"Narayana Hrudayalaya Limited
Q4 FY24 Earnings Conference Call"

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Nishant Singh: Good afternoon, everyone! My name is Nishant Singh. I head the Investor relations function at Narayana Hrudayalaya. I welcome you all to the Q4 FY24 Earnings Call of the company. To discuss our performance and address all your queries today, we also have with us Mr. Viren Shetty, our Vice-Chairman, Dr. Emmanuel Rupert, our CEO & MD, Ms. Sandhya Jayaraman, Group CFO, Mr. Venkatesh, our Group COO, Dr. Anesh Shetty, MD of our overseas subsidiary Cayman, Mr. Ravi Vishwanath, CEO of NHIC and Vivek Agarwal, Senior manager in the IR Function. We hope you have gone through the investor collaterals which have been uploaded on the stock exchanges as well as on our website. As usual before we proceed with the call, we would like to remind everyone that the call is being recorded and the transcript of the same shall be made available on our website as well as on the stock exchange at a later date. I would also like to remind you that everything that is being said on this call, that reflects any outlook for the future, or which can be construed as forward-looking statement must be viewed in conjunction with the uncertainties and the risks that they face. Post the call, should you have any further queries, please do not hesitate to get in touch with us. We would like to address them to the best of our ability. With that now, I would like to hand over the call to Dr. Rupert.

Dr. Emmanuel Rupert: Good evening, everyone. I warmly welcome you all to the Q4 FY 24 Earnings Call conference of Narayana Hrudayalaya Limited.

We are pleased to report the highest ever revenue and profitability margins for the financial year 2024. This was aided by improvements in realizations, payor mix, and increased patients' footfalls during the year. Consolidated revenue for the current quarter stood at INR 12,794 million, reflecting a growth of 4.7% year-on-year and 6.3% quarter-on-quarter. Narayana Hrudayalaya Limited generated a consolidated EBITDA of INR 3,184 million for Q4 FY 24, at a margin of 24.9%, against 23.8% in Q4 FY 23. Consolidated operating revenue for FY 24 stood at INR 50,183 million, reflecting a growth of 10.9% year-on-year, with a consolidated EBITDA of INR 12,275 million at a margin of 24.5%.

HCCI Cayman continues to deliver strong business performance, with a quarterly revenue of USD 30.5 million a year-on-year growth of 3.1% and a financial year revenue and EBITDA of USD 123.9 million and USD 58 million of EBITDA, respectively.

We are confident that our Caribbean business will continue to grow through strategic initiatives and investments in the coming year.

The balance sheet and liquidity profile at the group level remains strong, with group cash and liquid investments of over INR 12.58 billion against gross borrowings of INR 14.41 billion, resulting in a net debt position of INR 1.84 billion as of 31st March 2024. Our net debt to equity ratio now stands at 0.06, giving us sufficient room to fund our expansion through a mix of borrowing and internal accruals. We have incurred capital outlay of upwards of INR 9 billion directed towards transformation of existing hospitals, repairs and maintenance, bio medical expenses and greenfield expansion projects.

On the clinical front, we continue to do cutting edge work and Health City, the Cardiac Hospital in Bangalore successfully performed 19 TAVI's, 19 robotic cardiac surgeries and 255 Minimal Invasive cardiac surgeries during the quarter, and more than 1000 Minimal Invasive cardiac surgeries during the year.

The RN Tagore Hospital in Kolkata performed a Trans-axillary Perceval Plus Suture-less aortic valve replacement using Central Cannulation technique, one of the first in the country. The Health City, Bangalore has successfully performed more than 16 solid organ transplants and 89 robotic surgeries in the quarter. It is also performed a bone preservation surgery with a 3D printed model. It also performed an ovary preservation surgery for a cancer of the ovaries.

Our focus on digitization and business transformation continues to lead to significant benefits throughout the Narayana Health System. We launched a comprehensive purchase model in our ATHMA platform which will streamline supply chain management operations across the group. Our nursing app, called ‘Namah’, was launched in India in February, resulting in savings of 5000 person hours till date. More than 95,000 discharge summaries were certified by doctors on the ‘Aadi’ mobile app, helping us discharge patients sooner. We have seen a 19.73% increase in lab throughput handled through our ‘Athma’ alias the Lab Information System. We have also introduced patient kiosks in three of our hospitals in order to streamline the patient transactions. The monthly active users count for our Narayana Health app has crossed 200,000, while the app getting a rating of 4.8 on the Google Play Store.

Narayana Health Integrated Care continues to perform as per a growth plan. Revenue for the quarter crossed INR 68 million, the highest so far, with more than 43,250 patient transactions. We will continue to grow this business and serve our customers with a clear focus on improving their health outcomes. We continue to upgrade our clinical and non-clinical operations across the group, transform the patient service levels, increase our throughput, build more capacity, invest in more digital patient outreach channels, and improve our operational efficiencies.

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

Nishant Singh: Thank you, sir. I would request everyone to now use the 'raise hand' feature to start posing the questions. Ya Prithvi, please go ahead.

Prithvi: Viren, obviously, you know, if we look at the India business numbers for the last two quarters, ARPOB continues to increase at almost 10%, whereas the number of discharges has been on a declining trend. And it's not, I mean, looks like across all the hospitals of your network, there has been a declining trend of discharges. So, just wanted to understand, how do we see this and how exactly management is thinking about this change that's happening?

Viren Shetty: Thanks, Prithvi. I'll let Venkatesh start then I'll add to it.

R. Venkatesh: Yeah. So, if you look at Q4 of last year, FY 23, there was a significant upside due to post COVID rush, which you've seen across all the sectors. I mean, across the sector. So obviously when we're comparing with this quarter and the quarter before, we are obviously comparing against a very high base. Plus, there are also issues in terms of our infrastructural transformations, which we are working on changing the bed configurations into private, semi-private rooms, which has reduced bed availability at peak admission times, but things will normalize once we are ready with this. And of course, even when we focus on payor segments, it has helped us improve our IP average revenue per patient to our highest level of 1.31 lakh. But we have seen some

volume rationalization even there. But this will get corrected. So, while we are focusing on these three major areas, including the payor segments, we have seen the highest ARPP. But resulted in some volume rationalization, which will definitely get corrected over a period of time.

Prithvi: So, if you look at the India business revenues, I mean, you know, earlier it used to be at 14-15% per annum. Obviously, that's a high number, that's not sustainable. But the last two quarters number of 4 to 5% growth how do we see this moving forward? I mean, will it touch a high single digit or 10% kind of number, or will it be lower at these levels?

R. Venkatesh: See I already told you when we were comparing this with this quarter, we are comparing it to the very high base of last year Q4, that's why this 4.7%. Because it was at a higher base. But in spite of this we have had good healthy bottom line. But of course, when it comes to the revenues, we would continue to work on our efficiencies and meaningfully utilize our existing capacities through a combination of throughput increase, payor mix, digital initiatives, and try and work on double digit revenues till our expansions kick in. We are pretty confident in terms of that.

