

October 30, 2024

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| The Secretary Listing Department, BSE Limited, 1 st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001 Scrip Code: 540975 | The Manager, Listing Department, The National Stock Exchange of India Ltd Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (East), Mumbai 400051 Scrip Symbol: ASTERDM |
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Dear Sir/Madam,

Sub: Transcript of Earnings Call for the quarter and half year ended September 30, 2024

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

This is further to our earlier letter dated October 24, 2024, regarding Video/ Audio recordings of Earnings call of the Company for the quarter and half year ended September 30, 2024, held on October 24, 2024, please find enclosed herewith the transcript of the said Earnings call.

The same is also made available on the website of the Company at <https://www.asterdmhealthcare.com/investors/financial-information/earning-call-transcripts>

Kindly take the above said information on record as per the requirement of SEBI Listing Regulations.

Thank you

For Aster DM Healthcare Limited

Hemish Purushottam
Company Secretary and Compliance Officer
M. No: A24331



Aster DM Healthcare Limited
Q2 FY25 Results Earnings Conference Call

October 24, 2024

Management:

Ms. Alisha Moopen – Deputy Managing Director

Mr. T J Wilson – Non-Executive Director

Mr. Anoop Moopen – Non-Executive Director

Mr. Ramesh Kumar – Chief Operating Officer (COO)

Mr. Sunil Kumar M R – Chief Financial Officer, India

Mr. Hitesh Dhaddha – Chief of Investor Relations and M&A

Moderator:

Mr. Puneet Maheshwari – Senior Manager, Investor Relations

Puneet Maheshwari:

Good morning, everyone. I welcome you to Aster DM Healthcare Earnings conference call for the second quarter of FY25. The company declared the Q2 results for FY25. With us, we have the senior management of Aster DM Healthcare, namely Ms. Alisha Moopen, Deputy Managing Director, Mr. T J. Wilson, Non-Executive Director, Mr. Anoop Moopen, Non-Executive Director, Mr. Ramesh Kumar, Chief Operating Officer, Mr. Sunil Kumar, Chief Financial Officer, and Mr. Hitesh Dhaddha, Chief of Investor Relations and Mergers and Acquisitions.

I would like to inform everyone about how we will conduct this call. All external attendees will be in listen-only mode for the duration of the entire call. We will start the call with opening remarks by management, followed by an interactive Q&A session. During the Q&A session, you will get a chance to ask a question by raising your hand by clicking on the raise hand icon in zoom application at the bottom of your window. We will call out your name after which your line will be unmuted, and you will be able to ask your question. We request you to please limit your question to two but not more than three per participant at a time.

Certain forward-looking statements may be discussed in this meeting and such statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks and many other factors that could cause actual results to differ materially. Aster DM Healthcare Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances. With this, I will now request Ms. Alisha Moopen to start with opening remarks. Over to you, Ms. Alisha.

Alisha Moopen:

Thank you, Puneet. Good morning, everyone, and thank you for joining our Q2 FY25 earnings call. To begin, the Indian healthcare sector is experiencing robust growth, driven by several macroeconomic factors. Rising healthcare demand, fuelled by a growing middle class, the increasing prevalence of chronic diseases, and enhanced government focus on expanding healthcare infrastructure and insurance coverage, continues to create significant opportunities. Additionally, India's emergence as a major hub for medical tourism further amplifies the attractiveness of the hospital industry. Amid this favourable backdrop, we are very pleased to report that we are outpacing the industry growth. Our superior quality of care, state-of-the-art infrastructure, and leadership position in key micro-markets have allowed us to consistently deliver results that exceed broader industry benchmarks. In Q2 FY25, we sustained our strong momentum from the first quarter, with steady growth across all key operational and financial metrics. The strategic realignment we executed earlier this year, combined with our deep understanding of India's diverse healthcare needs, has been crucial in driving this performance. Our focus on expanding capacity, streamlining

operations, and enhancing service delivery has further strengthened our ability to meet the growing needs of the healthcare sector. This focus has also solidified our leadership in the regions we serve, where our reputation for quality care continues to differentiate us even in highly competitive landscape. Now coming to the financial performance, looking at overall India's long-term performance. Over the last five years, our India operations have achieved robust growth, with a CAGR of 23% in revenue and 38% in Operating EBITDA up to FY24. This success has been driven by a strategic focus on expanding capacity, boosting the ARPOB, and increasing international patient revenue. At the same time, we've delivered stronger margin improvement through disciplined cost management, operational efficiencies, and optimizing our service mix, allowing us to scale profitability while maintaining high-quality care.

Now, coming to the H1 FY25 performance Our overall India business recorded revenue growth of 18%, reaching INR 2,088 crores in the first half of FY25. This growth was driven by 7% increase in occupied beds and a 12% year-on-year increase in Average Revenue Per Occupied Bed (ARPOB). Aster's Operating EBITDA also grew by 44%, totaling INR 410 crores, with EBITDA margins expanding to 19.6% in H1 FY25, up from 16.1% a year ago. This substantial improvement has been fueled by operational efficiencies, evidenced by a reduction in Average Length of Stay (ALOS), cost optimization initiatives, and enhanced EBITDA performance from our labs business. Notably, our material costs (excluding wholesale pharmacy) decreased to 20.7% in H1 FY25 from 22.8% in the same period last year. Our net profit (post-NCI) nearly doubled to INR 171 crores in H1 FY25, compared to INR 91 crores in H1 FY24, showcasing our strong operational performance and increased other income from interest earned on the investment of remaining sale proceeds from the segregation of our GCC business.

Furthermore, we have seen a positive shift in our payor mix, with the contribution from the insurance business increasing by over 300 basis points to 30%. This growth was partially offset by a corresponding reduction in the scheme business. Now coming to our core business, hospitals and the clinics, our core hospital business is demonstrating continued growth, achieving Operating EBITDA margins of 22.4% for H1 FY25, up from 19.1% in the prior year. Specifically, our mature hospitals which by definition for us has been in operation for over six years has showed a very impressive expansion in operating EBITDA margins, reaching 25% in H1 FY25, compared to 22% just over a year ago, with a return on capital employed (ROCE) of 32%. Our deliberate focus on building a sustainable business model is reflected in our well-diversified specialty mix, where no single specialty accounts for more than 15% of total hospital revenue. This strategic diversification enhances our resilience and positions us well for future growth in the healthcare sector.

We are actually making significant progress in enhancing our oncology services, with Aster Whitefield Hospital becoming first hospital in India to introduce the Groundbreaking Intra-Operative Electron Radiation Therapy for cancer care at the Aster International Institute of Oncology (AIIO). This represents a significant leap forward in the hospital's commitment to providing the highest quality treatment options for cancer patients.

Coming to some of the newer businesses as pharmacy and labs, As of September 30, 2024, we have established 232 Patient Experience Centers (PECs) and 212 Aster Pharmacy-branded retail stores. Additionally, our lab business performed well, achieving a revenue growth of 17% YoY in Q2 FY25, while maintaining a positive EBITDA margin of 11%, up from 3.4% in Q1 FY25.

Coming to our Capex plan,

We remain committed to our robust expansion plans. This quarter, we successfully operationalized 100 beds at MIMS Kannur and added 25 beds at Aster Adhaar, bringing our total capacity to nearly 5,000 beds as of September 30, 2024. Additionally, we are excited about the greenfield expansion of Aster Women and Children Hospital in Hyderabad, which will feature 300 beds and is anticipated to be completed by FY26. This project further to add approximately 1,800 beds to our overall capacity, elevating our total bed count to nearly 6,800 by FY27. Our expansion pipeline also includes significant brownfield projects at renowned hospitals such as Aster Medcity, Aster CMI, and Aster Whitefield, which are on track to become large-capacity facilities with approximately 950 beds, 850 beds, and 500 beds, respectively.

Coming to some of the changes in our Board of Directors and Leadership Team,

We are very excited to announce recent changes to our Board of Directors, welcoming Maniedath Madhavan Nambiar, Sunil Theckath Vasudevan, Anoop Moopen, and Dr. Zeba Azad Moopen as our new members. Their diverse expertise and fresh perspectives will enhance our leadership team, strengthen our governance, and support our strategic growth initiatives. We look forward to their valuable contributions as we continue to drive our mission forward. I am delighted to announce the promotion of Ramesh Kumar to Chief Operating Officer (COO) of Aster DM Healthcare, India. Previously serving as the Regional Chief Executive Officer for Karnataka and Maharashtra, Mr. Kumar brings a wealth of experience and leadership to his new role. We are confident that his strategic vision will play a crucial role in advancing our operations and enhancing the quality of healthcare services that we provide.

