



“Narayana Hrudayalaya Limited Q1 FY 19 Earnings
Conference Call”

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Moderator: Good Day Ladies and Gentlemen and a very warm Welcome to the Q1 FY 19 Earnings Conference Call of Narayana Hrudayalaya Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Debangshu Sarkar. Thank you and over to you, Sir.

Debangshu Sarkar: Thank you, Ali. Good Afternoon, Ladies and Gentlemen, myself, Debangshu Sarkar and I run the Investor Relations and Mergers and Acquisitions function at Narayana Hrudayalaya. On behalf of the company, I welcome you all to our Q1 FY 19 earnings call of the company. To discuss our financial and business performance outlook and to address your queries today, we have with us Dr. Ashutosh Raghuvanshi, our Group CEO, Mr. Kesavan Venugopalan, our Group CFO, and Mr. Viren Shetty, who spearheads the Strategy and Planning practices at NH alongside Ashish Sukhija from the team. I am sure you have gone through the result's release along with the investor presentation, which have been uploaded on our website as well as on the stock exchanges.

Before we proceed with this call, I would like to remind everyone that this call is being recorded and the transcript of the same shall be made available on our website. I would also like to remind you that everything 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. These uncertainties and risks are included, but not limited to what we have already mentioned in our prospectus filed with SEBI and subsequent annual reports on our website. After the end of this call, in case you have any further questions, please feel free to get in touch with us. Now, I would like to hand over the call to Dr. Raghuvanshi.

Dr. Ashutosh Raghuvanshi: The results of the first quarter of the fiscal year 2019 are broadly in line with our expectations. Our operating revenues grew at over 25% year-on-year with the overseas unit's revenues getting consolidated. While the Indian business grew at ~11% in line with the industry, the Cayman Islands facility reported a growth of over 15%. Adjusted for the expenses at the newer units where we have heavily invested in the clinical talent and temporary blip across the Cayman Islands' centre where we have invested in human resources to augment the earning potential of the unit, the profitability appears to be on track.

Our 3 new facilities across Mumbai and Delhi are witnessing decent traction in terms of patients' footfall with Mumbai reporting an average occupied bed of around 60 and Dharamshila at almost 90 average occupied beds for the 1st quarter of this fiscal and we do remain confident about the prospects of these. With the strategic expansion exercise which we undertook last year across the country, we are now focused on consolidation of our Indian operations to capitalize upon the strength of our network.

Operationally speaking, with the recent commissioning of our Gurugram facility, our Northern region is now closely knit with 3 super-specialty facilities across Kakriyal near Jammu and Delhi

NCR region and we remain confident that in times to come, this region shall contribute significantly to the group's revenues and profitability.

On the clinical front, we remain committed to creating regional Centres of Excellence' by focusing on advanced quaternary care and thus continue to invest in state-of-the-art medical technology across niche specialties such as Oncology and Cardiac Sciences through attractive financing solutions.

With this being said, we believe that we have exciting times ahead for us as we embark on our transformational journey to realize the goal of Pan-India affordable quality healthcare provider.

Coming to the clinical highlights for the period, we are pleased to witness significant progress in this direction as we continue to prioritize health and well-being of the patients.

- Mazumdar Shaw Medical Centre, Bengaluru operated a case of Naso Orbital Solitary Fibrous tumor using trans-nasal endo-orbital approach. Only 30 such cases have been reported in the world with this being the 2nd case operated by endoscopic approach
- Narayana Institute of Cardiac Sciences, Bengaluru performed a double lung transplant. With novel techniques like these, the facility has emerged as the prime centre for organ transplants
- A one of its kind knee replacement surgery in the city was performed at Narayana Multispeciality Hospital, Jaipur in which special type of implants were used as the patient was allergic to metal
- Mazumdar Shaw Medical Centre, Bengaluru performed postaural approach, Robotic Neck Dissection. This approach does not lead to visible scars in the neck and the incision is hidden in the hairline

