

HEALTHCARE



Hemas Healthcare Sector, which comprises hospitals and pharmaceuticals distribution, reported an outstanding financial performance in 2011. For the year under review, the sector posted revenues and profits of Rs. 7.5Bn and Rs. 356Mn respectively. Compared to the previous year, sector revenue and profits have grown by 14.8% and 53.3% respectively.

Hemas Pharmaceuticals contributed 85.6% to the healthcare sector revenue, reflecting a growth of 13% over the previous year. The division posted Rs. 6.4Bn revenue during the period to cap what has been an exceptional year marked by expansion of our product portfolio and consolidation of market leadership status. The enhanced profitability can be attributed to the strategic measures undertaken by the company to sustain its leadership position. Our market share increased to 17% during the year as per IMS, despite the industry registering single digit growth during the same period.

Our sales and distribution systems were strengthened through the year backed by an efficient supply chain system. We undertook a strategic rebranding exercise to transform and position the company as a fully-fledged pharmaceuticals, surgical and diagnostics company. This rebranding of our consolidated business will enable enhanced

customer centricity. Customer relationship management training was imparted to all our employees to empower them to peg our service at a much higher level than prevailing industry standards. Launched three years ago, the Over the Counter (OTC) segment reflects a healthy growth rate with value additions in the form of new products and aggressive sales and marketing efforts. We anticipate a wide scope to grow this segment and will be aiming to strengthen our presence in the OTC segment.

The company fortified its product portfolio by launching Mankind products in Sri Lanka. One of the fastest growing pharmaceutical companies in India, Mankind manufactures pharmaceuticals for acute and chronic conditions, and will prove to be a vital addition to the range of essential drugs in the market. Adding further value, we have recently secured the distributorship for Panacea Biotech products in Sri Lanka. Over the years, we have striven to offer the widest and most relevant choice of drugs in the local context.

Inspired by our group philosophy of functioning in an ethical manner and ensuring sustainability of all stakeholders, Hemas Pharmaceuticals released its first-ever GRI-based Sustainability Report in 2011. This is a pioneering achievement by any pharmaceuticals company in the country. Our sustainability goals form an integral part of our

company's overall objectives, and sustainability is inbuilt in our business model. Our vision to be a role model in healthcare in Sri Lanka drives us to establish centres of excellence in every aspect of our operations. As a pharmaceuticals supplier, we will continue to look for ways through which we can make a direct connection with our end users so that we can understand and cater to their needs in a more focused manner.

Hemas Hospitals reached the Rs. 1Bn milestone, marking a 23.8% increase in revenue over the previous year. This growth has been strategically driven through focused investments, superior quality certifications and world-class health care products and services. Hemas Hospitals is comprised of two family-oriented private hospitals located in Wattala and Galle and a laboratory and diagnostic services network. Hemas Hospitals is the first and only health care facility in Sri Lanka to receive international accreditation. This globally acclaimed recognition from the Australian Council on Healthcare Standard International (ACHSI) reflects the superior systems and processes in place at Hemas Hospitals. The laboratories received the ISO 9001:2008 & ISO 15189 certifications and the stringent OHSAS 18001 certification, which places the health and safety of patients and employees at the forefront.

Wattala and Galle hospitals together generated an EBITDA growth of 25.3% to post a figure of Rs. 167Mn. Whilst our flagship hospital in Wattala continued to enjoy growing patronage, the Galle hospital enhanced its offering with the introduction of laparoscopy surgery, making it the first hospital in the south to offer this facility. Hemas Hospitals is increasingly becoming a preferred centre for deliveries and the 'Maathru' package for mother and baby care is one of our best performing products.

"...AN EXCEPTIONAL YEAR MARKED BY EXPANSION OF OUR PRODUCT PORTFOLIO AND CONSOLIDATION OF MARKET LEADERSHIP STATUS..."

As part of our initiative to strengthen the skills of our workforce, our key managers were sent to reputable hospitals and business schools in Singapore, Philippines and India to familiarize themselves with new systems and processes that can be suitably adapted to local needs. Our commitment to training staff was demonstrated by the 27,641 hours of training offered.

The satellite laboratory network set up at strategic locations around the country experienced a 35% increase in revenue during the year under review. We expanded our chain in 2011 by adding two more laboratories in Gampaha and Chilaw. We will continue to strengthen the network through expansion and value addition.

We have commenced the construction of our third hospital in Thalawathugoda which is expected to be operational by March 2013. The new Rs. 1.2Bn hospital is to be built on a one acre site close to the Thalawathugoda junction. The 50 bed hospital is expected to have a wide range of specialties. Going forward, Hemas hopes to expand the chain of hospitals while improving service levels at the current hospitals. While our core business of pharmaceutical distribution continues to grow, the sector hopes to grow its presence in the hospital segment.

