



“Narayana Health FY17 Earnings Conference Call”

May 31, 2017

MANAGEMENT:

DR. ASHUTOSH RAGHUVANSHI – CHIEF EXECUTIVE OFFICER & VICE CHAIRMAN

MR. VIREN SHETTY – SVP - STRATEGY & PLANNING

MR. KESAVAN VENUGOPALAN – CHIEF FINANCIAL OFFICER

MR. DEBANGSHU SARKAR – HEAD - INVESTOR RELATIONS & M&A

MR. ASHISH SUKHIJA – MANAGER - INVESTOR RELATIONS

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Narayana Health Q4 FY'17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and 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 '*' then '0' on your touchtone telephone. 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: Good afternoon, ladies and gentlemen. I am Debangshu Sarkar, and I run the Investor Relations and M&A Function at Narayana Health. On behalf of the company, I welcome you all to the Q4 & FY 2017 Earnings Conference Call of ours. To discuss our Financial and Business Performance and to address your queries today, we have with us Dr Ashutosh Raghuvanshi - our CEO and Vice Chairman; Mr. Kesavan Venugopalan - our CFO; Mr. Viren Shetty – who spearheads the Strategy & Planning Practices at NH; and Ashish Sukhija from the team alongside myself.

I hope you have been able to go through our 'Results Release' along with the 'Investor Presentation', which have been uploaded on our website. Before we proceed with this call, I would like to remind everyone that this call is getting recorded and the transcript of the same shall be made available on our website. I would also like to remind you that everything 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. These uncertainties and risks are included but not limited to what we have 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 question, please feel free to get in touch with us. With that, I would now hand over the call to Dr Raghuvanshi.

Dr. Raghuvanshi: Thank you, Debangshu. Good Afternoon to all of you. On behalf of Narayana Health, I welcome you all to this conference call.

The year gone past was a fulfilling year for us and we are happy to have again delivered on our stated objectives of strategic growth with sustained profitability. Over the last couple of years, we have rationalized our portfolio mix and took certain strategic calls to rewire the business in sync with the market dynamics. It gives me immense pleasure to let you all know that our emphasis on execution and consolidation of business operations, judiciously balanced with calibrated strategic expansion has yielded significant dividends.

Let me run you through the performance in detail now: For the year ended March 31, 2017, we reported 16.4% year-over-year growth in our operating income despite the headwinds due to changing healthcare norms, government's focus on cost control and the demonetization drive. Operating leverage in the business along with targeted operational initiatives have led to the 30.2% year-on-year growth of EBITDA of Rs. 2,463 million which is at 13.1%. This signifies 139 basis points improvement in the margins over the last year.

One of the remarkable aspects of financial year 2017 results is our consolidated profit after tax after adjusting for minority interest and share of profit/loss in associates at Rs.831 million in fiscal year 2017 as compared to Rs.212 million in financial year 2016. A remarkable increase of approximately 290% which has been contributed significantly by the strong pick up of operations at our overseas hospital in the Cayman Islands with the unit expanding its services offering through the programs of Plastic Surgery, Interventional Radiology and Interventional Neurology. In spite of just completing three years of operations, this facility has achieved an EBITDA margin of 13.3% in the last quarter which translates to an overall EBITDA margin of 7.6% for the full year. Our business continues to be anchored by the mature hospitals which have been operational for more than 5-years, growing by an impressive 13% year-on-year with headroom available to maintain the momentum given the occupancy level of less

than 65% for this set of hospitals. The mature hospitals are well complemented by the newer facilities which have completed less than five years of operations. The steady ramp up of these units have ensured 25% year-on-year growth. Our emphasis on broad-basing the business profile thereby de-risking the business is also yielding desired results. With the contribution of the three flagship facilities coming down to just over 50% in terms of revenues.

