

REPORT ADOPTED AND RECOMMENDED BY THE COMMITTEE OF INDEPENDENT DIRECTORS ("COMMITTEE") OF ASTER DM HEALTHCARE LIMITED ("COMPANY" OR "TRANSFEREE COMPANY") AT ITS MEETING HELD ON 29<sup>th</sup> NOVEMBER 2024, ON THE DRAFT SCHEME OF AMALGAMATION AMONGST THE COMPANY, QUALITY CARE INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

This report is considered and approved by the Independent Directors of the Company at the meeting held on 29<sup>th</sup> November, 2024 at the Hilton Bengaluru Embassy Manyata Business Park Block A, Hotel Building-1, Hebbal, Outer Ring Road, Nagawara, Bengaluru, 560045, India.

The Committee unanimously elected Mr. James Mathew, as the Chairperson of the meeting. Thereafter, Mr. James Mathew took the chair and presided over the meeting.

## 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 29<sup>th</sup> November, 2024, for its consideration and making recommendation to the Board of Directors of the Company.

1.2. In terms of Para A(2)(i), Part I of the SEBI Scheme Circular, the Independent Directors of the Company are required to adopt a report recommending the Scheme, taking into consideration, *inter alia*, that the Scheme is not detrimental to the interests of the shareholders of the Company. Accordingly, this report is prepared to comply with the aforesaid requirements.

1.3. While deliberating on the Scheme, the Committee, *inter-alia*, considered and took on record the following documents:

(a) Draft Scheme, duly initialled by Company Secretary of the Company for the purpose of identification;

- (b) Draft Merger Framework Agreement dated November 29, 2024 executed amongst Quality Care India Limited, Aster DM Healthcare Limited, the persons listed in Schedule 3 thereto (comprising the promoters and certain members of the promoter group of the Company), 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. Need and 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, it is proposed that the Transferor Company with all its business interests, be amalgamated with and into the Transferee Company.
- (iv) The independent directors 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.

### 3. Salient Features of the Scheme

3.1. The Scheme, amongst others, contemplates the following arrangements (capitalised terms used and not defined herein shall have the meanings 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 Hon'ble National Company Law Tribunal (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 be 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 'Conditions Precedent' as specified in the Scheme, which include:
  - (i) the parties having procured the approval of the Competition Commission of India, 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 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;

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- (C) 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;
- (D) 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;
- (E) 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;
- (F) 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
- (G) 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.

#### **4. Scheme not detrimental to the interests of the shareholders of the Company**

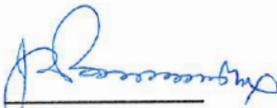
- 4.1. The members of the Committee discussed and deliberated upon the rationale and salient features of the Scheme, Valuation Report, Fairness Opinion, Auditors' Certificate and the specific points mentioned above including the interest of the shareholders of the Company.
- 4.2. The Independent Directors of the Company noted that the Scheme will provide an opportunity to improve the economic value of the Company. This is particularly marked in the improved synergies in healthcare services, research and operations.
- 4.3. 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 businesses 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. In light of the aforementioned rationale of the Scheme and other related matters, the Committee is of the

informed opinion that there will be no detrimental impact on the shareholders of the Company due to the proposed Scheme as the proposed amalgamation will be in accordance with the share exchange ratio, which ratios have been recommended under the Valuation Report and in relation to which, the Fairness Opinion has been provided to the Company.

## 5. Recommendation of the Committee

- 5.1. The Committee after due deliberations and due consideration of all the terms of the draft Scheme, the above rationale, the Valuation Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Company, recommends the draft Scheme for favourable consideration by the board of directors of the Company, the BSE Limited, the National Stock Exchange Limited, the SEBI and other statutory/regulatory authorities including Hon'ble National Company Law Tribunal.

For and on behalf of the Committee of the Independent Directors of Aster DM Healthcare Limited



Mr. James Mathew

Designation: Chairman

DIN: 07572909

Date: November 29, 2024

Place: Bengaluru