

PRACTISING COMPANY SECRETARIES' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Apollo Hospitals Enterprise Limited

- The Certificate issued in accordance with the terms of our engagement letter dated 14th February,2020
- We have examined the compliance of conditions of Corporate Governance by Apollo Hospitals Enterprise Limited (The Company'), for the year ended 31st March 2020, as stipulated in the Regulations 17-27, clauses (b) to (i) of Regulation 46(2) and paragraphs C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), as amended, pursuant to the Listing Agreement of the Company with the Stock Exchanges.

Management Responsibility

The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the SEBI Listing Regulations.

Auditor's Responsibility

Our examination is limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For LAKSHMMI SUBRAMANIAN & ASSOCIATES

LAKSHMMI SUBRAMANIAN

SENIOR PARTNER

FCS NO. 1087

CP NO. 3534

UDIN : F003534B000345612

Place : Chennai

Date : June 16, 2020

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Developments

**WHEN A NATION'S
POPULATION IS
HEALTHY, THEY MAKE
AN IMPORTANT
CONTRIBUTION TO THE
ECONOMIC PROGRESS
OF THE COUNTRY, AS
THEY LIVE LONGER AND
ARE MORE PRODUCTIVE.**

Good health is the foundation on which a person's happiness and well-being rest. When a nation's population is healthy, it automatically means that the people make an important contribution to the economic progress of the country, as they live longer and are more productive. Studies have revealed the significant interlinkages between the economic performance of a country and the health of its population, making investment in health not just desirable, but a priority for societies. It is important that every citizen has access to basic healthcare facilities, an important factor that will influence a better quality of life for the populace. A comparison of the basic health indicators between developed and developing countries clearly show that developed nations lead the way in healthcare provision and utilization in terms of all resources i.e., money, infrastructure, people, education, and products. Developing nations, which have not been able to invest similarly in healthcare infrastructure, are characterized by lower human development.

Today, the primary challenge for developing countries like India, is the improvement of healthcare access across sectors, in terms of both reach and affordability, and the pursuit of universal healthcare to ensure that healthcare needs of the vulnerable and under-privileged sections of the society are addressed. Additionally, coping with modern diseases, public health engineering, disease surveillance and rising healthcare costs present significant challenges for the healthcare industry.

The recent COVID-19 pandemic has caused immense disruption, bringing to the fore, the importance of good health from an economic standpoint and the pressing need to devote resources for the prevention of future epidemics while managing such crises without excessive economic disruption. It is believed therefore, that once the crisis dissipates, there will be a perceptible paradigm shift worldwide towards providing sustainable and equitable pre-eminent healthcare for all. For this to be successful, it is imperative that all stakeholders including healthcare providers, Governments, investors

"Harnessing the power of digital technologies is essential for achieving universal health coverage. Ultimately, digital technologies are not ends in themselves; they are vital tools to promote health, keep the world safe, and serve the vulnerable."

**—Dr. Tedros Adhanom
Ghebreyesus,
WHO Director-General**

and consumers come together to understand, analyze and implement required changes across the ecosystem.

Globally, the healthcare industry is transforming rapidly. Several new health technologies such as wearable tech, telemedicine, genomics, virtual reality (VR), robotics and artificial intelligence (AI) although still nascent, are expected to change the very landscape of this industry. To meet the demands of the future, much of these technologies should be capable of adequate scale.

It is safe to expect that the future of health will focus on well-being and prevention rather than treatment. Innovations are already breaking barriers in the way diagnosis and treatments are being provided. Technology will also help to democratize healthcare by lowering costs and breaking geographic hurdles. The increasing pace of technological innovation in healthcare will soon offer a plethora of opportunities for healthcare service providers across the globe.

General Overview on India's Healthcare Services Landscape

"India has adopted a multi-sectoral approach towards the health sector. The country is focusing on four main pillars of universal health. These are preventive health, affordable healthcare, supply-side interventions and mission mode intervention."

**—Mr. Narendra Modi,
Prime Minister, India**

The healthcare sector in India is one of the country's largest economic sectors, with regard to both employment and revenue. The various demographic changes such as the increase in demand for modern healthcare facilities, rise in awareness about diseases, growing health consciousness among people, increase in per capita income, changing lifestyles, transition in disease profile, etc. have all contributed significantly to the growth of the healthcare service industry in India. With the Government rolling out the biggest publicly funded healthcare plan in the world, many more doors of opportunity in the sector are now open.

Today, India is able to offer best-in-class healthcare services at a fraction of the cost in other major countries around the globe. The availability and advancement of healthcare facilities have contributed to the betterment of the healthcare sector in India. Reduction in the cost of life-saving drugs and medical devices, versatile pharmaceutical services, world-class specialty hospitals in Tier 1 and Tier 2 cities and a large pool of well-trained medical professionals are additional factors that have supported this growth.

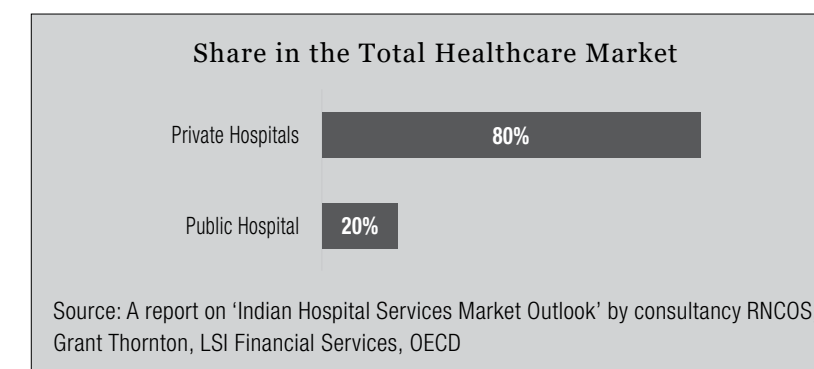
However, a substantial gap exists in the supply of healthcare services as compared to the demand. India's limited healthcare infrastructure has historically been inadequate to meet the demands of a large and diverse population; public healthcare facilities are even now unable to adequately scale to effectively serve the needs of a growing population or reach the interiors of the country.

This unmet opportunity combined with strong fundamentals has largely led to the private sector taking center stage in India's healthcare landscape. Private healthcare institutions provide world class facilities, employ highly skilled and globally recognized professionals, skillfully leverage advanced technology in treatments, and maintain high standards of quality.

Private sector players have been able to obtain a major share of nearly 80% of the country's total healthcare market. They also account for almost 74% of the country's total healthcare expenditure. Their share in hospitals alone is estimated at 74% while their share of hospital beds is estimated at 40%.

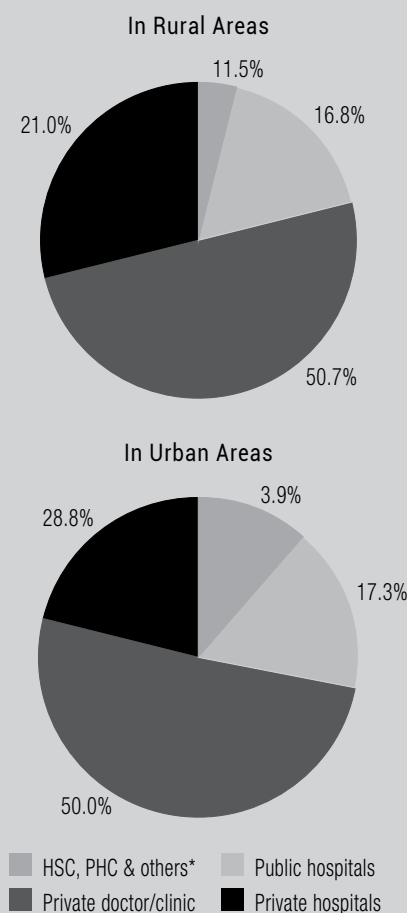
Rural Areas
50.7%
Treatment in
Private Doctor Clinic

Urban Areas
50.0%
Treatment in
Private Doctor Clinic



From the following chart, it is clear that both rural and urban India prefer private sector care for the treatment of illness and disease. Of the different levels of care mentioned here, private doctor/clinic is the single biggest point of contact for treatment of ailments for rural areas (50.7%) and urban areas (50%). This is followed by treatment at private hospitals, public hospitals and Health Sub Centres (HSC), Primary Health Centres (PHC) & others.

Percentage of Ailments by Different Levels of Care



Source: MoSPI, NSS 71st Round (January-June 2014)

Note: Public sector includes HSC, PHC & others* and public hospitals. Private sector includes private doctor/clinic and hospitals.

* Others include Auxillary Nurse Midwives (ANM), Accredited Social Health Activists (ASHA), Anganwadi Workers (AWW), Dispensaries, Continuing Healthcare (CHC), and Mobile Medical Units (MMU)

THE SIGNIFICANT GAP BETWEEN 'REQUIRED' AND 'ACTUAL' HEALTHCARE INFRASTRUCTURE HAS DRIVEN CONSIDERABLE INVESTMENT INTO ASSETS LIKE HOSPITALS AND OTHER CARE FACILITIES OVER THE YEARS

Today, the healthcare sector in India offers a potent mix of opportunities and challenges. The significant gap between 'required' and 'actual' healthcare infrastructure has driven considerable investment into assets like hospitals and other healthcare facilities over the years. It has become a preferred sector for strategic and financial investments.

INDIA'S HEALTHCARE SECTOR IS STRONGLY SUPPORTED BY THE INDIAN GOVERNMENT WITH AN AIM TO DEVELOP IT AS A GLOBAL HEALTHCARE HUB

Government Initiatives are Supporting Growth of Healthcare Sector

It is important to mention that the Country's healthcare sector is strongly supported by the Indian Government which has been undertaking commendable work to develop India as a global healthcare hub. Over the years, several initiatives to drive the growth of the healthcare sector in the country have been yielding positive results. These initiatives have gone a long way in not only improving overall healthcare access for the general population but have also enhanced the quality of healthcare in the country.

Policies and Schemes

Ayushman Bharat

Aims at making path-breaking interventions to address health holistically. As of November 2019, about 6.37 million people have received free treatment under this scheme.

National Health Policy (NHP) Scheme

Formed with the aim to deliver quality healthcare services to all at affordable costs is the world's largest Government-funded healthcare programme

National Resource Centre for EHR Standards (NRCeS)

Ministry of Health & Family Welfare (MoHFW) established a Centre of Excellence named as National Resource Centre for EHR Standards (NRCeS) at C-DAC, Pune to accelerate and promote adoption of Electronic Health Record (EHR) standards in India

Mission Indradhanush

Aims to improve coverage of immunisation in the country and reach every child under two years of age and all the pregnant women who have not been part of the routine immunisation programme

Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)

Aims at correcting regional imbalances in the availability of affordable / reliable tertiary healthcare services and also to augment facilities for quality medical education in the country

Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA)

Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA), a programme launched in 2016 to ensure comprehensive and quality antenatal check-ups to pregnant women across India, has crossed the 10 million mark

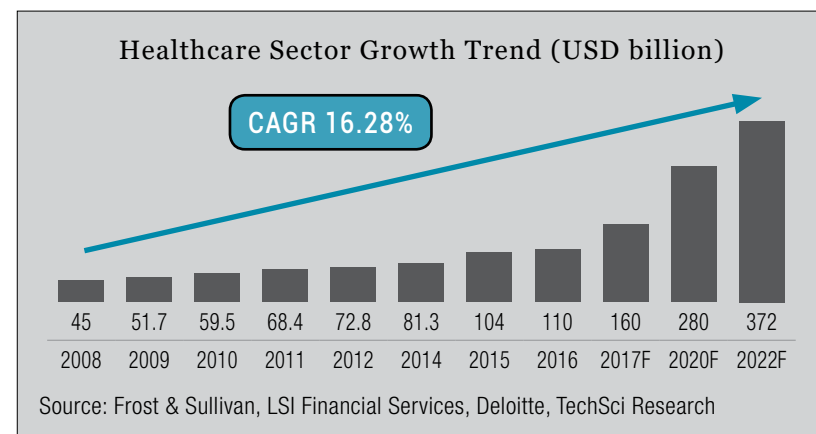
Market Size of Indian Healthcare Sector

The Indian healthcare sector is growing at a remarkable pace thanks to growing coverage, services and increasing expenditure by the public and private sectors. As per a report from the Ministry of Commerce and Industry, the Indian healthcare sector, which stood at a size of USD 110 billion in 2016, is expected to reach a size of over USD 372 billion by 2022, registering a CAGR of 22%. The hospital industry in India is expected to grow at a CAGR of 16-17% to reach a size of USD 132.84 billion by FY22 from USD 61.79 billion in FY17. The Country ranks 145 among 195 countries in terms of quality of healthcare and accessibility. India's healthcare access and quality (HAQ) index increased from 24.7 in 1990 to 41.2 in 2016.

INDIAN HEALTHCARE INDUSTRY STANDS OUT ON THE GLOBAL STAGE AS AN EFFICIENT AND COST-EFFECTIVE HEALTHCARE DELIVERY SYSTEM WITH ITS NETWORK OF EXPERT DOCTORS AND SPECIALISTS, WELL-EQUIPPED DIAGNOSTICS, AND NURSING SERVICES

The healthcare sector in India is marked by superior skills, knowledge, and professionalism. It stands out on the global stage as an efficient and cost-effective healthcare delivery system with its network of expert doctors and specialists, well-equipped diagnostics, and nursing services. Within the country, there is immense scope for enhancing healthcare services penetration and ample opportunity for the development of the healthcare industry as a whole.

Conducive policies for encouraging FDI, tax benefits, and favourable Government policies coupled with promising growth prospects are helping the industry attract private equity, venture capital and foreign players. Today, Indian companies are entering into alliances with domestic and foreign companies to drive growth and gain new markets. Going forward, fundamental factors such as rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare, are expected to provide impetus and boost healthcare services demand.

