



“Narayana Hrudayalaya Limited
Q1 FY25 Earnings Conference Call”

August 6th, 2024

MANAGEMENT:

MR. VIREN SHETTY – VICE CHAIRMAN

**DR. EMMANUEL RUPERT – CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR**

MS. SANDHYA J – GROUP CHIEF FINANCIAL OFFICER

MR. R. VENKATESH – GROUP CHIEF OPERATING OFFICER

**DR. ANESH SHETTY – MANAGING DIRECTOR, OVERSEAS
SUBSIDIARY HCCI**

MR. RAVI VISHWANATH – CHIEF EXECUTIVE OFFICER, NHIC

**MR. NISHANT SINGH – VICE PRESIDENT, FINANCE, MERGERS &
ACQUISITIONS & INVESTOR RELATIONS**

MR. VIVEK AGARWAL, SENIOR MANAGER, INVESTOR RELATIONS

Nishant Singh:

Hello everyone. My name is Nishant Singh. I head the investor relations functions at Narayana Hrudayalaya. I welcome you all to the Q1 FY25 earnings call of the company. To discuss our performance, as usual, we have Mr. Viren Shetty, our Vice Chairman, Dr. Emmanuel Rupert, our CEO and MD, Mrs. Sandhya Jayaraman our Group CFO, Mr. Venkatesh, our Group COO, Dr. Anesh Shetty, MD of our overseas subsidiary, HCCI, Mr. Ravi Vishwanath, CEO of NHIC, and Vivek Agarwal, Senior Manager in the IR Function. As usual, before we proceed with this call, we would like to remind everyone that the call is being recorded and the transcript of the of the same shall be made available on a website as well as on the Stock Exchange at a later date. I would also like to remind you that everything that is being said on this call, that reflects any outlook for the future or which can be construed as a forward-looking statement, must be viewed in conjunction with the uncertainties and the risks that they face. Post the call should you have any further queries, please get in touch with us, we would like to address them to the best of our ability. With that now, I would like to hand over the call to Dr. Rupert.

Dr. Emmanuel Rupert:

Good evening, everyone. I warmly welcome you to the quarter one FY25 Earnings Call Conference of Narayana Hrudayalaya Limited. We are pleased to report the highest ever revenue at a quarterly basis at the group level with a sustainable profitability margins. Despite being a seasonally weak quarter due to summer holidays, Eid, and the impact of general elections, we are able to drive improvements in realizations and increased patient footfalls. Consolidated revenue for the quarters to that INR 13,410 million reflecting a growth of 8.7% year-on-year and 4.8% quarter-on-quarter. Narayana Hrudayalaya generated a consolidated EBITDA of INR 3,274 million at a margin of 24.4% against 23.2% in Q1 FY24. HCCI continues to deliver strong business performance with quarterly revenues of USD 32 million a year-on-year growth of 4.8% and a quarter-on-quarter growth of 5.8%. We're delighted to share that our new hospital in Camana Bay was inaugurated in July, with patient inflow expected to start before the end of the second quarter. We are confident that our Caribbean business will continue to grow through synergies between the two hospitals further strategic initiatives and investments in this fiscal year. The balance sheet and liquidity profile at the group level remains strong with group cash and liquid investments of over INR 13.2 billion against the gross borrowing of INR 14.75 billion, resulting in the net debt position of INR 1.55 billion as of 30th June 2024. A net debt to equity ratio at 0.05 gives us sufficient room to fund expansion through a mix of borrowings and internal accruals. We have incurred a capital outlay of INR 2.8 billion directed towards purchase of land in Bangalore for Greenfield expansion, regular maintenance, biomedical upgrades, and interior

transformation work within existing hospitals. We are confident of realizing the projected Capex for the fiscal year as we take on more Greenfield projects during the rest of the year.

On the clinical front, we have had many success stories and increase in the complexities of the work. The Health City, Bangalore successfully performed 3D printed patient specific implant for a total knee replacement in a dwarf patient and a navigation guided pelvic bone tumor resection, which is a state-of-the-art technique for bone cancer surgeries which only very few hospitals are capable of performing it globally. The R N Tagore Hospital, Kolkata successfully performed what is called as a paintbrush technique for clipping of a patient who had an aneurysm in the brain, which is the left middle cerebral artery bifurcation aneurysm and they also did a robot-assisted kidney transplantation as well. During this quarter, across the group hospitals, we performed 40 TAVIs and 389 robotic surgeries across the entire Group.

Our focus on digitization and business transformation continues to lead to significant benefits throughout the system. We launched an AI system which auto creates discharge summaries of patients stay as an initial step, so that the doctors can screen them before giving the final report. The AI alert feature within the NAMA app, which is a nursing app, triggers early warning signals to the nurses, who can then reach out to the doctors for the timely attention. We also recently launched Virtual Tumor Board for Oncology where the various specialist doctors can come from across all the centers on the same virtual platform and discuss the diagnostics and treatment on a real time basis with all the history of the patient in one place. Our digital appointment management system has been revamped and now includes the NH app, the website, queue management and Kiosks for OPD consultations. In the units where all these are deployed, we're witnessing more than 60% of the consultations being booked digitally, leading to reduced waiting time for patients, and freeing up manpower and valuable space. Deployment of Athma in Emergency Department has reduced the ALOS by 50% in the emergency room by digitizing all the time-consuming documentation process.

Narayana Health Integrated Care continues to perform as per our growth plan. Revenue for the quarter has crossed INR 80 million, which is the highest so far with more than 51,000 patient transaction across 8 clinics. With the confidence start in its first year, we will continue to grow this business and serve our customers with a clear focus on improving the health outcomes.

We continue to upgrade our clinical and non-clinical operations across the group, transform the patient service levels, increase the throughput, build more capacity, invest in more digital patient outreach channels, and improve our operational efficiency.

We are reasonably on track on our ESG commitments and continue to focus on creating meaningful social impact in addition to pursuing our environmental goals and upholding the highest standards of governance. We are simultaneously pursuing organic and inorganic growth opportunities growth both in India and overseas that will derive synergies from our existing operations, maximize value for all our stakeholders while keeping a close watch on return on capital. Thank you.

Nishant Singh: Thank you, Sir. I would now request everyone to now use the raise hand feature to start posing their questions. If anyone wants to ask a question through the chat, please use the NH investors relations chat room. Thank you. Yes, Prince can we have your question please?

Prince: Yes, good evening, everybody. Sir, my first question would be regarding the new hospital in Camana Bay. So, as the Cayman being a suitable geography for NH, what will be the expected occupancy for the new hospital?

Dr. Anesh Shetty: Yeah. Hi, Prince. Thank you for your question. So, the hospital will start in a couple of months. We've already inaugurated it. We have about 50 odd beds, that's our official bed count. You know, we hope to be occupied from the early quarters, but at the end of the day, this is something we'll have to wait for a few months to see. We won't be able to project what the occupancy levels could be, but this is in a good location. We have all the inputs to suggest that the hospital will be occupied as per our expectation.

Prince: Can I get a range?

Dr. Anesh Shetty: It's hard to say. Having said that, it's also important to consider that you know the occupancy as a metric for revenue growth is less and less important these days, especially because it's a daycare focused hospital, but let's see in a few months.

