



Dr. PRATHAP C REDDY

Chairman, Apollo Hospitals

Dear Shareholders,

High quality healthcare with compassion, an abiding principle I practiced as a cardiologist with the patients entrusting their lives under my care, is now the collective ambition of all caregivers at Apollo Hospitals Enterprise Limited ("Apollo Hospitals"). Apollo Hospitals has paved its +40-year history with an unwavering commitment to putting the patient at the centre of all decisions, and has become **Asia's foremost integrated healthcare provider** with the most comprehensive and diverse set of healthcare offerings, the best care pathways, and the best technology. Our global position is evidenced by the fact that patients from over 150 countries come to us for care, and we deliver world-class outcomes for them. We have completed the highest number of solid organ transplants in the world, and the world's largest number of heart surgeries, all with benchmarked outcomes.

It is in continuing this mission and with entrepreneurial conviction and enthusiasm, that the Board of Directors ("Board") are requesting our shareholders' support through the Postal Ballot Notice in **combining India's largest medical-supplies distributor with our omnichannel healthcare platform**. These transactions will not only create inter-entity synergy but will also become the connective tissue encompassing our ecosystem and bringing it together to **unlock unprecedented, long-term value for our stakeholders and leave a lasting legacy in India's healthcare industry**.

As we embrace the future, our commitment to providing a truly exceptional care experience remains unswerving. We will stay true to the trust of billions of – past, present, and future – patients who have and will come to Apollo with great hope in their hearts.

Purpose-led Vision: Pioneering Firsts and Defining Excellence

Apollo Hospitals' journey over the last +40 years has been one of **Purpose-led vision**, a pioneering and innovative spirit and a strong rigour of execution. We have been pioneers in:





- **Formats of Care** – we started the first corporate hospital, first organised chain of pharmacies and first tele-medicine offering in India, along with innovative retail health formats such as boutique birthing. We were the first in the country to introduce preventive health checks and have done over 20 million such checks to date.
- **Clinical Outcomes and Quality** – our hospital was the first to secure the prestigious Joint Commission International accreditation in India, first to publish our clinical outcomes transparently on our website, run the world's largest solid organ transplant program for many years now, and perform the highest number of robotic surgeries in the country.
- **Introduction of Advanced Technology** – we introduced the first 16-slice PET CT in India, first 64-slice CT angio system, the most advanced Proton Therapy for Oncology (first-of-its-kind in South East Asia), and the first Zap-X Gyroscopic Radiosurgery Platform (a non-invasive, pain free brain tumour treatment).

These are just few examples of our commitment to futuristic formats and technology. They exemplify our pioneering spirit that is embedded in our decision-making and are the attributes that have propelled us to where we are today, as we stand at the cusp of the next definitive opportunity.

Healing in India, Healing in Apollo Hospitals

These past years, India has continued its progress as the future of growth, investments, and technology. In 2023, India's population surpassed China's, marking a significant demographic milestone, and is expected to become the world's fourth-largest economy by 2025. The most significant trend is the rate of digitization. With smartphone penetration, 4G/5G subscription, and internet users nearly doubling since 2018 – digital India, or the largest digitized country in the world, is already here and is hungry for growth.

Coinciding with this evolution, the healthcare sector's value proposition has permanently changed post-pandemic, rooting itself as an invaluable asset for investments, and as an essential industry vertical, well-insulated from cyclical or variable market conditions. Together, these monumental waves present **unprecedented and compelling opportunities across all our end markets, but especially for our digital venture** whose convenience, accessibility, penetration, and potential scale uniquely position Apollo Hospitals' value proposition, strengthen its competitive moat and will enable it to fully leverage the benefit of digitization.





Apollo Ecosystem Vision

The flexible, interconnected, and seamless healing ecosystem of Apollo Hospitals is a differentiated strength. From receiving treatment in our hospitals, collecting prescriptions in our pharmacies, accessing online healthcare via our telemedicine platform (and many more), the Board's efforts to build a synergistic and all-encompassing healthcare provider became a reality with consistent steps taken over the last four decades. Now, with the integration of India's widest-reaching and largest medical supplies distributor, we not only plan to accelerate our growth into new geographic/product markets with maximum efficiency, but also wish to ensure that Apollo remains the digital healthcare platform of choice for the world's largest digitized population.

Guiding Apollo Hospitals' efforts to incubate the foundations for the future was our Board with a diverse, balanced, and expert set of skills; particularly in capital allocation, with strong post-decision financial metrics serving as attestation to their wisdom and foresight. As at 2023 AGM, 4/6 and 3/6 of our Independent Directors had financial and risk-management skills respectively – both extremely relevant in providing oversight and strategic direction. With industry-leading ROCE figures and excess relative TSR against the most-widely referenced market index, our Board has clearly driven superior performance and its counsel will serve invaluable in leading the company through the dynamic and shifting landscapes of our market.