Prithvi: Got it. Moving on to Cayman looks like even in this quarter, I mean, even Cayman had a weak revenue growth in this quarter. So, just trying to understand, Anesh you know what's happening there?

Anesh Shetty: Hi. Hi, Prithvi. Thanks for the question. So, as you know, we are very, very close to commissioning the new hospital and this is perhaps the last quarter before we get started with the commissioning, the new hospital. So, we will see that slowdown in the number of new services we can add or the capacity or the number of new patients we can attract, given the existing challenges with the existing location, with capacity and location, more importantly but that's why we started the new expansion. And this is just, you know, a few months before commissioning the new hospital, which we are hopeful of seeing about 3 or 4 new service lines that we've never had before. And we will see the result in growth from that.

Prithvi: And when is the new hospital likely to get commissioned?

Anesh Shetty: The inauguration will be in July. We'll be treating patients soon after, hopefully in early August, that's the goal. The inauguration is a set date because that's within our control. But when we can actually start seeing patients, there is a few weeks of uncertainty given certain inspections and compliance sign offs that have to happen, but our aim is to start it in August.

Prithvi: So, one last question on Cayman, I mean, the average revenue per patient seems to have declined sharply in this quarter from 35.3 US thousand dollars to 29.1. Any change in the case mix that happened in the quarter?

Anesh Shetty: So, like we suggested before Prithvi, we prefer to look at longer term trends in Cayman and not quarter-on-quarter because a few large cases can skew that. But if you see the longer-term trend, there is a slight slowdown in the average realization per patient and this is because when we were at an annual revenue of around 70, 80, 90 million USD, we were predominantly restricted to few very high end, high complex specialties. But as we continue to grow, we will be getting into specialties and services where each patient yields lower, but there's decent volume and there's a viable business there. So, the per patient realization will gradually come down. As we do more daycare and as we open the new hospital and we go more into short stay quick turnaround procedures, this will continue, but this is not something we look at as a negative way. It's just a different case mix, so to say as we grow our revenue.

Prithvi: Okay. That's clear. Thanks.

Nishant Singh: Thanks, Prithvi. Vinu, can we have your question, please.

Vinu: Hi. Good afternoon I was looking for a little more detail on your bed expansion plans especially in the light from your PPT, I can see that the greenfield capex projection for FY 25 is pretty high at thousand crores. So, where is this mostly getting invested? And if we could get a rough sense of how many beds are coming online over the next two, three years and when, that would be great?

R. Venkatesh: Yeah see, our expansion plans would be focused mainly on our centres in Bangalore and Kolkata, more so in Bangalore going ahead than Kolkata. When it comes to Bangalore plan, it includes your expansion of the existing Health City campus on the land which is owned by us, where we will start construction of more than 3 lakh plus

square feet and we will have a mix of rooms, ICU's, OT's multi-level car parks, state of the art setup. We've also acquired land in Rajarhat. We've taken the position we expect a 3 lakh plus square feet construction also to start up now by the mid of the 3rd quarter. We've also recently acquired one parcel of land in the upmarket Bangalore location, for which the construction should commence within the next 5 to 6 months. We are also in the process of shortlisting a few more land parcels for greenfield projects in areas where we don't have presence in our focus cities. So, all in all, we will have more than 8 to 10 lakh square foot of constructions coming up from the mid of or to the end of 3rd quarter. So, these will be the major expansions, which will happen in the due course of time. And apart from this, there are plans for capex of around INR 300 crores plus in routine biomedical and maintenance, plus an additional INR 250 crore for our new Cayman facility, which is in the end stage.

Vinu: So, when you say 8 to 10 lakh square feet do you mind translating into number of beds?

Sandhya J: We don't particularly want to do that equation yet.

Viren Shetty: The designs are still, at this point, very much being finalized right now in the split between the different departments. So, it's not a final number on the total number of beds yet.

Vinu: Understood. So just to get a context how many max square feet is your total of all facilities as of today?

Viren Shetty: I mean, we'd have to do a lot of math on that. No, we'd have to get back to you on that. It's hard for me to tally all off that.

Vinu: Okay. I'm just trying to get you know, put the size of the expansion in context. Just to extend this question so you said the construction is set to start sometime mid to Q3 this year, so can I assume most of these beds would be coming online say about 2 to 3 years from now?

Viren Shetty: Closer to 3. Yeah.

Vinu: Closer to 3. Okay. Understood. Perfect. Thank you. I'll join back.

Viren Shetty: Yeah.

Nishant Singh: Thanks, Vinu. Yes Sukantha, can we have the question, please?

Sukantha: Hi, am I audible?

Nishant Singh: Yeah.

Sukantha: First of all, good afternoon, everyone. My first question is the company have guided that the company is doing investment of INR 850 crores. So, my question is, does it include the investment in subsidiaries?

Sandhya J: INR 850 crores, number you've taken from the capex sheet in the IR deck, is it?

Sukantha: No, not from the capex. It's the investment the company is doing.

Sandhya J: See, the capex that we have guided was about INR 1000 crores. We slightly underspent on that. So, that's probably the INR 850-crore number you're looking at, that does not include the investment in subsidiaries. The investment in subsidiaries is the cash burn that we have shown in the P&L side. Between NHIC and NHIL we have had a INR 12 crore of cash burn. So, that's pretty much the investment if you want to look at so far.

Nishant Singh: If you're talking about this, if there is a key balance sheet item of around INR 840 crores. Is that the number which you're talking about in the current investments?

Sukantha: Yeah, I think it was 840.

Nishant Singh: Yeah. So, that's an investment into, say, normal FDs and short-term liquid instruments, which is based out of both Cayman Islands and India. So, that's our liquid investments. It's cash.

Sukantha: Oh, okay.

Nishant Singh: Yeah.

Sukantha: My second question is, SHPL, specifically Samyat Healthcare Private Limited, a subsidiary of Narayana Healthcare, since it is supplying only to the Narayana group. Please, can you help me understand, what are the added benefits the company is

getting by forming the subsidiary that the company is otherwise not getting by procuring from the market?

Sandhya J: This subsidiary helps us manage our supply chain better, because we are able to optimize stock holdings between different legal entities in an effective way. So, it helps us with better stock holding, and it also helps us in better tax planning between the entities because this is a full GST entity. So, we're able to take credit and as and when units needing this stock, we can dispatch it on payment of tax. So, that way it also helps us manage the supply chain in a tax efficient way.

Sukantha: Okay. My next set of questions are regarding the greenfield project you are coming up with new town Kolkata. So, my first question is, land acquisition cost for the setup? What is the land acquisition cost?

