Date of submission: February 22, 2024

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

Dear Sir / Madam,

Sub: Transcript of Earnings Call for the quarter ended December 31, 2023

Further to our earlier letter dated February 16, 2024 in relation to uploading the Audio Recording of the Earnings Call of the Company held on February 16, 2024 (Friday) for the quarter ended December 31, 2023, please find attached the transcript of the said Earnings Call.

We wish to inform you that the Earnings Call transcript is also available on the website of the Company at https://www.narayanahealth.org/stakeholder-relations/earnings-call-audio-and-transcripts

This is for your information and records.

Thanking you

Yours faithfully
For **Narayana Hrudayalaya Limited**

Sridhar S Digitally signed by Sridhar s Date: 2024.02.22 12:38:41 +05'30'

Sridhar S.
Group Company Secretary, Legal & Compliance Officer

Encl: as above

"Narayana Hrudayalaya Limited
Q3 FY24 Earnings Conference Call"

February 16th, 2024

MANAGEMENT: **MR. VIREN SHETTY – VICE CHAIRMAN**

DR. EMMANUEL RUPERT – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

MS. SANDHYA J – CHIEF FINANCIAL OFFICER

MR. R. VENKATESH – GROUP CHIEF OPERATING OFFICER,

DR. ANESH SHETTY – MANAGING DIRECTOR, OVERSEAS SUBSIDIARY HCCI

MR. RAVI VISHWANATH – CHIEF EXECUTIVE OFFICER, NHIC

MR. NISHANT SINGH – VICE PRESIDENT, FINANCE, MERGERS & ACQUISITIONS & INVESTOR RELATIONS

MR. VIVEK AGARWAL – SENIOR MANAGER, MERGERS & ACQUISITIONS & INVESTOR RELATIONS

Nishant Singh: Good afternoon, everyone. My name is Nishant Singh, I head the Investor Relations function at Narayana Hrudayalaya. I welcome you all to Quarter 3 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 and MD, Ms. Sandhya Jayaraman our Group CFO, Mr. Venkatesh – our Group COO, Dr Anesh Shetty, MD of our overseas subsidiary HCCI (which is Cayman), Mr. Ravi Vishwanath, CEO NHIC, and Vivek Agarwal, senior manager in the IR function. We hope you have gone through the investor collaterals which have been uploaded on the stock exchanges as well as 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 exchange 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 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 evening, everyone. I warmly welcome you all to the Quarter 3 FY24 Earnings Call Conference of Narayana Hrudayalaya Limited. After a robust Q2, the third quarter of the fiscal year delivered stead performance across our units. Consolidated revenue for the current quarter stood at INR 12,036 million reflecting a growth of 6.7% year-on-year and -7.8% quarter-on-quarter. NHL generated Consolidated EBITDA of INR 3,968 million in Q3 FY24 at a margin of 24.7% against 25% in Q2 FY24. This quarter-on-quarter growth was impacted on account of seasonal factors related to festivities in the current quarter.

Our Cayman units, the HCCI as well as the EICL continue to deliver strong business performance with quarterly revenue at USD 30.6 million, a year-on-year growth of 8.5%. 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 10.39 billion against gross borrowings of INR 10.14 billion resulting in a net cash position of INR 0.25 billion as of 31st December 2023. Our net debt-to-equity ratio now stands at -0.01, 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 5

billion till the December quarter and are on track to spend the balance amount in the remaining quarter of the fiscal year.

On the clinical front, the Health City campus successfully performed 27 organ transplants, 44 bone marrow transplants, 90+ robotic procedures, 60+ robotic ortho procedures, and two very rare renal transplants in patients with nephrocalcinosis which is a genetic disorder. The Children's Hospital in Mumbai successfully treated a child with super-refractory status epilepticus that is convulsions continuously happening on this child, which had an expected disability of 80% or a mortality of 50%. The patient recovered to a combination of medical management and a procedure which resulted in a recovery without any disability. Our focus on digitization and business transformation continues to lead to significant benefits throughout the NH system. We have seen an 8% quarter-on-quarter increase in throughput and a 3.3% reduction in turnaround time across NH Labs because of the initiatives taken in our ATHMA Platform. Adoptive app called the AADI has helped saved 2500 surgeon hours annually with digital OT notes. Our new app for nurses called NAMAH has saved 83 nursing hours due to digital handover process in the first month at the HCCI campus. Its India launch will be in February. We just launched that in the Health City campus and in our other tech initiatives, our OPD paper reduction has reduced by 22% in this quarter and there has been 75% EMR adoption in OPD across the group. Our recent venture, the Narayana Health Integrated Care continues to perform well despite a seasonally weak quarter. The revenue for the quarter has crossed INR 53 million with more than 42,000 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 nonclinical 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 environmental goals and upholding the 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 the return on capital. Thank you and I hand it over to Nishant.

Nishant Singh: Thank you, Sir. I will request everyone to now use the Raise Hand feature to start posing their questions. Prithvi, please go ahead.

Prithvi: Sir, my first question is on domestic business. Compared to the previous quarter's growth in revenue for domestic has been quite low. So, just wanted to understand what extents this low growth in this quarter?

Venkatesh R: Yeah, see this quarter like the routine Q3s are always affected by seasonality impact, but our North and West regions had a higher seasonality impact than expected. There is some underperformance in Gurugram, which we are working on, but the major impact has come from Jaipur where due to change in the structure of reimbursements for medical management of the RGHS, which is the state scheme, it's become unviable for us to service that business, but the Association of Hospitals are approaching the government for renegotiation, should be sorted in three months. We have also taken a conscious effort to improve our payor mix, which is the cash and insurance, which has gone higher by 2%. Schemes have come down by 2%. It will take some more time for the same capacity to get filled up by higher paying customers. The improvement will show over a period of time, but the positive thing is this is reflecting in our improved margin profile despite our difficult quarter. Also, this payor mix rationalization is an effort to not carry large corpus of unpaid bills and to have a better handling of our cash flows as we get into this election year plus we have exited M S Ramaiah and Bellary contracts to improve our focus on our strategic focus. The impact of MSR also has some bearing on this, but not a major thing which we are confident overcoming in the coming quarters.

Prithvi: Could you quantify the impact from the Jaipur Hospital?

Sandhya J: We're not specifically sharing information relating to individual hospitals. You can see the overall North number. North has three units Gurugram, Jaipur, and Dharamshila, which are predominant. Now, if you see that Dharamshila has been reasonably okay in terms of performance. So, the underperformance in North has largely come from Gurugram and from Jaipur; more from Jaipur, less from Gurugram. So, that should give you a broad idea on the impact of the Jaipur unit.

Prithvi: And there is one question on the Capex, could you give the timeline for the new hospital in Cayman and then also you know the Greenfield and brownfield projects in Bangalore and Kolkata?

