

Date of submission: 21<sup>st</sup> November 2023

To, The Secretary Listing Department <b>BSE Limited</b> Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code – 539551	To, The Secretary Listing Department <b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex Mumbai – 400 051 Scrip Code- NH
---	---

Dear Sir/Madam,

**Sub: Transcript of Earnings Call for the quarter and half year ended 30<sup>th</sup> September 2023**

This is further to our earlier letter dated 15<sup>th</sup> November 2023 regarding audio recording of Earnings Call of the Company for the quarter and half year ended 30<sup>th</sup> September 2023, held on 15<sup>th</sup> November 2023.

Please find enclosed herewith the transcript of the said Earnings Call. The same is also available on the website of the Company at <https://www.narayanahealth.org/stakeholder-relations/earning-call-transcripts>.

This is for your information and records.

Thanking you

Yours faithfully  
For **Narayana Hrudayalaya Limited**

Sridhar S.  
Group Company Secretary, Legal & Compliance Officer

Encl: as above



“Narayana Hrudayalaya Limited  
Q2 FY24 Earnings Conference Call”

November 15<sup>th</sup>, 2023

- MANAGEMENT:**
- MR. VIREN SHETTY – VICE CHAIRMAN**
  
  - DR. EMMANUEL RUPERT – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR**
  
  - MS. SANDHYA J – CHIEF FINANCIAL OFFICER**
  
  - MR. R. VENKATESH – CHIEF OPERATING OFFICER, EAST AND SOUTH REGIONS**
  
  - DR. ANESH SHETTY – MANAGING DIRECTOR, OVERSEAS SUBSIDIARY HEALTH CITY CAYMAN ISLANDS LIMITED**
  
  - MR. RAVI VISHWANATH – CHIEF EXECUTIVE OFFICER, NARAYANA HEALTH INTEGRATED CARE (P) LTD**
  
  - MR. NISHANT SINGH – VICE PRESIDENT, FINANCE, MERGERS & ACQUISITIONS & INVESTOR RELATIONS**
  
  - MR. DURGA PRASAD – SENIOR MANAGER, MERGERS & ACQUISITIONS & INVESTOR RELATIONS**

**Nishant Singh:**

Good morning everyone! My name is Nishant Singh. I head the Investor Relations function at Narayana Hrudayalaya Ltd. I welcome you all to the Q2 FY24 Earnings Call of the company. To discuss our performance and address all your queries today, we also have with us Mr. Viren Shetty, our Vice-Chairman, Dr. Emmanuel Rupert, our CEO & MD, Ms. Sandhya J, our CFO, Mr. Venkatesh, our Group COO, Dr. Anesh Shetty, MD of our overseas subsidiary HCCI, Mr. Ravi Vishwanath, CEO of NHIC and Durga Prasad, Senior manager at the IR Function.

We hope you have gone through the investor collaterals which have been uploaded on the stock exchanges as well as on our website. As usual, before we proceed with this call, we would like to remind everyone that the call is being recorded and the transcript of the same shall be made available on our website as well as on the stock exchanges at a later date. I would also like to remind you that everything that is being said on this call that reflects any outlook for the future or which can be construed as a forward looking statement, must be viewed in conjunction with the uncertainties and the risks that they face. Post the call, should you have any further queries, please do not hesitate to get in touch with us. We would like to answer them to the best of our ability. With that now, I would like to hand over the call to Dr. Rupert.

**Dr. Emmanuel Rupert:**

Good morning, everyone. I warmly welcome you all to the Q2 FY24 Earnings call conference of Narayana Hrudayalaya Ltd (NHL).

After a steady Q1, the second quarter of the fiscal year delivered strong performance supported by the growth in business across our units, leading to improvement in realisations in India and Cayman. Consolidated revenue for the current quarter stood at INR 13,052 mn reflecting a YoY growth of 14.3% and QoQ growth of 5.8%.

NHL generated Consolidated EBITDA of INR 3,265 mn in Q2 FY24 at a margin of 25.0% against 23.2% of Q1 FY24. This margin improvement is attributed to higher revenues, improvement in cost efficiencies and realisations.

Our Cayman units (HCCI and EICL) continue to deliver strong business performance with highest-ever quarterly revenue at USD 31.5 mn. The recently commissioned Radiation Oncology Block in Camana Bay hospital has seen good growth in this quarter contributing meaningfully to the overall growth in the region. We are confident that our Caribbean business will continue to grow through strategic initiatives and investments.

The balance sheet and liquidity profile at the group level remain strong with group cash and liquid investments of over INR 8.74 billion against gross borrowings of INR 9.61 billion (Net debt of INR 0.86 billion) as of 30th September 2023. Our net debt-to-equity ratio remains steady at 0.03, giving us sufficient room to fund our expansion through a mix of borrowing and internal accruals. We have incurred capital outlay of close to INR 3.94 billion till the September quarter and are on track to spend the balance amount in the remaining quarters of the fiscal year.

We take immense pride to announce that Narayana Health is now the 1st healthcare group in India and the 6th Globally to be awarded Joint Commission International (JCI) Enterprise Accreditation. With this achievement, 8 of our hospitals were accredited with JCI accreditation for delivering world-class care at industry-highest standards of quality.

