

# MANAGEMENT DISCUSSION AND ANALYSIS

## ECONOMIC OVERVIEW

### Global

The global growth is projected at 3.6% in 2022 and 2023-0.8 and 0.2% points lower than in the January forecast, respectively. The downgrade largely reflects the war's direct impacts on Russia and Ukraine and global spillovers. (Source: World Economic Outlook: International Monetary Fund)

Inflation is expected to remain elevated for longer than in the previous forecast, driven by war-induced commodity price increases and broadening price pressures. For 2022, inflation is projected at 5.7% in advanced economies and 8.7% in emerging market and developing economies—1.8 and 2.8% points higher than projected in January, 2022. (Source: World Economic Outlook: International Monetary Fund) Debt levels have also risen significantly and the war and the impending increase in global interest rates will further reduce fiscal space in many countries, especially oil- and food-importing emerging market and developing economies.

Further the World Economic Outlook mentions that Supply chain disruptions have also hurt some industries—including the automobile sector—with the war and sanctions further hindering production of key inputs. As a consequence, euro area GDP growth in 2022 is revised down to 2.8 % (1.1 % points lower than in January), with the biggest downgrades in economies such as Germany and Italy with relatively large manufacturing sectors and greater dependence on energy imports from Russia.

Accordingly, global car production is also affected by the war in other ways: disruptions to Ukraine's production of electronic wiring systems have already contributed to automobile plant shutdowns in Germany.

### Indian Economy

According to FICCI Economic Outlook Survey, the country's Gross Domestic Product (GDP) is expected to grow 7.4 m in the current financial year 2022-23. It further forecasts that the growth for agriculture and allied activities at 3.3 %, while for industry and services sectors at 5.9 % and 8.5 %, respectively, during the fiscal year. Moreover, the Russia-Ukraine conflict is expected to further aggravate the price rise through imported commodities. The estimate for average Wholesale Price Index-based inflation in the March 2022 quarter has been put at 12.6%.

(Source: <https://www.news18.com/news/business/indias-gdp-to-grow-7-4-in-2022-23-ficci-economic-outlook-survey-4937879.html>)

Moreover, exports that were providing a cushion to the loss of domestic output are likely to be subdued as the developed countries are also witnessing a slowdown and have been moving towards withdrawal of fiscal stimulus. Private demand and investment should be the focus in 2022-23 to steer growth, it said. Nonetheless, despite the challenges, Indian economy remains well placed over the medium term, FICCI's Economic Outlook Survey further said.

It is no surprise that the Russia-Ukraine war has led to a major potential economic impact having forced various economic forecasters to revise their growth projections for this year. FICCI said that the economists were of the view that the Reserve Bank of India will look at reversing its stance in the second half of the current year (2022) and one can expect a rate hike between 50-75 bps by end of this fiscal year.

## INDUSTRY OVERVIEW

### Indian Healthcare

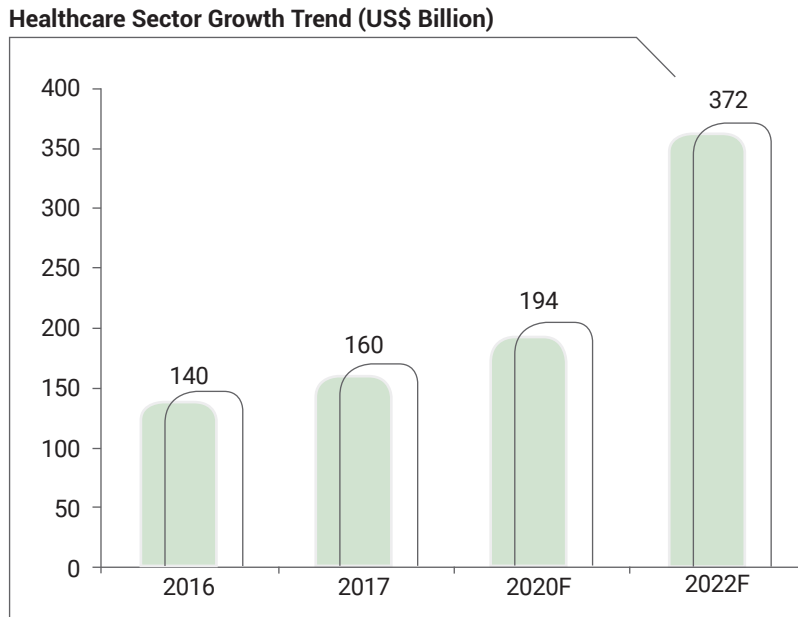
The Indian healthcare industry has altered in the aftermath of the COVID-19 epidemic, as the exceptional crisis not only brought obstacles but also significant prospects for growth. Healthcare has grown to be the country's largest industry, both in terms of revenue and jobs. Hospitals and healthcare centres were the most important segments of the healthcare business, with a combined value of USD 279.2 billion at the conclusion of the current fiscal year. In terms of total growth, the pharmaceutical and medical device sectors also showed a significant increase.

