Aster
We'll Treat You Well

June 04, 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 and year ended March 31, 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 May 29, 2024, regarding Video/ Audio recordings of Earnings call of the Company for the quarter and year ended March 31, 2024, held on May 29, 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**

Alisha Moopen
Deputy Managing Director
(DIN : 02432525)

Aster DM Healthcare Limited
Q4 and Full Year FY24 Results Earnings Conference Call

May 29, 2024

Management:	**Ms. Alisha Moopen – Deputy Managing Director**
	Mr. T J Wilson – Non-Executive Director
	Dr. Nitish Shetty – Chief Executive Officer, India
	Mr. Amitabh Johri – Chief Financial Officer, GCC
	Mr. Sunil Kumar M R – Chief Financial Officer, India
	Mr. Hitesh Dhaddha – Chief of Investor Relations and M&A
Moderator:	**Mr. Puneet Maheshwari**

Puneet Maheshwari: Good morning, everyone. I welcome you to Aster DM Healthcare earnings conference call for the fourth quarter of FY24. The company declared the Q4 and full year financial results for FY 2023-24. With this, 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, CEO of Aster India; Mr. Amitabh Johri, CFO GCC; Mr. Sunil Kumar, CFO 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 have 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 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 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 Q4 and full year FY24 earnings call. Ladies and Gentlemen, I'll be sharing a brief on our India quarterly and full year performance along with a successful completion of GCC segregation before Dr Nitish talks about India business performance including the cluster wise performance details.

I am really happy to inform that we have concluded the segregation of our India and GCC businesses successfully on 3rd April 2024 post obtaining all the regulatory approvals and fulfilling the conditions diligently.
I want to express my deepest appreciation for ushering in a new era to shape Aster India's future. The segregation has clearly allowed us to tailor our strategies to the distinct growing needs of these geographies and also position us to seize the unprecedented growth opportunities in the Indian healthcare market.

I want to appreciate the wealth of expertise contributed by our board and top management team to make this transaction happen. Their diverse backgrounds and experiences have been invaluable in overcoming the many challenges that we faced during this transaction. Despite its complexities, their collaborative efforts and strategic insights have guided us through and made us stronger and more resilient, paving the way for this successful transaction demonstrating the exemplary level of governance maintained by our board, especially considering its nature as a related party transaction.

The overwhelming support from all the proxy agencies and the strong shareholder approval in the majority of minority resolution were true reflections of how governance was upheld. This speaks volumes about the transparency, fairness, and integrity with which this transaction was conducted, reaffirming our commitment to the highest levels and standards of corporate governance.

Looking ahead, the prospects for Aster India remain truly promising. We are focused on growth through brownfield and greenfield projects, aiming to add 1,700 beds within the next three years. We also acknowledge the trust and long-term investment that our shareholders have made with us, with a significant portion of the proceeds from the transaction paid as dividends.

This entire transaction has resulted in a substantial inflow of cash proceeds amounting to USD 907.6 million. I am delighted to mention that we have distributed ~80% of the receipts from the sale of GCC business, as a special dividend of INR 118 per share, underscoring our strong cash position.

The remaining 20% of the proceeds have been earmarked for strategic initiatives, particularly inorganic growth opportunities. This will enable us to explore and capitalize on acquisitions and partnerships that can enhance our service offerings and expand our market footprint.

Now, coming to the overall India long-term performance, 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 the significant capacity expansion, ARPOB growth, increasing international revenue as well as advanced quaternary and tertiary healthcare services.

Our India revenue experienced significant growth during the year with the growth 24% YoY, surging to INR 3,699 crores, supported by addition in bed capacity of 550+ beds in the last year and YoY growth of 10% in ARPOB which is now reaching to INR 40,100 in FY24. Our revenue from international business has also shown a remarkable growth of 44% YoY to INR 188 crore vis-a-vis INR 131 crores in FY23.

Now coming to the EBITDA, our India Operating EBITDA exhibited strong growth, increasing 30% YoY reaching INR 620 crores in FY24. Overall India operating EBITDA margin has increased to 16.8% in FY24 as compared to 16% last year. This has been mainly aided by cost efficiencies, operational leverage and EBITDA breakeven in Lab’s business. As a result, overall ROCE from the India business recorded at 16.4% in FY24 vis-a-vis 13.4% in FY23. Our core Hospital Business has delivered EBITDA margin at 19.5% in FY24 vis-a-vis 18.9% last year. In fact, our matured hospitals which are the hospitals with more than 6 years of vintage contributing 77% to our hospital segment revenue, delivered 22.4% EBITDA margins in FY24 with an impressive growth in ROCE standing at 32.0% in FY24 vs 24.7% in FY23. Our deliberate efforts to establish a sustainable model is clearly demonstrated in our well-diversified specialty revenue mix, with actually no single specialty accounting for more than 15% of the total hospital revenue in FY24.

Now coming to our new businesses of both Labs & Pharmacies they have grown at faster rate of 32% YoY at INR 286 crore in FY24, now contributing to

approximately 8% of the total revenue. The Labs business has demonstrated EBITDA breakeven in Q4 FY24.

India Profit before tax (PBT) has increased 34% YoY to INR 281 crore in FY24 and India PAT (post minority interest) has increased 28% YoY to INR 188 crore in FY24.

Our Q4 FY24 PAT was impacted by one off item which Sunil will be explaining in more detail. Adjusting to that one off item our PAT has actually grown by 84% YoY in Q4 FY24.

Our balance sheet, it remained strong with Net debt to EBITDA (Pre IND-AS) reducing to 1.1 times as on 31st March 2024 v/s 1.3 times as on 31st March 2023.

Coming over to our capex investments, we have added 550+ beds during the year which includes 286 beds in Whitefield, Bangalore. I am really excited to share about our success at the Whitefield hospital, which actually achieved the EBITDA breakeven in just 3 months at ARPOB o f INR 70,000 + for Q4FY24.

At the outset of our expansion plan, we are on track to increase our bed capacity through a prudent mix of both brownfield as well as our greenfield projects which will result in our Aster Medcity and Aster CMI hospitals expanding to 950+ beds and 850+ beds respectively. Both our greenfield projects in Trivandrum and Kasargod are progressing well, and we are also exploring the opportunities to expand into nearby states such as Maharashtra and Tamil Nadu as well as North Indian geographies such as Uttar Pradesh. This expansion will not only increase our capacity and footprints but also enhance our offerings in specialized medical care with the best clinical outcomes.

We're really happy to be able to receive some very prestigious awards in the last financial year. Our commitment to outstanding healthcare delivery was recognized at the Financial Express Healthcare Awards 2024, where we were honored as the "Best Hospital Chain of the Year" and also was conferred with the title of 'Hospital Chain of the Year' at the Economic Times Healthcare

Awards. Additionally, our multiple hospitals such as Aster Medcity and Aster CMI were ranked amongst the top multispecialty hospitals across India by Economic Times, Times of India, Outlook and The Week. We have also been awarded for Excellence in CSR by The Economic Times

I just want to conclude by sincerely thanking you all for your trust that you've shown in our strategy of segregating our businesses. Identifying the significant demand-supply gap in India's healthcare sector reinforces the confidence in our approach. We are truly excited about our journey ahead as a pure play India entity with a much sharper focus and remain on course to providing not only value but also sustained growth in the coming years with the leadership team in place. Your confidence it motivates us, and we are eagerly anticipating to exceeding your expectations and achieving shared success. Our expansion initiatives for India are robust and we will surely deliver strong performance and help to generate value for our shareholders.

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

Thank you all very much. Over to you Dr. Nitish.

Dr. Nitish Shetty: Thank you, Alisha. A very good morning and thank you all for joining our Q4 and full year FY24 earnings call. The Union Ministry of Health has increased its budget to USD 11.3 billion for FY 2023-24, representing a notable 13% increase from the previous year. This move underscores the government's commitment to improving healthcare services in India. With this in mind, we are fully dedicated to expanding our healthcare services and continuously strive to harness this potential.

