



**Aster DM Healthcare Limited**  
**Q3 FY22 Results Earnings Conference Call**

**February 9, 2022**

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**Management:**

- Dr. Azad Moopen – Chairman & Managing Director**
- Ms. Alisha Moopen – Deputy Managing Director**
- Mr. T J Wilson – Executive Director and Group Head – Governance & Corporate Affairs**
- Mr. Sreenath Reddy – Group Chief Financial Officer**
- Mr. Amitabh Johri – Chief Financial Officer, GCC**
- Mr. Sunil Kumar M R – Head of Finance, India**

**Moderator:**

- Mr. Saurabh Paliwal – Head, Investor Relations**

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**Saurabh Paliwal:**

Good morning, everyone, my name is Saurabh Paliwal and I welcome you to Aster DM Healthcare's Q3 FY22 Earnings Conference Call. We declared our results last evening. Hope you've got a chance to review them along with the other materials which were released to the stock exchange as well as uploaded on our website.

Today, to discuss this quarter's performance and future business outlook, we have the senior management team at Aster DM. It includes Dr. Azad Moopen – Chairman and Managing Director; Ms. Alisha Moopen – Deputy Managing Director; Mr. T J Wilson – Executive Director and Group Head – Governance & Corporate Affairs; Mr. Sreenath Reddy – Group Chief Financial Officer; Mr. Amitabh Johri – Chief Financial Officer, GCC and Mr. Sunil Kumar M R – Head of Finance, Aster India.

I would also want to take this opportunity to remind everyone on how we will conduct the call. All external attendees will be in the listen-only mode for the duration of the call. We will start the call with the opening remarks by management, followed by an interactive Q&A session. During the Q&A session, you will get a chance to ask a question by raising your hands; by clicking on the 'raise hand' icon in the Zoom application at the bottom of the window. We will call out your name, after which your line will be unmuted and you'll be able to ask your questions. We would request you to please limit your questions to two per participant at a time and join the line again by raising your hand. Post the completion of your query being answered, we will lower your raised hand in the application.

Finally, the Safe Harbor related to this earnings conference call. Certain statements that may be discussed in this meeting that are not historical facts might be forward looking statements. Such forward looking statements are subject to risks and uncertainties like government actions, local, political or economic developments, technological risks and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Aster DM Healthcare Limited will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update those forward looking statements to reflect subsequent events or circumstances.

With this, I will ask Dr. Moopen to start with his opening remarks. Over to you, sir.

**Dr. Azad Moopen:**

Thank you, Saurabh. Good morning, everyone. Thank you all for joining our FY22 Q3 earnings call today.

Just as we thought the global Covid cases were coming to an end, the Omicron was reported in November 2021 as a variant of concern by WHO. It spread rapidly around the world, including in India and the GCC, as it was found to have high transmissibility but is less virulent than previous strains, producing only minor illnesses in most cases. The large number of healthcare workers getting it had created some challenges in manning our facilities but luckily didn't produce major disruption as hospitalizations of patients were less. With vaccination

coverage improving to 75 percent of adult population in India and almost 100% in the UAE and other GCC countries where we are present, we appear to be in a good place. Covid is predicted to become an endemic disease like Influenza soon, God forbid another potent variant is created through mutation. I sincerely hope and pray that we are seeing the light at the end of the tunnel and are getting back to normal lives soon.

There has been significant volatility in the financial performance for some of the healthcare providers in India and GCC during the last 2 years. However, Aster didn't have major swings except in Q1 and Q2 of last financial year. Looking at the performance for the 3 quarters in FY 21-22, we have come out of the impact of Covid during the financial year. There has been good growth in the revenue and profits in this financial year, especially in India.

For the quarter ended December 31, 2021, at a consolidated level, we posted a revenue of Rs. 2,650 crore which is an increase of 19% when compared with the same period, last financial year. The Q3 EBITDA was Rs. 397 crore, an increase of 21% when compared with same period, last financial year. The profit after tax (Post-NCI) was Rs. 148 crore, an increase of 61% when compared with Q3 FY21.

With respect to the GCC business, revenues grew by 15% year on year to Rs. 2,032 crore. EBITDA increased to Rs. 296 crore as compared to Rs. 277 crore in the same period, last financial year.

The Aster India business, however is growing very well with revenue growth of 34% to Rs. 618 crore and EBITDA increasing by 100% to Rs. 102 crore as compared to the same period, last financial year. EBITDA margins improved from 11.0% in Q3 FY21 to 16.4% in Q3 FY22.