Healthcare industry has emerged as one of the largest contributors in recent years and has predicted that India's healthcare sector would grow to \$372 billion in 2022. With compound annual growth rate CAGR at 22%. The Indian healthcare delivery system is divided into two key components: public and private. The government, or public healthcare system, consists of a few secondary and tertiary care institutions in major cities and concentrates on providing basic healthcare services in rural regions through primary healthcare centres (PHCs). The private sector supplies the bulk of secondary, tertiary, and quaternary care facilities, with a concentration in metros and tier I and tier II cities.

(Source: <https://health.economicstimes.indiatimes.com/news/finance/with-an-aim-to-reach-372-billion-indian-healthcare-sector-hopes-to-sustain-momentum-in-2022/89540843#:~:text=A%20NITI%20Aayog%20report%20has.2.>)

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

HEALTHCARE SECTOR GRAPH OF INDIA:



(Source: [https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.ibef.org%2Findustry%2Fhealthcare-india&psig=AOvVaw3stj9yz6x78vJR3ErntQ4&ust=1649488512979000&source=images&cd=vfe&ved=0CAsQjhxqFwoTCJjin9b1g\\_cCFQAAAAAdAAAAABAD](https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.ibef.org%2Findustry%2Fhealthcare-india&psig=AOvVaw3stj9yz6x78vJR3ErntQ4&ust=1649488512979000&source=images&cd=vfe&ved=0CAsQjhxqFwoTCJjin9b1g_cCFQAAAAAdAAAAABAD) )