R. Venkatesh: Nishant, do you want to take it?

Nishant Singh: Yeah. So, for the Kolkata we paid INR 180 crores including registration cost for the land which we have purchased in Q4.

Sukantha: Okay. Thank you. And by what time are you expecting the break even for the setup?

Nishant Singh: See the construction will finish by say, 3 years, FY28 and as per the working, which we have done, we have an estimate of around between second and third year for the hospital to break even, EBITDA wise.

R. Venkatesh: These are set up in areas where you have a lot of confidence and brand presence. So, it won't take much time for a break even once we commence the facility.

Sukantha: Okay. And what is the capital employed for the project?

Viren Shetty: Sorry. Could you repeat that?

Sandhya J: Could you repeat the question, Sukantha? We didn't follow.

Sukantha: What is the capital employed for the project? The new town one.

Nishant Singh: Can we have your question again Sukantha, please? We were not able to hear it properly.

R. Venkatesh: He's saying capital employed for this project?

Sukantha: Yes.

Nishant Singh: For Rajarhat?

Sukantha: Yes.

Nishant Singh: See, we have an estimate which is for 1000 beds, which is around maybe, say, INR 1000 crores for the next ten years. So, we don't have a split of how much will it cost in the first phase, I mean, we can't give it a phase wise, but that's the overall estimate of cost which we will incur for the next ten years.

R. Venkatesh: Overall, it will be a 1000 bedded project with a approx. capex of INR 1000 crore, which will be in phases. It may be in 2 to 3 phases at a max. But then, of course, we don't have the breakup of the total investments phase wise. We'll come back to you on that. But overall, it will be 1000 crore outlay for 1000 bedded project.

Sukantha: Okay. And what is your expected capacity utilization for the first year?

Viren Shetty: We won't be able to disclose that at this time.

Sukantha: Okay, okay, I understand. Okay. And can you please help me with your expected ARPU from this project? Will it be slightly better, or you are expecting it to be in line with the average ARPU?

Viren Shetty: It will be in line with our Kolkata business.

Sandhya J: ARPU is also driven by market factors, Sukantha. So, therefore this project is going to come like online after three years. So, it will also be driven by the market realities at that point in time.

Sukantha: Yes. That's why I asked for your expected ARPU, it's okay then.

Viren Shetty: Right. Thank you.

Sukantha: I have another question.

Viren Shetty: Sure.

Sukantha: What time are you expecting it to be operational, the project?

Nishant Singh: Rajarhat will commence by FY28, the first phase.

Sukantha: Okay. Thank you. I have no more questions. Thank you.

Viren Shetty: We have some questions in the chat. We will address that first before we move on to the others. One is a question on Cayman seeing a significant increase in outpatient from 7,000 to 10,000. Does it translate into higher inpatient volume in the quarters to come? Anesh, if you could answer that.

Anesh Shetty: Yeah, sure. So, increase in outpatient volumes will to an extent over the quarters, result in higher inpatient services. But what we really are focusing on is increasing the day care services, so, you know, endoscopy, colonoscopy, CTs, MRIs, pharma sales, all these day care activities for us, which the new hospital is also very focused on. And we currently classify all those kinds of services, even day care discharge surgeries under outpatient. So, the increase from 7,000 to 10,000 in outpatient is something very intentional and it is on track and as per our plans and we'll be seeing hopefully more of that with the new hospital.

Viren Shetty: Thanks. Nishant will answer the cost relating to the insurance business baked into the current quarter P&L.

Nishant Singh: Yeah. See we have mentioned in the footnote the expenses incurred for this NHIC and NHL businesses put together. So, that's a number of around INR 11.5 crores for the two businesses put together. Majority of that goes towards the clinics business.

Viren Shetty: The last question is about, we had some issues in Jaipur last quarter due to a change in the insurance procedures of the state. Venkatesh can answer. The question is, has it been resolved?

R. Venkatesh: So, this is a work in progress but what we have done is the unit has come a long way in replacing these medical management patients with a lot of procedure and surgical patients. The total surgical counts in this unit has gone up drastically in the last quarter. Of course, we still have regular discussions happening with the government in terms of overcoming these issues. But when it comes to a drop of approximately one and a half to two crore on medical management revenues, the unit has come a long way in

recovering at least one crore out of that. Over and above the surge in the surgical specialties, the unit has shown a very good growth in top line of more than 12% and more than 40% jump in the EBITDA in the last quarter as compared to Q3.

Viren Shetty: Okay. So, before we get to Parikshit, just one more question that's there on the chat. The basis for calculating ARPP.

Sandhya J: So, IP ARPP is calculated by the IP revenue divided by IP discharges. And for OP ARPP is similar, OP revenue divided by number of OPD patients seen. OP also includes daycare.

Viren Shetty: I see, a lot of people are in the chat. We'll come back to the chat questions if we can get Parikshit because he's had his hand up. If you could ask your question, please.

Parikshit: Hi, thank you. So, a few questions. You mentioned earlier in this conversation when the muted growth was brought up, among various reasons. One of the reasons was the base comparison from last year, same quarter. So, how long should we assume this high base impact should continue? How many more quarters?

Viren Shetty: See, the base impact. So, we are trying to ask if next year also the numbers would be the same? And the answer for that is, it would be hard for us to project. We did have quite a lot of pent-up demand in the post-COVID years and a lot of catch-up growth that's happening. Now, the next 2-3 years, we are in this little in-between period where a lot of the infrastructure transformation, a lot of the processes have been able to deliver some of their results. There's still quite a few more that need to remain. But we're also in a massive infra-ramp-up period. Which means that, some of our hospitals were adding more beds in the same campus, some hospitals were adding it to the same building and in some cities where we're fully built out, the infra will be coming in different parts of the city.

So, for that, we would be hiring people to match up to the same. We would be incurring a fair amount of expense in order to get those projects going. So, the sort of post-COVID numbers that I think a lot of people got used to seeing from the healthcare industry, at least in the case of our business, will probably kick in only post that. For now, what we're trying to achieve the most is an adequate mix of payors, of getting adequate utilization for the existing infrastructure, and looking to see with the existing space that we have, which is quite constrained at this time, what best we can

do with it. But we're always trying to prioritize sustainable profits over just plain revenue numbers, just given that all these beds will come online in three years. So, hard for us to say that this sort of performance will be the norm for the next 2-3 years. There's still a lot more that we need to do and things that we're working on, on our entire digital transformation program. But this is the best that we can give.

Parikshit: Understood. So, if I were to put it slightly more bluntly, we are basically…currently, our growth is getting bottled because of capacity constraints and not so much a demand constraint.

