Apollo Hospitals Enterprise Limited

Transcript of Q4 FY24 Earnings Conference Call

May 31, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Apollo Hospitals Limited Q4 FY24 earnings conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you, and over to you, sir.

Mayank Vaswani: Thank you, Dorwin. Good afternoon, everyone and thank you for joining us on this call, hosted by Apollo Hospitals to discuss the financial results for the fourth quarter of financial year '23-'24, which were announced yesterday.

We have with us today the senior management team, represented by Mrs. Suneeta Reddy - Managing Director; Mr. A. Krishnan - Group CFO; Mr. Sriram Iyer - CEO of AHLL; Mr. Ashish Maheshwari - CFO of AHLL; Mr. Obul Reddy, CFO of the Pharmacy business; and Mr. Sanjiv Gupta - CFO of Apollo 24/7.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance have been circulated earlier and will be referenced during this call.

I would now like to turn the call over to Mrs. Suneeta Reddy for her opening remarks. Thank you, and over to you, ma'am.

Suneeta Reddy: Thank you, Mayank. And good afternoon, everyone. Thank you for taking time to join our earnings call. It has been just over a month since our previous investor interaction, and it is my pleasure to interact with all of you once again. I trust that each of you have earnings document, which we had shared earlier.

FY24 has been an eventful year for Apollo Hospitals. We have reported strong double-digit growth in consolidated revenue and profit after tax with a solid traction on all of our business lines. Continued solid operational progress in the healthcare services business across parameters of case mix, payer mix and the ARPOB. Investments in high-end technology, cutting-edge treatment for patients are gaining traction with increasing number of robotics and minimally invasive surgeries and advanced procedures like TAVI and TAVR with outstanding clinical outcomes. We have maintained the pace of network expansion with the addition of beds in Indore and Rourkela for the Hospital business, a net addition of 489 pharmacies and several additions across the Apollo Health and Lifestyle facilities and diagnostic centers.

Against that backdrop, here are a few highlights for our Q4 FY24 performance.

Our Healthcare Services business witnessed a strong 17% year-on-year revenue growth, picking up the pace of growth from a relatively slower start at the beginning of the fiscal year.

Within this, the cash and insurance revenues grew by 17% year-on-year and contributed to 82% of our IP hospital revenue. Revenue from international patients also grew by 24% year-on-year. These represent the outcome of our focused efforts to optimize our payer mix.

IP volume grew by 6.1% year-on-year. Within this, surgical volumes grew by 9% year-on-year, maintaining a healthy trajectory. Tertiary care specialties like Oncology, Neuro Sciences and Gastro Sciences grew at a healthy rate. Higher secondary specialties too witnessed a robust growth due to patients preferring the organized sector care enabled by insurance products.

Overall, occupancy across the group was at 65%. This has been achieved despite a marginal reduction in ALOS year-on-year and after recalibrating some beds for focused specialty clinical requirements and optimizing realization.

ARPOB on an overall basis increased 12% year-on-year to INR 59,523.

Financial results: Our consolidated revenue grew by 15% on a year-on-year basis to INR 4,944 crore. Healthcare Services grew by 17% to INR 2,563 crore.

Revenues from Apollo HealthCo were INR 2,027 crore in quarter 4, growing at 13% year-on-year. Revenues from Apollo Health & Lifestyle registered a growth of 15% year-on-year at INR 355 crore in Q4 FY24.

Consolidated EBITDA was at INR 641 crore, registering an increase of 31% year-on-year. Within this, the Healthcare Services EBITDA was at INR 593 crore, registering a growth of 11% year-on-year and Healthcare Services margins were at 23.1%.

The marginal dip in margins was due to curated investments in new doctors and enhanced sales and marketing costs. We believe that these investments in clinical talent would lead to traction in volumes in FY25 and our increased focus on discretionary costs will help us restore and grow margins.

The pharmacy distribution business in Apollo HealthCo recorded an EBITDA of INR 134 crore, year-on-year growth of 11%. 24/7 operating costs were INR 151 crore, lower than the operating costs of INR 156 crore in the trailing quarter of Q3 FY24. Apollo HealthCo has, therefore, reported an EBITDA of INR 12 crore, sustaining a trajectory of positive EBITDA.