Sandhya J: The Capex for the unit in Cayman is almost complete. By the first half of next year, we will be able to Commission the hospital. Bangalore and Kolkata units will take two to three years cycle. We have managed to acquire the land in Kolkata. We already have land in Bangalore, so we have now applied for permissions to build in Bangalore. So, all of it put together, I

think another two to three years, you will see your Capex build up on all of these units. We are also looking at additional capacity options in Bangalore and Kolkata and more growth options. So, therefore as and when we have those opportunities materializing, we will be able to share more detail with you.

Prithvi: Just a bookkeeping question. What is the revenue and EBITDA number for new hospitals in this quarter?

Venkatesh R: Yeah, our new hospitals as I said have also suffered due to seasonality impact more than our flagship. On a combined level, their EBITDA is around 4% against 7% in Q2 with Dharamshila performing the best. We're hoping that the last quarter will see a strong recovery and we'll be able to get closer to our target for the next two quarters.

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

Arvind: Sir, Hello?

Nishant Singh: Yes Arvind, please go ahead.

Arvind: What about your insurance business?

Viren shetty: Ravi, do you want to answer about the insurance?

Arvind: Yeah, you got the license?

Ravi Vishwanath: I would request others just to be on mute please. Yeah, we received our license in early January, and we are now in the process of putting together finalizing the product, finalizing technology, the regulatory policies etc., and as soon as those are in place, we would go live.

Arvind: Okay. When you are going to start it, means tentatively when you are going to start it?

Ravi Vishwanath: We expect to go live sometime next year and as soon as these, as you would imagine there are many things that need to be put in place and as soon as they are in place, we will go live sometime next year.

Arvind: Okay. I meant to say you are going to start PAN India or at Bangalore only?

Ravi Vishwanath: We will initially start in Karnataka in Mysore to start with and over time as we build our experience and our knowledge, we will expand into other geographies.

Arvind: All the best for the new business.

Ravi Vishwanath: Thank you very much.

Nishant Singh: Yeah, thanks, Arvind. Yeah, Rishi can we have your question please.

Rishi: Yeah. So, I had a few questions. So, the first one when I look at your Cayman IPD ARPOB which is basically, I'm just dividing Cayman ARPP by the average ALOS that you all have of around 9 days out there. I see that it's kind of dropped vs last year. So, could you explain what's happening there? Why is your Cayman ARPOB for IPD business going down?

Anesh Shetty: Yeah. Hi, Rishi. Thank you for the question. If you actually look at the investor presentation, we give you the exact number split up into OP and IP in slide 10 operational review Cayman Islands. So, I think the last quarter was an unseasonally high quarter. In Cayman, our recommendation always is to look at three or four quarters for any metric to get a better sense of the direction these things are heading in. Because of the low base effect in terms of volumes, a few large discharges, a few complicated cases can skew things either which way. So, we recommend looking at more of three or four quarters for any metric and if you go by that, there isn't really any significant change if you think about it.

Rishi: Okay. So, because basically what I'm looking at is Q1, Q2, Q3, right. So, Q1 FY24 you all were better off versus Q1 FY23. Q2, Q3 – you all have seen a 10% decline. So, is it purely seasonality and nothing structural change there?

Anesh Shetty: No, definitely nothing structural. In fact, even if you, a 10% decline or increase for that matter in this metric really wouldn't concern us too much quarter-on-quarter. More or less if you look at say the last eight quarters or so, yeah, that gives you a trend of a gradual uptick as and when we are taking on more complicated patients and this is, it's not something unusual for us to see these minor variations up and down.

Rishi: Great. And just a bookkeeping question on Cayman. What's the ALOS for this quarter? I think you all have forgotten to report it for Cayman?

Anesh Shetty: Well, no that was a conscious call. I think in Cayman we've decided that, that's not a relevant metric to talk about. I mean one gets a sense of the direction we're heading in because of the number of discharges, our revenue per patient, OP and IP as well as our total revenues and any other information that can be there. We have sufficient capacity in the hospital that isn't a constraint for us to grow, especially with the new hospital being commissioned in a few months as well. So, we felt that, that was not needed, but we're happy to answer any question you have for which you need that information.

Rishi: Yeah. So, basically it was just to see how much bed utilization you all are at, because despite your daycare procedures not being counted in that, the bed is not free if the IPD patient is staying there for 9 days. So, just to get a hold of that understanding, that's why I was asking for ALOS.

Anesh Shetty: Sure. Yeah, I can answer that. So, I think we have moved more towards daycare-oriented procedures especially with an acquisition with it recently and certain change in the approach of the way we're performing certain procedures. So, we've not had any constraint on that, there will always be some busy times and certain busy days or weeks with certain things like ICU capacity etc., but at no point in time are we foregoing treating any patients because of IP patient, I mean the availability of inpatient beds. At the same time, we're happy with the utilization. We're heading in a good direction and it's a good build up towards commissioning the new hospital in a few months. So, we're pretty comfortable with the availability of capacity.

Rishi: Got it, got it. On the India business, right, this year, what I'm seeing is that your discharges have come down to single digit growth even if I remove Western and Northern piece from not this quarter, but for the full year, so just wanted to get an understanding, is it because are we hitting peak capacity utilization out here or what's happening or was last year an exceptionally good year and hence the base is normalizing this year?

Venkatesh R: No, if you see, one is the discharge and the other thing is the ARPOBS, which is the ARPOBS have grown from INR 13.4 million to INR 14.1 million, even though the discharge numbers have gone down. This is on account of our conscious efforts in terms of working on improvement in payor mix, which we have already said. So, there is a 2% increase in the cash and TPA volume as compared to previous quarters. See, our growth drivers as we have always said will be on higher throughput numbers, through efficiency improvement, digital initiatives, leveraging on operational efficiencies. Even at most of the hospitals are trying to convert general words into semiprivate to meet the demand for insurance and cash payors. So, while we are working aggressively on the throughputs, daycare procedures, there are lot of robotic procedures which are morning/evening discharge, there are cardiac surgeries which are morning/evening discharges, which won't reflect much on the discharge numbers, but it will reflect more on the ARPOBS and with this system and capacity default making, we are in a position to do more. We are in a position to serve more patients within the same capacity. So, that's the answer for this.

Rishi: Okay. Got it, fine. The third question I had at my end was the other expenses for this quarter. It has come down on an absolute basis on a 1% year-on-year. So, what, where is the cost savings coming from? Is there a one off in the base year or this year which you want to call out?

Sandhya J: There are some one timers that come especially in Q3, we had a higher, we took actually a higher impact of R&M given that it was a good quarter and we did use it up to work on our R&M expenses and Q3 are being a little bit of a leaner quarter, we went a little more slow on some of those discretionary spends. That's the call that we keep taking periodically. There is no underlying exception to read there. It is in line with what we were expecting to spend.

Rishi: Okay. So, basically the 20 crores that you all haven't spent, 14 crores that you haven't spent in Q3 FY24, it will basically bunch up and there will be a 30-crore expense in Q4 is what you're saying, right on repairs and maintenance?

