

May 31, 2024

The Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor, Plot No. C/1  
G Block, Bandra-Kurla Complex, Bandra (E)  
Mumbai - 400 051

Symbol: YATHARTH

Dept. of Listing Operations  
**BSE Limited,**  
P J Towers, Dalal Street,  
Mumbai -400001, India

Scrip Code: 543950

**Sub: Earnings Call Transcripts**

Dear Sir/Madam,

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors' conference call organized on May 24, 2024 post declaration of Financial Results (Standalone & Consolidated) for the quarter/financial year ended March 31, 2024.

The transcript is also available on the website of the Company:  
<https://www.yatharthhospitals.com/investors> in the section of Corporate Announcements.

Kindly take the same on record.

Your faithfully,  
For **Yatharth Hospital and Trauma Care Services Limited**



**Ritesh Mishra**  
Company Secretary & Compliance Officer  
Mem. No. A51166  
Enclosed as above.

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**Our Hospitals**

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# “Yatharth Hospitals and Trauma Care Services Limited Q4 FY24 Earnings Conference Call”

**May 24, 2024**



**MANAGEMENT:** **MR. YATHARTH TYAGI – WHOLE-TIME DIRECTOR,  
YATHARTH HOSPITALS AND TRAUMA CARE SERVICES  
LIMITED**  
**MR. AMIT KUMAR SINGH – GROUP CEO, YATHARTH  
HOSPITALS AND TRAUMA CARE SERVICES LIMITED**  
**MR. PANKAJ PRABHAKAR – CFO, YATHARTH  
HOSPITALS AND TRAUMA CARE SERVICES LIMITED**  
**MR. DEEPAK TYAGI – PRESIDENT, STRATEGY AND  
FINANCE, YATHARTH HOSPITALS AND TRAUMA CARE  
SERVICES LIMITED**  
**MR. NEERAJ VINAYAK – HEAD STRATEGY AND  
INVESTOR RELATIONS, YATHARTH HOSPITALS AND  
TRAUMA CARE SERVICES LIMITED**

**MODERATOR:** **MS. DHARA – SMIFS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Yatharth Hospitals Q4 and FY24 Earnings Conference Call hosted by SMIFS Limited.

As a reminder, all participants line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Dhara from SMIFS Limited. Thank you and over to you, ma'am.

**Dhara:** Thank you. Good afternoon, everyone. I, Dhara, from SMIFS Limited welcome you all to the Quarter 4 Earnings Conference Call of Yatharth Hospitals.

From the Management side, we have with us Mr. Yatharth Tyagi – Whole-Time Director; Mr. Amit Kumar Singh - the Group CEO; Mr. Pankaj Prabhakar - the Group CFO; Mr. Deepak Tyagi - President, Strategy and Finance and Mr. Neeraj Vinayak - Head Strategy and Investor Relations.

I now hand over the call to Mr. Yatharth for his opening comments and to take it forward. Over to you, Mr. Yatharth.

**Yatharth Tyagi:** Good afternoon and a very warm welcome to Yatharth Hospitals and Trauma Care Services Limited Earnings Conference Call for the quarter and full year ended March 31, 2024.

I have with me Mr. Amit Kumar Singh - our Group CEO; Mr. Pankaj Prabhakar - our CFO, Mr. Deepak Kumar Tyagi - our President of Strategy and Finance and Mr. Neeraj Vinayak, who has recently joined as the Head of Strategy and Investor Relations. We have uploaded our presentation on the exchange and the Company Website, and I hope you all might have received and have had an opportunity to go through it.

In an ever-evolving landscape of healthcare, Yatharth Hospitals have stood resilient and showcased unwavering commitment to excellence. Throughout the Fiscal Year, our team’s dedication, strategic vision and operational efficiency have propelled us forward, enabling us to surpass expectations. Given the swift pace of modern lifestyle, patients increasingly prioritized treatments that ensure safety and swift recovery. I am happy to share that robotic surgeries have now seamlessly integrated into our standard medical procedures, with around 115 robotic surgeries already completed till date. We have indeed taken the lead in conducting the first robotic surgery in the Greater Noida region. Till date, we have installed 3 Da Vinci X Surgical Robots and one Stryker Orthopedic robots across our five hospitals.

This quarter so has performed some remarkable lifesaving medical procedures including abdominal aortic aneurysm repair, EVAR for an African international patient. I am also proud of the 7-hour neurosurgery on a young child for removal of a rare brain tumor expanding 2 kg for 18 excruciating months. Yatharth Hospitals have an unwavering commitment in upholding the most rigorous corporate governance standards, thereby ensuring utmost transparency and accountability to all valued stakeholders. Thus, I would like to highlight that our Company is in the advanced stages of finalizing a prominent big six audit firm and will be appointing them as statutory auditors in the coming time.

Speaking on the performance:

During Q4 FY24, we invite the state-of-the-art Radiation Oncology and Nuclear Medicine Center at our Noida Extension Facility, marking a significant milestone and redefining cancer care services in the region. Equipped with cutting edge technology and comprehensive facilities, including a linear accelerator, Elekta versa HD, brachytherapy, and PET CT scan capabilities, we aim to provide comprehensive cancer care services under one roof to our patients. With oncology now contributing nearly 10% to our revenue stream in Noida Extension Hospital, I anticipate significant growth in the current Fiscal Year, the establishment of cancer radiation line. With addition to this, robotic surgeries, and expansion of organ transplant procedures, I am confident of a case mix shift towards more specialty treatments which we have already displayed and should further drive higher ARPOB.