I am also pleased to announce that during the last quarter, our organization was recognized at various platforms, the key ones being the following:

- Health City Cayman Islands Hospital won a silver award in the Direct Care Provider category at Health Value Awards in Washington, USA in April 2018
- RTIICS, Kolkata ranked 2nd in the Eastern Region in the All India Multispeciality Hospitals Ranking Survey 2018 by Times of India in June 2018
- Narayana Health was awarded under CSR Excellence in Healthcare category at the Federation of Karnataka Chambers of Commerce & Industry (FKCCI) CSR Awards in June 2018

To conclude, I would say that while the core of our business operations is well poised to deliver quality affordable healthcare to all sections of the society, we continue to live in unpredictable times with uncertainties affecting the Indian Healthcare landscape particularly concerning ambitious programs like AYUSHMAN BHARAT. We do remain confident in our abilities to create value for all stakeholders.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to the lower occupancy levels in the three to five years' segment and Karnataka cluster?

Ashutosh Raghuvanshi: Charu, in the three to five years' segment, we have three hospital facilities in which two of our facilities have faced particular challenges; one of them being our hospital in Whitefield where we had a little bit of revenue de-growth YoY, which was primarily a result of a civil infrastructure construction which is going on in front of the unit related to the metro construction, which has partly obstructed the entry to the road which leads to the facility, and as a result of that, we have seen some shortfall in the emergency cases which were coming to this facility. However, we expect this construction activity to be over in next six months or so, after that we may see a reversal of this. The other unit which showed a negative growth was the facility in Guwahati and that was again a consequence of a lot of local factors and few challenges which we faced on the clinical talent side. However, the third facility within this group, the HSR unit grew at ~15% YoY. We feel that we have taken several steps which should overcome the problem of the growth in Guwahati facility while the Whitefield unit might see a muted growth for another period of six months or so.

Charulata Gaidhani: But Whitefield is an important component, right, for the company?

Ashutosh Raghuvanshi: It is an important component, in fact, every hospital is important. Whitefield, as you are aware, also has a good ARPOB compared to many of our other units because of the kind of clientele it serves, so that is why it is of great importance, but unfortunately, there is not much one can do because of the disruption which has happened because of the civic project taking place on the road right in front of the hospital, which in the long run may be a useful thing, but for the next six months at least we will see a dip there.

Charulata Gaidhani: My second question pertains to the lower ARPOB at Cayman?

Ashutosh Raghuvanshi: Charu, you will appreciate, as we have mentioned in the past that as any hospital stabilizes with the occupancies ramping up, the ARPOBs tend to settle down lower than what is observed in the very initial phases. Having said that, as I said in my opening remark that there was a temporary blip which was because of the little bit of issues with the island's ambulance system and because of that the acute emergencies which typically have higher ARPOBs, we were not able to receive them and the same has been addressed subsequently.

Charulata Gaidhani: You think the profitability should be restored in a quarter or two?

Ashutosh Raghuvanshi: Yes, Charu.

Moderator: Thank you. The next question is from the line of Rohan Dalal from B&K Securities. Please go ahead.

Rohan Dalal: Sir, my question was regarding, firstly the lower other income in the quarter, I just want to understand why that was, and my second question was regarding the acquired facilities, even though Dharamshila has reported a operating profit this quarter, the bucket itself has seen a pretty sharp decline, so just was wondering why that is?

Debangshu Sarkar: Rohan, just to take your second question before the first one, where did you see that Dharamshila has actually made profit this quarter?

Rohan Dalal: Sir, my mistake, Sorry.

Ashutosh Raghuvanshi: I will just explain this to you. When we look at our acquisition portfolio which consists of the two MMRHL facilities (Westbank), the Barasat facility and the Dharamshila facility. The first three facilities which I mentioned, they have done fairly well and they have clocked about 12 % in terms of EBITDAR margin, however, the Dharamshila unit which was positive in Q1 FY18, is negative in this quarter and the reasons for that are that we have acquired lot of clinical talent to upgrade this facility into multispecialty hospital. We are starting the cardiac program in this month, so we have installed the new Cath Lab, we have installed the new Cardiac OT etc. Having said that, the occupancy levels have gone up with ~90 occupied beds in Q1 FY19 vis-à-vis 65 occupied beds in Q4 FY18.