AHLL recorded an EBITDA of INR 36 Crore, 40% year-on-year growth and an improved margin of 10.1% as compared to 8.3% in Q4 FY23.

Consolidated PAT was at Rs. 254 crore, a strong growth of 76% year-on-year.

Within the Healthcare Services business, we have delivered a ROCE of 26.1% with balanced ROCEs across all our geographies; the metro, the Tier 1 and the Tier 2.

The Private Label and Generic business of pharmacy was at 16.1% of total pharmacy revenues. Our digital platform, 24/7, added 2 million new users. The platform GMV was at INR 681 crore, representing a growth of 35% over the same period in the previous year.

The outlook for FY25 is clear and exciting. We are pursuing multiple vectors to drive growth and improve profitability and ROCE.

These include a plan to operationalize 4 new hospitals with 1,500 beds in the existing markets, is well on track. We will go live with our new hospital in Gurgaon as our anchor hospital for NCR as well as Kolkata, Hyderabad and Pune within the calendar year 2025 to 2026.

In the Healthcare Services Delivery business, there is a concentrated effort to enhance surgical volumes across key Centers of Excellence. These will be driven basically by the augmented medical team, higher-end procedures, innovative therapies such as CAR-T cells and aided by tailwinds provided by steadily increasing proportion of insurance patients in our payer mix.

We are also implementing cost optimization measures, which accompanied by growth in surgical volumes should help improve Healthcare Services EBITDA margin by 150 basis. We are committed to achieving breakeven for Apollo 24/7 Digital business within AHLL in the next 6 to 8 quarters. We will continue to grow the platform GMV for Apollo HealthCo in FY25, while progressing on the transaction and integration. We will deliver a healthy growth on the diagnostics vertical with an expanded test menu, and therefore, increasing margins.

On that note, I would like to hand it over to our moderator and open the line for questions and answers. I have Krishnan, our CFO; Sriram Iyer: from Apollo Health and Lifestyle, as well as Obul Reddy and Sanjiv from Apollo HealthCo with me to take all of your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: While we have said that there are multiple vectors of growth, can you provide more quantitative details on the growth outlook for each of our top 3 businesses; Healthcare Services, Pharmacy and AHLL for FY25?

Suneeta Reddy: So let me start with Healthcare Services; so, we are looking at a growth of beyond 15%. This growth will be driven by volume, and we say this with confidence because as we look at part by our network expansion and better asset utilization, we also looked at our payer mix within these markets. There is a significant growth in the penetration of private insurance. And this is enabling people who would, otherwise, go to smaller nursing homes to come into the Apollo system, and I think it's creating access, and this is really driving volumes.

The second aspect of this is we have been focused on international patients. However, all of the connectivity was not as good last year as it is this year. And with that, international patient revenue is currently at 7% of total revenue. But in Delhi, it's at 20% of total revenue. So, we do hope that this will again move up the occupancy and ARPOB.

The third is Centers of Excellence. We've made investments in Onco and neuro, but beyond that we've been able to attract the best doctors in these fields. And with that, we are seeing a growth of about 20%. I think we ended the year with close to INR 2,300 crore of revenue in Onco alone as an example. So, there's also cardiac. So, we've on-boarded 150 new doctors who you know this year is like a cost and really took away from margin. But as we go forward, these doctors have already started contributing, they will contribute. And some of them will be moved into our new hospitals so that we can achieve breakeven faster as we open these new hospitals.

Sanjiv Gupta: I will take HealthCo. So, a couple of things, if you look at FY24, we grew by about 73% in the digital business versus FY23. As far as the current fiscal year is concerned, FY25, we're looking at anything closer to 50% growth from the current levels of INR 2,700 crore for GMV that we did in the previous year.

Majority of the growth is going to come from the pharmacy. And we have got certain action plans, which talk about increasing the private label, increasing the assortment and also looking into the omni way of acquisition of the customers and then looking into the entire Apollo ecosystem to ensure that we have more access to the customers, and we have more number of transactions over there.