With Asia's largest International Airport, the Jewar Airport, expected to commence this year, we have already set up a dedicated team of international marketing professionals to expand their medical tourism business for the group. To cater to these international patients, our Noida Extension facility has undergone some renovations including the creation of a dedicated international patient floor and a lounge designed to provide a comfortable and welcoming environment. Furthermore, we are strategically developing the infrastructure of the additional 200 beds at our Greater Noida location, the focus on catering to international patients. Our team has been organizing facilitator meets and our doctors are constantly going and doing OPDs in countries like Africa, Iraq, and CIS.

I am glad to announce that Yatharth Hospitals have achieved industry-leading growth in revenue and profitability during the quarter and full year ended March 31, 2024. We have delivered stellar results with our revenues surging by 29%, reaching Rs. 6,705 million in financial year 24. This growth trajectory was complemented by a 35% increase in EBITDA reaching Rs. 1,799 million with the margin expansion of 113 basis points to 26.8%, further highlighting our balanced approach towards growth and profitability. Our profit after tax surged by 74% to Rs. 1,145 million during this period. In the Fiscal Year ending March 31, 2024, Yatharth Hospitals experienced notable advancements. Our expansion strategy encompassing both organic and inorganic approaches, saw significant milestone in February

2024 with the execution of a definitive agreement of the complete acquisition of Asian Fidelis Hospital in Faridabad, Haryana, now rebranded as Yatharth Hospitals, Faridabad.

This strategic move with the purchase consideration of INR 1,160 million underscores our commitment to growth through inorganic mode and is in line with the commitment to acquiring one hospital each year through Financial '24 to '26. This share purchase agreement was completed on March 28th, 2024, and the hospital was operationalized on May 12, 2024, thus expanding our presence in North India region, particularly strengthening our presence in Delhi NCR markets. Throughout our hospital network, we have observed a consistent uptick in occupancy rates, achieving an overall level of 54% for the Fiscal Year and Noida Hospital stands out with an impressive occupancy rate of 89%.

Furthermore, our Greater Noida facility has seen an increase in occupancy to 67% now. We anticipate this facility to achieve optimum utilization in this fiscal. Our Noida Extension has been growing rapidly with current utilization reaching 44% versus 31% in the previous year and this facility will be reaching occupancy level by the next year. Furthermore, our Jhansi Hospital is progressing well with an occupancy rate of 34% in Q4 2024. As we continue to ramp up operations and enhance the services offering, we expect to see continued growth in occupancy at our Jhansi Hospital.

In summary:

The quarter has been marked by impressive double-digit growth across most of our specialties and super specialties. As part of a strategic realignment towards Super Specialty treatments, we had observed a steady decrease in our share of internal medicine and a positive impact on consolidated ARPOB levels by increase in the high-end Super Specialty departments. Among all hospitals, Noida Extension Hospital registered the highest share of revenue coming from Super Specialties and thus witnessing the highest ARPOB level of Rs. 35,074 during the quarter.

I would like to hand over the call to CFO – Mr. Pankaj Prabhakar for the financial updates for the quarter. Over to you, Mr. Pankaj.

**Pankaj Prabhakar:**

Thank you. Good afternoon, everyone. I am pleased to announce that Yatharth Hospital has achieved industry-leading growth in revenue and profitability during the quarter and full year ended March 31st, 2024.

Let me take you all through the quarterly performance first, followed by our annual performance:

During the quarter, Yatharth Hospitals achieved a revenue of Rs. 1,777.5 million, reflecting a substantial Y-o-Y growth of 24% driven by an improvement across most of our specialties and a higher ARPOB level. Our inpatient revenues were up by 23% Y-o-Y while outpatient

revenue witnessed an improvement of 26% Y-o-Y during the quarter. Our Company reported EBITDA of Rs. 465 million for the quarter, up 21% Y-o-Y while our margin stood at 26.2%. Our profit after tax exhibited remarkable growth of 121% Y-o-Y and 30% quarter-over-quarter to reach Rs. 383 million primarily attributable to lower finance cost during the reporting period.

As mentioned earlier, we are witnessing the full impact of debt reduction which has reduced our finance costs by 93% Y-o-Y. During the quarter, we have secured a debt of approximately 800 million to facilitate the transfer of pending debt liabilities associated with the Asian Fidelis Hospital onto our books. This strategic move allows us to enhance cash efficiency for allocation towards other growth initiatives. That said, we remain committed to prudent financial management strategies and optimize our capital structure for future endeavors. As a result of our strategic initiative, our PAT margin expanded significantly by 953 basis points Y-o-Y and 390 basis point quarter-over-quarter, reaching an impressive 21.6%.

Our average revenue per operating bed, ARPOB for the quarter, was 29,266, up by 6% year-over-year. The improvement was driven by a consistent shift towards higher complexity procedures observed across various specialties with gastroenterology, pulmonology, orthopedics and oncology emerging as key drivers of growth. Furthermore, our bed occupancy for the quarter reached 57%, making a significant improvement compared to 49% in Quarter 4 FY23 indicating enhanced operational efficiency and digitalization of our facilities.

Let me now briefly touch upon the consolidated full year numbers of the Company:

Our revenue grew by 29% Y-o-Y to reach Rs. 6,705 million. Our inpatient revenue demonstrated a solid 30% Y-o-Y growth while outpatient revenue witnessed an increase of 20% Y-o-Y. Our EBITDA for the full year remains at Rs. 1,779 million, up by 35% year-over-year with margin expanding by 113 basis points to 26.8%. Our profit after tax increased by 74% Y-o-Y to Rs. 1,145 million and PAT margin stood at 17.1% expanding by 443 basis points. With our constant endeavor to shift towards more Super Specialty treatment, our ARPOB for the full year is Rs. 28,571, an increase of 8% year-over-year.

