“Narayana Hrudayalaya Limited
Q2 FY25 Earnings Conference Call”

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MANAGEMENT: **MR. VIREN SHETTY – VICE CHAIRMAN**

DR. EMMANUEL RUPERT – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

MS. SANDHYA J – GROUP CHIEF FINANCIAL OFFICER

MR. R. VENKATESH – GROUP CHIEF OPERATING OFFICER

DR. ANESH SHETTY – MANAGING DIRECTOR, OVERSEAS SUBSIDIARY HCCI

MR. RAVI VISHWANATH – CHIEF EXECUTIVE OFFICER, NHIC

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

MR. VIVEK AGARWAL - SENIOR MANAGER, INVESTOR RELATIONS

Nishant Singh: Hello everyone. My name is Nishant Singh. I head the IR function at Narayana Hrudayalaya. I welcome you all to the Q2 FY25 Earnings Call for the company. To discuss our performance and address all your queries today, we also have with us Mr. Viren Shetty - Vice Chairman, Dr. Emmanuel Rupert - CEO and MD, Mrs. Sandhya Jayaraman - Group CFO, Mr. Venkatesh - Group COO, Dr. Anesh Shetty - MD of our Cayman Business, Mr. Ravi Vishwanath - CEO of NHIC, and Vivek Agarwal - Senior Manager in the IR Function.

As usual, before we proceed with this call, we would like to remind everyone that the call is being recorded and the transcript of the of the same shall be made available on a website as well as on the Stock Exchange later. 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 and must be viewed in conjunction with the uncertainties and the risks that they face. With that, now we would like to start the Q&A Session straight away. I request everyone to now use the 'Raise Hand' feature to start posing their questions.

Yes, Damyanti, please go ahead.

Damyanti: Yeah, hi. Good afternoon, everyone. My first question is if you can talk about how the new unit in Cayman is ramping up? Whether it was a soft launch or it is a full-scale launch for you? And how do you see cost normalizing for this facility?

Dr. Anesh Shetty: Hello. Hi, Damyanti. Thank you for your question. This is Anesh here. So, the outpatient facility of the hospital has been commissioned about a week ago. So, the quarter which results you are seeing, that is Q2, the facility was not commissioned. We've started outpatient services that is doctor consultations and limited diagnostics now. We hope to get approval to start the entire hospitalin about next four weeks or so. And that's when we'll start.

Having said that, to the cost section of your question, in the last month of Q2, we have incurred approximately about 65%-70% of the total cost for that new hospital. And in October'24, which is the month just gone by, that's closer to about 75%-80%. So, we are currently incurring most of the costs and the revenue ramp up has gradually started and we'll see that more aggressively once the entire hospital is commissioned.

Damyanti: Okay. So, in the next 4 weeks, you mentioned, you will be seeing full scale offering of services and then the footfalls, etc. should be much better compared…

Dr. Anesh Shetty: Yeah, in the next four weeks we expect the whole hospital to be commissioned and ready. It's a new building, so it will take a couple of weeks for people to start flowing in. But, yes, you are right. We expect to be all good to go in approximately 4 weeks is our hope.

Damyanti: Okay. And in terms of cost, as you mentioned, already 75%-80% of cost are already in the books, so going ahead we assume most of the cost will be in line with like what kind of pick up you see on the business side.

Dr. Anesh Shetty: You are right. you are right. Yeah, that's correct.

Damyanti: Okay. My second question is on your Capex projection for FY25. So, I understand you have earmarked around 9 billion of Capex towards greenfield and inorganic growth opportunities.

Nishant Singh: Damyanti, sorry, we are not able to listen to you. We can't hear you.

Viren Shetty: Damyanti, can you hear us?

Dr. Anesh Shetty: Maybe we can move on to the next.

Viren Shetty: We'll move on to the next one, Damyanti can join back in the queue.

Nishant Singh: Yeah, Prithvi, please go ahead.

Viren Shetty: Prithvi, can you go ahead?

Prithvi: Yeah. The first question is again on Cayman. Given that the hospital is now almost ready to commission, do you have some kind of guidance, over next few quarters, how do you expect the ramp up to happen? And how do we see margin shaping up?

Dr. Anesh Shetty: Yeah. Hi, Prithvi. So, if you recall, in the last quarter's call what we had said is that once the hospital is fully started, we expect margin dilution to last for approximately 6-8 weeks. Having said that, now that we are very close to the hospital being fully commissioned and we've commissioned the outpatient services, we're happy to see that our cost control is more on the positive trajectory. So, we'd like to change our estimates from the 6-8 quarters and change it to about 4-5 quarters is when we expect some margin dilution. So, we're more optimistic on the cost front. Now that we have commissioned the outpatient services, we are seeing a lot of interest. Everybody is very, very impressed with the hospital and the reviews have been fantastic. But it's just the outpatient, which is a limited service. We hope

to continue to see this positive response in about 4 weeks or so when we commission the whole hospital.

Prithvi: Sir, when you say margin dilution for 4-5 quarters, you mean the margins will be less than 40% for four quarters. Is that the point?

Dr. Anesh Shetty: No. No-no, so if you recollect, just prior to commissioning the hospital when we did not have any of the costs on the books, our margin was higher than the number you mentioned. And at that time, we had said that once the hospital is commissioned and once all costs are in line we expect to take 6-8 quarters for the margin to come back to a steady base. We are now more comfortable changing that 6-8 quarters to about 4-5 quarters.

So, the worst will be in the first quarter and then it will hopefully taper away as we move closer to the end of the year.

Prithvi: Fine. That's clear, Anesh. Second on the India business, can you give me the breakup of the new hospital's revenue and margins in this quarter?

R. Venkatesh: Yeah, the new hospital cluster has done pretty well in this quarter. It's given a very strong revenue growth around 13% year-on-year, with the revenue crossing around ₹130 crores for this quarter, with an EBITDA of around 11%. The Mumbai has also shown positive EBITDA of around 1.5% and Gurugram at a high single digit EBITDA and expected to grow more by the Q4. So, overall, the new hospital cluster has done well in this quarter.

Prithvi: Sir, what explains this structure in the new hospitals? Is it more of any seasonal factor or you're saying it's structurally going higher?

Viren Shetty: This would have happened, it's just that it took a long time for it to occur. We are on track to achieving normalized performance for all the hospitals. The Mumbai hospital being a children's hospital, that will take a much longer given its very specific focus. But the Gurgaon and Dharamshila Hospitals will soon go on the normal trajectory.

Prithvi: Final question on the Capex, did you finalize on the number of beds that will be added in Bangalore and Kolkata?

Viren Shetty: Yeah, we are still working with the architects.

R. Venkatesh: So, I mean, we know that the majority of our investments are now planned around Kolkata and Bangalore and some other geographies where we have our strong presence. We already

have committed projects which include greenfield in Kolkata and Bangalore totaling to around 700 beds and the brownfield in Raipur with around 150 beds. This will come up in the next 3-3.5 years' time. We are also working to close 1-2 more greenfield projects. But all in all, it would be adding around close to 1500 beds in the next four years from now provided there are no material delays on the projects. And, obviously, the large portion of it will come in the third and the fourth year.