On the Clinical front, we are on track as far as our transformational journey to be recognized as a leading multi-specialty healthcare provider of choice across various specialties and geographies is concerned. This is borne by the fact that Cardiac Sciences contribution to the group's revenues has come down to less than 50% for the first time since our inception in 2000 with the contribution of our six core tertiary care specialties being around 90% of the revenues. We are continuously striving to foster a culture of clinical excellence with patients' well-being at the core.

Certain examples of the kind of work that we continue to deliver are as follows:

- Our Cardiology Department conducted the maximum number of Transcatheter Aortic Valve Replacement (TAVI) procedure in the country till date.
- We performed over 2.25 lakhs dialysis sessions last fiscal along with close to 3,000 Renal Transplant done till date across our network, reinforcing our pre-eminence position in the field of Nephrology.
- Our Multi-Organ Transplant Program continues to make major strides with 35 heart transplants and 72 liver transplants performed across the network till date.
- Our oncology department at Health City in Bengaluru runs one of the country's largest Bone Marrow Transplant units with ~170 Bone Marrow Transplants were performed in the last financial year alone
- Our surgeons have performed more than 150 surgeries within the first 10-months of commissioning of the Da Vinci Robotic Surgical System at the Health City in Bengaluru.

Overall, our group emphasis on a diverse case mix with advanced high-end surgical work is reflected in our expanded services spectrum which has led to a significant uptick in Average Revenue per Occupied Beds over the year. Importantly enough, the continuous reduction in our Average Length of Stay for the patient is reflection of the targeted operational initiatives that we are constantly working upon.

The uptick in the operational measures have resulted in a robust financial performance, tremendous improvement in profitability over the last 24-months means that our EBITDA margins have expanded by over 350 basis points and has close to doubled in financial year 2017 compared to FY15. In the same period, our PAT has turned from being in the red to a very healthy INR 831million in financial year 2017.

We continue to ensure financial prudence as we reduced our Debtor Sales Outstanding (DSO) from 39-days of operating income in financial year 2016 to 33-days in financial year 2017. Our net debt-to-trailing EBITDA ratio as on 31st March 2017 at 0.7 is amongst the lowest in the industry demonstrating our fiscal discipline.

All these have led to a healthy internal accruals for the company with positive free cash flow generation. This has ensured that our business delivered an impressive over 15% return on average capital employed during financial year 2017, adjusted for the non-cash grant provision and overseas investments. That this has been achieved despite around 2,000 beds being operational for less than five years makes it even more noteworthy and vindicates our distinguished business model.

While Karnataka and Eastern India continue to be our dominant clusters, we have recently extended our presence in northern and western regions too. We forayed into the north of the country with our state-of-the-art Super speciality unit at Kakriyal in Jammu, the response to the facility has been very encouraging, and we are optimistic of our growth going forward. The facility has received overwhelming response despite being in a challenging geographical location. This underlines the scalability of NH business model in various environments.

At the beginning of fiscal 2018, we forged a partnership to run 300 capacity bedded Dharamshila Narayana Hospital located in East Delhi which is presently a oncology focused unit and is in the process of up gradation into a leading multi-specialty hospital. The hospital, with more than 20-years of track record of profitable operations, has developed a strong brand recognition in the region. We also acquired a near complete hospital in Southwest part of the National Capital Region in Gurugram to strengthen our newly formed Northern cluster. This 230-bedded facility is expected to get commissioned within next 9 months. Both these facilities are intended to consolidate our footprint in the northern region and would enable us to serve the region's fast, expanding healthcare space.

Besides this, we recently strengthened our presence in the western region as we recently commenced operations at our first of its kind 207-bedded Children's Hospital in Mumbai. We have held the recognition for operating one of the World's largest paediatric cardiac care unit in our flagship cardiac hospital in Bengaluru and with our Mumbai inroad, we intend to replicate that capability and offer affordable, yet world-class medical care for infants, children and adolescents. We are confident that these recent strategic initiatives totaling close to 750 beds spread across NCR and Mumbai have enabled us to create a stronger foothold across these geographies of interest.

