

Apollo Hospitals Enterprise Ltd.

COMPANY BACKGROUND

Apollo Hospitals Enterprise Ltd. (Apollo) is among the largest private integrated healthcare groups in India and recognized as a leader in the management and delivery of high-quality tertiary care in Asia. In addition to hospitals, Apollo owns and operates clinics, diagnostic centers, pharmacies, and provides healthcare management consulting, education and training, and telemedicine services. The company is a forerunner in bringing state-of-the-art medical technologies to India for tertiary and quaternary care. Apollo also provides project consultancy services to hospitals in Africa, East Asia and the Middle East.

On a consolidated basis, Apollo operates one of the largest hospital networks in Asia with 5,888 owned and 2,388 managed beds across 36 owned and 14 managed hospitals as of March 2012. Apollo also has a large network of pharmacies in India with 1,364 outlets across 20 states.

Country: India

Sector: Healthcare

IFC's Investment: \$80 million in long-term debt and \$5 million in equity

Apollo's shares are listed on the Mumbai Stock Exchange and the National Stock Exchange.

Dr. Prathap C. Reddy, a visionary cardiologist, started Apollo Hospitals in 1983 despite great obstacles to private sector health delivery. In keeping with his mission of "providing international quality healthcare to all who need it," Apollo launched Apollo Reach Hospitals for smaller cities and their surrounding rural and semi-urban areas in 2008.

DRIVERS FOR APOLLO'S INCLUSIVE BUSINESS MODEL

- Demand for low-cost, high-quality healthcare
- Changing disease patterns resulting in need for specialized care
- Absence of quality hospitals providing specialized care outside of major urban centers
- Public health insurance creates a market opportunity to serve low-income patients

In countries with underdeveloped healthcare systems, severe illness or injury can be financially devastating for the poor. For millions of patients in India, a single episode of hospitalization can cost up to 58% of annual expenditures. Research shows that 40% of those hospitalized must either borrow money or sell personal belongings to pay medical bills. Advances in medical technology are also increasing the need for specialists, making healthcare expensive and inaccessible to the masses. Further, over 700 million people in India lack access to quality healthcare as over 80% of

hospitals are in urban India. In particular, smaller cities, semi-urban areas and rural areas do not have access to hospitals for specialized healthcare services. Demand for the latter is increasing as chronic adult diseases such as cardiovascular illnesses, diabetes and cancer are on the rise in India. These factors, combined with the government of India's health insurance scheme for families below the poverty line, create a significant market opportunity for Apollo to provide specialized healthcare to underserved low-income families via Apollo Reach.

APOLLO'S INCLUSIVE BUSINESS MODEL

With over 25 years of experience in setting up hospitals across India and the world, Apollo is well placed to identify cities and towns that are in urgent need of healthcare facilities and the type of hospitals and services required.

Accessibility is thus a key feature of Apollo Reach hospitals, which are located in less-developed population centers known as Tier II cities in India. Earlier, patients would have traveled considerable distances to large cities, often at great expense.

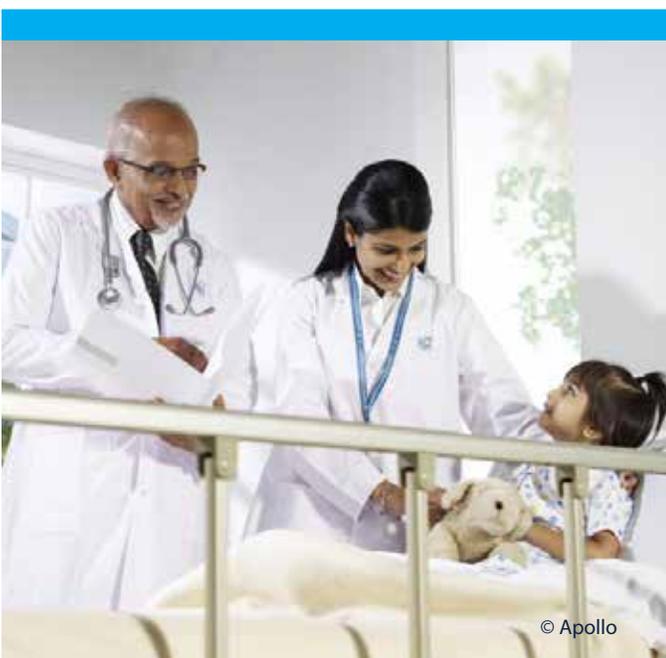
Low cost is another key feature of Apollo Reach hospitals. Treatments in the Apollo Reach model cost 20-30% less than at other hospitals in the Apollo network and other major hospitals. Apollo Reach hospitals are smaller, simpler facilities, offering more limited but robust services than other hospitals in Apollo's networks. Each Apollo Reach hospital is being built to house 150 beds, 40 intensive care unit beds, and five operation theaters. The range of tertiary care includes cardiac, oncology, radiology, neurosurgery, and other specializations. Other services and facilities include video endoscopy, blood bank, check-up, radiology,