Viren Shetty: Well, it depends on what time period you're looking at. See, just generally as a country, Indians are the least medicated, least likely to seek treatment, least able to afford the cost of surgery, and we're coming in with offerings that are able to cater to all price points. So, in that, we don't see any shortfall of demand. The question is, the things that we need to do to attract patients, we have to do a lot more. And so hence a huge investment from our side in outreach, in building clinics, in putting an insurance program, in building multiple points of presence across the city, because while the previously, even currently, sorry, most of our revenue comes from acute cases; people coming with really serious conditions and that's what they end up in the hospital for. But as we start to broad base our revenue, just what we're doing in Cayman, where we're doing a lot more daycare, a lot more preventative, a lot more outpatient work, we will start reaching patients closer to where they are. So, the sorts of things we have to do are different.

So, I wouldn't say that there is any demand slowdown. I'd say there's a demand capacity bottleneck for the OTs that we have, for the cat lab that we have, for all the infra that's there. But there's still a lot more we can do by coming closer to patients.

Parikshit: Got it. So, just a sub-segment of that, you know, there is also a general feeling that there is a slowdown in the consumption sector in India. I know, of course, healthcare is a lot more required service rather than a discretionary spend. But does that impact our industry as well?

Viren Shetty: Maybe a quarter, maybe. We've seen. So, there is cyclicality during wedding season, during the rainy season, during a puja season, during any festivals. So, yes, people will push out certain healthcare procedures by a quarter, two quarters at most, but not to

the extent that you imagined. And still, we are nowhere close to the saturation in demand for the population being exactly as it is. If everyone stayed the same age and the Indian population never grew, still there's sufficient demand that we're seeing for the healthcare services.

Now, given the fact that we are getting older, and the healthcare needs are constantly increasing and the population is growing, it's just three levers of growth that we have to risk. At the price point that we offer, I think that would be the important caveat that we're putting out there. We're trying to be a lot more cost-effective. We're trying to reach out to patients with price point they can afford.

Parikshit: Got it. Last question. I know that you have not been able to translate the future expansion into the number of beds. But the new Cayman Islands facility, can you give us in terms of… like currently 110 beds, how much will that become?

Anesh Shetty: Yeah, we'll add another 60 beds to that. But I would also like to mention that bed is not an appropriate indicator of growth or capacity or volume, given that the focus is more on daycare services and throughput. But to your question, it's about 60 beds, roundabout there.

Parikshit: Well, noted, Anesh. Thank you so much. Thank you.

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

Damayanti: Yeah, hi. Good afternoon and thank you for the opportunity. My first question is, can you update us on improving profitability at some of your lesser profitable units, SRCC, Gurugram, Dharamshila, etc. So, if you can talk about progress in each of these hospitals where they have reached in terms of margin improvement.

R. Venkatesh: Yeah, see, when we talk about Q4, Q4 has been really good for these hospitals. Gurugram has gone from a break-even to EBITDA positive. Mumbai has also shown positive in single digits, and Dharamshila has been very consistent quarter-on-quarter in double digits as usual. Combined EBITDA margin is around 9% with a revenue base of 115 crores for the quarter. When it comes to the NCR, we are very positive on NCR. This is one of our main focus markets. NCR has come to consistency in terms of steady performance and it will remain as one of our focus markets for expansions.

Damayanti: And what are the main drivers for these improvements which you have seen? And, how confident you are about improving margins from this 9% to say corporate level?

R. Venkatesh: We will not be able to give you a very clear and indicative picture, but Dharamshila has been very consistent at 15% plus, and we are confident of growing more and more on that. Gurugram, there was a question of stabilizing and consistency in that unit, which has actually happened over the last 2-3 quarters. We have actually built in the clinical infrastructure, the clinical capabilities, enhanced on it with all the specialties across. So, it's actually grown in volumes, grown occupancy over the last 2-3 quarters and done very well on top line. And it was just a question of amortizing all the costs with the volumes coming in, and that's what has happened precisely when the volumes on the top line have built. So, we will continue to consolidate on this to make sure NCR remains positive and we keep focusing on it as one of the major areas for expansion.

Damayanti: Thank you. And my second question, if you can update us on your insurance business. I guess you launched pilot, right? So, what has been progress in that?

Ravi Vishwanath: Sure. Hi Damayanti, I can take that. So, I guess you're talking about the integrated care business, because the insurance business has not kicked in yet. We expect… we're just in the kind of final stages of putting… finalizing the product as well as the systems and everything else. And we expect to go live next quarter with the insurance business.

In terms of the integrated care business, which is the one that we're piloting, that's going well. We've got seven clinics in Bangalore at the moment, they're growing as per our plan. We will add several more clinics in Bangalore this year, and then integrate the offerings with the clinic and the insurance once the insurance business goes live.

Damayanti: Sure. And my last question is, did you mention in your opening remarks that you are looking at some newer markets where you are not present? And if so, which markets or regions you are focusing apart from your existing markets?

Viren Shetty: No new markets as of this point. We are only in the Caribbean looking at anything that may come inorganically in certain markets. But at this point, it's still exploratory. In India, our focus is on our core geographies.

Damayanti: Okay, thank you. Thank you for your response.

Nishant Singh: Thanks, Damayanti. Gagan, please go ahead.

Gagan: Yeah, good evening. So, the first question is around the funding of the capex. I think all put together, it's a figure north of INR 1,600 crores that you've budgeted for the coming year. How do you plan to fund it? I mean, the debt equity mix?

Sandhya J: Around 20% will be internal accruals and around 80% we'll fund through debt.

Gagan: So, gross debt, where does it stand currently, and where do you see that going ahead in the next year?

Nishant Singh: The gross debt currently, India plus Cayman put together will be around INR 1,400 crores. With the borrowing plan which we have, out of that INR 1,600 crores, they will borrow, say, another INR 1,200 crores. So, the gross debt we see will be around INR 2,400 crores. If we do borrow, all we plan to borrow. And the cash in hand will also be roughly, say, half of it. So, the net debt, in the worst case, if we were to do all the expansion projects with all the debt we have planned for, will be around, say, INR 1,200 crores.

Gagan: I'm just wondering, in the last two years, you had operating cash flows of 1,000 crores each, right, if I go by the numbers reported in Q4 of this year for the balance sheet. And you have cash on book. So, I would have thought that it would have been possible to find a higher share of this capex through internal accruals than what you are indicating. So, just wanted your thoughts there.

Sandhya J: Conservative indication we have given, Gagan. Obviously, we will logically first use cash accruals and then we will go to debt. But this is more a conservative estimate. Let's assume we find a good use for the cash we are able to deploy. So, therefore, we have just taken a view which is the max we could borrow.

Nishant Singh: Also, Gagan, a lot of the cash is parked in Cayman Islands. So, bringing that cash to India for Indian expansion is not a good strategy because you have to pay taxes. And we are still exploring opportunities to invest the Cayman money outside of India. So, that's a big reason why we are not able to spend that cash.

Gagan: But if I got it correctly from your presentation, a large part of the capex that you have for next year is for Cayman, is it not?