Looking ahead, we believe fiscal 2017 was an inflexion point which has set us up nicely to emerge as a true Pan-India healthcare service provider. This also reaffirms our commitment towards providing high-quality, affordable healthcare services to the broader population base. The Indian healthcare landscape presents a unique opportunity to us and the government's emphasis on "Health for All" is a positive for our business.

With the new facilities coming-on, while there may be a near-term bearish effect on the overall profitability, we are confident that our unique model has now fully entrenched itself and we look forward to a rewarding journey for all our stakeholders. With the solid foundation being firmly in place, the company is well poised to deliver affordable quality healthcare to all sections of the society as it continues to take rapid steps in its remarkable growth trajectory.

Thank you so much. Now I would like the floor to be opened for questions-and-answers.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: I wanted to know what was the occupancy rate in Q4?

Debangshu Sarkar: ~61% for the whole year and in Q4, it was ~56%.

Charulata Gaidhani: You have added 356 beds QoQ. Can you give the breakup?

Debangshu Sarkar: That is a unit-by-unit expansion basis ramp up in occupancy that would have happened. So, I would have to get details on the units separately to you on that.

- Charulata Gaidhani:** Then my second question pertains to your acquisitions and your tie-ups for NCR and Gurugram, what has been the cost or what has been the model through which Narayana has tied up with these companies?
- Debangshu Sarkar:** Gurugram acquisition is an all-cash acquisition for buying out the 100% equity of the company. As has been previously publicly disclosed, the enterprise value of that acquisition is pegged at Rs.180 crores which is at a discount to the total capital invested in the project which was around Rs.220 crores. The second one is our classical asset-light model whereby we have forged a partnership with a running hospital which was being run by a trust all this while. We would help them in providing healthcare services, and shall be paying them a continuous deferred payout over the term of the engagement, that is proposed to be long-term in nature to the tune of around 25-odd years.
- Charulata Gaidhani:** So how much would this payment be?
- Debangshu Sarkar:** We would not be able to disclose that publicly as to the quantum of the regular payout that we would be making to them. Suffice it to say that it would be a deferred payout in the manner, in the form of the quality of the services. There are certain conditions attached to the commercials linked with different aspects of the services to be offered.
- Charulata Gaidhani:** How much would be the additional CAPEX that you would require for these facilities?
- Debangshu Sarkar:** For the Gurugram one, we have budgeted another Rs.30-odd crore of CAPEX to make it fully operational for its first phase, while there is a provision to expand it even further. While for the Dharamshila facility, as we have mentioned in our presentation, our partner is investing in the proposed expansion or rather upgradation of the facility from the existing oncology focused unit to make it a complete tertiary care super-specialty multi-specialty unit.
- Charulata Gaidhani:** So, You will not incur CAPEX on Dharamshila?
- Debangshu Sarkar:** We will not initially incur any substantial CAPEX on that. Going forward, as and when we need to upgrade the medical equipment, we will have to do that. In that short-term, we might incur medical CAPEX up to Rs.10-odd crores.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC. Please go ahead.
- Nitin Agarwal:** Dr Raghuvanshi, in the next phase of expansion, we have made investments entering into the larger metro cities. From an NH value proposition perspective, what do you see the value proposition that NH brings to the table which makes it an exciting opportunity for us given the fact that probably amongst the more competitive markets around there, with relatively large organized players already been there in these markets?
- Dr. Raghuvanshi:** Nitin, I think your question itself, to some extent, answers the issue which you have brought out. We have created a significant brand recall identity in the northern part of India. Now, as you said that it is a very competitive market which is correct, there is also a large segment of the population where the value-based care, the kind which Narayana Health provides, is necessarily required. This hospital is located in East Delhi, and there is a huge population around this location, and we believe that we can bring in the advantage of providing the same or equally good quality of healthcare at a price point which is very attractive to the patients who require such advanced care. So, the value proposition is quality, and as far as the company is concerned, there is an advantage of getting into a market where there are higher ARPOBs. We have seen a tremendous response early on from the physician communities across the region which, sort of, has made us believe that there is a market for a brand such as NH and there is a large vacuum.