Just to share some of the recent recognitions that we have had,

We are thrilled to announce that, following Aster CMI Hospital in Bengaluru achieving platinum-level NABH digital accreditation last quarter, both MIMS Calicut and Aster Medcity Kochi have now become the first hospitals in Kerala to attain this prestigious status. With a total of nine hospitals currently holding NABH digital accreditation, we are proud to demonstrate our leadership in the digital transformation of healthcare. Looking ahead, Aster DM Healthcare is very well-positioned for substantial growth, with a focused strategy on expanding capacity, enhancing operational efficiencies, and improving patient care. These strategic priorities will not only help us maintain our momentum but also deliver long-term value for our stakeholders. We are confident that this concentrated approach will further reinforce our leadership in the Indian healthcare sector and enable us to meet the rising demand for high-quality medical services. I will now request our group COO, Mr. Ramesh, to further elaborate on our cluster performance. Over to you Ramesh.

Ramesh Kumar:

Thank you, Ms. Alisha. Good morning, everyone. I am really excited to provide an overview of our cluster performance for Q2 FY25. Infact, we have witnessed continued growth and improved operational efficiency across all our regions, and I'd like to provide a few highlights around the same. Starting with the Kerala Cluster – this region remains the cornerstone of our operations. With a total bed capacity of 2,501 beds, we have 1,898 operational census beds, with a solid 77% occupancy rate. This utilization demonstrates the trust our patients place in the quality of care at our facilities.

In terms of our financial performance, Kerala has shown significant strength. Total revenue from the cluster has increased to INR 1,087 crores in H1 FY25, compared to INR 965 crores in H1 FY24, marking a growth of 13%. The operating EBITDA for the Kerala cluster has grown by 30% YoY to INR 259 crores in H1 FY25. Margins have improved to 23.9% in H1 FY25 from 20.7% in H1 FY24, reflecting both our top-line growth and our efficiency in managing operational costs. Next, turning to the Karnataka and Maharashtra Cluster – this cluster has also shown significant progress. With a total bed capacity of 1,446 beds, and 1,010 operational census beds, we've seen occupancy improve by almost around 600 basis points YoY, from 59% to 65% in H1FY25. Revenue of Karnataka and Maharashtra cluster has grown by 35% YoY, reaching INR 696 crore in H1 FY25, up to around INR 516 crore in H1 FY24. The operating EBITDA for this cluster also saw robust growth of 62%, increasing from INR 101 crore in H1 FY24 to INR 164 crore in H1 FY25. Our operating EBITDA margin improved to 23.5% in H1 FY25, up from 19.6% in the previous year, demonstrating our ability to enhance profitability while continuing to expand services, especially through our high-end treatments in hospitals like Aster CMI and Aster Whitefield in Bengaluru. Finally, both our Andhra and Telangana Cluster has also demonstrated strong performance. With a total bed capacity of 1,047 beds and 781 operational census beds, the

occupancy rate improved by 700 basis points, from 49% in H1 FY24 to 56% in H1 FY25. Revenue for the Andhra and Telangana cluster grew by 17%, reaching INR 236 crores in H1 FY25 compared to INR 202 crores in H1 FY24. Operating EBITDA grew by 44%, from INR 21 crores in H1 FY24 to INR 30 crores in H1 FY25, with margins improving to 12.8% compared to 10.4% the previous year. Across all regions, our performance continues to drive both revenue growth and enhanced profitability. In total, our bed capacity stands at 4,994 beds, with 3,689 operational census beds. Outpatient visits have grown by almost 13%, and inpatient visits by 14%, which clearly highlights the increasing demand for our services.

Looking ahead, we remain confident in our ability to sustain this growth trajectory. By maintaining a focus on operational excellence, expanding our reach, and delivering the highest quality of care, we are well-positioned to continue this positive momentum. I now request our CFO, Mr. Sunil to elaborate more on our financial performance. Thank you.

Sunil Kumar:

Good morning, everyone. For the quarter ended 30th September 2024, India revenues have increased to INR 1,086 crores, up by 16% from rupees INR 934 crores in Q2 FY24 and operating EBITDA has increased to INR 233 crores with a margin of 21.4% compared to INR 157 crores in Q2 FY24 with a growth of 48% year. PAT post NCI for Q2 FY25 is at INR 97 crores compared to INR 50 crores in Q2 FY24 with a growth of 95% year on year.

For the Half-year ending 30 September 2024, our India revenues have increased INR 2,088 cr. up by 18% from INR 1,772 cr. In H1 FY24 and our operating EBITDA has increased to INR 410 cr. with the margins of 19.6% compared to INR 285 cr in H1 FY24 with the growth of 44%. PAT post NCI for H1 FY25 is at INR 171 crores compared to INR 91 crores in H1 FY24 with a growth of 88% year on year.

For the quarter ending 30 September 2024, our EBITDA margins have grown by more than 450 bps, increasing from 16.8% to 21.4% year on year. This growth is driven by several factors, like the hospital and clinic segment has achieved over 19% revenue growth with the margins expanding by more than 400 bps from 19.8% to 24%. Our matured hospitals, which contribute 72% of our hospital and clinics segment are now operating at an operating EBITDA margin of 25.9%. Revenue growth in this segment stems from a combination of increased volumes across our hospitals and 11% rise in ARPOB and 6% improvement in ALLOS, alongside revenue assurance measures which we have taken. The growth in operating EBITDA is a result of various optimization initiatives across our hospitals. Our material cost percentage, excluding wholesale pharmacy, has steadily decreased from 25.3% in FY22 to 22% in FY24 and further to 20.3% during Q2 FY25, marking a 500 Bps efficiency improvement over three years period. Additionally, manpower cost and overheads have contributed

through operating leverage to the EBITDA growth. Aster Labs reached breakeven in Q4 FY24, with margins increasing to 3.4% in Q1 FY25, further to 11% in Q2 FY25. This impressive turnaround has been fueled by strong 41% year-on-year growth in external business, improved operating leverage, and middle cost efficiencies.

For the half year ended 30th September 2024, our capital expenditure totaled INR 161 crores, with approximately 65% spent towards expanding our capacity. We have operationalized 100 beds in MIMS Kannur during the quarter and over the next three years, we aim to further add nearly 1,900 beds, with the majority of these being brownfield expansion to ensure that there is not much dilution in our margins. Optimized capital allocation coupled with margin improvement; our ROCE has experienced a significant growth. ROCE surged by 390 Bps year on year, reaching 18% at consolidated level. On hospital and clinic segment, ROCE rose to 23.8% from 20.1% in H1 FY24. Matured hospitals saw an impressive increase in ROCE by over 530 bps, reaching 32.4% in H1 FY25.

As of now, Aster India Net Cash stands at INR 988 crores as on 30 September 2024. On that note, I conclude my remarks. We would be happy to answer any questions that you may have. I now request Puneet to open the question-and-answer session. Thank you.

Puneet Maheshwari:

Thanks, Sunil. We can now move on to the Q&A session. Before moving on to the Q&A session, I would also like to request to all the participants, if you can introduce yourself with your name and the company that you are associated with before asking the questions. If you are not associated with any company and you are an individual investor, you can highlight that also. Moving on to the Q&A session. The first question is from Mr. Sanjay Shah. Mr. Sanjay, if you can unmute yourself and introduce yourself as well.

Sanjay Shah:

Yes, I think I am audible.

Puneet Maheshwari:

Yeah, you are audible now.

Sanjay Shah:

Thanks for opportunity. And Sir congratulations for a decent set of numbers and very nice presentation too. So, my question was regarding growth trajectory what we are highlighting that is we are adding 1800 beds. Can you highlight upon what will be the capex required for it and which are the geographies where we plan to increase our bed capacity?

Sunil Kumar:

Thanks, Sanjay for the question. Yeah, as we put across, we are adding something around 1,800 to 1,900 beds in Aster India, out of which 100 beds, which we were supposed to add in Kannur, that's got operational in the Q2. In addition to that, in the Kerala Cluster, coming down from the north, in the Calicut, we are adding 75 beds, which is, again, an existing hospital with 500 or 600 beds there. In addition to that, Aster Medcity Kochi where we are at a 750 beds, there we are

adding 100 beds. As of now it's almost ready and we have also got occupancy certificate and we expect it to operationalize sometime this month end. Coming down further south, Aster Capital is another hospital which we are adding in Trivandrum. This is Greenfield Hospital. It's a overall 600 bed hospital but phase one we are adding 450 beds. Coming to Karnataka and Maharashtra cluster, in Karnataka you know already that 350 beds of Whitefield Hospital which is operational, we are adding another 150 beds there as a brownfield expansion, which is expected to get operationalized sometime this year, or later part of it. Then also in the Aster CMI Hospital, which is again a 500 bed hospital with a 65 to 66% occupancy, we are adding another 350 beds there. So, this is the broad expansion which is happening. In addition to that, Medcity considering I told that we are already adding the 100 beds in the current month, we also started working on adding another 100 beds specifically for a physical medicine rehabilitation. That is expected to come in next two years' time. In terms of CAPEX, for the current 1,800 and 1,900 beds we are talking about, that's going to cost us something like INR 1,450 crores (the total Capex) and out of 1,450 crores, almost two hundred and fifteen to two hundred twenty crores already been spent so balance thousand two hundred fifty crores is going to be spent in the year FY25, FY26, FY27. Sanjay hope that answers your question.