Nishant Singh: Not for next year. If you look at the next year plans, we have only INR 270 crores for Cayman. Rest all of that is towards India expansion. But even that INR 270 crores is outside of… if we do come across some good opportunities outside of India, then we will probably spend more from the Cayman money.

Gagan: Yeah, because I mean, if I look at your presentation slide 16, FY 25 projected, perhaps I am confusing the colors. 10450, is it for Cayman or is it for Greenfield? Organic?

Nishant Singh: It is for Greenfield.

Gagan: Yeah. And in the last two years, you have done a fair amount of capex, INR 1,000 crores each in '23 and '24. And while this would not have been for a bed addition, you've been consistently pointing out that this is meant to increase throughput. So, I can understand that Rajarhat and Bangalore, they get commissioned a while away from now. But over the next three years, with whatever capex… it's almost INR 2,000 crores of capex that you've done in the last two years, what headroom for growth does that give you? It would help if you could enumerate in broadbands. I can understand that a specific number guidance is not possible. But if you could enumerate to some degree in broadbands, perhaps, what potential for growth is there over the next two, three years?

Viren Shetty: Venkatesh, go ahead.

R. Venkatesh: So, I'm just saying that, see, we will not be able to give you a clear-cut guidance on that. But we have been able to grow meaningfully within our existing capacity, and we will continue to do it till this expanded capacity kicks in. And it will be through a combination of all our throughput increase, improvement in payor mix, technology, guided through digital initiatives.

In the meantime, we've also added our Howrah unit with five OTs, wards, ICU beds. We also added LINAC in Shimoga. We plan to add LINAC in Ahmedabad. We'll keep doing these small additions as and when, and as and where it's feasible till the major expansions kick in. This is apart from our efficiency drive to create capacity. And with this, we will be confident of growth year on year till these expansions materialize. And we have actually demonstrated this in the last two years. And we are confident of

repeating the same in the next two till we build up on the capacity and it starts materializing.

Gagan: So, is it possible to.

Viren Shetty: Yeah. Sorry, Gagan, just one second to clarify.

Sandhya J: Significant chunk of the capex over the last two years also went into Cayman. So, about that also, you'll have to adjust. 70-75 million dollars has gone into Cayman in that capex number.

Viren Shetty: That's greenfield capacity with the headroom for growth for filling out all the departments that we don't have in a grade A location to ensure that in Cayman we continue delivering strong performance. See, the reason we prioritize a lot of investment in throughput and capacity increase and things that are not necessarily adding beds, is because greenfield capacity in adding new beds, one, takes a very long time to break even and even longer time to generate a return on that capital. The most immediate and best use of the capital that we have is in the existing hospitals. And that's why FY22, FY21, FY20, all the money that we spent, was on improving the performance of our existing hospitals, which turned quite a lot of them around and made them into quite profitable entities. So, there is a diminishing returns aspect to that, which is why now you're seeing us deploy a fairly large amount of money towards greenfield, while keeping some amount of money still towards the existing hospitals and refurbishing the rooms and taking it up to do a balance between both.

Now, we have a kind of a focus on ROC and trying to generate healthy returns, but that's not the only thing. The doctors, the patients, they don't care about ROC. They care about being seen by the doctor on time. So, for us, it wouldn't be one or the other. There are times in which we'd want to do greenfield expansion. That time is now. And there are times in which we take a step back and try and consolidate, which was the story of the past 8 years.

Gagan: Fair point. I mean, I understand that. I'm just sort of trying to… perhaps, I'm thrashing around a bit blindly here, but are we looking at a phase of, perhaps, high single digit sort of growth, and then you kick into double digit when the new beds come in? Is that how one could broadly think of?

Sandhya J: It's not fair for us to guide a number. Gagan.

Viren Shetty: You make us very sad, if that were the case. I mean, try not for that not to be the case.

Gagan: All right. And from a tax rate perspective, this was a year where the tax rate was subdued. Q4 was higher than the balanced three quarters of the year. Going ahead, what are we looking at in terms of tax rate?

Sandhya J: Yes. So actually, this year, if you see for NH India, not just about NHL, but on a portfolio of NH India, we finished the tax at about 15.5%. That's because we had the deferred tax credit which we got benefit, given that we moved from the old rate to the new rate. And therefore, there was a reversal that came on the tax line. So that one time of benefit is gone now. So next year, the India business, which is the main business plus the subsidiaries, the average tax rate will be about 26%. And Cayman business will come at zero tax and the average of that will be our tax rate for next year.

Gagan: Are we looking at perhaps higher growth in Cayman starting 2nd half of this year once you commission the new hospital at Cayman? And are we therefore, over the 2-3 years seeing an increased salience or share of Cayman in both revenue and profits?

Anesh Shetty: So definitely once we commissioned the new hospital, we will see an expected amount of growth in revenue. But as we have mentioned before, commissioning a new hospital brings online a very large amount of fixed costs. So, there will be a very real amount of margin dilution until that hospital is able to break even over the next few quarters. And then we'll see where we end up on a long-term sustainable basis. So, there will be revenue growth, but there will certainly be margin dilution because a big chunk of fixed costs will be coming online. And in fact, it already has started as we speak right now because we are very close to commissioning those.

Gagan: For analysts, is it reasonable to assume that the bed capacity of the new hospital is proportionate in a certain way to the old hospital, so would the opex be? Or would it be a wrong surmise?

Anesh Shetty: No, that wouldn't be very accurate. So certain costs which are just related to the size of the building would be pretty identical on a per square foot basis. But the building is

staffed very differently when the building is operationally very different. So that wouldn't be an accurate extrapolation.

Gagan: Right. Thanks. I'll get back in the queue. Thanks for taking questions.

Nishant Singh: Thanks Gagan, for your questions. Yes, Pravin, can we have you question, please?

Pravin: Hi team. So, I don't have any comments on your numbers, but I have feedback to provide to the management. Please tell me if I should go ahead and do that?

R. Venkatesh: Yeah, go ahead.

Pravin: Shall I go ahead?

R. Venkatesh: Yeah, go ahead.

Pravin: So, you know, the thing is that recently I had to reach out to Narayana Hrudayalaya Bangalore facility. Okay. And I had to reach out to this cardiology department. I somehow felt a little demotivated when I went for… when I took my parents for the appointments. Okay? I observed a couple of things which I want to bring into notice. Because look, I'm the owner of this business and I want my business to be growing and serving more and more people efficiently, in a peaceful way, at least from the patient perspective.

So what happened was, what happened was, I reached out to your cardiologist and he asked us to do Echo, ECG, you know, some of the normal things. And by the time I came back, it took me almost 3-4 hours. Okay. The person who manages the appointments to the doctor, she said, doctor is an OT. You can't meet him today. Then, I went to reception and then complained about this thing, saying, madam, we waited for this many hours, please at least give us some supporting doctor so that we can show our documents and we can leave the premises with a peace of mind, if there are no issues. And then I was connected to some junior doctor. And then junior doctor came into the picture and he started looking at our documents and then he was little confused there and he couldn't derive.