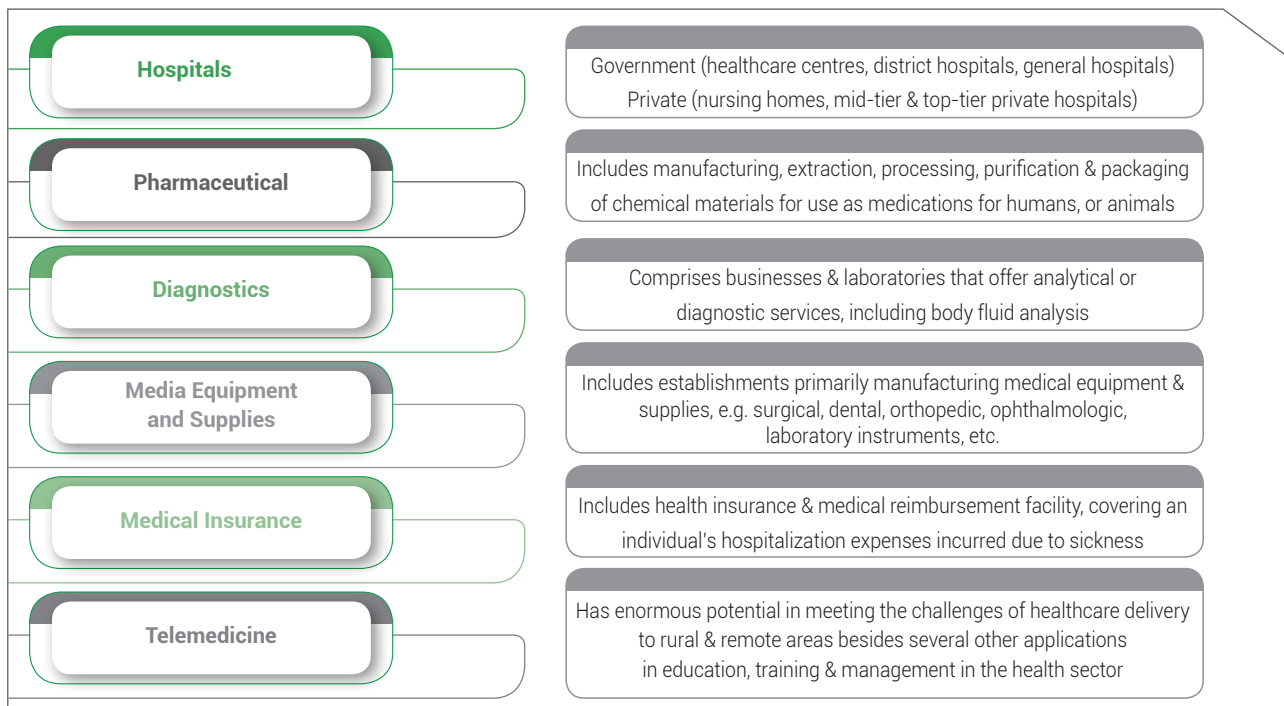


Figure 1: Major Segments in India's Healthcare Sector

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Government initiative towards healthcare industry

- In India, 70,000 Ayushman Bharat centres are functioning, with the goal of delivering basic health care services to people closer to their homes.
- The diagnostics sector in India is presently worth USD4 billion. In this category, the organised sector accounts for over 25%.
- Health insurance accounts for 20% of the non-life insurance sector, making it the second biggest portfolio. In FY 2020, gross direct premium income covered by health insurance increased 17.16% year on year to USD 6.87 billion.

(Source: <https://www.investindia.gov.in/sector/healthcare#:~:text=Industry%20Scenario-Healthcare%20industry%20in%20India%20is%20projected%20to%20reach%20%24372%20bn,health%20insurance%2C%20and%20medical%20equipment.> )

### Indian Diagnostics Industry

One of India's fastest growing service categories is diagnostics. The diagnostic sector is expected to reach \$43,336 million in 2022. The key growth drivers for the sector include rising healthcare spending and life expectancy, rising income levels, increased awareness for preventative testing, enhanced diagnostic test offers, rising lifestyle-related disorders, and government-mandated healthcare measures.

Diagnostic services serve as an intermediate in India's healthcare business. They provide critical information for accurate diagnosis and treatment. Diagnostic services are mainly into pathology testing or invitro diagnosis, imaging, radiology services, and wellness and preventative diagnostics. Pathology tests accounts for 70% of the market. The industry is mostly focused on volume, As a consequence, the cost of testing has remained constant or grown moderately (5%-7% of volume) during the previous five years.

(Source: <https://in.investing.com/analysis/a-quick-overview-of-indian-diagnostic-industry-200496906> <https://www.biospectrumindia.com/views/78/20154/future-trends-for-diagnostic-industry-in-2022.html> )

### Outlook

The country's witness \$9 Billion in diagnostic industry a strong growth driven by increased awareness on preventative healthcare segment. India may earn a stunning USD774 billion in income and create 12 million employments, affecting 1.5 billion lives by 2030. The Centre also intends to boost its healthcare spending to 3% of GDP by 2022. Existing hospitals are expanding their services through technological platforms, investing in next-generation diagnostic instruments, forming partnerships with insurance companies, and expanding

geographically, all with the goal of providing world-class medical care at an accessible cost. The government's Ayushman Bharat initiative aims to provide heavily subsidized healthcare to Indian citizens. More recently, the government has been moving to position India as an attractive investment destination by reducing the bureaucratic requirements for foreign investment in the pharmaceuticals and healthcare sector. Affordable quality diagnostics for all and especially in semi-urban and rural areas will drive India's vision of 'Swastha Bharat, Shrestha Bharat'.

(Source: <https://ehealth.eletsonline.com/2021/03/indias-diagnostics-journey-and-the-future/> )

### MAJOR GROWTH DRIVERS

#### Health screening

Companies encourages their workforce to undertake preventative and wellness screenings. It is performed primarily to assist their employees' well-being and, perhaps, to minimize absenteeism and health risk levels. With employers covering the cost of employees' health screenings as part of the packages, the medical business will undoubtedly see a new stream of revenue from this market.