Prithvi: Thanks. That's all from my side.

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

Nitant: Congratulations to the management on a good set of numbers. My first question would be regarding the Rajarhat facility in Kolkata. It was supposed to get approvals by October 2025 and the constructions were supposed to commence in Q3 FY25. So, for any updates on it?

R. Venkatesh: So, the applications have all been done. The process approvals are in progress. We expect all the approvals to be sought by the next 3-4 months' time before we start the groundbreaking there.

Nitant: And the second question is regarding the Cayman facility, it's going to be commissioning 50 beds, I suppose, right? The new facility which is the outpatient daycare facility?

Dr. Anesh Shetty: Yeah, that is correct. But, again, given the way the facility is configured and the focus on daycare and emergency and services that would not constitute a bed as the unit of revenue, just be cautious about extrapolating a bed driven revenue number with the existing facility.

Nitant: All right. And one last question is regarding Cayman as well. So, the number of outpatients have been declined on year-on-year basis and as well as ARPP has been declined 6.6% quarter-on-quarter, as well as discharges and OP volumes are also a bit down on a YoY basis. So, is there any particular reason of seasonality, can you share some light on it?

Dr. Anesh Shetty: No, not particularly but on an overall basis we weren't too happy with the quarter. There were few factors that led to the slowdown, you know, all across its uniform. It's not any particular specialty, a particular category. You know, everybody, the whole team has been focused for the past few weeks on commissioning the new hospital. It's a lot of time to fulfill all the compliance related obligations. We had a couple of hurricanes that led to about 7-10 days of unproductive work. Just a general slow quarter but we're happy and comfortable that in the month of October things are back to a very positive trajectory and we think that that's behind us now.

Nitant: Alright, that answers all my questions. Thank you for it.

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

Abhishek: Hi, am I audible?

Nishant Singh: Yeah.

Abhishek: Yeah, thank you for taking my question. So, my question is regarding your liquidity levels. Right now if we look at your Balance Sheet, you have a lot of liquidity tied up in Cayman. That is after considering the outlay that has happened for expansion in Cayman. So, any plan to put that liquidity to work because I understand getting that money to India there might be taxes which we'll have to pay? So, right now we are using it to pay dividends but how do we get that money to work because it's a large sum of money? And I'm assuming that you would not want to do further of Capex in Cayman, right?

Dr. Anesh Shetty: Yeah. So, Abhishek, you raised two good points. The first is you are right that the majority of our capital outlay in Cayman is mostly complete. I mean, we have a last few, little bit of expenditure for the new hospital post commissioning. But with this, with the new Camana Bay hospital we're done with any significant capital outlay in that market. So, that is correct.

The liquidity, I would just, you know, although there is a cash balance, it is also significantly netted off against our outstanding debt, which we essentially borrowed to finance the new hospital. So, just looking at only the cash reserves in that market, it should be offset against the outstanding debt there to see on a net cash basis how much we have. There is some surplus even on a net cash basis and we are obviously using that whenever we have a suitable opportunity. As we have previously said, we continue to be on the lookout for opportunities in the region and elsewhere as well. And all options are on the table, whether it's to repatriate it to India, if there's a need and a suitable opportunity or in some other market. We continue to consider all of them from time to time.

Abhishek: Understood, thank you so much. My second question is regarding your growth. So, now I understand that it's a long gestation period projects for the hospital industry where you know bulk of your Capex is frontloaded, and it takes three years to make the hospital and another year and a half to breakeven. So, why is it that we are not looking at acquisition as an opportunity because you already get a built-up hospital and potentially broke even? So, we save a lot of time know, so why this, I mean, decision to go greenfield?

Viren Shetty: Abhishek, it's not that we aren't looking. Nishant leads a fairly busy M&A practice looking at all the acquisitions. It's just that, you understand as well as we do, on the outside valuations of some of the private equity backed assets that are out there. So, Group hospitals do not make a lot of sense for us. One is that it's fully, fully priced in and there isn't too much delta available for us to be able to make a lot of sense of the acquisition.

The last thing that we would look at then would be single hospitals, individual hospitals. Those are not as easy to find. The ones that are for sale are very badly built or they're not in strategic areas of focus for us or they may have a lot of issues with the promoter or they'll be really, really old and without assets. So, we've spent since '2016 trying to pursue multiple opportunities for Asset Light acquisitions, all of that. It's just that out of absolute compulsion in the absence of finding anything else to do, we have gone for the greenfield. But still we are pursuing few acquisitions, things that are still in discussion both here as well as overseas. We are looking at certain O&Ms and Asset Light opportunities. It's just that these are the ones that we were able to finalize in a very long timeframe absent anything else happened. We haven't turned our back on the availability of the opportunities out there and constantly evaluating. But when these things come, we do take it up. For example, Sparsh had one hospital that we acquired. Similarly, in Cayman there was an ENT practice that we acquired. So, whenever these things come up, we do.

But you're right. It does seem like all the things we're presenting to you are greenfield and these have a very long gestation period and what are we going to do for growth in the meantime. There remains sufficient headroom in the existing business to deliver on moderate levels of growth and these Greenfields will deliver a much larger footprint for us three years from now. In the meantime, we'll look for things. Those haven't materialized in the price band that we wanted.

Abhishek: Thank you for such a great explanation, that was very helpful. One last question, anything we are looking at Tier-II, Tier-III cities? Because I'm assuming considering…

Viren Shetty: Yes-yes. But with all the same problems, which is, asset price almost the same as in a Tier-I city with a much lower earning profile. So, there are a few distress acquisitions we found in our co-geographies, which is in West Bengal and Karnataka. We'll be pursuing those. But so far the ones that we've been able to finalize and announced, happen to be the ones that we had to buy the land and get going. But there are opportunities, and we are in active pursuit of all of them.

Abhishek: Okay, thank you so much. I'll get back to the queue.

Viren Shetty: Thanks, Abhishek.

Nishant Singh: Thanks, Abhishek. Yeah, Riddhi, can you please pose your question?

Riddhi: Yes. So, my first question was despite the growing demand for healthcare services in India and the relatively low debt to equity ratios of established hospitals like Narayana, why are there not more new hospitals being established across the country? And I'm talking from an industry point of view and not just related to Narayana.

Viren Shetty: That would be a combination of things. If you're just asking for broad level industry reasons why aren't more hospitals coming up, for the same reason that Abhishek had brought up. It's very expensive, it takes a long time, the Return on Capital oftentimes is less than the cost of capital for a lot of these new hospitals coming, the huge reliance on payers aren't very dependable on paying on time, very poor patients in most parts of the country where there is greatest demand. So, greatest demand exists in the very small towns but over there, there are almost no organized pay pocket or the government is a payer there, lack of doctors, extreme lack of super specialists, them wanting to work in large Metro towns and not so much in the small town and so there's this oversupply in large towns and very undersupply in the smaller towns.

Dr. Anesh Shetty: The organized players have all announced significant bed additions over the next three years.

