August 08, 2024

The Secretary Listing Department, BSE Limited, 1st 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

Dear Sir/Madam,

Sub: Transcript of Earnings Call for the quarter ended June 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 August 01, 2024, regarding Video/ Audio recordings of Earnings call of the Company for the quarter ended June 30, 2024, held on August 01, 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.in/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

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Date: 2024.08.08 18:39:59 +05'30'

Hemish Purushottam
Company Secretary and Compliance Officer

Aster DM Healthcare Limited

Q1 FY25 Results Earnings Conference Call

August 1, 2024

Management:	**Ms. Alisha Moopen – Deputy Managing Director**
	Mr. T J Wilson – Non-Executive Director
	Dr. Nitish Shetty – Chief Executive Officer, India
	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 the Aster DM Healthcare Earnings conference call for the first quarter of FY25. The company declared the Q1 results for FY24-25. 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; Dr. Nitish Shetty, Chief Executive Officer - India; Mr. Sunil Kumar, Chief Financial Officer- India and Mr. Hitesh Dhaddha, Chief of Investor Relations and M&A.

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 questions 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 risk 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 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 ask Ms. Alisha Moopen to start with opening remarks. Over to you Ms. Alisha.

Ms. Alisha Moopen: Thank you Puneet. Good morning, everyone and thank you for joining our Q1 FY25 earnings call. The successful segregation of our GCC business has sharpened our focus on India as a geography as we embark on FY25. I'm pleased to present an overview of our first quarterly performance following the successful segregation.

India has a low hospital bed density with only 15 beds per 10,000 people, significantly lower than the global average of 29 beds. This shortage of basic healthcare infrastructure creates a significant opportunity for us to expand our specialized services to meet the growing healthcare needs and improve the overall healthcare infrastructure in India. Q1 results clearly reflect how Aster DM Healthcare post this strategic shift, is extremely well positioned to capitalize on these immense opportunities within the Indian healthcare market and position itself for sustained growth. I would now like to share a few highlights of our financial and operating performance for the first quarter of FY25. Following my brief overview of the overall performance of the company, Dr. Nitish will provide insights into the cluster performance of our business in India.

Over the last five years, our India operations have experienced significant growth with a compound annual growth rate (CAGR) of 23% in revenue, and 38% in Operating EBITDA up to FY24. This growth has been driven by significant capacity expansion, ARPOB growth, increasing international revenue, and offering advanced quaternary and tertiary healthcare services.

Now, coming to the quarterly performance of the India business, our business has achieved 20% growth in revenues to INR 1,002 crores for the quarter. This growth was supported by an addition of nearly 450 beds over the last year and a 12% year-on-year increase in the ARPOB. Aster's operating EBITDA grew by 38% to INR 177 crores for the quarter. Overall the India operating EBITDA margin expanded to 17.6% for the quarter from 15.3% a year ago. The significant improvement is on account of overall operational efficiencies, which is evidenced both by the reduction of ALOS, cost optimization efforts that has really lowered the material cost to 21% during the quarter, from 23% same period of last year, as well as EBITDA improvement in our lab business. Our net profit post the NCI has grown 80% to INR 74 crores in Q1 FY25, driven by our operational excellence and interest earned on the investment of remaining sale proceeds from the segregation of the GCC vertical. The payor mix has seen a positive shift, with the contribution from the insurance business increasing by over 200 basis points, reaching 30% now. This growth was offset by a corresponding reduction in their scheme business.

Now going back into the core business, both the hospitals and clinics, our core hospital business delivered operating EBITDA margin of 21% in Q1 FY25 as compared to 18% a year ago. In fact, our mature hospitals (with more than 6 years in operation) contributing to almost 73% of our hospital segment revenue, delivered our operating EBITDA margin of 23% in Q1 FY25, with the ROCE standing at 30%. Our deliberate efforts to establish a sustainable business model are clearly demonstrated in our well-diversified specialty revenue mix, with no single specialty accounting for more than 15% of the total hospital revenue in FY24.

Coming to some of our new businesses, both the pharmacy and labs, during this quarter, we added 12 patient experience centers in Kerala and 2 pharmacies in Karnataka in Q1 FY25, reaching a total of 229 patient experience centers and 217 Aster pharmacy branded retail stores as of 30th June 2024. Our lab business continued to perform well, registering more than 15% YoY revenue growth while continuing to deliver positive operating EBITDA margin in Q1 FY25.

We remain committed to our robust expansion plans, which include the addition of approximately 1,700 beds, taking the total bed count to 6,500 beds by the end of FY 2027. Our pipeline primarily comprises of brownfield expansions, particularly at renowned hospitals, such as

MedCity, CMI, and Whitefield. These facilities, known for their focus on niche specialties and high-end quaternary care work, will further strengthen our position as a leader in the healthcare sector. With this expansion, Aster MedCity is set to grow to 950 beds, while Aster CMI will expand to over 850 beds.

In addition, we are actively seeking inorganic growth opportunities with the objective of becoming one of the top three healthcare players in India. We're focusing on acquiring multi-specialty hospitals in states where we already have a presence or in neighboring states such as Maharashtra and Tamil Nadu.

Our strong financial performance and strategic initiatives demonstrate our commitment to innovation and excellence in healthcare delivery. Our efforts are recognized by the **Economic Times**, where we were honored as the "**Best Healthcare Brand"** of the year 2024. Additionally, Aster CMI has become the first hospital in South India to achieve the **NABH Digital Platinum Accreditation** as well.

As we progress into FY25, we are poised to capitalize on the substantial growth opportunities within the Indian healthcare sector. Focusing on the Indian market is a strategic decision that aligns with our mission to deliver high-quality healthcare services in an evolving economy. We are very optimistic about the future, and believe our expansion plans and operational improvements will enable us to make a significant impact in the industry, ensuring better health outcomes and a brighter future for all.

I will now request Dr. Nitish Shetty, CEO of India business to elaborate more on India's performance, including segmental and the cluster-wise performance.

Thank you all very much.

Dr. Nitish Shetty: Thank you, Alisha. A very good morning and thank you all for joining us on Q1 FY25 earnings call.

I'm enthusiastic to share the exciting journey we are embarking on as we focus exclusively on Indian market from Q1 FY25 onwards. This strategic shift has come at a time when Indian healthcare industry is experiencing substantial growth and transformation. Hence we are prepared to make the most of this opportunity by enhancing our services and infrastructure, aiming to meet the increasing demand for quality health care in India.

Moving on to India business performance for Q1 FY25.

The addition of 446 beds in last year has led to 20% YoY growth in revenue and 39% YoY growth in operating EBITDA in Q1 FY25. Our core hospital business including clinics contributing 94% of our total revenue grew by 21% YoY to INR 968 crore in Q1 FY25. The successful

implementation of cost optimization initiatives and operational leverages has led to significant growth of 39% in core hospital operating EBITDA, delivering operating EBITDA margins of 21% in Q1 FY25 compared to 18% in Q1 FY24. Excluding O&M, our core hospital business group at 20% reaching to INR 930 crore with operating EBITDA margin of 21.4% in Q1 FY25. Additionally, our O&M asset light model registered a revenue growth of 89% YoY in Q1 FY25, with the addition of 149 beds in the past one year. This hospital segment has already started delivering positive EBITDA and is poised to contribute to enhance overall hospital margins.

Our new business performance, especially in the Aster Lab, grew by 15% YoY, delivering positive operating EBITDA margins. Furthermore, overall payor mix, as Alisha mentioned, has changed in Q1 FY25, with YoY increase of 200 bps in insurance patient, reaching to 30% now. This growth was offset by reduction in scheme patients.

Coming to the cluster-wise performance, our Kerala cluster, which contributes 55% of the overall hospital business revenue, maintained positive momentum with revenue growth of 14% YoY, and operating EBITDA growth of 30% YoY in Q1 FY25. The Kerala cluster delivered operating EBITDA margins of 22.7% aided by reduction in ALOS to 3.1 days and price growth. The APROB of Kerala cluster also witnessed an optimum growth of 12% YoY at INR 42,000 in Q1 FY25, reflecting the price hike and reduction of scheme work.

A Karnataka and Maharashtra cluster contributing 34% to the overall hospital revenue showed strong performance in Q1 FY25. The revenue of the cluster grew by 38% YoY and operating EBITDA grew by 55% YoY in Q1 FY25 while delivering an operating EBITDA margin of 21.2%. With the scaling performance of a new Whitefield Hospital at Bangalore location, the cluster witnessed a notable improvement in occupancy levels, rising to 62% in Q1 FY25 from 55% in Q1 FY24.