Sanjay Shah:

Yes, helpful sir helpful thank you and so my second question was regarding we have seen some good uptick on our ARPOB, especially on Kerala side and Karnataka side. So can you highlight upon how the trajectory is ahead of this and this ARPOB is more coming from our specialty businesses where we offer to the patient or there is addition of some international patient or there is a price rise.

Sunil Kumar:

So, Sanjay, ARPOB growth if you look at history, sometime in the last 5 years, if you look at our historical growth in the last 5 years CAGR, we have been growing at 9% average and here you can see 12% we have grown H1 and around 11% ARPOB growth which has happened in the Q2 FY25. Even if you look at the, Karnataka cluster or the Kerala cluster, there also you get a double digit ARPOB growth. Now with this ARPOB growth there is multiple factors to it. First one should be the price increase because that is something which we take every year. At the same time, it's not we spread it across the units right, based on the geography to geography we take the decision. So somewhere between 3 to 3.5 percentage will be your price increase. In addition to that, we also initiated a lot of revenue assurance measures. See, considering we have 19 hospitals today, last two years we've done a lot of work from the IT part of it to consolidate our HIS, consolidate our ERP, consolidate our service and item master.

With this, we are trying to leverage on the volumes what we have and trying to do a revenue augmentation by looking at what are the billing services which are missed, what about the service laddering, all these

things we have brought into the picture, which has helped us to drive at least 1% of our ARPOB through that. In addition to that, I would say major other part also is basically your ALOS. ALOS has decreased year-on-year almost by 6%. That is also one of the very important factors which is driving the ARPOB growth. In addition to that, scheme patients, if you recall, Calicut almost a year back, we used to do a scheme offer of something like 8 to 9%. Now it has gone down at least by 300 to 400 bps. Even in Medcity, we reduced the scheme patients by almost 400 bps.

So, considering all these things have really impacted the ARPOB growth. Now looking at the future, even if you look at our payor-based bps also, in H1, we are growing. Even walk-in patients or cash patients have grown by 20%. Your TPA patients have grown by 30%. At the same time, your scheme patients have reduced by around 11 to 12%. So, all these factors have helped us to ARPOB growth, and we're considering still our majority of our business comes from non-metros. We still see a good scope for our ARPOB growth, at least 7% to 8% in the medium term. I'm talking about three-to-four-year span period. I think in average, we should be able to still grow at 7% to 8%.

Sanjay Shah:

That's great. Sir, my last question was regarding Andhra and Telangana, where we see still a growth where we can bring in. So how we see that sector panning out for us on occupancy side also and ARPOB side?

Sunil Kumar:

So, I can start with the first part, maybe Ramesh can come in to that. So, if you've seen historically Sanjay, Andhra Telangana has been, during the COVID they did really well, but post COVID they were not able to scale up, you know, basically the occupancy rate of it. And that's also specifically because they are perceived as a more like a cardiology hospital. Even today, 35 to 40% of their business comes from the cardiology or cardiac sciences per se. Now that we are, last year we rebranded that into Aster Ramesh Hospital and also we are trying to add more specialties like multi-specialty, then the, trying to bring the Pediatric and Women's Health. All these things are really driving the growth.

And you will see long, for a long time, at least last two years, we were stuck at occupancy of 50%. But now you can see a uptick in both Ramesh hospitals also and the Telangana cluster also, where, what you can see, occupancy has really gone up to almost 56% for the H1 FY25. But we still see a good scope to grow here. And one important thing which has happened is that last two years, the EBITDA has been stuck at 10% to 11%. But you can see a very good turnaround which has happened in the Q2, Q1, we were at something like 10.9% specifically. The clusters moved to almost 15-16% in the Q2, with the average EBITDA margin of something like 12.9% in H1. So, we see that this has got a very good scope. Even today, ARPOB is very low at 30,000. It's got, again, year also, we've got a very good scope to

increase the ARPOB further. Keeping this in mind, this particular, basically the Andhra and Telangana cluster, which is today at 15% EBITDA, it should go to above 20s. So that is something which is achievable and sustainable. Ramesh, you want to add to that?

Ramesh Kumar:

Yeah, so moreover, if you look at the split between Andhra, that is in Vijayawada, primarily it is a cardiology center. So, we are trying to enhance all of the multi-specialty verticals also into the cardiology center. So that we are expecting good growth in Vijayawada. Guntur is a 350+-bedded facility. Guntur is a larger facility and has a bigger multi-specialty hospital. So we are expecting a good traction in Guntur and also focus on oncology business. So ARPOB increases and we are looking at a good footfall coming in.

The other two centers, especially coming down further, Tirupati. Tirupati is another center where Narayanadri we have entered O&M. And in fact, there is a significant growth which has happened from hardly around 2 or 3 crores within a year's time because we have doubled the revenue of Tirupati. A good amount of traction happening there and of course we have a, since prime is a smaller facility of 150 bedded, we are trying to scale up that also with the case mix. So, there is a good potential, we are looking at the case mix, we are looking at the ARPOB, to increase the ARPOB also, and also being matured hospitals, a few of them, and we are trying to increase the EBITDA margins as well.

Sanjay Shah:

That's great, sir, really helpful. Thank you very much, sir. Thank you very much.

Alisha Moopen:

I just wanted to add to that point, Mr. Sanjay, what you are saying. Even for the future, when you look at it, we have announced our new 300-bed hospital in Hyderabad which is a specialized women and children. So, we are very bullish about the market. We believe that there is scope and having sort of a specialized center for women and children to further enhance sort of the portfolio we have in Andhra and Telangana as well.

Sanjay Shah:

Thanks for updating and I congratulate new members both joining the board and good luck, thank you for replying to my questions

Puneet Maheshwari:

Thank you Sanjay. The next question who's asking is from Damayanti from HSBC. Damayanti, can you unmute yourself and ask the question?

Ms. Damayanti:

Yeah, hi, I hope I'm audible. This is Damayanti from HSBC Securities and Capital Market. So, my first question is continuing the discussion on margin pickup, which we have seen during the quarter or in first half. So, you mentioned in AP and Telangana cluster margins can go upward of say 20% or so and in the existing Kerala and Maharashtra Karnataka cluster it's already at mid 20s. So, if you can talk a bit about how we should see margins moving up in the more mature

clusters from here on, say from 25% level or so. How or what is a potentially margins can go up to and very broadly, if you can also talk about some of the initiative which you believe can really push margins from current levels also. And how should we see margins in say next two or three years?

Sunil Kumar:

Sure, thank you Damyanti for that question. Yes, with respect to margin, we can see that specifically, at least on the H1, we are closed at a consol level of 19.6% operating EBITDA and a hospital segment at 22.8%. There is at least 300 to 400 basis points improvement which has happened year on year. And it's specifically driven by two, three levers. Majorly, it's our material cost. Material cost has gone more than 200 bps efficiency we have brought in there. And if you look at quarter two itself is at 20.3%. But if you ask me, do you think there's a still scope to reduce? Yes, there's at least another 100 bps can further material cost can be done, which is in the coming years. Next to another efficiency which brought us in the, specifically the manpower cost. So, manpower cost was, we see at least, 90 to 100 bps is reduced.

And again, as I've been calling out previously, also saying that with the increase in occupancy going on and with the Brownfield expansion which we are doing, you don't really need to add across the employees, across the board. You need to only add the bedside staffs, other than that, you don't have to expand in the leadership team or the admin staff. To that extent, we keep on going to increase the efficiency. And you'll see that because as I said material cost already is leveraged more than 400 bps in last three years. We see the further growth will come from the efficiency increase in the manpower cost. In addition to that another 100 basis points we're able to expand in the overhead also because overheads is more semi variable cost right. It's so it doesn't go very linear with our revenue growth to that extent we are able to get that benefit also and also one of the reason why we're also getting is that if you look at our maturity profile, today 70% of our beds are above six years and 72% revenue or 73% revenue is coming from the above six years hospitals and there already margins are at more than 24%.

So, considering more assets are getting into mature stage, we expect the margin expansion to continue. From an overall perspective, today where we are at 19.6%, we can say, at least I'm giving, saying broadly next two, three years, we can go to 21% plus, and also at a yearly basis. And also, with respect to hospital and clinic segment, which is a core segment where 94% of the revenue comes in. There we see that, which we are today at 22.8% for the half year. On a full year basis, we should go around 24% plus. Even this is all numbers that I'm putting it across, including the addition which we're doing. So, if you're not just adding it, then it could go faster. But at the same time, there is no dilution happening because they're all EBITDA accretive. And that's

where we see the EBITDA margins to expand in the next two to three years' timeline.

Damayanti:

Sure, that's helpful. And I understand you had some restructuring done at the wholesale pharmacy segment also. So, if you can talk about it and how do you see that business from your overall service or offering perspective?