Viren Shetty: So, all of us are, I would say, expanding to the best of our capabilities, keeping our debt to equity ratios in mind, making sure we don't overstretch and overleverage ourselves. And all the players are in a pretty, I would say, by historic standards aggressive Capex expansion. But, yes, we are nowhere close to say any of the quick commerce companies or the cement companies or road and railway companies in terms of how much Capex they are doing and how much projects they have announced. Our business is not one that has any barriers and any sort of inbuilt protections. It is highly competitive, highly consumer oriented and it's one in which it's very, very difficult. We have the same upfront investments and long payback periods as infrastructure with none of the benefits that infrastructure projects get, which is extremely long-term lending as well as a guarantee that when you put up a highway no one builds a highway right next to you.

Riddhi: Yeah. So, I also wanted clarity on the Capex that you are currently coming up with, with respect to Kolkata as well as with respect to Bangalore.

Sandhya J: We have spent about ₹530 crores in H1 of which ₹320 crores is in India and balance is in Cayman. Out of this ₹320 crores, ₹160 crores was for the land we bought in Bangalore and the rest was regular Capex , which we spent for biomedical et cetera and some amount of small brownfield Capex we have incurred in Kolkata. So, this is what we have spent so far. Once we get the approvals for a building then the Bangalore and the Kolkata build will start. And, therefore, while we have put in some money there in terms of how much we will spend, some of it may get pushed out by a quarter or so. In addition, we're also looking at a few more greenfield land opportunities. So, depending on how we time the deeds and conversion as well, some of those costs will also get incurred.

Riddhi: Okay. So, earlier in one of the concalls, Narayana had mentioned that 1000 odd beds were going to be built in Kolkata and then in last quarter you all said that the it will be around 600 beds in Rajarhat. So, I'm just a little confused whether it's 1000 or 600 odd beds which are going to come up in Kolkata?

Sandhya J: That is correct. The intent is to add 1000 beds in Kolkata but it will go live in two phases. So, the first phase which we are building, is what we have factored right now. Then once those get completely occupied, then we'll go for the second phase. The 1000 beds is coming from our longer term demand view as well as the ability of that infrastructure to be able to accommodate that capacity. So, from that perspective, that outlook has been given.

Riddhi: So, in first phase it will be 350 odd beds and then later on in the remaining which you plan to add, right.

Sandhya J: Yes. Yes. Yes.

Riddhi: Okay. And, secondly, you already have a land as an annex to the hospital in Bangalore, right.

Viren Shetty: Yes.

Sandhya J: Yes.

Riddhi: Correct? So, there also in last concall it was said that the Capex that you plan to do is around ₹500 crores. So, that is only with respect to now constructing the building, right? There is no land cause that will be there?

Sandhya J: I think the ₹500 crores estimate was given for the greenfield opportunity that we are doing in Bangalore. And there is a land available next to our current hospital and we will be building in that. But we will be prioritizing on the cashflows and the opportunities that we

are attempting from time to time. So, the confirmed builds which have commenced are the ones that Venkatesh called out in his part of the answer.

Riddhi: Okay. So, any idea on the number of beds that you plan to build for the annex that you already have, the land which you already have?

Viren Shetty: We won't be building it at this point in time. The things that we've announced, the 1500 beds between Bangalore, Kolkata, Raipur will be all the new projects. The annex building we had announced earlier but then we decided to push it in favor of pursuing something much closer to the city because there are sufficient beds in our flagship health city. We have a desperate need to fill that right now.

Riddhi: Okay. So, this 500 is for the new greenfield project that you're saying; ₹500 crores Capex ?

Sandhya J: In Bangalore, yes. The one that we've already announced.

Riddhi: This is both land and beds costing?

Sandhya J: Correct, correct.

Riddhi: Okay-okay, thank you.

Nishant Singh: Thanks, Riddhi. Parikshit, please go ahead.

Parikshit: Hi, thank you for the opportunity. So, first part I want to understand is that the India business, it seems like the bulk of the growth that we have gotten is because of the IP ARPP growth, which seems to be about 14.5% nearly this quarter. I'm just wondering why such a high number in the ARPP for inpatients?

Sandhya J: Sure. See, actually, if you see the India growth, there is a mix which is playing out and we have called this out. Our international mix has significantly declined and we have made it up with domestic business. Historically, the domestic ARPP has always been higher when compared to international ARPP. So, some of that has played in terms of the average ARPP that has come through.

Second also is, some of the advanced procedures that we do, there was a healthy growth in these complex procedures which come at higher realization. So, that has also helped in the growth of the Revenue Per Patient. So, in all, the ARPP has shown a healthy year-on-year and quarter-on-quarter growth.

R. Venkatesh: Yeah, adding to that, even the peripherals including the eastern and the western part of the country, there has been a substantial moderation of certain poor payor profiles. Obviously, because of that shifting them into more of preferred payers, the benefit is also shown in ARPP and margins. That is also an added contributor to increase in the ARPP for this quarter.

Parikshit: Thank you. But can I just request you to repeat the first point again, Sandhya, because I didn't understand that? We usually have better ARPPs in India versus abroad and then I couldn't follow why that would increase the ARPP in India.

Viren Shetty: I'll explain that. Our international patients primarily come from Bangladesh. We had taken a call that we will not charge people coming from abroad a different rate than what we charge domestic patients, the people who come from Bangladesh to our hospital tend to be poorer than the average patients that we get from patients in Bangalore. The ones who can afford more end up going to the hospitals that charge more. And so, the average patient realization goes up when we refocus on domestic patients.

Parikshit: Got it. So that means that the footfall that we were getting from Bangladesh is impacted and continues to be impacted because of whatever is happening there. Is that a fair statement? Correct.

Viren Shetty: And there are multiple volatilities associated with a business in India depending too much on foreign patient travel. In the past it was the war in Afghanistan or some visa issues or you may have trouble with some countries in the neighborhood. So, it's not something that we want to be too reliant on going forward. And so, we have given guidance and I'll continue to do so to say that the international business is one number that I expect to go to zero over the next 10 years. So we're not spending too much time and energy focused on attracting more patients from international geographies, and focused instead entirely within a domestic radius, highest priority within the 15 kilometers of all our hospitals and larger circles around central India and eastern India.

Parikshit: Got it. So the flip side of this coin is that for the fourth quarter now, our inpatient footfall has either been flat or slightly negative on a year-on-year basis. So is the story here the same, that because we have to replace the footfall you're getting from Bangladesh or from abroad and we are replacing them with domestic customers and that is taking us some time? Is that the story?

Sandhya J: I think we are replacing with higher paying customers, whether it is… For example, one and a half scheme patients equal to one cash patient, that is how the mix works. So, when we

are able to attract more cash paying customers, it may look like you are seeing a lesser than regular growth on the footfall. So, I think that's why it is coming out like that. We are replacing reasonably well.

R. Venkatesh: So value wise, the replacements are far superior to what it was earlier. But the degrowth through these international patients have been to the extent of 19%, but the domestic has grown by around 13.5 to 14%. But, that 14% has contributed to a higher value than the degrowth on the international patients to the extent of 19%. So that's how this equation is worked out.

Parikshit: Perfect, perfect. The other thing you mentioned is that the mix of the complex procedure is growing. Is this a one time or a slightly more arbitrary change in mix, or is this a mix that we should continue to expect going forward?