Our Noida Extension Hospital delivered the highest ARPOB of Rs. 33,994 for the year witnessing an improvement of 12% Y-o-Y. Debt occupancy for FY24 stood at 54% versus 45% for FY23. During the quarter, the revenue contribution from government business remained on a higher side at around 40% of our topline, which coupled with a rise in outstanding receivable from government entities amidst election resulted in high receivable during the year end. We are in touch with the department and expect receivables to come down significantly by the coming quarter. Our balance sheet continues to be strong with a net cap position of Rs. 1,556 million. We remain dedicated to deploy these funds strategically to drive further growth and value creation. Our returns indicator remained healthy with ROCE at 32% and RoE at 22% despite an expansion in our capital base. As we progress, we are well

positioned to capitalize on the opportunities ahead and drive sustained value creation for our investors. Thank you for your trust and continued support.

With this, I would like to hand it over to the moderator for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pujan Shah from Molecule Ventures. Please go ahead.

**Pujan Shah:** Sir, my first question would be on the Jhansi-Orchha Hospital, just wanted to know in terms of ARPOB, if you are looking on a Y-o-Y basis, we have seen a degrowth of 30% while occupancy has improved at 32%. Just wanted to know what are we are visioning about this hospital and how we have been evolving and what our expectation limits to for next 1-2 years?

**Yatharth Tyagi:** Jhansi-Orchha Hospital, the occupancy has shown good growth and if we talk about ARPOB, ARPOB is increasing because some of the government scheme business that we are doing in this hospital that we recently got aggregated with. So, in the last earnings call, we mentioned that some departments like ECHS, Railways and Ayushman have been onboarded in Jhansi-Orchha Hospital and with the occupancy of those government schemes increasing, ARPOB in those departments tend to be lesser. That is why there is a dip in the ARPOB, but overall, we are happy with the increase in the IPD volumes there and we feel that in the coming quarters this hospital in terms of occupancy will rapidly increase also.

**Pujan Shah:** So, any broad idea about what ARPOB we can achieve over this specific facility and what we can guide about in next 1-2 years for this facility?

**Yatharth Tyagi:** So, I think ARPOB should be on an increasing trend in a year to couple of years in this facility, the reason being that now as we have these government panels on board, now it is also giving us the chance to fully operationalize our Critical Care and ICU beds and now all the doctors there are complete. So, we feel that in the coming quarters as our volume of critical care patients in Jhansi increases, the ARPOB should increase much further.

**Amit Kumar Singh:** And also, just to add if you see the super specialties businesses are growing in Jhansi. So, this year much more numbers will achieve in terms of Super Specialty which is going to add in our ARPOB, so anything by this financial year, I think you will see a good ARPOB by the second or third quarter probably.

**Pujan Shah:** And on the commentary, we have said that we will try to add one hospital or one facility each year by FY26. So, that is what let us suppose if we conclude we can say that we will add two more facilities in the upcoming two financial year. So, any broad idea on what our CAPEX would be and what cost per bed we are eyeing in terms of and third, which area we have been looking to for acquisition of new facility?

**Yatharth Tyagi:** So, we are looking in the areas of primarily North India and that too if I talk about, outside of Delhi NCR market and Uttar Pradesh, Madhya Pradesh, Haryana, these are the areas where there is still a lot of potential we feel as the population is growing, urbanization is happening in these areas, there is a huge scope for good or Super Specialty hospitals and there are few hospitals that we are eyeing for acquisition in these areas. As far as the CAPEX per bed is concerned, see if you look at it recently, we acquired the hospital in Faridabad, and it is when we expanded and we add medical equipments to it. So, we are paying roughly around Rs. 150 crores for a bed capacity of close to 200 beds, so coming to the CAPEX for bed of 60 lakhs to 70 lakhs roughly. So, this is what we feel would be a similar CAPEX per bed if we want to acquire an existing facility. But then obviously, there are some options that are available on O&M on lease model that is something also, we are exploring.

**Pujan Shah:** So, just wanted to get a brief idea on the new acquisition of the 200 beds of Faridabad. So, if we consider the total cost is Rs. 116 crores plus the machinery expense, which we have spent. So, on Rs. 116 crores, it seems a bit cheap compared to when you are looking at the similar facilities in the same area, so we get a very good deal about this thing, so just wanted to know how was the hospitalized structure well before we have been acquired to and what we need to be get ramped up on and or more than Rs. 150 crores we need to spend anything else for this facility to be keep running on?

**Yatharth Tyagi:** No, I think that is the total amount, but I don't think Rs. 150 crores is the right amount that we feel for overall CAPEX plus the purchase of this hospital. And primarily that involves the robots that we are putting up. In fact, last week itself this hospital has been commenced operations and we have already placed the Surgical Da Vinci X Robot there. So, most of the CAPEX is being done there and some little is pending, and we feel that this hospital should ramp up very well. Faridabad in itself being a huge hospital market, the drainage from the surrounding areas including Mathura, Palwal, Sohna is huge in Faridabad. So, we feel that it is a good catchment area plus this hospital already have healthcare insurances and some of the government empanelments from day one. So, that is really helping us to ramp up the occupancy in this hospital in the coming quarters. And another point is the doctors that are available in Faridabad and the doctors who have already joined us in this hospital, when they perform operations this month itself, these are some star doctors that we feel have a good clientage along with them. So, we are very optimistic about this hospital, and it should ramp up in occupancy very soon.

**Moderator:** Thank you. The next question is from the line of Deepak Singh from Barclays. Please go ahead.

**Deepak Singh:** So, I just wanted to ask like for the next 3-5 years, can we expect this revenue like 40% which you are growing for last 40%. So, can we expect for the next 3-5 years?



