

22 February 2023

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

**Sub: Transcript of Earnings Call for the quarter ended December 31, 2022**  
**Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)**

This is further to our earlier letter dated February 15, 2023, regarding Video/ Audio recordings of Earnings call of the Company for the quarter ended December 31, 2022, held on February 15, 2023, 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**

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Company Secretary and Compliance Officer



## Aster DM Healthcare Limited Q3 FY23 Results Earnings Conference Call

February 15, 2023

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**Management:**

- Dr. Azad Moopen – Chairman & Managing Director**
- Ms. Alisha Moopen – Deputy Managing Director**
- Mr. T J Wilson – Non-Executive Director**
- Mr. Amitabh Johri – Chief Financial Officer, GCC**
- Mr. Sunil Kumar M R – Country Head- Finance, India**

**Moderator:** **Mr. Balachander R**

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**Balachander R:**

Good morning, everyone. I welcome you to Aster DM Healthcare's earnings conference call for the third quarter of Financial Year 23. The company declared the Q3 FY23 results last evening. I hope you've got a chance to review them, along with other materials, which were posted on the stock exchanges and the company website.

Today, to discuss the quarterly business performance and the future business outlook, we have the senior management team at Aster DM Healthcare available with us. It includes Dr. Azad Moopen, Chairman and Managing Director; Ms. Alisha Moopen, Deputy Managing Director; Mr. T.J. Wilson, Non-Executive Director; Mr. Amitabh Johri, Chief Financial Officer for GCC Operations and Mr. Sunil Kumar, Chief Financial Officer for India Operations

I would like to inform everyone about how we will conduct this call. All external attendees will be in the 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 the Zoom application at the bottom of the 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 2 but not more than 3 per participant at a time. Post the completion of your query being answered, we will lower your hand.

I would like to inform that certain statements that may be discussed in this meeting that are not historical facts and might be forward-looking statements. Such forward-looking 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 from those contemplated by the relevant forward-looking statements. 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 our Chairman, Dr. Azad Moopen to start with the opening remarks. Over to you, sir.

**Dr. Azad Moopen:**

Thank you, Bala. Thank you very much. Good morning, everyone. Thank you all for joining us for the earnings call for the third quarter of financial year '23. The COVID-19 pandemic fortunately is very well under control with improving herd immunity of the population worldwide. We hope and pray that we won't have the challenge of a portent variant in future. It's very important that we remain vigilant about COVID as well as other infectious diseases, which are capable of playing havoc with the health of world population as we have seen.

The International Monetary Fund recently published its forecasts, painting a slightly less gloomy picture, as inflation appears to have peaked in 2022, consumer spending remains robust and the energy crisis following Russia's invasion of Ukraine has been less severe than initially feared. That's not to say the outlook is rosy, as the global economy still faces major headwinds and a fall in growth from 3.4 percent in 2022 to 2.9 percent this year, before rebounding to 3.1 percent in 2024. However, it is relieving that the IMF predicts the slowdown to be less pronounced than previously anticipated.

As per IMF, growth in India is set to decline from 6.8 per cent in 2022 to 6.1 per cent in 2023 before picking up to 6.8 per cent in 2024, with resilient domestic demand despite external headwinds meaning India will remain the world's fastest growing major economy both in 2023 as well as 2024. With the thriving economy and our strategic initiatives, we are able to produce excellent revenue and profitability growth in India.

The oil and non-oil sector in UAE continue to do well with good growth being predicted in 2023, showing resilience in the face of global economic headwinds. UAE continues to be a preferred destination for businesses and people, but the saturation is producing demand supply issues in healthcare sector, reducing growth. The introduction of Corporate Tax as well as the insurance related issues also shall have an impact on the profitability of

businesses. One of the major opportunities in the GCC is the opening up of Saudi Arabia with its large population and thriving oil economy.

Let me now discuss briefly the financial performance of Aster for Q3 of FY23,

- At a consolidated level, we posted a revenue of Rs. 3,192 crores which is an increase of 20% when compared with the same period, last financial year.
- EBITDA was Rs. 449 crore when compared to Rs. 397 crore in Q3 FY 22, an increase of 13%. EBITDA growth was impacted due to losses from new hospitals in GCC. Adjusted for this loss, EBITDA was Rs. 468 crore, an increase of 15% over last year Q3.
- Profit after tax (post-NCI) stands at Rs. 139 crore when compared to Rs. 148 crore in Q3 FY 22. Profit After Tax (post-NCI) excluding losses from new hospitals is Rs. 180 crore, a growth of 12%
- The Aster India business continues to grow well with revenues growing 25% to Rs. 771 crore and EBITDA increasing by 13% to Rs. 115 crore and Profit After Tax (Post-NCI) stood at 30 crore as compared to Rs. 27 crore in Q3 FY 22, a growth of 11%
- With respect to the GCC business, revenue grew 19% year-over-year to Rs. 2,421 crore and EBITDA grew 13% year-over-year to Rs. 334 crore as compared to Rs. 296 crore in the same period, last financial year.

#### **Moving to the operational updates for the quarter –**

Aster India continues to have excellent growth as seen from the above numbers and is slated to grow further in the coming years. Some of our hospitals have reached almost full capacity and we are adding new beds in such areas. We are also setting up new hospitals in the geographies where Aster is the leading brand. The work on the new 200-bed Aster Hospital Kasaragod has begun. We are also in the process of adding 100 beds in Aster Hospital Kannur and 100 beds in Aster Medcity, Kochi. The work on the Phase-II 275 bed Aster Whitfield hospital in Bengaluru is nearing completion and we

shall soon be starting the construction of Phase-I 350 bed Aster Capital Hospital in Trivandrum.