complete lab, dental, ear, nose and throat (ENT), and eye care services. Apart from traditional ambulance emergency services, Apollo Reach hospitals also offer emergency air ambulance services for life-threatening emergencies and remote areas.

Another measure to increase access to quality healthcare and reduce costs is telemedicine. With telemedicine available at all Apollo Reach hospitals, people no longer have to travel long distances for a second opinion or wait for weeks before they can meet a specialist doctor. According to Apollo, telemedicine will improve patient care, enhance medical training, standardize clinical practice, and stabilize costs.

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quality physicians. To mitigate recruitment problems, Apollo offers a fast-track career which gives doctors more responsibility and faster promotions if they work for a few years in a Reach hospital. Apollo's presence throughout India is an advantage to facilitate this recruitment strategy as employees are aware that there are opportunities elsewhere once they have completed a rotation in a Reach hospital.

The higher fees paid by more affluent patients help make the hospitals profitable for the parent company – illustrating how cross-subsidization between high-income and low-income consumers can bring affordable health services to the poor



The Rashtriya Swasthya Bima Yojana (RSBY), the Government of India's recently introduced national health insurance scheme for families below the poverty line, also enables Apollo Reach to serve low-income patients. RSBY covers hospital expenses up to Rs. 30,000 (\$659) for a family of five. Transport costs are also covered up to a maximum of Rs. 1000 (\$22) with Rs. 100 (\$2.19) per visit. Each beneficiary pays Rs. 30 (\$0.66) at the time of enrollment, while the central government pays 75% to 90% of the total premium depending on the state with the balance paid by the state government.

To make healthcare affordable to low-income patients, Apollo Reach hospitals treat both low- and high income patients. The higher fees paid by more affluent patients help make the hospitals profitable for the parent company – illustrating how cross-subsidization between high-income and low-income consumers can bring affordable health services to the poor.

RESULTS OF APOLLO'S INCLUSIVE BUSINESS MODEL

- Revenue per bed at a Reach Hospital is Rs. 6,000 (\$132) to Rs.7,000 (\$154)
- Plans to establish 7 Apollo Reach hospitals by 2015
- Estimated to serve 120,000 patients per year who earn less than \$2 per day
- Recognized as a winner of the G20 Challenge on Inclusive Business Innovation

Indian Prime Minister Dr. Manmohan Singh launched the first Apollo Reach hospital in Karimnagar, Andhra Pradesh, in 2008. Karimnagar is 162 kilometers from the major city of Hyderabad. This hospital serves 16,800 outpatients and inpatients annually. Approximately 50% are low-income. A second Apollo Reach hospital has been established in Karur. In December 2011, the third Reach Hospital, Karaikudi, a 100-bed facility was inaugurated. Apollo plans to set up additional REACH hospitals in places such as Trichy (Tamilnadu), Nellore (Andhra Pradesh) and Nashik (Maharashtra) in the near future and to gradually expand REACH hospitals across non-urban India offering services

like cardiology, cardiothoracic surgery, orthopedics, neurosurgery, and emergency and trauma care. By 2015 Apollo expects to set up 7 Reach hospitals which are expected to serve about 400,000 people annually by 2015, of which about 30% or 120,000 people per year would be considered very poor, earning less than \$2 per day.

Apollo was also recognized as a winner of the G20 Challenge on Inclusive Business Innovation at the G20 Leaders Summit in 2012.

IFC'S ROLE AND VALUE-ADD

IFC's Investment: \$80 million in long-term debt and \$5 million in equity

Investment Year: 2006 to 2012

- IFC has supported Apollo since 2005 as an equity investor. Since 2009 IFC has provided two loans totaling \$65 million to help finance the rollout of Apollo Reach hospitals.
- IFC's investment in Apollo brings much needed capital and provides a strong signal of support to the health sector in India.
- Provide Apollo ongoing strategic advice and guidance based on global and regional experience in healthcare.

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For more information, visit ifc.org/inclusivebusiness and apollohospitals.com