Debangshu Sarkar: Rohan coming back to first question which is on the other income, if you are referring to a drop of around 2 crore from ~5 crore in Q1 FY18 to ~3 crores in Q1 FY 19, we believe this is in line with what typically we see, I mean two crore here and there actual movement in this bucket happens on a periodic basis. This has got to do with the recast of the Ind-AS treatment of the security deposit and thereby the amortization of rentals that we pay along with the treatment of Grant Commission as per IND-As that we typically incur on account of the land that we have received from the Government at Ahmedabad and Jaipur, and that aside, there is an interest income that we typically get on our deposits. Overall, we believe this two crore movement is a normal practice and this is not a deviation from any normal occurrences that we have seen in the past.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial Services. Please go ahead.

Amish Kanani: Sir, one question is that basically our losses are led by the clusters where we are relatively new, which is North and Western markets and it seems maybe we have a good brand equity of Narayana in the Eastern and Bangalore clusters, I think here maybe we may have to do some more work in this cluster, so the question is the way the losses are ramping up, one, is it in line with the historical trend of any new large hospital that we are doing or these two markets being more Tier 1 market versus the other markets and the losses are slightly higher because of the way Narayana brand is, and two, what are we doing to kind of increase the visibility of brand Narayana in these clusters?

Ashutosh Raghuvanshi: The operating situation or operating environment does not really change whether it is for us as an operator or anybody else, so in terms of quantum, yes, these losses would be slightly higher than

what one would make in say, Mysore or Shimoga, however, in terms of the trend and the pattern it is in line with all other facilities we have established in the past. There is, however, an additional component which has got added to the overall group's performance in this past year or so and which, in terms of relative effect, has still remained and that is the various regulatory changes which have been happening, however, we see a trend which is pretty healthy as far as the NCR cluster is concerned. The losses at these centres are likely to be in line with what we see in the first quarter, however, the growth will be significant in terms of top line as well, but in the terms of quantum, we may possibly have similar losses. Now, as these centres grow and as I said in the previous question as well is that like Dharamshila for example as well as Gurugram, we are acquiring lot of clinical talent which is likely to result in better performances in say third and fourth quarter and not necessarily in the first and second quarter, but that will gradually keep on going towards a more favorable ratio as we go further in the year.

Amish Kanani: About brand building exercise, Sir, any thoughts on that?

Ashutosh Raghuvanshi: I think the early experience what we have seen in Gurugram as well as in Dharamshila has been that we have sufficient brand recognition without following some of the conventional methods of direct advertising, but we are doing a whole lot of other activities on clinical front as well as in terms of peer-to-peer word of mouth like medical conferences etc. and also direct to the customer interface like outreach clinics etc., so that is a very intensive activity which is there. However, the challenges related to Mumbai are totally different because conceptually this hospital is very differently placed, it is a quaternary care children's hospital, so majority of hospitals even in the space of children's care, are focused on secondary care, and this one being focused more on programs such as bone marrow transplant, liver transplant, and other such specialties, I think it will take its own course in terms of brand building. We have taken certain kind of measures in terms of empowering the clinical manpower etc. in order to create better brand visibility in that segment because in pediatric care, the referral pattern is very different from a regular hospital, so this is the status of the brand building.

Amish Kanani: Sir, my second question pertains to Ayushman, the way it is progressing versus the opportunity, you mentioned uncertainty surrounding this, I understand that the rates offered by the Government in the initial round was not so great and most of the private hospitals have rejected the kind of packaging which has been announced, if you can give us some update on whether there is still is an opportunity or it seems, it will take a lot of time before the pricing of the operation, what the Government expects versus the industry expects, the time it will take?