One of the strategies we adopted is to add more beds by O&M-Asset Light model to take healthcare to the suburban areas without incurring cost. In the last quarter we added 150 beds at Tirupathi, Andhra Pradesh and we are adding another 100 beds this quarter in G Madegowda Hospital in Mandya, Karnataka. The total number of beds added this financial year in 3 asset light hospitals is 390 beds.

We also acquired 100% shares in Adiran IB Healthcare Private Limited, through our subsidiary Dr. Ramesh Hospitals at a cost of just 1.6 crore. With this acquisition of 50 bed hospital, we now have a total capacity of 263 beds in Vijayawada and 913 beds in 6 hospitals in AP, becoming the largest healthcare provider in the state with presence in Vijayawada, Guntur, Ongole and Tirupathi. We are adopting strategies to improve the revenue and margins in the state, including the acceptance of Arogyashree cases.

Last quarter we announced our intent to increase the stake in the profitable Malabar Institute of Medical Sciences (MIMS) subsidiary which operates 4 hospitals in North Kerala with 1,464 beds. We have started the process and are hopeful of increasing our stake from 74.14% to over 76% in coming months.

Coming to our other asset light businesses, as on 31st December 2022, we have a total of 239 'Aster Pharmacy' branded retail stores (105 in Karnataka, 72 in Kerala, 60 in Telangana, and 2 in Andhra Pradesh), which are operated by Alfaone Retail Pharmacies Private Limited ('ARPPL').

The Aster Labs has established its presence in Karnataka, Kerala, Maharashtra, Tamil Nadu, Andhra Pradesh, and Telangana. As of 31st December 2022, there are 2 reference labs, 18 satellite labs, and 157 patient experience centres. The restructuring of the lab management with expansion

of retail pharmacy outlets will enable us to establish Aster Omnichannel ecosystem more effectively.

I am happy to let you know that the Aster Health Academy, which was launched recently with HQ at Bengaluru shall be leveraging our internal capabilities and external resources to develop the next generation of healthcare leaders. Apart from the managerial courses the Academy is also developing repository of clinical courses in collaboration with world-class healthcare providers.

In the GCC region, there were challenges in last quarter due to losses from the new Aster Sharjah Hospital and Aster Royal Hospital, Muscat. These are temporary in nature and utilization of these hospitals is expected to increase in the coming quarters. The future opportunity in GCC is in Saudi Arabia with a population of 30 million which is equal to the combined population of all the other GCC countries. We were struggling earlier with the Aster Sanad Hospital in Riyadh which has now turned profitable with 10% EBITDA margins this financial year. We are looking at other opportunities including the rolling out of a network of pharmacies. Alisha will speak more on the GCC related matters.

I wanted to inform you certain management changes which has happened during the quarter. Mr. Sreenath Reddy has stepped down from the post of Group CFO on 5th January 2023, which was a planned activity on the basis of restructuring of the company, which is in progress. That's a restructuring where we think that the GCC and India will demerge and the structure will change. Going forward, the GCC finance matters shall be looked after by Mr. Amitabh Johri, who is presently the CFO for GCC as well as the India part shall be looked after by Mr. Sunil Kumar, who is presently CFO of India. Accordingly, both of them shall be addressing you on both geographies today, and they will be available for any queries, now as well as in the future regarding the investment-related matters.

The Investor Relations position, which was vacant, has been filled up by a highly experienced senior IR Professional, who will be joining us in April. He will also be responsible for our M&A activities in India. We have begun the process of selecting the CEO for India and expect to have the position filled within the next 2 months.

*Status of Restructuring*

We have been updating you about the progress on the restructuring process. While we have shared in past that Board formed a sub-committee in March 22 and appointed Investment Bankers in June 22 who had reached out to Potential Investors.

The Company's investment bankers have received interest and indicative terms from potential buyers of Gulf Co-operation Council region ('GCC') business. The investment bankers are working actively with the potential buyers on terms and their advisors are conducting due diligence on the GCC business.

The investment bankers have communicated that the binding bids are likely to be received in Q1 of Financial Year 2023-24.

Upon submission of the final evaluation by the investment bankers, the Board shall review the proposals of sale of the Company's business in the GCC. Appropriate intimations and impact/ disclosures will be made as and when any conclusions are arrived at and approved by the Board.

I now request the Deputy Managing Director, Alisha Moopen, to elaborate more on the GCC business, the Digital Transformation and other strategic initiatives undertaken by Aster.

Thank you very much.

**Alisha Moopen:**

Thank you, Chairman. Good morning, everyone.



As Chairman mentioned, we are seeing Covid receding, and UAE is seeing increased traffic of visitors and return of expats who had moved out during the Covid period.

The overall numbers of GCC have seen a Revenue increase of 19% and 13% EBITDA increase over last year. The GCC business EBITDA excluding operational losses from the new hospitals commissioned during this period is Rs. 468 crores, which a growth of 15%.

At segmental level, hospitals revenue during the quarter 3 increased by 22% Y-O-Y. We expect this hospital business to grow larger, especially with the installation of the new beds of Sharjah and Oman. But the empanelment of the new facilities has been a little bit more extended and delayed than we had anticipated. This is the intense negotiation that is a reality of a med-free insured market that we are facing. We want to make sure that we get the right contracts and the right rates in place for the large facilities and big infrastructure that we are building up. So while we were hoping that most of this will be done by the end of Q3, this has starting a little bit more delayed than we anticipated. But we know that we will be seeing much larger growth as these empanelment are complete. The Retail business saw an increase in Revenue by 36%, and that kind of lends itself to the focus we've had on increasing non-insurance business while the core revenue of Clinics business, that is excluding the PCR revenue saw an increase of 35%.