Sunil Kumar:

Yeah, see wholesale pharmacy, it has got two segments. We call that as a business unit one and business unit two, business unit one is something which we acquired almost three years back. So that has got more of a B2B business and a B2C, basically you're talking about a trade business also. So that continues to grow at 10% year on year. Another business, another vertical which we added after purchasing or acquiring that is the BU2. Basically, this segment is to drive the back-end purchases for our retail business. But we have seen that handling the backend pharmacy from our end, it is, logistically, it is not really creating more benefit or creating operating leverage in terms of expanding our EBITDA margin. That's where we thought that why don't we outsource it and that's where six months back we did the outsourcing of that. To that extent, you're seeing there's a dip in revenue, but at the same time, it's benefiting us by reducing the EBITDA losses in the wholesale pharmacy and also giving us the overall EBITDA margin expansion across the Aster India level. And we expect from the wholesale future point of view, as I said, the BU2 is completely outsourced so we can only look at whatever revenue is saying is 95% is coming from the business unit one and that's expected to grow at 10 to 12% year on year.

Damayanti:

Sure. And my last question is for Ms. Alisha. I think you mentioned like you have induced several board members and management team also. So, do you have plan to hire a new CEO for India operation or do you think the current team is good enough to sustain the current operations?

Alisha Moopen:

Yes, Thank you, thank you, Damayanti. So a really good point. Really good question. So definitely we've had these new board members, including some of the promoter members like Zeba, Anoop have joined. And they've been involved now in business reviews, strategic oversight, they're supporting the unit heads, Ramesh, the CEOs and the COOs and function heads. The business seems to be doing quite well for us. We have said that, you know, it's very important for us to have the right team in place. We do have very strong unit leadership and functional leaders at play right now. We would look at maybe a CEO in the future. Right now, we seem to be scaling up quite well. Ramesh is doing a great job along with the rest of the team. We didn't want to rush into this because this is a very key role for the organization. We believe that the team at hand is more than capable of delivering what we've committed to for this year and we will re-look at this maybe over the next a few quarters.

- Damayanti:** *Sure, thank you. Thank you for your response.*
- Puneet Maheshwari:** Thanks, Damayanti. The next question is from Mr. Krishnendu Saha. Krishnendu, can you please unmute yourself and introduce yourself also?
- Krishnendu Saha:** *Can you hear me? yeah, yeah, this is Krishnendu from quantum mutual fund and advisors. Most of the questions are answered. But so quickly, but on the on the slide 35, we were looking at the Karnataka and the Maharashtra cluster. The inpatient volume in like 24% of growth. So just trying to understand the results of the business to say, understand what this is on a H1-to-H1 basis YoY, there's a 24% YOY growth in inpatient volume. What explains that? And on, what do you call it, on number three slide, we have 545, 4,900 and some beds.*
- Sunil Kumar:** Yeah, thanks for the question. If I understood the first question with respect to the slide 35 where we're talking about the growth in inpatient, right, so more than 20%. What it's very important to know that you know majorly the growth is coming from the Aster Whitefield Hospital. If you recall we were only operational two or three years back only the women children block which is 50 beds and balance 300 beds came into operational only in the October 2023. That's the major growth that came in the current year which was not there in the H1 FY24. Otherwise we are still growing at 11 to 12% in the other than Whitefield Hospital.
- Krishnendu Saha:** *Yeah, and on the revenue per bed side, if the insurance penetration increases from 30 to 50%, you see that revenue per bed being flattish or you still take a price increase because the rack rates for insurance will be a little bit lower. So, what is your thoughts?*
- Sunil Kumar:** See, if you look at our IP ARPOB, right, not overall ARPOB, and we break into cash and TPA, we don't see much of a difference at all. Even for negotiations, we give a hardly single digit discount to that, right? So even with that in mind, ARPOB doesn't really showcase basically because your insurance patients come for a high-end case mix, and also, they usually offer a twin-sharing or single room. So that's where your ARPOB is going to be always, almost equal to your cash ARPOB. That is first thing. But even if you look at the year-on-year growth rate, we, as I said, very correctly called out, 27% contributions moved to 30%, and also from the growth point of view added growth of almost 34% year-on-year for the H1. But we don't expect the ARPOB to be flattish because these insurance companies yes we don't do every year renewal but every two year renewal we do it and whenever we do a two year renewal we always get an inflation more than double digits, it's always offset of 10% so as long as that is happening and case mix is improving and the bed mix is improving, specifically the TPA patients, we don't expect any degrowth in the ARPOB. It is going to be

quite strong, even in that least in the next three to four years' timeline, which I could say.

Krishnendu Saha:

And you don't see, you face any competition from, say, Telangana and other regions where there's a lot of hospitals. Do you see any pricing pressure out there? It is comfortable for you to take a normal 3-4-5% price increase?

Sunil Kumar:

Yeah, we don't see any, see if you look that way every metro you can see 4,000-5,000 beds getting added in the next 3-5 years, right. So even with that always the price increase because you're not taking a 10-12% right, you're talking about a 5%-6% price increase where ARPOB impact is only 3 - 3.5. So that will never be a real burden to the patient. And considering that we don't see any pressure in not doing the price increase. And it's, as I said, we are not doing something where double-digit pricing is around 3 to 3.5. It's very decent price increase which we can do. And we continue to do that.

Krishnendu Saha:

And last two questions. Your capacity is 4,994 beds, but occupancy is 2,491. So, I'm just wondering but the average occupancy on slides are something else. What, what, am I getting something wrong out here?

Sunil Kumar:

No, no, no. Okay, let me explain that right. See, 4,994 beds is a capacity beds. This is a good combination of census and non-census. Yeah. Okay. The census beds would be something like 3,800 to 3,900 beds. Balance 1,100-1,200 are the non-operational or non-census. Non-census means we are talking about emergency beds, daycare beds. These are all revenue generating beds. But you do not take for a midnight census. So that is anyway optimal. In addition to the 3,800 beds which I talked about the census beds, out of that only 3,689 is operational. Balance another 150 which is there basically we have got another 50-60 beds in Madegowda Hospital, another 50-70 beds in our Whitefield Hospital, another 50 beds in our Guntur Hospital. So these are the census beds which we need to operationalize, which we always do. But what you are seeing is very right. I hope that answers your question. So, occupancy is always calculated on the operational census beds.

Krishnendu Saha:

I see that the 2000s or whatever the number is, they thought non-census beds, some of them are still not operational also.

Sunil Kumar:

Yes, around 150 to 200 beds.

Krishnendu Saha:

Last question from my side. So, your average ALOS is like 3.2, right? And Kerala is 3.1. So, we can, how low can we go? Do we go for 3.1 is the max or is like 2.9 is what we can, is there a part in the head that we can go to 2.9, 2.8? So, like that's stretching it a lot but is it possible because we are already at 3.1 at Kerala so is that the benchmark? What is the number out there?

Sunil Kumar: Yeah, if you ask me, I think we are literally quite efficient in that ALOS so 3.1, see if you're doing a only tertiary care or secondary care you can go up to 2.5-2.6 but we are doing more quaternary care procedures including the transplants, robotic surgeries, high-end surgery, 3-3.1 is a really good number to stay on.

Krishnendu Saha: That's why your ALOS also has a higher number. Sorry, ARPOB has a higher number. Thank you for your time, thank you very much

Puneet Maheshwari: Thank you. Thanks, Krishnendu. The next question is from Mr. Sumit from Centrum. Sumit, can you please unmute yourself and ask the question?

Sumit: Am I audible?

Puneet Maheshwari: Yes, you are audible.

Sumit: ***Thank you for the opportunity. Congrats on good set of numbers. So, I just want to understand about the margin aspect from the cluster point of view. So, margins in Karnataka are better than like for the Kerala clusters. So, what is driving this and like how should we see it going forward over the short term to medium term?***

Sunil Kumar: See, now if you look at the margins, I think Karnataka is very similar to Kerala. If you look at H1, yes, there is a 100 bps difference. But if you look at only Q2 performance, I think both clusters are at 25% margins. Now, one very important thing we all have to understand is that EBITDA margins are very much leveraged to your ARPOB. If your ARPOB is higher, your margins always go up. For example, Kerala, which is ARPOB of the average of 40,000, where you have a range from North Kerala to 30,000 to 50,000 plus in Aster Medcity Kochi. You know, the 25 is a very good margin to be at a consolidated level, at the cluster level. Now, when you look at Karnataka and Maharashtra, where ARPOB are as high as near to 58,000 to 60,000 where some of the hospitals even do 70,000 ARPOB. I think this has got a very good potential to further grow. If you ask me, 25%, which is there today, it has got potential to go even near to around 29%-30%, but because that's a leverage on the ARPOB. In addition to that, one of the limitations I see in Kerala, in addition to ARPOB, is the higher minimum wages. For example, nurses in Kerala cluster, we pay approximately 30,000 to 32,000 as staff nurse, where in Karnataka, you pay somewhere between 18,000 to 20,000. So, it has got a dual issue in Kerala, where you have got a ARPOB lower than Karnataka, at the same time, minimum wage is higher. So that limits the margin expansion to the extent potential which Karnataka cluster can do.