Sandhya J: It may or may not be because we've kind of accelerated a lot of the work that we wanted to do in Q2 itself. So, we will, depending on how our needs of each of the units arise, we will moderate the spends, but we have, I don't think you will need to assume that every money that you have saved is a postponement. Some of it got accelerated to Q2, some of it will get spent in Q4. So, some of it is postponement, some of it is already spent.

Rishi: Okay, got it. In your notes to accounts in other income, right, you all have called out that around INR 159 million out of that INR 179 million is on account of lease modification. Could you just share more color on that, what exactly is happening there?

Sandhya J: So, we have certain lease arrangements, which we have with our third-party partners and sometimes we do periodically renegotiate these lease arrangements depending on either party requirements, convenience, etc. So, some of those renegotiations have reflected because of the way IND AS is it has reflected in some accounting entries coming because of that.

Rishi: So, these rental renegotiations have happened on land or building rentals or it's on equipment rentals, where is it coming from, like which hospitals, where, how is it happening and because it's nonrecurring in nature, right, if I have to

Sandhya J: It is nonrecurring in nature, yes. This will come in our non-owned hospitals. This will come in terms of the share of compensation we paid to the partners and in some places some

equipments are also rented. So, largely this comes because of the compensation that we pay to them.

Rishi: Okay. Got it. Got it. My final question that I wanted to understand is that your manpower costs, right year-on-year have been increasing at a high double-digit growth. Now, in a situation where ARPOBs are growing, yes, you can offset these, but what are we doing to control these costs, if you can give some qualitative understanding on that front?

Sandhya J: So, there are two aspects to manpower cost. One is that because a lot of the manpower cost comes in from people who are either minimum wage earning or linked to minimum wage and therefore government actions in terms of minimum wages etc. have a direct bearing and that results in a higher manpower cost burden and that is not going to go away. We are going to see more and more - we have to understand that the underlying inflation in the economy is high, which means the cost of living adjustment that's happening in the minimum wages across states is also higher. So, therefore that part of the wage inflation coming on the baseline will not moderate. How we are trying to tackle this is through efficiency in operations. Now, Venkatesh had spoken about earlier about how we are looking at more digitized delivery, we had also spoken about our NAMAH app which we have just gone live in HCCI and now we are starting to go live in Health City, which is going to help us be able to organize our manpower better. We are also looking at many other digital initiatives across our organization, which helps us deploy the right people in the right place and therefore we are able to handle our manpower costs effectively. It will be a journey. I'm sure you would be seeing this across all hospitals, but you will see it more for us because our price actions are minimal and therefore our growth in ARPP comes mainly due to efficiency actions. So, that comes a little slowly and therefore you see the impact more profound for us, but this is the reality of the situation. We have to work this through and we will be able to improve this over a period of time.

Rishi: Okay, okay, and what has been this wage inflation across say the last 10 years on average, how much wage inflation do you all see on the employee, the non-doctor employee manpower cost and the doctor and nurses manpower cost, if you can?

Sandhya J: For the current year FY24, we have seen anywhere between 10% to 12% wage inflation. We are expecting a similar number in FY25 also.

Rishi: Okay and historically it's also been double digit inflation for you guys on this front?

Sandhya J: During COVID time, I think the inflation rates were fairly moderated. After COVID this has got picked up quite a bit, but it's been peaking now in the last year and going into the next year.

Rishi: But these won't get revised downwards even if inflation comes down, right. So, I'm. Just trying to understand like the business model is exposed to this, so I was just getting a feel of how this line item will move for you also?

Sandhya J: Yes, business model is exposed to this. So, like I said, you have to factor some amount of increase that comes because manpower costs will keep going up, but you'll also have to factor that there is a lot of work and effort being done on the digital side and that will help us optimize. It is similar to any other manufacturing industry or any other labor-intensive industry where you would have a wage inflation coming through and the recovery partially happens through efficiency and partially happens through price. So, that's really how our industry will also progress.

Rishi: Right. Got it. Alright, fine. Those are the questions from my end. Thank you.

Nishant Singh: Thank you, Rishi, for the questions. Can we have the next set of questions please? Any other questions anyone? Yes, Gagan, please go ahead. You're on mute Gagan. We can't hear you.

Gagan: Yeah. Can you hear me now?

Nishant Singh: Yeah, yeah, we can hear you now.

Gagan: Yeah. so, sorry if the question is repetitive. I got disconnected from the call. What was the reason for the India revenue growth being relatively muted this quarter, specifically North and West, but overall, also I think it was a bit muted in volume terms?

Venkatesh R: Yeah. It was, as we said this quarter, always has a seasonality impact as compared to other quarters. But again, the North and West regions had a higher impact than before. There was some underperformance in Gurugram, which we are sorting out. There are a little bit of an issue in terms of medical management bills in Jaipur and the structure of reimbursement from the government there, which is practically unviable for us to service that business for the time being. There are discussions going on with the government through the Association of Hospitals. We would be in a position to get positive results maybe in a quarters time, also we've taken efforts to rationalize our payor mix. The result is very clearly showing in terms of the cash and TPA going up by 2% this quarter, but of

course it would take some time for this capacity to be filled in by the paying customers. The improvement will show over a period of time and that is the reason why there is a little bit of, I mean there is a bigger dip in top line as compared to the Q2, but the positive thing here is as a result of our conscious effort in terms of rationalizing payor mix, improving process improvement, working on process improvement, adopting technology, it has reflected in terms of our improved margin profile despite a low and difficult quarter. Also, we don't want to expose too much of payables and have a better cash flow coming into an election year.

Gagan: Yeah. So, given the fact that a part of the growth is seasonal, I understand that but part of it, that growth crimp in the growth is also coming from you trying to deliberately alter your payor mix. Are we in a transition phase where perhaps we take some time before growth normalizes back to a level which would be optimal?

Sandhya J: That's how we are looking at it. However, like we have always said, we are very cautious on how we take these steps and how we move. The desire is that we want to make a healthy transition so that our capacity is reallocated to better ARPP and cashflows. But we will be measured and careful about how we go about it. So, you can assume that it will take some time but we will also balance it off to the needs on the ground.

Gagan Yes, I get that. But is it possible for you to delineate, let's say, what part of the impact is coming from these deliberate steps and what part…? Seasonality year on year should even out, I can understand quarter on quarter seasonality impacts you but compared to the same quarter last year seasonality shouldn't impact you. Given that, how would you attribute the growth weakness to these various factors that you've been talking about?

Sandhya J: Our healthy payor mix has moved by about 2%, so that gives you some idea of how the payor mix has contributed to a little bit of stagnation in the revenue growth. But it does not take away the fact that best we did have underperformance in North, especially little bit in West. And the other aspect is that we did a rationalization during this year with the MS Ramaiah, which was a key contributor in terms of our South cluster revenue, which also contributed a little bit to the overall impact; maybe a couple of percent impact came from the rationalization. I mean, I don't have these numbers exactly calculated because we have not analyzed it in that fashion, but you can attribute 2-3% to our maybe poor performance in North sector, maybe 2-3% you can attribute to the payor mix calls we have taken. So, you know, you can assume that kind of mix in terms of our performance.