On few of the business updates, as Chairman mentioned, we are kind of laying the foundation for Saudi in a big way. We are working on all the regulatory approvals to set up the joint venture with our partners Al Hokair Group. We are expecting to set up our first facilities in Q1 '23-'24. Our plan for the first year is to have 50 pharmacies to be rolled out and things are working according to the plan so far.

Aster DM Healthcare has launched 'Wellth' — a hub of integrative medicine in the UAE which was in November last year. This was, again, to move towards a more wellness initiative within the UAE to help people lead healthier lives,

alleviate chronic lifestyle diseases and also have to prevent hereditary afflictions.

'Wellth' will be managed by Medcare with a range of services including sleep improvement, anti-ageing and regenerative medicine consultation, addiction management, preventive screening package, osteopath treatments and much more at its premises in Jumeirah, Dubai. Wellth will also have avant-garde technology that will facilitate DNA Testing, Chronic Disease Management and so on. This is a completely new venture within the Medcare Vertical

Aster Pharmacy, the retail arm of Aster DM Healthcare, has entered a strategic partnership with UAE's largest online food delivery and q-commerce platform Talabat to bring prescription medicines directly to the front door of patients in Dubai. Post-COVID, what we are seeing is an increased activity of delivery of medicines, but we wanted to extend it one step further to enable prescription delivery with this aggregator partnership.

Under the strategic pact, Aster Pharmacy customers can upload their medical prescriptions securely and easily through the Talabat app to make prescription medicine purchases, beginning February 1st, 2023. The partnership is designed to save consumers time and money in line with Dubai's vision to provide the highest quality of specialized and accessible health care to its community members by pursuing efficiency, appropriate allocation and utilization of resources. It aims to create a complete ecosystem of care that fully utilizes the latest technologies to enhance patient-centered care and help ensure medication adherence compliance in line with Aster DM Healthcare's mission to continue to improve accessibility to healthcare.

As Chairman mentioned, we have made good strides as far as our digital health ambition is concerned. Our foray into digital health with myAster has seen significant traction in the third quarter. We are ranked the #1 free medical app in the UAE, across both App Store and Play Store. We are currently at about 220,000 net downloads up from 86,000 in the last quarter.

Both Consultation and e-Pharmacy services that are live on the platform saw significant growth during this time. This is owing to the improvements that we rolled out on the platform across - smoother appointment booking flows, quicker search, conversion focused product listing and product detail pages - all of which were done based on consumer research and feedback we obtained in our pilot days.

In the third quarter, about 38,000 appointments were booked through myAster, nearly 18,000 of which were just in December alone. This number has continued to scale since. We've had nearly 1 million transactions on the app, a combination of appointment bookings as well as the pharmacy orders. The e-Pharmacy orders have increased by 150% month on month. Our Non-Prescription orders on our digital channels have now grown by 2x in comparison to the prior quarter and this number is continuing to scale. The Home Delivery business continues to trend more than AED 10mm on average per month. We are working on improving efficiencies of our rider base using state of the art technology which shall help us to scale the digital orders further without major increase to our cost base.

I will now request our GCC CFO, Amitabh Johri and India CFO, Sunil Kumar to take you through the details of the financial and segmental performance of the quarter. Thank you.

**Amitabh Johri**

Thank you, Alisha. Good morning, everyone. On a consolidated basis, our revenue from operations for the quarter is Rs. 3,192 crores, an increase of 20% year-on-year. Consolidated EBITDA for the quarter was at Rs. 449 crores. This quarter also saw operational losses from 3 new hospitals, namely Aster Hospital Sharjah and Aster Royal Muscat in GCC. And 1 India hospital, Mother Hospital Areekode. This impacted the quarter's EBITDA. So excluding the losses from these new losses, the EBITDA stands at INR 468 crores as against INR 406 crores during the same period of the last financial year, which is a growth of 15%. Consolidated PAT post NCI is at INR 139 crores as compared to INR 148 crores in Q3 FY22. Excluding losses from new hospitals, as I called out earlier, the PAT post-NCI stands at INR 180 crores.

Coming to 9 months performance, the revenue from operations stood at Rs. 8,671 crores, a growth of 15% compared to same period, last financial year. EBITDA was at Rs. 1,060 crores compared to Rs. 1,021 crores in FY22 9M. Excluding losses from new hospitals, the EBITDA was Rs. 1,123 crores which is a growth of 9%. PAT (Post NCI) was at Rs. 254 crores compared to Rs. 300 crores in FY22 9M. Excluding losses from new hospitals and one-time other income, PAT stood at Rs. 346 crores, which is a 11% growth.

Revenue from our GCC operations was Rs. 2,421 crores, an increase of 19% year-on-year. Our previous year had significant COVID revenue, which makes some of the revenue and EBITDA numbers not comparable. Q3 for the last year had almost INR 207 crores of COVID revenue. The core business revenue growth, excluding this COVID testing was 32% on a year-on-year basis. EBITDA from GCC operations stands at Rs. 334 crores. Excluding losses of new hospitals in GCC, the EBITDA stands at Rs 350 crores Q3 FY 22, a growth of 15%.

Coming to the segmental performance for the quarter. GCC Hospital revenue was at Rs. 1,059 crores, an increase of 22% Y-O-Y and the EBITDA stands at Rs. 171 crores compared to Rs. 141 crores in FY 22 Q3, a growth of 21% Y-O-Y. Excluding losses from new hospitals, the Hospital segment had an EBITDA of Rs. 188 crores. The EBITDA Margin adjusted for losses from new hospitals was 18.1%.