Sumit: ***Okay, so going forward, let's say so Karnataka would be the major cluster which would be driving the margins and how should we see AP cluster also faring in terms of margin expansion?***

Sunil Kumar: Yeah, Karnataka as I said, it'll always have 300 to 400 basis points higher margin than Kerala. At the same time, I'm not going to say that margins already peaked in Kerala. Margin expansion is still going to happen because we see still efficiencies in some of certain of the some of the cost lines which we can do it. Coming to Andhra Telangana because you know the performance has been subdued for last a couple of years and now things are really picking up in the Q2. We can see here also the margins can settle somewhere in the mid 20s.

Mr. Sumit: *Okay, okay understood sir. Thank you.*

Puneet Maheshwari: Thanks Suman. Thanks for that. The next question is from Mr. Kunal Randeria from Axis Securities. Kunal, can you please unmute yourself and ask the question?

Mr. Kunal Randeria: *Yeah, hi. Good morning. My first question is on the Kerala cluster. The occupancy is hovering around 78 to 80% and I think around 340 beds are coming next year. So, do you run the risk of a potential slowdown in the coming quarters?*

Sunil Kumar: Thank you, Kunal. Maybe Ramesh, you want to take the question?

Ramesh Kumar: Yeah. So it is pretty much as you see that it is we are talking around 77% occupancy and I'm sure in the days to come, I don't think so there is a slowdown I would say, It has got to do with the seasonal fluctuation. If you can see, especially the Q2 had a little bit of a slight because of the seasonalization and also the festive season across Kerala. So, we have seen that slightly the occupancy has gone. But in the days to come, I'm sure there will be definitely there is a surge is what we are expecting. And the season is back and we would expect the occupancy to go up.

Mr. Kunal Randeria: No, no, sorry. My question was occupancy is already pretty high and it's actually very difficult to breathe the 80% mark and new beds would be only coming next year. So, you would run the risk of not meeting the demand because you don't have the beds.

Ramesh Kumar: So, so right now with there are two large facilities if you look at Aster Medcity in 10 days' time we are opening another additional 100 beds. So, there I think it will ease out. And Kannur, which is already around 100 beds, we are nearing 100 beds, we have opened now. So that is easing out. So, I don't think so we should have, except in Calicut, there also we are trying to shift few other facilities and understand trying to bring in some more additional beds in MIMS, Calicut as well. So, these are the three large hospitals and we are already taking action on that and we are opening up these beds.

Alisha Moopen: So Kunal, if I can just come in here as well. See, we've, while the sweet spot is 75 to 80 percent, we've also been able to manage in Kerala because of the demand, like exactly like you said, closer to 90% as well. So we don't think in the next couple of quarters there would be

a slowdown because the operational efficiency that the team manages is quite good. So, we should be able to kind of continue with a higher occupancy in Kerala. Anoop, I don't know if you want to add anything to this.

Anoop Moopen: I think basically the question was whether we would have sufficient beds to meet the demand. I think, correct me Kunal, if that is what you are trying to ask.

Mr. Kunal Randeria: *Yeah, that was my question because 340 beds are only coming next year, right, so and you already at close to 80. Yeah.*

Anoop Moopen: So, see basically when we are running at this capacity, so you know when there is a gap we open up for the scheme and try to fill up that gap. And when we are running at full levels, we try to focus more on other areas where, you know, we would reduce on the scheme and more on cash patients and things. So that's how we balance the occupancy levels and our performance.

Mr. Kunal Randeria: *Got it. Got it. That's helpful. Second question again actually is to Alisha. Alisha, now you know several family members are on the board. So, I'm just wondering if you could share what the roles and responsibilities, how are they divided?*

Alisha Moopen: Yeah, sure. So, Kunal, as, once the segregation actually happened, we were talking about how there needs to be a double down effort on scaling up our India business, of course. So, the way we have kind of divided from a promoter family perspective, at least, the involvement is much more on a strategic level. So, I work a lot with the function heads, whereas Anoop is more focused on the Kerala cluster and Zeba is more focused on the Karnataka cluster along with Ramesh. So, the idea was how can we make sure that we are deciding the best strategy for each of these regions. Anoop has spent a lot of time in Kerala, understands that market very closely. Zeba is someone who studied in Karnataka, has worked there, understands that market and again is a doctor. So, looking at the medical strategy, something which is her forte. Anoop is someone who is an engineer. Again, when you're looking at projects and looking at the expansion of the new project, that's something where he's definitely able to add his expertise. So, we come in more as supportive roles. The performers are all the team that's on the ground full time dedicated to this but we felt that with this segregation, it was important for us to kind of enhance or sort of make the strategy a bit more laser sharp, and which is where both Anoop and Zeba have come in. And, of course, the IDs also, who have some of them who used to be with us, who have come back to sort of talk about what should be Aster's strategy to be sort of top three in the country, right? And we felt like we needed more inputs and more support to get to that pole position which has been Chairman's goal.

Mr. Kunal Randeria: *Sure. And so, Alisha, if I can ask you on this, as far as your bandwidth goes, is it more on the India business or you are still heavily involved in the GCC business?*

Alisha Moopen: No, I'm very involved in the GCC business because I am the Managing Director for the GCC business. So yes, it's like I said, the business is run with the local team in place between Ramesh, the cluster heads, the CEOs, the function heads. We feel India is running on a very good trajectory with the teams that are there. We come in more from a strategic support perspective. How do we look at allocation between the different regions, which departments to focus on. So I think definitely having Zeba and Anoop join has been a great support system as well.

Mr. Kunal Randeria: *Perfect, that's helpful. Last question for Sunil. I see in the balance sheet, I've seen the sharp increase in ROU assets and these liabilities. So what has led to this?*

Sunil Kumar: Yeah, thanks Kunal. So, with respect to ROU and, even the lease liabilities, right, it's both are interrelated. We were at something like 700 odd crores, I think, as on 31st March, 2024. And after that, if you recall, we added signed off two agreements, right, lease projects. One is the Aster CMI, it's already a lease project, if you recall, which is 500 beds. We added, we are adding another 350 beds, right. beds right so you know that is a liability which will create because you're going to pay additional rent to the 350 beds and again it's a 20-year lease right so to that extent you have to create ROU there itself you go I think it came to around 350 to 400 crores and balance another 250-300 crores coming from our women children hospital that is I think we signed off sometime in September, September 22nd if I'm right and that has kicked in in the quarter closure of 30th September. That's again you know 300 bed hospital again with a 30 to 31 year lease so that lease payments have present values been created as a ROU and lease liability. So these are the two major assets which we added in the H1 which has increased the lease liabilities and the ROU by almost 600 to 700 crores.

Mr. Kunal Randeria: *Got it and if I can squeeze one more sorry, the tax rate has gone up in the last couple of quarters, the P&L tax. So, what has led to it and what should we model going forward?*

Sunil Kumar: See, we had this, you know, 35 AD benefit for quite long. Like Medcity is where we had a huge carry forward losses and we've been utilizing for last almost 10 years now. And I think in the last year also, we moved from the tax regime from old to new. So, considering most of the carry forward loss has been utilized until last year, now we are, you know, caught back to the usual tax rate of between based on the legal entity, right, either 25 or 22%. And that's where you can see a effective tax rate of near to 30% now, right. So I think that's expected to continue unless you know because also we are not adding new

assets in the listed entity, we are adding the new assets in the separate subsidiaries to ensure that cash flow management is quite efficient. Keeping that in mind, I think current tax rate should continue.

Mr. Kunal Randeria:

Got it, Thank you and all the best.

Puneet Maheshwari:

Thanks, Kunal. We would like to highlight that we will be giving preference to attendees who have not asked a question before. So, in that line the next question is from Mr. Prateek Poddar. Mr. Prateek, if you can unmute yourself and ask the question please and can you please give your background as well.

Prateek Poddar:

Yeah, hi, this is Pratik from Bandhan AMC. A couple of questions, one is on the women and children hospital, which is starting in Hyderabad, how should we think about this? Is it this new practice area which you want to develop and scale this up from a medium-term perspective and from a payback period perspective would this practice area be a faster payback period versus with a multi-specialty? That's question number one. Second is, when I read the press release you talk about nine hospitals getting this digital standard published by NABH, maybe you could just spend a bit of time and explain what is this, does it result in better operational efficiency or better customer satisfaction and lastly on labs and pharmacies business I think you called that out just from a 2-3 year perspective how should we think about this business? These were the three questions here.

Alisha Moopen:

Thank you. Hello. Ramesh, do you want to come in on the women and children as a specialty for Aster?