Viren Shetty: Dr. Rupert can answer that.

Dr. Emmanuel Rupert: Yeah, this mix, we should continue to expect that. There will be some month-on-month changes but considering the way we are focusing and some of our flagships are into very high-end tertiary and quaternary work, we will continue to see this trend.

Viren Shetty: For example, our flagship cardiac centre did a record number of TAVI procedures. TAVI is a very advanced cardiac implant and same on the cost.

Dr. Emmanuel Rupert: Yeah. And also, the kind of procedures that we are doing, we are able to very high-end cardiac work. Not only that, but oncology, robotic works have been going up. We did the highest number of robotic cardiac surgery in one quarter. We did around 113 robotic cardiac surgeries in one quarter, and there are some hospitals which have done 500-600 over 7-8 years period. So, this is the volume of work that happens here, and we will continue to see this kind of high-end work going up in this one. And the good thing is, most of our centres are also picking up on the complexities of the work, and we will see the uniformity of the complex work across most of our centres.

Parikshit: Got it. So, there is a pretty large difference between the ARPP growth in the IP segment versus the OP segment. Would I then be correct to assume that these complex procedures are mostly inpatient procedures and not outpatient ones?

Dr. Emmanuel Rupert: Yeah, most of the complex procedures are inpatient, but we are also reducing the length of stays of this. As the team is getting better and better, we are constantly working on that to reduce the length of stays of these procedures.

Parikshit: Got it. So, this 14.5% in ARPP growth for inpatients, would it be directionally possible to split this between normal inflationary increase versus complexity increase versus better pay masters or better paying customers increase? Would that be possible to directionally split that growth?

Sandhya J: See, our typical price increase is low single digits, 4-5% every year. So, anything beyond that is all efficiency driven. Efficiency realization, higher order procedures, better payor mix, so everything is driven by that. Our price increase typically compensates for inflation partially, and partially we offset inflation through efficiency.

Parikshit: Got it. Coming to Caymans, I think you gave an explanation that the team has been focused on setting up the new hospital, they have been slightly more distracted. But this is now the second quarter where there has been negative footfall in terms of IP, right? So again, I would ask, is there anything structurally happening in the Cayman's market, which is leading to a fall in market share in that space, or is this the hurricane stuff and the distraction and basically that's it, nothing else?

Anesh Shetty: No, there's no structural change. In fact, we continue to be positive about the early traction with the new hospital and all the new services we are commissioning. I think it gives a more holistic picture in a small unit with relatively low transaction volumes to focus on not one metric, but multiple metrics to triangulate on a picture to get a better sense of the performance of the business. So, while just focusing on one metric can lead to alarm, I would just request to look at more of a holistic picture and the directionality over several quarters at a time.

Parikshit: All right. All right. Thank you. Thanks a lot. Thanks.

Nishant Singh: Yes, Bino. Please shoot your question.

Bino: Hi. Good afternoon to all. Most questions answered, but just carrying on from the previous question, what is the latest situation about these Bangladesh patients? Has the travel and other issues sorted out or is it still impacted?

R. Venkatesh: The situation in Bangladesh, it continues to suffer. The visa restrictions are still in its minimal. Only the critical patients allowed entry into the country. It would definitely take a long period of time for the situation to normalize. We don't even know and have no clarity in terms of the timeline by when it is going to get normalized. But as of now, the situation still remains grim in terms of footfalls from Bangladesh to our hospitals here.

Bino: Got it. And just follow up one question on Cayman. So, this quarter, for whatever reason, the inpatient numbers and the revenue per patient was lower. You just mentioned that it's just a quarterly phenomenon. So, are we expecting growth to pick up and continue next quarter onwards?

Anesh Shetty: Yeah, absolutely. In fact, we've already seen that in the first month of Q3, which is October. And there will be two reasons for that. One is just a return to normalcy. And also, at least by December of this quarter, the last month of the quarter, we hope to have the early signs of the new hospital with outpatient work and inpatient work kicking in. So, we have every reason to believe that that will be back to normal and a little better.

Bino: Yeah, but the new hospital, of course, it is a new hospital. But just the patients, inpatient volumes and revenue from the old hospital, would that separately continue to grow or get back to growth back in this quarter?

Anesh Shetty: Yeah, as I said, so in October, we did not commission. We had no activities in the new hospital. It started only in November. And even in November, only the outpatient work. And in October, we've already seen a return back to our old trajectory for the old hospital as well.

Bino: Got it. Thank you.

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

Rishit: Yes, sir. Congratulations team for the decent set of numbers. Sir, I wanted an update on the insurance plan, Aditi. We did our pilot in Mysore. Now we are expecting expansion in Bangalore. So, what's the ground attraction and what's the response at the pilot level?

Ravi Vishwanath: Hi, Rishit. This is Ravi Vishwanath. Yeah, I mean, you rightly said, we started with our pilot in Mysore. And the focus, of course, is making sure that our process and everything was good. We were sufficiently encouraged by the results that we actually preponed our entry into Bangalore and launched in Bangalore as well towards the end of the quarter. And right now, our focus is on building our distribution. We've done about Rs. 1.2 million of premium GWP since we started. But obviously, we're building a retail business and a direct retail business and that takes time to scale up. And so, our focus right now is on scaling it up and building various distribution support and channels for this. But the results have been encouraging and we're looking to accelerate growth in the coming quarters.

Rishit: Okay, that's great, sir. My second question would be on the overall business with Cayman coming in from this quarter and a lot of Capex coming in already. What type of growth number do we see for this financial year as well as the next financial year? What's the internal growth target for us?

Viren Shetty: I mean, we don't normally give out guidance on the growth numbers. We're just trying to maintain a healthy pace of growth, keeping in mind that we're not adding any new beds and we're doing a lot of internal re-optimization, and with a focus on a very healthy EBITDA and focus on improving the realizations per patient and reducing the ALOS. So, the trajectory that we've been able to keep so far, we'll continue to try and maintain.

R. Venkatesh: We have a long way to go for utilizing our efficiencies, transformation projects, using technology for improving the efficiencies. We've always demonstrated this growth in the last few years, and we'll continue to do that.

Rishit: Understood, sir. And sir, one accounting question that we have been taking advantage of at the consolidated level. At the consolidated level, we are getting a tax advantage due to the Cayman facility. Now the new facility coming in, do we see any further tax advantage coming in at the consolidated level or will stay in that bracket of 14 to 17%?

Sandhya J: See, Cayman comes at zero tax and India comes at India taxation rates. So if the share of profit of Cayman in the overall mix goes up, the ETR goes down. So that's the logic. But what we are seeing is that India also has been doing quite well in terms of India's performance itself, and Cayman will come back up after the new facilities commence. So, we would like to maintain the outlook on the tax rate as it is going currently.

Rishit: Okay, all the best team for the coming year. Thank you.

Nishant Singh: Yeah. Avneesh, can we have your question please?

Avneesh: I just have two questions. Means first one is what's the ROE number of the old established hospital and what's for the new hospitals?

Dr. Anesh Shetty: Can you repeat that please?