Andhra and Telangana cluster remains steady with revenue growth of 15% YoY and operating EBITDA growth of 20% YoY in Q1 FY25. We are confident in our cluster approach, which has enabled us to break even faster with new hospitals.

Coming to CAPEX, our expansion plans to add ~1,700 beds by FY27 is on track, which will increase our total capacity to over 6,500 beds. This expansion will enable us to bridge the gap between demand and supply, positioning us to capitalize the growing opportunities in Indian healthcare market. We remain committed to providing high quality healthcare services and achieving sustainable growth with strategic objective to become one of the top three players in Indian healthcare sector.

I now request our CFO Mr. Sunil to elaborate more on financial performance. Thank you very much.

Sunil Kumar: Thank you Dr. Nitish. Good morning everyone. For the quarter ended 30th June 2024, India revenues have increased to INR 1,002 crore up by 20% from INR 838 crores in Q1 FY24 and operating EBITDA has increased to INR 177 crores with a margin of 17.7% compared to INR 128 crores in Q1 FY24 with a growth of 39%. PAT post NCI for Q1 FY24 is 41 crores in Q1 FY24 with a growth of 80% YoY. Our core hospital and clinic segment achieved revenues of INR 968 crores up by 21% from INR 787 crores in Q1 FY24 and the operating EBITDA has increased to INR 201 crores with a margin of 20.8% compared to INR 146 crores in Q1 FY24 with a growth of 37%. The ARPOB for Q1 FY25 saw an overall growth of 12% increasing from INR 39,400 to INR 44,200. Excluding O&M hospitals the ARPOB rose by 15% from INR 40,800 to INR 46,800. This growth was driven by revenue augmentation, revenue assurance measures, optimization of our ALOS, and improvement in payor and case mix.

In terms of cost optimization, our material cost percentage, excluding wholesale pharmacies, steadily declined from 25.3% in FY22 to 22% in FY24, and further to 21% during the current quarter. This reduction reflects our effective cost management, strategic procurement, and operational efficiencies implemented across our business units. For the quarter ending June 30, 2024, our capital expenditure totaled INR 85 crores, with approximately 64% spent on towards expanding our capacity.

Over the next three years, we aim to add nearly 1,700 beds, with 60% of these being Brownfield expansion to ensure that there is no dilution in our margins. Optimized capital allocation coupled with margin improvement our ROCE has experienced a significant growth. ROCE surged 200 basis points YoY reaching 16.5%. Hospital and clinic segment, excluding O&M asset light hospital, ROCE rose to 23.8% from 22.3%. Matured hospitals saw an impressive increase in ROCE by over 300 basis points, reaching to 30% in Q1 FY25. Aster India, net cash stands at INR 1,041 crores as on 30th June, compared to net debt of INR 565 crores as on 30th June 2023. On that note, I conclude my remarks and would be happy to answer any questions that you may have. I now request Puneet to open 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. Sudhir. Sudhir, if you can unmute yourself and ask the question.

Sudhir Beda: ***Good morning, sir. And I am Sudhir Beda from Beda Family Office. Congratulations on a very good set of numbers, sir.***

Hitesh Dhaddha: Thank you, Sudhir.

Sudhir Beda: Am I audible?

Hitesh Dhaddha: Yes, thank you. Please go ahead.

Sudhir Beda: ***Yes, sir. My question is your margin has gone up almost like 200 bps plus. So, going forward, what are the chances that margin can improve further as some of your capacity is going to be matured. So, margin enhancement, I want to ask a question on that.***

Sunil Kumar: Thank you Sudhir. With respect to margin enhancement, so if you have seen our growth in quarter on quarter, and also look at our maturity profile, today above six years, hospitals, we have got almost 10 hospitals today, with almost 73% of revenue coming from there. If you look at their EBITDA margin, operating EBITDA is almost 23.2%. So that shows that there is a good scope of increase in the overall margins. But at the same time, you know, we have started our journey in India only last 10 years. Right, so we all, a lot of assets have been in the growth stage. Now only recently, only we have matured into, you know, many of our hospitals have gone to mature stage. That's where you see the margin expansion happening. And we see that, and also 17.7% what you're seeing is a consolidated number with hospitals, labs, and pharmacies put together. But only hospitals when you look at it, it's more than 20.8%. So, I think even the previous quarters or so I've explained that at a consolidated level in next couple of years, we can look at going from current 17.7% to 20% to 21% and specifically the core segment, which is a hospital and clinic segment, that is something which is currently at 21% can go up to 23% and 24%. So we see this is like a sustainable margins with our ARPOB because we are present majority, 70% of business come from non-metros for us. So, with the current ARPOB of INR 44,000, we see that with a decent ARPOB growth and added to our cost optimization measures, we will be able to reach to the numbers which I was able to talk about.

Sudhir Beda: ***Thanks for explaining in details sir, thanks for the opportunity and all the best. Thank you.***

Puneet Maheshwari: Thank you, Mr. Sudhir. The next question is from Mr. Sanjay Shah. Mr. Sanjay, if you can unmute yourself and ask the question.

Sanjay Shah: Hello, I'm audible I suppose.

Puneet Maheshwari: Yes.

Sanjay Shah: ***Thanks for opportunity, sir and congratulations to the team Aster, for fantastic performance and very nice presentation and deep***

explanation. So my question was regarding our CAPEX program, what we have lined up for 1,700 bed and where 60% will be from Brownfield. So currently, what is the approximate cost for a Brownfield project? And what CAPEX we are going to incur for adding these 1,700 beds?

Sunil Kumar: Thank you, Sanjay, for your question. So the 1700 beds on overall basis, the capex of the project cost we are looking at is something like INR 1,200 crores. So out of INR 1,200 crores, INR 200 crores plus has already been incurred in the last 2023 and 2024 year. So we're expecting the additional INR 1,000 crores to be incurred in the year FY25, FY26, and FY27. Now coming to your specific question on Brownfield expansion. So, if you have already a hospital, like say our Aster MedCity hospital with 750 beds, or say we have a Kannur Hospital with 300 beds. So in both places, we are doing a Brownfield expansion of 100 beds plus. So if you have an existing hospital and you're able to do a Brownfield expansion, we are looking at a cost per bed of something like INR 50 lakh per bed.

Sanjay Shah: ***That's great. So, by FY27 even after adding 1,700 beds and they reach the benchmark, we'll be still a debt-free company, right? So that was my point. So have the management added any plan on the board to do some expanding the reach for labs and clinics, even pharmacies?***

Hitesh Dhaddha: So I just want to add here to what Sunil also mentioned and Sanjay to your question. You know, as a strategy, I think our focus will continue to be expanding more on hospital segment while the other new businesses like labs and pharmacies, we look at more as ecosystem for us to support our hospital business and you know, continue to help us hospital business deliver higher margins. So in that fashion, naturally, their expansion will be linked to where we put new hospitals and where we expand our geographies. But I think as a company, our focus will continue to be more on expanding hospital business, which is the core business for us.

Sanjay Shah: ***That's great sir, very helpful. Thank you very much and good luck to you also. Thank you.***

Puneet Maheshwari: Thanks Mr. Sanjay. The next participant in line is Mr. Amey. Amey, if you can unmute yourself and ask the question please. Amey, if you can unmute yourself.

Amey: Hello, am I audible now?

Puneet Maheshwari: Yes, you're audible now.

Amey: ***Thank you so much and congrats on a good set of numbers to the management. So the first question I have is if you can explain the ARPOB growth drivers for the quarter. It has been in double digit, so that is the first question and the second one on the P&L side, we see***

some sequential uptake in the employee cost. If you can highlight the key reason for the same, thank you.

