

Annexure-VI

REPORT ADOPTED AND RECOMMENDED BY THE AUDIT COMMITTEE ("COMMITTEE") OF ASTER DM HEALTHCARE LIMITED ("COMPANY" OR "TRANSFeree COMPANY") AT ITS MEETING HELD ON NOVEMBER 29, 2024 AT HILTON BENGALURU EMBASSY MANYATA BUSINESS PARK BLOCK A, HOTEL BUILDING-1, HEBBAL, OUTER RING ROAD, NAGAWARA, BENGALURU, 560045, INDIA, ON THE DRAFT SCHEME OF AMALGAMATION AMONGST THE COMPANY, QUALITY CARE INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members Present:

Mr. James Mathew – Independent Director and Chairman of the Committee

Ms. Alisha Moopen – Deputy Managing Director and Member of the Committee

Mr. Emmanuel David Gootam – Independent Director and Member of the Committee

Mr. Sunil Theckath Vasudevan – Independent Director and Member of the Committee

1. Background

1.1. The proposed scheme of amalgamation provides for a merger by absorption involving the Company ("**Transferee Company**") and Quality Care India Limited ("**Transferor Company**") and their respective shareholders and creditors ("**Scheme**"), wherein the Transferor Company shall amalgamate into and with the Transferee Company in terms of Section 230 to Section 232 and other applicable provisions, if any, of the Companies Act, 2013 ("**Act**") read with the rules and/or regulations made thereunder (including any statutory modification(s) or re-enactment(s) or other amendment(s) thereof for the time being in force), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable laws including the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (as amended from time to time) ("**SEBI Scheme Circular**") or any other circulars issued by the Securities and Exchange Board of India ("**SEBI**") applicable to schemes of arrangement from time to time. The Scheme was presented to the Committee at its meeting held on 29th November, 2024, for its consideration and making recommendation to the Board of Directors of the Company.

1.1 As per the SEBI Scheme Circular, a report from the Committee recommending the draft Scheme is required, taking into consideration *inter alia*, the Valuation Report (*as hereinafter defined*), and commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, Impact of the Scheme on the shareholders, cost benefit analysis of the Scheme. This report of the Audit Committee is made in compliance with the requirements of

the SEBI Scheme Circular issued by SEBI pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations").

1.2 While deliberating on the Scheme, the Committee, *inter alia*, considered and has taken on record the following documents:

- a. Draft Scheme, duly Initialled by Company Secretary of the Company for the purpose of identification;
- b. Merger Framework Agreement dated November 29, 2024 executed amongst Quality Care India Limited, Aster DM Healthcare Limited, the persons listed in Schedule 3, BCP Asia II Topco IV Pte. Ltd., Centella Mauritius Holdings Limited, and Sri Sainatha Multispeciality Hospitals Private Limited;
- c. Independent valuation report dated November 29, 2024 ("Valuation Report") issued by PwC Business Consulting Services LLP (IBBI Registration Number: IBBI/RV-E/02/2022/158), recommending the share exchange ratio set forth in the Scheme;
- d. Fairness Opinion dated November 29, 2024 ("Fairness Opinion") issued by ICICI Securities Limited, an independent SEBI registered Category- I Merchant Banker (SEBI Registration Number: INZ000183631), providing fairness opinion on the share exchange ratio proposed in the Valuation Report; and
- e. Auditors Certificate dated November 29, 2024 ("Auditor Certificate") issued by Deloitte Haskins & Sells, the statutory auditors of the Company (Firm Registration Number: 008072S) in terms of Para (A)(5) of Part I of the SEBI Scheme Circular and proviso to sub-clause (j) of Section 232(3) of the Act certifying that the accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Act; and
- f. Other presentations, documents and information made to/furnished before the Committee, at various board meetings of the Company, pertaining to the draft Scheme.