Ashutosh Raghuvanshi: It is very difficult to hazard a guess as to which direction this whole initiative is going to take and what kind of impact it may have. One point of view which we share amongst ourselves internally is that this may be beneficial either way. What I mean by that is that one of the problems in the previous state-run schemes was that the controls were not very good and as a result of that, a lot of people who should probably not have been beneficiaries of those schemes were the ones who were getting the benefit. So in the current scheme of things, that part has been fixed to a large extent, at least that is what appears at the moment, so what is likely to happen is that those patients

might convert to cash patients and then additional segment of patients may go towards the actual beneficiaries of scheme, and if it happens in that manner, I think it will be overall good not only for us, but for the entire industry. However, if the controls in that process are not good and the hospitals tend to accept this kind of business, then it may be a business which will be a very low margin or in some cases even a loss. Hospitals will have to take that call on individual units where they are located and what kind of occupancy levels they are operating at. In some of the market where we have very high occupancy, it may not make sense to add this low value and low margin business.

Moderator: Thank you. The next question is from the line of Amit Verma, an Individual Investor. Please go ahead.

Amit Verma: I have a question on Ahmedabad and Jamshedpur, last quarter I believe they were at EBITDA losses, so how have those hospitals progressed in this quarter?

Ashutosh Raghuvanshi: Both the centres continue to underperform and we have been putting several steps in place for both the units. Of late, we have been able to acquire some really good clinical talent in Ahmedabad and we want to see what is the result of that in the coming quarters. As far as Jamshedpur is concerned, we have been sort of recasting the way what services are being delivered in that hospital because this hospital has been having a very low ARPOB whereas the cost structures remain what they are and with the inflationary pressures, the cost structure only keeps going higher. We continue to evaluate different means of recasting this business and if it means scaling down in some ways, we would be open to that.

Amit Verma: My next question is on the strategy of expanding outside India, so I believe you were planning to do something in Africa, so the question is related with that since we are ramping up hospitals in India which are kind of resulting in cash flow coming down, so if you keep expanding in India and then expand also in other places, so it would eventually result in more losses, so what is our strategy so that we don't fall into expanding too fast and thus face issues?

Ashutosh Raghuvanshi: Absolutely, your observation is right, and our strategy is very clear and as I said in my opening statement that this is a phase of consolidation for us of our Indian operations. So as far as Africa is concerned, we have no immediate plans to get into any major or minor project except for the regular marketing related initiatives which we do in order to have the international medical tourism patients who travel to India. So that value travel is the focus as far as Africa is concerned.

I think in any organization and if you look historically at NH as well, that whenever you have large ramp up of facilities, you would have a phase of negative losses which would sort of wipe off the impact of the hospitals which are making good profits and that in turn needs to be balanced. This company has always remained in a very conservative mode where whenever our expenses increase, we have tried to calibrate and lower our rate of acquiring or getting into any new geographies or areas or units, whether it is Greenfield or Brownfield. So that is a continual strategy. Now, the current three units which we started, out of that two units which are in the NCR region

have shown that they have good ARPOB. They have shown that there is a good demand for quality healthcare services and also that we do have an acceptability in that market, and as a result of all these things, we feel that the turnaround would happen over the next 24 months or so and that would take care of the overall cash flow situation etc. So that has always been our strategy that we invest in growth followed by an active phase of consolidation.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: I saw that the quarter-on-quarter ARPOB has gone up across maturity and across regions, can you share some light on that?

Debangshu Sarkar: Sameer, there is no specific reason that we can attribute to that unless you highlight.

Sameer Baisiwala: Specifically, Debangshu, in Karnataka for example, ARPOB has gone up by 7% YoY, so was there any meaningful price increase or what is driving this?