Sunil Kumar: Thank you Amey, I mean so on your first question related to our ARPOB growth. See our ARPOB growth. Even in my speech I called there are many levers which is driving. The first one I would say is the ALOS reduction. So ~~ALOS~~ usually Aster India ALOS used to be around 3.4 days. And now in the quarter, it has reduced to 3.2 days. Right, so that is again, ALOS has resulted majorly in the change in your scheme mix. For example, we had stopped our schemes basically in Calicut and Medcity, sometime two or three quarters back. So there we are seeing that because scheme patients usually stay longer as compared to a cash patient or a TPA patient. So the ALOS has been a very, I would say, one of the important reason why our ARPOB has grown. Second, I would like to attribute to our Aster Whitefield hospital. If you look at last year, the same time, we had only the Women & Children block operating, right? With only 50 beds. And that was generating only ARPOB of 44,000 plus. But now with the quarter one, we have complete multispecialty, the A, B, and C block with 350 beds completely operational due to which you're doing completely multispecialty, right? So you're doing oncology, you're doing neurosurgery, you're doing plastic surgery. So with all this multi-specialty coming in, ARPOB has grown to almost INR 70,000 per day. So these are the two main factors. In addition to this, the price increase is something which we, you know, it's contributing only to 3%-3.5% but in addition to this one, it's also a case mix. We are doing more robotic surgeries. If you know that last year, we've done more than 1,200. But what I see is that in only the last quarter, we have done more than 400 to 500 surgeries. So keeping all this case mix, the ALOS, the revenue augmentation measures, what we've taken, our new hospital, Aster Whitefield Hospital, which has really done well, all this have been really added to our ARPOB growth. I hope that answers your question.

Amey: ***Is it possible to highlight the occupancy level in the Whitefield and the Bangalore specifically?***

Sunil Kumar: Yeah, see if Bangalore overall is something like 62% occupancy and specifically your Bangalore Whitefield Hospital, the Aster Whitefield Hospital is something like 65% occupancy.

Amey: ***And you see a scope for the further increase?***

Sunil Kumar: Yeah, yeah, see, this is only 350 beds, out of that, we still have 40 beds yet to operationalize. In addition to that, you also know that there is a block D in Aster Whitefield Hospital still under the works, right? So it was again, you know, leased asset which we took sometime in the last year, October 2023 and we started to work on that. That is expected to operationalize sometime in this year, right, in the later part of this year, financial year. So keeping that in mind, this current

350-bed hospital is going to become a complete full-fledged 500+bed hospital. So keeping that in mind, there is still big scope to increase the operational beds and indirectly increasing the occupancy and revenue.

Amey: ***Sure. Just last question, if I could squeeze in. If we see the expansion plan around more than, I guess, close to 1,700 beds we are adding over the next three years. However, almost 900 of these beds are coming into tier two cities like Kannur, Ongole, Trivandrum, Kasargod, etc. So, how should we think from the ARPOB growth perspective from going ahead considering the ARPOB in these particular cities could be low?***

Hitesh Dhaddha: I was just talking about the strategy that we have here. Basically as a company and as a business model, we would like to be well diversified across metro as well as non-metro. Because we see non-metro as an area of opportunity for long term, whereas we see, you know, sizable capacities coming in metro, the non-metros like what in Kochi that you see, our flagship hospital and Calicut and other places. We are able to command a leadership position in these markets, and because of our early entry and the quality of service that we are providing. And that is supporting us on the ARPOB growth as well as the volumes that you're seeing coming there. And maybe Sunil, if you want to add on that further, please.

Alisha Moopen: Also, Hitesh, yeah, I think, Amey, one thing I wanted to extend on what Hitesh is saying, right, it's a pretty much a balanced approach.We do have a lot of beds that are coming in as part of the Brownfield expansion within, for example, the Whitefield, CMI. So it's a twin effort between the ones which are in tier two, tier three cities, as well as our core clusters like Bangalore. I think that helps us kind of maintain the ARPOB growth because the metros are giving us that increase. Maybe you don't get that extent in some of the tier 2, tier 3 cities, but since we have both growing, we feel that we will still be able to see a reasonable ARPOB growth from this combination, like what Hitesh said, growing scale with the tier two, tier three cities, because when you are taking a longer term view, that's where you can see a real kind of exponential growth happening for the company as well.

Amey: ***Sure, thank you so much. I will join back. Thank you.***

Puneet Maheshwari: Thanks, Amey. The next question is from Mr. Pinaki. Mr. Pinaki, if you can unmute yourself and ask the question.

Pinaki: ***Hello, sir, am I audible?***

Puneet Maheshwari: Yes, you are audible.

Pinaki: ***Good morning to everybody. Sir, actually my first question is if you just come to page 15 of your investor relations slide, so actually there you have mentioned that maturity-wise the hospital performance***

where we find that the matured hospitals which are over 6 years, they are having an occupancy of 66% and in between 3 to 6 years it is 82%. So actually, can you explain why is it a trend that the matured hospitals have lesser occupancy than the ones which are in the maturing stage?

Sunil Kumar: Thank you, Pinaki, for the question. So if you look at the hospitals which are under the band of 3 to 6 years, there are only two hospitals. One is our Aster RV, which is in Bangalore, which is with the 240 beds. And second one is our Aster MIMS Kannur. So MIMS Kannur, if you know the history, when we started in sometime in FY20, you know, this hospital hit the occupancy of something like 80% within three to six months itself. So from there on, it has been running at occupancy of more than 94%. Literally speaking, we are not able to take complete patients. We are diverting the patients from Kannur to Calicut and Kottakkal Hospital. Right? So keeping that in mind, that's where the expansion is happening in the Kannur. We're already ready with 100 beds and that's expected to be operational sometime this quarter. So specifically this is 82% only because you have got one hospital Kannur which is doing more than 94%. So otherwise if you remove that exceptional thing which is going on then it would be similar to above six years.

Hitesh Dhaddha: Also many of our major hospitals, we are in expansion mode. So you will see that in near future or in medium future, you will see the new capacities getting added to these hospitals. So while the occupancy percentage may remain at similar levels, but I think the overall absolute occupancy will keep going up with the number of beds addition happening. So I think that is a trend that you might see continuing to happen as we go on.

Pinaki: ***Okay. So my next question is to the following slide, like where you have outlined that the CAPEX span is the number of beds which you intend to grow till FY27. So what is actually while selecting a new hospital to be built up and what criteria does it go in selecting whether it will be your own hospital or a leased one?***

Sunil Kumar: So, Pinaki, we don't really have a view towards or the alignment towards to say, Ok, we have to do only Greenfield project or we wanted only to do lease project. It also depends on the geography and the revenue model which we really align. At the end of the day, we try to ensure that whatever the projects, either a Greenfield project or a lease model, we try to ensure that our capital allocation is something which is very efficient. Try to not put too much capex per bed. At the same time, we also look for the return on investment. How fast we can break even, how fast we can get into a good EBITDA margin and how the ROCE can get into double digits. So the whole object is also the IRR base, right? So it's all about to ensure that whatever we are doing, it's more of a capital efficient and the return on investment. That's it. But we are not allowing, for example, in our Aster Whitefield

Hospital, we were able to put up those 500 beds in only INR 76 lakhs per bed. But if you want to do a Greenfield project there, it will cost you more than INR 2 to 2.5 crores. So it's all about that.

Pinaki: ***Ok. So just for the reason last question, so what is the amount of cash and liquid investments that are happening in your books now? And how do you plan to deploy it?***

Sunil Kumar: So currently, our cash and cash equivalents as mentioned in our earnings presentation, it's around INR 1,700 crores. And as of now, we have not yet decided it how do we deploy it? We are still looking at a lot of inorganic opportunities and looking at the various acquisition opportunities also. And accordingly, you know, in due time, we'll be able to inform you on that.

Pinaki: ***Okay, fine, so that's all from my end. Thanks and all the best.***

Puneet Maheshwari: Thank you, Mr. Pinaki. The next question is from Mr. Amreesh. Mr. Amreesh, if you can unmute yourself and ask the question, please.

