



“Narayana Hrudayalaya Limited Q1 FY ’21 Earnings  
Conference Call”

**August 5, 2020**



**MANAGEMENT:**    **MR. EMMANUEL RUPERT – CHIEF EXECUTIVE  
OFFICER**  
**MR. VIREN SHETTY – CHIEF OPERATING OFFICER**  
**MR. KESAVAN VENUGOPALAN – CHIEF FINANCIAL  
OFFICER**  
**MR. DEBANGSHU SARKAR – HEAD, MERGERS &  
ACQUISITIONS & INVESTOR RELATIONS**  
**MR. ASHISH SUKHIJA – SENIOR MANAGER,  
MERGERS & ACQUISITIONS & INVESTOR  
RELATIONS**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Narayana Hrudayalaya Limited Q1 FY '21 Earnings Conference Call. As a reminder, all participants' 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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Debangshu Sarkar. Thank you and over to you, Sir.

**Debangshu Sarkar:** **Thanks Janice.** Good afternoon, Ladies and gentlemen. Myself, Debangshu and I run the Investor Relations and Mergers& Acquisition practices at NH. On behalf of the company, I welcome you all to the Q1 FY 21 earnings call of the Company.

To discuss our performance and address all your queries, today we have with us Dr. Emmanuel Rupert – our CEO; Mr. Viren Shetty – our COO; Mr. Kesavan Venugopalan – our CFO; alongside Ashish Sukhija from the team.

I am sure you have gone through the Investor collaterals which have been uploaded on the stock exchanges as well as on our website.

Before we proceed with this call, I would like to remind everyone that the call is being recorded and the transcript of the same shall be made available on our website at a subsequent 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. 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. Post the call, in case you have any further queries, do feel free to get in touch with us.

With that, I would now like to hand over the call to Dr. Rupert.

**Dr. Emmanuel Rupert:** Fiscal year 2021 started on an unpredictable note for us, amidst lockdown and travel restrictions with the first quarter capturing the full impact of Covid-19 on our business and it played out broadly along the lines that we had outlined in our previous call. While the month of April bore the brunt in terms of the operations, there has been a steady uptick in business at the consolidated level, with June revenues (around 69% of pre-Covid level) almost doubling from the April figs (around 35% of pre-Covid level), resulting in us almost breaking even at the consolidated EBITDA level in June at the revised cost structure. A key feature of the quarter gone by has been the relative outperformance of the hinterland units vis-à-vis the flagship centres along with a sharp bounce back in our overseas operations at Cayman Islands.

Our flagship facilities at Bengaluru and Kolkata cities are witnessing a rather gradual uptick in the business with the cohort registering around 50% of pre-Covid revenue in the month of June. As you are aware, Health City, Bengaluru attracts a significant patients' footfall from adjoining

regions of Karnataka, Tamil Nadu and eastern region of the country and also from Bangladesh. Severe travel curbs amidst the lockdown restrictions, at both intra and inter-state level, have affected the recovery at Health City at Bangalore. Revival at RTIICS facility in Kolkata was limited as the city emerged as Covid-19 epicenter in the East and the region got severely impacted from the cyclone with no clarity yet emerging on resumption of civilian movement at India-Bangladesh border. However, our other hospitals in Tier-II cities such as Shimoga, Raipur, Jamshedpur and Mysore remained relatively less impacted from the outbreak and have registered a strong recovery registering around 90% of pre-Covid revenues for the month of June 2020.

Growth trajectory at our newer set of operations at Delhi NCR and Mumbai got materially impacted as the nation went into the lockdown with these hospitals achieving 63% of their pre-Covid revenue in June 2020. As you are aware that our children's hospital at SRCC Mumbai generates a sizeable chunk of business from hinterland areas of Maharashtra along with states such as Madhya Pradesh and Assam and due to restricted mobility, it registered a substantial fall in revenues. Hospital at Gurugram gets a third of its business from international patients and with the halt of international flight operations, registered significantly lower revenues in April and May but reported a slight recovery in June due to decent traction in domestic business. Oncology being an essential healthcare service helped Dharamshila unit recoup the business lost in the first two months in the fag end of the quarter. Interestingly, this represents the maiden period where Oncology as a service modality contributed over 15% of our In-patient revenues across the Indian operations with Cardiac sciences coming down to almost 30% given the severe lockdown induced factors. We believe that these centres will take some time to trace their path back to growth as the normalcy returns and patients start feeling safe to travel.