2. Salient Features of the Scheme

2.1 The Scheme, amongst others, contemplates the following arrangements (capitalised terms used and not defined herein shall have the meaning ascribed to them in the Scheme):

- a. Amalgamation by way of merger by absorption of the Transferor Company into and with the Transferee Company in accordance with Section 2(1B) of the IT Act and Sections 230 to 232 of the Act and other applicable laws;
- b. Pursuant to the sanction of the Scheme by the NCLT and upon fulfilment of conditions for the Scheme, the Scheme shall become effective from the opening hours of the first day of the

calendar month immediately following calendar month in which all the conditions are completed ('Effective Date'). The 'Appointed Date' for the Scheme shall be the Effective Date or such other date that is mutually agreed in writing between the Transferor Company and the Transferee Company;

- c. With effect from the Appointed Date and upon the Scheme becoming effective, the Transferor Company shall stand amalgamated into the Transferee Company and the entire Undertaking of the Transferor Company shall stand transferred to and vested in and/or be deemed to have been and stand transferred to and vested in the Transferee Company to become the Undertaking of the Transferee Company, in the manner provided for in the Scheme, in accordance with Sections 230 to 232 of the Act, and other applicable laws;
- d. Upon the Scheme coming effect on the Effective Date, the entire authorized share capital of the Transferor Company, comprised of 43,20,00,000 (Forty-Three Crore Twenty Lakh) Equity Shares of Rs. 10/- (Indian Rupees Ten) each and 35,00,000 (Thirty-Five Lakh) Preference Shares of Rs. 10/- (Indian Rupees Ten) each, shall transferred to the authorized share capital of the Transferee Company without any further act, deed or instrument;
- e. Upon the Scheme coming into effect on the Effective Date and in consideration of the Amalgamation, the Transferee Company shall, without any further act, instrument or deed, issue and allot the Consideration Shares (*as defined in the Scheme*) to all Eligible Shareholders (*as defined in the Scheme*), at the Share Exchange Ratio (*as defined in the Scheme*) on the basis of the Valuation Report and Fairness Opinion. The Consideration Shares shall be listed on the Stock Exchanges;
- f. The Transferor Company Stock Options granted (vested and unvested) by the Transferor Company will be cancelled prior to the Scheme coming into effect. There is no monetary liability or any amount required to be paid by the Transferee Company in respect of Transferor Company Stock Options.
- g. All the shares held by the Transferee Company in the Transferor Company as on the Effective Date shall stand cancelled without any further application, act or deed;
- h. The Transferor Company shall stand dissolved without being wound up; and
- i. The effectiveness of the Scheme is conditional upon fulfilment of the actions specified in the Scheme, which inter alia include:

- i. the parties having procured the approval of the CCI, in accordance with the provisions of Applicable Laws and the Merger Framework Agreement, to consummate the Scheme and other transactions contemplated under the Merger Framework Agreement;
- ii. the receipt of no-objection letters by the Transferee Company from the Stock Exchanges in accordance with the Listing Regulations and the SEBI Circular in respect of the Scheme prior to filing the Scheme with the Tribunal in accordance with the Merger Framework Agreement;
- iii. Approval of the members:
 - (A) the requisite majorities in number and value of such classes of members as may be directed by the Tribunal or any other competent authority, as may be applicable, approving the Scheme;
 - (B) the votes cast by the public shareholders of the Transferee Company in favour of the Scheme being more than the number of votes cast by the public shareholders of the Transferee Company against the Scheme; and
 - (C) in each case, in compliance with the provisions of the Act, the SEBI Circular and the Listing Regulations that require seeking approval of a Party through e-voting, if applicable.
- iv. the requisite majorities in number and value of such classes of secured and unsecured creditors as may be directed by the Tribunal or any other competent authority, as may be applicable, approving the Scheme;
- v. the Scheme being sanctioned by the Tribunal under Sections 230 to 232 and any other applicable provisions of the Act, and receipt of the certified copies of the order of the Tribunal sanctioning the Scheme;
- vi. each of the Parties having filed the certified copies of the order of the Tribunal sanctioning the Scheme with the ROC within the statutory timelines;
- vii. there not being any governmental order from any Governmental Authority (other than a competition and/or anti-trust authority) that has the effect of making the Amalgamation illegal or otherwise restraining or preventing its consummation; and
- viii. the satisfaction (or waiver in writing) of such other conditions as have been mutually agreed between the Parties in writing in the Merger Framework Agreement.