Avneesh: What's the ROE number for the old hospital which were established earlier and what's the ROE for the new ones which we recently established?

Sandhya J: It is not a number that we are separating out and reporting. Our ROE overall as a group, if you would see, as of 30th September 2024, we would be around 26.3%. So that's the number that we've reported out. If you split it between India and Cayman, India is slightly on the higher side and Cayman is slightly on the lower side, but still in that range only, mainly because of the Capex that has gone online in Cayman. But we've not reported out separately ROE for mature assets and new assets. It may also not be representative to split it out like that because some of the newer assets are asset light and the mature assets, some of them are sweated out. So, there are different stages of investment. So, it may not really make sense if we split it out like that also.

Avneesh: Okay. And I have a second question. How many years in which our investments come back entirely from when we done a Capex? Means suppose we've done a Capex of ₹100 crores and established a hospital, then in how many years will that ₹100 crores return?

Sandhya J: See, hospitals are a very long-term investment business. So, it takes 8 to 10 years, but you must also appreciate that a lot of the investments outside of biomedical, like the big chunk of the investment goes in land and building. So, your ability to sweat that asset exists almost perennially. So, to that extent, while you may take 8 to 10 years to recover the money, but on an ongoing basis, when you have such investments, they deliver more positive return on investments.

Avneesh: Okay. That's it. Thank you.

Nishant Singh: Yes, Kapil. Please go ahead.

Kapil: Yeah. Hi. Thanks for taking my question. My question is on the expenses which are classified under other expenses in the P&L. Now, the quantum of such expenses shown for the preceding quarter and in the quarter of the corresponding year were at similar levels. But for this particular quarter, there is a fairly significant increase. So, can you kindly elaborate on the reasons for the same?

Sandhya J: I think we would need to understand which line you're specifically looking at.

Kapil: Other Expenses in your consolidated P&L or your standalone P&L item under expenses shown as 'other expenses'. The terminology used is 'other expenses'.

Sandhya J: The Other Expenses, essentially overheads. If I look at the numbers, we are more efficient in terms of our overheads versus last year's same quarter. So are you asking what has contributed to that efficiency?

Kapil: No, let me clarify. What I saw was that the expenses incurred in the preceding quarter of this year as well as the quarter of the prior year are at a similar same level. However, in this particular quarter, there is a fairly significant increase. I was just curious what led to that increase.

Sandhya J: Can we get back on this to you?

Kapil: Yes, no problem. Yeah, that's it from my side.

Nishant Singh: Thanks Kapil. Nitant, you still have your hand up?

Nitant: Yeah, so there are certain other things I want to ask. So, on the insurance platform, what's the guidance regarding the gross written premium growth? And any reasons that we're going to expand in the coming years?

Viren Shetty: Ravi, the question is on GWP growth and just a rough estimate how we're thinking about the first year.

Ravi Vishwanath: Yeah, so I think generally we're not giving specific guidance on numbers, some of the things that we're looking at the moment which should lead to accelerated growth is, building out a lot of our distribution. We're also looking at sell a new product that we'll be launching later on in this financial year. For this financial year, we expect to be focused on the markets that we're in in Karnataka, and look to expand the market as we build momentum and build experience and understand the product market. There's a little bit of disturbance. I hope you were able to hear me.

Nitant: Yeah, I got you. Thanks, that was helpful. And one last question is that on the ATHMA platform, that's a SaaS provider. So what's the growth trajectory that the application is on? Any new hospitals, any new healthcare institutions or processes?

Viren Shetty: ATHMA, for those who are not aware, that is an in-house hospital operating system. Our entire hospital runs on that. All our clinics, doctors, labs, radiology, EMR, patient apps, doctor apps, all of that essentially works off of that. We have created a SaaSified version that is available to outside partners. And we've enrolled on a trial basis Ida Scudder Memorial Hospital, which is a spin-off of the CMC Vellore Group. We've partnered with a few non-profit trust hospitals. There is a very large diagnostic chain in Karnataka that uses this. There are a lot of other smaller clinics that take this up. But we've not been aggressive at all in pricing the services. For us, at this point, we're just driving adoption. So, the revenue from our external clients is minimal.

But what we want to do is to build up a habit and understand what are the modules that they value the most, so we get a better understanding of their utilization. And over time, once we increase adoption, then you can see any significant contribution both from ATHMA as well as from Medha. Medha is our analytics and AI product, which again is used both internally as well as a lot of other hospital groups are using that. So as a revenue contributor, it's not contributing anything much now, nor we foresee it will be anything significant in the next 2-3 years. For now, we're just looking to really increase adoption and improve the product.

Nitant: That was a great explanation. Thank you.

Viren Shetty: Thank you. Nitesh, you have a hand up?

Nitesh: Yeah, thanks for the opportunity. Can you share the revenue and the burn in integrated care and insurance business for first half?

Viren Shetty: Yeah, give us a second.

Nishant Singh: So that number is there in the IR deck that EBITDA burn for this NHIC and NHL put together is around ₹13.5 crores for this quarter. And this number was ₹11 crores for the 1st Quarter. So collectively for the first H1, first half of the year, we have spent around… EBITDA losses around ₹25 crores.

Viren Shetty: And the remaining year may not be significantly different from this.

Nishant Singh: You can expect a bit more, but the total number should not exceed ₹55 crores.

Nitesh: Okay, sure. I am a bit new to the company. Can you explain two things? One is that what is the business model in integrated care? And how do you see this scaling up? And secondly, what is the reason for entering Cayman Islands? And do you see further foreign entry in future?

Viren Shetty: How much time do we have? These are two of my favorite topics. I'll give you the quick summary. Integrated care, the way we think about it is that the growth of the healthcare business in India is closely tied with the growth of the payment systems. No country in the world you'll see at this level where so many people are paying out of pocket. In our system, 60% pay out of pocket. And even for the best healthcare group in the country, easily half their patients are paying out of pocket. That's simply not the case in most parts of the world where you either have the government or your insurance company paying.

Now, with insurance, of course, the health insurance industry in India is growing very fast, but it's still not growing fast enough as it should because of various reasons. So, we wanted to create an alternative product that is sort of like health insurance, but is more in line with bundled healthcare. So bundled healthcare means, where you pay us insurance premium and you pay us a care management plan. Both of these together will take care of the entire healthcare needs of your family within our network, as well as a narrow network of providers we enroll. And the goal with this is that you pay us and we've screened you. We will keep you healthy. We will keep you out of the hospital. We'll make sure you live a long, productive life. But should anything happen, we will take care of you, no questions asked, no exceptions, no room rent disallowance. None of the issues that normally plague the traditional insurance company, because we have 100% trust and alignment between the hospital and the insurance company. So, we created these as two separate entities, NHIC, which will run clinics and care management plans and house a lot of the doctors and clinicians. NHIL, which will be the regulated, IRDAI regulated insurance entity, which will sell the policies, do the underwriting, collect the premiums and disperse to the things in the network.

The question you asked on Cayman, Anesh will answer.