GCC Clinics revenue stands at Rs. 662 crores, an increase of 4% Y-O-Y. Normalized for the Covid testing, the core business of the clinic segment grew by a healthy rate of 35%. EBITDA for GCC Clinic segment stands at Rs. 142 crores, at 21.5% margin.

GCC Pharmacies revenue increased 36% Y-O-Y basis on the back of our new initiatives like e-pharmacy, home delivery and new stores being open. From a revenue of Rs. 608 crores to Rs. 829 crores on account of additional sales have been generated in this quarter. EBITDA increased from Rs. 76 crores to Rs. 98 crores, an increase of 29%. EBITDA margin for this segment is at 11.9%.

GCC net debt stands USD 203 million as at 31 December 22 compared to USD 197 million as at 31 March 22.

Now, I request the CFO for India Operations, Mr. Sunil Kumar to take you through India performance during the period.

**Sunil Kumar M R**

Thank you, Amitabh. Good morning, everyone. For the quarter ended 31 Dec 22, India revenues have increased to Rs. 771 crores, up by 25% from Rs. 618 crores in Q3 FY22. EBIDTA from India operations have increased to Rs. 115 crores with the margin of 15% compared to Rs. 102 crores in Q3 FY22 with the growth of 13%. Excluding the losses from the new hospital - Aster Mother Hospital, Areekode, EBIDTA is at Rs. 118 crores in Q3 FY23 with the year on year growth of 16%.

For the 9 months performance, the revenue from operations stands at Rs. 2,179 crores with the growth of 23% compared to Rs. 1,776 crores for 9M FY22. EBIDTA from India operations stands at Rs. 326 crores with the margin of 15% in 9M FY23 compared to Rs. 275 crores in 9M FY22 with the growth of 19%. Excluding the losses from the new hospital, EBIDTA is at Rs. 336 crores in 9M FY23 with the growth of 22% compared to 9M FY22. PAT (Post NCI) is at Rs. 99 crores compared to Rs. 49 crores in 9M FY 22 with growth of 104% year on year.

With respect to the segmental performance, Revenue from India hospitals and clinics stands at Rs. 735 crores in Q3FY23 with the growth of 20% year on year. EBIDTA stands at Rs. 132 crores with the margin of 18% in Q3 FY23 as compared to Rs. 110 crores in Q3 FY22 with 20% growth year on year. Excluding the new hospital, the EBIDTA stands at Rs. 135 crores in Q3 FY23 with the Y-o-Y growth of 23%.

Aster India net debt stands at Rs. 455 crores as on 31 December 22 compared to Rs. 319 crores as at 31 March 22. The capital expenses for the 9M FY23 is Rs. 190 crores.

On that note, I conclude my remarks. We would be happy to answer any questions that you may have. I now request Mr. Bala to open the question-and-answer session.

**Balachander R:** Thank you, Mr. Sunil. We have now opened the question and answer session. So, any of you who would like to ask a question, please press the 'raise hand' icon and we will unmute you in order. Please go ahead.

I think the first question is from Mr. Nikhil Mathur. Please go ahead, Mr. Nikhil.

**Nikhil Mathur:** *Hi. Good Morning Everyone. Yes, 2, 3 questions I had. The first question is on the losses currently sitting in the 0- to 3-year maturity profile hospitals. If I look at GCC and India combined, this loss in 9 months at EBITDA level is around INR 66 crores. Given the planned bed additions in FY '24, do you expect these losses to further go up? Or are you now reaching a stage where some of the losses are still start getting absorbed with incremental revenue. So we might be entering a phase of flattish losses from these maturity profile hospitals*

**Azad Moopen:** Yes. So Amitabh, do you would like to take it up for GCC and Sunil for India?

**Amitabh Johri:** Sure, Mr. Chairman. Nikhil, thank you for the question. So if you look at from a GCC perspective, as we called out, there are 3 hospitals that have been opened recently. We're having operating losses at least for quarter 3. Alisha had alluded to some of the empanelment that are open, which we expect to come sometime between quarter 4 of this financial year and quarter 1 of next financial year, so FY '24. Assuming that happens, it will allow us to start reducing the losses, and we expect that by at least quarter 3 or quarter 4 of next financial year, we should start seeing neutrality coming in, in terms of initial losses reducing significantly. That is on the profile of these 3 hospitals that are at course.

**Nikhil Mathur:** *Yes, just one follow-up here. What is the planned bed addition in GCC in FY '24?*

**Amitabh Johri:** So we are looking at incremental beds of almost 150 -- close to 220 beds right now. When I say that 220 beds, this is between the Annex building that is coming up in Saudi. That's around 59 beds that are here. And incrementally, we are looking at another facility coming up in Dubai, where we have taken a fully fitted out facility for creating a multispecialty hospital.

**Alisha Moopen:** So, Nikhil, just to add to what Amitabh said, the 2 new hospitals, which would be coming up in FY '24. One of them will not have this insurance issues because it's already an extension -- it's an extension of existing facility. So, there is no empanelment that is required for that. The other hospitals will only be commissioned by Q4 of '24, around January time next year. So we again do not see losses of that unit for this coming year. So as Amitabh mentioned, we expect the losses of these 3 hospitals to flatten out with increasing revenue and increasing occupancy by Q3 this year.