To Improve awareness towards Preventive Health Care, we conducted the highest number of electro cardiograms (ECGs) in a single day at a single place, which has earned us a coveted spot in Guinness World Records. This record-breaking attempt took place on September 21st at NICS, Bangalore.

On the clinical front, NICS Bangalore successfully performed 22 Cardiac Surgeries using a Robot, demonstrating our capabilities in adopting the latest technology. MSMC Bangalore successfully performed 5 cases of Limb re-attachments during the quarter. RTIICS Kolkata performed some cutting-edge complex clinical procedures in the Oncology and Renal sciences segments such as Redo VATS Resection Surgery on a 3-year-old for Pleuro-Pulmonary Blastoma Type-III, and Robotic Renal Transplant on an obese patient with a BMI of 36.2 where the patient was discharged within 9 days of surgery.

Our focus on digitization and business transformation has led to significant improvements throughout the NH system. We have been able to reduce the administrative workload by 36% through our Narayana Health app and Patient Kiosks. Our doctor app “aadi” has helped to reduce the doctor response time by 45% through real-time alerts and integrations. By enabling payments and discharge alerts on Whatsapp, our patients are now able to get discharged directly from the ward hassle-free. We have also launched a new app for nurses named Namah which is aimed at reducing paperwork and manhours spent on data entry.

Our new venture Narayana Health Integrated Care (NHIC) has shown healthy growth this quarter after starting on a positive note in Q1, seeing good traction with the retail segment. Revenue for the quarter has crossed Rs 52 Mn, with more than 45,000 patient transactions. We will continue to grow this business and serve our customers with clear focus for improving their health outcomes.

We continue to upgrade our clinical and non-clinical operations across the Group, transform the patient service levels, increase our throughput, build more capacity, invest in more digital patient outreach channels, and improve our operational efficiency.

We are reasonably on track on our ESG Commitments and continue to focus on creating meaningful social impact in addition to pursuing our environment goals and upholding highest standards of Governance.

We are simultaneously pursuing organic and inorganic growth opportunities both in India and overseas that will derive synergies from our existing operations, maximize value for all our stakeholders while keeping a close watch on return on capital.

**Nishant Singh:** Thank you, sir. I would request everyone to now use the 'raise hand' feature to start posing the questions. Ya Pradnya, please go ahead.

**Pradnya Ganar:** Good morning! So my question is, pertaining to your slide where you have mentioned the Capex break-up. So I see around 250 odd crores for some Brown Field Expansion. Could you please elaborate us where this Brown Field expansion is expected to come and by when we should be seeing that?

**Sandhya J:** Like we have explained earlier, we are looking at the brownfield expansion in our flagships which is mainly Bangalore and Kolkata. We have land in our Health City campus itself and we have already initiated the process to start building, and we are in advanced stages of the closure of land in Kolkata and we will start building next year. So that's largely the brownfield and greenfield that we have spoken about.

**Pradnya Ganar:** Ok, I thought the Kolkata land would be in the Green Field part of 150cr.

**Sandhya J:** Yes, that is correct. The land itself will be in the Green Field part, that is correct.

**Pradnya Ganar:** Ok. If I have to look at your bed capacity expansion from here to 2 years or later, then how should we look at the bed addition then?

**Venkatesh R:** See, what we do is, we keep continuing to enhance our ability to treat more patients

and bed addition is just one way in which we do it. What we have done is, recently we have added 2 more floors in our Howrah unit in Kolkata where we will operationalize 110 more beds by the end of Q4. We will also start construction work in Bangalore Health City. We have got all the permissions and we should start the groundbreaking from Q4 of this year. We plan to add 700 more plus beds for the next 3-4 years plus Sandhya has already mentioned about the advanced stages of land acquisition in Kolkata with more updates in the next quarter. If things work out in the way we planned it, towards the end of 1<sup>st</sup> quarter or 2<sup>nd</sup> quarter of the next year, we will start construction there plus we are also looking at other projects in our flagships, both greenfield and brownfield in an opportunistic way. We believe that we have sufficient capacity to cater to our demand and growth aspirations in the interim till we have these beds completed in the next 3 years time.

**Pradnya Ganar:** Understood. Thank you. Lastly, from going forward, what levers do we have on margin expansions for our India business?

**Venkatesh R:** As we have said, we keep focusing on improving our high throughput all the time, like we have been doing. We are also significantly investing in technology to improve throughput. We are working on faster discharges, faster lab results, and seamless appointments. We perform various cardiac surgical procedures and robotic procedures which is a morning admission and evening discharge type process where we utilize our beds more effectively during the prime time. We are also working very effectively on those discharges that happen post 2pm and reducing shortcomings in morning admissions. There has been substantial penetration we have done on that front and things have improved a lot, improving throughput and increasing the no of ICUs. We are developing a communication tool for doctors and nurses to coordinate faster resulting in better care and faster discharge of patients. If you see the ALOS, our plans were to bring it down over a period of time to 4.1 and we have already got it down from 4.8 to 4.4 now, which means we are utilizing our beds more effectively. We are significantly investing in technology to improve our throughput and all these will help us achieve higher revenues. We are addressing the capacity bottlenecks by adding more ICUs, OTs, diagnostics and more labs which enable us to increase our revenues at the same infrastructure and the same cost levels in the next 2 to 3 years till we have our expanded capacity ready for utilization.