Diagnostics will continue to grow. And apart from this, we are also banking on insurance and digital therapeutics. These are the 2 verticals that should give us a decent margin. And apart from the fact that corporate partnerships across the Apollo ecosystem is, was something which we believe that current year will give us the growth momentum.

As far as the front-end or the offline stores are concerned, we closed with about 6,000 stores in FY24. We added about 500 stores in the previous year. We strongly believe that we would add another 500 to 550 stores in the current fiscal year. And would see anything between 20% to 21% as the growth in the offline business. That's from the Apollo HealthCo.

Kunal Dhamesha: And just since we are kind of discussing the offline pharmacy, the growth in the quarter 4 is quite below the run rate, right? And we have highlighted that there is some liquidation at the front-end stores. So, can you quantify that impact, had that not been there, what could have our growth within that?

Obul Reddy: Last year FY23, as you are aware, we have added about 1,100 stores in view of that. And also, to increase the stock in our existing stores, we have increased the stock by about INR 248 crore. Against this, in the current year, the stock increase is only about INR 97 crore. We have not added anything in the existing stores, only for the stores opened during the year, we added the stock. This is because of the store-level stock rationalization, which consciously we planned and worked. That is the reason. So, there is a delta of about INR 150 crore lesser stock at the front-end, which means lesser sales for the AHEL's pharmacy distribution. This is the only factor that has influenced the growth. And as we move into the next year, we are factoring about 22% growth in the front-end, which should reflect in the back end.

Kunal Dhamesha: And sir, the 248 stores that we have opened, that would have also led to some more inventory filling in those stores, right? So that should have also positively impacted...

Obul Reddy: Not 248 stores. It is about 550 stores we opened during the year, wherein we've talked about INR 80 crore worth of stock. Against last year, where we opened 1,100 stores, where we stocked about, say, INR 150 crore. Apart from it, in the existing stores, we have increased the stock last year through the rationalization of SKUs, etc., by about INR 90 crore.

So overall, from the beginning to the year-end, there is an INR 248 crore increase in the stock in FY23 over '22, whereas a similar number in '24 against '23 is only INR 90 crore. That difference is a delta that reflects in the sales of back-end because APL is the exclusive, I mean, AHEL is the exclusive supplier for the APL.

Kunal Dhamesha: Okay. So, there is inventory rationalization at the API level, right?

Obul Reddy: Yes, almost. That impact is about INR 150 crore on the sales of back-end pharmacy distribution.

Kunal Dhamesha: And when you open a new store, typically, how much month of inventories do you carry or is pushed into a new store?

Obul Reddy: We generally start the new store with about anywhere 10 to 12 lakhs per store stock when we operationalize this store and then over a period of 3 years move to 18 to 20 lakhs.

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: If I look at the occupancy number in the last year, we haven't seen too much of an improvement year-on-year. I know ALOS has sort of moderated so that benefits volume. But we have sort of guided to that 70% margin over time. One, when do we think we get to that 70%? And what according to you will take us there? I know we've invested in all of these doctors, etc. But is this enough to give us confidence to get to the 70% occupancy level?

Suneeta Reddy: Yes, I think the doctors are important. But second, I think the insurance penetration, including into the tier 1 and 2 cities is really going to improve occupancy. And I have to state at this time that in our metro cities, we're about 70%, average is 69%, for some hospitals already at 80%. So, when they are at 80%, their ALOS is at 4. So, there is a direct correlation between ALOS and occupancy, and therefore, that's why we say that we focus on the volumes. And we're quite sure that in this year, we have budgeted 68% to 70% volume.

So, we are really focusing on improving volume, improving case mix, and that's why we have on-boarded these doctors. We've also got tie-ups with private insurance that will make sure that it creates access with tier 1, tier 2 cities besides the metro. All of these efforts will result in even higher occupancy.

Neha Manpuria: And the doctor hiring, I know we hired 150 doctors, which you said some of them would be shifted to the newer hospitals. But since we're commissioning 4 other hospitals next year, wouldn't that hiring again happen next year? And wouldn't that be an offset to the margin expansion that we see from the existing beds?

Suneeta Reddy: No, no. There will definitely be some hiring at that time. But I think what we're trying to establish here is that last time we added beds, we were slow to see breakeven. But at this time, with the established beds, we're quite confident of seeing faster breakeven because we've identified certain key doctors for all of this specialties, and they are getting trained within their core.