**Yatharth Tyagi:** See, we have had a revenue growth of 29% year-on-year basis and EBITDA percentage of 35% growth year-on-year basis. We feel quite confident in sustaining this growth for the years to come. We have occupancy ramp up yet remaining. We have ARPOB that is growing on even quarter-on-quarter. So, we are quite confident of maintaining the growth margins that we have shown in the last few years in the years ahead to come also.

**Deepak Singh:** Are you planning to open a hospital in Bihar somewhere there or you are targeting only Delhi NCR and Haryana?

**Yatharth Tyagi:** So, we are looking at North India, so that includes Uttar Pradesh and on the border comes Bihar. If there is a good opportunity there, it does sort of come within our territory of expansion. We will look into it. We have some leading doctors who belong to those regions. So, if there is good opportunity available there for acquisition that is something we will look out for.

**Moderator:** Thank you. The next question is from the line of Sumit Gupta from Centrum Broking Limited. Please go ahead.

**Sumit Gupta:** Sir, I just want to understand about the receivables part, so it is short by a lot this year, so just want to understand a bit on that?

**Yatharth Tyagi:** Yes, receivable has gone bit up and the reason being that as Mr. Pankaj mentioned in the commentary that there has been increase in the government business, so earlier it was close to one-third and in the latest quarter and now for the fiscal it has gone to roughly very close to 40%. So, with the government business increasing and also some delay from the segments that we receive money in, that is the reason receivables have gone up and finally if you look at it, these are three government schemes. So, one is ESI, second is ECHS and third is CGHS. Primarily, the debtors that we have are in these 3 government schemes and yes, maybe because of the elections here, maybe because of the coincidence in Quarter 4 the payments have been slow from the government side. But we feel as the government has displayed in the past that in the coming quarters this should normalize very soon. So, that is the reason for the receivables going up.

**Sumit Gupta:** So, just want to understand what the payables over the next 3-5 years. How do you see that panning out, government scheme coming down or insurance catching up? So, just want to understand on payer mix?

**Yatharth Tyagi:** See, we have also mentioned this earlier that we are focusing much more on increasing our ARPOB, focusing on the payer mix and optimizing that is not something we are thinking right now as long as our ARPOB is increasing and another reason why the government business has increased recently is because of oncology starting. We have started radiation oncology and so that has also led to increase in our medical and surgical volume. And oncology has good rates

in CGHS and government. So, this is why it is okay to take government business when it comes to oncology and high-end super specialties. So, as long as we are increasing business in those super specialties like oncology, like transplant and ARPOB is increasing, we are fine with the payer mix, but yes, we also do expect, our healthcare insurances and cash patient segment to increase at a faster rate given the brand recognition among this area and given the leading star doctors that are now in the pipeline to join us from the coming quarter onwards.

**Sumit Gupta:** Overall, if I compare OCF to EBITDA conversion with the peers, it is lower with respect to the open like big players in the Delhi NCR region only, so just want to understand on this part why the EBITDA to OCF conversion lower?

**Deepak Tyagi:** Well, one thing, because the cash accumulation is low one reason, Mr. Tyagi just explained to you because there is a significant investment going on the debtor's side. But if you are talking about the margins, the margins are pretty decent. Year-on-year basis, we are increasing, we are close to 27% now, which is around 200 basis points from last year. So, yes, your question is right that how the EBITDA is turning into the cash accumulation, so that is basically because in this year, not a happy situation, we are not liking it, but Mr. Amit Singh and Mr. Tyagi are working very hard to have these amounts realized as early as possible, but major most investment of our operating cash flows are getting on to the debtor side and that is why you are seeing that the cash accumulation is slow.

**Sumit Gupta:** And sir, over the next 3-4 years or at least 2-3 years, how much EBITDA margin expansion do you see?

**Yatharth Tyagi:** EBITDA margins, we are quite good in terms of EBITDA margins are concerned and we expect the margins to be sustainable because even though new hospitals are coming up, but there is still lot of occupancy growth that is going to happen in our existing hospitals of Greater Noida and Noida Extension. So, overall, EBITDA margins are quite sustainable even in the next 3-4 years that we have currently.

**Sumit Gupta:** So, the last question on the ARPOB, so basically you are saying you are not focusing on improving the payer mix, it will just be on the basis of case mix as well as introduction of new robotic surgery. So, that will lead to growth in ARPOB, is it fine?

**Amit Kumar Singh:** Yes, it is absolutely fine. So, as long as it is not hitting us badly, see if you look at it, we have a bed capacity and then month-on-month, our super specialties are growing. So, I think we are okay with this current mix as of now.

**Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Service. Please go ahead.

**Tushar Manudhane:** Sir, just on the Noida Hospital per se, we are now almost at 89% occupancy and even the Greater Noida we are at like 67% occupancy, so any scope to add more in terms of ICU beds so that we are able to have better realizations in these hospitals?

**Amit Kumar Singh:** So, first, we will take the Noida as it is 89% of occupancy, so first thing is that there is no bed capacity available that we can add and there is no space where you can increase our ICU bed or any other this thing. The only thing, Noida will give us the growth is about changing the specialty and revenue mix. So, if you look at it, even IPD revenue and OPD revenue, the per person realization has increased and that is what we were working on. Coming to Greater Noida, yes, we are as Yatharth earlier said it in his commentary, that 200 beds we are adding in Greater Noida. So, as of now Greater Noida is still 67% of occupancy, still around 12% to 15% occupancy is there, left inventory is there and then adding 200 beds would give us good flexibility to add more, critical and Super Specialty beds.

**Tushar Manudhane:** So, considering this and in fact even Noida extension has the scope to expand the bed capacity. So, if you have to factor this then how much of CAPEX we will do in FY25 and FY26?