Moving to the updates in India business performance for full year FY24:

Alisha has covered most of the aspect, but I'll add a few more important points here. Our continuous efforts pertaining to capacity expansion of 550+ beds over the last one year have supported in a 24% YoY revenue growth and 30% Operating EBIDTA growth of overall India business in FY24.

Coming to the core hospital business performance, our core India hospital business including the clinics grew by 23% showed an impressive revenue of INR 3,519 crores for FY24. The effective implementation of cost optimization and operational leverage has resulted in a notable growth of 28% in a core hospital operating EBITDA, delivering operating EBITDA margins of 19.5% in FY24. Excluding O&M model hospitals, our core India hospital business grew by 20% reaching to our revenue of INR 3,395 crore in FY24, the effective implementation of cost optimization and operational leverage has resulted in a notable growth of 25% in core hospital operating EBITDA excluding O&M models, delivering operating EBITDA margins of 20.3% in FY24.

Coming to our new business performance, the revenue from Labs and Pharmacies businesses grew by 28% and 36% respectively in the FY24, with Lab business achieving EBITDA breakeven in Q4FY24.

Insurance payor mix, this is a very important aspect where we have seen the overall payor mix has changed in the FY24 with the insurance patients have increased by 120 bps YoY to 27.3% and International Patients have also grown to 5.4% improved by 76 bps YoY, offset by cash and scheme patients.

Coming to the cluster wise performance, Our Karnataka & Maharashtra cluster performed diligently with the contribution of 31% in the overall hospital business revenue. The revenue of the cluster grew by 35% YoY and Operating EBITDA grew by 44% in FY24 with the strong start of Whitefield hospital at Bangalore location.

I am very pleased to share that our Whitefield hospital at Bangalore has achieved EBITDA breakeven within 3 months in Q4 FY24, giving us a great confidence to create similar successful models in the upcoming geographies. While reflecting further upon the Whitefield Hospital project, its success is attributed to strategic decisions such as focusing on underserved specialties like oncology, creating a standalone mother and child hospital adjacent to a multi-specialty facility, attracting top talent by offering a comprehensive range of services and addressing the demand for single rooms. The hospital's design and service offerings cater to the current and future needs of patients and healthcare professionals, contributing to its rapid growth and success.

Our Kerala cluster, continues to contribute 57% in the overall hospital business revenue, showed a decent performance including revenue growth of 19% YoY and EBITDA growth of 21% YoY in FY24 aided by the sustained high occupancy levels and price growth. APROB of Kerala cluster witnessed a growth of 10% YoY at INR 39,800 in Q4FY24, which is the reflection of price hike, changes in specialty mix and reduction of scheme work.

Andhra & Telengana cluster performance remained steady with revenue increased by 20% and EBITDA grew by 29% YoY in FY24.

Coming to our Clinical Performance, we are very proud to mention that we have significantly grown on clinical side providing cutting edge medical treatments and performing 500+ transplants in FY24 v/s 430+ transplants in FY23, more than 1,140 robotics surgeries in FY24 v/s 480+ robotics surgeries in FY23 and many more areas of achievement in the clinical space.

Coming to the Capex, with more than 10% of our current bed capacity is added in FY24; we have now reached to 4867 bed capacity as of today. To capitalize the opportunity of the India's large population and low hospital bed density, we are making substantial capital investments, aiming to increase our total bed strength capacity to over 6,500 by FY27, with plans to add approximately 1,700 beds in next 3 years.

As we enter FY 2025, we are confident that our increased focus on India will bring positive results. We look forward to sharing updates on our progress in the upcoming quarters.

I now request our CFO, Mr. Sunil to elaborate more on our financial performance.

Thank you very much.

Sunil Kumar M R: Thank you, Dr. Good morning, everyone. For the quarter ended 31st March 2024, revenues have increased to INR 978 crores, up by 22% from INR 804 crores in Q4 FY23 and operating EBITDA has increased to INR 167 crores with margin of 17.1% compared to INR 135 crores in Q4 FY23 with the growth of 24%. Adjusted PAT post NCI for Q4 FY24 is at INR 87 crores compared to INR

48 crores in Q4 FY23 with the growth of 84% YoY. For the year ended 31st March 2024, India revenues have increased to INR 3,699 crores, up by 24% from INR 2,983 crores in FY23. The operating EBITDA has increased to INR 620 crores, with the margin of 16.8% compared to INR 477 crores in FY23, with a growth of 30%.

Adjusted PAT post-NCI for FY24 is at INR 240 crores, compared to INR 147 crores in FY23, with a growth of 63% YoY. Adjusted PAT for Q4 and FY24 excludes recognition of one-time net deferred tax liability of INR 52.5 crores, which is a non-cash item arising out of transition to the new tax regime following the segregation of our GCC business. ARPOB for FY24 has seen an overall growth of 10%, rising from INR 36,500 to INR 40,100., Excluding our O&M asset light hospitals, ARPOB increased by 14%, from INR 37,000 to INR 42,100. This growth has been achieved through revenue assurance, price increase, and improved case mix. In terms of cost optimization or material cost percentage, excluding the wholesale Pharmacy, has steadily declined over a period of time, which was 25.3% in FY22 to 23.5% in FY23 and further reduced to 22% in FY24. This reduction reflects our effective cost management, strategic procurement, and operational efficiencies implemented across our business units.

In addition, we have continued to maintain positive operating EBITDA for the past two consecutive quarters in our own O&M asset-light hospitals, and achieved EBITDA break-even in our diagnostic segment, Aster Labs in Q4FY24. For FY2024, our capital expenditure total INR 392 crores, with approximately 60% spent 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 there is no dilution of margins. Optimized cash allocation coupled with margin movement, our ROCE has experienced significant growth.

ROCE surged by 300 basis points YoY, reaching 16.4%. Hospital and clinic segment excluding O&M asset-light hospitals, ROCE rose to 24% from 20.9% in FY23. Matured hospitals saw an impressive increase in ROCE by over 700 basis points, reaching 32% in FY24. Aster India, net debt stands at INR 556

crores as on 31st March 2024 compared to INR 510 crores as on 31st March 2023. With net debt to EBITDA, excluding lease liabilities ratio improving to 1.1x in FY24 as compared to 1.3x in FY23.On that note, I conclude my remarks. We'd be happy to answer any questions that you may have. I now request Puneet to open the question-and-answer session.

Thankyou.

Puneet Maheshwari: Thanks, Sunil. We can now move on to the Q&A session. Before moving on to the Q&A session, I would 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 question. 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 Amey. I have unmuted you.

Amey Chalke: ***Yaa, this is Amey here from JM Financial. Thank you for giving me opportunity and congrats to management on good set of numbers. So, the first question I have regarding the ARPOB we saw around 14% ARPOB growth in the non-O&M hospitals. Is it possible to give some guidance on the price hikes for last year and also outlook for the next year and how ARPOBs are looking like for the next year?***

Alisha Moopen: Sunil, do you want to come in?