**Sunil Kumar:** India, bit of it, see, 0 to 3 years, we have 2 hospitals specifically Aster Mother Hospital Areekode and Whitefield Hospital. In the Whitefield Hospital, we've got 3 blocks, A, B and C. Only the currently operational one is the women & children block where there are hardly any losses. So whatever the losses which you are seeing is majorly contributed by Mother Hospital Areekode. And this being an O&M model, we don't expect that loss to continue in the next year. So that is one bit of it. From the next year point of view, the major hospital, which is going to get operational is only Aster Whitefield's new block with 275 beds, and as you know, that's a bigger capacity with a full-fledged multi-specialty, including oncology, which we are commencing. So loss is going to be a good number. But at the same time, that is the only hospital which is coming up immediately. And what we see is other additional beds is going to come up only in the O&M projects, where we don't expect any major losses. So with that being in the picture, we don't expect huge losses in the coming years. That's going to be very minimal, whatever you're seeing there.

**Nikhil Mathur:** ***Sure. The second question I had was on your initiatives on the pharmacy side in India. How many stores are you planning in India in the next 12 months to 24 months? And a question tied to that is that we have seen a couple of***

***companies now listed Medplus and Apollo, having a very sizable presence in the southern market of India and also expanding into West. Being the third big entrant on the organized side, I mean, isn't it a bit late in the game because you already have a fairly established market on the pharmacy side and then you have to incumbent. So how easy or difficult would it be to kind of make a presence as a third player in this market?***

**Dr. Azad Moopen:**

So Nikhil, I'll answer the first part of that and -- second part of that, and Sunil will answer about the numbers, the number of units and all. So strategically, what we thought is that unlike other players who are much larger and much bigger, we are not looking at catching up on these numbers. What we are looking at are 2 things: one, an ecosystem to be created between our hospitals, pharmacies, labs and home care, which will happen with the myAster app, which is now launched in GCC, coming into India in the next 6 to 8 months, this will tie up the patient and all the requirements of the patient. We have been talking about the omni-channel, which we hope that is the difference that we can provide unlike other providers, of course, some of our competitors or peer group have got that, but not to this level that we are looking at where we are tying this up. So for that, it is important that we have the pharmacies also. So if you look at the geographies where we are rolling out, this is not pan-India. We are looking at geographies where we already have hospitals and we can extend that whereby, for example, the patient who is discharged giving the medicines from the pharmacies around or doing the lab test there and even the home care post discharge. So we want the brand to have a wider presence. And second, to provide the patients that care. So number wise, we are not going to be anywhere near that, and that is the most important thing.

The second part, which we are trying, we are again not looking at the -- I mean, the profits which are coming up from the actual medicine supply and all, we are looking at our own white-label products. We have this advantage of having the GCC business where we have a large number of white-labeled products. We are also trying to get this benefit in India, where we will be now looking at having white-labeled products, which are much more profitable



when compared to the normal medicines. And we know that's a cutthroat competition with huge discount and all. We don't want to go into that online or off-line players, but we'll be looking at having a better margin through the white-label products. Sunil, will tell about the numbers.

**Sunil Kumar M R:** Yes. Thank you, Chairman. Adding on to that, Nikhil, number-wise, we already had 239 pharmacies, and we are expecting to close the year with around 260 to 270 pharmacies. And the next 1 year, we are looking in a range of 125 to 150 pharmacies is what we look at, at least in every year, we want to add up. That's a number bit of it.

**Nikhil Mathur:** *Sure. And then one more question, if I may just squeeze in. The O&M model, I understand it is more for India that we're talking about 300, 350 bed additions. Can you give some sense on what's the EBITDA per bed that you are targeting from this O&M model? I mean I think in India, you are at INR 24 lakhs, INR 25 lakhs EBITDA per bed basis last quarter number. So any sense on how the EBITDA per bed can look like in this O&M model?*

**Dr. Azad Moopen:** Sunil, do you want to answer that?

**Sunil Kumar M R:** Thank you, Nikhil. More than EBITDA per bed, I would like to give you on the margin bit of it. See, in this O&M model, right, we are -- you know that we are putting in Tier 2, Tier 3 cities. That means ARPOB's are going to be lower. Second is that we are going to treat the scheme patients also because volume is the key there. So considering all those things and also the Capex investment is very low. That means to say we're getting the existing hospital with the most of the equipment being there and our investment in equipment, will be less. I'm talking about INR 5 lakh to INR 10 lakh per bed. So keeping that in mind, my revenue share will be on a higher end. And here, we look at a margin somewhere between around 15%. So that's the number we're looking. We're not looking at what we are in other hospitals wherein we are 20% above, 25% above. So that margins we are not looking at. It will be lower margin, but a higher ROCE. That's what we expect there.

**Nikhil Mathur:** *So in terms of accounting, you will book proportionate revenues or it would be a management fee, what would you be looking at?*

**Sunil Kumar M R:** No, it's not a management fee, it's just like the other O&M models, we book the complete revenue and complete profitability. The whole accounts will be running by us. And instead of us charging a management fee, we give a revenue share to the landlord.

**Nikhil Mathur:** *Okay. And where is that expensed out, the revenue share to the landlord?*

**Sunil Kumar M R:** That will come as your normal rent basically on the EBITDA

**Nikhil Mathur:** *Okay. Like a lease, right?*

**Sunil Kumar M R:** Right. Exactly.

**Balachander R:** Thank you Nikhil. The next question is from Amrish Kacker. Please go ahead.

**Amrish Kacker:** *My first question is just a follow-up on the O&M question. So I think the strategic rationale has been explained quite clearly. We also understand for our own brownfield and greenfield, what the future expansion looks like. Could you help me to understand how should I think about what the additions on beds could be looking out 2, 3, 4 years into this -- into the O&M model?*

**Dr. Azad Moopen:** No. What was that question, last part of it, I didn't catch that.

**Amrish Kacker:** *How do I think about what is the capacity -- incremental capacity for O&M hospitals going forward?*

**Dr. Azad Moopen:** So we think that we'll be able to add around 500 beds in a year through this model. This year, we already have reached 390 beds or so. And we have one hospital, which is in closure stage. So what we do is that we do a thorough DD. And we want to have all the requirements like the legal as well as other statutory requirements being met. Then only we enter into that. We have at least 15, 20 in consideration, but we make it very, very clear that we will enter

only if all the requirements are being met. So at least one more hospital, we hope that we'll be able to do it this year or early next year, first quarter of next financial year. So answering your question, we are talking about adding about 500 beds in a year. And the best part of that is that, like what Sunil was mentioning, our total cost for this is so low, and that is going to have a high impact on our ROCE.