Prince: Sir, my second question is

Viren Shetty: Prince, you're disconnected. Could you repeat the question?

Prince: Yes Sir. So, I'm audible now? Hello?

Nishant Singh: Yeah, go ahead, go ahead.

Nishant Singh: Yes, you are audible.

Prince: Yes. Can I get the CapEx break up for the Bengaluru expansion and Kolkata expansion?

Viren Shetty: This CapEx breakup of Q1?

Prince: No. Going forward, we are planning to for the Brownfield expansion in Bangalore and Greenfield in Kolkata. So, can I get what CapEx we will be keeping for both the hospitals?

Nishant Singh: Yeah. For the Kolkata Greenfield one, the first phase project estimate is almost around INR 1000 crores, which includes the building of around 350 beds in the first phase and there will be a lot of infrastructure development for the entire for the 1000 beds as well, but the first phase will cost around INR 950 crores. For the Bangalore land, cost will be around INR 500 crores.

Prince: And what would be the expected capacity of beds, Kolkata and Bangalore?

Viren Shetty: This is yet to be finalized.

Prince: Okay. Is there any expansion in future, we could be doing with the lease land?

Viren Shetty: Which land? Yes, we would explore different options and models. Right now, these are the projects that are in hand, the one in Bangalore and Kolkata, but we are talking with various projects and developers to look at leasing options as well.

Prince: Okay. Thank you. I'm done with my questions.

Viren Shetty: Thank you.

Nishant Singh: Yes, Damayanti, can we have your question please?

Damayanti: Hello. Good afternoon. So, my first question is again on the new facility in Cayman. So, just want to understand it better. You mentioned it's mostly outpatient set up where you're focusing on preventive care etc. So, my question is how do you plan to ramp up your operations, focusing on which key segments and what kind of initial losses you expect to incur from this facility till it scale up to a reasonable level? So, that's my first question.

Dr. Anesh Shetty: Sure. So, just a slight correction there. Yes, it is predominantly focused on daycare procedures, but these are not necessarily preventive, they could be diagnostic preventive, but these are mainly short-stay surgeries, quicker surgeries, robotic surgeries, these kinds

of things. The primary goal of that facility is to offer the services we currently do not offer, the major gaps being Emergency and Trauma Care, Obstetrics and Women's Health, Neonatal Intensive Care, etc. So, you know when we start there, these would be the services we will look to lead with the services. Your question on the second part of your question around you know, operational losses, as we've said before, it's a new building in Cayman. Any hospital we have in Cayman including the existing one has very high fixed cost. So, initially there will be obviously, certainly margin dilution and operational losses. We are not in a position to, you know to give out a particular number or a hard value to quantify that, but they're actually, you can obviously expect operation losses and margin dilution for sometime.

Damayanti: Sure and if you if you can also update us on the existing facility about any improvement in IP or any volume pickup etc., what are you seeing on the existing Cayman unit?

Dr. Anesh Shetty: Sure. So, in the existing Cayman Unit, we continue to see growth on a revenue basis and some growth in good quarters on volumes, but as you can imagine, we are reaching a sort of saturation point in the existing facility and that's why the timing for the new facility is good and very much needed. We have undergone some operational improvements in the existing facility that's why you can see the good improvement in margin, but you will see a slowdown in volume and revenue growth until we commission a new facility.

Damayanti: Sure. That's helpful. My second question is on India operations. So, on the IP volume part, we are seeing a bit of gradual pickup, which you earlier attributed to some reconfiguration of beds or facility upgrade, etc. So, my question is, are you broadly done with your initiative and how should we see IP volumes moving up from here on?

Viren Shetty: Can I ask Venkatesh to take this one.

R Venkatesh: Yeah. When it comes to the reconfiguration, basically in terms of infrastructural upgrade, transformation, these are something which is an ongoing exercise and we still have a little bit more to go before we come to a conclusion on that. Of course, when it comes to the IP numbers, we all know that we are in an expansion phase and these capacity expansions obviously will kick in, say, in the next three years' time. Till such time, it is important for us to make sure that through these transformations, these efficiency improvements, we keep improving on the numbers. So, we've got a long way to go before we run out of these benefits or efficiency improvement and we've actually started reaping these benefits only now in terms of more OPD visits, procedures, quicker discharges, lab reports and all. So, what I would say is that while we look into the volumes, we are focused more on quality of

revenue. Our margins actually because of the quality of revenue has shown more positive trajectory in this Q1 FY25 as compared to Q1 FY24 by more than 1.1% and we are actually taking a balanced approach between cash flow, profitability, and growth. We've done a lot of work, as I've said, on changing our bed mix, the digital journey thrupt, and we are also not very aggressive on the pricing. Therefore, our buildup has always been very slow or has been slow, but very steady. So, the current growth will be normal growth and we will get the next point of inflection when our new capacities kick in, in few years from now.

Damayanti: Sure. That's helpful. My third Point is actually a request. So, in your presentation you have now started reporting ARPP for clusters, so that's helpful, but request you to also share volume number because that I guess will help us to understand your business improvement in a better way? So, earlier like you used to give ARPOB, but now we have OP and IP, ARPP, but maybe volume numbers will be also helpful? Thank you.

Sandhya J: We can share. Actually, there's one more question on the chat and I'll take both of it together. We've been asked whether ARPOB is not being shared and can it be shared? So, we will share the volume numbers and we'll also work with you offline in terms of how to derive the ARPOB straight forward number, but we will share that volume and ARPOB calculation.

Damayanti: Okay. Thank you. I'll get back in the queue.

Nishant Singh: Thanks Damayanti. Nitant, can we have your question please?

Nitant: Congratulations to the management on the great set of numbers. My first question was regarding the insurance business, which was supposed to commence in Mysore. So, what are the updates on the insurance business commencement?

Viren Shetty: Ravi, if you can comment on the insurance?

Ravi Vishwanath: Hi Nitant, thanks for your question. This is Ravi Vishwanath. So, on insurance, I'm pleased let you know that we launched Narayana Health Insurance in Mysore as we have said in late June with our first product it's called Aditi, the headline feature which is providing 1 crore cover for surgeries for a price of about ₹10,000 for a family of four, where the oldest member is 45. You're also asked about on regulations and things like this. So, yeah, I mean, our focus has been on making sure that our systems, processes, data flows, etc. are compliant and in line with the regulations, including the most recent changes, which have been several by the IRDA and we're happy to report that, you know, all those things are in

place and working as expected, which now gives us a good base from which to focus on making sure more and more customers are able to take advantage of our products.

Nitant: Alright. Thank you. Another question was that you mentioned that you were venturing into new specialty whether ortho spine, neurosciences, GI Sciences, so has that impacted your revenues in this quarter or will this affect in the quarters to come?

Dr. Emanuel Rupert: Yeah, these are not new departments perse, but we're just increasing the spectrum of work so that we can do a little more complex spectrum. We've just recently installed the robotic spine program and the equipment and we've done around 5 cases with that very complex cases, but over the next few quarters it will start, we will see some impact on the complexities of this patients as well as spine is concern. So, all those things is a routine stuff, which we are doing and it will, but it's not something that dramatically, it's not a new department, it just adds to a different spectrum within the same department.