Neha Manpuria: Understood. And my second question is on 24/7, the breakeven guidance that we have made, what sort of a GMV should we get to, to get to that breakeven in 6 to 8 quarters? And how should that mix of the GMV look? I mean, how much of that should come from the newer areas like insurance and digital therapeutics? Am I thinking about this the right way or that breakeven is also dependent on costs being lower versus what we're doing now?

Sanjiv Gupta: So I think first, today we are at about INR 700 crore of GMV if we look at Q4 numbers, specifically INR 700 crore. Now, as we look into 6 quarters, what we are targeting is the total GMV for that quarter to be in the range of about INR 1,700 crore in that. And how the composition will change is that if I look at current composition of INR 700 crore, it's about 46% is the pharmacy. This particular division should give us about 55% in this quarter from now. And we are also looking at about 10% of INR 1,700 crore to come from newer segments, which is the digital therapeutics, insurance and the demonetization.

Some parts of it within the insurance and monetization has already started. We are into a run rate of about INR 20 crore annually as we speak, which is about INR 2 crore to INR 5 crore currently per quarter. So, 10% mix will come from the newer segment, about 55% is from the pharmacy and rest all diagnostics, consultations and all these ones will continue to be here.

Now, we are also mindful to the fact that, this is Plan A that you get into a topline of about INR 1,700 crore of GMV. And the current take rate, if you look at this, is about 4%, which is the commission that we call it. And the 4% will go up to 8% in 6 to 7 quarters from now. While we keep, we've got detailed plans and such results to ensure that we achieve that target. So mindful that at some point in case we think that there's a little bit of lesser volumes coming into the business, we will have to take care of the expenses. We will also rationalize and optimize that. The plan will be also to look into the extensive payer's mix because (Inaudible 0:23:07 min.) at INR 190 crore of quarterly expenditure, we brought it down to INR 140 crore as before and speaking to that day. But that will be dependent on how growth is coming up. So, I think net-net, it is a sum total of both the things, where we are looking to working on the growth drivers as well as we are looking into the cost side.

Moderator: The next question comes from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: So, a couple of clarifications on the number of beds. Just wanted to know if the Rourkela has been added? Is it operational already?

A Krishnan: Yes, it has got operationalized, and it's part of the numbers here.

Bino Pathiparampil: Okay. Because in the Eastern region, I am seeing only about 50 beds added to the operating beds in your presentation.

A Krishnan: These beds were added now, operationalized, it is gradually getting operationalized. It will get higher with time.

Bino Pathiparampil: Understood. Second, in western region, I can see the operating beds increased by 60, but I don't know of any new facility added there. Where is that increase coming from?

A Krishnan: Indore is part of Western region, and that is something that we have added in the 60. So, we have an expansion in Indore that we have done recently. And so that's the number which is coming there.

Bino Pathiparampil: Sir, in that case, the northern region has gone up by 100 beds plus. Where would that be coming then from?

A Krishnan: So, Lucknow also added in Northern. In Northern, if you look at it, Lucknow added by almost around 40, so actually, Northern includes Lucknow and Indore. So, to your point, 60 and 50 of, 60 beds of Lucknow and 50 of Indore actually got added in Northern. So, if you look Western region, we had this Ahmedabad where we had bought over this, one of these facilities called CBCC, which was a 50:50 JV. And that is something which is now getting consolidated. It's a small JV. So, the beds have come into that.

Bino Pathiparampil: Understood. And just to follow up just on the answer to another question previously, Suneeta mentioned about some tie-ups with insurance companies to drive up volumes. Could you elaborate a bit on what sort of tie-ups are these? How does it work?

A Krishnan: So, if you look at the insurance, there are multiple things that we are doing. One is the insurance itself is broken up as retail as well as corporate. So, on the retail side, we have started working with a lot of insurance brokers and agents as well because they have strong connects also in the markets who are also enabling patients to take decisions at the time of a need. So, at one end, we are working with some of them to see how we can, we have started working on that front very recently, so it's something that we are seeing whether we can get traction on that. The initial this has been good, inflows that we are getting has been good.