**Amrish Kacker:**

*And this is the medium term, I mean we can think about this 500 beds a year for medium term, not just next year. The second question is just trying to understand a little bit more on the pharmacy and lab profitability. So we do now show the numbers, EBITDA and revenue numbers split out. And if my understanding is correct, the pharmacy business should -- because it's run by a third party, we should not be having a lot of losses in that. So is it mainly the labs that has a negative EBITDA. Could you help to understand -- explain that a little bit?*

**Sunil Kumar M R:**

What you said is exactly right. So whatever we've given the segmental portion that covers only the labs and wholesale pharmacy. And as you know, our pharmacies are managed by another company called ARPPL. So we don't consolidate that numbers, but capture the wholesale revenue out of it. And as rightly said, 80% to 90% of the losses which are sitting there, that is contributed by Aster labs. You're right.

**Dr. Azad Moopen:**

Just to extend that, I also wanted to just -- Amrish, I wanted to add that. The labs we have done a restructuring earlier this was being run as a vertical across all the geographies. Now we have aligned it with our individual hospital clusters. So this has produced a significant impact because now that ecosystem has started working, and that is producing one increased awareness as well as sales. Second, the cost also has come down. So we hope that by -- maybe in 6 months to 9 months, we'll be able to go into a breakeven on the lab side. That is our hope that at least by next year, we'll be able to -- towards the third quarter, we'll be able to go into a, I mean, breakeven state in the lab.

**Amrish Kacker:** *If I may just slip a quick question in on the debt. How should we think about the debt evolution in India -- net debt?*

**Sunil Kumar M R:** Amrish, on net debt, excluding the lease liabilities, right, we should be in the range of which 2:1 ratio in our own Net Debt to EBITDA ratio would be around 2. That's why we are looking at. Even now also, we are at just I think 1.6 or 1.7. So considering that the Capex, what we already communicated around INR 190 crores are spent under the current financial year, we are -- because Whitefield is going to be operational and major medical equipment are going to be purchased in the last quarter. So we see that Capex growing to more than INR 250 crores, INR 300 crores. As per the previous guidance we've given, we expect to incur around INR 250 crores to INR 300 crores going forward, also considering we have got almost 1,800 beds in pipeline. So keeping all this in mind, we will be able to keep that ratio, net debt to EBITDA, excluding lease liabilities below around 2 is what we see.

**Balachander R:** The next question is from Shyam Srinivasan

**Shyam Srinivasan:** *Just a question, just like from last quarter, I think the Andhra, Telangana region, if there is an update because that seems to be the one underperforming cluster in the India business. So do you think that fiscal '23, it's going to be difficult and maybe we rebase and look at '24 as the earliest when this business can grow?*

**Dr. Azad Moopen:** Exactly. So that's what we are also trying, while this quarter may see some improvement in the margins as well as overall profitability. But we hope that with the changes that we have brought in, including bringing some of the Aarogyashree related hospitals, which we were losing out. That was a strategic failure, which happened 2, 3 years back, but the COVID revenues filled it up. But now we are thinking that with that also coming into the picture, we'll be able to go to that pre-COVID levels of profitability. So you are absolutely right. With this, I mean, changes, we hope that it will go into -- I mean, the earlier levels as well as to the EBITDA as well as revenues going up.

**Shyam Srinivasan:** *Dr. Moopen, just probing here. When you look at the historical, let's assume fiscal '22 or '21 margins may be COVID. I'm looking only Andhra, Telangana cluster. It's margin 16% or 19%, right? Do you think that can be achieved, right? Or should we look at the fiscal '20 where 15% is the right number to go by?*

**Dr. Azad Moopen:** Yes. So I will rather go for that 15% in the near future, next financial year, and then we hope that we'll be able to go beyond that in the -- as we go forward. Yes, what you said is right.

**Shyam Srinivasan** *Got it, sir, helpful. The second question is on the GCC pharmacy. I think pretty solid numbers for this quarter. I think there's an acceleration even when I look at Y-o-Y growth Q2 versus Q3 also. So what's driving that acceleration? Is it additions of a new pharmacy and rollout? Or is it just the same store also growth seem pretty strong?*

**Dr. Azad Moopen** Alisha, you would like to answer that?

**Alisha Moopen** So it's a combination of what we haven't added too many new stores. So there is a lot of focus on same-store growth itself. I think we have been changing the assortments. We believe we think for like what Chairman was saying, our own product sale of our own products. We've been working on pharmacy and distribution business, where our products are now in the supermarkets and the duty free. So there's been a whole range of effort to sort of make sure there's a more balance between prescription and nonprescription dispensation. And so it's not really just new store additional growth. I think we added around 30 pharmacies last year. Amitabh, you want to add?

**Amitabh Johri** We've added 12 pharmacies in this quarter. So that's around 24 pharmacies from last year. So, it's not that much, in fact, just to add in to what Alisha said. In the initial months, we don't see too much of our sales boost coming from the new pharmacies. So it's more around operational efficiencies and the whole dispensation on the cataloging that we have done, that has allowed us to gather more sales revenues.

