

HEALTHCARE

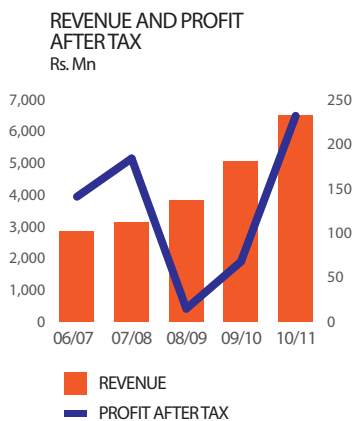
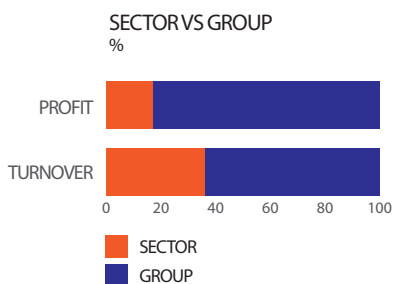




Sector Review HEALTHCARE

Hemas Hospitals became the first group of hospitals in Sri Lanka to be awarded with an International Accreditation by the Australian Council on Health Standards International (ACHSI)

Hemas Healthcare Sector, which comprises pharmaceuticals distribution and hospitals, has grown to become one of the most sought after healthcare product and service providers of Sri Lanka. For the year under review, the sector posted revenues of Rs. 6.5Bn and a profit of Rs. 232Mn. Compared to the previous year, sector revenues and profits have grown by 29.0% and 239.2% respectively. The steady buildup of our hospital patient volumes in Wattala and Galle has enabled us to significantly reduce startup losses during 2010/11 compared to 2009/10, leading to a disproportionately higher increase in sector profits compared to revenue growth. On the other hand, our pharmaceuticals business enjoyed one of its most successful years, posting a healthy growth in revenues and profits benefitting from efficiencies in our integrated supply chain management and boosted by high growth in the industry.



Over the years, the pharmaceuticals industry has seen a shift away from multinational brands to branded generics whilst experiencing an increase in the level of competitive intensity. In this challenging environment it was a creditable achievement by Hemas to retain its market leadership position with a share of 16.4% (source: IMS). Both revenues and profits of our Pharmaceuticals business grew in excess of 20.0% and the fact that such a high level of profit growth was achieved in spite of incurring market development expenses to expand our over-the-counter (OTC) business is noteworthy. The OTC Division, which was set up to provide greater focus in the rapidly growing health and wellness segment, is in the process of building an attractive and innovative portfolio of products catering to consumer segments with a clear need for effective solutions to their problems which would be freely available for purchase over the counter. The Company launched two new brands namely *Solo*, a low calorie non-nutritive sweetener and *Reflex*, a dietary supplement known to help alleviate symptoms associated with Osteoarthritis. Both categories have great market potential based on the growing incidence of diabetes and osteoarthritis, and the company believes that the two new brands will play an important role in enriching the lives of consumers who are deprived of a good quality of life. With regard to our core pharmaceuticals business, we managed to secure a new agency, *Mankind*, which specializes in Acute and Chronic therapies, in October 2010. With this new addition, our distribution portfolio now stands at 26 agencies. The implementation of our tailor-made redistribution system has facilitated faster decision making and tracking online sales information anywhere in the world. Deployment of palm top devices to our sales force has provided the organization with an efficient mechanism to reach customers faster.

Our hospitals in Wattala and Galle, which completed two years of operations, experienced an impressive buildup of business volumes during the year, reaching positive EBITDA levels within a short span of time. During the year under review, Hemas Hospitals became the first group of hospitals in Sri Lanka to be awarded with an International Accreditation. The Australian Council on Health Standards International (ACHSI), which awarded the accreditation, evaluated both our hospitals under three broad categories of clinical, support services and corporate. The fact that this was accomplished within a short period of two years is a great compliment and a reflection of the high standards we maintain.



We at Hemas have taken measures to support the government's efforts in enriching lives of senior citizens during their golden years and have introduced **Lengathu Sathkara**, a loyalty scheme to ease financial burdens of patients during times of illness. For the first time in Sri Lanka, Hemas introduced **Suwa Savi**, a special health screening package for state sector employees. Another addition to our unique healthcare proposition is the Health Screening Unit, **Suwatha Piyasa**, which was established for early detection of diseases. Hemas also signed up for a benefit package together with Hatton National Bank to introduce **Maathru Singithi Kiriketiyo**, where both parties would contribute to a minor's account at the birth of the child. Our fixed priced packages **Maathru** and **Suwa Sathkam** continue to be popular among the local community as is evidenced by the continued increase in daily census numbers.

Our state of the art laboratories were awarded ISO 15189 and ACHSI accreditation, which is a clear reflection of the high standards in quality and processes. We have recently commissioned a fully integrated bar-coding, inter-phasing and fully automated laboratory system at both Hospitals, the first of its kind in Sri Lanka. Our new laboratory in Ragama that opened in September 2010 has performed very well during its first six months of operation. This laboratory is equipped with automated biochemistry and haematology analyzers, providing speedy and accurate laboratory test reports round the clock. Hemas Hospitals continued its pioneering stance in its healthcare business by introducing Capsule Endoscopy, a revolutionary new diagnostic tool for the detection of small bowel disease, becoming the first Sri Lankan hospital to provide this diagnostic tool in Sri Lanka.

The growing elderly population, changes in food habits and lifestyle have given rise to many non-communicable diseases (NCDs). Every year the Government spends approximately Rs. 900Mn to treat patients that suffer from NCDs. In recognition of the growing importance of NCDs, the Government is hoping to implement a three-year, nation wide plan, to control the growth of Non Communicable Diseases.

Hemas plans to invest in expanding its chain of hospitals. Two new hospitals will be built in Battaramulla and the Colombo South region, which are expected to be operational by late 2012. Our model in healthcare delivery is gaining wide acceptance, as Hemas is becoming a trend setter in the industry.