During the quarter, after our new IR Head Saurabh Paliwal joined, we commissioned an external advisory firm to conduct a financial community perception research study for Aster. The objective to commission the study was to utilize the findings towards strategic course corrections with enhancements of communications and disclosures to the financial community and to look at realignments which the financial community thought would be best in the interest of Aster and its stakeholders.

I thank all the respondents for their feedback and would like to highlight the following:

First and foremost - Increasing share of India business revenues remains our topmost priority. At the same time, we continue to focus on better sweating of our assets in India. This is evident from the growth in revenue and EBITDA and EBITDA margins year on year. India contributed 27% of the group EBITDA YTD (FY22 9M). The strategy is to grow the India business to a level where it would be contributing 40%-50% of the overall revenue in the next 4 years.

Regarding liquidating our non-core/non-performing assets in GCC, few discussions have happened, and some progress has been made. We will inform the stock exchange and update you when a definitive outcome is achieved. We aim to utilize proceeds received from such liquidation towards debt reduction or to distribute dividends to the shareholders.

We are actively pursuing the suggestion which came from Investors and Analysts that we must focus on brown field, low capex investments to increase capacity — we are adding 210 beds to our capacity with an investment of just Rs. 40 crores by way of taking over the O&M of Aster Mother Hospital at Areekode, Calicut and converting a hotel to hospital attached to Aster MIMS, Calicut. There are many other brown field hospitals under discussion, and we hope to add many more beds in the next financial year under this model with very low capex investment.

We have acted on the suggestions and enhanced disclosures in our investor presentation which you may have noted, especially related to our India business. We have now included cluster wise performance and operational metrics for our India hospitals. More disclosures related to our diagnostic labs and pharmacy foray can be expected in the next financial year. This should help all of you to track our performance more closely.

Our current ESG practices, strategy and commitment to United Nations Sustainable Development Goals has been summarized in our investor presentation and has been showcased in detail in our FY21 sustainability report. The sustainability report was prepared in accordance with GRI standards and is more comprehensive than earlier reports. It is available on our Company and stock exchange websites; I am very happy to report that Aster has been ranked 94th among Global 100 sustainable companies by Corporate Knights after rigorous assessment among over 6000 companies with more than US \$ 1B revenue — proud that Aster is the only company from India and Middle East and is part of a list containing giants like Apple, Intel, Tesla, Unilever etc.

Lastly, we plan to hold an analyst and investor day in the coming months. The event would be an in-person event to be held in Dubai or Mumbai, most likely after the announcement of our Q4 results. If a physical event does not materialize due to continued COVID related uncertainties, we will host a virtual event to ensure the safety of all. We will share more details on the event in due course.

Moving on to operational updates, starting with India –

As part of the India focused growth strategy, the Aster Aadhar expansion is now complete, with a total of 63 beds having been operationalized in the third quarter. In terms of capacity expansion at our existing hospitals, there would be an addition of 100 beds in Aster MIMS Kannur in two years with a cost per bed of just Rs 35 lakhs. We have signed a lease agreement to build a 200-bed tertiary care multi-specialty hospital project in Kasargod in Kerala at cost of

140 crore, to be completed within the next 2 years. We envisage to complete this at less than 70 lakhs per bed. We hope that we shall be able to repeat what was done at Kannur, with a breakeven in less than a year, in view of the huge demand supply gap in Kasargod region.

We continue to work towards augmenting our hospital bed capacity, especially in clusters where we are already at good occupancy levels of 70% and above. Apart from the O&M beds being mentioned above, we expect the bed capacity in India to increase significantly from current capacity beds of 3,920, by the end of financial year 2023.

Aster Labs, our diagnostics vertical, continues to enhance its presence in both Karnataka and Kerala. As of 31<sup>st</sup> December 2021, there are 8 satellite labs, 57 patient experience centers, and 1 reference lab. We have an aggressive growth plan for this vertical and aim to reach 33 labs and around 400 experience centers by the end of FY23, which will also involve geographic expansion of our footprint into other states.

As mentioned last quarter, we had entered into an agreement with Alfaone Retail Pharmacies Private Limited (ARPPPL) to license the 'Aster Pharmacy' brand to run the retail stores and online pharmacy operations. During Q3, ARPPPL also forayed into the state of Telangana. As of 31<sup>st</sup> December 2021, there were 90 pharmacies; 69 in Karnataka, 13 in Kerala and 8 in Telangana. ARPPPL plans to reach around 130 pharmacies by the end of this financial year and around 300 pharmacies by the end of FY23. For us, it reiterates our 35th foundation day promise that CARE IS JUST AN ASTER AWAY.