Venkatesh R: So, these changes won't play out as a one off effort, you know, and then you say it's just a one off effort and then you are completed with the exercise. It's actually a constant effort

to apply methodical changes to the way our hospitals operate. It will keep showing up improved earnings, improved volumes, higher Average Revenue Per Patient year after year. You'll not see immediate results, but it will be over a period of time.

Gagan You're saying that the tradeoff is that you want better average, ARPOB perhaps, our Average Revenue Per Patient, better Gross Margins and therefore these steps, while they might impact the topline for some time, they'll result in better margins. Is that how we should think about it?

Sandhya J: Yeah. One is, definitely there's an aspiration for better margins but right now we are more focusing on better cashflows and we don't want to deal with significant cashflow uncertainty at this stage. So, a lot of moderation is also happening from that perspective.

Gagan So, how does that impact your cashflow or Working Capital so to speak, Receivables so to speak because these are aimed at better Receivables, I presume?

Sandhya J: Yes, that reflect in our June quarter and September quarter Receivables because the payment cycle for many of these schemes is 6-9 months. So, at the moment like every other hospital in the December quarter, collections are normally very poor from government customers because they have budget freezes. The budget release happens in the last week of March, early April and that's when the cashflow start coming in. So, all we are trying to do is not create a significant load on the cashflow going into the first half of next year. Having said that, it's a very small rationalization. We still have nearly 1/5th of our revenue still coming from these payors. So, that impact will not go away but to some extent whatever we can do we are trying to do in terms of improving our cashflow mix.

Gagan Right. And while for the full year your Capex is budgeted at north of INR 1000 crores, I think year to date what you've incurred is around INR 450 crores. Is it going to be a case where some amount of that Capex, you know, the actual cash outflows get incurred in the next financial year? Or are you going to be…?

Sandhya J: Yeah, a little bit flow over will be there in the next financial year but actually cashflows may largely happen. Capitalization may happen in the next financial year once the commissioning happens. A significant chunk of this Capex is being spent in Cayman and most of the funds are committed and there is a payment schedule to the vendors based on which it's being paid out. So, most of the cashflows are being spent. I think you may have a one quarter flow over maybe to some extent because of the timing of the payable dates.

Venkatesh R: Also, since we are in the last quarter and a lot of these Capex is also attributable to the Greenfield expansions, like acquisition of land in Kolkata, plans for Greenfield in Bangalore. So, we are pretty confident of spending major part of the Capex by the end of this March

and, of course, there will be a small spillover, as Sandhya has said, in terms of the routine replacement and upgradation Capex, which may have a little bit of a spillover to the next year but most of it will be utilized in the next 45-50 days.

Gagan Right. And coming on to Cayman, I mean in the quarter, as far as I can understand, Cayman ARPOB looks YoY down by about 4.5-5% and OPD volumes are also down and down, I think, by a reasonable number, if I recall it correctly from your presentation. So, any thoughts there?

Anesh Shetty: Gagan, hi. Can I just get some clarity on the question? So, if we look at Slide 10 of the presentation, the box on the bottom right talks about the OP numbers. So, Q3FY23, which I think you are referring to, is at 7,647 and Q3FY24 is 9,558.

Gagan: Okay, I might be wrong there. Yeah.

Anesh Shetty: Sorry, yeah. Yeah, let me know if there's any question then.

Gagan: Okay. On ARPOB, in Cayman is there a drop? If I understood…?

Anesh Shetty: Yeah, similarly, if you look at the box on the top left in the same slide, Slide 10, we answered this question to the previous gentleman as well. So, if we look at Q3FY23 the inpatient revenue per patient is closer to USD 4 million whereas in the current quarter it's USD 3 million. Although that seems like a drastic drop, what we suggest is always in Cayman to look at 3-4 quarters or perhaps longer to look at a trend. And when you do that, you will see that it's pretty in line with more or less the number we've traditionally been at. The reason was Q3 in FY23 was an unseasonably high quarter for this particular metric because of a few discharges that were very high in value because the underlying volumes are low, it's a low base effect of a few big discharges skewing this particular metric. But if you look at a longer time series, you will see that this is not something that concerns us.

Gagan: And from an occupancy standpoint, how's been Cayman doing year-on-year?

Anesh Shetty: Sure. So, we prefer to disclose discharges, outpatients and those kind of productivity metrics, but you know occupancy will change and can be skewed basis on the percentage of patients we focus on Daycare versus non-Daycare. So, in terms of the activity metrics, like outpatient numbers, discharges, etc., number of surgeries, so we have seen a good growth that you can see even in the series of similar presentations every quarter. A lot of that has been driven by more of a high throughput procedures of, especially in the outpatient services that we are focusing on these days.

Gagan: Okay. And when does the new facility come on board? I presume it will be next year but is it possible to understand exactly when next year are you scheduled to bring it on board?

Anesh Shetty: Sure. The answer would be a range but we are aspiring to do it closer towards the end of Q1 of next year. We have more certainty around when the facility will be ready in terms of its infrastructure but then there is a series of regulatory requirements as well that does have a broad range and we have less control over. But our intent is to start in towards the end of Q1. More specifically, definitely, it will be around June; June-ish, I would say, yeah.

Gagan: Okay. And the Oncology Unit that you commissioned this year, year to date any possibility to understand the contribution to the Cayman revenue and profits from that specific unit?

Anesh Shetty: Sure. So, nothing that I can share in specifics but more qualitatively the unit is doing very, very well; better than what we expected. We're pleasantly surprised with it. Radiotherapy in any geography, whether India, Cayman or whatever, is always going to be a high margin service from a P&L perspective because our operating costs are quite low in Radiotherapy and that Oncology facility as of now is only Radiotherapy. So, in that sense, it's definitely margin accretive, and we are happy with the volumes and revenue we're raising so far.

Gagan: Right. Final one from my side on the India piece as we head into the next year, is there a reasonable case for an early double digit sort of growth? I mean, would you be in any way constrained to achieve that? I'm not talking from a demand perspective, more from, one, your ability to service that kind of demand and, two, from the fact that you are looking to do something about changing payor mix. So, is that a reasonable possibility given these constraints or are we looking at a different sort of aspiration there?

Viren Shetty: I will answer this one.

Sandhya J: Yeah, Viren, go ahead.

Viren Shetty: Nothing constrains us other than our ability to not disclose what next year's numbers are going to look like. Yeah, Sandhya, go ahead.