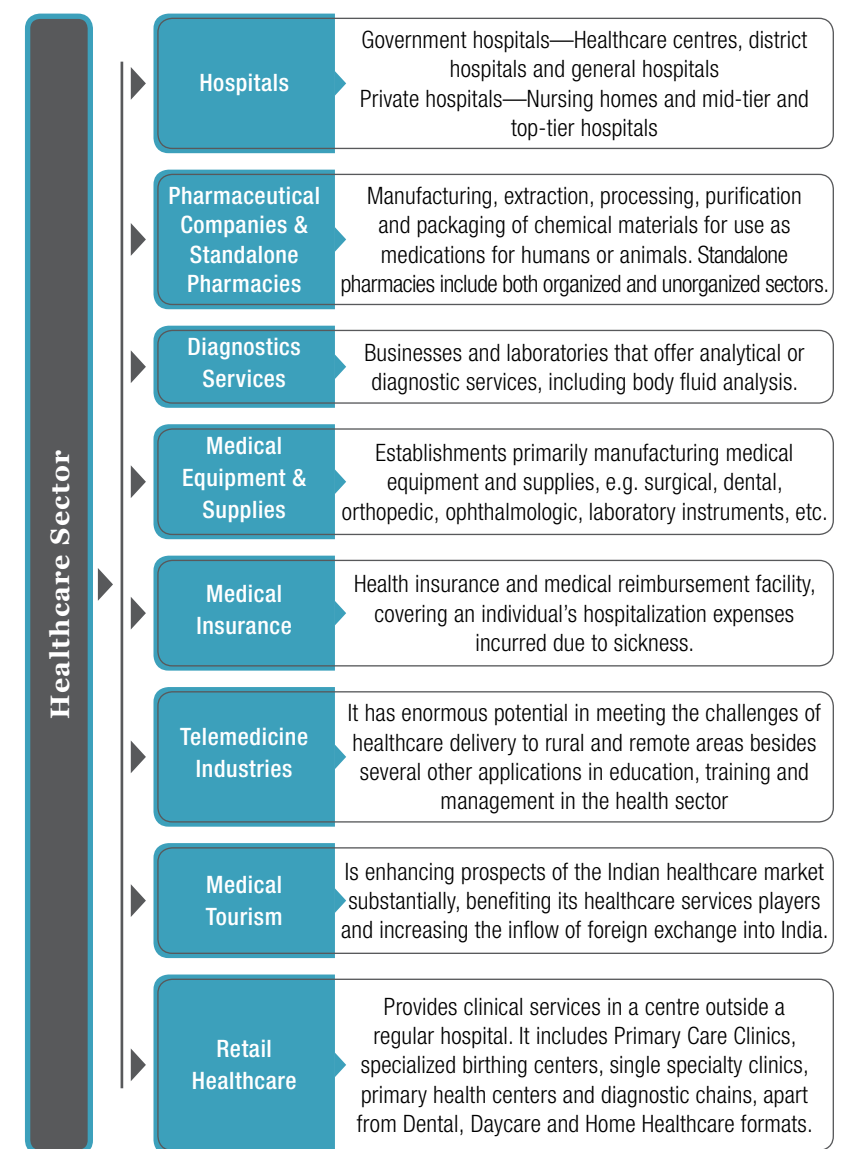


BY 2020, INDIA IS EXPECTED TO RANK AMONGST THE TOP 3 HEALTHCARE MARKETS IN TERMS OF INCREMENTAL GROWTH

100,000
JOBS ARE EXPECTED TO BE CREATED FROM AYUSHMAN BHARAT, THE NATIONAL PROTECTION SCHEME

In FY17, the healthcare sector in India stood as the fourth largest employer, employing a total of 319,780 people. By 2020, the sector is expected to generate 40 million jobs in India. By 2020 the country is also expected to rank amongst the top 3 healthcare markets in terms of incremental growth [Source: www.livemint.com and IBEF Report]. An additional 100,000 jobs are expected to be generated through the implementation of Ayushman Bharat, the National Health Scheme and other initiatives of the Government.

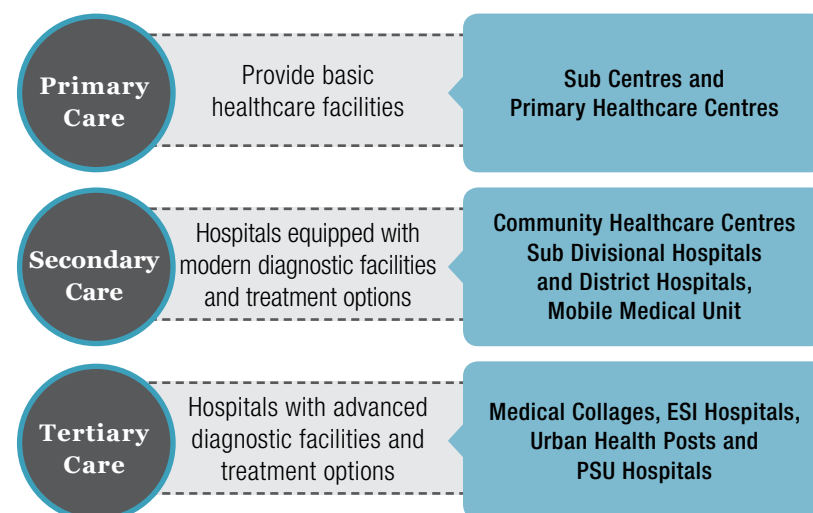
The Healthcare sector in India broadly includes Hospitals, Pharmaceutical Companies & Standalone Pharmacies, Diagnostic Services, Medical Equipment and Supplies, Medical Insurance, Telemedicine Companies, Medical Tourism and Retail Healthcare.



Source: Hospital Market - India by Research on India, Aranca Research

Structure of Healthcare Delivery in India

The Healthcare sector is divided into three major categories: primary, secondary and tertiary.



Source: Dun and Bradstreet - "Sector risk outlook - Hospitals" October 2014, via Thomson Research, accessed January 2015; "Rural Health Statistics in India ", Statistics Division Ministry of Health and Family Welfare Government of India, 30 April 2013

Primary Healthcare

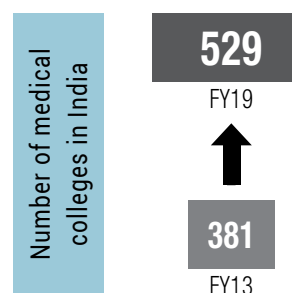
The primary sector which mainly operates at the grass-root level has minimal involvement of private players. This is the first point of contact between the populace and the healthcare service providers. This infrastructure offers basic medical and health prevention services through a network of Sub Centers and Primary Health Centers in rural areas; in urban areas it is provided through Urban Primary Health Centers, Health Posts, and Family Welfare Centers.

Secondary Healthcare

Secondary Healthcare refers to a second tier of healthcare systems, in which patients from primary health care are referred to specialists in bigger hospitals for treatment. In India, the health centers for secondary health care include District Hospitals and Community Health Centre at block level.

This infrastructure provides inpatient as well as outpatient medical services, including simple surgical procedures. The various medical specialties offered under secondary healthcare include internal medicine, Ob-gynaec, pediatrics and limited services in specialties like urology and cardiology, among others.

THE GOVERNMENT OF INDIA IS PLANNING TO INCREASE PUBLIC HEALTH SPENDING TO **2.5%** OF THE COUNTRY'S GDP BY 2025



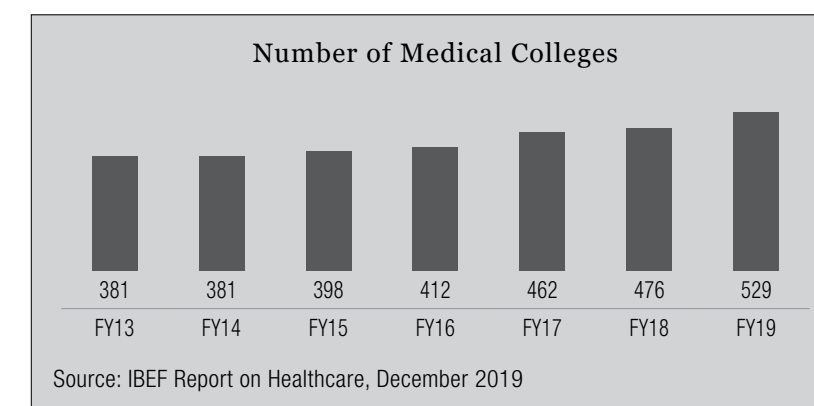
Tertiary Healthcare

Tertiary Healthcare refers to a third level of healthcare system, in which specialized consultative care is provided usually on referral from primary and secondary medical care. Specialized Intensive Care Units, advanced diagnostic support services and specialized medical personnel are the key features of tertiary health care. In addition to tertiary hospitals that offer services for single specialty, there are multi-specialty tertiary hospitals that offer a number of services in the same hospital. In India, under the public health system, tertiary care service is also provided by medical colleges and advanced medical research institutes.

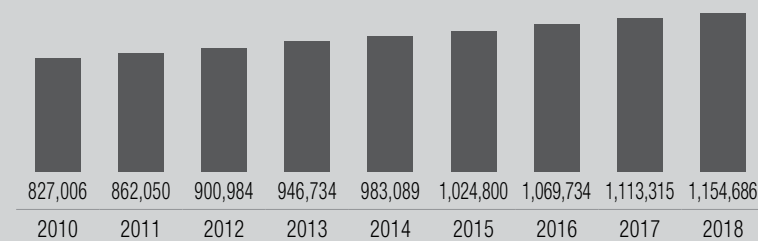
Scope to Increase India's Per Capita Healthcare Expenditure

The recent Covid-19 pandemic crisis has served as a stark reminder of the importance of investing in augmentation of healthcare infrastructure. The continued variance of healthcare spends between urban and rural areas has resulted in a sharp disparity in the availability of healthcare facilities across the country, although the Government of India is planning to increase public health spending to 2.5% of the Country's GDP by 2025.

Over the last two decades, India has taken considerable steps to grow its medical education infrastructure. The number of medical colleges in the country has increased to 529 in FY19 from 381 in FY13. The number of doctors possessing recognized medical, qualifications (under I.M.C Act) registered with state medical councils/medical council of India increased to 1,154,686 in 2018 from 827,006 in 2010.

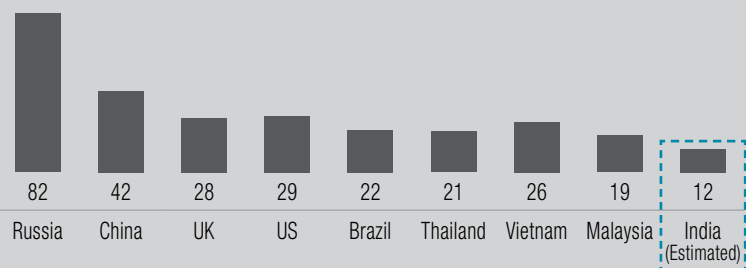


Number of Doctors



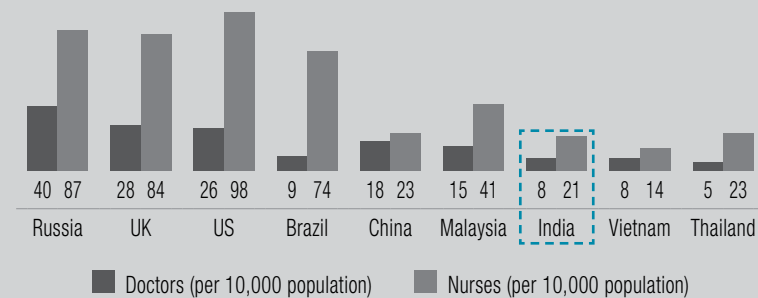
Source: IBEF Report on Healthcare, December 2019

Hospital Bed Density (per 10,000 population)



Source: CRISIL Research, World Bank, CARE Research

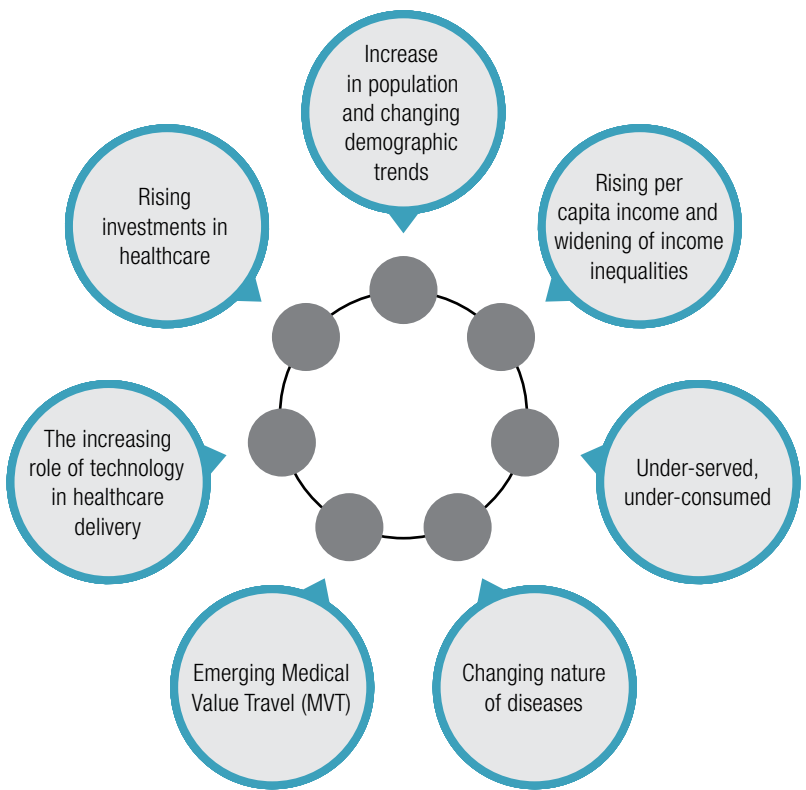
Density of Medical Professionals



Source: CRISIL; WHO world health statistics 2018

Key Characteristics

Strong fundamentals inherent to the sector are expected to accelerate further growth in healthcare demand in India. This industry in India is broadly characterized by the following:



Even though the country is witnessing rapid expansion in the healthcare sector, the shortage of medical workforce remains a reality and a challenge. As per World Health Statistics primary data 2007-2018, the density of physicians per 10,000 population for India stands at 8 which is very low compared to the number for USA that stands at 26. As per the National Health Policy 2018, India has a density of 30.2 skilled health professionals (physicians/nurses/midwives) per 10,000 population while the Sustainable Development Goal (SDG) target is a density of 44.5 per 10,000 population. To achieve the ratio reported by the USA with respect to the density of physicians, India will require an additional 2.4 million physicians approximately.

Additionally, hospital bed density in India is merely 12 per 10,000 persons-significantly lower than the WHO guideline of 30 beds per 10,000 population. These statistics indicate the alarming healthcare infrastructure gap in the country and the tremendous growth potential of the Indian healthcare sector to enable the country move towards the global mean.

Density of physicians
per 10,000 population

26

USA

8

INDIA

Bed Density

12

INDIA

Increase in Population and Changing Demographic Trends

India's 1.3 billion population base offers a sizable market and pertinent growth opportunities for health care services in the country. Empowered with unique demographic advantages, India is racing to rank among the world's most developed economies in the next decade.

54.6%
OF INDIA'S POPULATION
FALLS IN THE AGE
GROUP OF
20 TO 59

As per the National Health Profile 2018, 54.6% of India's population falls in the age group of 20 to 59 years. This productive demographic group is expected to turn to modern and efficient healthcare services for treatments rather than rely on ill-equipped facilities.