**Dr. Azad Moopen** So Shyam, I'd like to chip in here. So one of the things which Alisha mentioned in her speech was the myAster app and the home delivery. So this has a definite impact on that. And we hope that this will be the driver as we go forward, and that is going to be one of the major areas of focus for the company to go into that area of digitalization as well as the e-commerce base

**Shyam Srinivasan** *Got it. And just last follow-up. Is just the dilution in the margins when I look at 9 months or even quarter 3 over last year, is it the investments that is leading to dilution in margins and we should look towards, say, at some point of time, margins to be at least stable in this segment?*

**Alisha Moopen** You're talking about the pharmacy, Shyam?

**Shyam Srinivasan** *Yes Alisha*

**Alisha Moopen** Yes. So some of it is the new investments and like our Chairman said, as we are building up the myAster platform, we obviously have had -- we're doing some free deliveries, all of that kind of increased the scale up and adoption of the platform itself, but we expect it to sort of stabilize to what it was at the 9% - 10%. But we really wanted to ensure that we are able to kind of push on the adoption, but we also wanted to do it without losing any money, we not just go with making it negative, but there's a slight dilution in margin you're seeing because of that increase.

**Shyam Srinivasan** *And the last data point, what's the private label sales now? And how has that been trending?*

**Alisha Moopen** It's roughly around 15%. So we're seeing a good improvement on that, which used to be around 11%.

**Balachander R:** Thank you Shyam. I think the next question is from Nikhil Chandak. Please go ahead

**Nikhil Chandak:** *So I had just one question, and this was on the GCC restructuring. I did see the comment in the notes to the account that you were expecting certain*

*bids, etc in the first quarter of next financial year. What I wanted to check is -- please if you can share what is the broad thought process? Now this initiative has been on for more than a year, if I recollect. So I'm sure you broadly have a structure in mind. What I wanted to check is, are you looking at a complete exit of the GCC business and delinking the Indian listed entity from the GCC business? Or do you envisage a structure where the Indian entity continues to hold a part shareholding in the GCC business? And the third leg is if you are exiting the GCC business completely, I'm sure you would have some thought process on what do you do with the cash? I think some more concrete information on this will help because depressing the valuations of the listed stock?*

**Dr. Azad Moopen:**

So I will give you some insights into that. One part I can tell you that if this is going ahead, as the board has decided that or going ahead, it will be a complete segregation between the GCC and India. So it will be a sale of the GCC business by India listed company. So that is what I can give a clarity on. So that is what we have asked for this or the company has appointed the investment bankers who have got bids for buying the GCC business from the listed company. So that part, I just wanted to clarify. Then the other parts, how this money is going to be used when it comes to India, how is it going to be divided out or used for expansion. I don't want to go into that because the Board has not decided how to do that, but it will be a significant amount, which will be appropriately used as per the Board's direction as we go forward.

**Nikhil Chandak:**

*Yes. So at least that is clear that there is no cross holding because that's -- that will not be great for a shareholder. So at least there's no cross-holding between Indian listed entity and whatever GCC or that's the eventual plan?*

**Dr. Azad Moopen:**

Yes. Nikhil, that you're absolutely right. That is very clear as well as whatever is happening now is for a complete clear cutoff between the two.

**Nikhil Chandak:**

*Perfect. And my second question, no, that's very reassuring. And my second question is how do we take the India business in the other parts of the*

***country, is there a plan? Or do you still plan to be primarily a South-focused business? Or is there a plan to kind of go towards, say, West or North Central? Because the South has the most number of organized hospital chains at this point of time. So is -- are you seeing competitive intensity increasing in the South region? Or is it still a market where growth can come through for, say, the next 3 to 5 years? And the resultantly, do you see the need to go to other regions more aggressively than what you've done so far?***

**Dr. Azad Moopen:**

Yes. So we have now been in the south like what you know. But there are areas in South India, where we have not gone into -- for example, in Tamil Nadu where we are now trying to start off with something in Chennai, where we are looking for a hospital to be established, but we have not identified the right land. And but -- so I'm telling you that Tamil Nadu is a large opportunity. But beyond that, as we feel that there is more of saturation, we always have the desire to go into other parts of India, whether it is Northeast, whether it is North, whether it is other parts of India. We definitely will be looking at it. India is a huge opportunity. And as we have the bandwidth -- developed the bandwidth and we have the confidence that we'll be able to put it all together. We definitely will look at that. So this can happen in many ways. It can be organic, inorganic, like what you were talking about, the money coming into India maybe or maybe it's M&A. So we'll have to look at that. But we have the significant plans for India as we go forward.

**Balachander R:**

Thank you Nikhil. The next question is from Rahul. Please go-ahead Rahul.

**Rahul:**

***Just -- my question was just in regards to any outlook or guidance for the next financial year for the business as a whole in terms of revenue or EBITDA margins? What are you expecting, what are your targets?***

**Dr. Azad Moopen:**

So Rahul, we don't give any guidance regarding the revenue and profits. That's -- as you know, we can't do that. And while we have some internal projections and all, we can't tell the market what it is. But we see significant opportunities in India as well as in GCC, like what has been mentioned in the initial part of this, we are seeing the growth is very good in India. We hope that this will



continue on the same pace. Even in GCC, there has been good growth. There have been some headwinds like -- not headwind actually, some losses, which were incurred by our hospitals, the 2 hospitals coming on stream, all of a sudden, we just have some impact. But we hope that this financial year, we'll be having. And beyond that, also Saudi also we mentioned. So we see the growth going forward to be at a -- I mean same or more better ways as we go forward, everything including the revenue, EBITDA, everything to be at a better place.