Sandhya J: Yeah, thanks, Viren. So, there are a few aspects we have to keep in mind. One, of course, like you rightly highlighted there is a payor mix work which is ongoing, and we will take it as the year progresses. It's an election year, so we are taking some actions towards that but we may take some different actions after we get more confidence on cashflows. So, that's one aspect.

The other aspect is that we are working continuously on our throughput and that's been our journey. If you see for the past several years, we've not added a single bed. In fact, we have rationalized beds, we have repurposed beds, we have converted some of our General Ward capacity into ICU, Private Ward capacity. So, we've been rationalizing our business and improving our throughput on an ongoing basis. So, that should help us service the

demand as well. Having said that, we can't make any forward looking statements on where we are headed. Our journey is a little more long-term journey because we are not taking very immediate bed addition decisions, we are not doing any significant acquisition. We are buying land and building, so which means our next point of inflection will come when all the capacities go online and until then we have to keep doing more of what we've been doing for the past several years to be able to deliver results. So, I don't know if I answered your question, but I think that's really how we're looking at it.

Venkatesh R: We have seen the pickup happening to some extent after the Q3 but it is a task cut out for us and we are pretty confident along with our efficiency drive, as Sandhya mentioned, we would also be able to build up on our volumes.

Nishant Singh: Gagan, any more questions from your side?

Gagan: Just one follow up, which is that, on the throughput. Since a lot of emphasis is laid on improving the throughput and operational metrics, is it possible to understand what are your aspirations there? For example, if with the same bed capacity next year with all that you have invested in increasing throughput, how much can you improve the throughput?

Dr. Emmanuel Rupert: Yeah, we are constantly working on this, whether it is a procedure driven or whether it is any of our processes of diagnostics, by increasing the workstations in the diagnostic space for Ultrasound, ECHOs and seeing more throughput in the CTs/MRIs and all these things so that we'll be able to service more because we are able to see the need from our OP EMR which we have an adoption, which is very high, touching 80% plus and we know that there is an opportunity for us to see the throughput increase in these areas and that is one area where we are working on. And while the procedure areas, whether it is Infusion Centers with our Onco program or the program with the Dialysis or various other Daycare procedures, we are trying to see how much we can do within the very shortest possible time. So, we're trying to do most of our Angiograms like a short stay within 4-6 hours kind of a period so that we'll be able to do 2 and, in some cases, even 3 shifts in the same bed which we'll be able to utilize.

So, these are all some of the things which we are working on. It's a constant work with the clinical teams and hopefully we'll master it in 2-3 quarters down the line.

Viren Shetty: So, the way you track it is to check on the ALOS and the footfalls that we're achieving per quarter.

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

Nishant Singh: Thanks, Gagan. Robert, can we please have your question?

Robert: Hello. Could you just talk a little about your longer-term capital allocation? So, when you're looking at your key markets, how you're seeing supply demand, the way you see the opportunities? And so, looking beyond the kind of the next 12 months, how you're weighing up the different opportunities?

Viren Shetty: Yeah, I'll answer this one. Our key priorities are winning greater market share in Bangalore and Kolkata. So, for the next decade at least the bulk of our investment will focus on these two geographies. The remaining will just be strengthening the existing hospital set that we currently have. So, that means adding more beds or adding adjacent capacity to the existing network. So, most of this will be in some combination of Brownfield and Greenfield investment in hospitals, clinics, pharmacies in the network of cities that we're currently operating on and this will be the case for the next easily 10 years.

Robert: Thanks. And just with that in mind, so when you're assessing the kind of supply side of the equation what are you seeing in terms of your peers actions and so on? And do you think that gives you a kind of a clear enough runway in that regard because it sounds like you do?

Viren Shetty: Sorry, by peers action do you mean…? Could you just clarify that part?

Robert: In terms of general hospital and clinic supply across those markets. So, if you look, I presume, you can see what your peers are up to a reasonable degree.

Viren Shetty: Yes, it's fair to say that most of the mature cities in India have an adequate supply of hospital beds but they are short of very high quality beds and so there is a shift in the preference for patients to move from the very large unorganized sector, which constitutes essentially 90% of all the private bed capacity in the country, and for them moving away from unorganized hospitals and unlicensed nursing homes to larger, more accredited hospitals. So, in that sense, while there is a crowding effect of most large corporate healthcare groups being focused in the large cities, it does not represent the true demand that exists among the patients in those cities and the demographics are in our favor with rising incomes, rising old age. We do believe that the opportunity set is tremendous.

Robert: Sir, do you mind if I just ask one follow on onto that, just in terms of how you're anticipating, for example, the insured mix versus out of pocket, et cetera? How you're expecting that to evolve over the next 5 years?

Viren Shetty: For us or for the sector?

Robert: Well, for you in particular.

Viren Shetty: Sure. As of now, it's about 20%-22%, it hovers between that range for organized payors

whereas for a peer group it's sometimes close to 40%-50%. So, our aspiration is to reach those numbers. I'm not sure that we could achieve it in 5 years, it may take us a bit longer just because of our patient mix and our legacy of being a provider of very low cost, subsidized services to large numbers of people but the aspiration is to get to what the peer group is able to achieve.

Robert: That's great, Thank you very much.

Viren Shetty: Thank you.

Nishant Singh: Thanks Robert. Abhishek, please go ahead.

Abhishek Hello? Am I audible?

Viren Shetty: Yeah, we can hear you.

Abhishek Yeah. So, my question is, I think there is a decline in the Q3 versus Q2. I know we might have already spoken about the seasonal effect, is the seasonal effect more pronounced in the northern and the western region where we are seeing decline or is a seasonal phenomenon across the country? That's my question, Number 1. Yeah, then I'll ask another question.

Venkatesh R: Yeah, of course, the seasonality is a little bit more. The impact of seasonal fluctuations is a bit more in the northern and western side of the country. Of course, seasonality has affected the other parts also, but it has affected us more in the North and West. Typically, most of these hospitals have a higher volume of scheme patients and mix in such hospital. Added to the fact that we are consciously trying to take the effort to improve our payor mix and the replacement is going to take time for these paying customers, this benefit will also take some period of time and that's the reason why there was a little bit of further dip in this. But if you look at the way in which units in these regions are performing, Dharamshila generally generates reasonably double-digit margins quarter-on-quarter, Gurugram also expect few aberrations. This quarter is always in a single digit margin, and it's also shown good improvement. And Mumbai also is expected to be positive in the late Q4 and then maintain several margins from then on.

So, though there has been a bigger fluctuation because of this reason but, I guess, they are giving meaningful contribution to the overall scheme of things and should be able to maintain this.

Abhishek Sure. I guess you also talked about that bulk of your focus over the next 10 years is going to be the Bangalore and the Kolkata region, right; the Greater Bangalore and Kolkata region if I may say so. Do we have, let's say, a huge untapped market in these two regions that we

have a pretty long runway or is it because in the North and West we don't have a strong brand presence? Like what's the reason of like focusing on the Southern region and Eastern region?