Nitant: Alright. Just one last question regarding the Kolkata facility. What is the updates regarding the commissioning of the facilities?

R Venkatesh: Yeah. This is the Rajarhat facility in Newtown, Kolkata that you are talking about. So, we are currently seeking approvals for plans from the authorities. The work is going up in full flow. We expect the approvals to come by October and we hope to start the construction towards the end of Q3 this year. So, we will try and speed it up, but mostly what it looks like by the end of Q3 this year, we'll be in a position to do the groundbreaking in for the Kolkata projects.

Nitant: Thank you. That was helpful.

Nishant Singh: Yeah. Thanks, Nitant. Parikshit, can we have your question, please?

Parikshit: Hi, good afternoon. Thank you for the opportunity. I was trying to understand the volume number, the footfall number, and we can break it down between India and the Cayman. So, to begin with, in India our inpatient numbers have not been growing for the last 3 quarters. Is there any particular reason for that?

R. Venkatesh: What I would say first point is, if you look at this quarter, in our health city, in the major facility there, there is a little bit of a dip. Q1 generally is known to be a low quarter because of the summer holidays, Ramzan period but this year, due to the Indian elections, there was a phase wise election throughout the months of April, May and some part of June. And since our health city sees a lot of these patient inflows happening not only from Bangalore, but

from other parts of Karnataka and also from other states, these numbers got tempered a bit due to the election, which will obviously get corrected in the coming quarters. But of course, what I would want to reiterate is, along with volumes more than that, I have said I'm just repeating it again, that we are focusing more on quality of revenues. So as a result of that, if you see, even if the volumes are not growing substantially, there are good quality of revenue, which is resulting in our margins showing a good growth from 18.3% last year, Q1 to 19.4% this year. Obviously, we have started working a lot in terms of changing our bed mix, upgrading it to single rooms, twin sharing rooms. So, within the same volumes, we are able to recover more quality revenue. And of course, it is also a constant endeavor for us to make sure we work on increasing volumes, and we are confident that eventually in the course of the next few quarters we'll be in a position to get more traction from the volumes. But, the current growth, what we are having will be very normal growth, of course, double digit growth, year-on-year, mostly. But the major inflection point will happen when these capacities come in the next 2 to 3 years' time. Till such a time, we will see very normal growth, but we will work more on efficiencies to ensure much healthy margins and bottom line.

Sandhya J:

Just adding to the data point, actually, we saw about 26 million patients in FY23, now we've seen about 28 million in FY24 and based on the Q1 run rate, if you extrapolate, we'll see upward of 30 million patients in terms of the number of people who are visiting us. And so, there is that footfall in volume that is coming through. But everything else, I think Venkatesh nicely explained.

Parikshit:

Thank you. So let me just follow up. So, I appreciate that there is growth and that's why I'm actually breaking down the numbers between outpatient and inpatient and my question was particularly towards the inpatient, because that's the one that hasn't been growing for the last 3 quarters. It was not just this quarter which might be election dependent, right. I appreciate the point you're making that you're trying to change your payor mix, and hence that is impacting the volumes to some degree. But that also would imply that your margins are improving. So even though you're saying that you will see a normal double digit but a normal revenue growth, you should see a slightly more faster EPS growth. Is that a fair statement?

Sandhya J:

See, just one maybe data point I want to clarify, though, the general trend, I think Venkatesh spoke about Q3 and Q4, we saw about 56,000 patients in our inpatient, and this quarter we saw about 59,000 patients in our inpatient. So even though Q1 is a weak quarter for us in terms of inpatient volume, we were okay. So just that's a little bit of clarification on the data

point. But in general, I think there is a little bit of investment that we're making in terms of balancing between quality of revenue, between healthy cash flows and in terms of growth and that balance is reflecting in the numbers that you are seeing.

Parikshit: Got it. And so, while I appreciate that we are tempering our volumes with the payor mix in India, the Cayman number also in terms of footfall, has not been a great quarter for us, right. So, the inpatient has year-on-year degrown by -7% and the outpatient has also just grown by 6.5% year-on-year as compared to some of the previous quarters we were growing very strong double digits. So, what's the pattern, the trend we're seeing in the Caymans in terms of volume?

Dr. Anesh Shetty: Yeah. Parikshit, I think you are largely right. The fact remains that, you know, as I said in the earlier question as well, we have sort of reached a point of where we will not see double digit growth with just the existing facility and that's why about two and a half, three years ago, we started planning the new facility, which should be commissioned anytime now. We have inaugurated it. It should be ready. We should be treating patients in a couple of months or hopefully sooner in a few weeks. And at that point in time, we will see the next wave of growth. But in the existing facility, in the existing location with some other market dynamics at play, we will just see this small incremental mid-single digit growth and some quarters up or down, like for example, this quarter. But the next leap forward will only come with the new facility.

Parikshit: Sorry, Anesh, and I appreciate you saying that I've obviously heard you say this. The reason I'm being so stubborn about pushing this point is that in the previous quarters our same facility was capable of handling a much larger volume. So, it doesn't seem like an infrastructure bottleneck, right. Because in the previous 3 quarters we've done higher numbers?

Dr. Anesh Shetty: Sure, sure. It's not an infrastructure. It's more of a market dynamics situation. So, the first point is, you know, as in Cayman, my request would be to always look at a trend over 2 or 3 quarters because the base is so low. There are silly reasons that could skew a quarter up or down, if a couple of people around leave or if there was a bad weather, like we had a hurricane that came pretty close, etc. So don't read too much into 1 quarter. I would say 2 or 3 quarters to get a general trend is true and if you see 2 or 3 quarters, you will see a sort of stagnation in the IP volumes and a moderate growth in the outpatient volumes. So that is the picture over a couple of quarters.

Parikshit: Alright. So, am I reading it wrong because I think the outpatient growth has been fantastic over the last few quarters, right?

Dr. Anesh Shetty: See, there are several factors to it. Yes, the outpatient growth has been there. I wouldn't say, too fantastic. The reason being we have started changing a lot of the procedures that would traditionally be inpatient into outpatient. This is in line with our efficiency initiatives, etc. So, some of it is a reclassification from IP to OP. The other thing also is we have commissioned new service lines, like we did an ENT acquisition, which is outpatient heavy about a year ago. So, this is what we expect, outpatient growth is good. Yes. It can be better. Inpatient growth is what it is given the constraints we have until the new facilities is up and running.

Parikshit: Got it. And if you don't mind me following up, you mentioned that besides the new facility opening up, you are also seeing, there was hinting on some market dynamic. Is there a new competitor there that has opened up or what market dynamics ?

Dr. Anesh Shetty: No, no, no, I'm saying whatever the existing market dynamic is with the location we are in and with the other players who are already there, there's no new change to it.

Parikshit: Okay. Alright. Thank you so much.

Dr. Anesh Shetty: Thank you.

Nishant Singh: Thanks, Parikshit. Uday, can we have your question, please?