Amrish Kakkar: ***Thank you for the opportunity, Amrish Kakkar, individual investor. My first question is on the O&M asset light model. So in the past, we've had some mixed success, Tirupati and not so great in Mandya. So I'm looking if you could give some more color on where we are in our thinking on O&M asset light, primarily to understand is this going to be a route to add more beds going into the future and if so then when that might be.***

Dr Nitish Shetty: Yeah, Amrish, thank you. Thank you for that question. You know, earlier, Sunil had mentioned that our strength is in the, we have 70% of our business in tier two, tier three cities. And India presents a humongous opportunity in that spaceand of course, metro is also another area where we can, we have demonstrated as a group, we have demonstrated recently also in Whitefield, we have deployed a large hospital and been very successful with all the financial parameters of the charts. So in that sense, Metro is a key area for focus, but a lot of opportunity for them in the future lies in the tier two, tier three cities. But there's always an inherent risk of how do you kind of ensure, because our model is a quaternary care model. We believe in developing quaternary care model in the smaller towns, not the primary and secondary, but quaternary care. So to do that, the talent availability is the biggest challenge. We can put up infrastructure, patients can access it now because of various insurance penetration, private insurance penetration is increasing. Even the government initiatives in terms of Ayushman Bharat and all, the accessibility, affordability of the patient is there, but the acquisition of talent or retaining the talent in this geography is a big challenge. So, to derisk ourselves instead of going on our own and deploying a hospital in tier 2, tier 3 cities, we have started with O&M model, exploring the opportunities, try to understand the market. A

few of them have paid off well, like Tirupati now it can be scaled to a regular size hospital because we have understood the geography, we understood the market, and the availability of the talent. And that Tirupati Hospital presents an opportunity to scale up to a regular hospital. So similarly, one of the hospitals in Kerala has presented a similar opportunity. But we have had faced some challenges in two other hospitals. But there are a lot of learning now. This will last one or two years been a lot of learning but we are confident we are still working on that model. But right now, we are put a pause we are not acquiring more O&M model but we are studying this present model. We probably need one more year time to understand the O&M model going forward in the tier two, tier three cities. If it sells well I think because healthcare is very dynamic. What holds good five years back now doesn't hold good, things change quickly. We are confident because opportunity presents in tier two, tier three cities, especially to deliver the quaternary care. Probably in a year or two, we'll get more clarity. Right now, we are studying this model closely trying to understand better.

Amrish Kakkar: ***Thank you, doctor. So just to make sure I understood that, so broadly, I mean, we'll still try to make sure we get the model right. So I think for another year or two, we should not think about this as a big growth.***

Dr Nitish Shetty: Yeah.

Amrish Kakkar: ***Second question is just, I think raised by a participant earlier on the employee cost quarter on quarter. I know there's an INR 2.9 crore ESOP charge that might be there, but is there any reason for a INR 20 crore odd jump? QoQ on employee costs, excluding doctors?***

Dr Nitish Shetty: Sunil? Sunil is there?

Amrish Kakkar: If I can then slip in another one while we're waiting.

Dr Nitish Shetty: He's back. Sunil, you missed on this question about the manpower cost?

Amrish Kakkar: A QoQ INR 171 crore to INR 190 crores. There is some ESOP, I guess, but that's INR 3 crores. Employee cost excluding.

Puneet Maheshwari: Hi, Sunil, can you hear us?

Sunil Kumar: Am I audible, Puneet?

Puneet Maheshwari: Yes, you are audible. Have you listened the question?

Sunil Kumar: No, I didn’t hear question. Sorry.

Puneet Maheshwari: Amreesh, if you will need to repeat the question.

Amreesh Kakkar: ***Yes. The question is on employee cost. I think this was asked earlier. Between INR 171 crore to INR 190 crore, QoQ. Is there any, is that***

the rate we should assume or what, how should we look at that jump?

Hitesh Dhaddha: I think he's not there. So Amrish, you know, to some extent the employee cost increases largely with the link to revenue growth and also, you know, we've been working on expansions as well. So it's not completely out of the cards here.As the revenue will go, as the number of beds are going to go up. To some extent, the absolute number on the cost may still go up while keeping the overall percentages broadly in line with, and that's what is helping our margins also to continue to move up, indicating that our overall percentage employee cost is not going any adverse way. There could be one of ESOP costs, which maybe Sunil can explain once he joins again, and we can probably have him give that response again on that.

Amreesh Kakkar: Okay, thank you.

Puneet Maheshwari: We would like to highlight that we would be giving preferences to attendees who have not asked a question before. So in that line, the next question is from Mr. Harith. Amrish, if you can go back, join the queue.

Harith: ***Good morning. Thanks for the opportunity. Hope I'm audible. So, my first question is on the labs and pharmacy segment. We've seen a marginal decline on a YoY basis and at the same time you've commented that the lab segment has recorded a 15% YoY growth. So, it appears that the pharmacy segment has seen a decline. So, any color you could provide on that?***

Hitesh Dhaddha: Decline in what exactly you're talking?

Harith: The revenue for the labs and pharmacy segment. There's a 3% YoY decline.

Hitesh Dhaddha: So Harith, that is primarily because our wholesale part of the business to an extent we have, you know, we were working on a strategy where we outsource some of this wholesale business and that is resulting in this reflection on the number. The idea is to ensure that our EBITDA margin remains intact, you know, or improved for the overall retail pharmacy business and that's part of our strategy and which is what has got executed here.

Harith: ***Okay, second question on the pharmacy business is on the entity which operates the retail stores Alpha One where we have around 15% stake. So looking for some color on the majority shareholders here are the financial investors, what are the terms, are we guaranteed some sort of returns for them and exit timelines for them. So that's what I'm trying to understand.***

Hitesh Dhaddha: Mr. Wilson, would you like to take this up? The other investors on the pharmacy business?

T J Wilson: I think Sunil will have a better understanding about that one.

Hitesh Dhaddha: Okay. So, Sunil can respond to that once he is back but these are all individual investors who hold smaller percentage in the pharmacy business individually and these are all individual investors so there is no other institution that is holding a major stake over there.

Alisha Moopen: Harith, I just want to come back to you I think Sunil is just having some IT issues so just on a couple of those questions so we will come back to you separately and share the responses.

Harith: ***Okay and and one for you, Alisha, on, you know, various media reports around the company being in discussions with private equity funds for a capital infusion. So, I understand you may not be able to talk about the details here, but share some broad thought process, you know, around what the promoters are thinking, are the promoters looking for an exit or is it a primary infusion for a minority stake that you're in discussions with? So, some color here would be helpful.***

Alisha Moopen: So, Harith, like you said, I can't really comment much on the market speculation. The only thing I can mention is, of course, we are quite geared up to expand the India network. There is no intention from the promoters to exit. I think the only thing we are quite keen on is building Aster India and like I mentioned in my opening remarks as well our Chairman's vision has always been how do we become one of the top three. So just looking at the right opportunities in terms of mergers, acquisitions that are available that will help us facilitate. So we're just being opportunistic on that, looking, keeping our eyes open. We could not really focus on any of this until the GCC segregation was over. So I think since that has given us kind of a cleaner slate now, it just opens up for other combinations and opportunities to be explored. So hopefully we'll have something more concrete to mention in the next couple of quarters.

Harith: ***All right, thanks for that. Last one on the O&M asset light hospitals that we have, you know, we've disclosed a break-even for that cohort of around INR 2 crores EBITDA. Just trying to understand if this is after the revenue share with the partner and what kind of margin trajectory we can expect here, net of the revenue share, trying to understand, you know, if this can go to the kind of margins that we have at our mature hospitals.***

Alisha Moopen: I'll let Dr. Nitish come in, but just to your final question, I don't think, I mean, we don't expect the margins of our own hospitals, but Dr. Nitish, please.

Dr Nitish Shetty: Yeah, I had mentioned earlier this O&M model is on the tier two and tier three cities in the smaller towns where we are trying to develop a quaternary care facility. Obviously in comparison in metro and larger cities, the financial parameters will not be up there. Like if you're

looking at if a large hospital in Bangalore can do EBITDA margins in close to 30%. This we are expecting in a range of 15%, in that around that range, 15% – 18%, or if you can take it to 20%, well and good. But at present, we are aiming to take it, some of the hospitals are at around 11% now, 11%- 12%, but we are aiming to take it somewhere close to 20%. But definitely, it can't be compared to hospitals in metro cities. Sunil, if you could elaborate on that O&M model. The question was the performance of the O&M model in terms of the financial parameters, what can be expected?

Sunil Kumar: Yeah, thank you, doctor. Apologies. Am I audible doctor?

Dr Nitish Shetty: Yeah, you are audible now.

Sunil Kumar: Thank you. So apologies, first of all, there's some network issue here. So going back to the O&M hospitals, see, logically, this is in the tier three cities, and we don't have large bed hospital only 100 to 150 beds what we are doing here and usually the investment also has been very less you know, so less than INR 10 lakh rupees per bed is our investment in these hospitals and EBITDA Margin is 15% and not more than that. At the same time our hospitals are going to be double digit. For example, in all of our four hospitals, Mandya Hospital and other hospitals is taking some time to get into the cash break even. But when you look at the Narayanadri Hospital in Tirupati and Aster PMF Hospital in Kollam, we are able to really hit the margins at double digit EBITDA margins. And also ROCE is also reached to more than 15%-20%. So that way these are very ROCE accretive more than EBITDA accretive.