NCR region not only serves the population of Delhi, but it also serves the larger population from surrounding areas. So, for all these reasons, it was important for us to have a meaningful presence in that region.

Nitin Agarwal:

Just going forward on that Doctor, as you mentioned, one key challenge for hospitals which are opening up in some of these newer centres is to get physicians on board. Some of your peers talked about the high guarantees and they have to pay to the doctors to get them on board which essentially creates problems concerning achieving breakeven in some of these newer assets in a metro city especially. So, what has been our experience, for example, in the Mumbai hospital that we have started?

Dr. Raghuvanshi:

Our experience, Nitin, has been amazing. The response we got from the physician community has been overwhelming. As far as Mumbai is concerned, most of the physicians, pediatricians of various super specialties who are well established in Mumbai have come on board to join this hospital. We have close to 78 consultants, out of them 29 are spending their entire time at this facility and many of them were established physicians in some of the other established hospitals of Mumbai. So, I think the response has been tremendous. The reason for that are several - one of them is the kind of ecosystem NH promises to provide to the clinicians which is an environment of academics, with reduced pressure of numbers and at the same time it also provides the highest grade of medical and other infrastructure. So that has been the experience in Mumbai. In Delhi, however, the number of people who have been approaching us to come on board, here I am talking about established clinicians, I think the transaction between a physician and a company is based on a lot of mutual trust and other things other than the quantum of advance or the remuneration packages which have been talked about in the past in Delhi. I think the physicians are sometimes looking for more than that and our stand has always been that as an organization, we have always stood out different to the physician community. So, I do not see this as a challenge. Delhi is also an attractive place for people from elsewhere to come and settle down. So, I do not see any challenge in these areas. If this was a far-off place, then yes, this could have been a concern. Normally high cost of acquisition of clinical talent will be the case in such far off places. It has not been our experience in Mumbai. In Mumbai, we were able to acquire very good quality clinical talent without any additional outflows.

Nitin Agarwal:

In your assessment, is the breakeven period for these hospitals in metro areas would be any different than your hospitals in other regions, some more prolonged periods because of the higher investments?

Dr. Raghuvanshi:

Not really. I think as you know that two of these three projects are asset light projects. So, the gross investment is not that huge. There is only one which is the Gurugram, where we have bought the property. So, I do not think that would be the case. On the other hand, one would expect the ARPOBs to be slightly higher and occupancies also to be slightly higher and the ramp-up maybe quicker than other places. However, at the full breakeven level, I guess, that would be following the normal trajectory which follows in other territories.

Moderator:

Thank you. The next question is from the line of Yash Jhaveri from Alder Capital. Please go ahead.

Yash Jhaveri:

I just have a question regarding maintenance CAPEX. Could you just help me understand that better how to project that going forward?

Debangshu Sarkar:

If you see our trends for last least four years in conjunction now, our annual spend has been going up a bit from around ~Rs.80-90 crores to what we have spent around ~Rs.130-140 crores this year. Out of the ~Rs.140 crores that we have spent towards replacement / maintenance / upgradations in FY17, ~Rs.20 crores probably is a one-off whereby we have bought out medical equipment which were on erstwhile Pay Per Use (PPU) modality that we have

adopted. So, maintenance CAPEX for last year was around ~Rs.120 crores. However, with the expanding base of our network as well as the growing gross block that we have had, we would tend to assume that this will have a trend upwards if anything. How much upwards is possibly a function of the strategic calls that we would need to take at any point of time, let us say how much investment that one would earmark for expanding a certain speciality or certain product offering in a certain market at any point of time. Just as an example, at a certain point in time, we might be keen to, let us say, expand our services across the oncology spectrum across certain focused units in line with what we have achieved at our Mysore unit or the performances that have been exhibited by our Westbank oncology centres. So that would be little one-off cases, and I would not be able to give you any clue towards building out a regularized model giving you a sense on replacement CAPEX pertaining to that. Leaving that aside, like I said, on a normal annualized trend, with the expanding base of the asset block, trend upwards of Rs.120-130 crores probably shall be the base case that you need to factor that in.