**Sandhya J:** I would only want to add one word of caution there, that there are also significant headwinds that we continue to face from inflation and government action point of view. So, we have to take the commentary in collaboration with that as well.

**Pradnya Ganar:** Sure! Thank you for answering my queries.

**Nishant Singh:** Thanks Pradnya. Can we have the question from Prithvi please?

**Prithvi:** Hi team! Congrats for executing so well over the last few years. So my 1<sup>st</sup> question, on the India business. Obviously see, now we are almost at INR 1000 cr. revenue and 18 to 19% operating margins. I mean obviously you have been talking about various throughput, efficiencies etc. but given that bed addition is going to take some time, how much more can we squeeze in the India business and can this revenue be maybe of 50-60% higher only from the existing beds?

**Viren Shetty:** With or without further investments?

**Prithvi:** Without any further investment.

**Viren Shetty:** Without any further investment, you can do maybe high single digit revenue and margin expansion but eventually doctors will leave and the building will start to look shabbier and shabbier. We will have to re-invest in the rooms every 5-6 years in changing the equipment every 10-12 years, all of those things are required to generate slightly above that as well as expansion to meet the needs of the fact that so many patients are coming and we are running waiting lists. So without investment, this business can still grow for about a decade but then you will be a 'has been' in the industry.

**Prithvi:** I think my question is more on next couple of years. As there wouldn't be any new bed addition, how much more you can squeeze from the existing assets?

**Viren Shetty:** There will be minor bed additions, it's not that nothing is happening. The things that are coming up are brand new buildings but there are still a lot of work that are going to happen in the existing buildings that won't necessarily lead to bed additions. The net beds may stay the same. Certain beds will come up, certain beds will close down. Certain ICUs will come up, OTs, procedure rooms, OPs there will be configured. What's more important to stress is, our ability to keep taking in new patients will go up. So throughput and total numbers served in the same infrastructure will keep increasing till the new infrastructure comes where we suddenly have a whole lot of new capacity that will take you much higher.

**Prithvi:** On the margin side, what do you think about sustainable margins for India business?

**Viren Shetty:** It is the guidance we always give. We will do the best that we can and keep retaining our focus on providing extreme value based care, be very fair on the pricing and treat as many patients as we can. What we can deliver, we will continue to deliver.

**Prithvi:** Can I have the break-up of new hospitals revenue and margins for this quarter?

**Venkatesh R:** Yes, I will give you that information. So when it comes to new hospitals, these 3 hospitals which are SRCC, Gurugram, Dharamshila combined is at around 119cr. for this quarter against 115cr. in Q1 FY24. So it has grown decently and EBITDA has improved meaningfully from 6cr. in Q1 to 8.7cr. in this quarter. In SRCC Mumbai, we have been able to reduce our EBITDA loss from 2.2cr. in Q1 to 0.6cr. in Q2. We remain on track to reach flat EBITDA by the end of this year. We are moving in the right direction on the new hospitals, and we are confident of the group continuing to grow and deliver improving margins in this coming quarter and years. In Mumbai and in Gurugram, we are looking at a combination of both specialties and inorganic and organic initiatives to improve our margins. Dharamshila is already on track and hitting 15-16% margin and the others will also follow in the next 3-5 years based on the plans which we have worked out.

**Prithvi:** Ok. Anesh, couple of questions on Cayman business. One, obviously this quarter, there seems to be a fall on the footfall numbers on YoY basis. Could you just explain what led to that?

**Anesh Shetty:** Hi Prithvi! Thanks for the question. Which footfall are you talking about the outpatient?

**Prithvi:** Yes, it's on outpatients.

**Anesh Shetty:** Just to clarify that if you are looking at the investor presentation, outpatients are 9,615 in Q2 FY24 compared to 7,609 in Q2 FY23, So, I am not sure if you are looking at the right information.

**Prithvi:** Ok. I will check out this.

**Prithvi:** Could you give some timeline on the new capex. I mean the new hospital in Cayman?

**Anesh Shetty:** So as we spoke about the last time as well, we remain on track to commission that in Q1 of the coming financial year. So that will be in the April to June timeframe, hopefully in the earlier half of the quarter. We are making meaningful progress in the civil work in that way, starting the service and a lot of interior designing as we speak. Of course, there is some time that it takes for approval and group inspection etc.

**Prithvi:** Thank you. That's all from my side.

**Nishant Singh:** Any other questions? May I have the next question, please? Anuj, please go ahead.

**Anuj:** Thank you for taking my question and congratulations on a very good set of numbers.



So I just wanted to get some understanding in terms of the occupancy and other basic metric like, I know you don't track ARPOBS. So from an ARPP perspective, while today morning, in the commentary, you guys have said that there was not a material impact on ARPPs, so I just wanted to understand if you could give a break-up of how Bangalore, Kolkata and other non-core geographies performed in terms of occupancies because you guys used to give that data earlier but now I think, you have stopped. It would be helpful if you could share that again. Thank you.