Our journey, truly, has been a testament to the Board's excellence and foresight. In every chapter, every page of our +40-years story – our Board not only witnessed the origination, but shaped the innovations that transformed India's healthcare industry into what we witness today. Without doubt, this *thinking ahead the curve* know-how is irreplaceable and remains our most invaluable asset that – together with our clinical expertise – will continue Apollo Hospitals' value-creating story long into our future.

Proposed Transactions Fully Synchronous with Our Stated Vision

With the potential to unlock the inherent value of our exceptional ecosystem are two, timely transactions: **(1) the merger of Keimed Private Ltd ("Keimed")**, India's largest distributor of medical supplies, with Apollo Hospitals' fully owned subsidiary, Apollo HealthCo Ltd ("AHL") and **(2) the merged entities' equity sales** (c. 12% of combined ISC) to Advent International ("Advent"), a leading global PE investor. The strategic rationale for the merger, which is fully synchronous with our stated vision, and has been well-received by market analysts, is as follows:





- Creating a **leading digital healthcare provider** backed by India's largest and **widest-reaching pharmacy distribution business**, with potential to significantly increase market share.
- Integrated model **retains patients in the Apollo Hospitals ecosystem** for longer and helps fulfil service requirements across the value chain, leading to higher retention and lifetime value.
- Leveraging on Keimed's reach, Apollo Hospitals can **penetrate faster into untapped markets with end-to-end services** far exceeding our competitors' offerings, and pursue higher-margin business of private-label pharmacy sales.
- Eliminates related-party transactions that Apollo Hospitals has with Keimed (for medical supplies delivery across our vast hospital network), which fully **aligns Keimed's interest for the benefit of our shareholders** and removes the governance overhang.
- Complete the integration in our ecosystem – by seamlessly bringing together the Keimed supply chain with our pharmacy distribution business, thereby **creating a one-of-its-kind business**.

With Advent's smart capital injection bolstering these investments without sacrificing CAPEX into our traditional hospital ventures and reducing our interest-rate burden in today's contractionary policy environment (portion of capital injection to be used to retire various debt), the two transactions collectively create shareholder value greater than what could've been achieved with the status quo.

Given such synergy and amplifying effect between the two transactions, their collective adoption is vital.

Through the various one-on-one meetings and materials which we have published – all while delivering strong FY24 results across our entire business – we have consciously aimed to provide transparency around the inception and expected outcomes of our entrepreneurial and ambitious plan to instil confidence in all our stakeholders, including shareholders.





Transaction Governance

Strong Governance and Ethics are deeply ingrained in the Board's philosophy and strongly upheld in formulating the form and substance of these transactions. The Board's key actions on this front, which we believe are fully aligned with our shareholders' expectations, are detailed below.

First, the Board prioritized obtaining independent opinion in weighing the transactions' merits by **engaging providers to conduct independent valuations** of AHL and Keimed – which determined the merger's swap ratio and equity sales to Advent. Secondly, the transactions were **unanimously approved by a fully independent Audit Committee**, assuring the transactions' arm's length negotiation process, and **approval by the Independent Directors on the Board, agreeing that the transactions are of interest to our minority shareholders**. Throughout this entire process, all Promoters – including those without a beneficial interest – recused themselves from the approval process.

Concluding Remarks

Staying a leader in healthcare requires constant prioritization of patient needs, ensuring consistent delivery of the highest quality of treatments and services and staying true to our purpose. This commitment, and spirit of pioneering innovation has been at the bedrock of Apollo Hospitals' journey to becoming India's #1 healthcare provider and remains unwavering as we strengthen our efforts to trailblaze

the future of digital healthcare. Just as we've delivered to our shareholders Asia's foremost integrated healthcare provider, **we now ask our shareholders to once again believe in our vision to bring Apollo Hospitals to new, unprecedented heights.**

Ensuring Apollo Hospitals' responsible and prudent implementation of these transactions, the Board has decided to extend my term as Executive Chairman for a further two years. Similarly, to appropriately focus on successful execution of the contemplated transactions, the current Executive Vice-Chair, **Shobana Kamineni**, will step down as an Executive Director at Apollo Hospitals to **focus full-time on AHL as its Executive Chairperson**. As you all are aware, Shobana is the architect of the formidable network of Apollo pharmacies, positioning it as the leading pharmacy chain in the country, and upholding the Apollo brand of quality and trust.





She has been stewarding Apollo 24/7 right from the ideation stage, and I have no doubt that she will bring her energy and execution heft to fully unlock the potential of AHL, and deliver on its stated financial goals. She will remain on the Apollo Hospitals' Board as a non-independent Non-Executive Director.

We look forward to your continued confidence in Apollo Hospitals and encourage you to raise any questions relating to the Postal Ballot directly with our Company Secretary (companysecretary@apollohospitals.com). All relevant materials for the transactions can found on our website alongside notice materials relating to the Postal Ballot Notice.

With warm regards,

Dr. Prathap C. Reddy



Founder and Chairman of Apollo Hospitals

Place : Chennai

Date : July 12, 2024