Uday: Hello. Thank you for the opportunity. Just wanted to get some color on the insurance product that you have launched. Can you highlight some differentiator in terms of underwriting that we are doing in this product? Because it's a very different product compared to a normal health insurance that we see in the market?

Ravi Vishwanath: Sure. Let me answer that as well. So, I think, our philosophy is that we want to make the claims process as simple as possible and as I guess based on your question, you understand that, largely the way the market operates today is, that underwriting effectively happens in the time of claim which can lead to unhappy experiences for the customer. We want to do it differently. We want to be sure that we underwrite at the time of acceptance, and make sure that the customer has got absolutely no issues when it comes to claim. So, every customer for our product undergoes a full physical examination. It happens at our facility through our doctors. It's a very smooth process that we put in place. It is provided completely free of charge to the customer whether we accept the customer or not. So even

if we are not able to accept the customer for some unusual reasons, our goal is to accept as many people as possible. You know, it is still provided to the customer at no charge. And it's a pretty comprehensive physical checkup that is done. The results of that are immediately available to him on the app. And, if in cases where they need further treatment or further attention, we work with them to make sure that they get that attention as well.

Uday: Sure, sir. And just another question is, are there any plans to expand coverage to other hospitals as well in the future or it will be restricted to Narayana Health only?

Ravi Vishwanath: So, at the moment the focus is on Narayana across the country. There are situations where the customer can go to any other hospital, for example, if there's an emergency or something like that. I don't think that we will ever have a wide network like, you see with a typical carrier. We will always have a narrow network. It's something that we are always listening to our customers and trying to understand what their needs are, and we kind of respond accordingly. So, at the moment it is across the country. You know, you can go to any Narayana facility. We may look to expand that over time depending on what our customers tell us, but I expect that it'll always be a narrow network as opposed to a broad network that allows us to provide a much superior experience to our customers, which is the main goal of what we're trying to do is to make sure that we are their partners in helping them stay healthy.

Uday: Okay. And lastly, if you can squeeze in one last, how is the traction that you are seeing? I know it is a very short period after launch, but any color on the traction that you are getting on?

Ravi Vishwanath: Yeah. As you said, it's very early days, right. So, I think, I won't be able to give you any numbers in terms of traction, what I would say is that we are happy to have put in place the processes and systems and all the other things that are required for an insurance company to be able to successfully serve its customers, which is a gargantuan exercise. And all the testing that one does before you go live is fine. What really matters is whether that works in the real world. That's been really our focus. And am happy to tell you that the team has done a great job, and all the systems are working really well and the customers that have purchased the product are really happy with it. They are happy with the process. They're happy with the transparency with which we are explaining the benefits and the limitations in the product to our customers. And I think that overall, I would say that they feel comfortable that they are with a trusted brand and should they ever require complex

surgery they will be well taken care of, not just financially, but also, surgically by a really high-quality team of doctors at a high-quality facility.

Uday: Sure, sir. Thank you.

Nishant Singh: Thanks, Uday. Adrith, can we maybe have your question, please?

Adrith: Yeah. Hello. Good evening. Am I audible?

Viren Shetty: Yeah, you are audible. Go ahead.

Adrith: Yeah. Thank you. Thank you for being so open about your volume issues. If I could just push the envelope a little bit here. So, the overall IP volumes are flat and Bangalore is the only cluster that is seeing a drop in your Y-O-Y discharges. So, I believe it's being driven there. And when I view that, in the line of your specialty mix, the cardiac mix has actually come down, over the last year. So, if I compare it to Q1 FY24, so what comes to my mind and please clarify if I'm incorrect, is that the Health city hospital, which is essentially cardiac, have you seen any kind of drop particularly regarding surgical demand there when it comes to heart surgeries?

Viren Shetty: Never a drop when you're selling heart surgery in India. The numbers that you're talking about, maybe on a quarter-to-quarter basis, would not be growing the way it grew in a post-COVID catch up growth scenario. But we are focused on growing our overall top line and re-engineering the interior bed allocation and focused on certain payer classes. Where it may demonstrate that volume wise, it's not growing the way it did, it's still delivering revenue and margin growth and that's been our focus.

Adrith: Yeah. So, the share of cardiac, could you help me out, why it's going down, like it's down, 2% from 35% to 33% on the overall IP?

Virent Shetty: That is a conscious effort. See the cardiac, it's a disproportionate component of our business compared to all the other listed hospital groups, predominantly because we have this very, very large, the largest cardiac hospital in this part of the world, which does only one specialty. Most of the groups, it'll be between 10-12%. Now, it's not that there's a lack of demand for cardiac services, it's just that the ortho, oncology, other businesses have been growing much stronger and more robustly across all the other hospitals. Cardiac still remains our flagship anchor business and will still contribute anywhere from a third to maybe it can go down to a quarter of our business 10 years from now, but it is nearly half the reasons

why people end up in a hospital in India. So, it will always remain a very large growth engine for us.

Adrith: Got it. So, you could confirm that you have seen an increase in discharges regarding cardiac in your Bangalore cluster?

Viren Shetty: Over a year-on-year basis. Yes.

Adrith: Yeah, on a year-on-year because obviously this seasonality. So, I'm not looking sequentially. So yeah, okay, thanks for that. Secondly on the payor mix. So, the scheme business is again flat, like at 21%. Is there any kind of guidance or direction as to you would, it's decreasing proportion in the coming quarters or at least in the next few years? Because as it was reiterated before multiple times that, the quality of revenues are important and even though realizations are only up like 6%, I'm just wondering if a lot of the growth levers would have to come from the payor mix because specialty also is not margin accretive at times. So, I guess the improvement in margins will have to come from a scaling down of the scheme business share. So, is there any kind of guidance on that?

Viren Shetty: No. So, two things. We're not scaling down the scheme business. We are taking the calls that make sense for the hospital that's over there. And guidance on the revenue mix, I mean, I'm sure, you know, we don't give forward looking guidance, but Sandhya can comment on the things we're working on.

Sandhya J: So, we are making a judicious choice between balancing cash flows because some of the schemes do not pay on time margins as well as capacity utilization, because if you have spare capacity, you would want to utilize it judiciously. Another aspect on schemes is that there are certain geographies where requires a little bit of scheme support, because there is a certain affordability and a demographic reality of those geographies where we will have to support the geography with certain scheme predominance. So, keeping all those balances in mind, we are taking our scheme choices. So, I don't think we'll be able to guide a number, but I can definitely say that the choices we are making are reflecting in the expansion you've seen in the margins and in our cash flow positions also. So therefore, we will continue to keep playing this balance. But at the same time, we will also be socially focused and relevant. So therefore, we are not aspiring to say that I want to bring it down by 5%, 10%, not like that, because we want to be socially relevant also. So, we will find the right balance as we have done in the past.

Adrith: Okay, fine. Thanks a lot.

Nishant Singh: Thanks, Adrith. Yes, Mohit, please ask your question.

Mohit: Hi, sir. Can you hear me?

Viren Shetty: Yeah.

Mohit: Yeah. Thanks for taking my question. So, my question is more on the industry part. So, my question was on the free medical services that government obliges us to provide to EWS section of the society. So firstly, do we come under this? And secondly, what is the total percentage of the beds that needs to be given to the EWS section?