While the population of India is considerably young, there is a parallel growing elderly population that is more than 60 years of age. In fact, the sheer number of elders in India exceeds the total population of several nations. The rise in the number of the elderly combined with rising life expectancy, is another proponent for quality healthcare.

Socio-demographic factors in the country, therefore, are expected to boost healthcare services demand in the future.

Rising Per Capita Income and Widening of Income Inequalities

**RISING PER CAPITA
INCOME AND THE
ECONOMIC STABILITY
OF THE EXPANDING
MIDDLE CLASS
POPULATION, IS BOUND
TO INCREASE THE
DEMAND FOR SERVICES**

India has witnessed tremendous economic growth over the last 3 decades. The country has been able to register robust GDP growth and has been consistently featured amongst the fastest growing economies in the world. Rising per capita income and the economic stability of the expanding middle class population, is bound to increase the demand for services. Improved affordability is a gateway for superior healthcare facilities.

However, even as India continues to develop, income inequality in the country is widening. Low per capita income, low expenditure on healthcare, and a low number of doctors coupled with poor insurance penetration in rural areas are reasons for the disparity in healthcare offerings between urban and rural areas. This inequality is evident even within the same urban city. People in the various income slab categories fall into unique baskets typified by varying healthcare needs. Each of these presents a market in terms of the addressable value proposition.

Under-Served, Under-Consumed

India's healthcare space is under-served chiefly because of the absence of credible infrastructure, a situation spawned by decades of under investment in the health sector. In addition, the domestic healthcare delivery infrastructure of the country is largely skewed towards the organized private sector, and primarily is confined to state capitals or tier-1 cities.

The country continues to remain far behind the global curve in providing good quality healthcare access across its population. Making healthcare affordable and accessible to all citizens of the country continues to be one of the Government's key focus areas. Even in terms of metrics, be it the per capita number of beds or doctors, India lags developed as well as developing peers. In terms of infrastructure, India has 12 hospital beds as compared to the USA which has 29 beds to serve per 10,000 population. India requires an additional 2 million beds to be at par with the global median. While India's healthcare service infrastructure is under served, low affordability has also resulted in these services being under-consumed.

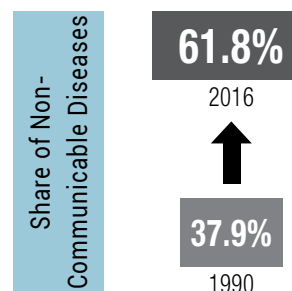
Changing Nature of Diseases

India has witnessed an extensive change in the overall disease profile of its population. The share of communicable, maternal, neonatal, and nutritional diseases for death decreased to 27.5% in 2016 from 53.6% in 1990 and that of non-communicable diseases increased to 61.8% in 2016 from 37.9% in 1990. This shift in the disease profile has led to an additional need for healthcare services in the country. Non-communicable diseases tend to be of long duration, increasing the need for sustained healthcare services.

Transition in disease profile	1990	2016
Share of communicable, maternal, neonatal & nutritional diseases	53.60%	27.50%
Share of non-communicable diseases	37.90%	61.80%
Share of injuries	8.50%	10.70%

Source: Health of the Nation's States 2017 – Indian Council of Medical Research

Due to increased urbanization, the incidence of lifestyle diseases is anticipated to increase faster than any other segment. Within the lifestyle space, cancer is one of the fastest growing ailments. The prevalence of cancer in India is projected to increase from an estimated 3.9 million cases in 2015 to an estimated 7.1 million cases by 2020, according to an Ernst & Young report.



Emerging Medical Value Travel (MVT)

OVER THE YEARS, INDIA HAS GROWN TO BECOME THE PREFERRED DESTINATION FOR MEDICAL VALUE TRAVEL BECAUSE IT SCORES HIGH OVER A RANGE OF FACTORS THAT DETERMINE THE OVERALL QUALITY OF CARE

The Indian healthcare industry has been doing exceptionally well in addressing the multi-billion dollar medical value travel opportunity. Over the years, India has grown to become the preferred destination for medical value travel because it scores high over a range of factors that determine the overall quality of care. From quality of therapy, to the range of procedural and treatment options, infrastructure and skilled manpower, unmatched care and compassion, to minimal waiting time involved for any medical procedure, and availability of generic drugs, the list of benefits for medical travelers are many.



HEALTHCARE COSTS IN INDIA ARE EXTREMELY COMPETITIVE COMPARED TO THOSE IN DEVELOPED COUNTRIES AND OTHER ASIAN COUNTRIES, ESPECIALLY FOR SURGERIES LIKE CARDIAC BYPASS, KIDNEY AND LIVER TRANSPLANT, HIP REPLACEMENT, DENTAL SERVICES, COSMETIC SURGERY AND BARIATRIC SURGERY

Healthcare costs in India are extremely competitive compared to those in developed countries and other Asian countries. This is especially for expensive and delicate surgeries like cardiac bypass, solid organ transplants, joint replacements, dental services, cosmetic surgery and bariatric surgery. The cost of travel and accommodation is also low as compared to developed nations. India also attracts medical tourists from other developing nations due to the lack of advanced medical facilities in many of these countries.

Government estimates suggest that the size of the medical tourism market would grow substantially by the next fiscal from a size of 3 billion USD in 2015.

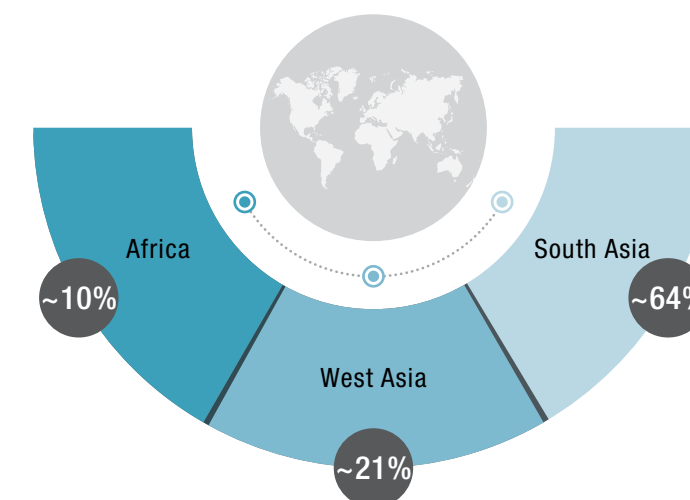
Country-wise Cost of Ailments

Treatment	USA US\$	Korea US\$	Singapore US\$	Thailand US\$	India US\$
Hip Replacement	50,000	14,120	12,000	7,879	7,000
Knee Replacement	50,000	19,800	13,000	12,297	6,200
Heart Bypass	144,000	28,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart Valve Replacement	170,000	43,500	12,500	21,212	5,500
Dental Implant	2,800	4,200	1,500	3,636	1,000

Source: CRISIL Research

The Indian Government has been facilitating easy entry for International patients into the country by providing special medical visas. It has introduced multiple policies such as the introduction of e-Medical visa, multiple entry visas and longer stays as required for treatment. Additionally, the Indian Government has been actively mandating accreditations to wellness centers and Medical Value Travel (MVT) facilitators. These initiatives have gone a long way in enhancing India's image as a preferred destination for medical tourists.

Indian medical tourism originating countries



Source: CY17 CRISIL; Ministry of tourism

The Increasing Role of Technology in Healthcare Delivery

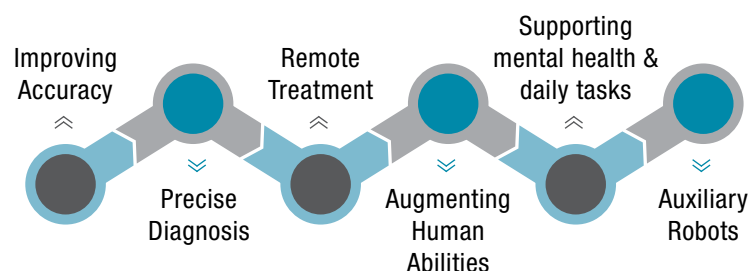
TECHNOLOGICAL UBIQUITY AND ADOPTION OF EMERGING TECHNOLOGIES AND TOOLS BY HEALTHCARE STAKEHOLDERS HOLD THE POTENTIAL TO IMPROVE QUALITY, AFFORDABILITY AND ACCESSIBILITY OF HEALTH CARE SOLUTIONS, THUS RESHAPING HEALTHCARE DELIVERY ACROSS THE PATIENT PATHWAY

Technological ubiquity and adoption of emerging technologies and tools by healthcare stakeholders hold the potential to improve quality, affordability and accessibility of health care solutions, thus reshaping healthcare delivery across the patient pathway.

In India, most recognized hospitals have been investing in supportive technology and operative techniques. The timely adoption of certain advanced technologies has enabled availability and advancements in robotic surgeries, radiation surgery or radiotherapies with cyber knife options, intensity modulated radiation therapy, image guided radiation therapy, transplant support systems, advanced neuro and spinal options in the country.

New health technologies such as wearable tech, telemedicine, genomics, virtual reality (VR), robotics and artificial intelligence (AI) are changing the landscape of the Indian healthcare system. Like many other markets, India too is at the cusp of a 'digital health' revolution as a vast number of healthcare companies have started adopting digital technologies in areas such as patient engagement, physician engagement, field force effectiveness, R&D efficiency and supply chain management. As the pace of digital innovation in healthcare accelerates, so will the opportunities for those healthcare service delivery institutions across India which are willing to embrace the digital health space over the coming years. Post COVID, it is likely that technology adoption will happen at an accelerated pace.

6 Ways AI and robotics are improving healthcare



Source: Robotics Business Review 2019

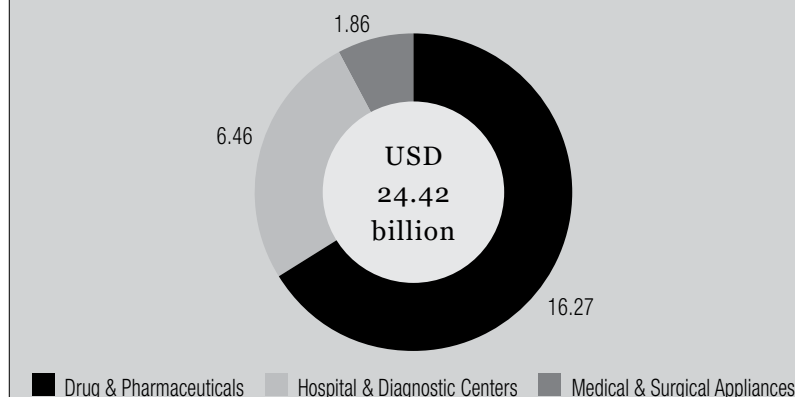
NEW HEALTH TECHNOLOGIES SUCH AS WEARABLE TECH, TELEMEDICINE, GENOMICS, VIRTUAL REALITY, ROBOTICS AND ARTIFICIAL INTELLIGENCE ARE CHANGING THE LANDSCAPE OF THE INDIAN HEALTHCARE SYSTEM

Rising Investments in Healthcare

Infusion of long-term capital in the healthcare space goes a long way in strengthening the healthcare infrastructure of the country. Demand growth, cost advantages and policy support are some of the factors that have been playing a vital role in enticing FDI in the healthcare sector.

In the past few years, the Indian healthcare industry has attracted a lot of interest from leading global private equity players and venture capitalists. The growth in multi-specialty and single-specialty hospitals in India has largely taken place due to the strong backing of PE funding. Many multinational players have been trying to deepen their presence through partnerships and investments.

Cumulative Foreign Direct Investment (FDI) inflows from April 2000 up to September 2019 into the healthcare sector (USD \$ billion)



Source: Department of Industrial Policy and Promotion

THE GOVERNMENT OF INDIA'S DECISION TO ALLOW 100% FDI IN THE HOSPITALS SECTOR LED TO A SIGNIFICANT INCREASE IN INVESTMENTS FROM OVERSEAS FUNDS INTO THE SECTOR

The Government of India's decision to allow 100% FDI in the hospitals sector led to a significant increase in investments from overseas funds into the sector. These trends indicate rising investor confidence in the Indian healthcare space and deepen the perception of India as an attractive healthcare investment destination.

Retail Pharmacies

The Indian Retail Pharmacy sector has been witnessing healthy growth over the past few years due to an increasing consumer base and rising healthcare expenditure. Industry experts believe that the Indian pharmacy market will be a bright spot for the Healthcare sector over the next decade. The Pharmacy Retail market in India is expected to grow at a rate of 10-12% CAGR in this period. Worth ~ USD 18 bn currently, it is expected to reach a value of ₹ 50 bn by 2025. In the entire healthcare value chain, Retail Pharmacy is one of the most fragmented sub-segments. The Indian Retail Pharmacy market has been registering healthy growth largely because of rising demand for OTC drugs and private label products. There is an estimated total of 850,000 retail pharmacies (chemists) in India out of which 845,000 fall under the unorganized category. The number of branded organized pharmacy stores is less than 6,000 and constitute <5% of the total market size.

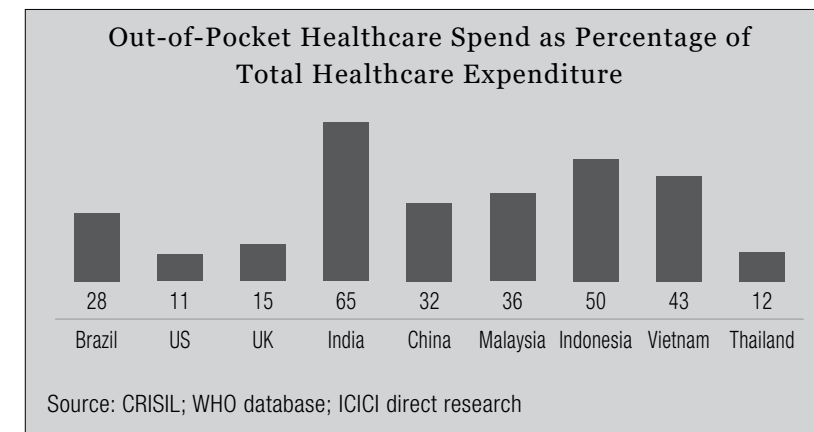
Organized Retail Pharmacy refers to trading activities undertaken by licensed retailers, which include corporate-backed hypermarkets, retail chains and privately owned large retail businesses. Key players in this sector are also venturing into the market with either wholly owned pharmacies or through franchising and are scaling up by setting up several service touch points in cities across India. They are changing the face of the pharmacy sector by bridging the service gap. The Organized Retail Pharmacy market size has been growing at an average of 22-25%. Industry reports expect it to grow between 20-22% over the coming decade. Analysts expect investments in excess of USD 1 bn over the next few years in this sector.