Yash Jhaveri: So, the new beds that we add, is it likely that it will remain at this Rs.27 lakhs per bed cost or do you expect an inflation as well going forward?

Debangshu Sarkar: Just to clarify that Rs.27 lakh is an arithmetic average of the entire gross block plus the CWIP associated with it. Having said that, the cost per bed that we have acquired this Gurugram property is much higher than this and also higher than the number of beds that we have probably gotten through the partnership / O&M model that we have been particularly investing in over the last three-four years. So, it is a mathematical average, it is a balanced-out figure, taking into consideration the total owned or the asset-heavy properties as well as the asset light facilities that we have in our portfolio today. Going forward, of course, basis the strategic calls that we would need to make, probably that will inch up little northwards, if at all, given these are all historical costs.

Yash Jhaveri: Let me rephrase; like-for-like say the cost for asset light bed, say three years back and going forward, could you just give us a sense of do you expect that to change?

Debangshu Sarkar: That has not moved dramatically northwards, just to give an example, asset light bed three years back would have cost me let us say Rs.16 lakhs per bed, today it costs me around Rs.20 lakhs per bed.

Moderator: Thank you. The next question is from the line of Harith Ahamed from Spark Capital. Please go ahead.

Harith Ahamed: I am looking at your EBITDA margin in FY'17 versus FY'16, and we have made some good improvement. So, if you were to look at hospital assets individually, and some of them obviously are at such higher margins, if we were to look at the underperforming ones and look at the potential margin improvement in there, directionally, can you give a sense of how much more improvement can we expect from the current margin levels if one were to exclude the three new hospitals?

Debangshu Sarkar: Harith, as you would have seen over the last 24-months if not more at least, there has been a continuous expansion in our margin across the bucket of hospitals be it greater than five years or three to five or less than three or for that matter, even the acquired ones. This has been achieved, as you would have realized, through a constant focus on consolidation or execution that we had all this while whereby we were focused on ramping up these units, and we are very pleased to showcase the results that we have been able to deliver in our last quarter and for that matter, the entire year. Also to showcase the upsides in our mature bucket is still yet to play out, in the sense that there is a headroom available in quite a few of our mature facilities, unlike a lot of such facilities in our competing networks that you would come across. Our flagship facilities or for that matter the greater than five years' bucket in itself if

you would have realized is already exhibiting the best-in-class profitability margins of close to 25% at less than 65% occupancy. So, given the inherent operating leverage of our business model, there is definitely an upside still left out in that class in itself and for the remaining buckets, obviously, it is still away from attaining their peak or steady level operational condition whereby they would be able to sufficiently exhibit what they are capable of. Having said this, obviously, as you would imagine in our entire portfolio mix, there are certain assets on which we have been focusing intensely and driving specific initiatives and doing certain specific clinical and even otherwise intervention which have exhibited positive results. However, truth be told, we were little pushed back with the regulatory headwinds that we faced over the last five to six months, and that has put us back a little bit in terms of the positives that we had attained over the H1 period of last fiscal. As an example, our Ahmedabad facility, which is now close to five years in vintage, had turned green for the H1 period but in H2, it again turned red, resulting in the entire fiscal year being in the red. So, the last few months have obviously put us back some way in terms of the specific interventions that we made in that unit. That aside, there are a couple of other units also in the network whereby we are focusing all our efforts to ensure that they exhibit the classical evolution of hospitals in terms of vintages that we have been proud to display all this while and we are hopeful that should play out in the near future as well.

Harith Ahamed: Secondly, on the stent pricing, have you been able to offset some of the impact due to price increases in the packages or price increases in other procedures?