In the GCC region, we hope to commission the 80-bed Aster Hospital Sharjah and 145-bed Aster Royal Hospital, Muscat in Q1 of FY23 where the equipment installation and approvals are happening. As part of improving our presence in the GCC region, we also recently announced plans to be present in Salalah, Oman through a tie up with Maxcare Hospitals.

On our proposed international expansion beyond India and GCC, we are critically analyzing and evaluating how and if we should proceed with the Cayman project, a subsidiary of our GCC company. Appropriate strategic partnerships to bring funding and expertise from USA will be explored, if we decide to proceed.

Before I conclude, I would like to reiterate that we remain excited at the growth prospects for Aster, both in the short term as well as the medium to long term. We are continuously looking to grow and expand our business, with suitable partners, both in GCC and in India. Strategic options in terms of the right corporate structure along with aligned growth levers are being evaluated and being worked upon.

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

**Alisha Moopen:**

Thank you, Chairman. Good morning everyone. We have seen, as Chairman mentioned, one more quarter of Covid impact, none of us really expected Omicron shall come as a new variant. Thankfully this strain has been less intense and does not require much of clinical interventions. While it did again disrupt travel given the virulent nature, had far more people getting affected quickly, but life continued. Dubai had its Expo 2021, our resilience to resume normal life was yet again tested but we all are learning to live with Covid, life has to continue and we all are working to move ahead with this new normal.

The Revenues for GCC saw an increase of 15% over last year Quarter 3 and 7% sequential growth over Quarter 2. This has been led by growth in Hospital Revenues by approx. 8% over same quarter last year. The Clinics Revenue also saw an increase of 19% over Q3 last year and an EBITDA increase of 23% over Q3 last year. The Pharmacies segment is also showing signs of improvement with revenue increasing 17% sequentially and EBITDA increasing from Rs. 57 crore in Q2 to Rs. 76 crore in Q3 of this year. This is really indicative of recovery and growth in the business environment in GCC.

Our Digital Journey at Aster is continuing along the planned trajectory. We are steadfast to leverage our digital foray to provide comprehensive patient care. Our App, 1Aster will become the primary omni-channel mode of engagement and shall allow us to have a unique integrated view of the patient care across all the healthcare touchpoints. We launched the 1.1 version in this quarter. We have kept it to a limited launch because we really wanted to enhance the feature set at the end of this quarter. Our Patient base on the app has risen almost 3 times between Oct – Dec 21. This period also saw our repeat customer count doubling in a span of 3 months of the quarter.

So we had some interesting insights. As Aster, we touch the lives of over 3.7 million unique patients in UAE. And out of that, we have almost 800,000 patients with chronic conditions. In our pursuit of patient care, we have been reaching out to our chronic disease patient base through digital mediums for advanced care and launched extensive programs for diagnostic and general well-being. There's a big focus now internally for personalized and guided care to our patients with the digital CRM initiatives. And this initiative has launched with 150,000 patients in the last 6 months which includes 100,000 patients from the pharmacy and 50,000 from our Aster hospital segment. With this proof of concept, we had around 7,000 incremental encounters in our hospitals and pharmacies and revenues of more than Rs. 6 crores. We are seeing improved patient compliance and repeatability. Patients are showing tremendous response with as high as 25-30% click rates through SMS and e-mail, whereas industry average is typically around 10%. This really indicates a strong Aster brand equity amongst the customers. Double-digit percentage of these patients are attempting digital e-pharmacy bookings, and we are trying to rebuild the entire digital ecosystem to build the omni-channel access to our business. We'll be launching the same in the clinic soon, and primary care will be our focus.

Our goal is really to scale up DCRM across more than 1 million patients by the next earnings call. Specifically, we're seeing that with the proof-of-concept engagement, it has led to more than 40% compliance on the patient visit. This, as we all know, in chronic patients, is extremely important. We are seeing very positive outcomes within 30 to 60 days of engaging with our patients. COVID has also made people a lot more aware of actively safeguarding their health, so the actions we are seeing with our patients is very reassuring. Right now, we are engaging largely with SMS and e-mail, but we will soon be adding WhatsApp as well as, of course, the 1Aster app, which will make it much easier.

We are also launching a Data Lake Digital initiative across Aster. This cross vertical data lake is to leverage the native data across our verticals and shall help in unlocking cross-Vertical opportunities and engagement. This shall have use cases across marketing, clinical and operations. This is planned to be undertaken over the next couple of quarters as we work towards engaging with our technology partners.