Ashutosh Raghuvanshi: I do not think that Sameer, there was any specific price increase that we have done, but as we had mentioned in the previous quarter, if you remember, that we are recalibrating our prices which would, to some extent, take care of the impact of those earlier regulatory changes which we had seen. Some of that is a result of that exercise, some other contribution is because of little bit of change in the patient mix in the existing hospitals and some of the newer units typically have shown a slightly higher ARPOB. This is more of an intervention in terms of how exactly our pricing structure needed to be reworked upon and that has resulted in some little bit of benefit on that side.

Sameer Baisiwala: This price recalibration was limited to Cardiac or other therapy areas as well?

Ashutosh Raghuvanshi: It was not limited to only Cardiac, it is across the board because you see, if you continuously have a situation where all kind of things keep on getting controlled, it is important to sort of deconstruct the whole billing structure, so we took it up as a very systematic and holistic exercise. It was not limited only to cardiac procedures, but it was across the board and when we presented our concept to various insurance groups as well, they have all appreciated the idea and the concept very well. It also takes care of any kind of fluctuations which may happen in future also.

Sameer Baisiwala: Second question is on Cayman Islands, what do you think will it take to take 30 occupied beds up whatever 50, 70, 80, 100 in the mid-term?

Ashutosh Raghuvanshi: In the mid-term, there are areas which we are focusing on. There are certain Caribbean markets such as Bahamas and in the Central America, we are aggressively pursuing Honduras and in the Eastern Caribbean markets, we are trying to focus on Trinidad. In these three markets, we have been able to get some tie-ups through which we expect to see some results in future. The fourth initiative which we are focusing on right now is trying to offer a capitative model for the local island's indigent/senior citizen population, which is completely supported by the Government and

that population's healthcare spend from the government currently has been estimated to be approximately \$ 40 million per annum, so we believe that if we can offer them some attractive solution and we get the kind of the capitative model with a fixed fee kind of thing, that could give us, in terms of occupancy as well as in the cash flow and revenues, a good fillip. We are trying to work towards that and if that goes in the right direction, that would be a good thing. The other activity which we are going to do over there is to try and offer a slightly wider service offering than what is currently available. In order to do that, we are going to provide more comprehensive cancer care program over the next 18 months or so. With these initiatives which I described, we expect to see the results over the next 12 to 18 months and the cancer initiative should lead to results in the post-24 months period.

Sameer Baisiwala: Just to follow up on this, I thought, maybe I got it wrong, the big idea of having hospital over here was to attract medical tourism from US, that is one, is that on? Second is for a incremental revenues that you get, I see your ARPOB is \$ 1.5 million, so hypothetically if you get 20 beds more occupied, so say roughly \$ 30 million, what is the EBITDA on the incremental revenue?

Ashutosh Raghuvanshi: The US market being complex and being extremely peer driven, the traction over there has been slower than what was anticipated as a concept. However, we continue to focus on that and we also keep on looking at certain other revenue streams like, for example, the Canadian market where the waiting lists are very long and sometimes, as a result of that some patients travel abroad. Now, as far as your second question about the EBITDA margin on the incremental beds is concerned, that would be significantly higher because the majority of costs over there are fixed in nature including the high cost item such as the clinical talent remuneration. Because of that the incremental EBITDA could be much more than a linear growth.

Sameer Baisiwala: Final one from my side, with your permission, which is for Dharamshila, I see that over one year your 18 crore quarterly revenue has moved to 22 crores, what percentage of this is in the legacy Oncology business and how much of this is coming from the new Multispecialty that you have introduced?

Ashutosh Raghuvanshi: Until the last quarter, I would say that almost 75% revenue was coming from legacy cancer business, and the new facilities, we have introduced are only coming online now, like for example, the renal transplant program got started only in the last quarter, so we would start seeing the results of that now. Similarly, the cardiac program is being started in the month of August, so these additional services shall show very good traction, like just to give an anecdotal example, the dialysis unit is running three shifts already, which has seen a very quick uptick because we started the enhanced dialysis unit only in the month of February of this year. But at the moment, the significant part of revenue is still coming from oncology services.

Moderator: Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal Securities Limited. Please go ahead.

