

**REPORT ADOPTED BY THE BOARD OF DIRECTORS (“BOARD”) OF ASTER DM HEALTHCARE LIMITED IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013, 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**

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**Members Present:**

**I. BACKGROUND**

1. Based on the recommendations of the Audit Committee and Committee of Independent Directors of the Company at their respective meetings held on November 29, 2024, , a draft of the proposed scheme of amalgamation by way of absorption involving the Company and QCIL and their respective shareholders and creditors (“Scheme”) pursuant to the provisions of Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with, rules and/or regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Section 2(1B) and other relevant provisions of the Income Tax Act 1961, as may be applicable, 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”) or the stock exchanges, applicable to schemes of arrangement from time to time was presented to the Board at its meeting held on November 29 2024 for its consideration and approval.
2. The Scheme, *inter alia*, 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 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 (i.e., ‘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 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. The draft Scheme will be filed with the stock exchanges on which the shares of the Company are listed i.e. BSE Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”) (BSE and NSE are collectively referred to as the “**Stock Exchanges**”), pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”) read with the SEBI Scheme Circular, for obtaining a no-objection letter from the Stock Exchanges.

4. The Scheme was recommended by the Audit Committee of the Company at its meeting held on November 29, 2024 and by the Committee of Independent Directors at its meeting held on November 29, 2024.

5. In terms of Section 232(2)(c) of the Act, a report from the Board of the Company explaining the effect of the Scheme on each class of shareholders (promoters and non-promoter shareholders), creditors and key managerial personnel of the Company, setting out, among other things, the share exchange ratio, specifying any special valuation difficulties, is required to be adopted by the Board. Such report is then required to be appended with the notice of the meeting of shareholders and creditors when such meeting is ordered by the jurisdictional National Company Law Tribunal.

6. Accordingly, this report of the Board is prepared to comply with the aforesaid requirements of Section 232(2)(c) of the Companies Act, 2013 and the SEBI Scheme Circular (“**Report**”).

7. While deliberating on the Scheme, the Board, 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, 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 share exchange ratio proposed in the Valuation Report;
- (e) Auditor's Certificate dated November 29, 2024 ("Auditor Certificate") from the Statutory Auditors of the Company, i.e., M/s Deloitte Haskins & Sells, (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 accounting standards prescribed under Section 133 of the Act;
- (f) Report of the Audit Committee of the Company dated November 29, 2024, recommending the Scheme, taking into consideration *inter alia*, the valuation report, and commenting on the need for the Scheme, rationale of the Scheme, cost benefit analysis of the Scheme, impact of the Scheme on the shareholders of the Company and synergies of business of entities involved;
- (g) Report of the Committee of Independent Director's dated November 29, 2024, recommending the Scheme, taking into consideration *inter alia*, that the Scheme is not detrimental to the shareholders of the Company; and
- (h) Other presentations, documents and information made to/furnished before the board, at various board meetings of the Company, pertaining to the draft Scheme.

## 8. Rationale of 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 Parties believe that the Amalgamation pursuant to this 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.

**II. Effect of the Scheme on each class of shareholders (promoter shareholders and non-promoter shareholders), key managerial personnel and creditors of the Company**

**1. Effect on each class of shareholders (promoter shareholders and non-promoter shareholders):**

(a) Pursuant to the Scheme, the Transferor Company shall be transferred to and vested in the Transferee Company.

(b) 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")*

(c) 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 and shall be subject to the provisions of Memorandum and Articles of Association of the Transferee Company, the entire paid-up share capital of Transferor Company including the shares of the Transferee Company in the Transferor Company shall stand cancelled and extinguished without any further act, instrument or deed.

**2. Effect of the Key Managerial Personnel:**

(a) Upon the Scheme becoming effective, all employees of the Transferor Company (including the key managerial personnel) will stand transferred to the Transferee Company and will become the employees of the Company on the same terms and conditions or such terms which shall not be less favourable than those on which they are employed by the Transferor Company with or without the same designation.

(b) There shall be no effect of the Scheme on the existing key managerial personnel of the Transferee Company. The effect of the Scheme on the interests of the key managerial personnel and their relatives holding shares in the Transferee Company, is not different from the effect of the Scheme on other shareholders of the Transferee Company.

3. **Effect on the creditors:**

Under the Scheme, no arrangement or compromise is being proposed with the creditors (secured or unsecured) of the Company. The liability of the creditors of the Company, under the Scheme, is neither being reduced nor being extinguished.

**III. Share Exchange Ratio**

1. For the purpose of arriving at the recommended Share Exchange Ratio, the Valuation Report was obtained by the Company in terms of the SEBI Scheme Circular.
2. The independent registered valuers appointed to determine the recommended Share Exchange Ratio for the amalgamation have not expressed any difficulty while determining the same.
3. The Fairness Opinion issued by ICICI Securities Limited, an independent SEBI registered Category- I Merchant Banker (SEBI Registration Number: INZ000183631), also does not indicate any special valuation difficulties.
4. The independent valuers have considered the Income Approach (Discounted Cashflow Method) and Market Approach (Comparable Companies Method and Market Price Method) to arrive at the recommended Share Exchange Ratio for the Scheme.
5. However, considering the nature of the transactions contemplated in the Scheme, the valuers are of the opinion that Asset Approach are of limited relevance and have based their valuation on Income Approach (Discounted Cashflow Method) and Market Approach (Comparable Companies Method and Market Price Method).
6. The recommendation of the Share Exchange Ratio for the amalgamation has been certified as being fair and has been approved by the Board of the Company, the Audit Committee of the Company and the Committee of Independent Directors of the Company.

**IV. ADOPTION OF THE REPORTS BY THE BOARD**

1. The Board of the Company has adopted this Report after noting and considering the information set forth in this Report. The Board or any fully authorized committee/ person by the Board is entitled to make relevant modifications to this Report, if required, and such modifications or amendments shall have deemed to form part of this Report.

2. In order for the Transferee Company to comply with the requirements of extant regulations applicable to companies undertaking any scheme of amalgamation, this Report of the Board may please be taken on record while considering the Scheme.
3. While deliberating the Scheme, the Board has considered its impact on each of the shareholders (promoters and non-promoter shareholders), key managerial personnel and creditors. In the opinion of the Board, the Scheme is in the best interest of the shareholders (promoters and non-promoter shareholders), key managerial personnel and creditors of the Company and there shall be no prejudice caused to them in any manner by the Scheme. No shareholders (promoters and non-promoter shareholders), key managerial personnel and creditors of the Company is expected or potentially may have any disproportionate advance or disadvantage in any manner.

**For and on behalf of the Board of Directors of Aster DM Healthcare Limited**



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**Dr. Azad Moopen**

**Designation: Chairman and Managing Director**

**DIN: 00159403**

**Date: November 29, 2024**

**Place: Bengaluru**