**Venkatesh R:** For occupancy, to re-iterate, we don't want to give occupancy in isolation. As we are a high throughput center, occupancy actually is not so important a metric to assess our performance. As we have invested in technology to improve the throughput, the patient in some cases is able to come in the morning and go in the evening. We are also developing communication tools to improve our ALOS. Our occupancy is higher at India level, upwards of 65% and these improvements can be seen across all our units. The midnight occupancy measured on census beds is not a good measure of hospital utilization. In fact, the revenues which have grown more than double digit for 2 consecutive years without any meaningful bed addition is actually a proof of that.

**Anuj:** Thank you. While I understand that, I just wanted to understand, if there is a break-up of core and non-core geographies that you can provide? It's more of an academic question, I understand that and that's why I said, it's not just occupancies, I wanted to understand the other metric as well. While I understand that ALOS is down from 4.6 days to 4.4, I just wanted a view on how the other metrics are performing?

**Sandhya J:** Ya, let me comment a bit on ARPP which we like acknowledge is a better metric than ARPOB. As you are aware, for us pricing is not the primary lever for improvement, and we focus heavily on efficiency. So, we take very moderate price increases and if you see, there is a certain year on year, we have shown a reasonable price increase which is I think healthy and yet affordable for our patients. Over a short period of time, these numbers fluctuate a bit and therefore they are not very representative quarter on quarter basis. Our ARPP numbers are shared in our deck. From a utilization point of view, there is just one more small color I want to add is, while we have improved on utilization across all our units, as you can see from our revenue mix, flagships are continuing to perform very well and therefore they are also running at very high utilizations. As we keep the bottlenecking, we will keep being able to process more throughput through the same facility that will help us use our resources better till our capacity addition comes up.

**Anuj:** Got it mam, thanks a lot. Thank you.

**Nishant Singh:** Can we have the next question please? Yes Gagan, please go ahead.

**Gagan:** Good morning! I hope I am audible.

**Nishant Singh:** Yes.

**Gagan:** So the 1<sup>st</sup> question is on your ARPP, Cayman Islands, out-patient are from ~\$1000 to ~\$1300, if I read it correctly. Year on year, let's say 30% jump. If you could elaborate a little bit on the significant ARPP jump, I understand possibly incurred at the onco unit might have something to do with it but if you could explain that?

**Anesh Shetty:** Yes, actually Gagan your guess is spot on. We classify radiotherapy patients as outpatient because there is no length of stay and it is a relatively much higher realization than your traditional outpatient services. You will see that spike over there. We don't expect any further increases because you know, the full effect of the radio therapy is already born out in the quarter. But ya, you are right.

**Gagan:** So one, it stabilizes at one point the overall 1300 is what your indication?

**Anesh Shetty:** Yes, that's a very specific number. It's not something that we will look to aim for but yes, where it is now is more or less where we expected it to be. There will be some other changes when we add more, as Venkatesh and the others commented, we are constantly looking to convert more and more services to daycare. So we will be starting daycare joint replacements and so on. So once that happens, you know obviously, that number could move but for now this is where it should be.

**Gagan:** Till there is a good jump in your outpatients' volumes from 7,609 in Q2 FY23 to 9,615 in Q2 FY24. Again, that would also have a very substantial contribution coming from the Onco unit or that is a wrong inference?

**Anesh Shetty:** No, of course, oncology would contribute to it but by volumes, it's not very substantial. This is the general improvement in all specially but a large chunk of it is, we are now reporting our ENT, the acquired business as well which is pre-dominantly an out-patient service. So it's a high volume out-patient service.

**Gagan:** So you are saying that erstwhile, it was not reported in the op volumes and now it's being reported?

**Anesh Shetty:** We recently completed the acquisition and we wanted to start it after finishing an entire quarter and this is now reported. So it's a combination of our organic growth, the oncology which you identified as well as a large percentage of it would be because of ENT. It's there in the footnote as well, in footnote 1 of the slide.

- Gagan:** Ok, alright. And the ARPP for your in-patients actually dropped year on year in Cayman from USD 39,000 odd to 34,000 odd. Any explanations there?
- Anesh Shetty:** Yes, I wouldn't look too closely, just that similar quarter last year was an unseasonably high number but if you look at the general trend, Q1 was around USD 30,918 whereas we are at 34,000 now. So in general I think, the trend is positive and where we are comfortable being, it's just once in a while you are going to be comparing it to our base quarter which was unseasonably high.
- Gagan:** I mean in this part of the call you indicated almost INR 394cr. of capex is to be done. For the full year, the budget is around 1,137cr. Your cash position is very healthy and so is the prostrate position and not really moved up too much from last year. Is there reason to believe that 2<sup>nd</sup> half because the capex might spike upto 700 odd crores from the 394 crores that we have seen, there will be requirement to add further to the debt and if so, to what extent will you need to fund it via debt?
- Nishant Singh:** Yes Gagan, so out of the capex pending for the remaining of the quarters, we will be spending around another say 450-500cr. of capex. Out of that, we can fund 50% of that money from debt. So even if we do take that 250 odd crores as debt, our net debt to EBITDA ratio will still be very comfortable at 0.3 to 0.4.
- Gagan:** Correct, this is not really too much of a substantial data addition at all. Now you had 2 years running to 1000cr.+ capex. You managed to do that without really leveraging your balance sheet.
- Nishant Singh:** Because we have got pretty healthy cash flows. If you look at EBITDA, we have seen crossing 1000cr. on an annualized basis. So, with that in mind, it shouldn't be 0.5 at any point in time for this financial year.
- Gagan:** So last year I think your indication that cash flow was very healthy because of certain one-offs. This year again, if you could sort of give some idea, has the cash flow been equally strong or better and even adjusted for the one-off?
- Sandhya J:** I think the cash flow is a representation of the underlying performance of the business. Given that our EBITDA has been healthy and we've been able to maintain the payor mix with a reasonable balance. Therefore, it is reflecting in the cashflows.
- Gagan Thareja:** Right. So, one is was 587 versus 535 last year, so there's no change in the Working Capital here at all?
- Sandhya J:** No significant change in the Working Capital this year. We kind of operate at almost neutral Working Capital position. So, we've been able to hold on to that in the current

year also.