Data integration besides unlocking various opportunities immediately, will also support and enable the 1Aster online engagement platform, where you will have e-pharmacy, tele consult, home diagnostics, and home care, all converging. Teleconsultation is already live and pharmacy will be enabled next in Q4. We shall then have diagnostics and home care being launched over the next few quarters. With this, Aster will have a truly unique omni-channel health platform for its patients, and this will be a true differentiator for Aster in the UAE. This will all drive best-in-class engagement, care coordination and one experience for our patients.

We plan to replicate this omni-channel care model in top core markets of India, post successful launch in the UAE, in a phased approach by Q3-Q4 next year.

I now request our Group CFO, Sreenath Reddy to take you through the details of the financial and segmental performance for the quarter.

Thank you.

**Sreenath Reddy:**

Thank you, Alisha. Good morning, everyone.

On a consolidated basis, our revenue from operations for the quarter has increased by 19% to Rs. 2,650 crore Y-o-Y and sequentially by 6%. India revenues have increased to Rs. 618 crore, up 34% Y-o-Y from Rs. 459 crore. Revenue from our GCC operations is Rs. 2,032 crore, an increase of 15% Y-o-Y and 7% sequentially.

Consolidated EBITDA for the quarter is Rs. 397 crore, an increase of 21% Y-o-Y and 16% sequentially. EBITDA from India operations has doubled Y-o-Y to Rs. 102 crore and EBITDA from GCC operations is Rs. 296 crore, an increase of 7% Y-o-Y and 23% sequentially. EBITDA margin is 15% as against 14.7% in the same quarter of the previous year, an increase of 30 basis points.

PAT (Post-NCI) increased by 61% from Rs. 92 crore in Q3 FY21 to Rs. 148 crore in the current quarter.

In terms of performance for nine months, consolidated revenue from operations increased by 21% Y-o-Y from Rs. 6,218 crore to Rs. 7,525 crore. EBITDA for the period has increased from Rs. 742 crore to Rs. 1,021, up 38% Y-o-Y. India's contribution to the group EBITDA has increased to 27% compared to 15% in the previous year. PAT (Post NCI) is Rs. 300 crore compared to Rs. 42 crore during the same period, last year.

Coming to the segmental performance for the quarter, GCC Hospital revenue is Rs. 868 crore, an increase of 8% Y-o-Y. However, EBITDA losses from our Sonapur facility which is now put into operations for secondary and tertiary care has contributed to the losses. The facility was earlier used for Covid patients referred by the Dubai Health Authority. Increase in remuneration for frontline workers has also added to our cost resulting in decrease in EBITDA and EBITDA margins compared to last year.

GCC clinic revenue is Rs. 637 crores, an increase of 19% Y-o-Y and 8% sequentially. EBITDA increased by 23% Y-o-Y to Rs. 142 crore and EBITDA margin increased from 21.4% to 22.2%.

GCC pharmacies revenue increased 22% Y-o-Y, from Rs. 498 crores to Rs. 608 crores. EBITDA increased from Rs. 59 crore to Rs. 76 crore, an increase of 29%. EBITDA margin for this segment also increased to 12.5% as compared to 11.9% for the same period, last year.

Consolidated net debt as at 31st December 2021 stands at Rs. 1,912 crore compared to Rs. 2,004 crore as at 31st March 2021, a reduction of Rs. 92 crores. India net debt stands at Rs. 311 crore compared to Rs. 306 crore as at 31st March 2021 and the GCC net debt has reduced to USD 215 million from USD 231 million as at 31st March 2021. Capital expenditure during the 9 month period was around Rs. 345 crores.

We hope the additional disclosures in our investor presentation this time has helped in giving a better perspective on our India operations. We would be happy to answer any questions that you may have. I now request Saurabh to open the question and answer session. Thank you.

**Saurabh Paliwal:**

Thank you Sreenath. I would request people who have questions to ask to raise their hand using the 'raise hand' icon at the bottom of the Zoom application. We will just wait for a minute before we start the Q&A session. The first question is from Aditya Khemka.

**Aditya Khemka:**

**Thanks for the opportunity. First, so on the reorganization plan that you had alluded to last quarter, just wanted an update. Where do we stand there on the reorganization part? And have we narrowed down on what sort of reorganization?**



**Dr. Azad Moopen:** Yes. So we have appointed an investment banker who identified few of the prospective partners for the GCC business, and we are in discussion with them. So that is going as per plan, and we hope that we'll be able to come to find somebody who, with our philosophy and all, can match with us and who can also match our expectations regarding the pricing and all. So that's going, Mr. Khemka, as we speak.