The second has been corporate. On the corporate side, we are directly working with large corporates across each of the units because from that perspective, the decision-making is really the employee at the time of the need. And he has to really think of Apollo when he needs to come in. So, we are working with them, and I think there is a team now across each of the geographies to see how we can improve our penetration there. So, these are the two things that we are doing. With the insurance companies, there is very little that we can particularly do because they are not able to really channelize patients to a particular set of hospitals.

Suneeta Reddy: But I think with the new regulations, the coverage scope has expanded. They've included robotic surgeries, which were not allowed before. They've included some digital therapeutics. They've included stem cell, some of the oncology procedures, neuro guided navigation. So, several new clinical procedures have been added.

Moderator: The next question comes from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one on the margin for the hospital services or Healthcare Services this quarter. Several comments have been made around new doctor hire, marketing, IT expenses. Also, one-off fixed asset impairment of INR 12 crore, INR 120 million, right? So, has it all come through? Is that impairment also about the EBITDA 9%, and if you could say how we're going to recoup some of this in the next fiscal, sorry, fiscal '25?

A Krishnan: The asset impairment is below the line because that's one depreciation of assets, which have been aged, which is something which came as part of the audit that we did, the year-end audit. The first one, which is about the new doctor’s hires, marketing and IT is all above the line. And this because the IT expense was kind of a onetime reset that we had to do when we moved into the cloud and also migrated from one provider to the other. So given that, there has been a shift in the cost line, and we don't think, we don't see that increasing from here on. So, as you see, some of this revenue increase coming into the next year, you will see that it will get defrayed with the higher base of revenue. The new doctors hire, obviously, it's a clear decision to hire doctors to improve revenues and increase them in specific specialties, and that's started playing already, but we will see a fuller benefit of it by Q2. As we speak, in Q1, we are seeing some benefit in some geographies already. Marketing, again, it is a bit of increase that we did on purpose on digital marketing. Again, we saw that benefiting us. But with that benefits on the revenue, we have now, that also has been a quantum jump, but we are not seeing a jump from here on, and we're also calibrating some of the other non-digital expenditures on marketing as we speak. So, because with all these 3 efforts, we are quite confident that the margins in the next year should go back to the earlier margins and even higher.

Shyam Srinivasan: Yes. Krishnan, if you could quantify, like when I look at 24% for fiscal '24, are any guidance that we are offering?

A Krishnan: Our target is to get to 25%. That's what we have as internal targets. Let's see how we are able to get there by end of the year.

Shyam Srinivasan: Yes. So, you're not giving that as a full-year target, but just as maybe a quarterly one, perhaps?

A Krishnan: That is correct.

Shyam Srinivasan: Understood. The second question is just on AHLL, specifically on diagnostics. We have now improved to like 10%, 11% margins. Quarterly margins have been even higher. Anything that we are calling out in terms of how should we look at the path forward? I remember in the past; we've had an INR 1,000 crore revenue target as well. So, are we in track for both, those two things?

Sriram Iyer: First of all, yes, our margins have improved this year to 10.8%, which is a 3.2% jump over the previous year. And we clearly have goals as well to hit INR 1,000 crore, which will take a couple of years. The good thing is we are continuing to cycle a 20% growth now for third year in row. And we are quite confident and bullish of continuing to keep growing the topline at that rate and at a better margin level as well. So, we have initiatives. One is the higher volumes that comes into play will give us the operating leverage. At the same time, we have tightened our unit economics and taken a lot of initiatives that is helping us improve our margins. To reach to INR 1,000 crore as well, we have our investments outlined, and we are planning for aggressive growth, so we are very bullish on diagnostics. And we are on path, as I say, the next couple of years to get to the INR 1,000 crore number.

Ashish Maheshwari: And just to add to what Sriram said, we have also been able to improve our gross margin by 3% on the diagnostic side. We have moderated our overall cost. We have changed our methodology from dry to wet, and that has also helped in our gross margin expansion. So, as Sriram said, when the revenue would scale up, then the fixed cost absorption will also get better. And hence, the projected EBITDA margins will also significantly go up.