Viren Shetty: Pravin, sorry to interrupt. What you have, you have an email address and a contact details. I'm really sorry for the experience you've had, but just to respect everyone

else's time, we can address the service complaints on a separate thing. Okay? But again, truly sorry for the experience you've had. Is there any shareholder related questions?

Pravin: Right. So I don't have anything. I'll roll back and I'll send out a mail then. Thank you so much.

Viren Shetty: Thank you.

Nishant Singh: Thanks Pravin. Dipankar, can we have your question please?

Dipankar: Hi. Sir, I just wanted to know if the surgical procedures that are offered in Cayman and the hospital services, are they reimbursable by insurance companies in the US?

Anesh Shetty: Yes. Hi, thank you for your question. So, most insurance companies in the US will reimburse for overseas care. So, there are two principal ways this happens. If you're a holder of a US insurance policy and you have an emergency while traveling, almost all of them will reimburse. Electively, most of them will reimburse. If somebody chooses to come, most of the large insurers will, because the rate that they would reimburse at is much lower than what they would pay. But it depends on, you know, which insurance, etc.

Dipankar: Okay, thank you.

Viren Shetty: Sure. We'll wait for the other hands to come up. I'll answer some questions that came in the chat. One was about what is a better indicator of hospitals, ARPP or ARPOB? Why? Just for those who are not familiar, ARPP is average revenue per patient. Average revenue per occupied bed is ARPOB. Since we've focused a lot on looking at the throughput and the utilization of our existing beds, what's going to happen is that, we realize that ARPOB is an instrument that you can use to really manipulate numbers in a strong way. And so, it doesn't give you a true picture of what your realization per patient would look like, both in an outpatient and inpatient basis.

The other is that the medical field keeps changing. Things that require discharge over a couple of hours, things that require overnight admission, are all moving to daycare procedures. So, they are physically occupying the bed for most of the day, but they don't count as an inpatient and are not reimbursed by the insurance company as

inpatient stays done as daycare. So, in reflection of the way in which the entire field is moving, we decided to move towards a ARPP model, which gives a more moderated, less prone to manipulation way of thinking about what your realization per patient looks like. Now, not to say that one is better than the other, I think that gives a better reflection of the state of our business and gives you a more fair and honest assessment of how we are doing as a company when it comes to being able to price our services.

There are two more questions in the chat about how our services are differentiated from its peers and how do we price our surgeries to the customers. Dr. Rupert, respond to that.

Dr. Emmanuel Rupert: Yeah. So, the Narayana Services, how is it differentiated from the peers is in the geographies where we serve. We do give our patients and our customers the cutting-edge work irrespective of what is the paying capacity and what is the class. For example, we in the two centers where we have the Robotic Knee Replacement procedures, we have converted 100% of our procedures into robotics. And we are one of the highest use of robotic work for non-cancer surgeries as well; the numbers are very high. So, we do differentiate quite a bit on the peers and we do monitor the outcomes and other things in a much more stringent way and keep a very close watch on the outcomes and the way we go about with that. So, from that point of view, it is a value for money for the patient because we get the best of the class in the outcomes as well as the cutting-edge work and that is what we've been doing.

Yeah, as far as the pricing goes, wherever it is predictable clinical pathways, we prefer to have package the procedure so that the patient knows that there is a predictable amount that they know that they have to pay. But for the things where it's a little unpredictable, that's only where we go for the open billing kind of a system and that is where we work towards. Overall, from a price perspective, it is lower than what our competitors would be doing. And, mainly, because 80%-90% of the procedures are all very, very predictable. So, the patients also know exactly how much they need to pay as well.

Viren Shetty: Rajat, you have your hand up. We'll take your question and I'll go back to the chat questions.

Rajat: Hi, good afternoon. I had a couple of questions on the chat as well. So, probably you could skip those. The first question is related, again, to the number of beds. While you shared the number of beds being added in Cayman, is it possible for you to share a minimum number of beds that are getting operationalized in this financial year in India?

Viren Shetty: None this financial year.

Rajat: None this financial year? Alright, thank you. And the second question is related to the two subsidiaries, Medha and Samyat, are these being set up for captive purposes or is there a larger vision for them?

Sandhya J: For Medha, yes, we will be commercializing our analytics engine. Samyat is for captive purposes.

Rajat: Okay. And Medha will, I mean, any guidance or any thoughts on how will this ramp up in the next couple of years?

Viren Shetty: This is a healthcare analytics arm and they have quite a few interesting AI application that we are using. We have quite a few paying customers as well but the amounts are very small and nothing significant enough at this stage in time. But it is something we have an aspiration to build out because we do have very strong digital services and analytics capabilities and a lot of hospitals have expressed an interest in using these, both in India as well as overseas. When there's more to show in this, then we will start putting that out separately. But as of now, it was just something we wanted to highlight.

Rajat: Okay, thank you. Thanks a lot.

Viren Shetty: Thank you.

So, there's a question on INR 1000 crores Capex earmarked for 1000 beds in Calcutta only include the land cost of 180 crores that for building machine equipment? Don't go by the INR 1000 crore Capex or the 1000 beds in Calcutta. That was more of a, let's say, aspirational statement. The cost of the land was about 180 crores. That was the cost that we'll have to pay to West Bengal government. We're still finalizing the contractors and the price over there. Once we have a better sense of how much the

final cost will be, we would put it out. But what we have projected is how much we know we will be spending in this year for a combination of buying land and putting up the foundation and so on. But it's not specifically broken up into how much for Kolkata, how much for Bangalore.

There's a question about the economies of Outpatient SBU and Inpatient SBU.

Sandhya J: Outpatient SBU, first of all, we don't break out our numbers into outpatient and inpatient. Within outpatient, you have Daycare and OPD. On OPD, a significant chunk of the fees goes to doctors. Daycare is similar to IPD depending on the cost we can recover and the inpatient is all our costs plus our margin. So, it works in that typical range. We are not giving that break up on what is the margin of each of these SBUs. But you can work that out, that's industry knowledge.

Viren Shetty: Next question on the chat, reason for the rise in other noncurrent assets going from 89 crore to 350 crore?

Sandhya J: That is because we are doing a lot of capital projects and there are various capital advances we have given for those projects. So, that get grouped as noncurrent assets. So, that's why you are seeing that.

Viren Shetty: Next question, last quarter we talked about wage inflation but they see that employee costs had dropped in the current quarter.

Sandhya J: See, actually, this quarter we have been able to manage some efficiencies in the employee cost because we've been able to add revenue without adding people. But that will not continue because our increments have kicked in from 1st April. And also we have caught up on the employee backlog in terms of hiring. So, therefore, you will see an increase in the Employee cost going into the next quarter.