Harith: ***So, these margins you are sharing are after the revenue share just want to confirm that.***

Sunil Kumar: Yeah, no this is operating EBITDA. If you look at if you want to say after this is all post IndAS margins which I am referring to.

Harith: ***Okay, understood. Thanks for that.***

Puneet Maheshwari: Thanks Harith. The next question is from Damayanti. Damayanti if you can unmute yourself and ask the question, please.

Damayanti*:* ***Hi, good morning all. I hope I'm audible.***

Puneet Maheshwari: Yes.

Damayanti*:* ***Ok, I have two questions. First, material cost improvement is one of the key driver for the improvement, which we have seen for the June quarter. So just want to understand, further room to increase on this, or you have, say like achieved some sort of optimum number here want to understand this part better.***

Sunil Kumar: Can you just repeat your question please?

Damayanti: ***So, my question is material cost is a percentage of revenue improvement is the key driver for the June quarter performance if I understand correctly. So, I just want to understand what kind of room is further available to improve on this matrix?***

Sunil Kumar: Yeah, thank you for the question. You see material cost is something which we've been working for last three years, right? So due to the covid, we had this, you know, is basically the central buying unit, what we created internally. And I would also be bringing synergy across the volumes, what we wanted to do. We wanted to do almost in FY20, but due to COVID, the plans moved to sometime in FY22 and later. So last two years, we worked really hard to ensure that 70 to 80% of our procurement is done centrally. And only we give the rate contracts to the units. Only 20% or less than 20% is procured locally as of now. And, also we worked on reducing the innovator share and also trying to reduce the number of brands to ensure that we are able to get the best price among the vendors or the brands which we finalized. Now 21% is not really the best if you ask me, if we can still have a squeezing of another 100 basis points is something which we can still do. Now the next level of optimization will come through the standardization of the materials and also the optimization of the consumption. So that is something which we are working on. And, also if you know that even your APROBs are also low as low as like 44,000, right? So hitting 21% itself is a real tough task, but something which we are able to do because of the good support from our clinicians, good support from our unit heads, right? So there is a coordinated effort to drive the optimization in material cost. So, we expect another 100 business points is something there is a room if we are able to work on the consumption.

Damayanti: ***OK, that's clear. My second question is one clarification. In your opening remark, you mentioned three and three and half percentage price hike which you have taken. That's only for Kerala cluster or it's across the network?***

Sunil Kumar: So, we don't take at one go across all hospitals because it all depends on the geography and the departments and the hospitals. So, there is no timeline to say, okay, this hospital, every hospital will take a price increase only in April. So we spread across the year and in different geographies, we take a different correction because it also depends on if I'm market leader, then I should be the first one to really take up the pricing risk. So it all depends on the market mix geographies and also the case mix, which helps us to do the pricing.

Damayanti: ***Okay.***

Dr. Nitish Shetty: Damayanti, if I can add in here, you lost Sunil there. The price revision has become now strategic initiative from the hospitals. It's not kind of a fixed initiative. Because the cash patients, people who pay out of the pocket are a little bit sensitive to the price revisions. We take into

consideration the kind of work we do, kind of specialties we have and the geography we represent based on the local strategy. Earlier it used to be kind of every year we used to take a price revision to cover the inflation but now it's not the case because the insurance penetration has increased in the larger metro cities. In insurance penetration we have patients up to 60 to 70 percent are insured patient. So those are all kind of we have a fixed contract with the insurance companies for two or three years, but cash patients we strategically take depending upon the, are we a price leader in the market or what is the price leader doing in the market where the price leaders are another group we closely watch and then the kind of work we do and what value proportion we bring in, based on that we make the decision.

Damayanti: ***Sure, and my last question is for Alisha. Alisha, if you can share your thought on reducing this promoter pledge? So looking at the latest number around 98.87% pledge. So what are your plans like? How do you want to think about it?***

Alisha Moopen: So Damayanti, yeah, definitely. I think our goal is towards reducing that. We are hoping towards the close of this year.

So, Damayanti, I think our efforts are towards reducing the pledge definitely. There is a goal towards kind of reducing it towards the close of the year. So, we are working towards that. I think that is a goal, definitely making sure that we can reduce the pledge further.

Hitesh Dhaddha: So, it is just an optical number that appears, the loan itself is quite smaller and the pledge that is required is much lower there. But because, you know, it's an overseas loan that has been taken on holding that is, you know, for an Indian entity. So it looks in form of 100% pledge while that is not really needed over there. And as Alisha mentioned, you know, that problem will also get probably solved by the end of this financial year.

Damayanti: ***Sure. Thank you. I'll get back in the queue and all the best.***

Puneet Maheshwari: Thanks, Damyanti. The next question is from Kunal. Kunal, if you can unmute yourself and ask the question, please. Kunal, can you hear us? Yeah, Kunal, can you unmute yourself and ask the question?

Kunal: ***Yeah, hope I am audible now.***

Puneet Maheshwari: Yes.

Kunal: ***Thanks. Thanks. Most of my questions are answered. Just one question again on ARPOB. So, you know, now just looking three or four years ahead now, see some of the moving parts seem to be optimized already. ALOS is already at 3.1 days for both your clusters and even your cash plus insurance is close to 88 percent. So I don't really see a lot of upside here. So just wondering, you know, how do you see the ARPOB moving in the next, you know, three to four years?***

Sunil Kumar: Kunal, thanks for your question. See, with respect to ARPOB, which is something which I called out in the earlier also, right? Our majority of business is in non-metros. And that also means that we have a capacity to grow in our ARPOB as compared to metros, right? So, if you're in a metro entity, we already 75-80k ARPOB. There is also with the 40-45% insurance. There's always, I'm not saying that metros don't grow, but there is always a limitation of the, you know, the percentage at which we grow. If you look over historically from FY18 to FY23, we have been growing at ARPOB of more than eight to nine percentage, you know, CAGR. And we see that, yes, this quarter has been very tremendous. Even the last year we grew by 10%. This quarter is almost 12%. I understand it's like a double-digit growth. Question is, is it sustainable? What we see is that with the change in the case mix happening, then the ALOS getting stabilized. And we being more in non-metros, the scope which we have to increase the price and increase the growth in the ARPOB. We see that still in the future, I'm talking about medium term, between three to four years, we should be really able to grow at least 7 to 8 percentage. I think that is something which is very much possible. Twelve percent looks very high, but I completely understand because it is linked to majority of the case mix. Sometimes, you know, nowadays you're seeing that many of the patients wants to get into only the single room. There are a lot of changes which is happening but on a blended basis on a next three-to-four year number I think seven to eight percent is a very decent growth which an organization like us can really grow on.

Kunal: ***So, would it be fair to say that three to four percent will be coming from price and the remaining largely from case mix?***

Sunil Kumar: Around three, three and half percentage is something which we always look for price increase growth. And even insurance, right? Even though we have 30% insurance, it's not that every year you get, but every two years you can really get a double-digit price increase growth there also.

Kunal: ***Got it, got it, thanks. I have my other question answered. Thank you.***

Puneet Maheshwari: Thank you Kunal. The next question is from Alankar. Alankar, if you can unmute yourself and ask the question, please. Alankar, can you hear me? And, we take up the next question. The next question is from Nikhil. Nikhil, if you can unmute yourself and ask the question.

Nikhil: ***Hello, am I audible?***

Puneet Maheshwari: Yes, you're.

Nikhil: ***Yes. Thank you for giving me the opportunity and congratulations on great set of numbers. So my first question is like how are the talks with the promoters in Andhra going on? Like in last quarter you mentioned that you're about the performance in Andhra that you were going to talk with the promoter. So how the talks going on***

there and my second question is, has the GCC sale impacted our international patient volumes.

Dr. Nitish Shetty: Can I take this question, Alisha? So I'll answer the second question first. Second question about the, has the GCC sale affected the international patient inflow? No. So, we have a presence in GCC, but the inflow of the patients from the GCC to India was independent of the GCC's patient referred from the GCC hospitals, but post segregation, nothing much has changed, but we are further evaluating opportunities there because at present, we are not concerned about the dip in the numbers. We are looking at how we can up the number going forward because strategically we are segregated. There's more incentive for the GCC hospitals to kind of refer the agreement in such that they are more incentivized to refer patients to us now rather than before. So that strategy might also, might pay dividends. But at this present, at the first quarter, at the coming quarters, we don't see any impact. First question about engaging with the promoters. We are in constant engagement with the promoters of Andhra. We are very confident that in coming quarters, we will see a drastic change in the performance. You already see it in the first quarter, because the change in the political situation there has helped our management there, or to kind of engage with the government scheme patients and all. Earlier we had to stay away from the government scheme patients there, but now we've taken initiatives to open up the government scheme patients, which is a norm in Andhra. And, also with the renewed economic activity in Andhra Pradesh around Vijayawada and going to Amaravati, now it's going to be the capital of Andhra Pradesh, that also will help us picking up the activity in the Andhra, especially Andhra Ramesh hospital. You will see the results in the coming months.