Shyam Srinivasan: Helpful. Just one sub-question on diagnostics. What's our B2B, B2C split of the diagnostic venture? And is there any targets that we're giving even for the margins side, please?

Sriram Iyer: I think currently our B2B mix is about 25% to 30%. That's our B2B mix. The rest of the things are from a B2C and digital put together. So, we expect the B2B business to be around 1/3rd of our business and the rest 2/3rd to continue to come from B2C and B2B. In terms of margin, we should be around mid-teens. That is what the target is, to be around mid-teens in this financial year.

Moderator: The next question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets India Private Limited.

Damayanti Kerai: My question is on your cluster-wise performance. So, ma'am, you said for occupancy, you're targeting somewhere 68% to 70% for next fiscal. When I am looking at region-wise occupancy, I guess, AP, Telangana and Western region are 2 clusters where occupancy seems much lower than the network occupancy. So, would you like to call out any specific region? And will improvement in these 2 clusters will be meaningfully adding on to your 68%, 70% occupancy for next year?

A Krishnan: I think you got it right, actually. I think these are the two reasons that we are really focusing on for the occupancy because in AP and Telangana, if you look at it, even in Hyderabad, we have two smaller hospitals in two different areas and the large hospital is already at close to 70%, which is the Jubilee Hills one, 69%, 70% we are at. But if you look at the other two hospitals, we are at a number which is 50%, etc. So, we are working specifically on those areas to see how we can take that to at least 63% in the coming year, especially in the AP and Telangana region. And also, there, of course, we have places like Vizag, where we have seen a good traction, which is now coming, and we are now the leaders now in Vizag. And we should hope that Vizag should also help us get the overall occupancy higher. The second point, as you rightly said, Western is a bit of a drag because of Nasik. That's one that we are not very comfortable taking the occupancy at a higher level. But Mumbai and Ahmedabad is something that we are quite, Mumbai is doing well, but Ahmedabad has some options to go up. And that is something that we are working on. So, these tow geographies definitely are important to get our overall occupancies higher in the overall when we take it to 68% to 70%.

Damayanti Kerai: Okay. Just a clarity, although Nasik is a small unit, but what is the main issue there, like why is the drag?

A Krishnan: I think, though it is a small market, unit, there are multiple players in that market who have come in already. I don't even understand why so many players are contending in that small market. And multiple different players have come in. The second point is we are not taking scheme patients, etc., because we don't want to, the market is also a bit of a low-paying market, and then, you have a scheme. So clearly, I think it's a market that is not a very, we're not investing there. We just want to make it stop. It's reasonably, it's just getting breakeven. I think we would just continue to grow it from here and see what we can do better.

Damayanti Kerai: That's helpful. My next question is a bit of clarity on your margins. Did ma'am mention that for next year there will be 150 basis point improvement in margin despite like four new facilities coming on board?

A Krishnan: So, most of the facilities are coming really by Q4, right. If you look at the facilities, and one of that could probably even go to Q1. So, I think, pretty much, I think we are looking at the full-year margins to get to expand by at least 150 bps is what we would like to do full year. As I said, 25% is the target that we have for the end of the year also.

Damayanti Kerai: Okay. Last question is on your AHLL business, especially on Specialty Care. So, when I look at revenue, it's very similar in fourth quarter and the third quarter. But in terms of margin, I guess, this quarter, it's around 5% compared to 13% in sequential quarters. So, what has happened? Why like so much of swing?

Sanjiv Gupta: So one of the things on Specialty Care is that we had a lot of centers that were coming up last year. And some of the centers will have gone live in this quarter of this financial year. So, a lot of costs had got baked in, and of course, the revenue had not come. So that was one of the reasons. And in this financial year, you will see improvement in margins coming in the Specialty Care business. So that is one of the reasons that happened in the Specialty Care. Ashish, you want to add anything else?

Ashish Maheshwari: Yes, maybe. So, on the secondary care Specialty business, there are 4 centers; Electronic City, Rajajinagar, Indirapuram. For first 3 centers were having only costs. They were the relaunches or the launches in the current year, in FY24, and could not contribute to revenue. Then, we had two relocations, one in Jaipur and one in Pusa Road. Also, these relocations did not contribute to the revenue. In terms of quantification, we had a fixed cost due to these changes of almost INR 29 crore, but there were no, there were minimal revenue impact, so this really impacted the overall margin.