Viren Shetty: Yeah. So that requirement only applies in some variation or the other to three of our hospitals. One is our Dharamshila hospital in East Delhi, where 10% of the beds need to be reserved for EWS category of patient. The other one is SRCC Children's Hospital in Mumbai, where 10% is under the Charity Commission, and Guwahati Hospital where under an arrangement with the government, some proportion of the beds need to be treated under the Assam scheme. So, these are very small by total number of beds and are not that much of, they don't contribute that much to the overall proportion of the patient services that we offer.

Mohit: Alright, sir, thank you. Thank you very much.

Viren Shetty: Thank you.

Nishant Singh: Thanks, Mohit. Nancy, can we have your question, please?

Nancy: Hi, sir. Thank you for taking my question. Could you please throw some light on the IndAS 116's impact on our EBITDA and PAT numbers?

Viren Shetty: Give us a minute.

Sandhya J: Yeah. Our EBITDA will increase by, because of IndAS our EBITDA has increased by INR 148.7 million, and our PAT has decreased by INR 19 million for Q1 FY25 on a like to like basis.

Nancy: Sure. Thank you so much.

Nishant Singh: Thanks, Nancy. Prince, can we have your question, please?

Prince: Yes, Sir. So, my first question would be, Sir, regarding the debtor days, do we see any improvement in debtor days as elections have gone and we are also surgically planning to reduce the patient scheme?

Sandhya J: So, in Q1 normally debtor days will be slightly adverse for few reasons. One is that most of the government payers, they have their cash flows released in Q4. So, most of the collection happens in Q4 and Q1 their budgets are not fully approved and, therefore, we don't get the payouts. This year, we also had the added impact of the elections. So, like every Q1, this Q1 also had a little bit of a slowness in terms of collection. Between Q1 of last year to Q1 of this year, we are holding the same levels but between Q4 of last year to Q1 of this year, we have deteriorated by about 7-8 days, which we will catch up in the next quarter.

Prince: Okay, thank you so much. And regarding the payer days, you have been telling that you have negotiated with the payers and we have seen that the payer days have increased significantly. Can you give some guidance regarding the future that how it would be moving in future? Will it be maintained or will it increase?

Sandhya J: You're referring to days payable/vendor payments, right?

Prince: Yes, Ma'am.

Sandhya J: Okay. I think we will bring it down to levels of 90 days. Right now it is slightly on the higher side. We've gone through a certain ERP migration and because of which there has been a little bit of lag which has got built up there. Between 60-90 days is what we have negotiated with the payer. So, we will go back to those levels.

Prince: Yes, that will be helpful. And my next question would be regarding the India business. For the India business, revenue growth in the last year has been 10%. And as per your guidance, you are not focusing on aggressive revenue growth but quality revenue growth. So, should we consider in next few years, till the new facilities of Kolkata and Bangalore will be inaugurated, the revenue growth will be around 9%-10% only?

Sandhya J: Can't give a forward looking guidance like that. I think Venkatesh already explained a couple of times the outlook on growth and how we are looking at it. The growth will be organic in the short term. The next big inflection point will come when our capacities come online. Until then, we will grow in line with the market and in line with our own efforts that we are putting in in terms of throughput maximization as well as quality of revenue. So, I think we already answered that.

Prince: Yes, Ma'am, thank you. And my last question would be regarding the lease. In FY24 we have seen a slight increase in lease liability, can you please guide is it regarding some clinic facility or something else?

Sandhya J: Yeah. See, to some extent it is because this clinic facility but actually if you see our overall lease costs have come down by almost 0.6%. Now, that is because a lot of the lease contracts which we had taken 5-8 years back, we have completed those lease obligations and we have unbound those leases. So, our overall lease cost has actually gone down and our overall lease liability has also gone down because of that. So, I need to see where you are seeing this increase from but there is definitely some amount of lease obligations coming on board because of the clinic but they are not material in the way you're seeing. Maybe our team can offline reconcile with you.

Prince: Sure, Ma'am. Thank you for the answers. I am done with all my questions.

Nishant Singh: Thank you, Prince. Kunal, may we have your question, please?

Kunal: Hi, thanks for the opportunity. First one on our international business, can you share what is our proportion of revenue coming from Bangladesh?

Sandhya J: So, our Q1 FY25 was about 7.6%, which was our international patient. A large part of it, a substantial part of it comes from Bangladesh which will we'll have to see how the situation pans out.

Kunal: But have you seen any reduction in flows in recent months or for you the businesses as usual, at least in July?

Viren Shetty: No, it's not. It has been disrupted during the election time, during the festival season Ramzan and so on. See, but one thing is, consciously as a company we're moving away from a reliance on international medical tourism and more towards domestic patients. So, this is the number over five years, we expect to go down to zero. What will come will come. We're not going above and beyond to maintain these numbers.

Kunal: Then would it be fair to say that for you the profitability of international business is not so much different because all other peers are saying that international business profitability is higher, right?

Viren Shetty: Yeah.

Kunal: So, to that extent, why would we don't let it go?

Viren shetty: We don't distinguish between domestic patients, international patients. So, a patient is a patient. The only distinction pricing comes from the room category and the sort of procedures that they take. So, we've never in the recent, I mean, ever since a few years before COVID we have normalized the prices between domestic and international patients.

Kunal: And Cayman, we do not understand the unwinding impact. So, is it that now that you have paid the lease expense you own certain assets and hence your lease expense is going down? Because a large part of your EBITDA improvement on a year-on-year basis, EBITDA improvement is driven by the rental expense going down.

Sandhya J: Yes, correct. We have paid those. We have completed the lease tenure and completed the payouts. We own these assets now and that is why the unwinding of the lease charges have happened. But we've seen improvement across lines, not just on the lease charge line but across lines we've seen improvement in terms of cost. Lease is also one of the contributing factors.

Kunal: So, which asset this is where we have now completed the lease...?

Viren Shetty: This is lease of equipment and not land.

Sandhya J: This is equipment finance. Maybe I could categorize that.

Kunal: Lease equipment. Okay.

Sandhya J: The biomedical equipment which we purchased.

Viren Shetty: This is not asset leased buildings.

Kunal: Sure, sure. Okay-okay. So, currently INR 195 crores of rental expense in this quarter, will we see similar decline? I think last year same quarter would have been INR 235 crores, right. So, will there be any meaningful declines in the coming quarters due to this?

Sandhya J: Most of the unwinding is done. Most of it is done, Kunal. There is little bit left but most of it is done. So, maybe slight decrease you will see in the next couple of quarters and then this will normalize.

Viren Shetty: But we will be taking up new equipment on lease. So, it will go back up again as and when the new capacity comes on then.

Kunal: Sir, are these related to the robotic surgery, if I may ask?

Viren Shetty: It's all the major equipment. The equipment companies give you the option to either buy it upfront or lease it from them. And based on the cashflows, based on the volumes, we take a measured call on trying to match that. So, we take lease cum sale options from a lot of these vendors.

Kunal: Sure, Sir. Thank you very much.

Nishant Singh: Thank you, Kunal. Mohit, can we please have your question?