3. Need for the amalgamation

The Company is a listed public company incorporated in India and is engaged in the healthcare service operating in India with a strong presence across primary, secondary, tertiary, and quaternary healthcare through 19 hospitals. The Transferor Company is a public limited company incorporated under the Act and is engaged in the multi-specialty healthcare services with 460 healthcare facilities serving 15 cities across 5 states in India. The amalgamation will consolidate the businesses of the Transferor Company and the Transferee Company, leading to focused growth, operational efficiencies, and business synergies. Additionally, the resulting corporate holding structure will bring enhanced brand recall across the healthcare sector.

4. Rationale for the scheme

- (i) The Transferee Company is *inter alia* engaged in providing healthcare and related services (including diagnostics, tele-health and other allied services) through a network of multi-specialty healthcare establishments across India, that the Transferee Company or its subsidiaries own or operate from time to time.
- (ii) The Transferor Company is *inter alia* engaged in the business of providing healthcare and related services through a network of multi-specialty hospitals across various cities in India and Bangladesh.
- (iii) With a view to consolidate the business interests of the Transferor Company and Transferee Company, it is proposed that the Transferor Company with all its business interests, be amalgamated with and into the Transferee Company.
- (iv) The members of the Audit Committee understand that the Amalgamation pursuant to the Scheme would, *inter alia*, have the following benefits, as set out in the Scheme:

(a) Scale and financial resilience

- (A) Merged entity is expected amongst the top 3 (three) hospital chains in India and with strong presence across South and Central India with strong financial, operational and return metrics.
- (B) The proposed merger is expected to be accretive in terms of earnings per share and earnings before interest, tax, depreciation and amortisation margin for Transferee Company's shareholders.

(b) Diversification and potential for growth

- (A) The merged entity will have diversified presence across 9 (nine) states and 25 (twenty five) cities in India with low overlap of hospitals.
 - (B) Limited micro-market overlap between the Transferee Company and Transferor Company will have limited impact due to cannibalization.
 - (C) With established hospitals in diverse locations, the merged entity will have significant opportunities for both brownfield and greenfield expansion.
 - (D) Streamlining processes, functions and resources to drive better patient outcomes and clinical excellence.
- (c) Synergies: The proposed amalgamation will result in multiple synergy benefits that can help accelerate growth and improve margins, as set forth below, thus creating value for the respective stakeholders of the Transferee Company and Transferor Company:
- a. Revenue synergies: Strengthened initiatives to attract international patient at the merged entity, ability to expand coverage by insurance companies with integrated operations, etc.
 - b. Supply chain: Rationalization of spends on procurement of drugs, consumables through centralization, better negotiating capabilities, etc.
 - c. Integrated Doctor Model: Potential cross-selling opportunities with broader base of senior specialist doctors and exchange of learnings coupled with greater ability to attract and retain medical talent with state-of-the-art medical facilities.
 - d. Lower cost overheads: Optimization of various corporate functions and leveraging best practices, technology and channel mix optimization to allow a more coordinated approach towards governance for the businesses.

Further, the Committee has discussed the Scheme at length with the management of the Company. The management of the Company during several discussions have informed the Committee that the proposed consolidation of the business of the Transferor Company and the Transferee Company, would lead to focused growth, operational efficiencies, and business synergies, which should drive future growth and enhance shareholder value.