Dr. Raghuvanshi: As far as stent pricing regulation is concerned, I think we are in the initial phases of that kind of regulation which can happen on other devices and implants. Now, we have to keep in mind that there was a situation earlier where the stent margins were unduly high, and the procedure margins were excessively low. So, there was a kind of rationalization that was required in pricing anyway. So, we believe that for our kind of business model, where we want to remain at a level where patients can afford comfortably, I do not think it is going to impact us in a major way. However, in the short-term definitely there is an impact and there is likely to be a small impact in the coming year as well. Now how is it going to be covered? It is going to be covered by rationalizing the pricing mechanism per se not only the stent but of any other procedure. Then the other thing which I would like to point out is that our dependence on the cardiac division per se as the single largest speciality has come down significantly over the years. In last four years, we have brought it down from almost 62% to a current level of about 48% approximately. So, with that, the risk gets significantly mitigated. However, we believe that our kind of business model is ripe for a situation such as this. So, we do not look at it as a long-term impact. This is a short-term turbulence I would say.

Moderator: Thank you. The next question is from the line of Anuj Jain from ValueQuest Capital. Please go ahead.

Anuj Jain: I have a couple of questions: Firstly, I missed that part of which you replied to the earlier person regarding the consideration we pay for the Gurugram facility.

Debangshu Sarkar: That is an enterprise value of Rs.180 crores.

Anuj Jain: Do we still have the option to increase our stake in the Cayman entity?

Dr. Raghuvanshi: Yes, that option is always open. We had earlier taken a position based on our ability to invest at that point of time when we initially envisaged this project; however, looking at the performance, we would evaluate it at the right time, and we would consider increasing our equity at the right time. As you would have realized that the project has been doing fairly well, so we will evaluate it at the right moment and take an appropriate decision whether we need to increase our equity or not.

Moderator: Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Just on the Stent pricing, two-part question here – one, how does our methodology of pricing procedures differ like you said utilization impacted by such regulations? Second, therefore does our existing methodology require a change so that if price regulation changes made in other orthopedics or some of the other devices, we do not see the same impact that we saw with set pricing?

Dr. Raghuvanshi: There are two parts of this – One is, of course, the margins in different implants and different specialities have traditionally been different. I think the only place where the margins were very high were in the stents. That is the reason why that probably happened first. As far as our gross pricing structure is concerned, we always believe that in a bundle price which means that in the entire episode of illness we try to charge a fixed package. So, our fundamental does not change. What changes is instead of patients paying the margin in the implant, they would pay it as a package, as a service charge. So overall, neither to the patient nor us it would matter as to which bucket it goes.

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

Sameer Baisiwala: Is it possible to share the outlook for fiscal '18 in terms of what can be the volume growth and the price changes?

Dr. Raghuvanshi: It would not be possible for us to make any forward-looking statement; however, we expect to maintain our growth momentum, and we expect to consolidate our positions in the hospitals which fall in the three to five years' bucket. Those are the two-main guidance I can give. Other than that, what we can say is that we have also got this two hospitals which we have recently taken over – one is an existing hospital i.e. Dharamshila at Delhi and other is at Gurugram to be commissioned during FY18, and that aside, we recently commissioned the Greenfield hospital, but it is asset light to us which is the Children's Hospital in Mumbai. This would have a slight impact definitely on the profitability because of being the first year of operations.

Sameer Baisiwala: Just can you quantify what was the Stenting impact for Q4 and what would it be for fiscal '18?

Dr. Raghuvanshi: As far as Q4 is concerned, it was not the entire quarter that this event had happened, so it was only for 1.5 months, the impact was not that significant. If we do consider that nothing else changes, then yes, there could be an impact of about Rs.3-4 crores per month. So, on an annualized basis, that impact could be as high as Rs.40 crores. However, as I have said in reply to an earlier question is that that there was a rationalization which was required at the prices of the service itself and with that I guess it would be mostly taken care of.

Moderator: Thank you. The next question is from the line of Vishal Prasad from VP Capital. Please go ahead.