Viren Shetty: So, two reasons for that. One is that the Bangalore and Kolkata hospitals that we run are all full and so you naturally build capacity where you're sure you're going to get all the patients to fill it up. There is huge demand in North, huge demand in West, even more demand in other parts of Eastern Central India. It's just that it will take us longer to fill up those beds while the investment it's essentially the same; the construction cost in any part of India is roughly the same. So, the confidence that we have in filling our beds and generating quicker returns is much higher in Bangalore and Kolkata. That's one of the, let's say, the most non-emotional, spreadsheet driven reasons why we would invest in these markets. The other one is that these are the places where we have the highest brand recognition, highest Market Share but we're constrained in being in very few locations around the city. There was a time when a lot of patients would travel for days to come see us or they'd be willing to wait a very long time to get an appointment with some of our doctors. That's not the case anymore and so we are not able to hire more doctors, we're not able to accommodate more people in the same current setup. So, we have to add more capacity to accommodate all the patients who want to see us but are not willing to wait 4-5 days in order to do so.

Abhishek Understood-understood. And then from the capacity expansion standpoint, I guess, we have a very good Debt-to-Equity Ratio, could we not have expanded or done more Capex? Just a question on that because I see that we do have the requisite sort of comfort there.

Viren Shetty: Oh! We absolutely want, I mean, I'm the biggest proponent of pushing for more Capex but then Sandhya's job is to hold us back. So, we do what Sandhya says.

Abhishek Alright. Yeah, those were my questions. Thank you so much.

Nishant Singh: Vinay, please go ahead with the question.

Vinay: Yeah, can you hear me?

Nishant Singh: Yes, we can hear you.

Vinay: Yeah, just quickly, in terms of going forward areas of business like your Oncology and the Heart part, which other areas are you seeing expanding into or would you like to focus on only these two major ones? I'm in bulk of your business?

Dr. Emmanuel Rupert: Yeah. So, though these constitute a major portion of our clinical work. Orthopedic, Spine, Neurosciences is one area where we are constantly looking at opportunities for growth and

that is also more or less a community based growth because usually patients because of mobility reasons will come from a 50 kilometer radius for all these kinds of work. While GI Sciences and Acute Care, which constitutes Emergency Care and the Critical Care, forms a major portion of our work. So, these are the areas where we are constantly looking at growth on this.

Vinay: Yeah. My second question was, you had mentioned that you would like to be a lowest cost like not lowest but comparatively lower cost service provider, and you would want to match that with some specialty kind of procedures which would gain you more revenue with less time spent at the at the hospital. So, is there any kind of tradeoff between these two because I understand your service culture does prompt you to go for more value-added services?

Dr. Emmanuel Rupert: Yeah, if you look at it, Neurosciences is got a combination of more of OPD practice and most of the procedures now are becoming minimal access and endoscopic and different kind of procedures. It's not necessary when you say that all those days of neurosurgery being very large; ghastly surgeries are no longer there. A lot of things work on an interventional neurology platforms and things like that which has got a very minimal stay. So, we do look into all these aspects but when we give a service you can't give a patchy kind of a service because patients come for a variety of the spectrum of requirements across a specialty and we need to be there and we have the ability and have the clinical bandwidth to service them. But these are not something that will be in large volumes but will give a lift to the department so that even the routine work comes in large numbers for us. So whether it is GI sciences or neurosciences these are all the same, these are all very short stay you know minimal access work that keeps happening. Critical care is a very crucial element because if you are going to look at emergency care and acute care, critical care becomes a crucial element then it is not necessary with all these advances and sciences that they will spend. There is a portion maybe 10-12% or 20% of the patients will spend time but a lot of them recover very quickly nowadays.

Vinay: And one last question, is there any geriatric care planned given the demographics moving?

Dr. Emmanuel Rupert: We do have in our flagships people who specialize in geriatrics so that they don’t land up with 5-6 cross consultations across multiple departments, but they will take into account specialists as and when required. But by nature of the way the spectrum of work happens geriatrics is a reasonable volume that we deal with in all our centers.

Vinay: Thank you very much.

Nishant Singh: Rishi, do you have any questions. Abhishek, any more questions? You have raised your

hands.

Rishi: Yeah, so I will just go ahead with my question. Viren, you just mentioned that you know the demand scenario has changed over the last few years for you guys where earlier patients used to come from far off, they used to wait for days or weeks for your doctors' appointments. Now that's not the case anymore. Doctor talent retention is becoming tougher. So, could you give more of an understanding here what's happening because from what I understand your value proposition is very high. So, a patient who cannot afford does he have more options now and that too closer to his city or what's happening here, if you could just give an understanding.

Viren Shetty: We are in a big city, the options for most normal kinds of surgery so gall bladder, caesarian section, any sort of compound fracture those are almost universally available within walking distance of your house if you are in a big Indian city meaning the top 10 cities of India. But that's not necessarily the area that most corporate hospitals play in. For them it is about being there for the heart surgery, cancer surgery, very advanced procedures. But it doesn't mean that those procedures don't happen, they absolutely do happen in large numbers. But then that tends to be driven by convenience. So, a lot of the investments we are making in increasing our footprint, in looking at the Greenfield expansions is to be able to cater to a large segment of diseases. We are building also a large number of clinics which we historically never did, so that their first point of entry for whether it is even for a cough or a cold has to be within our network. So, since we built an integrated plan around that then we see that there is a lot more value in sticking to one network provider for all your issues and we will have all information, we will be able to treat you much better and we will have a much better idea of the longitudinal view of what happened to you in your life. So, in terms of the demand, yes, it is currently being fulfilled in quite a large range of hospitals of different kinds of quality standards. The preference always is that people get it done at more accredited places and we want to be able to cater to that.

Rishi: Alright, so basically you are going closer to the customer but how does this play out in terms of ROCE, is it dilutive for you guys or accretive.

Viren Shetty: Short term, very dilutive, the thing is no patient came here and asked for my ROCE and I can't pay the doctors' salaries in ROCE. So, it is yes, it is something that has been definitely a point of concern for us which is why we don't do very large acquisitions and we take things in a much more moderated way. But it is the only determinant for how we decide to spend our money. In a perfect world we will just stick with the network we have and just keep on flogging it till the day the building falls down. But that means that you are foregoing a lot of opportunities which we don't want to either. So, in terms of establishing

a footprint, building out significant capex for the next couple of years since we have the borrowing ability to do so and it won't, you know, we have the cash service ability as well, we will do that till we are no longer able to expand any more in which case we operationalize all the things that we've built and wait for things to improve again.

Rishi: Alright.

Venkatesh R: I mean, if you even categorize the way we service, one at the national level, one at the local level, and one at the hyper local level. We need to also have solutions across all the three categories. So, when it comes to quaternary care which we have in these flagships we look at catering to national level, even at international level and when it comes to tertiary care like neurosurgery, orthopedics, we have solutions at local levels. Also, when it comes to hyper local levels the obstetrics, gynecology, pediatrics, we have hospitals which cater to this level. So, you need to be available to provide solutions to each of these categories and that is where we are working towards.