The online pharmacy market in India is at a very nascent stage as compared to other developed economies. With consumers using technology to bridge the service quality gap, digital pharmacies are gaining popularity in Tier I and Tier II cities, as they are banking on scale and better distribution networks. Eventually, the online mechanism is bound to spread to Tier III and Tier IV cities, which will help generate higher revenues for the sector. Additionally, these online pharmacies are also slowly gaining attention in the e-commerce industry space, with its impressive growth rate.

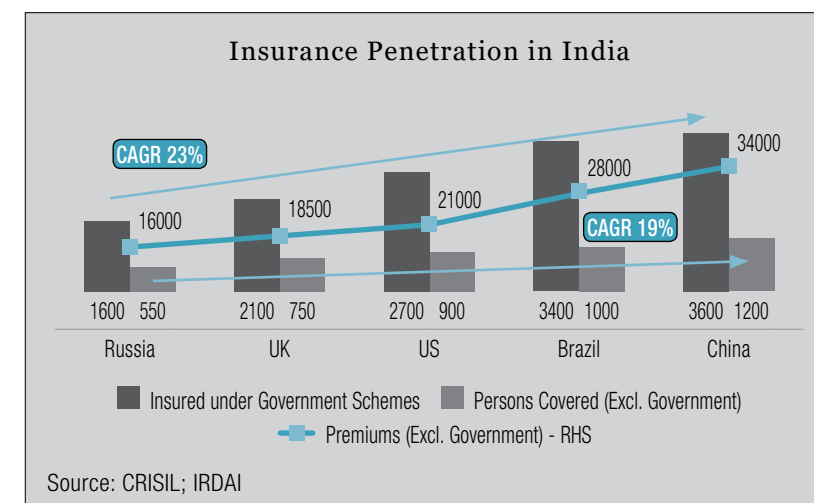
ORGANIZED RETAIL
PHARMACY MARKET
SIZE HAS BEEN
GROWING AT AN
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22-25%

Growing Health Insurance Penetration

Increased health insurance penetration will drive higher demand for healthcare services as an individual by paying healthy insurance premium gets coverage for medical treatment costs, which is reimbursed if the person undergoes treatment because of illness, sickness or disease. This helps the insured in taking care of the burden of meeting healthcare related costs.

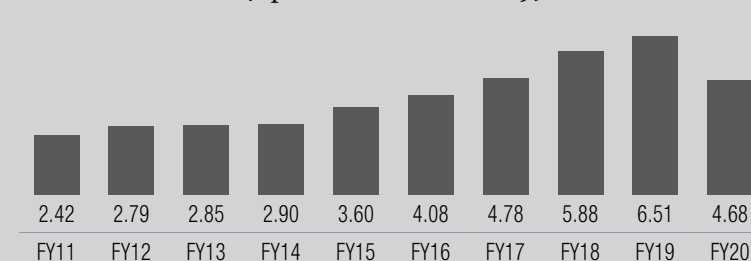


The growing incidence of disease along with low Government funding has led to an increase in the financial burden for the general public in meeting increasing healthcare costs. This coupled with high 'out-of-pocket' expenses is proving to be an impetus for increased health insurance coverage.



The above charts show that the market for health insurance is on a rise. The health insurance premium collections and the number of persons covered under health insurance have increased substantially from the levels that were prevalent in 2013-14.

Health Insurance Premium Collection (US\$ Billion)
(up to November 2019)



Source: GIC

Schemes providing health insurance coverage to corporate employees are further helping market penetration of insurance players.

The health insurance segment in India has tremendous potential as less than 20% of the population is covered under health insurance. In rural India, 86% of the population is not insured, and 82% of the urban population remains uninsured.

Retail Healthcare

**RETAIL HEALTHCARE
MEETS THE
CONSUMERS'
HEALTHCARE NEEDS
RIGHT WHERE THEY ARE**

'Retail' in healthcare means creating opportunities for a clinical encounter in a space other than in a hospital setting. The philosophy of 'Retail Healthcare' is to meet the consumers' healthcare needs right where they are. Today, consumers are looking for convenience while selecting a healthcare provider. Increasingly, consumers are choosing proximity over distance, opting for reduced waiting time, same-day scheduling and extended opening hours (including weekends). Therefore, locating services in a retail setting within a neighbourhood has become very popular. Additionally, today there is growing interest among a large section of the population in maintaining good health and being medically fit. This scenario is leading to a higher demand for a seamless healthcare delivery format to treat minor illnesses within a relaxed environment rather than in a hospital.

These changing consumer preferences and the increased use of technology have successfully influenced the transition to retail healthcare. Retail healthcare begins with a focus on preventive health and extends to the treatment of low complexity cases. The key aim of retail healthcare is to provide several quality services at lower costs in convenient settings.

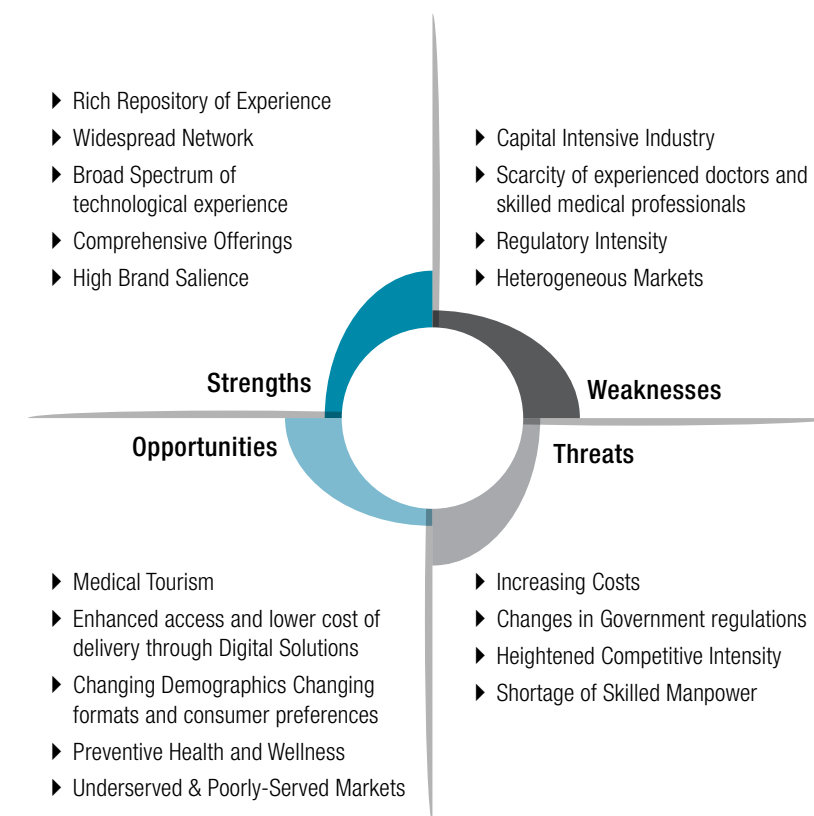
In order to satisfy consumers' demand for convenience and flexibility, healthcare providers are designing locally

relevant spaces that are tailored to specific needs. These spaces focus on vaccination, patient education, information sharing, specimen collection and reports, wound dressing and aftercare, injections and in-person and teleconsultations. The Retail Healthcare business includes Primary Care Clinics, specialized birthing centers, single specialty clinics, primary health centers and diagnostic chains, apart from Dental, Daycare and Home Healthcare formats.

Globally, Retail healthcare has grown substantially over the last decade. All the verticals under the Retail Healthcare umbrella are emerging as significant opportunities in the healthcare landscape and providing sizable untapped avenues, which will further drive penetration of Indian healthcare service providers into local communities and neighbourhoods.

Single specialty healthcare centers operating under the Retail Healthcare delivery format have already experienced growing popularity over the past few years in India. The segment now includes multiple treatment categories in areas such as fertility, maternity, ophthalmology, dental health, dialysis and diabetic care.

SWOT Analysis



APOLLO HOSPITALS' STRONG BRAND IMAGE AND BEST IN CLASS WORKING ENVIRONMENT CONTINUE TO ATTRACT AND RETAIN TOP CLINICAL AND PROFESSIONAL TALENT FROM INDIA AND ABROAD

Strengths

Rich Repository of Experience

Apollo Hospitals' strong brand image and best in class working environment continue to attract and retain top clinical and professional talent from India and abroad. The doctors and supporting medical personnel at Apollo Hospitals are not only well qualified but also possess rich experience in their respective fields. The efficient clinical and non-clinical staff at Apollo Hospitals is well trained to deliver the best possible clinical outcomes to patients. Apollo Hospitals' senior management team has established a strong eco-system, which enables and motivates the staff in delivering a superior level of care.

The doctors at Apollo Hospitals have an enviable record of accomplishment whether it is in terms of performing critical surgeries or medical procedures. Their domain expertise is revered and has gained acknowledgement from patients across the globe. Many specialists across Apollo Hospitals continue to receive multiple accolades and awards at different healthcare forums due to their expertise in the field of medicine.

Widespread Network

Over the years, Apollo Hospitals has steadily enhanced its presence into a geographically well-spread out, pan-India healthcare network. The current footprint includes 10,261 beds, 3,766 pharmacies and 956 national retail healthcare centers besides a deep online presence.

As a true pan-India service provider, Apollo Hospitals has established various touch points which facilitate smoother access to services for its patients. By providing premium and affordable medical services over the years, Apollo Hospitals enjoys many competitive advantages like enhanced customer experience, economies of scale, cost efficiencies, wider reach, access to a larger patient base and ability to leverage synergies.

The Company has also established newer delivery models and formats such as day care and short stay surgeries which has helped it to evolve and adapt to global trends and consumer needs while delivering the continuum of care value proposition.

Broad Spectrum of technological experience

Since its inception, Apollo Hospitals has been at the forefront in outlaying necessary capital for enhancing and embracing the best available medical technology. This approach has

SINCE ITS INCEPTION, APOLLO HOSPITALS HAS BEEN AT THE FOREFRONT IN OUTLAYING NECESSARY CAPITAL FOR ENHANCING AND EMBRACING THE BEST AVAILABLE MEDICAL TECHNOLOGY

APOLLO HOSPITALS HAS BEEN ABLE TO PROVIDE DIFFERENTIATED SERVICES THROUGH DIFFERENT ENTITIES, WHICH TOGETHER CONSTITUTE A FULLY INTEGRATED HEALTHCARE ECOSYSTEM

gone a long way in enabling best-in-class treatment for patients and helping them recover at a faster rate.

Additionally, in order to provide patients smooth access to Apollo Hospitals services, the Company has built an integrated online platform called 'Ask Apollo', using which, patients enjoy several benefits like booking doctor appointments and scheduling online consultation for basic medical needs.

Most recently, Apollo Hospitals has launched its advanced App, Apollo 24/7, which provides the platform for seamless virtual consults with doctors, integrated medical records and prescriptions, and the ability to fill prescriptions through Apollo Pharmacy.

Comprehensive Offerings

Apollo Hospitals has taken considerable steps to ensure that access to quality care is not restricted to the hospital setting, but is also available outside of it or in a post hospitalization scenario. Today, Apollo Hospitals' breadth of service offerings successfully spans the entire value chain of healthcare services. Apollo Hospitals has been able to provide differentiated services through different entities, which together constitute a fully integrated healthcare ecosystem. It is important to note that each of these healthcare offerings has its own identity and asserts its own special expertise. However, at the core and in ideology, each remains essentially Brand Apollo.

High Brand Salience

Apollo Hospitals has built and maintained a strong leadership position in the Indian healthcare industry for more than 35 years of its existence. As India's leading integrated healthcare provider, Apollo Hospitals is respected in the industry. This position is largely commensurate with its unrelenting focus on consumer needs and safety, and the resolute spirit in maintaining leadership position by embracing innovative cutting-edge technology and clinical protocols. The reputation and trust built over the years is a strong asset, and continues to help the Group attract large numbers of patients, very talented clinicians, and staff.

Weaknesses

Capital Intensive Nature of Industry

The Healthcare industry is highly capital intensive. The basic requirements for operating a medical facility, such as

land; construction costs for specialized interiors; medical equipment; and skilled healthcare human resources comprising of doctors, nurses and paramedical staff calls for committing heavy upfront investments. This can prove to be a barrier for expansion.

In addition, the maintenance and need to undertake upgradation of medical treatment technologies also requires incurring considerable recurring expenditure. It is observed that once an enterprise is able to manage the initial capex requirement to set up a facility, the subsequent task of balancing day-to-day expenditure with competitive prices for healthcare services is challenging. Therefore, the basic cost of setting up and running a hospital is considerably high which escalates break-even levels and stretches viability.

Scarcity of experienced doctors and skilled medical professionals

The healthcare services industry is workforce intensive. The quality of doctors and supporting healthcare professionals is critical to the eminence and efficiency of the business. India is a country with abundant workforce given the sheer size of its population. However, there is a huge gap in the provision of relevant education for a majority of this population and a dearth of competent training institutes for appropriate workforce skilling. Therefore, skilled workforce - doctors, nurses and paramedical staff comprising lab-technicians, radiographers and therapists - are in short supply. Skilled professionals in the healthcare industry enjoy attractive opportunities both in India and overseas. Intense competitiveness amongst healthcare providers in urban areas has led to unsustainable increases in remuneration for qualified personnel. The availability of skilled professionals is therefore a challenge for setting up and profitably running a healthcare institution in India.

Regulatory Intensity

Multiple licenses and approvals required to set up a hospital is another barrier for private players to expand their operations. Today, apart from licensing and approvals, the Government is also regulating the prices of drugs and consumables. It has to be understood that the value of output delivered by the sector is not just the sum of the value of inputs. There is an intrinsic value in the sum total of services that needs to be considered.

From a regulatory point of view, there are many requirements, which can prove to be onerous when compared to global norms like single window clearance. Better understanding between the

various regulatory authorities and healthcare service providers is necessary. It is important to understand that private healthcare service providers cannot be equated with other businesses. Healthcare service providers have to be viewed from the perspective of the important contributions that they are making in ensuring the general wellbeing of the community.

Heterogeneous Markets

With a diverse and growing population, the need for quality healthcare services necessary in India. The requirements are different even in markets, which are reasonably proximate. Every micro-market has a unique set of circumstances with variance in demographics, disease profiles, customer attitudes, seasonal variations, price sensitivity and so on. Hospitals in two different cities in the same state and even two facilities within the same city have different operating circumstances with varying parameters. This necessitates a higher degree of customization and monitoring.