Mohit: No, my question is answered. I'm sorry.

Nishant Singh: Okay, sure. Kunal, is your answer also...because I think you only asked the last few questions, right?

Kunal: Yes, yes. Yes, it is answered. Thank you.

Nishant Singh: Yes, Prashant. Can we have your question, please?

Prashant: Yeah. So, two questions. Firstly, can you give us the profitability EBITDA number at your Delhi, Gurugram and Mumbai hospitals?

R. Venkatesh: So, when you talk about the revenues from... I'll take all the new hospitals together with Delhi and Mumbai, revenue of these new hospitals have been reported around ₹123 crores with a year-on-year and a quarter-on-quarter growth of more than 7% and with the EBITDA margin of 7%. Dharamshila will and continues to give reasonable returns. Gurugram is also mildly positive for this quarter. Mumbai is in a single digit loss, which we expect to stabilize to EBITDA breakeven in Q2 because the opening in Q2 has been pretty good. So, overall, this is the summary of our new hospitals.

Prashant: Okay, thanks. And the second question is regarding your Integrated Care and Health Insurance businesses. What is the outlay in terms of cost that we can see on these two businesses put together, say over the next couple of years? And at what point would they break even? Your assessment?

Sandhya J: So, for now we have invested about ₹100 crores as a capital commitment into the Insurance business and as and when the business grows we will make further commitments and investments into the business depending on the scale and the growth trajectory. As far as

the Integrated Care business is concerned, there is a cash burn which is given as part of the analyst deck already and there will be a cash burn because the Integrated Care business is a long term venture and we have to build out this business over a period of time. So, there will be cash burn in this. However, we've kind of kept our cashbook to be as judicious as possible.

May we request everyone else to go on mute because there is a lot of background noise for us here. Okay, thank you.

So, we are being very judicious about the cash burn and we're also keeping ourselves very tightly accountable to breaking even at a singular clinic level at a reasonable timeframe. So, there we are tracking, okay, but because we are opening new clinics, therefore, there is a little bit of a cash burn which is happening. We will continue to build on that. We are not guiding a full number for Integrated Care and Insurance because we are responding to what our customers are asking and the way the demand patterns are coming through. Therefore, we are not putting an outlay out there but we will do whatever it takes to make these businesses successful.

Prashant: Alright, thank you. That's it from me.

Nishant Singh: Thanks, Prashant. Vinay, can we have your question, please?

Vinay: Hello. Just wanted to check out, on your Slide 7 for two years given the ARPOB numbers, is that the right ARPOB number for Q1?

Nishant Singh: Yeah, that's the number for India.

Vinay: So, that is an annualized number or a quarterly number?

Nishant Singh: That's the annualized number.

Vinay: Okay. So, Q1 here it is 15 Mn and last year it was 13.6 Mn. The second part is, when I look at your performance of the hospitals in Western region, they seem to have shown a jump in the overall revenues. Now, you're saying still Mumbai is a loss making proposition.

Sandhya J: Yeah.

Vinay: Okay. So, today we have only two hospitals which are loss making, is it, out of the total?

Sandhya J: Actually, if you look at Q1, Gurugram also was not loss making. So, at the moment only Mumbai is loss making. Even Mumbai Q4 broke even. Q1 because of the little bit of the seasonality impact, we kind of slide it back into a little bit of loss. Other than that, all our other hospitals have been profitable in Q1.

Vinay: Okay. And lastly, just 7.9% of patients you said who came from Bangladesh, these where in Kolkata region only, right? Or Kolkata and this East?

Sandhya J: 7.6% of our revenue comes from international patients largely from Bangladesh. Most of them come into our Health City campus as well as our Kolkata campus.

Vinay: Okay. So, this is 7.6 of the overall region?

Sandhya J: Yes.

Vinay: Okay, thank you very much.

Nishant Singh: Thanks, Vinay. We have got a few questions from the chat. We'll just like to read out a few questions. Yeah, sorry. Parikshit, you can have your question, please, and then we can move to the chat.

Parikshit: Okay, fine. Okay, great. Thank you. Thanks for the follow up again. And my previous question when I was asking about the volumes, we discussed about how we are changing our payor profile and that is also going to impact our volumes but in return, you know, benefit our margins and I just quickly went back to pull the data. I think our EBITDA margin, and I'm talking about the India business, started moving to about 19% all the way from FY23 itself, right. Q2 of FY23 we hit 19%. And the payor profile also, I'm just looking at the percentage of customers that are from the schemes, in the scheme section of it, that has been hovering around 20%-22% throughout this period. So, are we still changing it or has the transition happened and it's done already?

Viren Shetty: Not done. It's a very dynamic process and it's not just who you're getting in. It is what we are doing for them. And, so, a lot of the work that gets moved towards daycare, a lot of the emergency services, a lot of things that don't count towards occupancy and the pay up and these are cash and insurance patients will contribute towards performance. There are other efficiencies we're getting from throughput and being able to manage a lot more tasks with the same manpower which do contribute towards performance.

So, the payor mix, sometimes the hospital we have are locked into a certain payor mix. So, Ahmedabad, for example, we run a hospital that is in a poorer part of town and that is a State that has a very high contribution from the government for doing the surgery. So, that will always have a disproportionately high proportion of patients coming from scheme. Whereas our hospital in Gurugram, for example, it's in Cybercity Phase-II. It's built just as a private, semi-private sort of hospital. So, it barely has any contribution coming from the government program. So, it's not something we are consciously looking at. What we're trying to do is improving the cashflows of each hospital looking at the patient base that makes sense for that place.

Parikshit: Okay, alright. Thank you.

Nishant Singh: Thanks, Parikshit. Now we can take up the questions from the chatroom. The first question is that, Is ROCE significantly different in case of capital intensive SBUs like Oncology and Cardiac treatments compared to less capital intensive areas like Neurology?

Sandhya J: See, actually ROCE is not just about the biomedical equipment. The cost of a bed when we say is say between ₹1.5-₹2 crores, it is the cost of the infrastructure, cost of the bed, cost of the biomedical equipment, cost of the diagnostics that go into it. So, it's a large investment that goes into getting a hospital or a bed up and commissioned. And ROCE is a factor of that. So, if you just look at the biomedical equipment of a particular specialty versus another, that is not a big player in the calculation of the ROCE.

Nishant Singh: Okay. There is another question, are you looking for a finance partner in the Health Insurance business or do you plan to invest your own money into this Insurance venture? What are the reasons why you are choosing the option that you have chosen?

Viren Shetty: So, at this point we're not looking for a partner for Health Insurance. We're still building this up and since we're doing it in a very moderated way, phased out across our different hospitals it's something we believe at least for the near future until it proves itself like we're able to build an insurance plan that's sustainable, that provides a lot of value for patients and improve their outcomes, we won't want to look at scaling it nationwide.

Why we are choosing this option is because the market has enough providers who will just sell you a policy and not ask any questions and that does lead to a lot of dissatisfaction with premium holders. So, we want to provide something that is a policy that has no questions asked. Once you're in, we shouldn't have to doubt the intentions of the patient coming in

for any sort of procedure. And we take a more proactive role in managing it. That's why it's positioned very differently and a lot of financial investors may not be fully aligned with that way of running the business.