Damayanti Kerai: Okay. So that exercise is done now, and things should pick up from here on.

Ashish Maheshwari: Yes. So, the relocation as well as the launch is complete. In FY25, we will have revenues for the full year. There are certain last minute and the closure of the launches in Electronic City, which is still in progress, but definitely during FY 25, we'll, for the major part of the year, we'll have the revenues also coming in.

Moderator: The next question is from the line of Siddhant from Tusk Investments.

Siddhant Kanodia: Generally, we have seen that the mature centres have an EBITDA margin of more than 20%, 21%. But our centre in Delhi, it's a mature centre with high ARPOB and very high occupancy, still we are doing margins around 15%, 15.5%. So, what are the reason for this low margin? And any targets for FY25 in terms of the margins for the Delhi centre?

Suneeta Reddy: So, the Delhi centre, there's a lot of free work. So, if you added back the free work, it would definitely be in the 24%, 27% margin.

Siddhant Kanodia: Okay. And previously, it was mentioned that we are looking to do capex at the Delhi centre. So, what is the progress so far on the capex front?

Suneeta Reddy: For the capex we have done, what we've done currently is to install the ZAP machine. We have to do, create this parking, the one-side parking to be compliant for us to add further beds. So, we are looking at completing the parking requirements so that we would get additional FSI. So currently that...

Siddhant Kanodia: Okay. And after the parking issue, what is the amount of beds you are looking to add at the Delhi centre?

Suneeta Reddy: The amount of beds.

Siddhant Kanodia: The number of beds, yes.

Suneeta Reddy: Yes, yes. We're looking at 100 beds.

Siddhant Kanodia: Okay. And the leasing was also due at the center. Has that been taken care, the land lease?

Suneeta Reddy: That has been taken care of, yes.

Siddhant Kanodia: Okay. And regarding the capex mix, since it's a JV, do we need the approval of the center?

Suneeta Reddy: We have the approval of the Government.

Moderator: We will take the next question, which is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Can you help us understand our payer mix for FY24 for the Healthcare Services business?

Suneeta Reddy: Yes. Currently, we have 39% is cash. Over 40%, 43% is insurance. 7% of our revenues are international patients. And we still continue to work with State Governments in 4% to 5%.

Kunal Dhamesha: Okay. And last year, the Government patients because as far as I remember, last year, it was more like 45%-45% (inaudible 0:42:08 min.) and international and (inaudible 0:42:11 min.) of it. So, has there been range for it?

Suneeta Reddy: So, if you look at different hospitals, it's actually different. But at an aggregate level, this is, percentage has not dropped.

A Krishnan: The PSUs are 7%, outside of the Government if that is what you are asking. Public sector units are 7%, 3% is government, so between the 2 it is 10%.

Kunal Dhamesha: Okay. 2 institutional, we have 10%, like PSU and Government.

A Krishnan: That's correct.

Kunal Dhamesha: Okay. And then how do you see improvement in this in FY24?

Suneeta Reddy: I think we are broadly okay.

Kunal Dhamesha: Okay. And in terms of number of...

A Krishnan: Insurance can grow a bit faster from here on also because that's something that we will see happening.

Suneeta Reddy: And we're focusing on international patients, so hopefully that will improve to 10% of total revenues.

Kunal Dhamesha: Sure. And what would be our total number of doctors as of the end of FY24?

A Krishnan: We'll come back to you, please. We don't have the numbers off hand.

Suneeta Reddy: It's 6,100 doctors, I think.

Kunal Dhamesha: Okay. I will get in touch with Krishna Kumar on that. And then the last one on the GMV, since we are expecting (inaudible 0:43:41 min.) for 24/7, when should we start seeing that jump? Because for that, for us to meet that guidance, we should see a step jump in the GMV, right? Will it (inaudible 0:44:57 min.).

Moderator: Sorry to interrupt, but your line for you seems to be breaking up in between.