Sunil Kumar M R: Thank you, Amey. So as I called out in my speech, right, overall we've grown at a 10% ARPOB growth and excluding the O&M asset light because O&M asset-light hospitals already have a very blended and lower ARPOB of around 20k. And also we are treating more scheme patients so we don't have the ability to do the price increase there. So if you exclude that, we are at a 14% growth. Now, if you look at the historically, we have grown ARPOB about something like 9%, right? If 5-year CAGR you look at, it's 9% growth what we have taken. Now, this 14% growth has happened because of the multiple reasons. One is the price increase, second is the revenue assurance project, which we internally took across, basically trying to ensure that the 19 hospitals what we have today, how can we leverage among these various services which we bill, and also with a single service master, and also we

addressed a lot of revenue leakage. With that, we are able to address this one. In addition to price increase and revenue insurance also a major thing is related to the case mix and also the MVT revenue next come, because if you look at MVT revenue in the year FY23 we did around 4.4% or so with INR 131 crore and that MVT revenue has jumped almost by 44% moving to INR 188 crores, contributing 5.1% of our top line. These are the major various reasons which is added. Now but in the future, and also another portion of the price increase component, right? Price increase component out of 14% would be around something like 3.5% to 4% is what the price increase component would be. And I think that is around 3% to 4% of ARPOB, in the future also, we can look for the price increase bit of it. we did optimization projects in this year, that's where the ARPOB growth is a little higher. But going forward, we can look at something between 8%-9% minimum is what we can think the ARPOB growth will be. Thank you.

Amey Chalke: ***Sure. And the second question I have is on the Andhra-Telangana region, where the YoY performance have been on the occupancy side and the ARPOB side have been slightly muted. So, if you can address that, thank you.***

Sunil Kumar M R: Dr Nitish, do you want to take it?

Dr. Nitish Shetty: Yeah, I mean, we do accept the fact that the performance in Andhra Telangana is muted. We are presently in a discussion with the promoter there who is running the business for us, i.e. Dr Ramesh. So we are in a discussion with them to see where we can do the intervention and improve the performance parameters. We are confident that whatever has happened in the past, we will be able to reverse the performance in the coming months and in the next two quarters, and we are looking at some kind of concrete solutions to address this situation. At this moment of time, we can only give assurance that we are working. We are aware of the fact that the performance parameters are not up there compared to other geographies, but we are taking all measures to ensure that in coming quarters that concern will be at ease.

Amey Chalke: ***Sure, and also one supplementary question is related to Andhra region particularly outside Hyderabad. So, how has been this space in terms of is,***

because I have seen ARPOB for most of the companies operating outside Hyderabad are quite low. So is it driven by the fact that as in the case mix is quite inferior or because of the pricing these ARPOBs are on the lower side?

Dr. Nitish Shetty: Yeah, Amey, to answer this question, see in Andhra most of the cities are tier two and tier three cities, they are smaller towns and cities. Where of course, doing high end work is always a challenge. But we are seeing that thing is different in Kerala. We are able to demonstrate, we are able to do secondary care and quaternary care and improve the ARPOB. I think there's something similar needs to be done in the other geographies. Right now the challenge in the Andhra state is in the tier 2, tier 3 cities most of the hospitals are doing secondary care work and little bit of tertiary care work. But if you migrate to doing the high-end work, the talent is available and if you are willing to put up the infrastructure and create an environment, this challenge of low ARPOB can be addressed. Now what is happening is lot of patients from Andhra are going out of state for the high-end treatment. So, if once we are the operators then we are able to stop this flow of patient out of Andhra, the issue of ARPOB can be addressed. At the same time, another way of addressing is to encourage the penetration of the private insurance. We have seen a great benefit when you do tertiary care and quaternary care work, the insurance penetration helps in making the high-end work accessible to everybody, especially the insured patients. So, one is the insurance penetration and two is focus on tertiary care and quaternary care will help in increasing the ARPOB growth especially in the state of Andhra. Telangana is different because most of the business comes from Hyderabad and it is a metro city, it is very easy to do tertiary care and quaternary care work, but in the tier 2, Tier 3, I think we should emulate what we have done in Kerala.

Amey Chalke: ***Sure, this last question if I can squeeze in, if we can provide the gross block number for the year for the India business. Thank you.***

Sunil Kumar M R: Amey, we will separately communicate that information.

Amey Chalke: ***Sure, No problem. Thank you so much.***

Puneet Maheshwari: Thank you, Amey. The next participant who is asking the question is Mr. Sanjay Shah. If you can unmute yourself and ask the question.

Sanjay Shah: ***Am I audible?***

Puneet Maheshwari: Yes, you are audible**.**

Sanjay Shah: ***Congratulations to the team, Aster, and appreciate the deal successfully done. So, now the thing was we are now focusing on India operations. I would like to understand from the management about the trajectory of growth from here, as you rightly pointed out about the CAPEX, what we are planning inorganic, we're focusing on ARPOB growth. Can you highlight upon a small, which is a small business, but it's still material impact on the hospital as a segment that is a pharmacy and lab. That was my first question. And my second question was, since we are now separated from GCC, but still we have our management over there. So do we see any synergies in future to bring in international patient because still we have reached 5% of our revenue. Is there any scope of doubling there or maybe more from here in international incoming patient?***

Alisha Moopen: So Sunil, why don't you talk about the pharmacies?

Sunil Kumar M R: Yeah, Sanjay, thanks for the question. See, labs and wholesale pharmacy, what we have today, that contributes only to the 8% of the overall revenue for us. And also, you are aware and we have communicated you know in previous interactions that this whole labs and pharmacy is not something which we are trying to become an all India chain. So that's not the focus here. The focus has always been to continuity of care. So we have 92% of the business coming from hospital business and also more than 3.3 million patients' footfall what we have. So we thought about it and also we are trying to bring our own digital app in the next six to nine months. So the whole idea was that how can we create an ecosystem wherein we are giving the OP services, there is a teleconsultation already, we have the IP related services, and how can there be in the future the lab and pharmacy also can be inbuilt into this. That's exactly the reason why we brought in the labs and pharmacy. And even if you see, in case of labs, we currently have around 232 facilities,

wherein we have got out of the 15 satellite labs, which only processes the samples and balance all our collection centers, which we call it as a patient experience center. And the good thing is that we have already broken-even in quarter four. So the cash burn has stopped. And now also, it has got a combination of the Aster and non-Aster business. And over a period of time in last year, we have already reached the non-Aster business component out of a total revenue to almost 25%, which in FY23, it was only 17-18%. That is one of the reasons why we're able to break even. Now going forward, the idea is, we are present mainly in the states of Karnataka and Kerala, and we are not looking for any reason to add the satellite labs. So that means there is no major capex to be spent. It's all about increasing the footprint through patient collection centers. With homecare adding to that we should be able to drive good volumes and achieve the higher margins.

Coming to pharmacy, we are only present in Telangana, Karnataka and Kerala. Overall our pharmacy is around 215 pharmacies what we are present and you have seen that we have more or less stabilized the pharmacy growth. We are not adding like you know previously, till first 2-3 years, we ramped up the growth because you need to have a certain bandwidth for the number of stores to drive the volume and also get the leverage on the purchase procurement also. So that's where we achieved 215. Now the idea is to increase the revenue per day per store and also achieve a break-even. The way we achieved the lab break-even, we are thinking that at least by FY26 end, we should be able to break even in the pharmacy business also. I hope that answers your question, Sanjay.

Sanjay Shah: ***Yeah, very helpful, sir. My second question regarding international.***

Alisha Moopen: Yeah, so Sanjay I'll come in on that one. So, you're right, I mean, there has been a flow of patients from GCC as one of the regions. Of course, India sees the patients from across Africa, Maldives, Bangladesh, and many other countries. But definitely the arrangement we have with the GCC is that we'll continue to sort of make sure that patients that cannot be served in GCC will be sort of funneled to Aster India. I think there are many services which India will always do in terms of quaternary care, the transplant programs, oncology

work, which is nowhere in the horizon for GCC. And we see that the trust in the brand, which is there. So we'll continue to funnel those cases to India. Dr. Nitish anything you want to add?

Dr. Nitish Shetty: Yeah, yeah. Thanks, Alisha. Sanjay see, Presently, out of 5.2% revenue what we generate from MVT, 40% only is contributed from GCC. Around 60% is coming from the non-GCC countries, especially from Africa and the SAARC countries. And that was a bigger opportunity in the SAARC countries. As we all know, Maldives, Bangladesh, Afghanistan, there's a huge potential there, which will continue to drive the MVT business. But at the same time, GCC, like Alisha mentioned, we still have a kind of understanding with the GCC counterpart to continue further the growth of high-end work because all our hospitals are equipped to do the tertiary care and quaternary care work which might take some time for GCC hospitals to enable them to level what we are in India in terms of quaternary care delivery.