#### Aging population

The share of older people in the overall Indian population is rising. In many cases, an increase in age means an increase in the number and complexity of illnesses. Thereby, resulting in more demand for diagnostic services and preventive care.

#### Rising income level

People's disposable income has increased as per average spending has risen. This results in increased client spending and changing lifestyle. This has created opportunities for promoting healthy and preventative care, which in return has created opportunities in the diagnostics business.

#### Convenience

Diagnostic services are driven by the convenience afforded to clients through booking system, home collection of data, and online reporting. The effectiveness of this model stems from the fact that it alleviates the burden of travel for any type of diagnostic service on the average person. This convenience has aided companies with a large network and a high-tech lab in seizing substantial prospects. As a result, by reporting a speedy result, the income turnaround time is increased.

#### Public-private partnership (PPPs)

PPPs will bring in the resources that the government requires to provide healthcare while also creating a long-term sustainable model. It has the potential to enhance the healthcare system by combining the private sector's knowledge and funds with the public sector's access and subsidies.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Government policy impact

In order to regulate the business, the government is working on a plan to establish basic standards in the country's diagnostics and wellness services. These laws and regulations will assist to ensure that excellent health and wellbeing services are provided across the country. This will serve as a pillar of growth for all of the industry's transparent and ethical participants.

### THREATS

#### Problem of ownership

Doctors and experts working at hospitals and small labs sometimes lack entrepreneurial abilities. They lack commercial experience and may consequently represent a threat to the diagnostic services firms with whom they are associated.

#### Policy deficiencies

India has substantially improved its performance in respect of ease of doing business. However, the country is still lagging behind many other nations due to complex regulatory frameworks and time-consuming administrative procedures. This might pose a danger to the Indian diagnostic eco-system as a whole.

### COMPANY OVERVIEW

Metropolis Healthcare Limited ('MHL' or 'The Company') is a leading player in the highly fragmented and competitive Indian diagnostics market, which is well positioned to benefit from favourable sector dynamics. It works on industry standard hub and spoke business model, with its strategically positioned clinical laboratories, patient service centers (PSCs) and pick-up points (PUPs). The Company is spread over 20 states of the country. Each year, it reaches a new milestone in the lives of patients and clinicians by offering actionable health insights. Metropolis offers a comprehensive range of 4,000-plus clinical tests and profiles that include advanced tests in diagnosis of cancer, neurological disorders, infectious diseases, and an array of genetic abnormalities. Metropolis' dedication to quality and accuracy in each test is demonstrated by its steady CAP proficiency score of more than 98% over the last decade. This places it among the top 1% of laboratories in the world for quality assurance. Metropolis' ideology is founded on technological supremacy, a pleasant patient-centered approach, and dependable diagnostic results.

In the financial year 2021-22, Metropolis strengthened its operations by adding 16 labs and 506 network centres, as a part of its expansion plan of adding 90 labs and 1,800 network centres by FY 24. Titled as 90:30 project by Metropolis, the

Company's goal is to strengthen its leadership in existing geographies and build Metropolis brand in new geographies. Besides on the home visit testing business model, the Company expanded its reach to 100+ locations in FY 22 and aims to increase its coverage with an aspiration to make Metropolis the 'Go-to-brand' for home testing. Throughout the last year, we deepened your digital touchpoints through engagement with various stakeholders to become an end-to-end digital service provider.

Metropolis launched the new and upgraded Mobile App (Patient App) for booking pathology tests in FY 22. This new Mobile App is intended to ease the process of booking tests and recording reports at one place. A fully automated personalized journey can be taken across: Searching/registering yourself; searching required tests, uploading the prescription for getting the recommended test; checking prices, and adding to order; scheduling visits as per your convenience, find out the nearest centre; checking available collection slots and book a Phlebo's visit; making virtual payments; get confirmation; tracking your sample, downloading final report and accessing 'Smart Report' for comprehensive analysis. The new App is now available for download on Google Play Store with the name 'Metropolis Healthcare Limited'