Vishal Prasad: Is there a way to divide Rs.120 crores maintenance CAPEX between replacement and upgradation?

Dr. Raghuvanshi: It will be slightly difficult to say because sometimes what happens is that when we are replacing an equipment, we decide to go for an upgraded version. So, we do not really classify them as such. Usually it is the new CAPEX and the maintenance CAPEX, these are the only two classifications we do. What we loosely sort of put under the category of maintenance CAPEX is upgradation as well as replacement of some of the existing equipment as well as some major maintenance which may be required of the existing equipment.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC. Please go ahead.

- Nitin Agarwal:** In terms of our expansions, we currently have strong positions in the southern and eastern part of the country. So, are we not looking to add more capacities there or how should we look at growth in these segments going forward?
- Viren Shetty:** Nitin, absolutely we are looking to consolidate our position in Bengaluru and Kolkata, both, in the existing hospitals that we have, we have sufficient capacity for growing the occupancy within that as well as opportunistically scout out in the parts of a city where we are not present. This is an ongoing process. But it is not that we will solely focus on Mumbai and Delhi, we are also consolidating our position in Southern and Eastern India as well.
- Nitin Agarwal:** When you look around the landscape today, in terms of further acquisition opportunities or partnership opportunities, how has the landscape changed over the last couple of years - do you see more of these things coming up because when you look around at least from a listed peers' perspective, there are not too many active players out there at least in terms of bidders for some of the assets which are around?
- Viren Shetty:** Nitin, the problem is that everyone is only focusing on the listed or the private equity-led entities. A lot of the acquisitions that we have done are with non-profits, with trusts, with medical institutions, with government set-ups as well as smaller units that are not at that scale to which they deserve national attention. So, these are taken in geographies where we are interested, they are a little below the radar and come to us at attractive commercials, and we continue to see a lot of great opportunities in the markets.
- Moderator:** Thank you. The last question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** I have two questions - one of your slides mentions 2,251 occupied beds. What does this number pertain to?
- Debangshu Sarkar:** That is a total daily average occupied bed count for FY'17 across the network.
- Charulata Gaidhani:** So that if you compare with total number of operating beds of 5,932, would that give a lower occupancy?
- Debangshu Sarkar:** 5,932 operational beds (As of 1st May 2017) include managed beds, Cayman operations, you have to exclude all that, and also includes our recent partnership that we did with Dharamshila as well as 100 beds that we have commissioned at SRCC Children's Hospital.
- Charulata Gaidhani:** My second question pertains to operating margins. Your EBITDA margins are around 13.1%. Do you think you will be able to maintain them or they can grow because I believe a number of hospitals are getting matured in FY'18?
- Kesavan Venugopalan:** I think there are multiple factors, like for example, I think Dr. Raghuvanshi has mentioned that the regulatory scenario is, I would say, a little challenging at the moment with respect to the stents and the other implants part of it, and he also mentioned that we will be able to possibly rationalize the pricing in our hospitals to take care of those impacts. But however, if you see, we do not foresee any major driver for drastic change in the operating margin improvement other than what we said about the new facilities which are in the less than 5 years' bucket.
- Charulata Gaidhani:** In all probability, the margin should be better than FY'17?
- Debangshu Sarkar:** Charu, just to highlight it across, Dr. Raghuvanshi had mentioned in his opening remarks, that given the recent initiatives in terms of the two new facilities which are already up and running and the third one that should get commissioned within the next nine months, in the near-term, we foresee a bearish effect of all these on our profitability, if at all.

Moderator: Thank you. That would be the last question. I would now like to hand the conference back to the management for closing comments.

Debangshu Sarkar: Thanks for taking your time out and participating in the conference call of ours. Should you guys have any further questions to clarify with us, feel free to touch base with us any point of time, we would be more than happy to take care of all your questions. Thanks all once again.

Moderator: Thank you. On behalf of Narayana Health, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.