Rishi: Got it, got it. Thank you.

Nishant Singh: We have a lot of questions which have been typed because there were some issues with the speakers of the participants, so I think we should take them now. There are questions from Utkarsh and Riddhi basically on the capex spending for this, yeah basically on the capex spending for this year and next year. So, I will take that question and maybe Sandhya can probably add. See, for capex for FY24 we had a projection of around INR 1100 crores and we have already spent close to INR 500 crores, and we have the POs also lined up, added to that we have this Rajarhat expansion for Kolkata where we have capex of roughly INR 180 crores lined up for this quarter. And we also are in the advanced stages of procuring a land in Bangalore so if we add it up all I think we should be there at around INR 1000 crores and slightly above for FY24. For FY25 we don't have a finalized plan but given that we will be growing by adding hospitals and clinics at a lot of places, especially our flagships, you can take a rough estimate of around INR 1200 crores even for FY25. And as Viren has already mentioned very clearly that we will be mostly expanding in our flagships which is Bangalore and Kolkata in India. So, a lot of our capex specially for the brownfield and greenfield will be towards these two cities, the bulk of it and Raipur as well. For Cayman, as Anesh also mentioned we will be done with this new hospital construction by say first quarter of FY25. Beyond that we don't have any greenfield plans for Cayman, but we will keep exploring other inorganic expansions in the other nearby islands and other international locations. Anything else.

Sandhya J.: Yeah, maybe I will take the rest of the questions.

Nishant Singh: Yeah, sure, Sandhya.

Sandhya J: Thanks, Nishant. So, the question on payor mix like we said this we do want optimize payor mix in the long term but what we are doing right now is rationalizing for cash flow and as well as trying to see if we are having the ability to correct the payor mix. We don't want to guide a target on this because there is a segment we want to serve as well. But we want to find the right balance, so we are not guiding on the payor mix.

In terms of our patients' response to our services, I think one measure we could look at is say Google reviews. We have on an average the industry top tier players would be at an average of about 4.6 kind of number. In most of our hospitals, flagships and large hospitals it is about 4.8 and across a large number of review counts. We are believing that whatever actions we are taking in terms of improving the patient service outcomes it is being appreciated by our patients, but it is a constant journey and we will have to keep working on it. In terms of comparing our procedure cost versus our peers, I think a good way to compare this rather than we trying to put out some number other there, a good way is for you to be able to derive this, the costs are almost exactly the same for every player, any large player. I am not sure if we can say that we will be buying something cheaper than another large, listed player. But if you look at our realization profile it is relatively lower to many of the top 5 players. And at the same time our cost profile is at par with the top player so that's the reflection of the efficiency and scale at which we play. So, that should give you a broad comparison on how we are operating. In terms of how much it costs for building a hospital with land prices being premium and depending on where we choose to build it will cost anywhere between 1.5 to 2 crores. If the land cost is very, very high then it can even go up beyond that. But approximately including everything it is costing or going to cost 1.5 to 2 crores per bed. Our initial capital investment for health insurance we have invested INR 100 crores in the health insurance business, and we are going to start with that and this will run us into the next year and a little bit after, and after that we will see how the investment will build on. As far as the question on tech, maybe I will request Viren to take that question. The question is that you have developed a lot of tech internally.

Viren Shetty: We do have a patient facing app called NH Care, we are in the process of rebranding it. Essentially, we want this to be the one-stop shop for accessing all of your hospital-based services. Its capabilities currently include being able to book appointments, pay for any tests that you order, see the results of your tests, get any bio of all the doctors that we have and be able to check on the status of any of your people/your loved ones who are already into the hospital. The roadmap to this is eventually to roll this into our NH Integrated Care Plan which would then allow you to buy a Care Plan, be able to coordinate

with your Care Coordinator on the app so that they would remind you of any upcoming whether it is checkup or appointments or any tests or medicines you want to order that can be done on the app as well. And you can use it to keep track of, ultimately when the insurance rolls out, you can keep track of your insurance, the sum insured and all those sorts of things. So, patient facing app has you know got a lot of good reviews, it is still got to be worked out but like all things a lot of work still needs to be done. We are also trying to roll in QR codes into the apps so then when you are in the hospital, this becomes sort of the fast track for you to go to the different parts of the hospital to pay for things, identify yourself at the entrance and act as a sort of passport for you within the hospital, that also is work in progress.

Nishant Singh: Even medical research wing.

Viren Shetty: We do have medical research wing, I will ask Dr. Rupert to talk about it.

Dr. Emmanuel Rupert: We have got a fairly robust medical research wing headed by a very good clinician who was a cardiac surgeon but he has worked in the Bristol University and has got a major interest in research. He works as our Chief Scientific Officer. And recently one of the professors from Vellore having major interest in immunology and research has joined us. They form part of the leadership team and are working on disciplinary research. And last calendar year we had in excess of 200 plus publications, with these publications are having an impact factor of more than 1, and which have been published in the PUBMET accredited journals, and these are not some journals which are having a lower impact journey. And we have various incentivizing plan for people who take time out for research and publications and presentations across the network. But we have a very good ecosystem in the Health City campus for basic science research in addition to clinical research. But as we are doing more and more electronic medical records and almost 100% of our OP EMRs, OP consultations are getting captured. The ecosystem for various kinds of trials, outcome analysis and survival scores after 2 years, 5 years after multiple kind of therapies is all going to be available in a couple of years' time because we have a very good data capturing. The more data that gets refined the better the outcomes. And since we have distribution of patients coming from a vast segment across the country it is almost like doing multicenter trials within our own organization, you don't have to go outside the organization to do any kind of research. So, the ecosystem is for basic sciences research in addition to the clinal database, and we also have a tie-up what is called a redcap database for doing these clinical trials. And all our units have access to good journals from Elsevier's Clinical Keys and upto date and clinical decision support system which we have online and which is available to all of them even from their homes. So, they have an ecosystem for this, and we have

demonstrated for the last 3 years consistently we have very good publications in journals which have an impact factor of more than 1, more than 200 plus this one. And that is something which we have been constantly working on. As of now industry funded research is in excess of 80 across the entire network. And main areas of research are in apart from cardiac sciences has been in oncology, neurosciences and critical care.

Nishant Singh: So, I think we have been able to answer all the questions, even the typed ones now. If anything is pending from the typed questions, can the participants again request. I think we are done with the questions.

Viren Shetty: Gagan, do you have a question?

Nishant Singh: Yes, Gagan.

Gagan: Thanks for the follow up. Just two questions, one on the tax rate as we get into the next year - we have had a low tax rate this year, how does it work out for the next year. And second, is the capex for the next year also budgeted at a INR 1000 crores if I heard it correctly?