Dr. Anesh Shetty: To your question, why we started Cayman, essentially in India, we have a structural cost advantage. So, if you look at us versus peers, we realize on a per patient or per transaction basis, a phenomenally lesser amount, almost 35-40%. But on a profitability metric, there isn't that much of a difference. So, the goal and aim was to see if we could take the structural cost advantage or this more efficient way of operating in India and translate it to a very, very different market, where reimbursements are exponentially higher and see if that would work. So, Cayman essentially was an experiment to see if we can take our low cost, high outcome, high clinical outcome model and export it to another country. We started that about 10 ½ years ago. And so far, it's been very, very successful.

Nitesh: Sure. Thank you. That's it for my side.

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

Santosh: Yeah. Hi. So, I have a question regarding our revenue contribution from our specialty. Are we concentrating on any specific specialty apart from the top three, which we have for the next 3 to 4-5 years? And what is the reason behind it?

Dr. Emmanuel Rupert: Yeah. Apart from the cardiac sciences and the oncology, I think a lot of focus is going into GI sciences, orthopedics. Nephro Urology has been a very strong point in most of our centres. But we are also focusing on the acute care aspect of it. So, the ICUs and the emergency cares, some of these areas we are working on. So, we have close to 1,800 beds in the ICUs. So that is one area where we are working significantly on the care of that. As the number of geriatric patients are going up and comorbidities are going up in the country, there is a significant need for clinics and that is where we are looking towards.

Viren Shetty: Outside of specialty, we will be looking at investing in the latest modularity for treating patients. So, a lot of our hospitals have robotic surgery. Eventually all our hospitals will have robotic surgery. Similarly, in cancer, we will be getting into immune therapy and offering that for our patients. So, we also want to be at the very advanced edge of what new therapies are available in the market.

Santosh: Okay. So, the Greenfield expansion and all this Capex, is it aligned with this kind of shift which you are looking into?

Viren Shetty: Yes. So, all the Capex that we are putting forward are almost adjacent or within a short driving distance of the hospital that we have. There will be tremendous complementarities between the doctors who work in our system and the doctors who work in the other hospital that we run. These hospitals will be built to the absolute cutting edge of spec. The thing about our flagship hospitals that even though they are the largest revenue contributors, their infrastructure dates back to 25+ years and so they are quite dated in their design, layout and spacing. The new hospitals will have very very different way of thinking how patients come in and they are organized. We have invested a lot with Atma on digitizing the entire patient journey. So the new hospitals will not have as much waiting rooms, as many registration desks and reception. It will be a fully paperless reception deskless system where with your phone and with kiosk, you are able to navigate yourself through the hospital. Similarly, all the rooms will be able to turn into ICUs because our focus on intensive care means we want to be able to offer the full modality of care. The rooms will be single and double rooms and they will… all the operating theatres will have the ability to convert into robotic operating theatres. So these facilities will be built in going forward in our network other than the ones we have acquired but whichever hospital we would build from scratch will be absolutely future proof.

Dr. Emmanuel Rupert: They will also have significant number of day care beds, so that will take care of the short stay and the ambulatory care. So even though you look at the overall bed strength, a

significant portion of them would be allocated for the ambulatory and day care allocation. Very similar to what the new unit in HCCB is doing.

Santosh: Ok, ok. My second question is regarding the insurance part. If you see, in the presentation, you showed the payor profile, 29pc comes from the insured patients and all. In the call, you also explained about the insurance part where in developed countries, most of the payment is done through insurance and in India also, we are slowly moving towards health insurance. So in the next 5-10yrs., what is the difference we can see in our revenues or the working capital when the percentage of insurance increases in our profile?

Viren Shetty: Definitely cash does wonders for your working capital but it is also very deleterious to your realization because people who paying out of pocket are much more price sensitive whereas people who end up paying insurance while the insurance company will negotiate very hard with the companies on the Rack Rate and discounts on the Rack Rate. What ends up happening is that, your customers are a lot less price sensitive and they will opt for private rooms, they will opt for robotic surgery over the normal surgery. So, one is definitely much better than the other. If given a choice, we definitely want a situation where bulk of operations are insured so they are not fully exposed to the actual cost. So working capital part, yes, you will be stressed but we are also investing in an insurance company of our own and so we are hoping that 10 years hence, a large number of patients in our hospital come from our in-house insurance units. So it can be netted off.

Participant: Ok, understood, thank you so much.

Nishant Singh: Yes Raman, please have your question.

Raman: Ya, am I audible?

Nishant Singh: Yes.

Raman: Good afternoon! Most of my questions have been answered. I just wanted to understand the overall current mix of rates coming in from the out of pocket expenses and the ones which are covered by the insurance? So what is the bifurcation of the topline?

Sandhya J: Topline?

Raman: Ya.

Sandhya J: How much is cash and how much is insurance? You are asking about payor mix, right?

Raman: Payor mix, right.

Sandhya J: It is part of our in-depth deck itself. 45pc of our patients pay in cash and about 29pc of our patients, I am talking about India, are insured patients.

Raman: How do you see these numbers going forward? What has been the industry like?

Viren Shetty: Industry wise insurance is 40-45pc on average. It will be higher for some cities like Delhi, if hospital group is only focused on NCR or only focused on Hyderabad or Bangalore, it will be higher, maybe 50-55pc. But on an average, if you do hospital groups, that are a mix of tier 2 and tier 1 cities, around 40-45pc insurance patients is about average.

Raman: Ok thank you. That will be ok.

Sandhya J: Before we go to the next question, I want to answer that overhead question that was asked earlier. Sorry, I couldn't catch the question properly at that point in time. See, the reason the other costs are going up is because the overall number that you have seen includes the cash burn that we are seeing in the integrated care business. So, a large part of that is bunched in other expenses. If I eliminate the impact of the cash burn then the absolute overhead costs which are being incurred in the hospital segment has come down only as a percentage of revenue, though we have seen some stress in terms of fuel and power costs which have gone up across all locations. However, we have been able to off-set it through other efficiencies. So as an overhead of the hospital business we are ok. But some of the cash burns, when you are seeing overall numbers, they are getting bunched up in other expenses and that's why it is looking disproportionate to you.

Viren Shetty: Rohan, can we get your question.

Rohan: Hello? Thank you for the opportunity. Am I audible?

Nishant Singh: Ya.

Rohan: So my first question was largely about the occupancy in the India business as well as the Cayman business for the quarter compared to last year? Thank you.

R. Venkatesh: Occupancies have been good for this quarter as far as the India business is concerned. Other than the flagship, the other units have nearly accounted for nearly 70pc which includes units like Raipur and units like Mysore, Shimoga. When it comes to flagships, the occupancies have been at 64-65pc and had not this issue of Bangladesh and the issue which had

happened in Kolkata in this last quarter that happened, the flagship would have also registered occupancies to the level in which the other hospitals have registered, which is nearly 70pc.

Viren Shetty: Cayman occupancy was a little muted in Q2, on the count of a lot of patients postponing their long stay procedures because of the hurricane. Generally, occupancy is not a number we track to, because of a huge amount of focus in Cayman for daycare and a lot of the out patients also but Cayman occupancy is about 50 to 60pc on an average.