Our international operations at Cayman bounced back strongly in the last 2 months of the first quarter after a temporary blip in April post the temporary shutdown of operations for a fortnight in March and reported healthy quarterly results. The facility registered US\$11.5 mn in topline with US\$1.7 mn in EBITDA in the first quarter of FY21 translating into 14.7% margin.

At an overall level, we are pleased to note that we have been able to tide over this difficult period without any increase in our gross borrowings and have focused extensively on cash collections and creditor management processes and remain very well-placed within the industry in terms of the overall balance sheet position. Further, in order to ensure safety of our patients and staff, our in-house Software Development team has developed a customized telemedicine app for video consultation which has already garnered a positive response from patients' community with around 15% of our present OP consultation being catered to, through this mode.

On the clinical front, even in these challenging times, our single-minded focus on providing highest degree of advanced medical care is reflected in some of the highlights captured herewith:

- SRCC, Mumbai performed Arterial Switch Intracardiac Total Anomalous Pulmonary Venous Connection on a 45-day old baby, it is the second such case in the world
- Our Hospital at Mysore performed Balloon Pulmonary Valotomy on a 1-month old baby; it is the first such case in the region

- RTIICS, Kolkata performed a successful renal transplant surgery in which both the donor and recipient were diagnosed with Covid-19, making it the first such case in India
- Narayana Health City, Bengaluru and Dharamshila Narayana Superspeciality Hospital at Delhi initiated plasma therapy procedure for COVID patients
- RT-PCR laboratory, to conduct Covid-19 tests set up at RTIICS, is the first private laboratory in East India capable of performing Covid-19 testing through all 3 modalities – conventional RT-PCR, TruNat and CBNAAT

While we would like to believe that the worst is behind us but we continue to be cautious about the turnaround as further disruption in the form of fresh or stringent lockdown restrictions could hamper the progress we have made. Looking ahead, amidst all the uncertainty around us, we continue to tread with utmost caution strive towards efficient deployment of resources in these testing times and embark on a fresh journey to adapt and thrive in the post-Covid world.

**Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Vivek Agarwal from Citigroup. Please go ahead.

**Vivek Agarwal:** Thanks for taking the question, Sir despite the losses in the first quarter, debt is down on sequential basis, so can you please explain that what has led to the decline and what is the outlook for the rest of the year given that you need to incur some expenses on the maintenance CAPEX, etc.?

**Debangshu Sarkar:** Vivek, just to help you out with the cash flow for the first quarter as we had guided over our previous call as well, we have been able to manage the cash requirement for the last quarter despite the operational losses because of very robust collections from the institutional part of the business which has also been well complimented by the creditor management. At an aggregate level if you see there is around 86 crores of EBITDA loss along with around 20 crores of financial expenses, which is roughly 106 crores and additionally we have repaid borrowings to the tune of around 26 crores and this has essentially been funded by 30 crores of reduction in our current investments and the balance is entirely funded by the working capital management which has been aided by decrease in absolute receivables as well payable management to manage the cash position for the company. As regard to the overall outlook for the year, obviously it is a little bit premature for us at this stage to give you a firm clear guidance on the same because there is a lot of uncertainty around the progress that we probably will see unravel over the period going forward.

**Vivek Agarwal:** Okay, that is helpful, one more question on the hinterland facility that they have done better than the flagship facilities in the Q1, is it that they look relatively better against the flagship hospitals which are down significantly or is there any new pattern that is emerging now during this environment?

**Dr Emmanuel Rupert:** In hinterland areas, in some of these cities where our units are situated had a lower prevalence of COVID compared to the Bangalore, Delhi, Mumbai, Ahmedabad, and Kolkata units in the

quarter April to June, so because of that we were able to do well in the non-COVID patient admissions, the flow was not as restricted there compared to the rest of the country.