**Yatharth Tyagi:** So, the CAPEX that we have taken for the expansion of our existing Brownfields because it is not a Greenfield expansion, it is Brownfield. So, we feel 60 lakhs to 65 lakhs per bed CAPEX is required in terms of our both Noida Extension and Greater Noida Hospital coming up. So, if 65 lakh approximately CAPEX per bed for 450 beds so that is there and then yes, again for acquisition, as I mentioned earlier that CAPEX would be somewhere around 70 lakhs per bed that we are looking out for depends upon the number of beds of acquisitions that we are going to add.

**Tushar Manudhane:** And lastly, just sir, what kind of valuations if at all you acquire, first of all, on the strategy in terms of acquiring like in terms of earlier cases, you have done acquisition where the hospitals were sort of built but were available at a very good or a compelling valuation. So, how do you think of acquiring subsequently now in the coming days or now you will have to pay premium?

**Yatharth Tyagi:** So far, we have acquired at a fairly reasonable valuation. And when I said that somewhere around 60 to 70 lakhs per bed CAPEX is what we look at while at looking to acquire a hospital, so that sort of gives the fair value estimation, but see it is for us also depends a lot on the area. And what is the catchment? It is just not that we are looking at a certain valuation that is what propels us to do an acquisition, it has to be fit in the overall strategy and we have always had this strategy. We have been present in the area which is growing, where the population is growing and which is catering to outskirts and nearby huge drainage areas. So, that is also key and this is why Faridabad we feel as a huge drainage, this area of Greater Faridabad is coming up with a lot of societies population increasing there. So, there are other factors that also goes into when we decided acquisition, not just the valuation and we feel if

those factors are catering to play, we can always look to increase and decrease certain valuation depending upon the geography that the hospital is located.

**Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Fund. Please go ahead.

**Dhruv Bhatia:** Sir, congratulations on a good set of numbers on the P&L, but the balance sheet doesn't look too good because if I analyze between 23 and 24, your sales have gone up by Rs. 150 crores, but your debtors have gone up by Rs. 120 crores, so the operating cash flow after working capital changes is 0, though you have a very healthy EBITDA, in terms of cash collection is almost negative from operations after working capital. So, I am not understanding that even if I take 33% of your last year's sales going to the government where you have a receivable issue and this year it has increased to 40% that the sales to government have increased by Rs. 120 crores and the debtors have also increased by Rs. 120 crores. So, basically for your incremental government sales, you have not collected at all. Is that the way to understand it?

**Yatharth Tyagi:** No, definitely there has been an increase in the government business and some delay from those payment side. That is one aspect and also the other, the total debtors we have that also includes some private insurances also, some TPAs. So, overall is what you see is yes, a minority would be in the private insurances side, a majority would be on the government side, but that is how it is coming up.

**Dhruv Bhatia:** Yes, but sir, the P&L is looking very good, but on the operating cash flow side, the performance has been pretty poor given that almost the entire incremental sales, Rs. 120 crores has become debtors, can you provide us some sort of aging for these debtors, they are due for how long, your Rs. 220 crores odd of debtors?

**Yatharth Tyagi:** See the total debtors we have, as I earlier mentioned, these are primarily from three government schemes, ESI, CGHS and ECHS. These three government schemes have a UTI portal which is an online website where each details of each patient is visible with the exact amount and on the UTI portal, there is also mechanism where you can see at what stage the government is checking the bill and what stage the funds are about to be released. So, there is usually Stage-1, Stage-2, Stage-3. All these three stages are available on the UTI website for our debtors to see. And we see that with the oncology business increasing that is and compared with the slow payment from the government, it has increased, but it is only a Quarter 4 reflection which is reflecting in the overall yearend balance sheet. As we proceed further with the new financial year coming up with quarter 1, quarter 2, these debtors have significantly come down as always does with these three government schemes plus with the additional of cash and insurance revenue increasing. We are quite confident in the coming quarters, the revenue that is being generated in terms of the cash flow would be at an optimized and at a good level.

- Deepak Tyagi:** Dhruv, good observation, but numbers are to be seen. See, you are saying that there is an increase from Rs. 108 crore to Rs. 227 crores, but you have to appreciate that in the same time the revenues also grown up by 30%. So, even if you take the same thing that number should have been anywhere between 145-146 kind of thing. So, if you deduct that it would be in the range of, I am not saying that the debtors have not gone up but saying that the entire revenue generation has gone into that, that is not correct. So, there is a question that what is this Rs. 80 crores kind of thing is coming and as Mr. Tyagi mentioned that there is a slackness from the government side and it happens. At times when the government comes, and they release the fund and immediately the debtor inventory comes down. We are cognizant of the facts and we are basically putting it across very clearly that we are working very hard and we are trying to bring this down and there is a significant effort on our topline side, on our profitability side and the same impetus we are putting onto the debtors collection as well. But the debtors' increase is to be seen in the light of the increase in the revenue as well. It is not in absolute numbers only.
- Dhruv Bhatia:** No, sir. I have looked at that Rs. 150 crore sales have increased, and debtors have increased by Rs. 120 crores. I am looking at the increase as well and that is why operating cash flow after working capital changes is negative?
- Yatharth Tyagi:** Yes and as we said that in the coming quarters, operating cash flow will increase as these debtors will come down and we are in contacts with those departments. So, you will see a significant change in the cash flow from coming quarters ahead.
- Moderator:** Thank you. The next question is from the line of Prerana Amanna from PNA Capital. Please go ahead.
- Prerana Amanna:** So, my first question is what has been the payer mix for FY24?
- Yatharth Tyagi:** So, the payer mix, as we mentioned that the government category is very close to 40% now in terms of the total topline and the remaining is then equally divided between cash and TPA segment. So, somewhere around let us say 30%-33% for both cash segment as well as the private insurance segment.
- Prerana Amanna:** And my last question is I think last quarter we saw that the Supreme Court was talking about standardization of rates in private hospitals. So, how do you see this like is it going to benefit us or how do you see this if and so if this law is implemented, how do you see this going forward?
- Amit Kumar Singh:** So, this is already, the body of the private health segment, AHPI and Net Health has already made the representations and I think recently if you have heard that the Supreme Court had the observation about the PIL filed by Ophthalmic Society of India, then said that it is not practically possible to have same rate for across the super specialties and across this thing. So,

it is a matter going on and we are pretty confident that observation will not be applicable across same rate for across this thing, so we are not worried as such.