So if you really look at a mix of a patient around 60% to 70% of international patient come to India for quaternary care and tertiary care. So in that sense we are nicely placed to take our revenue growth in next 10% in the coming years, enabled by the inflow of a lot of patients from SAARC countries and then of course GCC always continues to contribute because we have the common brand name, both GCC and India, which will help. We are confident of leveraging.

Sanjay Shah*:* ***So, Dr, do we have any plan to enter tier-1 cities to bring growth from the ARPOB side?***

Dr. Nitish Shetty: See, if you really look at our mix, 70% of our business comes from the smaller, not the metros. Tier 1, I assume it is metros, but Tier 2, Tier 3 are the smaller cities like Kochi, Calicut. And 70% of our business are already coming from there. And through the asset-light model, we have already made plans to enter the Tier 3 cities. And we have been successful there, but we are mindful about the operating parameters like ARPOBs and all are not might be to the level of our larger cities. So, we have been cautious in that space. But as a group, we are known to be functioning out of Tier 2, Tier 3 cities, that's enough span. And in fact, we are the only group, I can say confidently that, to

a large extent, which delivers tertiary care and quaternary care in Tier 3 city. If you see a hospital in Kolhapur, a hospital in Kottakal or Kannur, are all enabled to do tertiary care and quaternary care work. And this also presents an extraordinary opportunity to attract the international patient because international patient if you see the SAARC country patient and African country patients are little price sensitive. They would like to avail treatment in low cost. Of course, quality is important for them but the price is also very important. So, their expectation can be met in the tier 2, tier 3 cities like in Kochi, Calicut where the price difference between the metro and this city is around close to 20% to 30% sometimes for a high-end work. So, if just it is a matter of having better connectivity to these cities, all the inflow of international patient will happen to tier 2, tier 3 cities. Right now, it will be constrained by the air connectivity. So, GCC is different because GCC has a very good air connectivity in Kerala hospitals, Kerala geography. But if that changes and we have better air connectivity across, I think most of the inflow of the international patient will happen to tier 2, tier 3 cities.

Sanjay Shah: ***So Dr, coming back to what I understood, since we are doing really very good remarkably on tertiary and quaternary side and plus we are bullish on international incoming patient also. And also we gradually increase our presence in tier-2 also. So don't you think this ARPOB growth of around 8% what you cited is bit on conservative side?***

Dr Nitish Shetty: That's a reality. See, like I said, ARPOB, like Sunil mentioned, it's a virtue of three or two or three components. One is the price increase and specialty mix. And then also revenue augmentation. There are many factors which play in improving the ARPOB. But we are kind of following the industry standards and some years, last year we exceeded the industry standard. But considering we are majorly present in tier 2, tier 3, we have a headroom to improve that, but we have stuck our position to the industry standard.

Sanjay Shah: ***Thank you sir, very helpful and thank you very much. Good luck to you all Sir.***

Puneet Maheshwari: Thanks Sanjay. The next question is from Pinaki. Pinaki if you can unmute yourself.

Pinaki: ***Sir, am I audible?***

Puneet Maheshwari: Yes.

Pinaki: ***Good morning to everyone. Sir, actually I have got a couple of questions. So first actually sir you are looking into expansion to areas like Maharashtra and also UP. So, can you explain what kind of expansion will it be? Will it be an outright acquisition or will we be looking for a strategic partner or an asset-light model?***

Dr Nitish Shetty: Hitesh, Can you come in here?

Hitesh Dhaddha: Yeah, sure. Thanks, Dr. Nitish. So, Hi, Pinaki. We are looking at M&A opportunities, single hospital M&A opportunities, and we are open to exploring multiple models here. It could be acquisition or it could be lease and we can also look at partnership options there. So we're exploring in these markets. I think we already have a presence in Maharashtra at Kolhapur and we want to expand our presence further in Maharashtra region. Also, we want to start exploring the UP region as well as we see that region being very attractive, you know, given how the, you know, demand is growing on that side and a lot of the patients actually go to Delhi cluster from there, so there is significant opportunity that we see in that market.

Pinaki: ***Okay, so my next question is actually, so what is your, actually the number, how many number of patients where international patients are in a broader sense and what is your take on international medical tourism? Kerala is now almost one of the hot destinations so what is your strategy going forward regarding this?***

Dr Nitish Shetty: Actually we lost you in between there. Can you repeat your question?

Pinaki: ***Sir, am I audible?***

Puneet Maheshwari: Yeah, you are audible.

Pinaki: ***Yeah, So actually, I want to know actually of the total number of patients, how many were international? Or in a broader sense, what is your take on***

international medical tourism, where Kerala is now actually a hot destination?

Dr Nitish Shetty: Yes, Pinaki, I explained earlier also, there's a huge opportunity in terms of international patient traveling to India, for the kind of work we do in the hospitals. And I specifically emphasize on the fact that international patients who come to India also look for a quality care at a reasonable pricing. Right, in that sense, the large cities are becoming expensive for certain category of international patients, like in Delhi or metro cities. There's a huge price difference like I can give an example, we have hospitals in Bangalore and hospitals in Kerala. The hospitals in Kerala are the larger hospitals in Kerala do at par clinical work with Bangalore hospitals. There's no difference in terms of capability. We don't refer Kerala hospital don't refer to Bangalore, Bangalore hospitals are in metro. So, in the clinical competence they are up there but and then the price is also 30% lesser than the metro cities.

But GCC's connectivity is helping, driving patients from GCC to Kerala hospitals. But from the rest of the geography, like Africa and SAARC, we do get a lot of patients from Maldives, but from Bangladesh and other geography, we have a challenge in terms of air connectivity. And also, we don't have embassies in the smaller cities. Everything is there in Delhi or in the large metros. If these two issues because embassies presence helps in processing the visa, because of all the international patient come visit India with an average stay of more than 15 days, they need a lot of support from the local embassies. So, air connectivity in embassy is the key factor and if these things are get addressed, there is a huge opportunities in tier 2, tier 3 cities. Patients will have a treatment in tier 2, tier 3 cities. Smaller towns for the price and also quality of work. Since we have presence in both the geographies, we have presence in metro and we have in the tier 2, tier 3, we are very bullish about what is going to happen now and in the future also. And we have a large presence in GCC with the robust brand name. And the GCC flow will only improve, but at the same time, because of the pricing and the quality of work we do, we'll also have a lot of patients to the other geographies, hoping with the conviction, because the government is doing a lot of work. Recently, I got a circular from Fiji saying that Air India is trying to

connect Bangalore and Hyderabad to various geographies, even to Vietnam and those countries to the metros now, but eventually they are also going to give you the air connectivity to tier 2, tier 3 cities. So, MVT is a huge potential the biggest constraint I see is the air connectivity. If air connectivity improves there is a huge potential way.

Pinaki: ***Okay Sir. So, that is all from my end and thanks and all the best for the future.***

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

Sumit, can you unmute yourself?

Okay, we'll move on to the next. The next question is from Alankar Garude. Can you please unmute yourself?

Alankar Garude: ***Yeah, Hi. Thank you for the opportunity. So, first question, in the GCC deal valuation, there was a USD 70 million earnout based on EBITDA achieved by the GCC business in FY24. Can you please let us know the gap between the target EBITDA for this earn out and the actual reported EBITDA by GCC in the fiscal?***

Alisha Moopen: Amitabh, do you want to come in?