**Moderator:** Thank you. The next question is from the line of Shantanu Basu from Smith. Please go ahead.

**Shantanu Basu:** Thanks for taking my question, so basically my first question relates to discharges, could you share the discharges number for the month of July '20 as compared to July '19 and the next question was with your cost structure, so do you foresee that your total manpower expenses and other expenses that we have reported in Q1 will be more or less the same in Q2 and Q3?

**Debangshu Sarkar:** On the discharges, Shantanu, we would have to get back to you offline. July has just ended, and we do not have the data readily available to give you a ready comparison between what was the number for this year versus last year. On the cost assumption, I think Dr. Rupert or Viren can guide you on the same.

**Viren Shetty:** On the expenses side, there was a large salary cut among the doctors by changing the payout, in which a lot of the doctors who were on high minimum guarantees which have then been shifted to more towards the variables. For the other managerial cadre from the Level 8 and above which is mid-managers and above, we have taken salary cuts there as well, but this cannot prolong forever, at some point as the business picks up, the doctors salaries will have to be increased so that will actually go up. In terms of the overhead expenses, the power and electricity, as an absolute number those are down because our equipment utilization is a lot less, that is purely a variable cost, it does not impact too much one way or the other. We are holding higher inventory than we used to because of the sheer variability of the business and some of our units may be operating with high number of COVID patients who need a lot of drugs and so on. A lot of the input costs are going up, things such as the ban on items coming from China, a lot of the logistic difficulties that have been happening because of lockdowns and so on, a lot of the manufacturers have come back to us and said all their raw material input prices have gone up and so we expect price increase to start happening over the next couple of months, so in this direction I would say a lot of the input cost will go up and so expenses would start to rise. They can only be offset through the volume increase which as and when the situation starts to stabilize, we should be able to get there.

**Shantanu Basu:** Okay, that is helpful. One more question regarding, what have been the COVID discharges between April to June and what has been the ARPOB or average revenue per person for COVID patients?

**Emmanuel Rupert:** COVID discharges again it depends upon the location of the unit, COVID discharges are approximately anywhere between 15% to 20% in highly affected areas and where the prevalence is on the lower side, it is around 10%.

**Viren Shetty:** It was pretty insignificant in April and July will be the highest.

- Moderator:** Thank you. We take the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** The COVID discharges can you give as a percentage of the total revenue?
- Kesavan Venugopalan:** It is a very insignificant number as part of the quarter revenues, it is approximately 10 crores out of the total revenue what you see in the financials.
- Viren Shetty:** We have gone for fixed packages and in a lot of instances, the Government has capped the rates, so COVID business itself is not a very attractive one.
- Charulata Gaidhani:** Right, it could be overall around 5% to 8% of sales?
- Kesavan Venugopalan:** As I said, it is around an absolute amount of 10 crores out of the total consolidated revenue for the quarter.
- Charulata Gaidhani:** My second question pertains to how do you see the situation in July as of now, are you seeing any improvements or is it worse than what it was earlier?
- Emmanuel Rupert:** This is going along with the peaking of the COVID in respective states, if you look at the Northern and Western units, they had a peak in the first quarter so they all peaked out in May and June and started plateauing in July and starting to come down while the units in Kolkata and the South are in the midst of the peak, but we are seeing a slight plateauing of the number of admissions in Bangalore and in Kolkata in the last few weeks.
- Charulata Gaidhani:** Okay, so the second quarter should be around first quarter levels or would it be a little better?
- Kesavan Venugopalan:** Provided no further lockdowns happen, second quarter should be better than the first quarter given that we incurred significant losses in April and May and almost achieved breakeven in India business in June month.
- Viren Shetty:** What is giving us optimism is that patients are getting less scared about visiting the hospitals, we have put up a lot more awareness about the precautions we are taking about how we have created green zones and red zones so there are safe environment for patients who are not COVID positive, so all of that is paying off and in places like Delhi and Mumbai, it is definitely picking up. Bangalore and Kolkata, there will still be a hangover because they are in the middle of their peak right now and this generally takes four to six weeks, so optimistically we believe it could be better. Total cases may be higher in the country, but patients may not respond to it the way they did in Q1.
- Charulata Gaidhani:** Okay, and how is the case in the South peripheral?
- Viren Shetty:** It is the same as in Bangalore. In Karnataka, cases across-the-board are going up, but given that those are smaller hospitals and the population centres are not that dense and patients are coming

from a much broader catchment, I would say it may not be as severely impacted for as long as in Bangalore, but it will also be affected. For example, Shimoga was relatively unaffected up until now and now the cases are going up, Shimoga for the first time is experiencing a slowdown in operations.