Significant management oversight is required in the face of these complexities for sustaining clinical standards, balancing case mix, ensuring adequate volumes and upgrading technology regularly.

| Opportunities |

Medical Value Travel

Medical Value Travel (MVT) is a growing multi-billion-dollar industry and is likely to grow further due to the many benefits that it offers to patients. World-class hospitals, equipped with best-in-class technology, skilled medical professionals and low treatment costs have strengthened India's position as a preferred destination for medical tourism. Indian hospitals are able to offer superior services at comparatively lower costs. The assurance of quality healthcare facilities and cost-effectiveness are the two main factors that have been attracting millions of patients from across the globe for medical treatment in India. Proactive steps taken by the Union Government like approving issuance of e-medical visas, have also contributed to the growth of medical value travel in the country.

Enhanced access and lower cost of delivery through Digital Solutions

Digital technology will play a crucial role in enabling access to healthcare for India's masses. Ongoing digitization and the introduction of new technologies like telehealth, are already

WITH A DIVERSE AND GROWING POPULATION, THE NEED FOR QUALITY HEALTHCARE SERVICES IS A STRONG NEED IN INDIA

ONGOING DIGITIZATION AND THE INTRODUCTION OF NEW TECHNOLOGIES LIKE TELEHEALTH, ARE ALREADY BREAKING DOWN BOUNDARIES AND CREATING PATIENT-CENTRIC HEALTHCARE SYSTEMS

breaking down boundaries and creating patient-centric healthcare systems. Technology is enabling patients to book their appointments and opt for basic medical needs seamlessly from their homes. Doctors are able to access patient records at their fingertips and effortlessly provide consultations with digital technologies and telemedicine. Technological development in recent decades has opened up ways to reduce distribution costs and increase healthcare penetration. Such solutions will be most successful in extending connectivity to rural and remote areas and offering first-class care thus obviating the need to undertake lengthy travels to urban health centers.

Changing Demographics

While India is blessed with a favorable demographic quotient given the relatively young population, it also has a very large number of ageing citizens in absolute terms. Therefore, Indian healthcare service providers have an opportunity to meet the healthcare expectations of the young and attend to the increasing healthcare requirements of the elderly. Alongside, the country is witnessing a sharp increase in disposable income among several groups, including a burgeoning middle class, who can afford to pay for quality healthcare. These evolving demographics present an exciting opportunity to service providers.

Changing formats and consumer preferences

The general perception is that some hospitals tend to be intimidating to patients who respond better to a more relaxed atmosphere. Today, patients largely prefer accessing single specialty centers and other healthcare delivery formats for non-critical ailments. In order to cater to this trend, healthcare service providers have been providing a variety of options such as short stay centers, single specialty centers, neighbourhood clinics, and home services. These alternate healthcare delivery formats are economically attractive, as they require lower capital investment, able to achieve faster breakeven and deliver a better return profile. Some of these new formats have demonstrated greater specialization and the ability to create significant value as compared to larger multi-specialty hospitals.

Preventive Health and Wellness

There is considerable rise in health awareness across the population of this country. People are increasingly realizing the importance of healthy living and are taking considerable efforts to adopt a healthy lifestyle. They are recognizing the importance of diagnosing a disease at an early stage

and preventing critical illness. This awareness has led to a promising opportunity in the areas of preventive health and wellness, encompassing preventive health checks, diet and nutrition, exercise and well-being.

Underserved and Poorly Served Markets

Significant inequalities exist in the quality of healthcare services available in metro cities and large urban areas as compared to that in the rural areas of the country. India's rural population continues to experience access barriers to quality healthcare services. Even persons with better resources and financial means have to commute to metro / urban areas to gain access to medical treatment or related health care services. Healthcare service providers who are willing to penetrate into semi urban and rural areas will benefit from a ready marketplace for their services. Apollo Hospitals has already launched hospitals in several Tier 2 and Tier 3 locations to meet the demand in some of these areas. Reach has also been enabled through the establishment of hundreds of tele-medicine centers across the length and breadth of the country. This has helped augment the Apollo Hospitals brand image as a pan India player.

| Threats |

Increasing Costs

Healthcare service providers are required to deliver a reasonable return on invested capital growth to their shareholders. Controlling costs and finding ways to improve realizations seem to be the golden mean. However, input costs in healthcare have become significant and are expected to rise in the coming times due to increasing competition.

There is a substantial demand for certain finite resources such as land, quality medical professionals and equipment. Healthcare players also have to constantly enhance and adopt newer technologies which increase overall healthcare costs. Additionally, with the Government's thrust towards price reduction through regulation, there is a real threat of hospital finances being rendered unviable. The constraint of incurring higher costs leads to long gestation periods and relatively low returns on investment.

Changes in Government regulations

In the last few years, the Government of India has taken a number of positive initiatives, which have benefited the Indian

healthcare sector such as National Health Protection Scheme (NHPS) and Pradhan Mantri Jan Arogya Yojana (PMJAY). However, GST implementation had an adverse impact on health care service delivery costs and operating margins since hospitals were unable to utilize input GST credit on output services as hospital services are under the exempt category.

The possibility of further regulatory interventions by Government agencies in the future is an existing challenge for Indian healthcare service providers.

Heightened Competitive Intensity

The competitive intensity from unorganized as well as organized players continues to remain high. Given the growing demand for healthcare services, many entrepreneurs and business houses have been entering healthcare business. The sector has been witnessing rising interest from private and foreign players. They intend to invest and venture in the various segments available in the healthcare industry. Most of these newer players are often offering services at lower costs as compared to established players and creating further competitive intensity. There are even pockets of overcapacity in certain metros and rising competition could lead to competitors adapting unfair practices in order to survive, hampering the growth and profitability of other players. Every market player, whether from the organized or the unorganized sector, is striving for market leadership.

Shortage of Skilled Manpower

There is an acute shortage of skilled healthcare resources in India. At 8 physicians and 21 nursing personnel per 10,000 population, India stands well behind other countries including other developing nations like Brazil on these parameters. Unless immediate steps are taken to increase the number of doctors, nurses and paramedics, the shortage of manpower will lead to prohibitive costs and derail the delivery of healthcare services.

Company Overview

Apollo Hospitals was established in 1983 by Dr. Prathap C Reddy, renowned architect of modern healthcare in India. As the nation's first corporate hospital, Apollo Hospitals is acclaimed for pioneering the private healthcare revolution in the country.

Apollo Hospitals has emerged as Asia's foremost integrated healthcare services provider and has a robust presence across

APOLLO HOSPITALS HAS EMERGED AS ASIA'S FOREMOST INTEGRATED HEALTHCARE SERVICES PROVIDER AND HAS A ROBUST PRESENCE ACROSS THE HEALTHCARE ECOSYSTEM, INCLUDING HOSPITALS, PHARMACIES, PRIMARY CARE & DIAGNOSTIC CLINICS AND SEVERAL RETAIL HEALTH MODELS

THE CORNERSTONES OF APOLLO HOSPITALS LEGACY ARE ITS UNSTINTING FOCUS ON CLINICAL EXCELLENCE, AFFORDABLE COSTS, ADOPTION OF TECHNOLOGY AND FORWARD-LOOKING RESEARCH & ACADEMICS

the healthcare ecosystem, including Hospitals, Pharmacies, Primary Care & Diagnostic Clinics and several Retail Health models. The Group also has Telemedicine units across 10 countries, a Global Projects Consultancy Division, Medical Colleges, Medvarsity for E-Learning, Colleges of Nursing and Hospital Management and a Research Foundation. In addition, 'ASK Apollo'-an online consultation portal and Apollo Home Health complete the care continuum. The most recent additions to the portfolio are a dedicated vertical for preventive health, which launched a 3-year comprehensive preventive health product "ProHealth", and the launch of an advanced app, Apollo 24/7 which provides a comprehensive digital platform for health and for virtual doctor consultations.

The cornerstones of the Apollo Hospital Group's legacy are its unstinting focus on clinical excellence, affordable costs, adoption of technology and forward-looking research & academics. Apollo Hospitals was among the first few hospitals in the world to leverage technology to facilitate best-in-class healthcare delivery. The organization embraced the rapid advancement in medical equipment worldwide, and pioneered the introduction of several cutting-edge innovations in India. Recently, South East Asia's first Proton Therapy Centre commenced operations at the Apollo Proton Cancer Centre in Chennai.

Apollo Hospitals has been honoured by the trust of over 150 million patients from over 140 countries. At the core of Apollo Hospitals, patient-centric culture is TLC (Tender Loving Care), the magic that inspires hope amongst its patients.

As a responsible corporate citizen, Apollo Hospitals takes the spirit of leadership well beyond business and has adopted the responsibility of keeping India healthy. Recognizing that Non Communicable Diseases (NCDs) are the greatest threat to the nation, Apollo Hospitals is continuously educating its fellow Indians on preventive healthcare as the key to wellness. Likewise, envisioned by Dr. Prathap C Reddy, the "Billion Hearts Beating Foundation" endeavours to keep Indians heart-healthy.

Apollo Hospitals has championed numerous social initiatives which assist underprivileged children - to cite a few - Save a Child's Heart Initiative (SACHI) which screens and provides pediatric cardiac care to underprivileged children with congenital heart diseases, Society to Aid the Hearing Impaired (SAHI) and the CURE Foundation which is focused on cancer care and also assists children from financially challenged homes. To introduce population health into the Indian narrative,

Total Health, an initiative of Apollo Hospitals, as envisaged by Dr. Reddy, is piloting a unique model of healthcare in the Thavanampalle Mandal of Andhra Pradesh. It aims to provide “holistic healthcare” for the entire community starting from birth, through one’s journey into childhood, adolescence, adulthood and old age.

In a rare honour, the Government of India issued a commemorative stamp in recognition of the Apollo Hospital Group’s widespread contributions—the first for a healthcare organization. In addition, a stamp was also released to mark the 15th anniversary of India’s 1st successful liver transplant performed at Apollo Hospitals. More recently, Apollo Hospitals was again honoured with a postal stamp for having successfully performed 20 million health checks and for its pioneering efforts in encouraging preventive healthcare in the country.

Dr. Prathap C Reddy, Founder Chairman of the Apollo Hospitals Group was conferred with the prestigious Padma Vibhushan Award, India’s second highest civilian award in 2010.

| Healthcare Services |

Apollo Hospitals’Healthcare Services segment consists of hospitals, hospital-based pharmacies, projects, and consultancy services.

Hospitals

As of March 31, 2020 the Group had a capacity of 10,261 beds in 71 hospitals located in India and overseas. Of the 10,261 beds, 8,822 beds owned in 45 hospitals; 260 beds in 10 cradles; 270 beds in 11 day care/short surgical stay centers; and 909 beds in 5 hospitals under management through operations and management contracts.

	31.03.2020	31.03.2019
Number of owned hospitals at end of period	66	65
Number of owned beds at end of period	9,352	9,233
Number of operating beds at end of period	7,491	7,246
In-patient discharges	478,032	451,894
Adjusted discharges	687,462	647,120
Average length of stay (days)	3.86	3.99
Average daily census	5,045	4,938
Bed occupancy rate (%)	67%	68%
Average revenue per occupied bed per day	37,397	34,226

| Clinical Excellence |

Clinical Excellence is the edifice on which Apollo Hospitals healthcare operations are structured. The Group consistently endeavours to deliver the highest standards of clinical outcomes across various specialties. Apollo Hospitals benchmarks itself against institutions with the best clinical performance in the world in their respective specialties and sets internal standards with the intention to match or surpass this performance.

In order to ensure sustainable clinical outcomes, the Company follows an internal quality management process known as the “Apollo Clinical Excellence” program which is referred to as “ACE @ 25”. This has been implemented across the entire network of hospitals. ACE @ 25 assesses performance based on 25 clinical parameters, which are critical to delivering the very best clinical outcomes.

There were 3 revisions of ACE parameters and their bench marks since 2008 during the years 2011, 2013 and 2015. The 4th revision of ACE under ACE 3.0 was done in the year 2017.

This sustained focus of the Apollo Hospitals Group on Clinical Excellence has enabled it to continuously assess and improve the quality of care provided to its patients and allowed it to objectively measure the consistency and success of its healthcare delivery services. It is a key contributor to the rich track record of the group and has helped it to achieve high success rates even in surgeries of high complexity such as transplants, cardiac care and oncology.

Training and continuing Medical Education

Apollo Hospitals encourages its medical professionals and other staff to opt for continuing medical education and up gradation of skills on a periodic basis. The Group ensures that professionals and staff are acquainted with the newest techniques and procedures in the medical field in order to enhance offerings to patients. Partnerships with some of the most renowned institutes in the world facilitate knowledge sharing and deepening the repositories of medical expertise and literature.

Academics and Research

India has become a hub for R&D for international players due to the relative low cost of clinical research in the country. In terms of research, Apollo Hospitals currently is India’s single largest clinical site solutions organization having undertaken over 850 clinical studies.

IN TERMS OF RESEARCH, APOLLO HOSPITALS CURRENTLY IS INDIA'S SINGLE LARGEST CLINICAL SITE SOLUTIONS ORGANIZATION HAVING UNDERTAKEN OVER 850 CLINICAL STUDIES

8,822
OWNED BEDS

530
CRADLE/DAY SURGERY BEDS

909
MANAGED BEDS

**EIGHT HOSPITALS
IN THE GROUP
HAVE RECEIVED
ACCREDITATIONS
FROM THE JOINT
COMMISSION
INTERNATIONAL,
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INTERNATIONAL
HEALTHCARE QUALITY
STANDARDS FOR
PATIENT CARE AND
MANAGEMENT**

As an academic institution, Apollo Hospitals conducts the largest number of DNB/FNB programs under the aegis of the National Board of Examinations (NBE). A total of 781 DNB/FNB candidates are currently undergoing training in 11 Apollo Hospital units.

Adjunct titles of Professorships and Associate Professorships of Apollo Hospitals Education and Research Foundation (AHERF) have been conferred upon 115 Apollo Hospitals Consultants.

Currently 79 consultants are holding Adjunct titles of Clinical Tutor, Distinguished Clinical Tutor and Emeritus Clinical Tutor.

To run the Clinical Fellowship program, 48 seats have been approved in 31 specialties across 13 Apollo Hospitals locations.

Accreditations

Eight hospitals in the Group have received accreditations from the Joint Commission International, USA, for meeting international healthcare quality standards for patient care and management. JCI is the world's premier accreditation body for patient safety and provision of quality healthcare. Apart from the Apollo Proton Cancer Centre which recently got JCI accreditation, the hospitals at Chennai, Bengaluru, New Delhi, Hyderabad, Kolkata, Ahmedabad and Navi Mumbai are JCI and NABH accredited. The total number of 'NABH' accredited hospitals in the Group are 30.

| Strategic Focus Areas |

The Company continues to focus on growth and at improving operating efficiency and clinical outcomes simultaneously. The endeavour is to achieve this through:

1. Strengthening presence in key markets

Apollo Hospitals has facilities located in large urban centers such as Chennai, Hyderabad, Kolkata, Bengaluru, New Delhi, Ahmedabad, Mumbai, Pune, Bhubaneshwar, Madurai and Mysore among others. The Company not only aspires to strengthen presence in its existing clusters but will also take necessary steps to widen thereach in critical urban markets where there is no presence presently.