Amitabh Johri: Thank you. So, Alankar, if we go back to the terms that were there for the transaction, it was that there was an amount set aside as USD 70 million of earn out, which was between 130 million of EBITDA to 150 million EBITDA, wherein for every dollar of an EBITDA, there was a 3 and a half million of an earning. As we look through the numbers of GCC, the reported EBITDA, despite all the adjustments which were there in the SPA for the EBITDA to be computed, we still arrive at a number which is in the range of USD 127-128 million, even after all the adjustments. So, it is unlikely that we will get into the range where the earn out will get triggered.

Alankar Garude: ***Understood and Amitabh there was another USD 30 million based on certain other contingent events. So can you elaborate on those as well?***

Amitabh Johri: That is right. So, if you look back to the consideration, the initial consideration that was set aside was 903 million and what we finally paid out was USD 907 mn something. So that USD 4.78 million that was there was towards the Wahat EBITDA that was arrived at, this is which the consideration was worked out. The balance that was sitting in that amount was for any other further recoveries. Now those recoveries are not yet being made, we are in the process of pursuing those. As and when that happens, we shall let the shareholders know. But as of now, we do not have any further amount to be offered to the shareholders as a part of that USD 28 million.

Alankar Garude: ***Sure, that is helpful. Thank you. Coming to India, if you look at the secondary mix in AP Telangana, clearly that higher secondary mix in the region is a slight deviation from a relatively much lower secondary mix in Kerala and Karnataka. And we have been present in this cluster for quite some time now. And Nitish sir, you did mention about a lot of performance improvement initiatives and discussions happening.***

So, strategically, I just wanted to understand how are we looking at this business? Are we also open to kind of divesting from this business if some of these performance improvement initiatives do not really play out?

Dr. Nitish Shetty: Yeah, see like I mentioned my earliest comments. So we are doing everything possible to kind of we sense, it's a huge opportunity in Andhra. but there is a challenge where the management team there is not able to deliver to our expectation compared to other geographies. Now, we have taken two quarters as a way forward to kind of correct those things. We are in a serious engagement with this management there. Like you mentioned, if the worst case scenario, if things are not going to change, we will need to take that extreme steps also. But at this point of time, we have kind of, we are confident in the next two quarters, we will be making, because they have been improving, there have been a lot of reasons for the subdued performance in the last two years compared to the previous year before COVID. But now, we are supporting them in all possible terms but in next two quarters we don't see any substantial reversal in performance. We are like you mentioned like

about divesting, we are all open to all kind of measures, but we would like to wait and watch for next two quarters.

Alankar Garude: ***Understood. And maybe a couple of bookkeeping questions for Sunil sir. Sir, if you look at the cash flow statement for FY24 for India, there is a line-item change in other financial assets loans and other assets which is pretty high to the tune of almost 1,700 crores and that is pulling down our cash flow from operation significantly. Can you please let us know what exactly is this line item?***

Sunil Kumar M R: Yeah, Alankar, see this is basically because of the you know that the reporting changes has happened right. Today when you look at the consolidated financials we are not usually because the sale has happened on April 3rd that is a date taken and it's a subsequent event after the you know book closure of the 31st March.

We are supposed to show it as a not as a continuing operation but as a discontinued operation right. That's why in the balance sheet you will see that on the asset side we have the complete balance sheet asset of the GCC shown under asset held for sale and on the liabilities we are shown as liabilities related to the asset held for sale. Right? So with that, what is happening is that the INR 1,500 plus crores, which we are shown as an investment and a non-current investment in the India balance sheet, that we are able to move into current investments. Because of that changes in the continued to discontinued operations, we are able to, that is the line item which is changing. But what we can do is that we can separately share more detailed cash flow statement for you for other analysis.

Alankar Garude: ***Yeah that would be helpful sir. Secondly if you look at the fixed component of O&M fee can you quantify that which is sitting in depreciation as per IndAS 116.***

Sunil Kumar M R: Yeah, I think we even shared that in the P&L reconciliation and the IndAS reconciliation we have given, just a minute Yeah, so for example, so for FY24 for the full year, in depreciation, whatever the depreciation amount is there, out of the INR 45 crores is related to IndAS depreciation. And in finance cost

also, out of the total finance cost, INR 57 crores is related to the IndAS finance cost. I hope that answers the question.

Alankar Garude: ***Okay, so basically on top of this INR 45 cr plus INR 57 cr there is that additional impact of the variable component which is there in our O&M arrangements.***

Sunil Kumar M R: Exactly.

Alankar Garude: ***Okay So, essentially for the entire adjustment we need to add all three components.***

Sunil Kumar M R: That is very right, that is very right. Because see that is what we are explaining in the note. See usually IndAS 116 really works only when your future lease rentals are fixed of nature. That's when you are able to calculate what is your future cash outflow and you bring the present value and you reverse that EBITDA you know rental from the P&L and you bring back again as a depreciation interest. But if it's a variable amount, INDAS 116 cannot apply there. That's where that will still be above EBITDA. That's where we have brought the differential between operating and reporting EBITDA.

Alankar Garude: ***Understood and maybe one final question if you look at overall reported India EBITDA and the segmental performance, there is a gap which can be explained by all the intercorporate eliminations.***

So, just wanted to understand the nature of these eliminations. So, there is INR 106 crores of intercompany revenue adjustment which is there for this year, I mean there was a similar INR 85 crore number for FY23 as well. So, I mean just trying to understand what the nature is out here and will that number really change with the GCC business going away.

Sunil Kumar M R: Yeah, see all the in the note what I put INR 106 crore right, the intercompany eliminations that is related to two particular things. One is on the labs, another is on the AMI or we call it as a tele-radiology, right? So what has happened in the last year is that Aster Labs business, when we talk about, last year we clocked in the revenue for INR 118 crores. Out of that 75% almost near the business comes from the Aster business, So that's an intercompany.

So that is the expense. It's the revenue in the lab business, which is our wholly owned subsidiary, and expense, shown as expense in our hospitals.

Then the next one is the tele-radiology because see the whole reason why we are able to consolidate the labs and tele-radiology is to ensure that we are able to reduce our material cost and the HR cost. That is something which you are already getting the benefits. And the balance amount other than the labs is related to the radiology business. Radiology business is sitting or the consolidated radiology business is sitting in the listed entity. And we are able to give service to all our other hospital subsidiaries within the Kerala and Karnataka and Andhra region. So that is the balance revenue which is sitting there. So we expect that you will not feel the same growth happening because you know this Labs what will happen also is that because non-aster business is growing very well in terms of both radiology and non-labs business. For example in FY23 our non-aster business in labs only contribute around 17% to 18 %. In the FY24, it has increased to 24%. And we see that because hospital growth is in a double digit or a higher teen number, labs will grow at a very higher range, right, to the non-Aster business. With that happening, you will not see the growth in the same, but the growth will always get limited over a period of time.

Alankar Garude*:* ***Understood, sir. That's helpful. That's all from my side. Thank you and all the best.***

Puneet Maheshwari: Thank you, Alankar. We would like to highlight that we will be giving preference to all attendees who have not asked a question before.

So, in the line next question is from Sumit Gupta. Can you unmute yourself?

Sumit Gupta: ***Hello. Yes. Hi. Thank you for the opportunity. So, just want to understand about the medical value tourism. So in Kerala, so like what is the differential ARPOB which we get through MVT in Kerala Vs the normal domestic business?***

Sunil Kumar M R: Yes. Thank you Sumit for the question. See, MVT business usually are approximately 25% to 30% higher than the other cash patients. And there are

two reasons why the rate is higher. It's because all these patients who come in, you know, basically come from single room occupancy. Whereas the other cash patients is a blended occupancy of a general ward and twin sharing and single room. That's where it looks higher of around 25% to 30 %. Second also this ARPOB which we are talking about also, you know, it doesn't net off the referral fees what we pay. If you do a net off of that, then the nominal increase would be around 10% to 15%.