**Moderator:** Thank you. The next question is from the line of Siddharth Bhandari Please go ahead.

**Siddharth Bhandari:** I am wondering if you could talk a little bit about the performance of Cayman unit where the recovery has been quite fast and sort of what drove that and how do you see that facility panning out in the next few quarters?

**Viren Shetty:** Cayman was the first unit of ours that went into lockdown and we disinfected the whole place and the island also sealed its borders as a response to the Corona virus infection, but it was the fastest to recover, the island has zero new cases of infections. Borders there are still closed, so it is a bit of a good and a bad thing. It is bad as borders being closed and it chokes our international business which was around 15% of revenue there, but it is good in the sense that the patients from Cayman, a lot of expats and locals who historically have been going to the United States for treatment are coming to us for the first time, and for the first time, we are starting to see departments performing so well. That bolsters the conviction that we need to start expanding the number of specialties we offer in our Cayman Islands facility and so we will be setting up a city clinic that will cater to the entire primary medicine. As for the domestic revenue, it is now more or less on the pre-COVID track and if the trends continue, could even exceed, but the international business still remains a sour point. We have been given to understand that the Government will take a call on opening up the borders along with strict checks and controls in September and every patient would be made to do the COVID test before they come which also is another revenue stream for us.

**Moderator:** Thank you. We take the next question from the line of Nitin Aggarwal from IDFC Securities. Please go ahead.

**Nitin Aggarwal:** Thanks for taking my question, Viren, on the online consulting app which you mentioned, you mentioned 15% of the consultations are really happening on that, how important a role do you think this digital strategy is going to play going forward and does it change your strategy, how are you going to strategies for post-COVID world?

**Viren Shetty:** Thanks Nitin, it was a naturally an advantage to have e-consultation because it gave doctors the ability to at least see the patients and at least keep that connect alive. Now, as the lockdown have eased up and the patients are coming, obviously the growth in the physical outpatient has greatly outpaced the digital thing. A case in point being historically a lot of the patients coming in to Health City in Bangalore came from East India, but given the travel difficulties, we started to find once we opened up the online consultation, Central India, the entire area of Chhattisgarh, Bihar, which traditionally used to go to Delhi started to look at South India as an alternative and so we got a lot of referrals coming in from Raipur, Patna, Lucknow which historically were not

the places that we either looked at from a marketing effort nor we thought that they would naturally come to Bangalore, but that channel has opened up, so what the online thing does at a very low cost it allows you to do market discovery to figure out areas of interest.

Also this is something we are rolling out in bits and pieces right now is follow up care. Patients who are diabetic, patients who have heart failure, they need a regular follow-up from our side, right now it is more driven from the patient side. What we are going to start is pushing more proactively i.e. provide them long-term care packages so if you have had heart surgery done, we can follow up with you on a three-month, six-month, one-year basis, so that we are able to make sure that you stay healthy and so that again opens up a completely new scale.

**Nitin Aggarwal:**

Secondly, you mentioned about the cost cut and in fact some of these cost cuts will sort of reverse back as the business picks up, but is there any sense on the amount of sustainable cost improvement, any ballpark amount of cost that you have been able to identify and take out in the system which would be sustained going forward?