Today, Apollo Hospitals is present in all of the four metropolitan cities, namely Chennai, New Delhi, Kolkata and Mumbai as

well as in large urban centers such as Hyderabad, Bangalore, Ahmedabad and Lucknow. Apollo Hospitals is confident that these key metropolitan cities would continue to have strong demand for high quality tertiary services including transplants, robotics and complex procedures under cardiac, oncology and orthopedic specialties.

Apollo Hospitals aims to enhance its network in Tier II and Tier III cities. The key demographic characteristics of this market are high population, sufficient spending potential and a largely underserved segment with respect to healthcare services. Apollo Hospitals' healthcare centers in Tier II and Tier III cities will be set up at a considerably lower capital cost per hospital bed as compared to a Tier I city.

Currently, hospitals have been established in Tier II and Tier III cities namely Aragonda, Bhubaneshwar, Bilaspur, Guwahati, Indore, Kakinada, Karur, Madurai, Nashik, Nellore, Trichy, Visakhapatnam, Karaikudi, and Karimnagar. Given the existing capacity and operational beds already created, there is good headroom for further growth in many of these centers.

2. Enhanced focus on Centers of Excellence

One of the key elements of strategy going forward, will be to nurture and grow national Centers of Excellence (COEs) in focus specialties — Cardiac Sciences, Neuro Sciences, Orthopedics, Oncology, Transplants, Emergency, Critical Care and Preventive Health. Each of these COEs will be comprehensively developed with the core emphasis being on Clinical Differentiation, Protocols, Outcomes and Benchmarks, Market Share, Talent, Academics and Research, under the supervision of dedicated Service Line Managers. The focus on COEs is expected to lead to enhanced case mix, and thereby a superior margin profile. As occupancy levels improve to optimal levels, such case mix changes and improvements will ensure that top-line growth and quality of revenue are fully protected.

3. Retail models to drive growth

Over the years, the Apollo Hospitals Group has invested in multiple formats of retail healthcare. This initiative has enabled Apollo Hospitals to maximize the number of lives touched, and to provide ease of access to consumers across the care continuum. The retail health assets are housed within the subsidiary Apollo Health and Lifestyle Limited (AHLL). These formats cater to the changing profile of healthcare consumers, and hence will be growth models for the future- short-stay

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ORTHOPAEDICS,
ONCOLOGY,
TRANSPLANTS,
EMERGENCY, CRITICAL
CARE AND PREVENTIVE
HEALTH**

surgeries, boutique birthing and ubiquitous access to clinics and diagnostics services. They will strengthen Apollo Hospitals efforts to gain top-of-mind recall and market share. The Group has also invested in ensuring that services across all formats are seamlessly delivered, under the One Apollo initiative. This initiative is aimed at building deep relationships with the Apollo Hospitals consumer across categories—hospitals, pharmacy, clinics, and diagnostics and unlocking potential for up-sell, cross-sell, and loyalty driven behaviour using advanced analytics.

4. Focus on life enhancing procedures and elective surgeries

With increasing health awareness and disposable incomes, there is a growing demand for elective or planned surgeries. Therefore, apart from focusing on ‘Centers of Excellence’, Apollo Hospitals plans to build a strong presence in the growing market of elective and life enhancing procedures. The hospitals are well-equipped to offer various elective procedures like knee replacements, hip replacements, cosmetic surgeries, dental services and other similar procedures. Going ahead, the plan is to increase the volume of such procedures performed in the hospitals by recruiting more specialist surgeons, creating specialized centers, and investing in the latest medical technologies to improve clinical outcomes in these areas.

5. Enhancing operating efficiencies, profitability and optimization of asset utilization in mature facilities and increasing capital efficiency

Apollo Hospitals is focused on stabilizing and compressing time-to-maturity at new facilities. Specialist consultants have been recruited at Apollo Hospitals COEs, especially at new hospitals to ensure a superior specialization mix. The phased commissioning of the additional beds linked to occupancy levels at new facilities will keep the fixed costs lower to achieve the Company’s objective. Apollo Hospitals also intends to reduce its Average Length of Stay (ALOS). Today, new improvements in medical technology and the advent of minimally invasive surgeries and robot-assisted surgeries have considerably reduced the surgical trauma and patient recovery time. Enhancing minimally invasive surgeries, robot-assisted surgeries and day care surgeries which reduce surgical trauma to patients and patient recovery time will help the Company to reduce the ALOS at its hospitals. Additionally, this will also lead to a faster turnaround time, allowing Apollo

Hospitals to treat more patients utilising the existing capacity. It will also result in increased patient turnover rate and revenue per occupied bed per day.

Maximizing the operating efficiency and profitability across the network remains the crux of Apollo Hospitals’ growth strategy. The three essentials for maximizing efficiencies are greater integration, better supply chain management and human resource development. By capitalizing on synergies across the network, the goal is to minimize costs of expensive drugs and medical consumables like stents, implants and other surgical materials through standardization across the network, optimizing procurement costs, consolidating suppliers and optimizing use of medical consumables by establishing guidelines for medical procedures.

Lastly, in order to remain competitive and to increase the capital efficiency, the Company continues to devise strategies to manage leaner operations. A comprehensive strategy to enhance asset turnover is being implemented.

6. Digital Initiatives

To enhance accessibility and enable a patient to access a doctor appointment at their personal convenience, Apollo Hospitals launched AskApollo — a direct-to-patients m-health platform, that guides the patient engagement cycle — from scheduling a doctor’s appointment for consultation, health checks and diagnostic services, to virtual consults, anytime-anywhere access to electronic health records, wellness tips and advice, as well as chat-based assistance.

The Group’s partnership with Microsoft to develop and deploy new AI and machine learning models to predict patient risk for heart disease and assist doctors on treatment plans, is the first step in the journey towards AI-based predictive health across the disease spectrum. The Group partnered with Google India to launch a new feature in its Search offering called ‘Symptom Search’. These are just a few examples of the deep and exciting digital work being carried out across the Group. These digital initiatives will strengthen brand differentiation and build lasting relationships with consumers. These initiatives are bolstered by the introduction of the AI-enabled robust digital platform, Apollo 24/7, which provides the ability to hold virtual consultations with doctors, with comprehensive medical records and prescriptions.

APART FROM FOCUSING ON ‘CENTERS OF EXCELLENCE’, APOLLO HOSPITALS PLANS TO BUILD A STRONG PRESENCE IN THE GROWING MARKET OF ELECTIVE AND LIFE ENHANCING PROCEDURES

NEW IMPROVEMENTS IN MEDICAL TECHNOLOGY AND THE ADVENT OF MINIMALLY INVASIVE SURGERIES AND ROBOT-ASSISTED SURGERIES HAVE CONSIDERABLY REDUCED THE SURGICAL TRAUMA AND PATIENT RECOVERY TIME

THE GROUP’S PARTNERSHIP WITH MICROSOFT TO DEVELOP AND DEPLOY NEW AI AND MACHINE LEARNING MODELS TO PREDICT PATIENT RISK FOR HEART DISEASE AND ASSIST DOCTORS ON TREATMENT PLANS, IS THE FIRST STEP IN THE JOURNEY TOWARDS AI-BASED PREDICTIVE HEALTH ACROSS THE DISEASE SPECTRUM

7. Preventive Health

As a Group, Apollo Hospitals has always embraced wellness and paid attention to the need for comprehensive Preventive Health programmes, to keep citizens healthy. The Group was the first to introduce the Master Health Check Programme in the country, and to advocate tax exemptions for expenses on health checks. This important program is a cornerstone of the group's strategy for the next decade, as the country faces the ongoing burden of Non Communicable Diseases, most of which are preventable, or can be easily detected by early-stage screening, controlled or cured. The company launched Apollo ProHealth, a comprehensive three-year health and wellness programme, aimed at Health Conscious Individuals who wish to take charge of their health and improve it scientifically, with expert guidance and support.

8. Assured Pricing Plans

Assured pricing plans were introduced to address the felt need of patients to have certainty about their hospital bills for surgical procedures. This approach focuses on the intrinsic value of the delivered service and not on individual inputs. AHIL has introduced Assured Pricing Plans across several surgical procedures. These plans give complete peace of mind to the patients and their families, and facilitate better marketplace conversations with general practitioners and nursing homes on costs of treatment.

9. Public-Private Partnerships

Fulfilling the vision of universal healthcare for all citizens, requires deep collaboration of Private and Public Partners (PPP). Today, Private players are incentivized through public-private partnerships (PPP) to invest and manage operations in Public Health Facilities. PPP models in healthcare have proven to be very effective as they play to the respective strengths of each partner. For e.g., in partnership with the Andhra Pradesh Government, Apollo Hospitals manages over 150 Urban Primary Health Centers (e-UPHCs). Apart from providing primary health services, these centers provide specialist services through connectivity with Apollo Hospitals Tele-Health Hub. These models are low-cost, can be scaled quickly, and generate world-class outcomes, both for population health and specialist support.

Medical Value Travel

Today, India is considered to be among the most affordable and best providers of healthcare among all medical tourism destinations. In Medical Value Travel, India is ranked in the top three destinations in Asia along with Thailand and Singapore. The Apollo Hospitals Group has always remained at the forefront of this initiative to make India a preferred Global Healthcare destination. Apollo Hospital's state-of-the-art medical facilities and cutting-edge technologies have enabled it to attract International patients in large numbers. The hospital prides itself on having a well-established track record of providing clinical outcomes comparable to the best in the world at a fraction of the International costs.

IN RECENT YEARS, APOLLO HOSPITALS HAS STEPPED UP ITS OUTREACH EFFORTS IN INTERNATIONAL CENTERS AND IS DRIVING IN-PERSON CONSULTATIONS WITH SENIOR SPECIALISTS IN OVERSEAS LOCATIONS

In recent years, Apollo Hospitals has stepped up its outreach efforts in International centers and is driving in-person consultations with senior specialists in overseas locations. Several overseas camps have been set up to bridge the doctor connect for patients. Overseas patients can easily make appointments for personal consultations for their treatment in India through the Apollo Hospitals website and dedicated messaging service. The strategic steps taken in the past are now providing Apollo Hospitals the necessary strength to gain market share in the growing Medical Value Travel segment in India.

These efforts have been successful in attracting a large number of patients from neighbouring countries as well as from Middle East and Africa. Today, patients from ASEAN countries (Myanmar, Cambodia, Indonesia, Philippines) and the Pacific Islands (Fiji, Samoa and Tonga) trust Apollo Hospitals for their healthcare needs. In several other countries, the Group has agreements with the respective Ministries of Health for treating patients referred by them.

The Government of India has undertaken several initiatives to support medical tourism, which in turn is enhancing India's image as a preferred destination for medical tourists. For e.g. The Government's steps such as facilitating visa on arrival and e-medical visa have made the modalities of admitting foreign patients a lot easier. Apollo Hospitals has been leading advocacy in this area and has been working closely with the Indian Government, to ensure seamless implementation of new policy initiatives. The Group has also partnered with the Ministry of External Affairs, Government of India, for providing training to doctors and paramedics from Africa.

~400
CITIES/TOWNS

21
STATES

4
UNION TERRITORIES

Having served patients from over 140 countries, Apollo Hospitals continues to offer a wide range of high-quality services including Preventive Health Checks, Organ Transplantations (kidney, liver and cornea transplantations), Robotic Surgeries, Cancer Treatments, Joint Replacement Surgeries, cosmetic procedures, eye procedures, brain and spine surgeries, etc. Apollo Hospitals is well positioned to leverage the opportunity emerging out of the growing Medical Value Travel segment in the country.

| Standalone Pharmacies |

Apollo Pharmacy is India's first and largest branded pharmacy network, with nearly 3,800 outlets in key locations. Accredited with International Quality Certification, Apollo Pharmacy offers genuine medicines round-the-clock through their 24/7 pharmacies. For over two decades, Apollo Hospitals has been a key market player in this segment. It is by far, the largest organized retail pharmacy chain in India. Over the last six years, Apollo Pharmacies has registered a healthy growth (23% CAGR) on revenues. Since its inception, this segment has enhanced its network with presence now in ~400 cities/towns spread across 21 States and 4 union territories, with a total of 3,766 stores as on 31st March 2020. There were also net additions of 338 stores to the network during the year.

In recent years, Apollo Pharmacies has widened its offerings extensively. This segment which was traditionally focused on pharmaceutical products, is now equipped with a wide variety of wellness and private label products. The optimal product mix for each store is consciously designed. With cluster analysis mechanism in place, every cluster is managed by an independent manager. Each store is consistently reviewed by the Senior Management Team to access the viability in terms of its real estate costs, supply chain, cost-benefit ratios and various other operating metrics. Customers are offered value added services such as home deliveries, prescription refill reminders, diagnostic reminders as well as loyalty discounts.

Over the years, the Company has strategically increased its proportion of private label products and rationalized the store network through the discontinuation of non-viable stores. This strategy has played a very important role to improve the overall profitability profile of this business. The Indian pharmacy sector presents tremendous growth opportunities for large organized players who have superior operating scale; and as the undisputed market leader, Apollo Pharmacies has a distinct advantage.

| Pharmacy Restructuring |

During November 2018, the Board of Apollo Hospitals approved the divestment of the front-end portion of the standalone pharmacy business in favour of Apollo Pharmacies Limited. This step was undertaken after recognizing that AHEL's standalone pharmacy business required greater focus and attention independent of the hospital business, to fully leverage its potential and growth opportunity. This reorganization proposal received all the necessary approvals from the shareholders of AHEL. The final approval is pending from the National Company Law Tribunal (NCLT) as on the date of the annual report.

The reorganization will focus on the following objectives:

- ▶ Build a multi-year growth platform to achieve 5,000 pharmacy outlets in 5 years and INR 100 Billion in revenues.
- ▶ Enhance Private Label Business share to over 12% by broadening and deepening the product portfolio.
- ▶ Strengthen the Direct-to-Consumer (D2C) front-end operations to drive same-store growth, prescription fill rates and overall experience; overall business ROCE target of 30+ % in 5 years.
- ▶ Foray into Digital Commerce and execute an Omni-Channel strategy, leading to increased consumer convenience.
- ▶ Build an integrated customer loyalty platform centered around a satisfied and engaged customer, leading to repeat business and higher customer retention.