Ramesh Kumar:

This women and children hospital at Hyderabad we are looking at as the state of art you know the first we wanted to have the largest hospital of that center to make up presence front and we thought we should have all the specialties of pediatric in the center and ensure that it becomes the point where we can address to all kinds of patients coming into the system, the pediatric patient. And also, women as far as the gynae part is concerned, we wanted to have one of the best experience as far as have the state-of-the-art good rooms and facilities to ensure that they have a good experience in the center. So, that's a thought process. We want to make it as the best center in Hyderabad.

Prateek Poddar:

Payback periods? And from a, let's say, medium-term perspective, would you want to scale this up? In the sense, would you want to add more of this practice of these hospitals in other clusters?

Ramesh Kumar:

We would like to, we will be adding as such. We have done this women and children Aster in Bangalore, Whitefield. So that itself is a big success for us and which is almost running at 80% occupancy. From

there now I think we are looking at Hyderabad and other centers also we will be looking at this model.

Prateek Poddar: *And the payback period is faster, right?*

Sunil Kumar: Payback period, you know, it all depends on the ramp up, but should be in the range of 9 to 11 years.

Prateek Poddar: *Sure. The second question was on the nine hospitals which were accredited with the digital standards published by NABH. Maybe what does it lead to? Does it lead to operational efficiency or customer satisfaction?*

Ramesh Kumar: It leads mainly to operational efficiency. It gives us the kind of, it's a standardization what we have achieved. So earlier we didn't have any kind of this kind of audit happening. So, with the support of NABH, I think we are able to come up with that this kind of standardization across all the units.

Prateek Poddar: *And could you quantify the operational efficiency?*

Ramesh Kumar: I mean it can be as good as anything to do with a discharge summary in a visit. Are we able to monitor the discharge timing where it leads to patient satisfaction. So, we are able to integrate all these factors together and see that we are able to deliver kind of a better patient satisfaction and operational efficiency.

Prateek Poddar: *Got it. And I think there was one question.*

Alisha Moopen: Yeah. On something like this discharge that Ramesh was talking about, right, I think we have realized that is one of the biggest pain points.

Prateek Poddar: *Yeah, I agree with you.*

Alisha Moopen: After everyone is done with the surgery and all the post-op discussions, right? So, it is a bit hard to quantify exactly. We believe that we look at it from a customer experience point of view. So that's one part of it. But like what Ramesh said, in terms of standardizing care, standardizing protocols, there are big intangible benefits of that, right, from a quality maintenance and consistency perspective.

Prateek Poddar: *Got it. The last question was on labs and pharmacies business. A part of it was called out in terms of unit one. But just from a three, four years perspective, medium term, how should I think about this business unit? I know it's very small for you today.*

Sunil Kumar: Yeah, yeah, see even when we envisioned lab and pharmacy, particularly idea was never to create a chain out of it, right? But our core business is going to remain the hospitals, but we're always looking from the continuity of care point of view. That's where you know you will see that in the current quarter, the Q3, we will be launching the app also, wherein we are going to consolidate the OP consultations, OP to IP conversions, the IP patient journey, and the

labs, post-discharge labs, sample collections, reporting, then the acute and chronic care patient pharma delivery. That is the whole concept why we even got into labs and pharmacy. And you'll see that labs and pharmacy, both are in the states where majorly we are present right there's a hospital. Now labs you know inherently it's a high margin business and that's one of the reason why we were able to quickly break even in the last year and now margins of course get to double digit in Q2 and again this margin can go beyond 20% provided the non-Aster business because this Aster labs you know provides services to our own hospitals by creating more efficiency. At the same time, does the third-party business also, right? So today, last year, it was 23% of our component of the lab business was from the non-Aster business. Now this year, already in H1, we've gone to 28%. So, the idea is that next two to three years' time, we want to move this 28% to near 50%. If we can achieve that, we're looking at a margin above 20%. And again, it doesn't require too much of capital infusion because already we have 14 satellite labs. We don't expect to add any more processing labs at all. It's only the collection centers which we'll be worried on. And once the app kicks in, we should be concentrating more on the home care business. Now moving on to the pharmacy. Pharmacy, you know, it's inherently a, low margin business. So, we don't expect to do a double digit margin anyway. We are talking about somewhere in a mid-single digit right. So, keeping that in mind we are trying to break even there. That is what we will see. We are not expanding the pharmacies and everything. We kept it around 200 odd so and now the way we did the lab break-even expecting to break-even to happen in the sometime in near FY26.

Prateek Poddar:

Very helpful, very helpful. Thanks so much.

Puneet Maheshwari:

Thanks, Prateek. The next question is from Mr. Nikhil. Mr. Nikhil, can you please unmute yourself and introduce yourself and ask the question? Nikhil, you are on mute.

Nikhil:

Am I audible?

Puneet Maheshwari:

Yes, you are audible.

Nikhil:

Thanks for giving me the opportunity. Most of my questions have been answered. So, I would just like to ask you, update on acquisition, like what are the acquisitions are we looking at? Are we still planning to expand in the UP side? And that's pretty much it.

Alisha Moopen:

Hitesh, do you want to come in here?

Hitesh Dhaddha:

Yeah, sure Alisha. So, regarding acquisition, you know, we keep evaluating opportunities. You know, I think the objective is to take the leadership position in the South India market where we are already second largest. And there are certain states where we can expand more presence while we have strong presence in Karnataka, Tamil Nadu, Andhra, Telangana. There are states like Maharashtra and Tamil

Nadu where we can expand ourselves further. So, I think these are geographies that we would like to kind of look at M&A opportunities and we continue to explore those. But I think, as of now, there's nothing that we can really talk about from the kind of, commitment perspective.

Nikhil: *Okay, sir. And I would just like to ask you about the MVT business, like how are we planning to grow the MVT business? Are we like looking to increase our proportion in the revenue?*

Alisha Moopen: Yes. So, that's definitely something which we keep working on. Because MVT business for us, especially for Medcity and CMI has been quite significant. So, Ramesh, do you want to just come on on how we are looking at enhancing some of the existing as well as new markets we are opening to?

Ramesh Kumar: Yeah, true. So as far as MVT business Kerala is concerned, we have 90% of our business coming from Oman and Maldives. So, that is continuing and it will continue to grow and a little bit of African markets and we are also right now looking at Bangladeshi as a trend down into our Calicut and little bit into our Medcity as well, so that has slow down a bit as we know that there are some issues which are prevailing in Bangladesh. As far as Bangalore is concerned or Karnataka I would say, more or less we have almost the GCC markets patients coming in and mainly from a few of the African markets also we have a lot of patients coming in. Kyrgyzstan and Iraq is another place where a few patients are flowing in for oncology and mainly for onco business and for our neuro business as well.

Nikhil: *Okay sir, thank you for the details. Sir, I would just like to ask like in the last call like we said that we are in talks with our promoters in Andhra Pradesh and Telangana. So those talks did materialize in this quarter, I guess. So, are we still looking to increase the efficiency there? And can you just throw some light on that area? And can you provide a summarized outlook for each of the clusters, if it is possible?*

Sunil Kumar: So Ramesh, you want to answer the first one? I can come on second.

Ramesh Kumar: I didn't hear clearly the very first point.

Sunil Kumar: I think he's referring to the Ramesh hospitals. So let me add to that. So Nikhil, you're looking at how are we doing a turnaround, right? So yes, you know, today the SHA very clearly talks about, you know, day to day operations run by the Ramesh hospitals and our investment is more strategic and we control the board. And also as we've been talking about strategically to discuss with them that how to improve the top line and how to improve more efficiencies. And I would agree with their point that that's exactly working for us. That's where you can see the Q2 business which is ramped up. And again, when you look at the growth also, you can see across the board, you can see

multispecialty growing up because that was not the strong suit considering cardiac was capturing more than 35 to 40% of the business. And also, we're seeing the periodic business increasing quite well there. So keeping all this growth expanding, is that's where with even the small increase in the top line, we're able to see a big movement in the EBITDA margin. And with this we continue to have the top line growth in the further quarters, Ramesh hospitals have got the capacity to reach somewhere on a upwards of 20s as an EBITDA margin in next two to three years timeline.

Nikhil: ***Yes and can you please provide a summarized outlook on each of the cluster if it's possible?***

Sunil Kumar: On the margin bit of it?

Nikhil: Yes like on the margin bit of it.

Sunil Kumar: Yeah, so I think I tried to cover in the previous one. So, you know look at the Kerala market I told you that that ARPOB is lower than the Karnataka cluster market. And also, the manpower cost is again comparatively higher to the K&M cluster. Keeping it in mind, Q2 already they have achieved a 25% margin and H1 is almost near to 23% plus EBITDA margin. And we see that going forward, it can go upwards of 25% also because we are adding capacity across the board. As we said, we operationalize 100 beds in Kannur, we are going to operationalize 100 beds in Medcity this quarter, and Trivandrum is going to kick in and there's a Calicut expansion which we have planned. So keeping that, we keep adding that beds, we are expanding, we expect that EBITDA margins to be expanding there. It may not reach to the Karnataka level but at least, it should go beyond 25%. Now coming to Karnataka and Maharashtra cluster, considering it has got a higher ARPOB as compared to the Kerala cluster. And also the lower minimum wages keeping in mind. We should currently, which is again at a Q2 25% specifically driven by a very good performance by Aster Whitefield Hospital where their EBITDA margins are reached to near 20s there. So, with that, we expect at least to go at least 300 to 400 points higher than the Kerala cluster. And Andhra, I told you that today, which is at a Q2 something like 15 to 16% EBITDA margin, it should go about 20% in a couple of quarters or at least two years' timeline.