**Gagan Thareja:** Correct. Again, at the start of the call you indicated that without any investment at all you can still manage to grow high single digit and you obviously are investing and investing quite substantially. You're reconfiguring, you're adding OTs, you're adding equipment, your grading equipment. So, just to take a cue from that statement, if without investing you can add or incrementally to sales by a high single digit with this investment, you know, part of it which is going to increase throughput and part obviously comes later in in brick and mortar in bed terms. Even with the investment that goes in increasing throughput, ideally, the minimum growth limit should be a high single digit and possibly supplement to that with whatever capacity expansion you're doing in terms of equipment. Is that a reasonable surmise?

**Sandhya J:** That's a forward looking kind of statement which we don't want to make but what we can definitely say is that indicators are all in the direction of being able to grow as well as we've grown in the past. Obviously, there are various factors like, for example, Q3 is a seasonally weak quarter and so, therefore, every Q3 volumes are slightly weaker. There are various factors that come at play, so it's very difficult to give a number like that.

**Gagan Thareja:** So, I understand seasonally. I'm not looking at quarter to quarter movements, I'm obviously comparing year-on-year which adjusts for seasonality and in any case I'm looking at a 2-3 year's timeframe and I'm just trying to validate the logic not looking for numbers. The final one on tax rate, I think, it's been pretty low for the first half and you had indicated it last quarter that this year will be effectively a low tax rate number. How should we budget for tax rate this year and then going into next year?

**Sandhya J:** Tax rate, we will be around, what we have seen, around 10%. That is a good estimate to take because we have moved to the new tax regime in India, so we will be able to see that benefit.

**Gagan Thareja:** And next year how should we think of it?

**Sandhya J:** Next year there will be no significant change except how the mix moves, which we cannot comment on at this point in time.

**Gagan Thareja:** So, next year we should budget for an effective 25% tax rate from India. Is that a reasonable way to think?

**Sandhya J:** Yeah, around 25% for India, you can take that number.

**Gagan Thareja:** Right. The final one, again on Cayman. ALOS for Cayman tends to be 8.9 to 9.1 days,

any reason why that number is as high as that because in India you are at around 4.5?

**Anesh Shetty:**

Yeah, Gagan. So, in Cayman, we are sort of the national hospital for the country and there isn't much healthcare capacity aside from much on the government hospital. So, there are certain chronic patients who are very, very sick and who perhaps need longer term care, some amount of nursing. In other countries, they would be assisted at home, or they would have some other sort of homecare or out of hospital care but the government's obligation is to care for these patients and they're universally insured. So, we, on behalf of the government, admit these patients for a very long time, you know, many months at a time. So, this just skews the ALOS number.

**Gagan Thareja:**

Alright, thanks. I'll get back in the queue. Thank you.

**Nishant Singh:**

Thanks, Gagan. Can we have the next question from Vinay, please?

**Vinay Nadkarni:**

Yeah, thank you. Just one thing on your numbers for the quarter, I'm comparing quarter to quarter. You have around 212 new doctors added in this quarter but if I see the expenses on doctors it has actually gone down. Can I have some explanation on that?

**Sandhya J:**

Because of the revenue effect, revenue has come in much higher. So, therefore, as a percentage it is not reflecting.

**Dr. Emmanuel Rupert:**

Yeah, from the number point of view most of them would be training positions from the postgraduate training positions who have joined in the Q2. But we do keep adding senior doctors as and when required from every unit. So, that is a constant ongoing process that we follow. But for this relatively larger number, it is from the students who have been joining us in this quarter.

**Vinay Nadkarni:**

Yeah, because the total doctor expenses have actually gone down from 2,167 million to 2,113 million. And the other part, is the Other Admin Expenses and Other Employee Expenses have also gone up disproportionately high while the others have been very well controlled and I must give you pat for doing a good job there in controlling your costs but any particular reason why the Other Employee Expenses have really gone up by around 14% quarter-on-quarter whereas your sale has gone up by 5.8%?

**Sandhya J:**

We have taken some investments in repair and maintenance in Q2 because it was a good quarter and we wanted to get some of the R&M work done. So, because of which there is a onetime investment and increase that you are seeing. It will taper down going forward. There is a certain level of base that will continue but some of it will taper down.

**Vinay Nadkarni:** Okay. Lastly, I see a drop in depreciation, any particular reason; quarter-on-quarter drop in depreciation?