The key components of the transaction are:

- ▶ The front-end retail pharmacy business operations currently carried out in the standalone pharmacy segment will be segregated into a separate Company—Apollo Pharmacies Ltd. (APL).
- ▶ APL will be a wholly-owned subsidiary of Apollo Medicals Pvt. Ltd. (AMPL). Apollo Hospitals will own 25.5% of AMPL and the remaining stake will be held by three private investors.
- ▶ Post this transaction, the back-end business related to the standalone pharmacies and ~85% of the current business economics will continue to be retained with Apollo Hospitals. Therefore, the proposed reorganization would not have a material impact on the financials of AHEL.
- ▶ AHEL will have the right to acquire the shares of AMPL from investors in compliance with the regulatory framework as applicable at the time of the acquisition.

- ▶ Apollo Hospitals will be the exclusive supplier for APL under a long term supplier agreement and will also enter into a brand licensing agreement with APL to license the “Apollo Pharmacy” brand to front-end stores and online pharmacy operations.
- ▶ For the purpose of restructuring the SAP, AHEL will transfer its front-end pharmacy business for a lump sum consideration of INR 5,278 million. The transfer is effective from 1 April 2019 subject to the completion of all requisite approvals.

Most importantly, the demerger has been targeted to create a platform for AHEL to execute an omni-channel strategy for its Pharmacy business. This reorganization will maximize Shareholder Value and set the platform for “Value Discovery” of the pharmacy business at a later stage, through a regulatorily compliant structure.

| Apollo 24/7 |

APOLLO 24/7 IS APOLLO HOSPITALS' NEW DIRECT-TO-PATIENT M-HEALTH PLATFORM WHICH FOLLOWS AND GUIDES THE ENTIRE PATIENT ENGAGEMENT CYCLE

Apollo 24/7 is Apollo Hospitals' new direct-to-patient M-Health platform which follows and guides the entire patient engagement cycle - from scheduling a doctor's appointment, virtual consultations, health checks, diagnostic services, and anytime-anywhere access to electronic health records, as well as chat-bot based assistance. The app also provides the facility to order medicines online and get them delivered at home.

Apollo 24/7 is a fully integrated offering to track a person's entire medical health and wellness journey. It starts with a virtual consultation with an Apollo certified doctor, from the safety of one's own home. 2,500+ doctors are on the Apollo 24/7 Tele-consultation platform covering 60 specialties for round the clock service.

The program offers a quick path to Apollo's Emergency Services should one need it and top-quality diagnostic services round the clock, even at one's doorstep. The technicians are well trained, clinically efficient, courteous, and friendly to the consumer.

Apollo 24/7 is an omni channel solution and is health safe for PHR. It is the only comprehensive condition management solution in India which blends wellness and clinical advisory services. It is also the only platform that can leverage on-line and off-line records to provide AI based predictions.

Apollo 24/7 can cater to 700,000+ people daily from Apollo pharmacies across the country for seamless home delivery of

medications with a 2-hour delivery promise. The program will offer a well-being companion in the next phase.

In the initial weeks of COVID in India, Apollo 24/7 launched an AI-based corona risk-screening tool, which helped consumers assess their COVID risk, and take appropriate action. Over 12.7 million users took the scan, and there have been several thousand downloads of the app. We now do over 2,300 consults a day via the app.

| Pro Health |

APOLLO PROHEALTH, A FIRST OF ITS KIND HOLISTIC AND COMPREHENSIVE HEALTH PROGRAM IS POWERED BY pHRA AND ENABLED BY AI

At Apollo Hospitals, we give 'Care' the same importance as 'Cure'. Preventive Health has been a key focus area for us for the last 35 years when we first introduced Master Health Checks. We completed 20 million health check-ups last year, a feat that was acknowledged by the Government with the release of a commemorative stamp. Drawing on this experience and learning, we have launched Apollo ProHealth, a proactive Health Management program. A first of its kind, this holistic, comprehensive health program, is powered by pHRA (personalised Health Risk Assessment), enabled by Artificial Intelligence. ProHealth empowers individuals and businesses with actionable health analytics, to know and eradicate health risks through appropriate clinical and lifestyle interventions. Driven by technology, the program also offers a personal Health Mentor as guide. We plan to create awareness regarding these preventive health initiatives amongst a wide section of people in the urban areas using mobile clinics. Well equipped with high-end technology for advanced screening of NCDs, the Samsung-Apollo Mobile Clinic will drive awareness on NCDs and facilitate early detection and preventive screening.

Non Communicable Diseases, including cardiovascular diseases, cancers, chronic respiratory diseases, and diabetes, which account for about 60% of all deaths in India, can be prevented or managed by making appropriate lifestyle changes, if diagnosed early. It is critical to undergo regular health check-ups to detect NCDs at an early stage to avoid future health related complications.

COVID-19 has brought the importance of good health to the fore. While over 80% of those affected have only mild symptoms and show good recovery, the prognosis is poor in patients with obesity, diabetes, hypertension, cardiac diseases and respiratory diseases -Studies have shown that 90% of hospitalised COVID-19 patients have one of these underlying

conditions. These findings underscore the importance of good health in promoting a strong immune system to help fight off disease. These predictive and precautionary healthcare tools will help Predict, Prevent, and Overcome the ill effects of NCDs and mitigate potential health issues at an early stage.

| Projects & Consultancy |

Apollo's Global Projects & Consultancy services is the consulting, implementation and operations management arm of the Apollo Hospitals Group. With over 30 years of domain expertise in healthcare, the unit has the distinction of being the trusted advisor of investors, Governments and other entities for establishing world-class healthcare facilities or improving the clinical quality and operating efficiencies of existing ones.

The unit's healthcare consulting assignments across the globe are testimony to its ability to work effectively with the local people, respecting their social, cultural and traditional ways. It has worked on establishing and operating healthcare facilities spread across culturally diverse geographies. It has completed over 60+ projects from concept to commissioning, 200+ feasibility studies and commissioned over 2,500 beds over the last 5 years.

| Consultancy services can be categorized into: |

1. Setting up a Healthcare Facility:

- ▶ Business Planning & Clinical Visioning
- ▶ Hospital Planning and Design
- ▶ Medical Equipment Planning and Procurement
- ▶ Human Resources Planning
- ▶ Information Technology and Telemedicine
- ▶ Hospital Commissioning and Start-up Assistance

2. Hospital Operations Management

The Unit manages hospitals for partners. Apollo Hospitals role as a hospital operator is guided by its commitment to:

- ▶ Ensuring that the skill-sets of key clinical and managerial team members are amongst the best
- ▶ Achieving and maintaining accreditation status and international standards
- ▶ Developing a sustainable competitive advantage for the hospital to ensure high levels of quality, customer service and competitiveness.

3. Strategic Consultancy

Strategic exercises to review existing systems and operations of healthcare institutions with the objective of enhancing their performance are also undertaken.

4. Knowledge Verticals

Apollo Hospitals offers custom-built training programs for medical and administrative staff. These physician training / nurse training / technician training programs focus on building capabilities and skills in specific areas.

5. Hospital Quality Management & Consulting

Hospital Quality Consulting services offers clients unparalleled expertise through training and audit and accreditation services so that people throughout the world can benefit with access to the highest quality of healthcare.

| Health Insurance |

Apollo Munich Health Insurance, which was a joint venture between the Apollo Hospitals Group and Munich Health Holdings AG was one of the first standalone health insurance companies to enter the market after liberalization of the Indian insurance industry.

From the time of its inception, Apollo Munich played a strategic role in carving a niche for itself in the health insurance sector earning Gross Written Premium of ₹ 21,944 million for the financial year ended 31st March, 2019 and with an overall market share of 4.4% and 9% market share amongst private insurers. It also established its leadership in the industry by winning several awards with its market leading innovations and customer centric approach.

Having successfully incubated Apollo Munich since its inception and with a view to unlocking value, in January 2020, the Company divested its 9.94% stake in Apollo Munich along with other shareholders forming part of the Promoter Group to HDFC Limited for a sale consideration of ₹ 2,907 million subject to indemnity related adjustments. The Company also received a sum of ₹ 382 million towards JV termination fee from Munich Health Holdings AG.

Through this, the Company realized a net gain of ₹ 1,965 million through the divestment of its equity stake in Apollo Munich.

Retail Healthcare - AHLL

Apollo Health & Lifestyle Limited (AHLL), a subsidiary of the Company, operates in the Retail Healthcare space. AHLL was introduced with an intention to take healthcare services from a purely 'hospital' setting closer to the home within the neighbourhood with a goal to serve the community through multiple touch points. With the expertise of the large hospitals and the accessibility of local care providers, the offerings of AHLL position Apollo Hospitals as the family's healthcare partner with a comprehensive set of clinical capabilities. Due to the wide breadth of services of AHLL, the Apollo Hospitals Group has become the only multi-brand national platform with direct contact with patients across the spectrum of medical care.

As a pioneer in successfully replicating viable models of healthcare clinics, this model has the potential to transform the way primary, secondary and tertiary healthcare is understood in the country. So as the healthcare markets grow and evolve, AHLL is expected to play a defining role in the transformation of healthcare, bringing it closer to every individual, and making healthcare more accessible and convenient in a friendly, user-centric environment.

Apollo Health & Lifestyle has grown significantly in size and scale over the past 5 years to successfully encompass the Group Chairman's vision of bringing Apollo's clinical expertise and Tender Loving Care closer to each home in the country. AHLL will continue to play a very important role in taking the Apollo brand closer to a large number of patients.

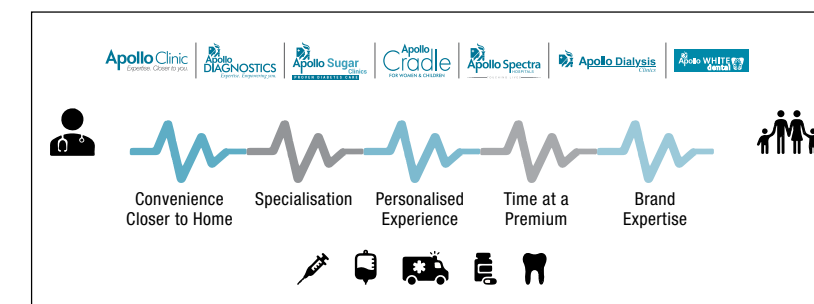
Across 956 retail touchpoints in India, AHLL clinics provide an independent and specific service to the local community. Seen on a map, the locations span the length and breadth of the country, with clinics present in 21 states and 4 union territories. Whether it is dental care or diabetes, surgery or dialysis, the Group provides consumers the opportunity to seek out specialized care without needing to visit a large-scale hospital. The Group functions like a hub-and-spoke model, diverting patients on a need basis within the clinics and promoting cross-departmental collaboration with the hospital vertical. AHLL promises its patients the same level of care, comfort, expertise and experience that the community has come to expect of the brand, only closer to home.

Born with an aspiration to touch many lives, AHLL has grown today to become India's leading Retail Healthcare Services Company. Across all its business segments — Clinics, Sugar,

**BORN WITH AN
ASPIRATION TO TOUCH
MANY LIVES, AHLL
HAS GROWN TODAY
TO BECOME INDIA'S
LEADING RETAIL
HEALTHCARE SERVICES
COMPANY**

Diagnostics, Dentistry, Dialysis, Cradle, Fertility & Spectra, AHLL revenues were at ₹ 6,964 million in 2019-20. AHLL expanded its reach to more than 950 patient touch points.

Healthcare services portfolio that
addresses key consumer megatrends



Apollo Clinic
Expertise. Closer to you.

148
CENTERS

Apollo Clinics was the first offering from AHLL, established in 2002. Today, Apollo Clinic has become a trusted neighbourhood healthcare partner for family medicine and primary care. It has been serving as an important bridge between patients and Apollo Hospitals. Apollo Clinic represents a very large opportunity with the private primary care market, which is estimated to be more than ₹ 1,800,000 mio, a major part of it still unorganized.

Apollo Clinics is well placed to become a platform to address future healthcare challenges in India, particularly the growth of non-communicable diseases. Apollo Clinics has owned clinics and franchisees in hospital centric clusters, e.g., Chennai, Hyderabad, Bangalore, Delhi, Kolkata. These will act as feeder units for the tertiary care hospitals, will increase the reach and presence of Apollo Clinics as a brand as well as address the glaring issue of inadequate healthcare accessibility.

**Apollo
DIAGNOSTICS**
Expertise. Empowering you.

650
CENTERS

Apollo firmly believes that the efficacy of its treatments is predicated on accurate diagnostics. In India, around 80% of the estimated ₹ 450 bn diagnostics market is unorganized. With the organized sector growing at >30% p.a., the opportunity to create a retail diagnostics brand is significant. Apart from being a large market, there is a strong synergy with the Group's other businesses.

Apollo Diagnostics is building a large network in its geographies and plans to be amongst the top players in this market. The business model at Apollo Diagnostics is focused on building a pathology lab business with a consumer centric approach by creating a network of company owned labs with frontend

franchisee collection centers and networks in Tier II & Tier III towns in each state.

In its 5 years of operations, Apollo Diagnostics has established a widespread network of more than 500 touch points across 80+ cities in 12 states. As of 31st March, 2020 Apollo Diagnostics runs a network of 650 laboratories and 21 Hospital Lab Management centers with a network of more than 51 collection centers around them.



25
CENTERS

Apollo Sugar Clinics addresses the lacuna of accessible, long-term care for diabetes. With a rapidly changing health care delivery model, treatment offerings for diabetes are also changing. Apart from the traditional model of personalized treatment offered by doctors, digital solutions targeted at monitoring patient lifestyles and remote monitoring of patient vitals are also gaining popularity and are poised to grow. Apollo Sugar Clinics is well positioned to offer these digital solutions together with its connected Glucometer devices, holistic long term care packages and condition management programs. Over the years, Apollo Sugar Clinics has actively expanded its footprint. It is currently present in 14 cities across India with 25 centers.



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CENTERS

Apollo Cradle, a line of premium hospitals for women and children, offers services of international standards in a premium environment while creating an unforgettable experience for the mother and her family. The Apollo Hospitals Group was the pioneer in establishing boutique birthing hospitals in India with the first Apollo Cradle opening in New Delhi in 2004. The concept is well accepted in urban markets and is another stride towards the emergence of specialized hospitals. The expert team at Apollo Cradle renders impeccable maternity, gynecology, neonatal, pediatrics and fertility services from a state-of-the-art facility.

Apollo Cradle has been able to differentiate itself by bringing the best clinical care to patients while adding to it all the luxury and experience components which women are looking for today. It is focused on ensuring holistic care for women, right from her early 20's to the late 50's and comprehensive care for the child in the initial years of life. Today, India presents a huge opportunity for the premium maternity / delivery market. Apollo Cradle has successfully grown the network in the last few years to 12 Cradles.