Sriram Iyer: I got the question. Maybe I can give the answer. I think what Mr. Kunal is trying to check is that the GMV growth from which quarter we start looking at increase. I think Q2 onwards, we should start looking at increase. And this is only because of the reason that we set our model in Q3 of the last fiscal year, which impacted our Q4 and a little bit of Q1. Hence, we strongly believe that from Q2 onwards we'll start seeing the meaningful growth, and that is how directionally we will hit the numbers that we're looking at for six quarters from now.

Kunal Dhamesha: Sure. And let's say, in all our business growth, how much we are baking in, in terms of the effective seasonality or the quarter 2, quarter 3, which generally remains stronger, right? Are we expecting a seasonality to be above the seen last year? What are we baking in, in our base case?

Suneeta Reddy: For hospitals, we are looking at a better quarter, so March, April, May in spite, I think the only detriment returns would be with extremely hot weather, which is persuading some people from traveling. But, otherwise, we are looking at a better quarter.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities.

Abdulkader Puranwala: Just two questions from my end. First is on the court case, which was in our public litigation, which has been filed with regards to curbing the hospital price, rates at which the surgeries are performed. So, any update on that front? I mean, you could provide if it is helpful.

Suneeta Reddy: Yes. I think the Supreme Court said that hospital rates are a function of market rates. And in a place where you cannot, in a market where you cannot control the input rates, specifically calling out doctor fees, you cannot really put a fix on what the pricing should be. It should be determined by markets probably. We also made a mention of lawyers are not bound to charge by a certain size, and that same principle should be applied to doctors as well. And having said that, we told got the Government to come back on September 10. But I think it was a very good outcome for the private sector.

Abdulkader Puranwala: Got it. Just a second question, again, on this. So, there have been talks about some revision to happen on the CGHS rate. I mean what could be the impact on Apollo? Or what is the kind of benefit, which...

Suneeta Reddy: No, no. I think I was referring to the same when I said this was, so earlier the court had mandated the Government to come out with the pricing policy, at which time the Government came back with suggestions from several of the States because health is a center and a State subject, where the State said this cannot be implemented. And therefore, this was taken to the Supreme Court. And the response to the Supreme Court, to this was that, yes, it cannot be, it has to be determined by market forces and cannot be done by the Government, in fact.

A Krishnan: Our exposure to CGHS is very limited.

Suneeta Reddy: Yes. And the good that the CGHS rates go up, I believe there definitely is a possibility.

Moderator: The next question is from the line of Siddhant from Tusk Investments.

Siddhant Kanodia: So, at the 100 beds at the Delhi center, what will be the timeframe?

Suneeta Reddy: The timeframe for that should be about 2 years.

Siddhant Kanodia: Sorry, 2 years?

Suneeta Reddy: Yes.

Moderator: The next question is from the line of Kunal Randeria from Axis Capital.

Kunal Randeria: Just one question on the online pharmacy distribution, is INR 238.7 crore number comparable to INR 199 crore number that you have driven in this presentation? Because last year, you had reported sales of around INR 253 crore. So, I was just wondering what changed here, what are the restatements we've made here?

Sanjiv Gupta: Yes, this is the comparable number. And INR 238 crore, which is 35% revenue to GMV, this is in line with INR 199 crore, which is reflected in Q4 FY23. So, this is, revenue to GMV ratio is correct in both these chances, and they're apples to apples from that time, you can compare them.

Kunal Randeria: Okay. But maybe just for my benefit, can you explain what's the difference between the INR 253 crore that you had reported last year and INR 199 crore that you have restated?

Sanjiv Gupta: I will have to come back to you on this particular point on not giving the right answer for this. But if you can connect offline, I'll be able to help you with this thing.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mrs. Suneeta Reddy for closing comments. Over to you, ma'am.

Suneeta Reddy: Thank you, ladies and gentlemen, for joining this call. As we enter FY25 on a very positive note with all three business verticals having clear plans for revenue growth, enhanced profitability and strong operations in, we strongly believe that we have the most comprehensive and integrated medical offering in the region and our best position to deliver the strongest value proposition to our consumers and (inaudible 0:51:02 min.). We look forward to your continued interest and support.

Once again, thank you all for joining the call, and we look forward to connecting with you in the next quarter. Thank you.

Moderator: On behalf of Apollo Hospitals Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.
