STANDALONE PHARMACY REORGANIZATION

November 14, 2018
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KEY HIGHLIGHTS

01 Standalone Pharmacy: Where we are at
02 Standalone Pharmacy: Key Differentiators
03 The Opportunity Landscape: Retail Pharmacy
04 Pharmacy Reorganization: Objectives and Mechanics
05 Transaction Timelines
APOLLO STANDALONE PHARMACY (SAP): WHERE WE ARE AT

- **India’s largest Organized Pharmacy Chain** with presence in ~400 cities/towns spread across 20 States and 4 union territories.

- 3,167 Operating Stores as on 30th September 2018.

- **Employee Strength of 21,000 people** serving ~300,000 customers 24 X 7 everyday.

- Consistent growth in Revenues & EBITDA improvement, aided by New stores and strong like for like store Revenue growth in mature stores.

- Own brand private labels (FMCG & OTC drugs) constitutes over 6% of turnover.

- Attractive, best-in-class ROCE at 18% (H1FY19)

### Pharmacy store ramp up

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>H1 FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>617</td>
<td>883</td>
<td>1,049</td>
<td>1,199</td>
<td>1,364</td>
<td>1,503</td>
<td>1,632</td>
<td>1,822</td>
<td>2,326</td>
<td>2,556</td>
<td>3,021</td>
<td>3,167</td>
</tr>
</tbody>
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**Proven ability to expand the store network**

CAGR (FY08-18): 17%

### Revenues (INR Mio)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>H1 FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,996</td>
<td>3,322</td>
<td>4,817</td>
<td>8,614</td>
<td>11,017</td>
<td>13,648</td>
<td>17,725</td>
<td>23,237</td>
<td>28,745</td>
<td>32,689</td>
<td>32,689</td>
<td>18,558</td>
</tr>
</tbody>
</table>

**Well established track record of growth**

CAGR (FY08-18): 32%

### EBITDA (INR Mio) & Margins

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>H1 FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4.4%</td>
<td>-5.5%</td>
<td>-2.0%</td>
<td>0.5%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>2.7%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

**Strong profit margins**

CAGR (FY11-18): 74%
**Key Differentiators**

**Geographic spread**
3,167 pharmacies spread across 20 states and 4 Union Territories. Strong presence in metro centers such as Hyderabad, Chennai, Bengaluru, Pune, Ahmedabad and NCR regions, with high “Apollo” brand patronage.

**Strong store economics**
Data-driven store expansion results in lower store closures and quicker volume ramp-up/store level profitability. Asset-light model with low fixed capex provides flexibility to shut down unviable stores with minor or nil cost implications.

**Strong Distribution Back end**
Robust supply chain with strong distribution back-end provides an edge on purchase-price over mom-and-pop shops and other regional chains.

**High Customer retention**
Focus on high prescription fulfilment rates by stocking broad spectrum of drugs promotes customer retention. Additionally, Increasing share of private labels provides superior alternatives to customers over Name-brands.

**100% Company Owned stores**
Company-owned stores enables control and consistency in operations and store expansion in line with business goals.
The Domestic Retail Pharmaceuticals market is estimated to be ~ USD 15 bn. and is expected to grow at 10-12% CAGR over the next decade.

Total no. of retail pharmacies (chemists) in India are estimated to be 850,000 with ~845,000 falling under the unorganized mom and pop store category.

Branded, Organized pharmacy stores number less than 6,000 and constitute <5% of the total market size. This segment has been growing at an average of 22%, and is expected to grow between 20 - 22% over the coming decade.

Digital Marketplaces and Online also an emerging theme.

Apollo Pharmacy is best positioned to benefit from this combination of both market size increase and a shift to Organised retail.

Foray into Digital commerce being planned as part of our Omni-channel Strategy to provide consumers increased convenience and ability to choose between online and physical stores.
AHEL’s SAP business stands at an inflection point requiring greater focus and attention, independent of the hospital business, to fully leverage its potential and growth opportunity. The reorganization will focus on the following objectives:

1. Build a multi-year growth platform to achieve 5000 pharmacy outlets in 5 years and INR 10,000 Crores in Revenues.
2. Enhance Private Label Business share to over 12%, by broadening and deepening the product portfolio.
3. Strengthen the Direct-to-Consumer (D2C) front-end operations to drive same-store growth, prescription fill rates and overall experience; Overall Business ROCE target of 30% in 5 years.
4. Leverage strong distribution supply chain to further increase operational efficiencies and create a sustainable moat for the business.
5. Foray into Digital Commerce and execute an Omni-Channel strategy, leading to increased consumer convenience.
6. Build an integrated customer loyalty platform centred around a satisfied and engaged customer, leading to repeat business and higher customer retention.

Most importantly, Maximize Shareholder Value and set the platform for “Value Discovery” of the pharmacy business at a later stage, through a regulatorily compliant structure.
PHARMACY REORGANIZATION: MECHANICS

- Segregate the front-end SAP business into a separate company – Apollo Pharmacies Limited (‘APL’) which would carry out the front end operations of direct sales to retail customers.

- This would be supported by Back end supply chain which will continue to be housed within AHEL.

- AHEL will be the exclusive supplier for APL, under a long-term Supplier Agreement.

- AHEL will enter into a Brand Licensing Agreement with APL for use of “Apollo Pharmacy” brand.

- ~85% of the combined revenues would be captured in AHEL under the proposed reorganisation.

- APL front-end EBITDA margins expected to be 1.0%- 1.2% while AHEL (back end) will continue to capture the rest.

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Distributor

AMPL

AHEL (Back-end)

Investors

- EN 44.7%
- JH 19.9%
- HK 9.9%

Slump sale of front-end business through NCLT process.

Slump sale consideration of INR 527.8 Cr

Investor EN – Enam Securities Pvt Ltd
Investor JH – Jhelum Investment fund 1
Investor HK – Mr Hemendra Khotari

Effective Date: April 1, 2019
TRANSACTION TIMELINES

1. Fiscal & regulatory review
2. Approval by Committee/board of Directors of all the companies
3. Approval by Stock exchange/SEBI/CCI
4. Shareholders and creditors approval
5. 2nd motion before NCLT
6. Approval by regulators
7. NCLT approval
8. Post-NCLT approval procedures

Indicative date of completion: 30 July 2019
THANK YOU