Nishant Singh: There is another question on Insurance which Ravi can take. How long would the Insurance business take to breakeven on this INR 100 crores initial investment as per your business model to get positive ROI?

Ravi Vishwanath: Right. I mean, I think it's might be a bit premature to comment on that because as Viren just said, you know, we are kind of positioning ourselves very differently. And the important thing to keep in mind is that we are starting in a very modest way in Mysore and four districts around that and we will expand gradually and kind of see how the market reacts in response.

And I'll just repeat what Sandhya has said earlier, which is that we're doing this very prudently and looking to make sure that we extend our capital as much as we can. So, a little bit premature to say that. But, hopefully, we'll be able to share more information with you in coming quarters.

Viren Shetty: The question is from Riddhi about how do you assess the performance of your administrators? We give them targets and they operate in an operating budget every year and there are multiple parameters for assessing them, not just on hitting the financial parameters but also on keeping the cost within line, improving the digitization, reducing the length of stay and improving the throughput of the hospital. So, at the senior levels, they have a 80-20 fixed to variable pay structure which incentivizes them towards that.

Question on what type of business intelligence, AI tools are used for measuring performance? Those are 2 different things. The business intelligence, we were on Microsoft Power Bi. We moved to an ingrown application developed by our analytics team called Medha. The name of the, at least what they have called their Bi tools so far is AERO. This is something that we use extensively for our internal performance, benchmarking measurement, not just for business operations but also for clinical operations and supply chain and so on. And it is a tool that is deployed across few other hospitals as well. People pay to use these services.

For the healthcare professionals, other than using the analytics, they also use our in-grown hospital information system. That's called ATHMA. And ATHMA has multiple applications on it which include an app for nurses called NAMAH, an app for doctors called AADI. It has its

own analytics program called ATMI TRICKS. It also is deployed across all our hospitals and clinics as well as this is being sold to other hospitals and clinics outside of our network.

Other questions – the ARPOB for Gurgaon region.....

Sandhya J: Yes. So we aren't specifically sharing out particular hospital but in the North region, the ARPOB is about 16.6 Mn for Q1 FY25. Actually North, when I take north, its slightly higher for the Delhi and Gurgaon units and slightly lower for the Jaipur units but in that range.

Viren Shetty: The last one is occupancy percentage in India and Cayman.

Sandhya J: For India, it's not a number that we are sharing, like as a separate number because we have always said that occupancy, the way it is measured, midnight occupancy is not a representative of evolution of our business. Having said that, we always operate in the range of between 60-65pc on midnight occupancy basis. Daytime occupancy and day care occupancy will be much better, so in Q1 and Q3 quarters, we kind of end up in the lower end of the range and in Q2 and Q4 quarters, we normally hit the upper end of the range and that's how we have come in this quarter also. In some of our mature hospitals, we will be at a much higher number than that and then in some of our smaller hospitals, the number will be lower.

Viren Shetty: There is a question earlier on from someone who is new to the conference call. When you say inflection point, when you see better growth, what will that be? This we have mentioned earlier and we will mention it again, this is when all the new hospitals come online, so that will take about 3 years from now.

De-bottlenecking in adding infrastructure, so debottlenecking, that refers to the fact that a lot of our patients wait, they spend a lot of time waiting in our hospitals, waiting for the doctor, waiting for the tests, waiting to get a bed, waiting for certain services and so a lot of that is addressed through digitization and process improvement initiatives and what it does is, it increases the through puts. We can see more patients per given day as well as reduce their length of stay. So we are trying to achieve best in class, length of stay of 3.5. We have some way to go and lot of it we are doing helps improve the flow.

What do you consider as quality revenues, is a question? So, quality comes in various kinds but essentially you can simplify it as payers that pay on time and you are able to cover most of the cost incurred in providing the services. Now in a perfect world, you could run a hospital just with patients paying cash up front and paying it at a 30-40pc margin to

whatever services you are providing. But that doesn't happen in the real world. Running in a country like India, we have to cater to multiple payer classes. And so within those payer classes, we try to rationalize certain payers who may have a very poor track record of paying us on time or have a huge track record of disallowing certain things and we would try to mix and match, the patient to the services that make more sense for that.

Nishant Singh: The question on the ARPOB number for north. We mentioned 16.6 Mn, that is the 1.66 crores for the year, that is the annual ARPOB. There is a question that it is much lesser than the north where it is 50,000. So if you make it a daily ARPOB, that number comes to around 45000 that we have. So it's not that much lower as compared to what others are making in the north.

Viren Shetty: But having said that, we do peg our services to be at a slight discount to what is available everywhere else and we try not to be at the top of market in terms of our pricing for patients on a like to like basis.

Nishant Singh: Our next question is, how many total new hospitals are planned for the next 3 yrs.?

Sandhya J: It is still work in progress. As and when we keep identifying opportunities, I think we will keep sharing. We have indicated a certain capex for the current year and we are expecting that we will spend a similar amount as capex over the next 2-3 years and therefore, there will be significant investment that will happen. We will share more details as and when we will make those choices.

Viren Shetty: As and when they come up, we announce like we announced in Kolkata, we have announced in Bangalore and certain capacities being added in Raipur. So those are what....so far we are giving clarity on.

Sandhya J: There is a suggestion on bonus shares issue. So we thank you for that suggestion. We have tried to stay as consistent as possible in terms of our return to shareholders in dividends etc. but we will take your suggestion on Board and we will evaluate them on its own merit. Thank you for that. There are a lot of questions on chat, but they have been answered through questions which have already been asked. So, if we have missed to answer any question, we request you to please put your hands up and we will be happy to answer.

Nishant Singh: I think Gagan has questions. Gagan, can you please raise your question.

Gagan: So, the 1st question is on the tax rate. I think the indication at the close of last financial year was that the tax rate will go up. It will be around 13pc, year on year, it is slightly up but still low. So, any explanations there.

Sandhya J: We had some one-timers in the last year because there was a deferred tax credit we got because we shifted from the old regime to the new regime. That came last year. So that benefit is not there but otherwise, what tax rate you are seeing right now is the steady state tax rate, that we are estimating.

Gagan: So if I got it correctly, the 1st quarter tax rate is at 13pc. Is that what you are saying can be extrapolated for the whole year?

Sandhya J: Yes, 13pc is correct. If you see, last year in the 1st quarter was 10.6pc. 2nd and 3rd quarters were 8.7 and 9.8. For the full year, last year we were at 11.13pc. That was the effect of the deferred tax credit that came in in last year. So that is not repeating. Therefore we have kind of come on to that 13pc kind of range. One thing you will have to keep in mind is that it will vary on the mix effect because the India revenue is at a higher tax rate and Cayman profit is at a no tax rate and therefore this is the average. So if the mix changes between India's profitability and Cayman's profitability, then accordingly the tax rate will also get moderated.