Nikhil: Ok Sir, that's it for my side. Thank you and all the best for future.

Puneet Maheshwari: Thanks, Nikhil. The next question is from Mr. Alankar from Kotak.

Alankar: ***Yeah, I thank you for the opportunity. First question is more of a follow-up to one of Prateek's questions. What is the current split between pediatrics and maternity at the Bangalore Hospital? And do you expect a similar split at the upcoming Hyderabad one as well?***

Ramesh Kumar: So you're talking about the current occupancy and the trend in Bangalore?

Alankar: ***No, no, the revenue split between pediatrics and maternity at the Bangalore hospital.***

Ramesh Kumar: Yeah, so, presently we can say around, 5 crores, which is out of that 25 crores and 30 crores in Whitefield's. So, you can approximately say around 3 to 4%, 5% of our business is women and yeah children put together it should be around 8 to 9% of the total revenue at both the hospitals. I mean what has happened at Whitefield and of course multi-specialty centers. In this Whitefield hospital since the concept, we have built on women and children that is slightly the concept is very well accepted attached to that next to a multi-specialty center. So, we have a better traction there than compared to a complete multi-specialty center having women and child inbuilt into the system. So, with this successful concept is what we are looking at Hyderabad, which is a standalone center which can give us a good revenue on a standalone for a mother and child.

Alisha Moopen: So Alankar, I mean, I'll also just come in here. So, in Kotakkal, we had a multispecialty hospital and then we opened up a women and children wing. In Whitefield, what we have done is we started with women and children because that was the availability of space, and then we've added other departments. Like what Ramesh has said, you've got now 25 crores coming from the entire unit, which is oncology and all the other specialties. Hyderabad is slightly different in the sense that it is an independent women and children hospital. There is it is it is going to be the biggest in Hyderabad, you know, even bigger than the Rainbow One, which is there. And the focus is on maternity, on pediatrics, all the subspecialties, aesthetics, infertility. So, it is in that sense as being a fully independent unit, it would be our first. We started with that in Whitefield, but then, of course, Whitefield does have the full expansion that has come on board with all the other specialties. So, I'm not sure if you would directly be comparing that would make sense. But Sunil, just to talk about the split between pediatrics and women in both of these existing facilities, would you be able to give that or do we need to go back to Alankar?

Sunil Kumar: Yeah, no, Alisha, yeah, we can give that number. So, if you look at the CMI Hospital, we do around 7% of women's health and around 3 to 4% on the children care. And I was saying the reverse, children care is around 6 to 7% and women's health around 3 to 4%. When you go to RV, 5% is the pediatric care, what we do, and another 4% is the women care. And when you look at the Whitefield, the child and adolescent, that the pediatric specialty does around 8.5%, and women's health, that does almost 7%. So that is a number. But as you rightly called out, at India level, when you look at, we do at the 6%, the women's health, and 6%, the pediatric bit of it. But Hyderabad very clearly called it's independent facility where it's independent women and children

hospital where 70% of the revenue is expected to be driven by pediatric and only 30% from the women care and we're going to have a super specialty and subspecialty mix in all the pediatric whether it's a cardiac surgery or it's a gastro or ortho and also state of the art NICU and PICU also. So that's what we're expecting for in the Hyderabad.

Alankar: *Thank you, that's helpful and just so this is through the built-to-suit model because the construction is I mean the hospital is opening pretty quickly, and its lease, so ?*

Sunil Kumar: Its warm shell, So, this is a building of almost 3 lakh square feet. It is existing building. We were. It was ready to be converted into an office space or alternative. You know commercial. So considering that this is really suited for our needs, we were able to convert that into a women children hospital. Now what we have to do, why it's going to be early is that because already the whole structure, warm shell and the high side is completely ready. So it's only going to take one year or even less than that just to put the interiors and equip with the medical equipment's.

Alankar: *Understood. Thank you. The second question, Alisha, for you in the first call, in the last call rather you had spoken about looking to merge with a platform to accelerate growth. Does this still remain a priority for us and should we look at the CEO hiring which you said could happen in the next few quarters if required in conjunction with any potential M&A?*

Alisha Moopen: So, Alankar, you know, we have been looking at various opportunities over the last six months. Still early for me to come back to you yet. Hopefully, in the next couple of quarters, we will have, we'll be more crystallized and we'll have better clarity on that. So the point on the structure and looking at the CEO hiring will also depend on some of the transactions which, you know, we're exploring at this stage.

Alankar: *Understood. And are you still evaluating a potential entry in UP?*

Alisha Moopen: Specifically, not right now, no we are not.

Alankar: *Okay, fair enough. And maybe one last question from my side. I mean while our performance in this quarter has been very strong and congratulations for that, we have seen some senior level attrition in Kerala and Karnataka. We just wanted to understand the attrition is in which functions, anything to be worried about any impact you see in the future. Thank you.*

Alisha Moopen: No, Alankar. I think, I mean, as the system is growing and as people have been performing, of course, we expect some level of churn to happen. As I mentioned earlier also, we do have a very strong local team in most of the units. It's not specific to any function or any specific unit as such, even the attrition. We had a few attrition in Kerala, but they're split between some in MIMS, some in Medcity. We

have been also hiring, so there are some senior level resources coming on board to Kerala soon. So, you will hear about that also hopefully in the next call. But nothing that we are worried about. Performance seems very strong, solid. The team has been a team, the brand, everything seems to be kind of moving in the right direction as far as we are concerned.

Alankar: *Great. Thank you and all the best. That's it from my side.*

Puneet Maheshwari: Thank you. Thanks, Alankar. The next question is from Mr. Harith from Aventus. Mr. Harith, can you please?

Harith: *Hi. Good morning. Thanks for the opportunity. The first question is on the labs and pharmacies segment where you have disclosed around 70 crores revenue for the quarter. So, can you provide a breakup between the two verticals, the lab business and the wholesale pharmacy business for the revenues?*

Sunil Kumar: So pharmacy business you are referring to the Q2 or H1 Harith?

Harith: *H1 is fine.*

Sunil Kumar: H1 may whatever the number is there from that 66 crores is related to the labs with a 5 crore EBITDA that is amounts to 7.5%, margin and balance is related to the wholesale pharmacy.

Harith: *Okay, thanks. And the operating margins that you reported this quarter for the hospital business of around 24%. Can you comment a bit about the sustainability of this number especially given that we are adding almost 300 beds in the second half. So, what I am trying to understand is whether there is a benefit of seasonality in this 24% number and we should expect some normalization in the second half?*

Sunil Kumar: See Harith, you always follow the healthcare, right? So, Q2 is always going to be the strongest. So, again Q1 is the weakest because at least in our case we have got the Ramadan and what you call, you know, the school holidays and everything quarter one is always up to quarter two with the rains everything coming in multi-specialty does really well but if you look at our growth from the across the specialties right multi-specialty grew at 24% cardiac sciences has grown by 20 percentage then the neuro sciences has grown by 23 percentage or oncology has grown by almost 27 percentage and even our pediatric care across the board has grown by 20%. So you can see it's a mix of multispecialty and the super specialty which has grown. And now whether that 24% is sustainable? Yes, it's sustainable. Because we are talking about only 24, not like I've not achieved just yet 30. But 24% again as I called out in the initial stage, a majority of it has come from the material cost. And material cost is one of the lowest today because we're able to drive a good compliance across the board, very good support from the business units. And that is able to leverage to the

restricted bands. And that has really further helped us to get in a negotiated and good procurement mode. So, keeping all these benefits, I think we got still the expansion happened to in the further efficiency in material cost of another 100 bps.

Manpower is a major thing because you saw the Capex slide wherein at the bed addition may almost more than 50% is coming from the brownfield addition. So, these brownfield addition helps us in leveraging the manpower cost. That's a very big way because today we ramped up in Kerala very specifically very quick and you can't rationalize or bring efficiency when you're ramping up in a very quick manner. But with brownfield expansion, as I called out, you don't have to hire a leadership team. You don't have to hire the admin people. You only need to ensure that the current existing capacity which you utilize and wherever required to add the bedside staff, that's it. So, with that happening, margin expansions are going to happen because I can see still another 200 or 300 basis points coming from the manpower cost. And as I said, in that overhead already we have done 100 basis points. And again, further, there is another, I would say, 50-100 basis points coming across. But yes, all these things will take time. That's how you can see in the last few quarters how the efficiency slowly is kicking in. But yes, Q2 was a revenue jump, was very quick. But Q3, Q4, also you don't expect anything major downfall or upside, because festivals are there. But we've got a very strong occupancy running in October. We expect the performance of Q2 to continue.