15
CENTERS

Apollo Fertility offers several specialized investigative and treatment procedures for infertility in men and women. Backed by Apollo Hospitals' 36 year legacy of clinical excellence and a network of 7 IVF centers, Apollo Fertility brings to the table unparalleled commitment towards successful outcomes.

The concept of specialty care centers which is a well-accepted and successful healthcare delivery format in developed nations, is gaining significant acceptance in India as well. Short stay surgeries are conducted across multiple healthcare delivery formats - tertiary care multi-specialty hospitals, nursing homes, single-specialty hospitals and multiple specialty surgical centers.

Improved patient convenience due to faster treatment and early discharge, lower costs due to lower length of stay, reduced susceptibility to hospital-acquired infections and improved insurance coverage are the various factors driving this demand. Additionally, the model supports lower overhead costs, faster turnaround, and higher theatre and equipment utilization. Due to these reasons, a significant number of short stay centers have been coming up in India.

Today, Apollo Spectra is leading the way as amongst the largest chain of hospitals providing short-stay surgical services across departments- Orthopedics, General Surgery, Urology, ENT & Bariatric Surgery. Apollo Spectra is a well-known brand in the field with 12 centers spread across 8 major cities of India.



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CENTERS

Apollo Dialysis was set up with the vision to facilitate dialysis treatment in a place that is convenient to the patient. Apollo Dialysis centers have been successfully providing high quality dialysis services to their patients. With a strong focus on treatment outcomes, the Group has established 14 dialysis units in the state of Andhra Pradesh (via PPP model), and will now do the same in Assam, and other states.



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CENTERS

Apollo WHITE Dental is the most trusted chain of dental clinics in India with 64 Centers in 17 cities across the country, aiming to bring world-class dental care within reach of every Indian. This single specialty business provides comprehensive dental care facilities in all areas including general treatment, cosmetic dentistry and implants. Each of these centers provide the best of ambience, technological advancement and evidence-based updated treatments.

Going ahead, Apollo Hospitals aspires to create a profitable network, position the brand in metro cities and Tier II towns and grow the network through clusters. Apollo White centers exist in both hospitals and clinics and as standalone centers.

Financials

Discussion on Consolidated Financial Performance and Results of Operations

The following table presents the summary of results of operations for the years ended March 31, 2020 and 2019:

Particulars (₹ in million)	31.03.2020	%	31.03.2019	%
Operating Revenues	112,468		96,174	
Add: Other Income	270		314	
Total Income	112,738	100.00	96,488	100.00
Operative expenses	54,989	48.78	46,609	48.31
Salaries and benefits	18,529	16.44	15,982	16.56
Administration & other expenses	23,077	20.47	22,947	23.78
Financial expenses	5,328	4.73	3,270	3.39
Depreciation and amortization	6,197	5.50	3,955	4.10
Profit before Income Tax – Exceptional & Extraordinary items	4,617	4.10	3,725	3.86
Exceptional items	1,983	1.76	0	0.00
Share of profit of equity accounted investee	(31)	(0.03)	10	0.01
Profit before tax	6,569	5.83	3,735	3.87
Provision for taxation	2,252	2.00	1,734	1.80
Profit after Tax (Incl. Minority Interest)	4,317	3.83	2,001	2.07
Add: Other Comprehensive Income	(6)	(0.01)	(291)	(0.30)
Total Comprehensive Income for the period	4,312	3.82	1,710	1.77
Less: Minority interest	(232)	(0.21)	(358)	(0.37)
Profit after minority interest	4,543	4.03	2,068	2.14

Revenues

The total operating revenue grew 16.94% from ₹96,174 million in FY19 to ₹112,468 million in FY20, with healthcare revenues growing by 11.42% from ₹51,426 million to ₹57,297 million as a result of 6% growth in volumes at existing facilities as well as contribution from new facilities. Revenues at existing hospitals were also supported by case mix improvements and pricing. The standalone pharmacy business witnessed 24.05% revenue growth from ₹38,860 million to ₹48,206 million in FY20. The number of stores within the network of Standalone Pharmacies was 3,766 in 2020 as compared to 3,428 stores as at March 31, 2019.

The following table shows the key drivers of revenues for the periods presented:

Year ended March 31, 2020

Particulars	31.03.2020	31.03.2019	increase (decrease)	% increase (decrease)
IP Discharges	478,032	451,894	26,138	5.78%
Revenue per Inpatient (₹)	117,151	110,508	6,643	6.01%
ALOS	3.86	3.99	-	-
OP Volume	4,328,055	4,161,736	166,319	4.00%
Revenue per bed day (₹)	37,397	34,226	3,171	9.26%

Expenses

Salaries and Benefits

The salaries and benefits expense of ₹15,982 million during 2019 increased by 15.94% to ₹18,529 million in 2020. This increase was a result of annual compensation increases for the employees, plus the impact of an increasing number of employed physicians within the hospitals and pharmacies for the SAPs .

Year ended March 31, 2020 (₹ in million)

Particulars	31.03.20	% of revenue	31.03.19	% of revenue	% increase (decrease)	% increase (decrease)
Salaries, wages and benefits (including managerial remuneration)	18,529	16.4	15,982	16.56	2,547	15.94
No. of employees	62,939		60,374			

Operative Expenses

During 2020, the material cost of ₹54,989 million increased by 17.98%, as compared to a figure of ₹46,609 million in 2019. The increase in material cost was in line with the growth in operating revenues.

Administrative Expenses

The following table summarizes the operating and administrative expenses for the periods presented.

Year ended March 31, 2020 (₹ in million)

Particulars	31.03.20	% of revenue	31.03.19	% of revenue	% increase (decrease)	% increase (decrease)
Repairs and maintenance	2,305	2.04	1,826	1.89	480	26.27
Rents and leases	930	0.82	3,502	3.63	(2,572)	(73.45)
Outsourcing expenses	3,557	3.16	2,890	3.00	667	23.07
Marketing and advertising	2,271	2.01	1,839	1.91	432	23.49
Legal and professional fees	1,165	1.03	1,213	1.26	(48)	(3.95)
Rates & taxes	216	0.19	183	0.19	33	18.06
Provision for doubtful debts & Bad debts written off	752	0.67	657	0.68	96	14.55
Other administrative expenses	11,881	10.54	10,837	11.23	1,044	9.63
Total	23,077	20.47	22,947	23.78	131	0.57

Depreciation and Amortization

The depreciation and amortization expense increased to ₹6,197 million during 2020, as compared to ₹3,955 million during 2019. The increase is largely due to capital improvement projects completed during the year and normal replacement costs of facilities and equipment.

Financial Expenses

The financial expenses increased to ₹5,328 million during 2020, compared to ₹3,270 million during 2019. The increase is largely due to interest on funds deployed in commissioning of new hospital projects as well as for construction in progress at other facilities.

Provision for Income Taxes

The provision for taxes during the year ended March 31, 2020 is ₹2,252 million compared to ₹1,734 million in the previous year ended March 31, 2019.

| Key Financial Ratios |

There is no significant change (i.e change of 25% or more as compared to the previous financial year) in the key financial ratios viz., Debtors Turnover, Inventory Turnover, Interest Coverage, Current Ratio, Debt Equity, Operating Profit and Net Profit Margins (which are calculated on a standalone basis).

Return on Networth ratio increased from 7.80% to 11.79% for the financial year ended 31st March 2020, calculated on a standalone basis, on account of exceptional income from the divestment of equity stake in Apollo Munich.

| Liquidity |

The primary sources of liquidity are cash flows generated from operations as well as long-term borrowings. The Company believes that its internally generated cash flows, amounts invested in liquid funds and approved and proposed debt will be adequate to service existing debt, finance internal growth and deploy funds for capital expenditure.

| Capital Expenditure |

In addition to the continued investments in new hospital facilities, there have also been investments made in new clinics, cradles and dental centers. These investments would assist to not only attract and retain physicians but also get more patient footfalls at Apollo Hospitals centers.

Risks and Concerns

Given the multi-fold increase in scale and the expanded area of operations since inception, Apollo Hospitals is automatically exposed to a wider range of risks and uncertainties than earlier. These internal and external factors may affect achievements of the organization's objectives - whether they are strategic, operational, or financial.

The business environment in which Apollo Hospitals operates is characterized by increasing competition and market unpredictability. Apollo Hospitals is exposed to numerous risks in the ordinary course of business. Risks are unavoidable as there can be no entrepreneurial activity without the acceptance of risks and associated profit opportunities.

Apollo Hospitals believes it is imperative to identify business sustainability risks and opportunities on an on-going basis and integrate them into the existing risk management framework. The Group adopts processes which continuously enhance risk awareness and promote a culture of risk management.

The Senior Management of each business unit undertakes the practice of Risk Management under the guidance of the Board of Directors. As risks cannot be completely eliminated, adequate actions are taken to mitigate areas of significant

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risks that have been identified. Also, risk management systems ensure that risks are contained within manageable levels.

| Internal Controls |

Apollo Hospitals is committed to maintaining a high standard of internal controls throughout its operations. The internal control framework deploys a well-designed robust system which allows optimal use and protection of assets, facilitates accurate and timely compilation of financial statements and management reports, and ensures compliance with statutory laws, regulations and company policies.

While no system can provide absolute assurance against material loss or financial misstatement, the robust internal control systems which are reviewed periodically provide reasonable assurance that all company assets are safeguarded and protected. The Internal control system is designed to manage rather than to completely eliminate the risk of failure to achieve business objectives.

The system is designed to ensure that all transactions are evaluated, authorized, recorded and reported accurately. In addition to this, extensive budgetary control reviews form the mechanism for timely review of comparison of actual performance with forecasts.

The management is responsible for assessing business risks in all aspects of its operations and for implementing effective and efficient processes and controls while ensuring compliance with internal and external rules and regulations. While reviewing the Group's internal controls, sufficient regard is given to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

Environmental Social Governance

Since inception, Apollo Hospitals has valued the trust of its patients and wider society and has striven hard to serve their interests every day. The Company understands that its success is intimately linked to the progress of the people and communities that it serves and that society has given it the social license to operate. It thoroughly recognizes the role that it plays in driving sustainable societal growth. So, strengthening the approach towards Environmental, Social and Governance issues has always made good business sense for AHEL.

Apollo Hospitals is committed and pro-active when it comes to managing the environmental impact caused by its operations. The Company understands that its employees and patients are important assets and has at all times been committed to providing a safe and healthy environment in all its operating locations. The protection and preservation of the environment is not only restricted to legal compliance but is a matter of priority for the Company.

Apollo Hospitals has a 'Sustainable Sourcing and Purchase Policy' to ensure good Environmental, Social and Governance (ESG) practices in its entire value chain. Considerable efforts are undertaken to ensure safety and optimal use of Apollo Hospitals resources over their life-cycle in all of its day-to-day operations. The Company also ensures that all its suppliers, employees, recyclers, and others, are aware of their responsibilities. All employees (permanent, casual, temporary & contract) undergo safety and skill up-gradation trainings on a regular basis based on their role, domain and individual needs. The Board of the Company has always been diligent in implementing laws and guidelines to ensure the safety of resources and all stakeholders.

Apollo Hospitals believes in adhering to the best governance practices to ensure protection of interests of all stakeholders of the Company in tandem with its healthy growth. It also believes that there is a direct correlation between good corporate governance practices and long-term shareholder value. The Company does not support and actively discourages practices that are abusive, corrupt, or anti-competitive. The corporate governance of the Company is a reflection of its value system encompassing its culture, policies, and relationships with its stakeholders. In the risk assessment framework, the Company identifies the important Environmental, Social and Governance risks and takes responsible steps towards mitigating them. Therefore, the ESG considerations are integrated across the Apollo Hospitals business and built into the policies and principles that govern how the Company operates.

Human Resources

| Apollo Values |

Values defines a company. Apollo has always been a family, working together, crossing hurdles together, and notching up victories together. The Company's core values hold and unite

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the people for a common purpose. They exemplify what is fundamentally the Apollo culture which is what makes Apollo one of the greatest healthcare providers in the world.

Apollo Hospitals which has always given utmost importance to excellence and innovation in the field of healthcare continues to place its focus on its most valued resource, its employees. The institution has always understood the importance of having a highly skilled workforce, which is proficiently trained to provide the highest standard of care. The people that work in Apollo Hospitals form the very nucleus of the Group and their actions contribute to the Group's journey of touching a billion lives.

In addition to the high level of skills, commitment and professionalism of its people, Apollo Hospitals strongly believes that proper management of human resources is extremely critical in providing high quality healthcare. The Group has therefore built an effective Human Resources department which supports the business in achieving sustainable and responsible growth. Apollo Hospitals has always strived hard in developing its workforce and building the right capabilities in the organization. It continues to focus on progressive employee relations policies, creating an inclusive work culture and building a strong talent pipeline. The Human Resources function contributes to the success of Apollo Hospitals and its employees through leadership, service and excellence in human resources management. The Human Resources department at Apollo Hospitals has been playing an important role in creating a conducive work environment for its employees. The Human Resources wing supports its employees throughout their employment life cycle.

THE APOLLO FAMILY

62,939
EMPLOYEES

The Apollo Hospitals family comprises of 62,939 employees as on March 31, 2020 (including subsidiaries, joint ventures and associates). Together, these diverse employees bring their experience, culture and commitment to the work they do every day to improve the health of patients. Cultural integration of the workforce has always been a key focus area and the organization's learning initiatives are designed around assimilation and development of individual and team competencies to create a patient centric culture. Every employee of the Apollo Hospitals family embraces the Group's "Tender Loving Care" philosophy in dealing with patients and are committed to the Group Vision - "To Touch a Billion Lives."

| Apollo Culture |

Excellence, Expertise and Empathy are the three words that define our culture.

Investment in continuous learning is an integral component of the HR system which empowers employees to be well-prepared for providing superior patient care. Programs related to Talent Attraction, Talent Development and Talent Management continue to be institutionalized for delivering outstanding patient experience. Training has been extensively used as a potent tool to engage and energize talent. Commitment and competence of employees are key drivers of overall organizational performance and thus every endeavor is made to strengthen organizational culture and retain the best talent.

| Cautionary Statement |

Some of the statements in this Management Discussion and Analysis that describe the Company's objectives, projections, estimates, expectations and predictions may contain certain 'forward looking statements' which are within the meaning of applicable laws and regulations. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a variety of factors which may cause real events or trends to vary significantly from those reflected or implied by these forward-looking statements and predictions. Important developments that could alter your Company's performance include increase in material costs, technology developments and significant changes in political and economic environment, tax laws and labor relations.