Nikhil: ***Okay. So, sir, my next question is about our inorganic growth plans. So, are we concentrating on geographies like Maharashtra, Uttar Pradesh or somewhere else too?***

Dr. Nitish Shetty: Hitesh, can you take the question?

Hitesh Dhaddha: Sorry, can you please repeat the question?

Nikhil: ***Sir for the inorganic growth, are we looking at the geographies like Maharashtra, Uttar Pradesh or somewhere else too?***

Hitesh Dhaddha: So, our prime focus continues to be South India. We are the dominant player in South India with the second largest number of beds right now and aspiring to become largest through our expansion plans and M&A opportunities. So the first focus area continues to remain expanding in the geographies where we are or the adjoining states like Maharashtra, Tamil Nadu and we are evaluating opportunities in these regions. I think for us to enter into North India, I think we would be, a selective on which state we would like to get into. And I think

Uttar Pradesh definitely becomes one of the good options. But I think that is probably a step that would be taken in, you know, kind of more of, you know, as a long-term strategy, I would say long to medium term strategy. Our near-term strategy will be more focused on continuing to expand within South India.

Nikhil: ***And so, my question is on valuations like what are the multiples that we are looking at to pay for hospital to acquire the hospital as a multiple per bed or multiple in the EBITDA?***

Hitesh Dhaddha: Yeah, so we would be very cautious in the M&A that we are going to do. Obviously, we are not keen to overpay on any of our M&A opportunities. I would not get into multiple level discussion right now because that varies across different kinds of hospital that we look at, different geographies, whether we are looking at in metro or non-metro, you know, the capacity size and multiple other factors. But I think from our strategy perspective, we are quite clear that we would be looking at hospitals, which are, or land parcels, or the other lease opportunities, where we can create larger hospitals, which should be at least 350 to 400 beds, and that can expand to 500+ beds. And the idea is not to definitely overpay on those kind of opportunities. So, there are opportunities available in different formats that we are evaluating including, you know acquiring land or taking on lease or build to suit models as well as you know, M&A opportunities in these regions.

So we are evaluating multiple of those opportunities and we will get back on the right time. As we as we talk to say.

Nikhil: ***Thank you so that's it for my side. Thank you.***

Puneet Maheshwari: Okay. The next question is from Mr. Alankar. Alankar, if you can unmute yourself. And ask the question, please.

Alankar: ***Hi, thank you for the opportunity. Sorry. I was unable to unmute earlier. Just a follow-up on this question on expansion and M&A. Alisha, when you spoke earlier about becoming bigger vision to be amongst the top three players and looking at different opportunities. So, would that mean that versus acquiring standalone hospitals, acquiring or merging with chains would be a preference for us?***

Alisha Moopen: Thanks, Alankar. So, as I mentioned, it is a little bit hard for us to kind of predict exactly, what would be the path forward. I mean, definitely, if you're looking at merging with a platform, that would save us some time and help us accelerate the growth. So we are keeping our eyes open. Like I said, there are multiple opportunities that are there in the market, so we are evaluating a few right now and like I said in the next couple of quarters, we would be able to come back with a much firmer view on this. We've only had the last few months to really kind of start looking at it very actively post the segregation. But what you're

suggesting is something which is of course a preference for us because that would help us kind of fast track our growth as well.

Alankar: ***Understood. The second one is also follow up on the discussion on AP Telangana. So yes, we have seen some improvement sequentially in margins, maybe even lesser on the year on year basis in AP Telangana, but the performance is still significantly or the margin profile is still significantly lower than the other two clusters. You spoke about Nitish sir about giving it a few more quarters as we had highlighted in the previous quarter as well. So, I mean how should we look at it from a quantitative standpoint, I mean should we expect AP Telangana's margins to reach say closer to mid-teens in the next few quarters and if it really goes to that level would that mean that I mean progress is on the right track and I mean possibility there is a possibly there is an opportunity to scale up margins even beyond the mid-teens number.***

Nitish Shetty: Yeah, I would like to when you say Andhra and Telangana I would like to differentiate the Telangana piece because Telangana we have a smaller hospital nearby which is known as Aster Prime. So, it is a small format hospital it is not a large hospital, it is in the metro, it's a small, it happened long back, 10 years back, but through acquisition, we are taking a small size hospital. The parameters there will be at par with the every metro hospital, but in terms of the EBITDA margins, because of the size, there might be a limitation in terms of margins, but we can get there from that hospital. A mid-teens is something which would be comfortable, though it's in a metro, the Prime hospital, we can reach there. We can still be happy. Coming to the Ramesh hospital, obviously, there is a big opportunity there, which we see now, we've seen the environment there. We see a numerous opportunity and we have a capacity there and we have a good back presence. Like I mentioned earlier, the next two, three quarters, we should see attraction and we are confident, and we have got the kind of assurance from the management that we needed. The target is to take the EBITDA margins to the mid-teen and eventually all our efforts is to see if we can take it beyond 20%, or close to our, not beyond, at this point, closer to 20% EBITDA margins. That's been an agreement with the management there. And what we see now in first quarter, based on the first quarter performance, we are confident that it is heading in the right direction and should be stable.

Alankar: ***Understood, sir. And maybe one last question. Can you talk a bit about the whistleblower complaint? What was the exact issue? What can be the risks for the company? And how are we going to ensure that something like this does not happen going forward. Thank you.***

Dr. Nitish Shetty: Sir, would you like to take that question.

T J Wilson: Sorry, can you repeat that?

Dr. Nitish Shetty: About the whistleblower issue, I just wanted to.

T J Wilson: So, that is still under investigation actually, so nothing is in finalized actually, once we get the investigation report, only the board will take appropriate decisions.

Alankar: ***But sir, can you talk a bit about what exactly happened? Maybe the conclusion will be known after a few months, but what was the issue and what can be the risks for the company? Is it something which is big or pretty small because the amount which was mentioned in the previous press release was quite small. Is there any risk of that amount increasing further?***

T J Wilson: I doubt about the volume and all, but this is something related to conflicting business activities and all like some of these whistleblower was related to those activities and all like some of the related party transaction which was not intimated properly, process was not followed, those kind of things only.

Alisha Moopen: Yeah, so Alankar just to extend to what Wilson was saying, so yeah, the whistleblower were there. So, it was mostly around giving some business to related parties, some conflicted parties that wasn't disclosed in the proper manner and the proper channel in line with the policy of the organization. Again, like what Mr. Wilson said, the financial impact as we see right now is not significant. But for us, as Aster, maintaining the highest level of governance has always been a priority. So the board had decided that it is better that, you know, sort of we go ahead and do a much deeper investigation and sort of make sure that, you know, sort of the whole organization is aware that we would always like to maintain the highest levels of governance and integrity. So we don't see any significant impact on the basis of that, but it was more just making sure that we are upholding the highest standards.

Alankar: ***That is helpful. Thank you and all the best.***

Alisha Moopen: Thank you.

Puneet Maheshwari: Thanks, Alankar. The next question is from Sumit. Sumit, if you can unmute yourself and ask the question, please.

Sumit: ***Hi, am I audible***?

Puneet Maheshwari: Yes, you are audible.

Sumit: ***I thank you for the opportunity. So, so just wanted to get a clarification on like what is the CAPEX per bed in the non-metros.***

Sunil Kumar: So, thank you Sumit for the question. So, in case of a non-metro, if it's a greenfield project, we may be able to spend something like 1 to 1.4 crore per bed if it is a greenfield project and if it is like a brownfield or a say or the leased project, we are looking at something like INR 60, 70 to 75 lakh rupees per bed would be the leased one.

Sumit: ***Okay, okay and just second question is on like over the next three to four years, how do you see Karnataka revenue and EBITDA contribution to the overall like what is what is that mix of these three clusters in the revenue and EBITDA?***

Puneet Maheshwari: Yes, so Sumit, you can repeat your question. It will be helpful.