Harith: *Thank you, Sunil. And last one, Alisha, just a follow up from Alankar's question. The discussions you alluded to with private equity investors and then various platforms, can you clarify if those discussions are still ongoing or, have we decided to focus on organic growth plans for now?*

Alisha Moopen: Harith, so discussions are still ongoing. I think I just don't have anything to disclose per se. So we are continuing to explore the various options. So, the goal is to kind of scale up. So we're trying to see what's the best way for us to do that.

Harith: *All right. Got it. Thanks, Alisha. That's all from my side.*

Puneet Maheshwari: Thanks Harith. The next question is from Mr. Amrish. Mr. Amrish, can you please introduce yourself and ask the question?

Amrish Kacker: *Hi, I am Amrish Kacker, individual investor. My first question is on Telangana again, on Hyderabad. Is it reasonable to assume that this hospital's margins and ARPOBs will be closer to Karnataka than it is to the Telangana-Hyderabad cluster? So effectively over a longer 3-4-year period we might even see the margins further enhance compared to what Sunil mentioned?*

Sunil Kumar: So Amrish, thanks for the question. If you are referring to our Aster Prime Hospital in Telangana.

Mr. Amrish: *No, no so the new children.... where are they? Yeah, so the margins on that*

Sunil Kumar: Again, see that's again a inherently a very high margin business, right? You're using the peer groups to do more than 30% margin, right? So it's very clearly a 30% margin business with again profile mix is very good. You got 50% cash, 50% TPA and if you have a very good state of the art NICU, PICU, IVF and a birthing center, we expect to have a very good margin, very similar to Bangalore.

Mr. Amrish: *And therefore, you'd mentioned that we're heading to 20% plus in the cluster. This will probably enhance that as and when the hospital matures, right?*

Sunil Kumar: Yes, because if you look at individually, yes, it should achieve it, but I was giving guidance of two to three years wherein hospital you have to start something here, right? And with the Andhra cluster put together, I was giving that guidance.

Mr. Amrish: *Okay, thank you. Second one is just a minor comment on the O&M. I think we've taken out O&M, the asset light O&M revenues and margins. I understand it's a very small part of our business. Is that sort of an indication we should take that this is probably not the big big thing we want to swing for in the next few years we've got bigger opportunities?*

Sunil Kumar: Let me put across on the number then I can ask Ramesh to come in. See with respect to O&M business we for the quarter or the Q2 be achieved a business of around 40 crores and EBITDA margin of around 7.7%. So still our Tirupati Hospital and PMF Kollam is a strong suit, they're really doing well. And our Madegowda Hospital in Mandya and Aster Mother Hospitals in Areekode almost near to break-even, right? So, they're not bleeding, but overall we are at a 7.7% margin. And with respect to expansion, we don't either, we also pre-called out, considering the ARPOBs are lower and EBITDA margins will be lower. ROCEs are better, right? Double digits, ROCE. To continue, we want to stabilize this one before we look at expanding further. Ramesh, you want to add anything on the O&M asset light?

Ramesh Kumar: Yeah, yeah, right. You said that there are, the good thing is it's an asset light model and as Sunil has mentioned, if you really look at, I mean, assets are yet too, go into the full throttle and the ARPOB is slightly lower. A few challenges are there being a tier two or tier three city. And usually, the challenges are retaining the clinicians and then making them perform. So high-end work, clinical work would not happen there. So, it would take its time to really stabilize and then show a very good growth. So, we are just looking at the model now slowly, a few of them have started performing and some of them are, it depends on the geography. So, we are yet to decide on how the

model would be taken off, but still, we will be exploring because that is a lot of opportunity happening in tier 2 and tier 3 cities.

Mr. Amrish: Thank you and all the best.

Puneet Maheshwari: Thanks, Amrish. So, we have next person in line Mr. Krishnendu again who has joined back in queue. Krishnendu, you can unmute yourself and ask the question if you have any.

Mr. Krishnendu: *Yeah, yeah, just thanks. Just a clarification to the numbers. So we are adding another 630 beds of odd beds next year, 639 beds. They are all on lease. So for FY26, what would be the increase in lease amount ROU which will be added and opposed that, do you think that the addition to the ROU will go down? That's the first question.*

Mr. Krishnendu: *The second question was, could you give a sense of what would be the, what do you call, let me put beds for government hospitals in the South Zone?, what kind of, this is just for my knowledge.*

Sunil Kumar: Yeah, so with respect to your first question on the FY26, right, yeah, 639 beds we are adding. That's basically coming from the Kasargod, which is leased, but in MIMS Kasargod, we have not leased the warmshell, we have leased the land. So that land is leased for almost 60 years from right. So, you don't expect any major rental cost at all because we are not doing the complete building there. So, it's only the rental what you are paying for the land. So, you can expect a very least hit from the rent point of view. Calicut again, it's a small capacity of census beds, but you are adding, again you don't expect any major amount coming in. But yes, women and children care. See, when we stabilize usually at a stabilized level, when you reach a very good optimum capacity utilization and a good revenue, you can expect a revenue share or revenue share is not there, but lease amount or rental amount should be somewhere between 4 to 5%. But if you want a number directly, you're talking about, you can take approximately 50 rupees per square feet for 3 lakh square feet rental and take an inflation for every three years at 12 to 15%. That will give you the number.

Krishnendu: *That's the cash flow but how much could I add to the ROU say in effect?*

Sunil Kumar: Almost 250 crores 250 to 275 crores is what we added.

Krishnendu: *That's what we could add.*

Sunil Kumar: That's what we added. That's what we added Krishnendu. If you look at 31st March to 30th September our lease level ROU is increased by double from 700 to 1300 odd. So it has got two numbers one is the 250-300 crores coming from the what you call the women children hospital, Hyderabad and second one is from the Aster CMI expansion from Bangalore.

- Krishnendu :** *So and on top of that we add another 250 next year ?*
- Sunil Kumar:** No there will be no again addition because whatever signed off you're talking about see we're talking 1800-1900 beds we are giving a pipeline whatever is already agreement signed off the solid kicks in into the balance sheet immediately so there is no addition coming in unless we sign off a new agreement.
- Krishnendu :** *Okay so for FY26 or 27 onwards the ROU just depreciates that's it and interest comes out from that and last question about the ARPOB on the government hospitals in south and on how are the numbers look like?*
- Sunil Kumar:** We do very less right we do....
- Krishnendu :** No no I'm not talking about Aster I'm talking about government which is such a large portion of the healthcare the government hospitals, what are the ARPOBs just for my knowledge is nothing so just want to know any idea you're referring
- Sunil Kumar:** but maybe I don't know, 20,000 maybe nothing more than that.
- Puneet Maheshwari:** Thanks, Krishnendu. If anyone of other attendees would like to ask a question, please pick up and raise your hands. Okay, so we have one more. Mr. Naman, could you please unmute yourself and ask the question?
- Naman:** *Hi sir, this is Naman from Nine Rivers Capital. Just two small questions. First, in the pledge which we had alluded to the last quarter and it will be gone by the end of the year. So, any update on that? And second, on the tax rate on the quarterly basis, the tax rate seems abnormally high. So, what is the normalized tax rate we can expect for the full year or the next few years?*
- Sunil Kumar:** Naman, I didn't get the first question, but the second question with respect to effective tax rate, I called out for another question which we got during the call. Till last year, we were able to get the benefit of the old regime and the carry forward losses. So, that has been exhausted. So, during that time, you know, we used to be an effective rate of somewhere between 12 to 14%. Considering this year that the whole, you know, carry forward loss has been completely exhausted, we need to end up paying the tax. That's where you can see it's jumped to almost 29 to 30%, but future you can look at somewhere between 25 to 30% will be your effective rate.
- Naman:** *Got it. And first question was on the pledge which we have on our shareholding. So, it seems around 90% of our shareholding is backed by the pledge. So, on the last call we had alluded that it would be gone by the end of the year. So, is there any update on that?*
- Alisha Moopen:** Yeah, so Naman, I think we mentioned last time also, it was just a high pledge because of a technical reason where the company, I mean

where the promoter shareholding is based out of. It's sort of reduced significantly now. It was a bridge loan during the time of the transaction. We are refinancing it right now. So, by the end of the year, like I said, we should, this should be restructured.

Naman:

Got it, thank you.

Puneet Maheshwari:

Dear all, due to the time constraints, I would like to mention that we will conclude our earnings call for this quarter for Aster DM Healthcare now. I thank the management and all the attendees for joining us today. If you have any other questions or queries, please get in touch with us. Thank you.

Everyone:

Thank you, thank you. Bye

<End>

The contents of this transcript may contain modifications for accuracy and improved readability.