

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF QUALITY CARE INDIA LIMITED (“BOARD”) AT ITS MEETING HELD ON NOVEMBER 29, 2024 EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION AMONGST ASTER DM HEALTHCARE LIMITED (“TRANSFeree COMPANY”) AND QUALITY CARE INDIA LIMITED (“THE COMPANY” OR “TRANSFEROR COMPANY”) AND THEIR RESPECTIVE SHAREHOLDERS, ON EACH CLASS OF SHAREHOLDERS (PROMOTERS AND NON-PROMOTER SHAREHOLDERS), KEY MANAGERIAL PERSONNEL AND CREDITORS AND SPECIFYING ANY SPECIAL VALUATION DIFFICULTIES

I. BACKGROUND

1. Based on the recommendations of the Audit Committee of the Company at its meeting held on November 29, 2024 a draft of the proposed scheme of amalgamation (by way of absorption) between Aster DM Healthcare Limited and the Company (the Company and Aster DM Healthcare Limited are collectively referred to as, the “Companies”) and their respective shareholders and creditors (“Proposed Transaction”) 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 (“IT Act”), as may be applicable to the Proposed Transaction from time to time was presented before and approved by the Board (such scheme, the “Scheme”) at its meeting held on November 29, 2024.
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 National Company Law Tribunal, Hyderabad Bench under Sections 230 to 232 and other applicable provisions of the Act and upon fulfilment of conditions for the Scheme, the Scheme shall become effective from the date of fulfilment of the last of the conditions therein (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 coming into effect from the Effective Date the Transferor Company shall stand amalgamated into the Transferee Company and, the entire Undertaking (*as defined in the Scheme*) of the 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 Company, comprised of 43,20,00,000 (Forty Three Crores and Twenty lakhs) 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*), as per the Share Exchange Ratio (*as defined in the Scheme*) on the basis of the Valuation Report (*as defined in the Scheme*) and Fairness Opinion (*as defined in the Scheme*). The Consideration Shares shall be listed on the Stock Exchanges;
- f. 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;
- g. The Transferor Company shall stand dissolved without being wound up; and
- h. The effectiveness of the Scheme is conditional upon fulfilment of the conditions as specified in the Scheme

3. The Scheme was approved by the Audit Committee of the Company at its meeting held on November 29, 2024.

4. 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 (“Report”). 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.

5. Accordingly, this report of the Board is prepared to comply with the aforesaid requirements of Section 232(2)(c) of the Companies Act, 2013.
6. While deliberating on the Scheme, the Board, *inter-alia*, considered and took on record the following documents:
 - (a) Scheme (duly initialled by Managing Director/Company Secretary of the Company for the purpose of identification);
 - (b) Merger Framework Agreement executed between, *inter-alia*, the Transferor Company and the Transferee Company;
 - (c) Independent Report dated November 29, 2024 issued by D and P India Advisory Services LLP (Registered valuer No: IBBI/RV-E/05/2020/131) ("Valuation Report"), who in his report has recommended the share exchange ratio of 977 (nine hundred and ninety seven) fully paid-up equity shares of nominal value of Rs. 10 (Rupees Ten only), each of the Transferee Company for every 1000 (one thousand) fully paid-up equity shares of nominal value of Rs.10 (Rupees Ten only) each held in Transferor Company ("Share Exchange Ratio");
 - (d) Auditor's Certificate dated November 29, 2024 from the Statutory Auditors of the Company i.e. Price Waterhouse Chartered Accountants LLP, (Firm Registration Number: 012754N/N500016)) ("Auditors Certificate") as per proviso to Section 232(3) of the Companies Act, to the effect that the accounting treatment in the draft Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act;
 - (e) Other presentations, reports, documents and information pertaining to the draft Scheme made available or circulated to the Board.

7. **Rationale of the Scheme**

The Audit Committee of the Company noted the need and rationale of the Scheme and proposed restructuring pursuant to the Scheme, is expected, *inter alia*, to result in the following benefits as provided hereunder:

- (i) 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.

(ii) 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.

(iii) 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 accordance with the terms of the Scheme, the Transferee 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 Transferor Company Shares, 977 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) Please refer to paragraph I(7) for the effects / benefits of the Scheme on the eligible shareholders of the Company.

2. Effect of the Key Managerial Personnel:

Upon the Scheme becoming effective and upon the amalgamation of the Transferor Company into the Transferee Company, 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 Transferee 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.

The key management personnel who are shareholders of the Company will be allotted shares of the Transferee Company, like the other shareholders of the Company. Please refer to point 1 above for details regarding effect on the shareholders.

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

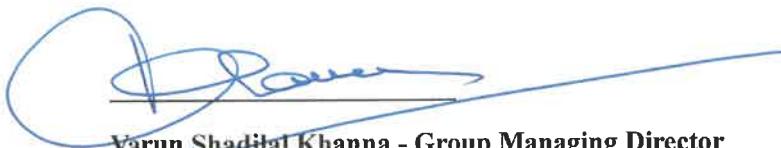
1. For the purpose of arriving at the recommended Share Exchange Ratio, the Valuation Report was obtained by the Company.
2. The independent registered valuers appointed to determine the recommended Share Exchange Ratio for the amalgamation have not expressed any difficulty while determining the same.
3. The independent valuers have considered the Asset Approach (NAV), Income Approach (DCF) and Market Approach (Market Price and Comparable Companies Method), to arrive at the recommended Share Exchange Ratio for the Scheme.
4. However, considering the nature of the transactions contemplated in the Scheme, the valuers are of the opinion that Asset Approach is of limited relevance and have based their valuation on Income Approach and Market Approach.
5. 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 and the Audit Committee 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 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.

By order of the Board
For **Quality Care India Limited**



Varun Shadilal Khanna - Group Managing Director
DIN: 03584124
Date: November 29, 2024
Place: Bengaluru