Rohan: Ok. On my 2nd question, it was regarding the Cayman facility. As we see that Q2 is generally a stronger quarter than Q3 and we have seen a decline of 7pc in the topline YoY, how do we see that going ahead in the next few quarters? Are we expecting the same numbers ahead or are we seeing the business is going up? Thank you.

Dr. Anesh Shetty: As I answered previously, the quarter was a little slower than we expected. There were quite a few small things adding up to lead to a disappointing quarter but then in the month that's have gone by, that's October, the first month of quarter 3, we are already back to our previous growth trajectory and a little better as well. So it was just a quarter that is likely to be, I mean certainly a onetime occur.

Rohan: Ok, alright, thank you.

Nishant Singh: Mr. Alankar, please go ahead.

Alankar: Hi, thank you for the opportunity. Sir, you mentioned that 65-70pc cost of the Camana Bay Hospital were incurred in September. Possible to share that number for the full quarter, 2nd quarter?

Dr. Anesh Shetty: So in the 2nd quarter, we did not…..it would be very difficult and I am not sure it will be helpful also but what would help answer your question is that, by September this cost would ramp up. It's not onetime, they are ongoing costs, so the cost would be lesser and lesser in the early months of the quarter but we estimate about 60-65pc would be incurred by the end of the quarter and now we are closer to early November, we are closer to about 70pc or 75pc of the cost. And in Q3, you will see, by the end of Q3, you will see a 100pc of the cost having been incurred. Having said that, what I can share is that, we are more confident that our measures taken to control the start-up costs have been successful. We initially anticipated about 6-8 quarters to return to pre-commissioning margins. We now think that will be closer to 4-5 quarters as I had shared earlier as well.

Viren Shetty: And cost in this case mostly refers to salary of the manpower we have hired to take care of the facility?

Dr. Anesh Shetty: Big fixed cost for the facility itself, that is just one shot.

Alankar: Actually that was my 2nd question because the hospital is yet to be fully operational and even the OPD you mentioned is operational for just a week. So is it just the cost factor which is giving us confidence to advance the timelines?

Dr. Anesh Shetty: Ya, so definitely the revenue ramping up quicker than we anticipated will help but we don't know if that's going to be quicker than we have anticipated because it's just been a few days but looking at the way the costs are shaping up, that did give us the confidence to give a slightly better guidance on that.

Viren Shetty: Sorry, but the confidence comes from the outpatient footfalls and the expression of interest from patients who are saying that they will come and bring their business to the new place. That is giving us confidence that it will ramp up much faster and we won't be bearing this huge fixed cost without any commensurate revenue for as long as we had initially thought.

Alankar: Understood, ok. The 2nd question is, I mean if you look at the margins for Cayman, based on our understanding, seems to have reduced by more than 500-600 basis points in a sequential basis in this quarter. Now possible to broadly break this decline due to higher cost which you mentioned for the new hospital as well as on the 2nd side, lower sales in the existing hospital?

Dr. Anesh Shetty: Yes, I mean an exact break-up won't be possible but you can sort of…..for example there are USD 29 Mn for Q2, the previous quarter was at USD 32 Mn and the one before was at USD 30.5 Mn or so, between USD 30 Mn & USD 31 Mn. You know our margins over there. So that gives you a rough sense of what can be attributed to the revenue decline and what will be on account of the new facility cost, a rough sense that should help.

Alankar: Fair enough! And 2 final book keeping questions. Broadly, what are our annual corporate overheads today? I mean what's the current run rate?

Sandhya J: 4pc of revenue is what we normally clock in as corporate overheads but that also includes a significant investment in technology because we are investing significantly in ATMA and MEDA and including that, we do about 4pc of revenue.

Alankar: Understood and the 2nd one is, what was the contribution from Bangladesh to overall sales before the disruption?

Sandhya J: Bangladesh was typically around 8-9pc of revenue. We have come down to 6.5pc of revenue.

Viren Shetty: Prior to pandemic, it used to be 11pc, then it settled down post pandemic at 9pc, now it has come down to 6-7 but as I indicated earlier, in a decade's time, this number will go down to 0.

Alankar: Understood! That's it from my side, thank you.

Nishant Singh: Thanks Alankar. Rohan, you have any questions to ask or we move to Deven? Deven, we can have your question.

Deven: In the integrated business, the realization per transaction is dropped sharply in Q2, almost at 25-30pc, so any reason for that?

Ravi Vishwanath: No particular reason. Part of it is also to do with seasonality and people coming in for current lower ticket items is one reason in terms of the transaction.

Deven: Ok, got it. And finally for the next few years, what kind of EBITDA, cash burn rate do we expect for the NHIC and NHIL business?

Sandhya J: Similar burn rate we can assume at least for the next 2 quarters. The logic with which NHIC works is cohort by cohort which means that we start a particular code which is a group of clinics and that cohort breaks even in about 18 months. In parallel, we move on to the next cohort which will take another 18 months to break-even. So it is a cyclical thing. So we will continue to burn similar amounts of cash in the near future as we will be adding cohort.

Deven: Ok, ok, got it.

Nishant Singh: We will take a question from Prithvi and then we will go on to the chat questions.

Prithvi: I just have one question, you know. It is for Cayman business. As you have mentioned, 65pc of the cost from the new facilities are already part of P&L. So can we assume that for the entire Q2, it is zero revenue with a 65pc of cost from the new hospital? Is that right?

Dr. Anesh Shetty: Prithvi, just to clarify, I said, as of now, that is……sorry, as of the last month of the quarter, so last month of Q2, we estimate that about 60-65pc of the cost were online and zero revenue, that is correct.

Prithvi: But for June and August?

Dr. Anesh Shetty: It will be a number much less than 60-65pc but it's tough to accurately estimate because there are some fixed costs, some people who are shared between both facilities. We are not maintaining 2 distinct P&Ls as we discussed before because it's a very, it's sort of like 2 campuses of the same facility, lot of costs are shared between the two but it is a rough estimate.

Prithvi: If that's the case, can we assume that Q2 margins are like bottom and from next quarter as revenue scales up, the margins should gradually improve on sequential basis?

Dr. Anesh Shetty: Because in Q3, we will see all of October again, zero revenue, in November minimal revenue because of just outpatient facility is being commissioned. If all goes according to plan, December is when we will start seeing the revenue but for October, November, we would have incurred very significant costs, November especially and December will obviously be 100pc of cost.

Prithvi: Ok, got it. Thanks a lot.

Viren Shetty: So I will get to the chat questions in sequence. The 1st question was, is the QIP on the company's mind? Not at this point for 2 reasons – one is, we have sufficient leverage available within the India balance sheet to be able to fund a lot of the expansion that we have planned through borrowing. We have sufficient internal cash flows also to take care of a lot of that. We are planning to do a lot more than that, post this phase of expansion, which point we consider. The other reason why the QIP is not something that, we are too happy about right now is because we do believe that the value that the market expresses, our company is not reflective of the underlying potential that exists. It's something that we think maybe we have to do a better job at communicating with the shareholders and we will work harder towards achieving that. So for those two reasons at this point, we are neither raising money at what we believe, at unfair valuation nor the need exists for it to be done right now but it's something we are open to doing in a year or two time.

The next question was asked about sharing current occupancy at Cayman. It was asked and we had shared earlier.