**Viren Shetty:**

It is hard to pin an exact figure on that because the minute the business picks up all those costs will come all the way back, so for example marketing cost used to be 3% of revenue, now we have cut it down to nearly 2%, but that is not going to stay, we are okay cutting that much on marketing and not running that many campaigns or buying that many ads because the volume is quite depressed, but the minute we increase them that number will go up. Similarly, we have moved to a system of having people work in half shifts or not showing up all the time because the volume is less, but again not sustainable because as and when the patient volumes go up that headcount will ramp up consequently, so I do not see a sort of permanent low plateau for cost, definitely a lot of synergies that we are driving, work from home has definitely helped us, we are thinking about consolidating a lot of department specifically back office function that are not really patient facing, but a lot of growth we really want to drive through productivity gains rather than just pure cost cutting.

**Nitin Aggarwal:**

Secondly, in this whole pandemic related chaos which is there in the market, have you seen an organized firm like yours gaining at the expense of unorganized setups like nursing homes and all and you see the trend sort of sustain as we go through?

**Viren Shetty:**

Yes, definitely, a lot of the smaller hospitals have shut down and we have anecdotally heard experiences of especially the hospitals in small towns where the ones that are run by individual proprietor who are slightly older or simply do not want to take that COVID risk are shutting shop and so for those, the patients are definitely coming to us. Now, there is an alternative way in which one could experience the care that we offer, they do remain lifelong customers that is for sure the case, but there will always be this cost and quality differential between these two sets. Now, it has not been meaningful right now because the overall volume of patients has gone down and so the additional, the overflow that we are getting from other hospitals that have shutdown may not be meaningful, but what definitely this pandemic has been driving is permanent closure, not just temporary closure, of several smaller nursing home hospitals in Tier-



2 town, not so much in the Tier-1 town. But definitely the one thing that will start happening once this is over is consolidation in this sector, there will be a lot of demand for hospitals merging and acquiring and all those other things.

**Nitin Aggarwal:** Just one last one, at what level of occupancy do we see going back to the peak of our profitability level at the cost structure that we have?

**Kesavan Venugopalan:** Our FY 20 average occupancy was ~58% with the costs prevailing at that time.

**Nitin Aggarwal:** You mentioned in June you were about 65% occupancy, right?

**Debangshu Sarkar:** That was revenues and not occupancies and that too as a % (69% achievement in June) of the pre-COVID level (Feb, 20), Nitin. In terms of occupancies, we were around 33% levels in June for the Indian business as against FY 20 avg of 58%.

**Nitin Aggarwal:** What is a good estimate when do we start to get to the pre-Covid levels, what is best case one should look at?

**Viren Shetty:** Going by the trend if we do not see a second wave of infection, if this thing sort of bleeds itself out and if I have to believe the prevalence survey that they did in Dharavi slum and Delhi where they said 45%-50% of the population is infected then those two places are very close to herd immunity. Now, I do not know if that survey is manipulated or not because they did a similar thing in Spain and over there, they found only 8% of the population having antibodies, so depending on whether the India's study is true or not, I would say this virus could burn itself out by this calendar year or early next year. If it is not the case, this virus stays with us for a long, long time, possibly even into March, April, May timeframe, but that I think at some point you will reach this confluence where the number of cases become a sort of low-lying irritation and that is not enough to deter patients who have deferred it for too long, the patients who have cardiac conditions, who have cancer, children needing vaccinations and checkups, they need to get it done and that will outweigh the fear, so when that point is reached then we will start going back to the normal levels even without COVID having gone away.

**Moderator:** Thank you. We take the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** Thanks and Good Afternoon everyone, so quick one what is driving up sequentially ALOS and ARPOB, scheme patients coming down?

**Viren Shetty:** ARPOB moved up because only the patients who really needed surgeries or procedures on emergency basis, they visited the hospitals and elective cases did not come leading to significantly muted overall occupancy. This led to an increase in the contribution of high yielding procedures in the overall pie leading to an increase in ARPOB.