**Moderator:** Thank you. The next question is from the line of Pratik Poddar from Bandhan Mutual Fund. Please go ahead.

**Pratik Poddar:** Just one question, when I look at ARPOB for Noida Extension on a Y-o-Y basis or let us say even on Q-o-Q basis, the expansion is not material versus the case mix where oncology has become 10%. So, can you just double check and help me understand as to why that has happened because oncology, I would have thought would be at least 2x of the base ARPOB and to that extent the numbers look slightly muted at least in the Noida Extension side?

**Yatharth Tyagi:** No, if you look at it, last year the Noida Extension ARPOB was close to Rs. 30,000 and if you look at Q4 for this year, that is very close to Rs. 36,000. So, that is an increase of roughly more than 5000 in that. Yes, in the overall year, the ARPOB looks a bit less than that, but if you look at the Q4 that is where the significant volume of oncology has come up. So, this is why we feel confident and now with the new fiscal and new quarters coming up, this will be much more visible and an increase of Rs. 5,000 of an ARPOB is primarily because of the shift in the case mix.

**Pratik Poddar:** But when I look at it sequentially, right, it has just gone up from 34,000 to 35,000 and you are saying that in Q4 we have seen a material ramp up of oncology. So, in that case, the ARPOB should have increased further, right, isn't it? And even on a Y-o-Y basis, if I see exit to exit which is Q4 FY23 to Q4 FY24, the number is 32,173 to 35,000. So, it is just a Rs. 3,000 increase, so slightly puzzling over here?

**Yatharth Tyagi:** No, we feel that this amount of increase, it is significant when it comes to these treatments and then you have to also see in line that when these treatments have recently started the volumes that they have to generate, so medical and surgical oncology is what we were doing earlier right. And that is what the government business is increasing, but when it comes to radiation oncology, that is what boost up ARPOB quite a lot because it is mostly on an OPD basis. That radiation line has just started in Q4. So, once those volumes increase, that is where you also see much more impact, but the impact that we still feel if you compare it to the group average, what we are doing there and this. So, I think we are on the right track as far as the ARPOB increase in extension is concerned and I am quite confident that in the coming quarters this ARPOB in Noida Extension will even touch Rs. 40,000.

**Pratik Poddar:** The second question is with insurers, have there been any change in card rates? Have you gone on for any increase in FY25?

**Amit Kumar Singh:** Yes. So, for one of the hospitals, because it is once freeze, there is just two years, the rates are frozen. So, this year we had a negotiation for our Noida Hospital. I think three months back we

did that. So, the impact we will see and next year we will have Greater Noida and Noida Extension.

**Pratik Poddar:** How much was the increase for Noida Hospital, sir?

**Amit Kumar Singh:** Totality, I think it is difficult to say because it is 135 odd procedures are being discussed and got the rate. But I think anything between, it will have impact of 7%-8% kind of impact will come and because that there is an annual revision of the rates as well, every hospital does it. So, we have also had some corrections of our own SOC, which will also have some impact.

**Pratik Poddar:** And just the last question on the debtors, I think it has been asked multiple number of times. Is this slightly seasonal because of elections that you are seeing an increase, or this is a year-end phenomena or how should we think about the increase in debtors? Is this something which will always happen that in Quarter 4 you will see a rise in debtors and then it liquidates in quarter 1, quarter 2 that is the way to think about it, as long as their payer mix remains at 40% from government?

**Yatharth Tyagi:** No, I think even at a payer mix of 40%, the debtors should come down much lesser and it could, see, as we said in the commentary as well that elections could have an impact on this, but quarter-on-quarter it really depends upon when the government is getting funds. Sometimes, in March itself, some funds are released, sometimes in April. So, it is a very subjective thing the government payout that is supposed to be, but we are pretty sure that this level of debtors that are currently there should significantly reduce in the coming quarters.

**Pratik Poddar:** And since 45 days have been passed, can we assume that there has been some liquidation to the numbers which have been disclosed as of 30%?

**Yatharth Tyagi:** Definitely, there has been the reduction in that, but because we can talk about the full fiscal, but in this and that is why I am saying in decrease, you will see in the coming quarter is based on that same thing.

**Moderator:** Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research. Please go ahead.

**Jayesh Shah:** I think the first question is again on the debtor's issue. What are generally the payment terms for government and insurance?

**Amit Kumar Singh:** So, for the government, usually anything between 90 and 120 days and that is kind of the agreement, right and for insurance goes around 45 to 60 days. So, this is what on a paper, right, but we have seen it, particularly the government side if you see, once they will start to give you payment, at one go there is so many backlog gets cleared. So, sometimes it is 2-3 months, 4 months delay. We have experienced this in previous years as well. So, I don't think so next

coming two quarters, I think you will see a drop in these numbers right. But yes, I think we are keeping eye on it and everything is working to see this how to introduce this number.

**Jayesh Shah:** So, are you able to confirm to us how much has got liquidated till now which is 20th May out of Rs. 220 crores?