Gagan: Ya, ok. The 2nd one pertains to your existing facility in Caymans. If I understand it correctly, the occupancy there is still fairly low. Right? It's a 100 bed facility and if I remember it correctly and I think last 2 indicated the occupancy tends to be 50 to 55 odd something out there. And you indicated in your comments in the call that there is not much headroom for growth there. So is the constraint there more demand related constraint or location related constraint or am I understanding the capacity itself incorrectly?

Dr. Anesh Shetty: No Gagan, you are right on the capacity. The constraint is that the number of specialty service lines we can offer, in that facility we reached the limit. The new service lines we are going to start in the new hospital. We cannot offer it in the existing hospitals. The 2nd constraint is obviously the location. As we have discussed before, the existing hospital is located very far away from centre of the city where most patients live and work, most people live and work. So by moving to a very very prime location, we become a lot more accessible to patients who otherwise would not consider driving so far for smaller services or entry services. But the primary constraint is just the services we can offer, the new specialties that we are going to offer cannot be offered in the existing one.

Gagan: How should I put it? A very layman like but my question is, if best case utilization at this facility cannot exceed what it is, does it make sense or is it even a possibility.....

Dr. Anesh Shetty: Gagan, sorry, could you repeat that please? I am not able to hear you.

Gagan: My question to you is that, if you don't see occupancies in your existing hospital in Cayman improving, is it then a possibility to maybe reduce the bed count and perhaps utilize the additional space that you get in some other way in that hospital?

Dr. Anesh Shetty: Ok, understood. No, it won't work like that because when the new hospital comes, the existing facility will also an increase in occupancy. They are not 2 distinct hospitals, they are just 2 campuses, think of them as just 2 locations for the same unit. It's the many of the doctors overlap but there are some new specialists also but when we have the new hospital, we absolutely expect the occupancy of the existing hospital to increase meaningfully. So it just wouldn't make sense to reduce the number of beds in the existing hospital. Having said that, it's more an issue of, it's the opportunity cost, unless we start the new services, there is nothing that's going to happen just by removing beds. We will have to add either equipment or re-outfit the facility etc. But none of that is needed because once the new hospital is there, once we start the new services, we will see an increase in occupancy in the existing hospital. The new hospital will be primarily for patients who are short stay. The existing hospital will be for patients who have a long or more complicated stay.

Gagan: So you are saying that the new hospital will act like a catchment to the

Dr. Anesh Shetty: Yes absolutely. It will also render services of a particular nature in that facility but it will also significantly feed into the existing hospital.

Gagan: Right! Final one, again on the facility one. While one understands that your 1st venture when came in took a reasonable amount of time to mature. Today, you have credentials, you are not an upstart there and therefore, is it reasonable to then assume that breaking even in the new facility will take a lot of time frame compared to the 1st one.

Dr. Anesh Shetty: Yes, you are absolutely right. That is the expectation we have.

Gagan: Is it possible for you to perhaps give us some understanding of, at least from an intent standpoint or an anticipation standpoint, how much duration the break-even period or the pay back period potentially be on the new one?

Dr. Anesh Shetty: It's not something that we disclose or like to but having said that, I think you just have to wait for the next quarter and then we will have a much idea of where things stand. Even I am far away from knowing the actual answer.

Gagan: Thank you and finally on your comments, you intend to keep the capex at 1500-1600 crore run rate for the next 3 years. One, the debt hasn't really moved too much in the 1st quarter. How should we think of leveraging towards the end or closure of this year? Does it continuously keep increasing from hereon over the next 3 years and to what levels?

Sandhya J: Yes, that is the right assumption to make Gagan. The reason the debt hasn't moved is because the capex hasn't moved. A lot of our capex ambitions is in Greenfield which means that we have to identify the land and then go through the plan approval process which is a long process and then start to build and therefore the consumption of that capex is little slow and that is also reflecting in the debt that we are picking on though. We will for whatever capex we have indicated, significant part of that will be through debt only, so you can assume that at least 80pc of the capex we are indicating will come through debt and to that extent, the leverage will be, it will increase.

Gagan: Have you considered equity raise as an option or that's completely off the books and you intend to completely use debt in internal accruals?

Viren Shetty: It's not something that we need to look at right now, given how under levered we are and how much cash we still have on the books. Nature of this sort of capex is that it operates at a low intensity at our choosing and it goes in a very staggered manner over many years. So if we are able to match our internal cash flows plus the traditional ones, from banks and from NCDs to match the capex and the green field and land construction and all as and when it comes. Should we get to a point where we have the ability to service our ambition is no longer matched through our cash flow and borrowings, then we would look at an equity route. But at this point, it's not really required.

Gagan: Of the total cash flows that you accrue annually, is the ratio of cash flow accrual from India and Cayman be very much in line with the EBITDA that you generate in India and Cayman? Or is that also sort of different from that?

Sandhya J: Cayman has just gone through an intensive capex cycle and therefore there is some amount of cash flow that's got deployed in that capex and obviously, there is a lot of borrowing that has been taken on board, so the repayment of that will kick-in in Cayman. That's from a Cayman point of view. As far as India is concerned, the cash flow generation is in line with

the EBITDA but like how we choose to invest in terms of capex etc. accordingly the cash flows will get moderated.

Gagan: What will be the repayment schedule at your Cayman, I mean over what time frame do you pay off the loans?

Nishant Singh: In Cayman, we have a mix of the new loans and the old loans. The new loans are almost at the expiry stage than the old loans. The new loans will expire in the next 3-5yrs. The average maturity is around 3.5yrs., the large maturity is around 5.5yrs.

Gagan: Thanks, I will get back in the queue. Thank you.

Viren Shetty: Riddhi, there is a question from your side.

Riddhi: Hi! Can you repeat on the capex expansion for Bengaluru and Kolkata?

Viren Shetty: In Bangalore, we are adding an annex to our cardiac building. It's a piece of land we bought next door. This will focus mostly on Aneurysm surgery and very advanced valve repair surgery to expand the capabilities of our flagship cardiac hospital. We also bought a 1.5 acre piece of land in HSR layout, this is a suburb of Bangalore where we have an existing hospital whose capacity is quite filled up, so this will operate as an extension of that hospital as well. This will be a green field hospital that will accommodate about 200 beds or so. this is for Bangalore. Anything else you wanted to know about?

Riddhi: Kolkata as well.

Virent Shetty: For Kolkata, we have got land in Rajarhat. This is a new suburb of the city and there we bought a very large piece of land. We will make a very large hospital over there in faces. Indicatively, this could go up to about 600 beds but we will do it in 2 phases and plan the action accordingly.

Riddhi: Ok, and the capex amount is 1000cr. Right? For Kolkata?

Viren Shetty: Yes. That is the amount we expect it should cost us, yes.

Nishant Singh: The total cost of the project for the next 10yrs, is going to be more but for the 1st phase, it will cost around 900cr,

Riddhi: Ok, thank you.

Nishant Singh:

There is a last question from the chart – the Bangalore and Kolkata hospitals will get fully operational in the next 3yrs. That's the question. So, we will start the construction by the end of this year in Kolkata and Bangalore will be another couple of months after that. So from the start to end, it will be around 3.5-4yrs.

Nishant Singh:

As there are no more questions, we would like to end our session. We thank you all for the active participation as usual. Thank you.

END OF TRANSCRIPT