**Sandhya J:** We even capitalized our work in progress. Any new significant capitalization has not happened and some of the assets as their life cycle ends they get depreciated. So, you don't need to overread into that number because our depreciation will go up. We are capitalizing 1,000 crores this year, so that will go up only.

**Vinay Nadkarni:** Okay. And the last thing is on the NHIC working, you have seen a good, healthy addition of patients in this quarter compared to the last quarter but your average billing has gone down from 1,538 to 1,158 and the losses have also, I think, increased from 5.8 crores to 6.4 crores. Of course, it is early days and it's hardly a year since you put that up but how do you see that contributing in future?

**Sandhya J:** I will request Ravi to take the question.

**Ravi Vishwanath:** Sure, thanks. So, yeah, I mean, as you said, it's early days and we keep experimenting with various value propositions to the customers, so I would think that for a little while this might go a little bit up and down as we come up with new propositions and new products. And so I don't, again, read too much into that. Right now we're focusing on making sure we have transactions and learning from our customers, understanding exactly what they need, what is the best value and best service we can give them and as our learnings grow over time, of course, directionally we do want to take it up. And I think over time it will stabilize but I think for the next few quarters this might be a little bit up and down as we experiment.

**Vinay Nadkarni:** Yeah. And how do you see the contribution of NHIC? Is this a feeder into your main hospital? So, what exactly is the role NHIC plays here?

**Viren Shetty:** I'll answer this one. At this point, NHIC is a standalone entity that will build out clinics and offer subscription plans for patients with the idea that we want to keep them healthy and do checkups and manage them in the clinic itself. Obviously, once they are familiar with our system and get to know the brand better should anything happen in the future then there was a possible referral to the main hospital but that's not the primary goal. The doctors over there are trying to keep them out of the hospital and with the mission that's oriented on keeping them healthy.

**Vinay Nadkarni:** Yeah. Fantastic! Thanks a lot. Thanks a lot. That's all from me.

**Nishant Singh:** Thanks, Vinay. Can we have the next question from Chinmay, please?

**Chinmay Nema:** Good morning. Thank you for taking my question. While responding to one of the

participants you talked about inflationary headwinds and government action, could you elaborate that point? What specific actions are we referring to?

**Viren Shetty:** Usual things that happen before elections. There are in the past certain populist things around price control, certain states will offer expanded Ayushman programs. A lot of government departments tend to run out of money just before an election, so there are little headwinds that one usually faces just before a national election. That we're just a little cautious about in addition to whatever seasonal impact that Q3 will have.

**Chinmay Nema:** Understood. But nothing material, right?

**Viren Shetty:** Nothing material yet but as and when these things happen then we'll all get to know at the same time.

**Chinmay Nema:** Understood.

**Nishant Singh:** Any more questions, please? We still have around 20 minutes to go, if anybody has any questions please ask. Yes, Vinay.

**Vinay Nadkarni:** Yeah, just one more thing on the Cayman Island business. We are looking currently working at around 50% occupancy of the 110 beds that you are working there with? Because when I see the Average Revenue Per Occupied Bed, you are saying it is 2.3 million for a 31.5 million sale. Am I reading those numbers right or there is some error there?

**Anesh Shetty:** Could you please clarify which document you're referencing?

**Vinay Nadkarni:** It is the Slide Number 11, Point 2. The small note to ARPOB, you're saying 2.3 million for this quarter FY24 against our operating revenue of 31.5 million. I couldn't relate to it. I mean, how do you read this figure?

**Anesh Shetty:** Yeah. No, I think we will clarify this. So, your question is there's an ARPOB of 2.3 million over there but we don't have the occupied bed. So, how are you relating that to the revenue?

**Vinay Nadkarni:** Yeah, I'll tell you what I'm doing. I'm just looking at the numbers of your discharges and multiplying them by the average length of stay to say how many bed days are occupied out of the total 9,900 bed days that you had in this quarter and then working out what is the average stay there. When I divide, I don't get this 2.3 million per occupied bed.

**Anesh Shetty:** Yeah, that's because the Average Revenue Per Occupied Bed will include all revenue, inpatient and outpatient whereas the discharge numbers will only represent the

inpatient revenue.

**Vinay Nadkarni:** Okay. That's the only thing which I couldn't reconcile here, so I thought I would just check on it.

**Anesh Shetty:** Yeah, sure. No problem. No, it won't add up because you're missing a component.

**Vinay Nadkarni:** Okay.

**Anesh Shetty:** Nishant, you can just clarify

**Nishant Singh:** Yeah. So, Vinay, if you have any further doubts, we can get on a one to one call and we can clear this.

**Vinay Nadkarni:** Yeah, sure.

**Nishant Singh:** As Anesh said that this is not the only number and we have even the OP numbers but we'll give you more clarity in case if you want after the call.

**Vinay Nadkarni:** Sure. Thank you very much.

**Viren Shetty:** Outpatient in the sense that they get admitted in the morning and leave by the evening. So, they don't contribute to the inpatient but they're still occupying the bed for the whole day and count to the OP numbers.

**Vinay Nadkarni:** Okay.

**Anesh Shetty:** This is also exactly why we don't prefer ARPOB as a metric. But, yeah, to your question that's the answer. Yeah.