With the recent acquisition of Hitech Diagnostic Centre, MHL will strengthen its position its leadership position in South India market . This acquisition will further enable us to become the 2<sup>nd</sup> largest Diagnostics Company in India and the largest brand in South India and West India

### PERFORMANCE REVIEW

#### Business performance

	2019-20	2020-21	2021-22
Revenue per patient	856	1,016	914
Revenue per test	436	524	479
Laboratory network	124	125	171
Service network	2,731	2,555	3,134

#### Financial performance (in INR crores)

	2019-20	2020-21	2021-22
Revenue from operations	856	998	1,228
EBITDA	232	288	349
Profit after Tax	124	183	215

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Key ratios of Metropolis

Key Financial Ratios	FY 2019-20	FY 2020-21	FY-2021-22	Variance
Debtors turnover	3.62	4.53	<b>4.86</b>	7.28%
Inventory turnover	33.90	30.7	<b>26.8</b>	-12.70%
Interest coverage ratio	NA	NA	<b>38.73</b>	NA
Current ratio	2.33	3.0	<b>1.95</b>	-35.00%
Debt equity ratio	NA	NA	<b>0.29</b>	NA
Operating profit margin (%)	27.22%	28.86%	<b>28.4%</b>	<b>-1.59%</b>
Net profit margin (%)	14.95%	18.34%	<b>17.48%</b>	-4.69%

### RISK AND CONCERNS

Metropolis have an effective risk management that allows us to monitor and manage the risk by attempting to control, as much as possible for future outcomes by acting proactively rather than reactively. This approach offers the potential to reduce both the possibility of a risk occurring and its potential impact.

The following table contain some Risk and their mitigation:

Risks	Impact	Mitigation
Competition – The industry is witnessing increased interest from new players including Large Business groups, Hospital chains, Pharma companies, HealthTech platforms, etc.	Increased competition is causing growth and pricing pressures which could bring profitability under stress	<ol style="list-style-type: none"> <li>1) Metropolis' core segment is Acute illness which is less at risk from the competition.</li> <li>2) New Competition with low pricing is largely focused on Wellness. This segment has been contributing 8-10% for Metropolis. With increased awareness on Wellness being created by the New Competition, Metropolis is looking to ride this wave and convert this risk into an opportunity.</li> <li>3) Metropolis has embarked on a cost transformation exercise to redefine its cost base to relieve some of the stress on profitability</li> <li>4) Metropolis continues to pursue an aggressive expansion of its lab and customer touch point network.</li> </ol>
Technological advancement - Advancing technology may result in the creation of more cost-effective technologies or non-invasive diagnostic healthcare tests that are more accessible or even less expensive than the tests already available..	The development of such technology, as well as its subsequent usage by existing and prospective patients, may result in a decrease in demand for the Organization's services	Technological advances may result in the development of more cost-effective testing that can be done outside of a commercial clinical laboratory. Such tests, however, are limited in number, and the devices that can do them are expensive. In comparison to such tests, the Company's tests are more cost-effective and accurate. Point of Care devices also have inherent limitations in terms of precision which is critical for a majority of the illness related tests Furthermore, our complete analysis assists the doctors and patient in understanding the parameters in a more clear and complete manner.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Risks	Impact	Mitigation
Regulatory driven Price capping - Prices charged by the Company for services may become subject to suggested or maximum prices established by the State or other authorities. For example, the government imposed a 'price list' for the COVID-19 test, which may serve as direction for the rates the Company charges for diagnostic healthcare services.	This could cause revenue and margin pressures for Metropolis	Our wide test offering assists us in mitigating the risk of price capping. Regulatory price capping would impact the entire industry and as one of the most established players, Metropolis is better poised to navigate this risk.
System failure - IT systems are employed extensively in practically every part of our operation, including clinical testing, test reporting, billing, customer support, logistics, and medical data management. Our success is dependent, in part, on the continuing and uninterrupted functioning of our IT systems.	Our capacity to service our clients and patients while protecting their personal data might be jeopardised if our IT systems fail or are delayed. The disturbance or malfunction of our IT systems might have a significant impact on our capacity to service both customers and patients, potentially negatively influencing our market reputation	Our extensive security programme ensures prevention and identifies incidents of cyber attack / Malware at an early stage, allowing us to design a reaction and neutralize it. Also, systems and policies are in place to prevent theft of confidential patient data. There is an audit mechanism to periodically review the risks and preparedness of the Company against such risks.
Skilled personnel shortages - The personnel are a valuable resource in our business. There may be a scarcity of competent individuals, and competition for qualified staff is fierce. We may lose key management individuals and qualified and skilled technical and professional staff, or we may fail to recruit in a timely manner and / or retain them.	The ability to attract and retain talented personnel is crucial to our business's success, and failure to do so may have a substantially negative impact on our performance.	Metropolis has favourable HR policies focused at making it a preferred workplace. Our training programmes are supported by an experienced leadership staff. This, in conjunction with a work-based pay scheme, has helped us to attract, retain and motivate talent.
Business Continuity of GRL Operations:- Risk of profitability, quality, TAT, report (Trend/Parameter) being impacted due to operations being hampered.	<ol style="list-style-type: none"> <li>1) System related</li> <li>2) Natural/ Man-made disasters</li> <li>3) Transporting of samples</li> <li>4) Loss of skilled manpower</li> <li>5) Critical vendors stop supplying raw materials</li> <li>6) Breakdown of critical instruments</li> </ol>	<p>Detailed BCP in place which captures all the steps involved in different scenario like</p> <ol style="list-style-type: none"> <li>1) Unplanned System Downtime.</li> <li>2) Fire, flood, earthquake, Biological, war, riots, lockdown, etc.</li> <li>3) Movement of blood samples being affected due to transport issue</li> <li>4) Backup for critical positions (Technicians &amp; Histopath) is created if staff resigns. For Histopath, reports can be sent to another doctor from a different region to check and provide analysis/sign on the report</li> <li>5) Backup list for critical vendors is in place if the vendors stops supplying raw materials</li> <li>6) Backup of Instruments and test which few labs do the test. For example - NIPT, Genetics, Super speciality segment is created.</li> </ol>