5. Synergies of business of the entities involved in the scheme:

5.1 The proposed scheme would result in the following synergies:

- a. Merging the Transferor Company with the Transferee Company will facilitate the integration of their business operations. This merger will significantly enhance patient outcomes, foster synergies, lower operational costs, improve efficiencies, and enable optimal use of diverse resources. This is achieved through the pooling of financial, clinical, managerial, technical resources, and technologies from both companies, which will drive future growth and enhance shareholder value.
- b. The merger will boost organizational capabilities by combining talent and human capital with a range of skill sets and experience. This includes expertise in healthcare services and insights from skilled medical practitioners, which will fortify the company's market position and operational strength.
- c. By uniting the capabilities of both entities, the merger will enhance the ability to deliver high-quality healthcare and apply clinical insights, leading to greater medical excellence.
- d. The integration will streamline legal, compliance, and other statutory functions, promoting a more coordinated approach to governance across the businesses.
- e. The merger represents a strategic alignment for both companies, improving their ability to serve the existing healthcare market and handle additional demand. This will result in a robust, financially stable amalgamated entity.
- f. The resultant merged company will benefit from established brand recognition within the healthcare sector. As the market evolves, this will position the company effectively to compete with peers and capitalize on growth opportunities.
- g. Merger will result in significant procurement savings through centralization of pharmaceutical drugs, consumables, and other expenses. Leveraging scale efficiencies, the merged entity will achieve improved vendor negotiations, standardized vendor selection, and enhanced formulary compliance, driving overall cost optimization and operational efficiency.

6. Impact of the scheme on the shareholders

6.1 Pursuant to the Scheme, the Transferor Company shall be transferred to and vested in the Transferee Company.

- a. Upon the Scheme becoming effective and upon the amalgamation of the Transferor Company into the Transferee Company in terms of the Scheme, the Company shall issue and allot to the equity shareholders of the Transferor Company whose names appear on the register of members as a member of the Transferor Company as on Record Date (as defined in the Scheme) or whose name appears on the register of beneficial owners of the equity shares of the Transferor Company in the records of the depositories/register of members, as the case

may be, as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors, in title as may be recognized by the Board of the Company fully paid up equity shares, free and clear from all encumbrances together with all rights and benefits attaching thereto in the following ratio:

"For every 1000 (one thousand) Transferor Company Shares, 977 (nine hundred seventy-seven) Transferee Company Shares to be issued to the shareholders of the Transferor Company as of the Record Date, as determined by the Valuation Reports and the Fairness Opinions."
("Share Exchange Ratio")

- b. Following the issuance of the equity shares in accordance with paragraph (a) above, which shares shall rank *pari passu* in all respects with the existing shareholding of the Transferee Company, the entire paid-up share capital of Transferor Company including the shares of the Transferee Company in the Transferor Company and shall stand cancelled and extinguished without any further act, instrument or deed.
- c. **Cost Benefit Analysis of the Scheme**
The Scheme is expected to provide an opportunity to improve the economic value for the Companies involved in the Scheme and their stakeholders pursuant to the consolidation. This is primarily on account of revenue and cost synergies which are expected to accrue to the Company on account of the Scheme and more particularly detailed out in paragraph 4 and 5 above. While the proposed Scheme would lead to transaction costs relating to its implementation, the benefits of the Scheme outweigh such costs for the Company and its stakeholders.

7. Valuation Report And Fairness Opinion

7.1 The Audit Committee reviewed the:

- a. Draft Scheme;
- b. Draft Merger Framework Agreement;
- c. Valuation Report and noted the methods of valuation;
- d. Fairness Opinion; and
- e. Auditor's Certificate.

7.2 The Audit Committee also discussed and deliberated on the aforesaid with the statutory auditors, registered valuer and the merchant bankers, present in the meeting as invitees.

8. RECOMMENDATION OF THE AUDIT COMMITTEE

- 8.1 The Committee has reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion has confirmed that the recommended share entitlement ratio and the share Exchange Ratio by the valuers in the Valuation Report are fair to the shareholders of the Company.
- 8.2 Taking into consideration the draft Scheme, Valuation Report, Fairness Opinion, Auditor's Certificate, need for the Scheme, rationale of the scheme, synergies of business of the entities involved in the scheme, impact of the Scheme on the shareholders, cost benefit analysis of the Scheme, and other relevant documents, as placed, the Audit Committee recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

For and on behalf of the Audit Committee of Aster DM Healthcare Limited



Mr. James Mathew

(DIN: 07572909)

Chairman of the Audit Committee

Date: November 29, 2024

Place: Bengaluru