**Aditya Khemka:** **Got that. Secondly, on the India business. Could you take us through what sort of would be your capex plan for FY23 and '24 for the India business, given the brownfield expansion that you guys have alluded to?**

**Sreenath Reddy:** Yes. So Aditya, like what we have guided in the previous quarters as well. So the total capex in the current year what we are estimating is around Rs. 580 crores, out of which Rs. 300 crores would be in India. That is the broad estimate.

So we are looking at similar kind of capex in India for the next 2 years. So overall, the capex outlay for the next 2 years will continue to remain in that range of Rs. 500 crores to Rs. 580 crores. Out of which, major part of it, close to Rs. 300 crores will be in India.

**Aditya Khemka:** **Got that. Thank you. I will get back in the queue.**

**Saurabh Paliwal:** Thanks Aditya. The next question is from Rajat Srivastava.

**Rajat Srivastava:** **Thanks for taking my question. Congrats on a good set of results. My question is basically on the GCC region. When I see your 6-month presentation and your 9-month presentation, especially on the 0 to 3 years hospitals, I see that 6 months, you were trending around 17% EBITDA margins for the newer hospitals. But for the 9 months, it's come down to 14.7%. So that would basically mean that last quarter, 0 to 3 years, you would have done around 10% EBITDA margins in your newer hospitals. I also see that your occupancy levels have increased and also the ARPOB have increased in this segment. So what has led to this EBITDA margin contraction?**

**Sreenath Reddy:** So over 3 years, in some of our facilities, in Medicare hospitals, during quarter 3, we have seen a little bit of slowdown. This is a little bit seasonal. It would be temporary. So we are not expecting this to continue that way. But our higher and upper end segment, which was Medicare, which all the while was doing very well. Over there, we have been seeing a little bit of slowdown in business. And that has led to the contraction in over 3 years. Alisha, would like to add anything over here?

**Alisha Moopen:** Yes, Rajat. I think you were talking about the 0 to 3 year, right?

**Rajat Srivastava:** **Yes. I'm confused because I see that the occupancy levels have actually increased by 2 percentage points. So even if there were seasonality effect, so occupancy should have come**

**down. But both occupancy as well as ARPOB have gone up, but the EBITDA margins have contracted.**

**Sreenath Reddy:** See, so let's say, even Medicare, as a facility, when slightly it goes down, Aster is doing better. So in terms of the realizations, Aster occupancy, even if it is going up and the realization per bed in Aster is going up but when you compare as a group, as a whole, the contribution of the EBITDA in terms of ARPOB is significantly higher. So that explains as to why you see something like that in 0 to 3 years.

**Alisha Moopen:** Also, one of the new facilities which has opened up, Rajat; the Sonapur facility. There are some operating losses which has come in from that new facility as well.

**Sreenath Reddy:** Yes. So that is in the bucket of 0 to 3 years. Sonapur, like what I said in the opening speech. This facility we had, in the past, put it into operations. But however, it was mainly for the COVID patients. So it was given on contract to the DHA we were getting revenues out of it. Now during this quarter, in 0 to 3 years in this particular bucket, this hospital was commissioned for the secondary and tertiary care. That is our regular business. And this regular business, being the first quarter of the regular business, has contributed to the losses. So therefore, in this bucket, you will see that unlike the past, because of the losses, the overall EBITDA margins would have come down in the hospital segment.

**Rajat Srivastava:** **Got it. And sir, on your India occupancy consolidated basis for both 0 to 3 years and 3 years, I see that if we were doing around 70% occupancy levels in the first half, but now it has come down to 65%. So about that?**

**Sreenath Reddy:** Yes. So that is again, like what I said, seasonality. See, if you look at our quarter 2; quarter 2 in India generally is a peak quarter and quarter 3 is slightly lower in India, broadly speaking. But also during quarter 2, because we had some of the COVID patients and others who are getting filled up, especially in the Kerala cluster, because over there, our hospital beds were getting filled up. So now this has slightly reduced, but we expect that in the coming quarters, we should again go back to that earlier occupancy rates.