Viren Shetty: So, another question on margin levers. To leverage, to improve the bottom line before the volume increase kicks in from a new hospital? That there are many but it is more of the same, which is discharging people faster, admitting them sooner, making sure they checkout rather they get discharged from the hospital at 12 o'clock and we get patients who get admitted at 1 o'clock. These are a lot of system driven and a lot of digitization involved. We've had a lot of savings from moving towards paper. We are doing a lot more things paperless and moving to kiosk for admission. So, that should

improve the throughput a fair bit. It may not have that much of a swing as compared to pure volume increase would but it does provide a very differentiated experience for patients given that we're dealing with large volumes of them and our pricing is not at a premium. And, so, if we are able to reduce their waiting time and improve the convenience most of the time, we believe that we'll be able to improve the bottom line a little bit. Not a lot.

There was a question on the insurance related cost in the P&L.

Nishant Singh: That's already answered.

Viren Shetty: Okay, so that's been answered.

The current capex plan to be conducted versus current built up space? See, the current built up space, just the Health City in Bangalore will be around 9 lakh square feet, in Kolkata it will be around 5-6 lakhs square feet, Delhi another 6 lakhs square feet, Bombay 2 lakhs square feet, Raipur 2.5, Jaipur 2. So, it does add up to a fair bit. I would say that the number of square feet of space we plan to add eventually would be in the short term, about half of our current built up area. That's what we aim for. Now, we don't have all of them in the pipeline yet. That's what we're looking to add but it won't correspond necessarily to the same number of beds as before because the uses of space in these new setups is very different from what it was in the past. Prior, we never had much Daycare work. We had a lot of space dedicated for inpatient beds but now we're doing a lot more procedure rooms and so the actual bed count would not be significant.

There's a question on the occupancy numbers for Bangalore and Calcutta. If Venkatesh could share the rough occupancy percentages.

Anesh Shetty: Viren, somebody else also have their hand up.

Venkatesh R: Yeah, occupancy levels are stable at 60% plus at the group levels, Flagships have higher occupancies. These occupancies may obviously vary between hospitals but the flagships obviously have higher than this average occupancy.

But, again, as Viren said, we continue to reiterate that this is not necessarily the right measure given that daycare volume has gone up significantly and we are doing more

and more work in Daycare. So, obviously, the occupancy numbers may look very artificially low though so much of work is actually happening. We do largest number of cardiac procedures in the country, cardiology procedures like Angiogram, Angioplasties are like morning-evening discharges, robotic procedures are morning-evening discharges. So, this means that the bed is occupied during the day but at the midnight it shows vacant and that's why it looks artificially low. But then we are more working more on throughput through technology driven initiatives to create more capacity and do more with what we have.

Viren Shetty: The bottlenecks that we talk about and that's part of the question as well. We're bottlenecked in our OPD areas, we're bottlenecked in our billing counters, in the parking space, in the number of doctors chambers, in our Operating Theaters, in the Cath Labs, in the ICU and the emergency rooms. Those are places we have the most on a bottleneck. And, so, a lot of our infrastructure is built for a time when most work was long stay inpatient work. So, we probably have too much space dedicated for that and we're trying to change the layout so that we're able to cater to a lot more, very fast volume in and out. And, so, that's what you're seeing the bottlenecking show up. It won't necessarily translate to occupancy but it does translate to the service experience and our ability to see more patients in the same space.

Anyone else? Rajat, you still have your hand up.

Nishant Singh: Viren, there's a question on this. How do you read the Supreme Court observations on sanitizing the cost procedures?

Viren Shetty: Ah! Okay. So, this was a stray comment made by a judge that 'Look and see if the Clinical Establishments Act has actually been implemented in all the States. Otherwise, we will force you to implement the CGHS rate or some rate. Now, if you actually read it, it's taken as more of a threat. What has happened since then is that the government has spoken to all the stakeholders, all the State Health Ministers and a lot of Industry Associations have gotten together and spoken about how it is impractical to come up to a common pricing standard as the petitioners, in this case, certain Public Health Activists had brought about. It does make sense for a country like India for the richest person in the country and the poorest person in the country to pay the same price. Then they're both getting…You know, the rich person should pay more for the service they're getting and the poor person should pay less. When you go to a

standardized pricing that does not happen and so the observations haven't been made. We're trying to work with them to say that the spirit of what they want, which is being able to provide different price points, being able to provide more clear and transparent billing is something all organized hospitals do. Certain hospitals that are in unorganized sector are not able to do it as well but more transparency is required. So, we're overall concerned of outside of the larger concern that healthcare is this massive societal issue. There is a very large private sector that is catering to it and we need to be very cognizant about being able to meet patient needs and expectations at all price points.

There's one more question in the chat, are Daycare procedure revenues captured in outpatient or inpatient revenues for domestic business?

Sandhya J: Outpatient at the moment.

Viren Shetty: But starting from next year, I think, we should start splitting up Daycare separately, which from FY25 Q1 we'll start doing it that way. So, it will give you a much clearer picture.

Any other questions?

Nishant Singh: If there are no more questions, Yeah. Gagan, yes.

Gagan: Yeah, Sir. Thanks for the follow up. You indicated occupancy with around 60%. And, obviously, it's a blend of higher occupancies in your mainstay hospitals and so on. But where is the theoretical limit of occupancy on the current capacity from 60%?

Viren Shetty: Anyway we've seen the highest occupancy in our hospitals hover around 75%-78%. But, again, it's pretty much a moving target. The real numbers that we're trying to go after is having more people, more inpatients, more outpatients, more Daycare procedures for all the square footage of space that we have built up. The occupancy itself assumes a stagnant book of business like a hotel. In a hotel, there's only so much you can do spending on a per night basis, whereas for us we have a range of services that can be provided in our infrastructure.

Gagan: Right. I understand what you're saying, you know. Well, it's sort of difficult for us to distill it down to some numerical level, I get what you're trying to say.

On margins, I mean, what I can surmise is that in India, you know, as Delhi, Dharamshila and Mumbai improve and also you draw further cost efficiencies, there's perhaps some scope for margin improvement to a degree. It may be offset by, you know, the new hospital in Cayman coming onboard. Therefore, on a blended basis, are we looking at a future where you can maintain the exit margins of FY24? Is that reasonable to surmise?

Sandhya J: So, in the short term Cayman will be dilutive, Gagan, and I don't think India will be able to step up to offset the dilution that will come. But in the medium term, Cayman will catch up once the capacity start filling up. So, that is one aspect.