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### IT AND DIGITAL INFRASTRUCTURE

Digitalization, which streamlines healthcare procedures across the care continuum, is one of the most important parts of technology. Modern solutions with digital infrastructure enable healthcare providers to deliver smarter, more effective, and responsive treatment at a lower cost and with a better patient experience. The primary technological distinction remains the ability to completely integrate and automate the process, which includes everything from specimen registration, bar-coding, and payment through analysis and reporting of test findings. This has assisted us in streamlining and optimising operations while also reducing human errors. The robust IT and digital infrastructure is critical to staying ahead of industry standard performance and ensuring we are the simplest location to conduct business.

### HUMAN RESOURCE MANAGEMENT

Metropolis has a strong team of 4500 + employees coming from diverse backgrounds. As an equal opportunity employer, we offer a conducive work environment to every Metropolitan where they thrive on challenging assignments which helps them continuously learn and grow.

We strongly believe that our highly skilled employees is where our competitive advantage lies.

With our robust People Philosophy and diversified initiatives, we ensure that our employees get ample opportunities to constantly develop themselves. We support our employees through a variety of developmental interventions that builds their professional, leadership skills and helps them have a clear career path. The automation in HR has improved the employee experience significantly, resulting in increased productivity.

In order to fuel our growth, we have inducted number of senior level executives, whose vision will help build Metropolis of the future. We will continue to invest in our People capabilities to achieve our business objectives.

### INTERNAL CONTROL SYSTEM

The Company has an adequate internal controls system in place. The policies and procedures, covering all financial and operating functions, are also documented. The system controls are designed to provide reasonable assurance for maintaining proper accounting records. This reinforces reliability of financial reporting, monitoring of operations, protection of assets from unauthorized use or losses and compliance of regulations.

#### The scope and coverage of audits include:

- Reviewing and reporting of key process risks
- Adhering to operating guidelines and statutory compliances
- Recommending improvements for monitoring and enhancing efficiency of operations
- Ensuring reliability of financial and operational information. The Audit Committee periodically monitors and reviews the significant internal audit observations. It also reviews compliance with accounting standards, risk management and control systems and profitability.

### CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand and supply conditions, finished goods prices, input materials availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events or otherwise.