- Ashish Thakkar:** Just one question from my side, sir, is there some kind of a binding for the private hospitals to be part of the Ayushman Bharat program, and second question is that if this program goes through well, will it delay break-even timelines at the new hospitals?
- Ashutosh Raghuvanshi:** To answer the first question, there is no binding obligation on any hospitals to accept this, and the second answer is that it may not have a very huge impact because patient selection for this particular program is going to be an extremely controlled event, which means that only a certain segment of patients which was currently not a cash paying patient can get covered by the scheme because the definitions are rigid and the enrolment process is rigid as well as there is a linkage to Aadhar card etc. So, the chances of people impersonating and creating false identity etc. do not exist. I believe that it may not have much effect on the break-even profile.
- Ashish Thakkar:** By what timelines do you think, a full-fledged implementation of this program could be seen?
- Ashutosh Raghuvanshi:** That is difficult for us to say, that depends on when it is introduced and how well it goes, so it is difficult to predict for us.
- Moderator:** Thank you. The next question is from the line of Jiten Agarwal from IDFC Securities. Please go ahead.
- Jiten Agarwal:** Dr. Raghuvanshi on the new hospital, is it fair to say this 20 crores per quarter is pretty much should be a peak EBITDA loss for these four hospitals?
- Ashutosh Raghuvanshi:** I think this trend would be almost similar, the quantum may not increase. Of course, in terms of ratios it will become better.
- Jiten Agarwal:** But in terms of absolute quantum, I think 20-odd, we should not be going much beyond this I presume, is that the right understanding, Sir?
- Ashutosh Raghuvanshi:** That is correct.
- Jiten Agarwal:** Sir, how do you see these blocks are progressing, if you take a three-year view, should we assume this sort of get neutralized over a two-year period or a three-year period, how should we look at it going forward?
- Ashutosh Raghuvanshi:** I would say that the trajectory is almost going to be similar except in case of Children's Hospital where it might be slightly slower than what we had originally thought of, but the other two hospitals will have similar trajectory. They being the kinds having high ARPOB business that would, to a large extent, compensate the shortfalls which may happen elsewhere, so I would say that around 24 months is the period when you could expect the complete ramp up there.
- Jiten Agarwal:** The losses from this block per se becoming zero in about 24 months or thereabouts?
- Ashutosh Raghuvanshi:** Yes.

- Jiten Agarwal:** Sir, how should we look at now the existing hospital business because of large hospitals are running at pretty high occupancy now and where do you see now opportunities for us to grow these three of our large matured hospitals?
- Ashutosh Raghuvanshi:** As far as our flagship Health City is concerned, I think we still have a capacity available to us and at the same time, we are also seeing a ramp up on numbers. As we had mentioned two quarters back that we are starting a big liver transplant program, so with these kinds of high yield businesses getting added as additional services which did not exist earlier using the same built-up capacity and increase the occupancies over there, these two hospitals (NICS and MSMC at NH Health City, Bengaluru) will continue to grow because of that. However, in case of the Kolkata's flagship hospital (RTIICS), situation is slightly different as the margin of growth is getting limited because of the capacity constraint and the occupancy being extremely high. The measures we are taking over there, one of them is that we are moving out some of the non-ancillary activities, some of the institutional activities like nursing college which we were running in the campus, and by doing those things, we will be able to add additionally about 30 to 40 beds within the existing hospital and that would give us some respite. The second thing which we are trying to do is to change in the patient mix again and get some advantage in terms of revenue growth through ARPOB and other corrections rather than volumes.
- Jiten Agarwal:** Sir, last question, what would be our occupancy in the Health City Hospital?
- Ashutosh Raghuvanshi:** NICS' occupancy for Q1 FY19 was around 70% and in the Multispecialty hospital was around 55%, so we are expecting more growth to happen in the Multispecialty facility.
- Jiten Agarwal:** These are both 700 operational beds hospitals?
- Ashutosh Raghuvanshi:** 700 operational beds in each.
- Jiten Agarwal:** Sir, lastly when you talk about expansion now, at what would be the milestone for you to achieve that will probably give you the leeway to start looking at further expansion going forward?
- Ashutosh Raghuvanshi:** While our overall finances are fine but by our own conservative standards, we would like to not cross a threshold Debt/EBITDA ratio and going forward, that would be a key criteria in terms of us being comfortable to evaluate further expansion opportunities.
- Moderator:** Thank you. The next question is from the line of Kumar Gaurav from Kotak Securities. Please go ahead.
- Kumar Gaurav:** My question is on the Jammu facility, can you share the cumulative losses in this facility which we have incurred since commissioning, I am asking this because I remember there was a viability gap funding of close to 50 crores over which the losses would come to our P&L?
- Debangshu Sarkar:** The cumulative losses till date is around 30 crores. You are right, the original agreement has envisaged up to 45 crores cumulative VGF beyond which it was to be borne out by the company.