**Nishant Singh:** Yes, Vineet, can we have your question, please?

**Vineet Kishore:** Yeah, thanks. Yeah, first of all, congratulations on the great set of numbers. I think my question is also on the Cayman Island. So, how do we see the future of Cayman Island? And is there any competition coming from Indian hospitals? That's one. And is the U.S. Insurance, can that be used in Cayman Island now?

**Anesh Shetty:** Hi, Vineet. Yeah, thank you for your question. So, in terms of competition there is the government hospital, which is a very large tertiary hospital, and there's also another private hospital. It's a very active healthcare market. There are over 400 registered medical practitioners and over 100 different practices of varying configurations. So, you know, it is a market that is quite competitive in certain areas. We're not aware of the plans of any other Indian operators, we can't comment on that. It is a small market, and most players know the other one but we have no information and we can't comment on that. So, that's your first question. Could you repeat the second



one, please?

**Vineet Kishore:** On the U.S. medical insurance, can that be used for having a treatment in Cayman Island?

**Anesh Shetty:** Yeah. So, most insurers will cover if you're here on a holiday or if you're traveling here for other reasons and you require hospitalization. Almost every U.S. insurer will cover you. Now, in terms of a patient electively going, that isn't usually done but when there is a process for patients to apply to the insurer to do that and in most cases, we have seen it being approved simply because the costs here are so much lesser than the U.S. But it's a very unusual, fringe use case aside from an emergency use of a travel insurance sort of benefit.

**Vineet Kishore:** Thanks a lot. Thank you. Clear.

**Nishant Singh:** Yes, Gagan, can we have your question now?

**Gagan Thareja:** Yeah, I mean, referencing the previous question on ARPOB, if I look at your operational slide on India, Slide 9, the ARPOB for India is also indicated at around 13.4 million for Q2 this year versus 12.1 million Q2 last year. I'm just trying to clarify, are you annualizing the ARPOB figure and then giving it out? because 13.4 million ARPOB, if I, then consider it as an annual number and then divide by 365, the ARPOB comes to 34,000-36,000 odd which looks more sort of understandable or am I getting it wrong?

**Nishant Singh:** Yeah, we annualize the number, Gagan. Your reading is correct.

**Gagan Thareja:** Okay. So, the same would have been done with the Cayman number as well; your annualized number like USD 2 million odd?

**Sandhya J:** Yeah.

**Nishant Singh:** Yes.

**Gagan Thareja:** Alright, I get that. And on CapEx, while your slides indicate last year, I think, if I look at last year's presentation and even this year it indicated a CapEx of 1,000 odd crores but then if I sort of try and tally it up on the Balance Sheet, you know, by looking at how much gross block has moved up by and how much capital work in progress is moved up by and sort of take the difference between the end of FY22 and FY23, probably comes to 700 crores rather than 1000 crores, if I have got it correct. So, basically last year then has the CapEx been 700 odd crores or 1,000 crores?

**Sandhya J:** It could also be because of some of the equipment in the pipeline. So, we would have raised orders, and the equipment would still be landing but from a commitment point

of view that money is spent. So, the amount we are reporting are all committed CapEx spends, which will be capitalized. You should give us six months' lead time for us to be able to capitalize and show those numbers in the books.

**Gagan Thareja:**

Okay. But if you sort of committed, does it not come up in CWIP?

**Viren Shetty:**

It won't line up exactly. The intent is that all things planned, we wanted to spend about 1,000 crores last year and this year but lot of orders got delayed, a lot of construction work got delayed and so it didn't exactly line up. So, there's been a bit of lag in that. We're trying to catch up but it won't be exactly 1,000 crores added to the Balance Sheet.

**Sandhya J:**

But if you look over a six month time frame, it will start reflecting because the cash is spent. It's just getting capitalized or coming into CWIP at different points in time.

**Gagan Thareja:**

Okay, fine. Last one on Cayman, you indicated that you'll start the new hospital, I think, in the first quarter of next financial possibly, if I got it correctly. How should we, I mean, because this is going to be different from the onco unit that you've put in which is ramped up fairly fast for you, how should we look at the financial implications of that new hospital phase by phase let's say for the first six months, next 12 months and then when it stabilizes what time will it take to stabilize and hit an optimal utilization? And at that level, what implications does it have financially for margins and growth? If you could, you know, give us some indication of the roadmap of how this will move, it will be great.

**Anesh Shetty:**

Gagan, your question is very specific and unfortunately my answer has to be quite vague. But, you know, it is a new hospital, as we've discussed before, there will be a decent chunk of fixed cost that will come online when we commission the hospital. It is not a hospital in a new location, I mean, in a new country. It's in the same location, patients know us. So, the ramp up, we do expect it to be reasonably fast. But having said that it is obvious that there will be margin dilution until we truly see incremental revenues coming in. How long that will take and quantifying that is something, you know, we're not in a position to give out at this moment.

**Gagan Thareja:**

Right. Will you be able to run it with the existing doctors that you have in your existing hospital or you'll incrementally add? And if you will add, can you give some indication how much staff - nurses, doctors, paramedics will you need to add? And how will you be, you know, sort of recruiting them? Will you be sourcing them from India and how you go about it?