**Sameer Baisiwala:** What about ALOS?

- Emmanuel Rupert:** Yes, because COVID admissions even though they are small in number, but patients were required to stay for up to 14 days and most of the patients who came to our hospitals were moderately sick to severely sick, so they stayed anywhere from 10 to 18 days in the hospitals thus leading to an uptick in ALOS.
- Sameer Baisiwala:** Just to tie up with the previous participant, how long can the patients really hold out, if the volumes are down 50%-60% for business, it has already been four months now so all these patients, would not elective then become emergency in the months ahead, so second would there not be a point in time when actually the volumes would surge way beyond, what used to be pre-COVID volumes?
- Viren Shetty:** It might be a possibility and that is a good thing to have, but I think if it happens we are prepared to handle it, we have the capacity and we can work out increased efficiencies to handle that kind of a load. What we are seeing now is the Oncology has been steadily doing well, but we have lot of patients who are approaching us for very high end care, some of them are like transplants and other things, they will obviously want to be in COVID free environment before they can come there because they want to be sure that they will not contract COVID in the post-op, so we might see a very high end work going up once the prevalence comes down.
- Sameer Baisiwala:** Great, and you had mentioned earlier in the call that 15% to 20% of discharges were COVID discharges or if you can clarify on that?
- Emmanuel Rupert:** That is depends upon the prevalence, in some of very high prevalent areas it is 15% - 20%, but otherwise it is around 5% to 10% in the low-to-moderate prevalence. It is not the proportion of the total number; it is unit by unit.
- Sameer Baisiwala:** Okay, got it, and what percentage of your capacity is really now devoted for COVID patients, if there is any such thing?
- Emmanuel Rupert:** 700 to 800 beds are committed for COVID across various units.
- Sameer Baisiwala:** Okay, so that is about 15% of your total?
- Viren Shetty:** We have tied up with external agencies (gues houses, hotels, etc for isolation and asymptomatic cases) for additional beds, so it may not be necessarily that hospital beds are earmarked in this manner, but it is a combination of our hospital beds and externally tied up beds which are adding up to the 700 or 800.
- Just to give you a sense, in Bangalore we have set aside 350 beds, but in our hospitals alone it is only about 50 to 60, the rest are in guest houses, our international accommodation, hotels those are the ones we are using to house the asymptomatic patients.
- Sameer Baisiwala:** Of this 700-800, what is the sort of utilization you are running?

- Viren Shetty:** To give you a sense, Mumbai is nearly empty, Ahmedabad mostly empty, Delhi is about half occupied, Bangalore is full.
- Sameer Baisiwala:** This is very helpful, but a little strange outcome because given that Mumbai is actually one of the worst impacted cities, why should it be empty?
- Emmanuel Rupert:** No, that is a Children's Hospital and we are exclusively dealing only with children and as children have a very low incidence of COVID requiring admissions.
- Moderator:** Thank you. We take the next question from the line of Ashi Anand from Allegro Capital. Please go ahead.
- Ashi Anand:** I was just trying to reconcile the cash flows a bit better in terms of the reduction in net debt, so I understand receivables have come down, but wanted to understand on the working capital line items how have those moved, have we seen a substantial kind of increase in payables and any other important line items that have helped like bridge the gap in that?
- Debangshu Sarkar:** There is increase in payables.
- Ashi Anand:** Okay, so in terms of payables would you be able to share how much of that has moved up by?
- Debangshu Sarkar:** The gap whatever you see in terms of the reconciliation is the movement in payables.
- Ashi Anand:** Okay, so the entire gap in terms of the cash flow would be those payables?
- Debangshu Sarkar:** Yes. As mentioned previously, our cash flows for the last quarter were funded by the Working Capital movement along with liquidation of certain current investments.
- Moderator:** Thank you. The next question is from the line of Krishna Prasad from Franklin Templeton. Please go ahead.
- Krishna Prasad:** Thanks for taking my question, I have a question on the commentary on EBITDA margins, you said that for June you have already actually broken-even, is that the right understanding?
- Kesavan Venugopalan:** Yes, almost at a consolidated level.
- Krishna Prasad:** On that thing for the next quarter, starting from 2Q onwards you would be EBITDA positive, is that the right way to look at this?
- Viren Shetty:** Krishna, I think we have commented on that, depending on whether lockdowns happen or not in various locations where we have presence, these breakeven points will get impacted, but if it were to continue on the basis of the June revenues, it is right that for Q2, we will breakeven.

