risk	The Company has a presence in GCC states and in India. But a larger part of its revenue is focused on GCC countries. Any major changes in policy or regulation in any GCC region can affect the profitability and sustainability of its business operations.	To mitigate the concentration of revenue mix, the company has been quite successful in implementing its business strategy as revenue mix concentration has reduced from 89% in 2015 to 81% in 2020 from GCC states. Aster is expanding its operations in India and also planning to increase its scale in India by increasing its capacities through additional beds.

Internal Control System and their adequacy

The Management has laid down internal financial controls to be followed by the Company. The Company has adopted policies and procedures for ensuring orderly and efficient conduct of the business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. 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, effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

As part of the Corporate Governance Report, CFO certification is provided, for assurance on the existence of effective internal control systems and procedures in the Company.

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 in-house internal audit function and by Grant Thornton India LLP, external firm. The Audit Committee of the Board oversees the internal audit function.

The Audit Committee is regularly apprised by the internal auditors through various reports and presentations. The scope and authority of the internal audit function is derived from the audit charter approved by the Audit Committee. 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 that a system of internal control is designed and deployed to manage key business risks and is operating effectively.

Cautionary Statement

Certain statements in the MDA section concerning future prospects may be forward-looking statements which involve a number of underlying identified / non identified risks and uncertainties that could cause actual results to differ materially. In addition to the foregoing changes in the macro-environment, global pandemic like COVID-19 may pose an unforeseen, unprecedented, unascertainable and constantly evolving risk(s), inter-alia, to the Company and the environment in which it operates. The results of these assumptions made, relying on available internal and external information, are the basis for determining certain facts and figures stated in the report. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based, are also subject to change accordingly. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.