Sumit Gupta: ***Understood sir. So sir, what is the overall trend that you plan to increase this contribution from MVT from 5% over the let us say next 3 to 4 years?***

Sunil Kumar M R: Dr. Nitish, you want to add on that?

Dr Nitish Shetty: Yeah, yeah, as I mentioned earlier, there is a potential to go up to see certain hospitals of ours are already doing 10%. It is a blended, we are getting 5% so we are confident in the next 3-4 years the MVT alone can contribute close to 10% of our revenue.

Sumit Gupta: ***Okay, okay. So like so like currently your margin is nearly 17% so let's say all this MVT also increasing in overall payor mix optimization of basically payor mix and your Andhra Telangana margin is subdued which is dragging the margins. So, do you plan to like how do you plan to increase this margin in Andhra Telangana so that overall margin trajectory also reaches more than 20%?***

Sunil Kumar M R: So, Sumit see, Andhra Telangana if you look at their EBITDA contribution right, it's almost 5% of your total India contribution. So even if you increase the margin, it is highly unlikely that it's going to move the needle in a very big way. Yes, it can contribute in its own way, but it is not going to impact too much. Because the major is of 95% EBITDA and is controlled by Karnataka, Kerala and Maharashtra cluster. And that is what we are looking for the growth to happen. And there it's very clear that currently you know that operating EBITDA will close at 17% and the hospital segment is more than 20% and mature hospitals are 22% plus. We see that, you know, with the continuous ARPOB growth which is going to happen, which I already guided around 8% to 9%.

And also with the MVT business increasing and the case mix because we have been doing a lot of high-end procedures. We did the last year, FY24, almost more than 1000 robotic procedures. We did more than 500 transplants, right? And also we're doing more DBS cases, cochlear implant cases, with all these things going to go more. And with more quaternary care, you know, procedures, which we're going to continue to do in extra two to three years.

We can see that margins also will expand at a consolidated level, near 20% in next two to three years. And hospital segment alone, we should reach 23%-24%.

Sumit Gupta: ***Okay, understood, sir. That's really helpful. And sir, second part on the overall capex side so basically out of the over nearly 1700 beds planned how much is Greenfield or Brownfield?***

Sunil Kumar M R: See out of 1,700 beds 60% of it is the Brownfield and Greenfield projects are only two projects mainly the Aster Capital project in Trivandrum which is a 460 odd bed and another 260 odd beds from Kasargod. Kasargod is expected to operationalize in FY26 and Aster Capital is expected to operationalize sometime in FY27. So, our capex requirement for all these 1700 beds for the next 3 years, that is FY25, FY26 and FY27 is approximately INR 1,000 crores.

Sumit Gupta: **Understood. And sir, regarding the EBITDA per bed, like I just want to understand why is it subdued vs the peers and how do you plan to increase this EBITDA per bed, operating bed basically?**

Sunil Kumar M R: Let me answer the first part of the question and then Dr. Nitish will add on to it. See, already Dr. Nitish also highlighted that, 70% of business for us comes from the non-metros. EBITDA per bed is a relative to your ARPOB. We are not in the metros where the ARPOB are something like 60k-70k. But if you look at our own composition, 70% is from the tier 2 and tier 1 cities where our ARPOB are around 40k to 50k. And you look at our own Bangalore market, we are doing more than 60 to 63k ARPOB. But end of the day, India ARPOB, the consolidated level is around 40,100. That is because majority of our business comes from the tier 1 cities, right? Or I would say non-metros. And

considering your ARPOB are 40,000, naturally your EBITDA per bed will be lower than the peer comparison.

But at the same time, we always look for a sustainable margins. And also, because we are in the non-metros, our ARPOB growth, which can come through, is quite high. Even though, see, for example, in metros, already you've seen, right, 40% is only cash, 60% is your credit business. But for us, in the non-metros, we are still at 60%-65% cash business, which we have. Only because of the metro, our consolidated cash mix has come down to 58%. With that, we have the potential for growth. As compared to metro cities, the potential of ARPOB growth is always limited. But we are being majority being in non-metros, our potential to ARPOB growth is always high. And keeping the trends, what we've done in the historically in the last five years, we were able to do at least 8%-9%. We are very confident that ARPOB growth also will be very healthy in future years and also along with that EBITDA per bed also will add to that.

Sumit Gupta: ***Okay, understood sir. That is it from my side. Thank you.***

Puneet Maheshwari: Thanks, Sumit. The next participant who is asking question is Damayanti Kerai. Damayanti, can you please unmute yourself and ask the question?

Damayanti Kerai: ***Hi, good afternoon. Am I audible?***

Puneet Maheshwari: Yes.

Damayanti Kerai: ***Okay, hi, thank you. Thank you for the opportunity. So my first question is on your insurance mix at this point of time, which is around 27% and you said you have seen good 120 basis point increase compared to last year and Dr. Nitish mentioned in his remarks that improving this pie would be critical to improve performance in some segments like AP Telangana which are right now lagging. So just want to understand how do you see this 27% pie moving up for next few years and what kind of efforts are taken by your side to really push on this part?***

Dr Nitish Shetty: Yeah, Damayanti thanks for that. It's a very important question, because this is something which is going to redefine the health care of India. When I talk

about insurance, I'm talking about purely private insurance, but there are others like government-sponsored insurance. But we spoke about the numbers, what we shared was the private insurance. Now in the bigger cities the private insurance penetration like in the hospitals in Bangalore, the insurance, private insurance work is around 60%. 50% to 60% is covered by private insurance. Whereas when you go to the other geography like tier 2 and 3 cities in Kerala, like larger cities like Kochi, it is around closing to 50% of patients are covered by private insurance. Whereas in North Kerala, the cash patient is more, it is 80% is cash patient, 20% is insurance. So, this is something which is going to change drastically. At a group level, we have shown more than one and a half percent growth, but at a certain unit level, if you really look at it, it might be in the double digits also.

The insurance penetration is increasing because this post-COVID, there has been an awareness among the general population, the importance of the health insurance and also government is taking a lot of initiatives to improve on the insurance coverage. So the government has come to a conclusion that universal health insurance is a possibility but universal health coverage is a challenge. So the only way we can address the India's requirement of comprehensive health coverage is through universal health, universal insurance coverage. So, as an organization, we are best placed to take advantage of the fact because the kind of presence we have, we have major presence in tier 2, tier 3 where insurance penetration is going to happen in a big way. And also, we have presence in a metro where the insurance penetration is happening to the maximum and only I assume that in the future from 60%, the big metros, the insurance coverage will go up to 80%. That is a possibility. Then I also explained the advantage, we don't see it as a challenge.

It only helps in helping the patient to access the highest care and the highest quality of care as well as the complex work. Now, Sunil mentioned about how we have doubled the robotic surgery from 400+ to close to 1,100+ robotic surgeries. This has primarily happened because of the insurance has started covering the robotic surgeries. Same way oncology is another piece in our group we do close to 8% to 10% of oncology work. But I see that might go up to 25% in the coming future and that is primarily enabled by the insurance

penetration because oncology treatment is very complex, very expensive and long-term treatment is a must and there are specialized insurance package only available for oncology patients. So, lot has been played out.

As an organization, I think we are definitely placed, very well placed to take advantage of the fact that insurance penetration is going to only go up. And that's why we are so much focused on the tertiary and quaternary care delivery, which is a challenge, especially in the tier two, tier three cities to deliver because acquisition of a talent in creating infrastructure is a big challenge, but we are fortunate and we have been capable enough to demonstrate that this kind of high-end work can also be done at tier two, tier three cities.

I hope I answered it.

Damayanti Kerai: ***Yeah, I understood. But it seems like in most cities in say Kerala where you have most of the presence, cash will likely remain the biggest component and maybe gradually we'll see a pickup on the insurance side. But in markets like Bangalore, obviously, I guess it's the fastest growing pie to understand.***

Dr Nitish Shetty: The biggest thing is metros when insurance penetration is happening much faster pace compared to tier 2, tier 3 but it is just a matter of time it is also going to change because insurance penetration is not happening to that extent like in metro because the high-end work is not happening in tier 2 businesses but wherever it is happening the insurance penetration is increasing.