Sumit*:* ***Yeah***

Dr. Nitish Shetty: OK, so I'm saying. Kerala's 55% and Karnataka and Maharashtra is around 35%, 38% revenue contribution and 11% is the Andhra and Telangana. So, the Karnataka cluster, Karnataka Maharashtra cluster is because of the new hospital. It's contributing increasing the percentage. Right now, it is around 38%. We see it's growing, even Kerala is growing parallelly. I see that the ratio being maintained, but you never know what happens in the future. There's always opportunity because Karnataka growth is basically out of metro city. The growth can be drastic there. That sense, it might exceed 40% in the future, we anticipate it to cross, but Kerala is also a good market, so very difficult to predict, but we'd be happy if the metro contribution increases.

Sumit: ***Okay, so you're talking on the EBITDA level, you're saying 40% of what can occur.***

Dr. Nitish Shetty: I was talking about the revenue, the EBITDA level obviously, Sunil will be able to, Sunil, can you take a question on the EBITDA contribution percentage?

Sunil Kumar: I'm audible.

Dr. Nitish Shetty: Yeah. Yeah.

Sunil Kumar: Yeah, so Kerala currently contributes, you know, approximately out of what you can see, they're contributing from the margin point of view, it's contributing almost 22.7% of the margin in Kerala. And in terms of, you know, Karnataka and Maharashtra it's around 21%. But again, that includes the white field blended. But if you remove the Whitefield, again, the margin is 23.2%. So that is on the margin. When you look at the contribution saying that, okay, what is the quantum? Out of 200 crores, which is contributed by hospitals and clinic, 120 crores is contributed by Kerala. That's almost come to 60%. And when it comes to Karnataka and Maharashtra, again, it's 35% is the contribution from the EBITDA point of view also. So around INR 70 crores.

Dr. Nitish Shetty: So, with that I hope you got the answer.

Sumit: ***Yeah, yeah. And sir just one more thing. So, with the medium term, how do you see your blended margins going forward?***

Sunil Kumar: So currently it is. Yeah, see, currently we are at. Yeah, Sumit, I think I had put across this specific response previously also. So if you look at

our current blended, it is around 17 points. But when you look at only the hospitals and clinics percentage, you know, again, what we are seeing is that, and also when you look at our maturity performance, hospitals which are above six years are doing a EBITDA margin of 23% plus, but in the medium term, that is next three to four years, what we look at is that at a consolidated level, where it's including the O&M asset light hospitals, including the labs and the wholesale pharmacy and everything put together, from current to 20 to 21 percentage. And specifically in terms of hospitals and clinic segment, which is where we get 94% of our revenue. There we are currently 20.8, and that is something which we can think sustainably. We can maintain something like in 23 to 24% in next two, three to four years.

Sumit: ***Okay. Understood, thank you. Thank you for it.***

Puneet Maheshwari: Thanks Sumit. And now the next person is joining the queue is Adrit. If you can ask your question, please. Can you please unmute yourself?

Adrit: ***Hello? Yeah. Hi. Yeah, my question is around the realization, particularly as the ARPOB growth is around 12% and it was also highlighted that a lot of that is due to ALOS reduction. So if we like try to derive a per patient realization that that's only grown like 6% overall in a time when it was also mentioned that there's a price increase and for the same number so realization per patient even for Kerala cluster is just 2%. And then there was price increase, I believe, also in Kerala. So is it the case that the Kerala cluster, which has for the last eight quarters been given roughly like INR 1.3 lakh per patient revenue, it's sort of going to stay at the same level. And the only growth prospect that's going to come from the cluster is through volumes, because the volumes are still doing well, right? So, IP volumes are up 11 percent, whereas the Karnataka and Maharashtra cluster, there you're seeing healthy volume growth and a per patient realization growth. So is it the case that that Kerala's sort of realization power is saturated and it's going to be flat, at like level of INR 1.3 lakhs.***

Sunil Kumar: So, Adrit, I'm not sure how you are pulling out the number with respect to Kerala cluster. But my suggestion is that, you know, yes, so when you look at say quarter one FY24 to quarter one FY25, when you look at blended numbers, what I see for IP per patient is increased by around 5%, okay? But again, that's a blended that includes your Aster PMF hospital, which was not there in quarter one FY24 and it came only the quarter two. So that is the point and you also know that as to PMF hospital and MIMS are you know, sorry, Mother Areekode Hospital, both are O&M asset light hospitals, we have to exclude that and then see the margins or the growth. But when you look at only the Aster Medcity, quarter one FY24, on my just putting a number 1.4 lakhs was my average realization per patient it has moved to 1.61 lakhs that's almost 15 percent growth and even same way if you look at our Calicut hospital from 78,000 it has gone to 83,000 or say

Kottakkal hospital it has moved from 61,000 to 69,000 it's a 14 percent growth so blended may not be the right approach because you've got the O&M hospital also we should look at excluding that and I is excluding that if you see there is a good growth and also with respect to price increase Adrit, as I said right we have not taken the price increase across the board at one go. We take different hospitals based on geographic requirement right so it's left to the business units so we time it in a particular fashion. So keeping that in mind yes we expect the growth to continue here and also because Kerala market is where we have still cash patients in a higher percentage. For example, in our MedCity still 60% plus is a cash patients. And when you go to North Kerala, like Kannur, Kottakkal and all there is still 80% or say Calicut is still 70% cash. So that shows that on also as Dr. Nitish was calling out very clearly, the future aspiration is in tier two, tier three cities. And we see there is a great demand for quality health care. And keeping that in mind, we can look at realization, you know, per IP patient, you can, you know, growing at least a single digit higher single digit is very much possible in the future three to four years.

Adrit: ***Right, so just a quick follow up on that. So what kind of levers would we expect from the Kerala cluster because as we know the institutional mix is anyway lower for Aster and the specialty niche specialties are like at almost 60% now. So is price increase sort of the only lever of or realization growth in Kerala and if not like is there any kind of specialty mix change that could drive more realization and then how would that affect margins? Because generally these high specialties as it's reported by your competitors as well, tend to drive down EBITDA margins quite a lot. So, is it going to be the case?***

Sunil Kumar: See, not specifically, because even when you look at our hospitals in Kerala, you look at the oncology growth, oncology growth has been a very good growth in the last quarter, quarter on quarter. So almost a 31% oncology growth we have, and specifically the cardiology department has grown by 26%. Gastro, right, basically where we do liver transplant, that has grown by more than 21, 22%. So we see that all this super specialty growth expansion is something which is still possible there. And also look at the high-end cases, because liver transplants, if you look at two years back, specifically in our med city, we used to do not more than three to five transplants per month. Now we're doing almost 10 transplants. So similarly, we used to not do lung transplants, so lung transplants have started doing it. If you look at DBS cases, two years back, there was no DBS cases, we used to do three years back. Now we do more than two to three cases per month, right? So that way, I think the robotic surgeries, your high-end transplants, you know, DBS cases, the TAVI cases keep increasing. And also, at the same time, we are also seeing majority of these certain surgeries, which was used to have a length of say 2 days, that's all moving to daycare surgeries. So even when you do daycare surgeries, the pressure on your system, it was always low. And keeping that in

mind, ARPOB growth is going to continue to grow at least in the medium term at 7-8% for next 3 to 4 years.

Adrit: ***Okay. And will it be like margin accretive?***

Sunil Kumar: Yeah, it's going to be margin accretive because see, specifically if you look at my brownfield expansion, Aster Medcity is where I have 80% occupancy, near 80% occupancy, with a 750 bed hospital, I'm adding 100 beds. So and also in Kannur, where I'm 95% occupancy, I'm adding another 100 beds. So, when you add this additional brownfield expansion, what you see is that there could be the incremental or I would say EBITDA margin growth will be quite high as compared to opening a new hospital. So there we see that, for example, Kannur is doing 18, 19% EBITDA margin, it'll go to 21, 22. So, we see it's all EBITDA margin accretive, basically because you're not adding new doctors, they're senior consultants, or say new leadership team. It is same leadership team with the senior consultants. You don't need only the junior doctors and the bedside, you know, I would say staff, like say nurses or technicians.

Adrit: ***Got it. So like the non-census bed share, you're looking for a significant increase, I guess, in the next three to four years. Is that right to say?***

Sunil Kumar: I didn't get that. You saying non-census.

Adrit: ***Yeah, the non-census for daycares. The non-census bed care.***

Sunil Kumar: Yeah, yeah, yeah. That is the future. Dr. Nitesh, you want to add on the daycare bit of it, please?