**Balachander R:** Thank you Rahul. The next question is from Naman Bhansali. Please go-ahead Naman.

**Naman Bhansali:** *My first question relates to the India business. So currently, we have some 4,000 capacity beds, and we are looking to add another 1,800 beds by FY '25 or '26 as per our latest presentation. So I just wanted to know the strategy here that are we looking to pause at any some point of time and realize the full potential of our business in terms of margins and leverage on the India side. So this is my first question.*

*And second is on the GCC clinic side. So the overall revenue has a 4% growth on a Y-o-Y basis. And I see the revenue per outpatient if I tried to calculate, it has risen significantly versus a Y-o-Y number. So as on a Y-o-Y basis, the revenue is largely flat and the outpatient seems largely at a decent growth at 7%, 8%, but the revenue per outpatient seems a big inflated number. So can you just put some picture on that?*

**Dr. Azad Moopen:** Yes. So the first part, I will answer. And the second part, Alisha or Amitabh will answer that. So it's not that we are going to grow, I mean, just for adding beds. These are all strategic decisions which have been taken. Some of these are expansion of our hospitals where we know that immediately, that will get filled up and we will have significant benefit coming out of that. For example, what we are doing in our Kannur Hospital or Aster Medcity. And as well as what we have seen is that in our own geography and our main geography,

Kerala. As soon as we start a hospital, it gets filled up because of the brand -- the trust of people and the brand because of the large presence there.

So what you will see is that the large part of these beds are going to be in a geography where we hope that this will get immediately going to a breakeven. You may be aware that our Kannur Hospital, when we started 4 years back, went into a breakeven, cash break in within 8 months or less than a year. So definitely, we will be concerned to add more beds and just to put Capex into that. But only if we are confident that this can give a decent return on investment without much of delay, we will do that. But there are some strategic areas where we have to look at, like, for example, I mentioned about Tamil Nadu as we go forward. These are all things which we will be taking a call depending on our EBITDA and the Net Debt to EBITDA ratio. We'll be looking at that and arriving at a decision.

But part of this growth also is coming from businesses which doesn't require too much of Capex, like the Capex-light model, which is 500 beds is what that we hope that we'll be able to add every year. So I know that the challenge is to have the growth at the same time, not to spend too much on the Capex so that there is -- the margins are kept and you have a better ROCE. We are very aware about that. And we hope that -- see, some of our hospitals, when we look at it, that's gone to that range of near 30% margin. So that gives us a lot of confidence. So some of the large hospitals we have. And many of these hospitals have gone to about 20% margin. So overall, we feel very confident about the India profitability. And we think that this is something which will help us to drive better profitability as we go forward.

And Alisha, you want to say -- tell about it?

**Alisha Moopen:**

So, Naman, when you look at the previous quarters, you have a high OP number also because of the PCR visits. So their Per Patient Collection would be lower because it's PCR protection market. So what you're seeing now is our core business, the usual consultation, that's procedure, which is the higher -- which is the higher Per Patient Collection, which is tripling in now.

We just haven't been able to bring back the volumes as it was before, but we are seeing Q3 has been very strong and saying that Q4. So slowly it is you're seeing the volume, but it is going back to the Per Patient Collection that used to be part of the core business. So it's a little bit different comparisons.

**Naman Bhansali:** *That answers my question. And just one follow-up on the India hospitals. So what are the optimal occupancy rates that we can assume for a business, which is increasing on a quarter-on-quarter basis versus previous years that has reached around 70%. But what are the peak occupancies that our hospitals can do, if there are some ICU or PSU beds which are kept separate. So I just wanted a picture of that.*

**Sunil Kumar M R:** Naman, so if you see currently right on the overall, as you said, we are at 68% occupancy at the India level, but Kerala is around 80% currently. And Karnataka at 60% and Andhra clusters at around 50%. When you look at what is the peak occupancy, we can go up to 80%, 85% easily. There are certain hospitals were in, for example, in the Kerala, they reach even 90% because they create certain holding period by holding beds and then manage the occupancy. So comfortably without any impact on the service excellence, easily, we can look at 85% occupancy.

**Naman Bhansali:** *Okay. And as you mentioned, Andhra and Telangana, which are some lower occupancy region for us. So what initiatives or what are the things that we are going to reach those segments at a higher occupancy rate?*

**Sunil Kumar M R** Naman, there, see, currently, one of the reasons as Chairman told in the initial call, we have stopped the scheme patients, right. So we are only currently treating the insurance and certain corporates and walk-in patients. So that is one of the reason why we have 50% occupancy. But now already, we are restarting the schemes. And also, there is a certain outreach clinics which we have started, that is trying to be getting more referrals. Then we're also trying to create certain implant centers with respect to certain specialties. So that will have -- considering that will have an impact to create more occupancy

there. So but as I said, you can see even from the margin point of view, so it has slowly grown. We expect it to turn around very quickly post-COVID.

In the initial quarter, it started with EBITDA margin of 7%, then went into 8% something, then now we will reach around 10% in the quarter 3. But overall, it's around 9%. But as we said that it's going to go a little slowly, we can't expect a faster ramp up, but we are seeing good growth coming into the future quarters.

**Balachander R:** Thank you, Naman. If there is anyone else who would like to ask a question, please raise your hand.

Since there are no more questions, this concludes the earnings call for today. I thank you all and the management for joining us today. If you have any further questions or queries, please do get in touch with us. Thank you all.

**Dr. Azad Moopen:** Thank you, Bala. Thank you very much. Thank you, everyone.

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