Question after that, on MEDHA AI which was incorporated in December, any updates? We had shared that earlier but I will give a quick update again. MEDHA is our AI and Analytics Division. They run a lot of the programs that we use internally, both for the AI tools that our

doctors and our managers use as well as the dashboards that help us run the finance and supply chain function. This is also a service that we offer to other hospitals and quite a few hospitals run our analytics program and they are also in discussion with a couple of more hospitals but we are not too aggressive on the pricing as well as on the go-to market strategy, it's something that we are focused a lot more on product building at this point and having it organically. So the revenue impact of this would be muted for the next year or two.

The next question was, NHIC revenue per patient dropped Q on Q. Ravi answered that, it's just seasonality. Anyone who was in Bangalore in this past quarter and had to deal with the rain and the traffic, will understand why no one wants to get out of their house and walk to a clinic.

The next question is a pretty long one. So this is a question that, it's asked about the ATHMA, which is our hospital operating system. Are we targeting any particular hospital and some clarity on what the plan is for ATHMA? So the plan for ATHMA is, even though we have at least for this part of the world, the most comprehensive hospital operating platform, that includes nearly every module that you require for running a modern hospital, it is still something that we believe has years' worth of work left into it, both to make sure its comprehensive and end to end and two, to achieve our business objectives. The business objectives being able to either eliminate or automate or extremely simplify a lot of the manual wrote paper based, excel file based, system that exists in hospitals throughout the world. Unless we do this, we don't believe we can bring a transformational reduction in the cost of deploying every subsequent hospital we are looking at. So our headline quote for ATHMA and MEDHA is that, the hospitals that we put up in future should not have a single person working there who is not touching the patient. Now the things we have to do to achieve that is a huge amount of digitization and reorganization and that is the stuff we are working on but in terms of the value that it currently provides to us is recognized by few hospitals and they are happy to have the software. It is just not matched entirely by their enthusiasm to pay a lot of money for that software and we are not pushing them too hard either because at this point, we just want to drive this option.

There is a question from Vinay. Can a Mumbai based person get covered under insurance? Not at this point. Our insurance is restricted to Bangalore and Mysore at this time and the way we will be rolling out insurance will be, rolling it out in all the areas where our network provides a huge amount of coverage. In Mumbai, we only have a Children's Hospital at this point. We are actively looking at getting an adults' program out there as well. When we do, we will set up a large number of clinics and along with the clinics, we will roll out insurance.

But for right now, our priority markets are Bangalore and Mysore, then eventually we will get into Calcutta and then Delhi.

The next question, give the break-up of EBITDA margins between India and Cayman. Sandhya will answer.

Sandhya J: So our India margin is, our India hospital margin is there in our investor deck. We have also given the cash burn that we incur in NHIC and NHIL. So the group margin minus the cash burn and the margin that India has made is the Cayman margins. So I think that's something you can calculate for yourself.

Viren Shetty: Next question is, does Bangladesh footfalls affect only the Kolkata cluster? Actually no. So Bangladesh, our Bangalore hospitals specifically the cardiac hospital, Bangalore has a much greater exposure to patients coming from Bangladesh because of the legacy impact of Dr. Shetty's active clinical practice. So Bangalore tends to be a lot more affected by reduction in Bangladesh footfalls. But as to why the discharge growth has reduced 8pc? It's a combination I think. As Venkatesh has said earlier, one is obviously the reduction of people coming from Bangladesh but also, the general movement away from very low payor segments towards those who are much more better placed. So that means you don't end up having a large amount of footfalls in low yielding patients. We can focus on fewer higher paying patients, taking higher end procedures that are much more viable for running this business.

This is a good question that Avinash has asked. What does the management think before establishing a new hospital? Any new initiative? The most important thing before establishing a new hospital is at this point, is it beneficial to the thing we have? So a new hospital can be there in Bhopal, there are opportunities in Agra, Meerut, there are opportunities all over the place but if it is not immediately value accretive to the current network which is not in the vicinity of any of the hospitals we have right now, it gets assigned a kind of relatively lower priority. The highest priority we assign to our flagship centres – Bangalore and Kolkata. Next in priority would be Delhi and Mumbai and then the other hospitals we will look at in reducing the order of priority. What do we think before any new initiative? Again there are many initiatives that exist in healthcare industry. There is single specialty hospital, that is all the rage, there are people doing eye care, there is a lot of ……there are companies that have spun off their diagnostics, their lab business, their radiology, pathology business, there are hospitals that have gone into home care. For that, again we think, what makes sense for the whole? We have retail pharmacies but we have retail pharmacies only in retail clinics. We have retail clinics but we don't have retail clinics all over the country. We have retail clinics

that are highly beneficial in terms of getting patients to our main hospitals. Home care is something that is offered as a service bundled with the managed care plans but it is not something that you can independently pursue. Similarly eye care is something we haven't done because we believe that most parts of the country are adequately served with eye care. Other single specialty – we had experimented with dental in the past. We had thought about single specialty, but it is not something we think is, something that customers expect from Narayana. I think people come to us for an overall value proposition, someone who is able to offer really high levels of care across the specialties at a very affordable price. So it's not the best fit for us. So in the end, it's generally the strategic intent of how we think about it.

Does mental healthcare feature in your future plans? This is a good question. So mental health is a huge and growing need in the country. It is something that is offered as a service in all our hospitals but as to whether we can offer it as a standalone service, we don't believe so. In our NHIC clinic program, as part of the bundled healthcare services that are being offered, we would eventually offer physiotherapy, mental healthcare, lifestyle coaching, wellness and those sorts of things but it wouldn't be something that you would specifically come to a Narayana run mental health clinic. I don't think we would be very good at that. I think we are good at offering a large bundle of services and not hypo-focused on just one thing.

Priyank asked a good question. How do we add new operational better existing hospitals….

Viren Shetty: Priyank asked a very good question – how do add new operational beds in the existing networks without incurring much capex? Easy! You don't add more beds. You take the bed that you have and do more with it, which is you turn it into a higher yielding bed or you can look at things that can reduce the length of stay or improve the number of discharges. So adding more beds is the last thing we would absolutely think of. And if you absolutely have to add a bed, you would try and add it within the same building, either next to an existing bed or on top of the existing building or adjacent to the existing building or if you are not able to do that, then you have to buy land and go somewhere else. So when O&M models are a way of paying for it but the problem is, you don't always get to choose when you go for an asset lite building. How it is built? Where it is built for us? The location and its proximity to our existing hospitals matter the most. If we are able to find a hospital which is absolutely synergistic on all fronts, it is built the way we want, built where we want and if it comes at a price we want, then we would add that. If not, then we will have to make the investment ourselves.

There is a question about issuing bonus shares. That's a good point. I will sit with the IR team and discuss with them.

That is all the questions that I think is there on the chat. If you have any other question in the call….

Sandhya J: Damyanti couldn't finish a question earlier… I think she has dropped.

Nishant Singh: If there are no other questions, we would like to conclude our session. Thank you everyone for the active participation as usual. Please feel free to reach out to us for any follow-up queries that you may have. Thank you.

END OF TRANSCRIPTION