Damayanti Kerai: ***Understood. My second question is on your zero to three years category hospital where you have six units. So, you can just, can you just update us like which hospitals have really achieved cost break even and then moving up further in terms of margin improvement and which are the units which have slightly longer way before they can turn around at the EBITDA level?***

Sunil Kumar M R: Thank you Damayanti for the question. So, the six hospitals basically include four O&M-asset light hospitals. That basically includes our Aster Mother Hospital in Areekode, Aster PMF Hospital in Kollam, Aster G Madegowda

Hospital in Mandya, Aster Narayanadri in Tirupati. In addition to these four, we have got a new facility we added for handling the scheme patients called as Aster Ramesh Adiran Hospital in Vijayawada.

That's just a 50-bed hospital. In addition to all these small hospitals, the biggest one is the Aster Whitefield Hospital. So, when you look at, when you say cash burn, I would say, Narayanadri has done really well. We talked about it previously also. It broke even in the first quarter itself. Even today, they are churning out lower double-digit margins. Similar is the case of Aster PMF Hospital. And our Aster mother hospital, Areekode, the losses have really reduced, hardly small losses, which is there. And that's where I've talked about that, Aster O&M hospitals, basically O&M asset light hospital, last two quarters, at a blended four hospitals, we are able to consistently maintain the positive, even though one or two hospitals are in the loss, but positive margin is there in the all four hospitals put together from the last two quarters. And Aster Whitefield hospital losses also specifically called out in the speech of DMD and Dr. Nitish, wherein we've the fastest break-even, right. In third month itself we broke even. So, there is hardly any losses for example, full year number would be less than INR 4-5 crores. So that's where you can see zero to three years, even the six hospitals contributing to INR 275 crores revenue, the operating EBITDA loss is just INR 7 crores negative. And that is a very considerable decrease from the previous year. And I hope that is an outlook.

Damayanti Kerai: ***Yep, thank you and my last question is clarity. So in terms of margin outlook, did you mention at the consolidated level? 20% is something which you are targeting and then it will be higher, say 23% or so for the core hospital segment.***

Sunil Kumar M R: That's right.

Damayanti Kerai: ***Okay, thank you. I'll get back in the queue***

Puneet Maheshwari: Thanks Damayanti. So the next question is from Mr. Rajkumar. So Rajkumar, can you please unmute yourself and ask the question?

Rajkumar: ***Yes, good afternoon. Can you hear me?***

Puneet Maheshwari: Yes, we can hear you.

Rajkumar: ***So, I am looking at slide number 19 of the presentation. This question is for Mr. Sunil. Sir, I just want to know, I saw the note on the tax part, due to the deferred tax liability of 52 crores, the tax looks very high for this quarter. So, I just want to know what is the steady state or rather the projected tax rate for the upcoming quarters. So, should you work with 23 % given that you have now moved to the whatever the normal range?***

Sunil Kumar M R: Yeah, Rajkumar, yeah, thanks for the question. See this INR 52 crores is a one-time non-cash liability, deferred tax liability. See, basically what happened is that now we had a major income right from the GCC sale which is upstream from affinity to a listed entity. There is certain higher profit has been generated in the quarter one. And going forward, we will not be able to continue with our old tax regime.

We have to move to new tax regime to become more tax efficient. That is the reason why the deferred tax liability has been coming in, right. So, this is a one-time hit. So, if you look at the next year onwards, you don't expect that such a hit coming through because already it is deferred liabilities already created. So, it is a one-time hit for the future benefits, right. Now, we are going to see that deferred liability only going to unwind over a period of time. When is, which your next question is that what is the tax which you can take it. So, because in the new regime, we will come down tax to 22% plus the surcharges. You can look at that is only for the profit-making entities and also where the subsidiaries, where our revenue is more less than 400 crores, we have a lesser rate of 25%.

But if you take a look, we are also making the new assets are coming into picture, new greenfield projects in FY26 and FY27. And also, the Whitefield Hospital, which we recently started. Even though EBITDA break-even has happened under the PAT, it will have some stress, right? So with all this put together, you can take an effective tax rate on the PBT of something around 14% to 15%.

Rajkumar: ***14% to 15%, right? That's what you mentioned?***

Sunil Kumar M R: That's right.

Rajkumar: ***Okay, yeah, just continuing on this, the same, I have just a couple of more book-keeping questions. The next one is, there is a movement of the fair value contingent consideration payable of six crores. So just wanted to know, you know, this is just an one off, right? So this will not again come.***

Sunil Kumar M R: Yeah, see, movement in fair value of contingent consideration payable is a non-cash item again. Right, see what happens is that because we have got multiple subsidies where we have holding investment, correct? And also all this investment, for example, Ramesh hospitals or Prerna hospitals, they do have a certain put option. And when you have a put option and they have a time period, they have the right to put the shares and have the obligation to buy those shares. During that period, as per the accounting norms and the IndAS, you are supposed to recognize a gross obligation of that liability in the consolidated financial statements. So that is what we recognize when we first take the investment.

After that, what happens that every financial year end, you assess or reassess what is the gross obligation based on the future cash flow or I would say you know based on the DCF method. Now if the performance is really good that means to say the valuation will go higher that means to say our when they put the shares my investment will be on a higher side right in that case what happens the liability goes up and that the increase or decrease in liability comes through P&L. So, INR 6 crore is basically a decrease in liability because we have seen the Ramesh Hospital performance, right, it is not so great. Because of the liability has come down and that is where it is getting unwinded as a, you know, income or I would say negative liability at INR 6 crores.

Rajkumar: ***Okay, got it. And lastly, on this NCI of INR 9 crores that you have shown, is it coming from your Malabar acquisition?***

Sunil Kumar M R: Yeah, I would say majority would be coming from there. See, we have three major subsidiaries or I would say major symmetrical subsidiaries of MIMS where we hold 79.6% or so and balance we hold is the Prerna Hospital that is Aster Adhar, Kolhapur that's where we hold 87% and the Ramesh Hospital where we hold 57.5% and considering all these subsidiaries, major performance is happening in MIMS, one of the very good cash flow. So, you can say NCI, whatever nine crores we are recognized, 80% would be coming from the MIMS limited itself.

Rajkumar: ***Okay, so just to labor on the same point. So given that you are looking at acquisitions, so would it not make more sense to go 100% on this wherever the NCIs are happening? Because that will immediately give you a 25% or close to 25% upside on your PAT. That's more like a low hanging fruit for you, right?***

Sunil Kumar M R: Correct. Your point is very right, Rajkumar. That's exactly what we have tried to do in last one year. If you know one year back our stake in MIMS, right, it was at 74% and we increased almost by 5%. So, from the very clear strategic point of view, we are very clear that wherever possible we will always increase the stake and that was such a unit where the performance is quite good. But at the same time, right, we don't have a specific shareholders agreement for them to we don't put on a call option to buy those shares. And also this is a MIMS limited where the number of shareholders are very high, but we'll always keep that effort open. And but it will always take certain time to get into the 100% or even near 90%.

Rajkumar: ***Okay, thank you so much for answering my questions. just last bit on the cost components. I see there is a significant shift between the employee cost and other costs when you look at Q4 FY24 and FY23. So, is there anything. I mean, you know significant change in strategy like the employee costs has come down where the other costs have doubled.***

Sunil Kumar M R: No, it's related to reclassification. I can give you more insights offline in the bit of it.

Rajkumar: ***Okay, no problem. Yeah, thanks a lot. Thank you so much for answering.***

Puneet Maheshwari: Thanks Rajkumar. The next question is coming from Dr. Bino. Dr. Bino, can you please unmute yourself? Ask the question.