Dr. Nitish Shetty: Yeah, you've covered most of the aspects. What I would like to add here is see the hospitals of the future. Yeah, I do hear the concerns from some competition that high-end cases dilutes the margin, which is the case when you do the high-end cases in lesser volumes. We are talking about large hospitals with bed centre, above 300, and doing the 60 to 70% quaternary care work. It is going to be margin-accretive to not dilute the margins because we are able to spread the assets and leverage on the expertise available. Because of the, this kind of cases can be consolidated. It's not a local affair, right? Treating, quaternary care is not a neighborhood activity. What it tends to do is has a traction across various international patients across the state. So in that case, large hospitals, large hospital when I say, large means beyond 300 bed, doing 60 to 70% quaternary care work, which is eventually going to be, which has to be margin accretive. And also the insurance coverage of the quaternary care work is improving. And the reimbursement rate also is very healthy now. In that sense, most of the cases, at least 20 to 30% of the care patients who were out of the pocket expense patient where we couldn't operate on those patients because of non-affordability. But with insurance coverage, I mean, typical example is the Onco works and also the robotic work, what we

have been doing. These all have become very affordable now because of the enhanced insurance penetration. And also the patients willing to go for the single rooms upgrade themselves and go for the single rooms because of the insurance. So all is adding up to drive up the margins. And also daycare, Sunil mentioned, most of the tertiary, quaternary care work is migrating towards daycare activity. That sense it puts less pressure on the system in terms of manpower, equipment and other resources required to support this. So, now Aster hospitals have kind of, because we have been a late entry in the market, hospitals are designed to be future proof and we can accommodate the requirement in the future. In that sense, I think we are confident that most of our hospitals in Kerala will continue to deliver the performance or in fact, better performance in the final results.

Adrit: ***Okay, thanks a lot. Just quickly, a very quick one.***

Puneet Maheshwari: Thanks, we have some more queues. Would it be, is it okay if we can?

Adrit: ***Sure, I'll join back.***

Puneet Maheshwari: Time constraint, we would like to take only one question for one participant. The next question is from Proline. If you can unmute yourself and ask the question. Proline if you can unmute yourself and ask the question.

Proline: ***Hello.***

Puneet Maheshwari: Yes, we can hear you.

Proline: ***Thank you so much So, I have two questions. One is, if you look at your slide 25, right, in terms of the expansion plan that we have, no, sorry, slide 15. So, my question was, you know, we have around 1000 crores of cash on an average we are generating around 500 crores or so of operating cash flow post tax every year. So, my question to you is that what is our capital allocation plan going ahead as to one is how much CapEx would be required for this addition of 1700 beds that we have highlighted in the slide 15. And also, there were some talks on private equity infusion. While you don't want to comment on it, but what I want to understand is that for the current expansion plan, both organic and inorganic, I think we have enough cash as well as operating cash flow, which is in place. So dilution or bringing in private equity would be not for that expansion, right? Just if you can, you know, help on the capital allocation part, that would be very helpful.***

Hitesh Dhaddha: Sure, Alisha, should I take it or? So, you know, regarding the cash, you're right. I think we have nearly INR 1500 crore of cash, residual cash from the GCC restructuring transaction, you know, and then India business is also generating healthy cash flow. As we are seeing, you know, the full year EBITDA was over 600 crore and, you know, I think

the performance is continuing to improve. The CAPEX requirement that we have is nearly INR 1000 crore for all these 1700 beds. So that basically clearly indicates that the India cash flow will more than be sufficient to take care of the CapEx requirements going forward. So you are right, we do not need immediate further funding for our investment plans. So basically, any thought on dilution, we are definitely not looking at unless dilution is happening naturally as Alisha was highlighting, you know, if there are some share swap opportunities and which leads to addition of assets or you know which leads to you know a potential merger or integration with another you know platform that could only lead to dilution. But we are not looking at you know dilution in form that we intend to raise cash and then you know utilize that for M&A opportunity because the company has enough cash right now. Coming to the utilization of cash aspect, we discussed, we are looking at these opportunities right now in a year's time frame. If we are able to utilize it well, you know, we would use them for these opportunities. And if not, I think we would also find out where to return it back to the shareholders.

Proline: ***Thank you so much, Hitesh. One more question on your slide 25, right? While, you know, a lot of questions have been asked on cluster-wise, what is your strategy going forward? But quickly, if you can summarize for each of the cluster, three clusters, when we talk about next three years, absolute EBITDA growth, what are the top two drivers for each cluster, right? Because, for example, Kerala, ALOS 3.1 days beyond that, you know, to lower, go lower beyond that is very, very difficult. So then what would be the drivers there for absolute growth of EBITDA? So if you can give a cluster wise kind of a summary, that would be very helpful.***

Puneet Maheshwari: So clearly I'm not sure. Would you like to take this question because we have the time constraint? Hitesh?

Sunil Kumar: No, I'll add to that, Puneet, not an issue. Thank you for the questions. With respect to Kerala cluster, you know that our occupancy is quite good there, right? 75% in the current quarter. And you know, that's also low occupancy because quarter one is always muted growth. And also, we April, we had the Ramzan and June, we had the Eid also, right? So usually, the occupancy always will be low during the quarter one. Now, in the future, from future point of view, already you know that Kerala is already doing a margin of 22% plus and with the ARPOB of around near INR 40,000, right. So EBITDA margins are always in direct link with your ARPOB. So if you, if I say broadly, if you're at something like a INR 60,000 to INR 70,000 ARPOB, then you can look at EBITDA margin of 30% and if you are near INR 40,000 to INR 50,000 ARPOB, then you are looking at a margin of something like 25% on average.

If you are sub-INR 30,000, then you're looking at an EBITDA margin of near 20%. So that is what we look at broadly. So when you look at

Kerala, which is a current INR 42,000 ARPOB, with a decent growth rate of 78%, we see that with the current EBITDA margin of 22.7%, it can really mature at 25% so that is something which is possible for Kerala cluster. Now where is this margin is going to come up from? Yes, material cost is something we optimized in a very big way across the clusters, but the future, you know, thing will happen through a manpower optimization. If you also know that the last two, three years you have seen the growth, more than 30% growth we are doing EBITDA, when the, and also in top line also, that is the reason why we went and almost you know stabilized at 75% to 80% occupancy at the cluster.

And if you want to ensure that the margins are growing that's basically going to happen in the manpower, because when you have a very rapid growth you can't rationalize the manpower at the same time if it tries to grow faster and then rationalize the manpower then you will going to start hitting the patient service. Right, so that is something which we don't want to do, so that's where we never worked on the manpower so, the future expansion with this one is the brownfield expansion is going to add to your bottom line and second is your manpower optimization. So these are the two things which we see in you know EBITDA, you know, margin optimization. When you come to Karnataka and Maharashtra cluster also, you know, we just have a new asset coming in Whitefield with Whitefield asset, which is just eight- to nine-month-old, right, we are already doing that a cluster margin of more than 21%. And if you just now, even if you remove the cluster, you know, Whitefield Hospital, then look at the margin is 23%. But yes, cluster margin is something like around INR 60,000 now, near INR 60,000. But we see that that is again including Aadhar hospital in Maharashtra, which is again a tier three city. If you exclude that, you know, specifically that, then you're already at an EBITDA margin, sorry, ARPOB for more than INR 70K in Karnataka and Maharashtra. So if you are something at INR 70K specifically in Karnataka, Maharashtra, you can look at my EBITDA margin something like near 30%. So that is something which is possible. Again, here also, you optimize material big way. And considering Aster Whitefield is a new hospital, manpower cost will be higher, even other hospital also like say CMI, RV our occupancy is still 60% plus. So once you start to go to 70% or 75%, manpower cost will really come down. And with that operating leverage, we should be able to increase the EBITDA margin there. And Andhra Telangana anyway, Dr. Nitish has already called out previously. Currently it's at a low at 10%, but it has got a potential with INR 30,000 ARPOB go up to near 20% margin. I hope that answers your question problem.

Proline: ***Yeah, very much. Thanks a lot.***

Sunil Kumar: Thank you.

Puneet Maheshwari: Dear all due to the time constraint, we would like to close the call here of this quarter end. We would like we would love to take the question separately after this call. And this. Thank you all. This concludes the earnings call for the quarter for Aster DM Healthcare. I thank the management and all the attendees for joining us today. If you have any further questions and queries, please get in touch with us.

Thank you.

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