At this stage, we possibly do not foresee a situation whereby we will be crossing that number, but in future, should we be nearing that number, there could be opportunities of discussions with the counter party to explore.

Kumar Gaurav: My second question is on the Cayman facility, can you share few one-off expenses which we have mentioned, so can you quantify this?

Debangshu Sarkar: There was a cost of ~\$ 50,000 towards waste disposal due to the breakdown of in-house autoclave.

Moderator: Thank you. The next question is from the line of Amit Verma, an Individual Investor. Please go ahead.

Amit Verma: I wanted to get a view of operation, so basically we get around 20% EBITDA for matured hospitals, what I wanted to understand is what shall be our high level maintenance expenses, which are basically if we have to keep the revenue same, you will still have to spend on hospitals upkeep or building repair etc. or buy a new surgical equipment, so how should we take like percentage of revenue or something of that sort will help?

Kesavan Venugopalan: Can we discuss it off-line, we will be able to give those details.

Amit Verma: Yes, sure.

Debangshu Sarkar: Just to clarify one thing out here, in my previous answer, I possibly missed out on another element of one-off expenses in the Cayman unit that was regarding a prior period laboratory service for a total of around ~\$ 140,000.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: A quick question that as you get new and high-quality medical talent in some of these newer facilities, is it not possible that your upfront cost is going to go up and the losses can actually widen before they narrow down?

Ashutosh Raghuvanshi: That is the normal pattern and the reason why we are at that kind of a peak (in terms of cash losses) right now in terms of expense is because we have already built up a lot of those costs, there will be tweaks and turns depending on where you are falling in the cycle of acquisition of this talent, so the chances of that happening going forward is very minimal because majority of acquisition of clinical talent has already happened, so I do not see that happening.

Sameer Baisiwala: Second on the regulatory side in terms of price control, in-house pharmacy etc., is there anything else which is upcoming or any update on that?

- Ashutosh Raghuvanshi:** There are a lot of murmurs which keep happening, but we are not too sure whether there is something specific which is coming our way except for the larger healthcare scheme, so there are no such clear indications of anything coming within next few months.
- Sameer Baisiwala:** Across your network and maybe over five year or the mature, successful, established hospitals, what is the sort of peak sustainable occupancy that you can achieve?
- Ashutosh Raghuvanshi:** A good number is about 80%, anything above, even 80% is like a chock-a-block hospital, so 75% to 80% is an ideal number.
- Moderator:** Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** Sir, do you think that you will be able to maintain profitability of FY 18 levels in FY 19?
- Ashutosh Raghuvanshi:** Charu, I think that the India business would be slightly under pressure because of several reasons we have discussed as answers to earlier questions and the cumulative impact of the new units considering the full year operational losses of the Gurugram facility will come into picture. On the Cayman front, we believe what happened during the quarter was a temporary operational issue and we have rectified the same.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Debangshu Sarkar for closing comments.
- Debangshu Sarkar:** Thank you all for participating and asking your queries out here over this call. Should you have any further queries, just feel free to reach out to us.
- Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Narayana Hrudayalaya Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.