The second aspect is that, as you know, we don't pass on the complete cost inflation to price and, therefore, we absorb a lot of our cost inflation within our efficiencies. So, therefore, all our efficiency and scale doesn't flow through into margin. Some of it goes into offsetting the cost escalations that we see. And we have seen a very high impact of inflation across all the lines, whether it is manpower, whether it is consumption, capex. So, because of that it's difficult to say that. Even with the benefits that we are foreseeing from improved throughput and improved performance of some of our non-flagship hospitals, some of them can flow through to the bottom line but a lot of it will go to offset the cost increases that we are seeing. So, it will be a mixed bag for at least the near term. In the medium term, I think, we'll be able to bring it back.

Gagan: Right. When you say medium term, is it possible to enumerate that? Again, broadband.

Sandhya J: 18 months to 24 months' time period.

Gagan: Okay, alright. Yeah, thanks. That's all from my side. Thank you.

Nishant Singh: Yes, Parikshit.

Parikshit: Thanks. Thanks for the follow up. You know, I'm really appreciating the management's effort to, you know, educate us how it is. Your strategy is about being outpatient and delivering more value through that. But my issue is that even with the outpatient numbers, if you look on year-on-year for this quarter, you have not grown by much, right. That has also been about 6% and 7%. So, question one is that, do you guys have

any way of quantifying your outpatient capacity? If so, that would be lovely to hear. And, two, is that why the outpatient hasn't grown more than 6% in that case?

Viren Shetty: Outpatient capacity, so all we can say is that in the space that is dedicated to them, they are bottlenecked and there are only so many hours in a day. So, our doctors are not able to put in more hours. Now, a simple fact is we need more doctors but we need more doctors and they're not all going to sit in the same place because there's no space, there's no parking, there's no waiting area, there are not enough billing counters there. And, so, we've created an entire new subsidiary around building Clinics and Outpatient Centers all over the city starting in Bangalore and then we move to Calcutta and all the other places.

So, those are the things we would have to do to increase the outpatient numbers. Those are essentially the two things. So, in terms of what is the theoretical maximum number of outpatients we can see in any hospital, that would just be a function of 20 minutes per consultation multiplied by the number of hours in a day patients will keep coming. But, again, it's a moving target because we are adding more outpatient chambers and more spaces in the existing hospital. So, we are, trying to address this both ways by adding Infra as well as doing more efficiencies.

Sandhya J: Just as our annualized revenue growth on outpatient is about 14% and a lot of it is Daycare. So, while there are two aspects to the volume, one is the count and another is the value of services that we are able to flow through. Because we are debottlenecking capacity across, so we are able to move through high value services through Daycare and that's also helping us. For example, a lot of procedures we are able to do morning-evening and discharge the patient before end of the day. So, that also helps us deliver better throughput.

Parikshit: I understand. So, did I hear correctly in terms of your plans to increase your outpatient and Daycare capacity was to set up smaller clinics around Bangalore and other regions? Did I understand that correctly?

Viren Shetty: Yeah.

Parikshit: So, this is not part of your capex plans that we have discussed so far, the 8 lakhs and 10 lakhs where you're doing massive land acquisition and creating hospitals? This is a different plan?

Viren Shetty: This is the entity called as NHIC (Narayana Hrudayalaya Integrated Care). So, the capex isn't much. Each clinic is only between 1-2 crores and we're putting about 20-30 clinics per year. So, it's not a huge investment.

Parikshit: Got it, alright. Thank you.

Viren Shetty: Back to the questions in the chat. Is there any margin cap on the pharmacy? There isn't a margin cap on the medicines. Certain payers, I believe, certain state governments, for example, will cap it at the price at which you are able to procure the medicine. Most of the medicines are actually capped on the MRP. So, either they come under DPCO, that's Drug Price Control or the payer themselves will decide that 'I will pay this fixed amount. It doesn't matter what sort of medicine you use'. So, a margin cap system of any consumers or medicine does not exist in India like it does in other geographies.

What is the impact we see on the revenue per patient? The DPCO and when every time the price capping happens on medicines, the impact is mostly on medical admissions. So, these are patients who come into the ICU and get medical care or for item like chemotherapy or so on. That definitely does impact on revenue per patient.

The next question is, how do negotiations with the insurance companies change for medical packages and non-medical packages? So, insurance companies are obviously very hard negotiators. They will negotiate fixed rate packages for knee replacement, for a lot of these. But medical packages, it's very hard to quantify how much on the medicine side. So, those are usually paid on actuals whereas surgeries are paid on a fixed basis. So, Angioplasty or Knee Replacements are on a fixed rate.

There's a question on the cash accrual in Cayman. Are there plans to bring it back? And what is the status of opportunities to deploy cash? I think, we answered this a little earlier. Right now, we're trying to find overseas opportunities. In the absence of that, we would definitely bring it back to India. But to do so involves a 20% odd hit that we would take. So, that would be, I would say, the last possible opportunity. But,

definitely, there are places to deploy in India. There's a lot of opportunity here as well as abroad. So, we want to build a diversified revenue base. And, so, that's why we're trying so hard to try and find something overseas.

There's a question on the insurance business. Can you give a roadmap on the insurance business in terms of breakeven long term plans of hiring it off as a separate arm listing, like etc? I'll just say, I mean, it's too early for us to declare on the breakeven timeframe. The long term plan is that, yes, it is a separate company by design; the insurance company. The IRDA norms say that it has to be listed as a separate entity and so on. There's no time limit per se but it is something that is on the eventual roadmap. So, the insurance is something we are very bullish on. We are building it to be a very differentiated sort of product and we'll have a lot more to tell you about this in the coming quarters.

Ravi, have we given any projection on how much we spent on the insurance company in this quarter?

Ravi Vishwanath: No, we've not. I mean, the main thing is, of course, the IRDA capital of 100 crores which has been infused into the company.

Viren Shetty: Yeah. So, you know, we won't be able to give guidance on the cashflow and so on because we are yet to start the insurance operations. But it will not be as big as the amount that we'd be otherwise spending if we set up 400-500 bed hospitals. So, it's quite moderated since we're starting in just one city. Based on the response we get in Bangalore and Mysore, then we look to ramp it up. That is a call we will take at a future point.

Last question, I guess, on the chat. Any plans on the growth in your ancillary services? If my ancillary services, I would guess it means all the subsidiaries that we have. So, Samyat is an inhouse distribution now. So, that will mostly be catering to our inhouse programs. With our ATHMA and Medha, again, these were set up as inhouse units but they're offering services to other hospitals, clinics, nursing homes and so on. But the revenue potential there at the short term is very limited. So, it's nothing much to write about at this stage. Other than that, NHIC and NHIL are still very nascent businesses that we incubating and over time they will start, you know, showing the numbers. But

whatever they've done so far has given us a lot of confidence that this is a business worth investing in.

Nishant Singh: Yeah. So, I think, we don't have any more questions neither in the chat nor in this forum. So, with that, we would like to conclude our session. Thanks everyone for the active participation as usual. In case if you have any further questions, please feel free to reach out to us. Thank you.

End of Transcript