- Krishna Prasad:** You spoke about Gurugram for example one-third being international patient, there any kind of alternate measures there like how do you get to breakeven now given that thing has changed in the landscape?
- Viren Shetty:** Assuming the international flights do not reopen anytime soon, we are definitely targeting a lot more domestic patients, so entire marketing effort and our digital outreach is focused inward and we are trying to do things to drastically increase the number of domestic referrals we get, but the short-term fix is that flights get reopened, this will take a lot more longer time.
- Krishna Prasad:** Is there any kind of fresh thinking on when do you think the new hospital cohort would kind of get to breakeven, any kind of timelines that you are thinking about?
- Viren Shetty:** I think earlier pre-COVID we had indicated that Dharamshila was at the breakeven, Gurugram and Mumbai would possibly reach breakeven towards the end of this fiscal year or early next fiscal. Now, it is almost like the clock is reset a little bit, I think Dharamshila still could, it is almost there, but with Gurugram and Mumbai with the businesses effectively resetting itself, it would get pushed out, so definitely most likely not in this fiscal year.
- Moderator:** Thank you. We take the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** My question pertains to Cayman, Cayman because of lower occupancies has recorded a 15% EBITDA margins, you think the EBITDA margin will be around this level only or will it go back to 20%-25%?
- Viren Shetty:** Cayman EBITDA margin will definitely increase, I am not sure whether it will hit the numbers you indicated, from a combination of two things, one is definitely volume growth which will happen once the borders reopen. The other is the case mix, once we start getting into Oncology, this will definitely have a significant impact on EBITDA given that they are very low consumable businesses. The last one is we have engaged with an external agency to help us with this process known as coding and billing. We historically used to go on these very large fixed packages with the insurance companies, but going forward we will be going for open billing and coding systems which means that it is a little bit more work upfront where we will have to sit through each bill individually, write very detailed clinical notes and we are able to get the right IC code assigned to that, it is a lot more work upfront, but the reward is that if we are able to do it well the realization per procedure definitely goes up much higher.
- Charulata Gaidhani:** Okay, and what is the proportion of international patients in Cayman?
- Viren Shetty:** Right now it is zero.
- Charulata Gaidhani:** At a pre-COVID level?
- Viren Shetty:** Around 15% by revenue, would be before pre-COVID.

**Charulata Gaidhani:** So 85% is local?

**Viren Shetty:** Yes.

**Charulata Gaidhani:** What is the occupancy for the current quarter?

**Ashish Sukhija:** Around 30 beds.

**Moderator:** Thank you. We take the next question from the line of Nitin Aggarwal from IDFC Securities. Please go ahead.

**Nitin Aggarwal:** Thanks, Viren, on Cayman you mentioned about the opportunity increase, the product in the demand there, but does the Cayman experience for strengthened your conviction to open up similar setup in other parts of Cayman Island?

**Viren Shetty:** Say that again, the last part.

**Nitin Aggarwal:** In terms of doing similar cost set up and other around the Caribbean?

**Viren Shetty:** Yes, definitely, in addition to this, we have signed an agreement with the Government of St. Lucia where there is a hospital built by the EU, they will be giving it to us to set it up initially, so we have a two-year contract to put in the systems and processes and hiring practices and post that at our option we have the ability to run it. Similarly, we are looking at other opportunities in Bahamas, Barbados, and so on. What has happened now because of the COVID, they all realize they need to build robust health system because historically they would rely on the US for taking care of health, but in this instance US borders are completely shut and so we get a lot of inbound enquiries from these islands that historically went to Miami who now want to choose our hospital in Cayman so the opportunity does exist.

**Moderator:** Thank you. Ladies and Gentlemen, there are no further questions. I would now like to hand the conference back to the Management for their closing comments.

**Debangshu Sarkar:** Thanks all for your active participation on the call today. Like we indicated in the earlier part of the call itself, should you have any further queries, please do feel free to get in touch with us, we will be more than happy to address it to the best of our ability. Thanks once again.

**Moderator:** Thank you. On behalf of Narayana Hrudayalaya Limited, that concludes this conference. Thank you for joining and you may now disconnect your lines.