Bino: ***Yeah, hi. Good morning or good afternoon. Dr. Nitish, just a question on nursing and other technical talent. You know, nowadays we have seen a lot of corporate hospitals coming up across both yours as well as competitors. Is there any shortage of nursing and other technical talent that you're coming across and are the costs or manpower costs in that regard going up?***

Dr Nitish Shetty: Yeah, thanks Bino. Nursing attrition, and shortage of nursing is an industry problem. We all are aware of it. So, we have to address this challenge. We have certain inherent advantage and certain strategies we have put in place to address this challenge. Inherent advantage is most of the hospitals are in Kerala and you know majority of the nurses come from Kerala. So, we have the distinct advantage of getting the nurses, access to the nurses and paramedical staff. 60% of the paramedical and nursing staff are from Kerala. So that is, we come from, we are based out of Kerala. That is one fact that is helpful. But at the same time, we have a cluster approach.

When we have a cluster approach, when we are dominant in the micro market, we are by far the number one in Kerala compared to the competition. It's much easier to retain the clinical talent because everybody wants to associate with the organization which is growing, and which is focusing on the high-end work because the value of the nurse has been getting trained in the high-end work. So since all the hospitals are able to do high-end work and we have a cluster approach we are able to retain and train them and cross train them also and also we have kind of focus we accept the fact that nursing is the core of our existence so that in terms of we would have seen a nursing award and we take a lot of initiatives to encourage the nurses not only work as a nurse but after certain phase in the career we also encourage them to take up managerial role and we also encourage them to get into administration in other areas. So there's a clear cut path, growth path. And also we have presence in GCC, which helps in kind of giving the career path that people do, if they have aspiration to go abroad, so they can come join us and grow in India and then go to GCC if required. Or if in the GCC, some of

the, a lot of nurses beyond certain years would like to come back to their hometown.

That also, this, we having presence in GCC and India helps them into kind of closing their career path. So that also is one more aspect. So, we do have challenges, but compared to the competition, we have less challenges because of the cluster approach and also dominant presence in Kerala and also the kind of strategies we have taken. we are able to mitigate this challenge to a large extent.

Bino: ***Understood. Now, actually my question was more like, you know, in the last six months, have you seen anything incrementally on that front?***

Dr Nitish Shetty: Not much, but there has been a general, because I don't see a major attrition rate going up compared to the previous years, but it's been consistent. It has not gone down, but it has not gone up also drastically.

Bino: ***Understood. Just from a housekeeping perspective, Sunil, what would be the CAPEX number for FY25?***

Sunil Kumar M R: FY25, it could be something like INR 450 Crores.

Bino: ***INR 450 crores, okay. And just to confirm, when you give this cluster-wise revenue and EBITDA reporting, that also captures the pharmacy and diagnostics revenue and EBITDA of those particular geographies, is that right?***

Sunil Kumar M R: No, no. See, when we give cluster, it is very clearly hospitals what we cover, hospital and clinics, but it doesn't include the labs and pharmacies.

Bino: ***Okay, so that those are the separately reported numbers.***

Sunil Kumar M R: Yes.

Bino: ***Okay, understood. Thank you***

Puneet Maheshwari: Thanks Dr Bino. So, the next question is coming from Mr. Devanshu. Devanshu, can you please unmute yourself and ask the question?

Devanshu: ***Good afternoon. Can you hear me?***

Puneet Maheshwari: Yes, we can hear you.

Devanshu: ***So, just two questions. Just to follow up on the previous participants, so, CAPEX for FY25 is INR 450 Crores. Can you give us a number for the next year after the projected for FY26?***

Sunil Kumar M R: It is very early Devanshu to give it because this INR 450 Crores what I given is because we have the budgets and there is a very clarity on the what is a project capex because see when you say capex we got a project capex of 1,000 crores which I talked about plus it also includes a little bit of a growth for the additional medical equipment we need to do and also replacement capex right. So, it all includes around INR 450 crores is what we have. But going forward usually what we can say is that project capex of the anyway INR 1,000 crores will be allocated in FY26 and FY27. In addition to that you can take one and a half to two percent on the top line as a growth under the replacement capex.

Devanshu: ***Got it.***

Hitesh Dhaddha: Just one clarification. You said project capex will get allocated in FY26 and FY27. I think from FY25 to FY27 right the INR 1000 crore that's all for the three.

Sunil Kumar M R: So I mean Hitesh what I told is that totally we have INR 1,000 crores to be spent on the project expansion of 1,700 beds. Part of that already given the highlight about INR 450 crores which includes the project capex plus the growth and replacement capex.

Devanshu: ***Sure, Noted. And second clarification I had was on this residual amount of INR 1500 crores that we have net of the dividends, what would be the net amount retained by the company post transaction costs and any other costs, if any?***

Sunil Kumar M R: So, see, we basically, out of USD 907 million, USD 20 million approximately was retained in the affinity level for the transaction cost. Post that, it was upstreamed around USD 887 million to Indian listed entity in terms of

dividend and the redemption of preference shares. That is basically in INR, we are talking about around INR 7,400 crores. So, out of INR 7,400 crores, we have already released a special dividend of INR 118 per share, which amounts to INR 5,900 crores. That is where you are seeing the balance amount, which is excluding any transaction cost. We have a cash of around INR 1,500 crores in the listed entity.

Devanshu: ***So, will there be any amount that will be netted off from this?***

Sunil Kumar: No, no there is no further amount netted off from this.

Devanshu: ***So, this is a net amount written by Aster in the announcement?***

Sunil Kumar M R: Yes.

Devanshu: ***Okay, thank you. That is it from my side.***

Puneet Maheshwari: Thanks Devanshu. Yes, I can see the raising hand from Mr. Hiten. Mr. Hiten, can you please unmute yourself and ask the question?

Puneet Maheshwari: Yeah, Mr. Hiten

Hiten: ***Thanks for the opportunity.***

Puneet Maheshwari: **Can** you please be little more louder?

Hiten: ***Yeah. Am I audible now?***

Puneet Maheshwari: Yes

Hiten: ***So, most of my questions have been answered. I have only one question left. So, what will be our peak debt post all the Capex we are spending for next three years?***

Sunil Kumar M R: Can you come again on the question?

Hiten: ***So, my question is on the debt as we are in a Capex cycle for next three years, what will be our peak debt? So, out of the 1,000 crores which we are going***

to spend in 3 years, can you give the break up or what will be the internal of accrual and the debt we are going to borrow?

Sunil Kumar M R: So let me put it this way, if you keep the INR 1,500 crores apart, right, even keeping that apart we are talking about a currently a gross debt of INR 669 crores, right. So, out of that we have got a 1,700 beds to be expanded in next 3 years, which will be again a combination of the debt and internal accruals. And then what we are already seeing is that we should hit the peak debt only the FY25, because that's when the majority of the capital on the greenfield is going to incur in FY25. With that happening from FY26 onwards, you should see the debt % coming down. That means to say net debt to EBITDA ratio today what we have around 1.1x may a little bit slightly increase in FY25 and again after that should come down in such a way that by FY27-FY28 we should go into debt cash unless we add another you know many more beds which is already in plan but i'm giving the visibility based on the capex which we have inside.

Hiten: ***Anyways the Net debt to EBITDA will remain below 2x right?***

Sunil Kumar M R: Yeah, very much.

Hiten: ***Okay, yeah that was my only question thank you.***

Sunil Kumar M R: Thank you.

Puneet Maheshwari: Thanks Hiten. If any of other attendees would like to ask a question can raise the hand. Okay, I do not see any raised hands. Okay, so I think so there is no more question to the management. Thank you all. This concludes the earnings call of this quarter for Aster DM Healthcare.

I thank the management and all the attendees for joining us today. If you have any further queries or questions, please get in touch with us. Thankyou

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