Sandhya J: Yes, go ahead, Nishant, go ahead.

Nishant Singh: As we mentioned earlier capex for next year is not finalized but it should be roughly in the same number of around INR 1000-1200 crores.

Sandhya J: Tax rate for next year will be similar, Gagan, except that this year we had some benefit accounting benefit in Q2 given that we shifted to the new rate and some of the deferred tax liability is reversed. Adjusting for that we should have a similar rate. So, essentially most of our units are now on the new tax regime except the NHSHPL which is we still have some brought forward some losses set off only after that it can move to the new regime. And depending on the mix between India and Cayman our effective tax rate will get moderated.

Gagan: Right, so as far as funding for next year's capex is concerned so far you know we managed to retain a net cash position with another INR 1200 crores for next year, how do you propose to fund it.

Sandhya J: So, we will do a mix of bank borrowings as well as we are planning to do an NCD raise. And some internal accruals also we will use. We don't expect to be in this very low debt EBITDA at least for the next 2-3 years because we have stepped up the pedal on our capex, over the past two years we have spent close to INR 1000 crores and we want to continue to do that. So, which means that these will not come from organic cash accruals. So, you will see a higher ratio on debt EBITDA in the medium term till you know all the investments that we are making start returning money and given that we are prioritizing buy land and build

more greenfield so therefore the cycle is also going to be longer in terms from the time we make the investment to the time the cash flow starts coming in. So, you have to expect that a significant amount of the capex is going to be funded through debt.

Gagan: So, what's the debt to EBITDA levels you are sort of looking at as a ceiling or a peak which you don't want to breach.

Sandhya J: So, we historically wanted to stay at a ratio of 2 but then we also are aware that if there are meaningful opportunities which we have to go after and if there is in the short term we need to breach the ratio. We may not go after the opportunity because of the ratio. We will be balanced about it, but we have to breach it in the short term, we may take those calls depending on what opportunities come our way.

Gagan: Any further idea you can give as to where exactly is the INR 1200 crores being targeted, you've given the split for this and last year's INR 1000 crores each, any further details that can be offered on next year's INR 1200 crores.

Sandhya J: I didn't hear the question because I had a drop of connectivity.

Gagan: So, what I was asking is for the composition of that capex for this year and last year you have given a break down of the capex in Cayman and India and what exactly are you sort of doing with it. So, is it possible to understand for next year the INR 1200 crores of capex which you propose where exactly are you putting it.

Sandhya J: While we are still working on the details, maybe I will request Nishant to take this question.

Nishant Singh: Sure, Sandhya. See, Gagan, we have this normal capex of biomedical, civil for all the hospitals which is around INR 400 crores to 450 crores, so we can take a 10% jump on that so INR 450 crores for general capex. And anything apart from that within that gap of INR 1200 crores will be for the expansion which could be a mix of expansion in Bangalore, Kolkata and a bit of that in Raipur as well. So that is a broad split.

Nishant Singh: For Cayman also we will have regular capex and the last mild portion of the new hospital capex which will be around INR 150 crores. So, that is the broad split of the INR 1200 crores planned capex for next year.

Gagan: So, a final one from my side on the Sparsh acquisition that you did last year. What has been the ramp up like? And if I recall correctly one of the reasons also was that it will help you create additional or you know sort of transition some capacity in the Bangalore facility to Sparsh and create some additional capacity at the Bangalore hospital. So, just wanted to understand how is that working out. And second one what's the status on your clinics and insurance program if you could update us there.

Venkatesh R: First one I will take which is the Sparsh, Sparsh has completed 5 quarters post-acquisition and has been moving the way we had projected it and doing very well in terms of margins it is working similar to the margins which we have in Health City. We have had a lot of benefits by acquiring Sparsh in terms of cost rationalization because since it is located in the same complex, we have been able to leverage the manpower of the existing campus into Sparsh to work on savings and manpower cost. We have been able to leverage on economies of scale and efficiency in consumption to have savings in consumption cost. And also in terms of the overheads. And as a part of capacity de-bottlenecking Sparsh has also helped create additional capacity in our main centers as an add on to the already executed program on improving operational efficiency throughputs and all. That has actually created basically added more virtual beds because since the inception of Sparsh over the last 5 quarters. So, this quarter of Sparsh has also been as per plan and as per the budget.

Gagan: The second one?

Ravi Vishwanath: Yeah, the second question was on the integrated care and insurance. So, these are still early days we continue to focus on, rather be the pilot in Bangalore, we may progress over the course of the quarter, we have added a clinic and would be adding more in the current quarter as well. And we are focused on building our product services and adding to mix. In terms of insurance, as mentioned earlier we expect to start operations sometime next year.

Gagan: A final one if I am allowed to, and this would be on Cayman, you will start the new hospital in June. How are you looking at you know the scale up of that one and the implications that has for the existing one specifically for FY 25-26 if you could give a broad idea.

Anesh Shetty: So our intention is to hopefully start by June. I mean these things can get delayed a couple of weeks basis on factors beyond our control but that's the aim. In terms of how it will impact, so, as we discussed during the previous call as well we are going to be front loading a lot of costs because we are commissioning a new hospital. So, there will be some front loading of costs that hopefully will be mitigated fairly soon because it is not a new geography. So, although it is a new building, a new campus, it is still within the same island. The market knows us very well, it is a relatively small market we have been around for close to a decade. We don't foresee it taking very long to get people flowing through the facility in reasonable numbers. Having said that we do unfortunately have to frontload all our fixed costs. Cayman as a market in general there is a very high degree of operating leverage which explains the profitability but at the same time when we are ramping up it also explains the high fixed costs in the beginning. So, we hope to climb over those fairly soon.

Viren Shetty: I think we have one last question. After that this call automatically terminates. Rishabh?

Rishabh: Yeah, this is building on the previous response, you mentioned around INR 400 to 450 odd crores of routine capex that NH has. Is this only for India business or this includes the Cayman business as well.

Nishant Singh: This is largely towards the Cayman business - for India business, sorry, Cayman business we do not have too much of general running expenses. Most of the capex for Cayman is towards the new hospital construction. When we say INR 400 crores, majority of that is towards India business.

Viren Shetty: And this is a work that is already in progress across the different hospitals as part of their overall transformation and expansion activities.

Rishabh: Understood. One last question, what would be the overall impact of IND AS adjustment that we do for rent in India business as well as Cayman business?

Sandhya J: I think that is disclosed as part of our investor deck, we did give a footnote of adjustments.

Rishabh: So, INR 18 crores is what the overall impact, is there some way to bifurcate it into India, what would be the India aspect of it.

Sandhya J: You can assume all of it for India actually, you know, there is nothing material from IND AS point of view in Cayman.

Rishabh: Okay, understood. Thanks.

Nishant Singh: I think with this we would like to conclude our session. Thanks everyone, for your active participation as always. Please do feel free to reach out to us for any further questions you may have. Thank you.

End of Transcript