**Yatharth Tyagi:** That is something I think would not be right to share on a public call like this. But we know when we are saying that in the Q1 of the new fiscal, there will be significant reduction in the debtor. So, that is yes, there are some equations that have already started happening.

**Jayesh Shah:** I would request this is a very important key number, so if you share publicly, I will appreciate. Otherwise, I would like to get this offline?

**Yatharth Tyagi:** We will reach out to you.

**Jayesh Shah:** Secondly, out of this Rs. 220 crores, how much of debtors are more than 6 months?

**Deepak Tyagi:** Well for that, often I am not remembering, but yes, because the accounts are being done, so we will be uploading our full balance sheet. We will share that offline with you and then we can speak out later.

**Jayesh Shah:** Because of this debtor's level that you have on the government business, what is the price difference between what you sell on cash or insurance versus government?

**Yatharth Tyagi:** So, usually, typically the cash rates are, so let us say private insurance rates are somewhere close to 15% to 20% lesser than the cash rates and then even the government rates from the insurances would be 10% to 15% lesser. So, roughly around, I would say 25%-30% lesser is what government rates are compared to a cash rate. But then, of course that also depends upon the case mix. So, as we said, the reason why we are okay with doing this business now is because our Super Specialty, especially oncology when that increase. In oncology, the rate difference is not 30%, it is much lesser than that. So, that is how the government business works.

**Jayesh Shah:** And in your own targets, over next one or two years, this government business, will it continue to be between 30%-40% or it should come down?

**Yatharth Tyagi:** It will come down. See, today we have occupancy to ramp up right, we can take it, but one if given a choice between a cash and insurance patient and if you have restriction on the number of beds, then priorities always given to other segments.

**Neeraj Vinayak:** And Jayesh I would add. So, as of now, we have got negligible share of international business as of now. And we have set up a dedicated team, so there should be traction in that which should automatically bring up the cash category business and reduce the government share.



And we are pretty confident we have hired the best team in that department. So, you will see those results flowing in the quarterly numbers.

**Jayesh Shah:** Lastly, what is the annual rate hike that you would normally get, is it as per inflation, higher than inflation as to 9%-10%? Because you just mentioned some annual increase that you get in your hospital?

**Amit Kumar Singh:** So, the cash patient if you see is like as I said it earlier. So, every year there are corrections on the schedule of charges which you do depends on the services and the kind of utilization and also the various competitive analysis, what you do. But I think roughly, so it has various factors when we change it, just not only the inflation. So, I think roughly I would say around 6%-7% can make an impact on the cash patient, 6% to 8% kind of.

**Jayesh Shah:** And on insurance and government, do you get annual increase or how the rates are being done?

**Amit Kumar Singh:** Insurance, it totally depends on, there is one to one negotiation happens with GIPSA who does negotiation on your current card rate and your previous GIPSA rate right. So, keeping those two rates in mind and then you have a negotiation, and you try to get, by showing good volumes and others. So, this is how the negotiation happens.

**Jayesh Shah:** Are the rates fixed for 2-3 years for insurance?

**Amit Kumar Singh:** Two years, for a GIPSA, for a government insurance Company, for private insurance totally depends on one-to-one negotiation, be it one year or two year. Totally depends on your discussions with them.

**Moderator:** Thank you. The next question is from the line of Rohan Advant from Prad Capital. Please go ahead.

**Rohan Advant:** Just one question on the margins. If I look at EBITDA margins sequentially, they have come down a bit in spite of a good sequential pickup in the revenue and that is largely led by, I think the increase in consumables. So, what has caused this? Is this the payer mix that has caused it or something else?

**Yatharth Tyagi:** So, the margins is a point here and there is not that of a significant difference, but yet, yes there has been increase in the material consumption consumables that is because now we are, as we are shifting towards more super specialized treatments like transplant program, oncology, cardiac, so more consumable cost is required for these super specialized treatment and that is one of the reasons for just a minute dip in EBITDA margin, but we are confident that we still, feel that these EBITDA margins are at an optimized level and these should be sustainable in the quarters ahead.

**Rohan Advant:** So, next year, we will have the new 200 bedded hospital that we have acquired coming up. So, there could be some upfront cost there, but in spite of that, this 27% kind of EBITDA margins for FY25 you think are sustainable?

**Yatharth Tyagi:** Yes, quite sustainable because the existing other hospitals that we still have the occupancy to ramp up, there the EBITDA margins will grow. So, in the overall consolidate level group, the margins would be sustainable.

**Moderator:** Thank you. The next question is from the line of Madhav Agarwal from SG Investments. Please go ahead.

**Madhav Agarwal:** Could you give some guidance on how we are seeing the Asian Fidelis to ramp up during the current year and the next?

**Yatharth Tyagi:** So, we feel that the ramp up should be very soon there in this hospital that we have just started this month itself, in the month of May and all the doctors are already recruited there. We are just waiting for the cardiac machine Cath lab because that is something it was not having earlier as well as an MRI. So, that is why, we did an additional CAPEX of close to Rs. 25 crores, so only those two machines are remaining to reach the hospital and then the full cardiac as well as the radiology department will be ready there. So, we feel that because the health insurance is already there, some star doctors are there, this hospital should ramp up very soon and we are quite confident about the geographic area about where the hospital is located.

**Madhav Agarwal:** What kind of occupancy are we targeting for FY25?

**Yatharth Tyagi:** See, I think the hospital where it is, we already have a strong brand presence there. Faridabad is one area where we are also quite present in Delhi NCR market. So, some of our doctors are from there, some of the patients were already coming to our Noida Hospital so Faridabad. So, we feel the occupancy there should ramp up very soon. Let us say what we feel is what Jhansi is able to do in a couple of years in occupancy, we feel that Faridabad should be there much more earlier than that probably in a year. So, we are quite confident of occupancy at Faridabad Hospital.