**Anesh Shetty:**

Yeah. So, to the first part of your question, So, definitely a lot of these services we

offer are similar to what we're already offering. So, it will be the existing doctors whose output will increase. A lot of departments will need, you know, the second or third line of doctors to come online to handle the increased volume, some don't. Nurses, obviously, are directly correlated with the number of patients we treat. There's not really any operating leverage there. The more patients we treat, which we will be, we'll be hiring more nurses.

To your question about sourcing, we'll follow the usual sourcing routes we've been following for our existing hospitals, which is a combination of our network in India and other relationships in the region closer to this part of the world as well.

**Gagan Thareja:**

So, just curious to know, I mean, for your staff who goes from India to Cayman, do they sort of go for a specified tenure and then return and then you roll between staff and some new set of people going after a stipulated period or do they stay there till they serve you in there?

**Anesh Shetty:**

Yeah. So, the senior people are more or less constant. They're here for, you know, it's a longer term relocation and this is more of a permanent or a longer term plan. Certain front line staff and junior people, they're here for certain times of, you know, in their career in their personal lives when this makes sense and after a couple of years they go back home or they cycle out but that's the junior staff. Most of the senior people would be more or less constant, at least that's our intention. Yeah.

**Gagan Thareja:**

How does your sort of attrition at Cayman in your junior staff or in your nursing staff compared to your India?

**Anesh Shetty:**

Yeah, definitely, nursing attrition isn't as much of a problem as it is in India because once you're earning, how much these people earn in Cayman, there aren't many places where you can earn more. Having said that, there is attrition mainly to the U.K. right now and the reason for that is not compensation. In fact, our compensation would be a little higher than the U.K. It's just an issue of post-tax compensation. It's just a concern around, you know, in the U.K. there are more opportunities for their partners and spouses to have, education, there's a more clear route to citizenship and a longer term security for them whereas here for a nurse those things are going to be difficult. So, we do have attrition but not as much as it is in India.

**Gagan Thareja:**

I mean, do you sort of facilitate education for the children at Cayman to a certain degree? Is that something you can do and sort of help them retain or retain them longer?

**Anesh Shetty:**

Yeah. It's not the cost of education, it's just that in Cayman for a nurse it's next to

impossible to get long term citizenship over here. They'll not fulfill the criteria whereas in the U.K. they will. And in Cayman if their spouse is not a nurse and if they're working there's very little employment opportunity outside. It's very difficult. Whereas in the U.K., those things are much easier. So, you know, all factors considered such as family, personal, etc.. for quite a few people, the U.K. is holistically sometimes a better option. So, they pursue that. But wherever we can to make this more attractive, we do that.

**Gagan Thareja:** Thanks, I will get back in the queue. Thank you.

**Nishant Singh:** Thanks, Gagan, for your questions. Can we have the next question from Alankar, please?

**Alankar Garude:** Hi, thank you for the opportunity. Just two questions. Firstly, would it be fair to assume that the sequentially higher margins in this quarter is also a function of higher margins at Cayman due to pick up in the Radiology block?

**Sandhya J:** It's a mix of both. Yes, Alankar, we have had seen good performance in India as well as in Cayman.

**Alankar Garude:** Understood. And the second question is, So, when you talk about improving throughput, are the efforts more skewed towards Bangalore and Kolkata given the relatively higher occupancies there or these are uniformly happening across our entire India network?

**Venkatesh R:** So, it's like we are just not concentrated only on these two flagships. All these initiatives in terms of technology is our core plan across the group, it happens irrespective across all the regions where we exist, which is not South, East or West but everywhere and there is nothing unique to only flagships in these initiatives. Throughput technology efficiencies are driven uniformly across all our units in the group and not specifically only to Bangalore and Kolkata.

**Alankar Garude:** Fair enough. Yeah, sorry, go ahead.

**Dr. Emmanuel Rupert:** Yeah, the impact of the throughput changes is felt more in the larger units and the flagships. So, that is the stuff that we have noticed. In the Heart hospital, the same facilities, same infrastructure of ICUs and the operating rooms, earlier on like pre-covid we used to do around 500+ cardiac surgeries and now we are able to do around 870-900 cases with the same infrastructure.

**Alankar Garude:** That's the outsized impact?

**Dr. Emmanuel Rupert:** It's just the impact becomes very big.

**Alankar Garude:** Understood. Yeah, that answers my question. Sir, thank you and all the best.

**Nishant Singh:** Thanks, Alankar. Do we have any more questions? Last five minutes. Yeah, Kapil.

**Kapil Marwaha:** Yeah, hello. Congratulations on a strong performance in the September quarter. I would just like to know if this traction of strong performance has continued so far in the present quarter, October to December, of which we are already in the middle?

**Sandhya J:** Q3, Kapil, is a seasonally weak quarter as you are aware because there are a lot of festivals that come in Q3. We have Durga Puja, then we have Diwali and then we have Christmas coming on. So, for all hospitals, Q3 is relatively weaker. So, standing today we can only say that, anything else will be forward looking.

**Viren Shetty:** Lot of these things get pushed forward. These are mostly where we do a lot of elective cases. So, we've seen that patients tend to postpone their procedures to Q4.

**Kapil Marwaha:** Okay. Thanks.

**Nishant Singh:** So, if we have no further questions, we would like to conclude our session. Thanks everyone for your active participation as usual. Please do feel free to call us, reach out to us in case of any further queries. Thank you.

**End of Transcript**