**Madhav Agarwal:** Also could you tell me what has been the improvement in our international patient volume?

**Yatharth Tyagi:** International patient volume has been increasing given the fact that we have done around 150 kidney transplants and in last year and a half and 90% of those kidney transplants are international patients. We are now also targeting international liver transplant and international bone marrow transplant. There is already infrastructure has been renovated to cater to those patients. There has been new professional marketing team for international patients that have been recently joined us from Delhi NCR Hospital. So, we feel that in the years to come international patients should be contributing close to a double-digit contribution in our overall revenue and we are confident at this time. That is what we are targeting the times ahead.

**Madhav Agarwal:** What kind of steps are we taking to change our payer mix since we have a significant share of the government business around 40%? What could be our aspiration like 3-5 years down the line?

**Amit Kumar Singh:** As Yartharth said that these numbers as a government business, it is around contributing 35% to 40% as of now because we have a bed capacity there. So, as these, bed capacity, is scarcity going to come and more and more Super Specialty. See if you look at it what we have said that at the Noida Extension Hospital, the story of around 20-24 months only, and that is the kind of Super Specialty if you see. So, word of mouth is spreading very rapidly that catchment area has grown really far. So, we expect that as we move into the Tier-2 and Tier-3 cities and patients coming from those regions and those patients are mainly if you see this for cash or TPA segment. So, in fact our upcountry marketing and the kind of couple of OPD centers, we are setting up in various parts of the country. So, we believe that this segment is bound to grow and then these two segments will grow and the third segment automatically will go down. So, as of now it is not significantly impacting and that is what I think you see this number.

**Madhav Agarwal:** So, my last question would be, as you mentioned that we are planning to add a hospital every year for a couple of years going forward, how do we plan to fund those, are we looking to take up some debt as well or are we focusing on internal accruals to fund this?

**Yatharth Tyagi:** So, it will be a mix of both as our finance cost has gone down significantly. So, the internal accruals are more now. So, I think we will be able to fund it mix of that as well as the debt. But I think overall, we still feel because there is a strong cash position also at the balance sheet. So, overall net debt, we will still be net debt free even with the certain little bit of debt.

**Moderator:** Thank you. The last question is from the line of Sunil from Veekay Investments. Please go ahead.

**Sunil:** I had a question, in your financial statements, there is a footnote mentioned wherein income tax has frozen Rs. 70 crores of our amount and created a lien on the banks for that specified amount. I would like to know that when was this done and going forward won't it affect our growth since our capital is going to be blocked and for how long do you think would it be blocked? That is the first question.

**Deepak Tyagi:** Yes. So, we had already informed the Stock Exchange in October 2023, we had the people coming from income tax. So, they found that because we were through with the IPO money and a lot of cash we had been having which was basically for the specified purposes. So, the zeal of things, they had kept this money. Now this money is with us. They have not taken it away. It is still with us. So, it is not that they have taken this money away. Now your second question that when are they going to settle it? We wanted to settle it, we had done our things with them, but interestingly, this investigation team said that they don't have any assessment right. Government procedure, we can't help it. So, we are already with the next stage now on

the suspend thing and we have been told that because not much of the things were there. So, very quickly, they haven't given the timelines that when they are going to have lost it, but we expect that in this financial year, that thing should be behind our back and this block money will be given back to us. So, at this point in time, it is basically frozen in our account. The account is still we are having, not that they have taken the money out.

**Sunil:** So, basically the account is frozen, the money lies with you, but you cannot use it?

**Deepak Tyagi:** We are not allowed to use that much of money. Beyond that we can, pending the full assessment by the income tax.

**Sunil:** So, would that put stress on the working capital cycle because Rs. 70 crores is.

**Deepak Tyagi:** No, see the thing is, if you see our overall cash position, we do have much more lying in our cash position. So, working capital is not an issue. Important is that we should settle the queries of income tax as early as possible and bring this money back into our system.

**Sunil:** And sir, I am aware of the October disclosure you all had made about the income tax checked your premises, but I would appreciate if you could have also put up a disclosure regarding the Rs. 70 crores freeze because, this just came into the financial statements now because it has been quite a few months since income tax?

**Deepak Tyagi:** It happened post our disclosure so we were not aware that they have done it. We got to know it later. So, because now we were finalizing the account, we thought that it would be that we should apprise our investor in the full light.

**Sunil:** But you feel that it should be done in this financial year?

**Deepak Tyagi:** Yes, pretty certain we wanted to in fact the agencies we have who had done it, they said very clearly that they don't have any assessment power. So, that is why they cannot do the assessment. Otherwise we wanted to close the assessment in this fiscal and have this money back into our channels.

**Sunil:** So, they have not found anything suspicious you are saying, but they have done it as a procedure. They have just frozen this amount as a procedure.

**Deepak Tyagi:** Yes.

**Sunil:** And my second question will be on Faridabad. The OPEX cost will be higher for the next few quarters on this since you must be hiring or must have hired and will it affect the margin in the nearby quarters?



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- Yatharth Tyagi:** See, any new hospital starting does require a certain investment to be done until it is ramped up. So, as I said that, yes, even though we do feel that margins should be dragged a bit from Faridabad, but overall because the other hospitals are growing, at the consolidated level, it will be sustainable.
- Sunil:** So, it won't really materially affect your margins going forward?
- Yatharth Tyagi:** Yes.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Yatharth Tyagi:** I thank you to SMIFS and thank you all the people for your questions. We look forward to your next earning call and if any questions are there, you can reach out to us individually and offline and we will be more happy to answer. Thank you.
- Moderator:** On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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