**Rajat Srivastava:** **Got it. And sir, one last question, if I may. So your GCC clinics business seems to have seen some bit of turnaround, like I think you've reported highest-ever revenues in the clinics, and the EBITDA margin also seems to be back to pre-COVID levels. So what has changed within a quarter, if you could just throw some light on that?**

**Sreenath Reddy:** Yes. So, during the COVID period last year, there was pressure both on the clinics as well as from the pharmacies spread. But however, now because of the COVID, the RT-PCR testing, the clinics have been benefited. So the increase in revenues and the profitability is mainly on account of the RT-PCR testing. But at some point of time, this will get normalized, and it will go down and the regular business of ours in the clinics will come back. So for maybe another

quarter as well, the margins in the clinics will be high. But eventually, it will settle down. It will come back to its normalcy. When we say normalcy, we are looking at somewhere around 18% to 19% as the EBITDA margins in clinics. But it all depends on how long this RT-PCR will continue. In such time, the RT-PCR testing continues, the clinics will have higher margins.

**Rajat Srivastava:** **Got it. Thank you Sreenath. Thank you for taking my questions.**

**Saurabh Paliwal:** Thank you Rajat. The next question is from Kunal Sharma.

**Kunal Sharma:** **Thanks for the opportunity. I just wanted to know about the diagnostic segment. So what would be the price range of the radiology and the pathology? And please throw some light at how do we compete the price range as compared to the pure play diagnostic player in India, particularly?**

**Dr. Azad Moopen:** Yes. So in the diagnostics, we don't have radiology. This is only lab which is there. So I just want to tell you that we are looking at this as an ecosystem. It's not that we are spreading labs out there for the lab per se business. It is there, but more importantly, this is creating an ecosystem of our hospitals, pharmacies, labs, and the home care along with virtual care. So that's the whole idea. So the price, definitely, it will be competitive and it will be at lines with what the normal stand-alone labs are charging. But for us, it is much beyond a normal lab. It is an ecosystem to provide one-stop solution for the patients in the geographies where we have already hospitals by bringing all the pieces together so that from primary care to the quaternary care, they can get the treatment as a single-stop shop. That's the whole idea. Exactly coming to the rates that we are charging, it is at par with what the established players are doing.

**Kunal Sharma:** **Got it. And Alisha, I just wanted to know about the technology and the digital spending. So it was like on the before speech, you spend some time on it. But could you please throw more light on the same?**

**Dr. Azad Moopen:** I didn't hear the question clearly. What was the technology of what?

**Kunal Sharma:** **Yes, technology and the diagnose and the labs. So could you please throw some light on digital spending for the same?**

**Dr. Azad Moopen:** Yes. Like what Alisha mentioned, there are 2 pieces, one, the lab per se. We have a very highly efficient referral lab; along with that, the satellites labs. So all the advanced tests will be done in the referral lab where we are going to that level where, except genetic testing, we have everything else which is already there in the referral lab. And this lab is presently taking care of the samples from all our hospitals. It is managing our hospitals in India as well as the samples from the GCC come here.

Now it also has the other satellite labs and the patient experience centers from where the samples come into the satellites labs where the technology will be at a lower level. But whatever is required beyond that will be sent to the referral lab, which is in Bangalore. Now the next part is how we are going to connect with the patient, which is what Alisha mentioned about the 1Aster app, which will connect the pharmacies, the labs, the hospitals, and the home care, and we will be far ahead of others when we are providing this service to the patients.

**Sreenath Reddy:** Yes. In terms of the tech spend, it has been for until December, it's Rs. 44 crores. And out of which Rs. 20 crores is capital in nature. And in terms of labs, the amount that we have incurred to set up this labs is Rs. 45 crores till 31<sup>st</sup> December.

**Kunal Sharma:** Thank you.

**Saurabh Paliwal:** Thank you Kunal. The next question is Amrish Kacker.

**Amrish Kacker:** **Congratulations on a very good set of results. Thank you, also, for the extra transparency on the India business as well as I see, we now have a management picture at the back end, which I assume completes our management team, which you had talked about in the last call about the 5 heads for the India business.**

So my question is if you could help me understand a little bit more about lab and the pharmacy business. So I think I got the point about the ecosystem. I understand the concept that we will have a brand that can be trusted and therefore, we will be able to provide a better service to our patients. So I think they will have the confidence to come to us. But unfortunately, also, I would need to think about it in financial terms.

So is there something you can help us understand, first, of course, on the lab side? How do we think about what is the lab in terms of revenue or EBITDA? And on the pharmacy business, what is our relationship with ARPPL and how does this translate? Any broad brush because, of course, we can see the numbers for GCC. Anything, if you could help, would be appreciated.

**Dr. Azad Moopen:** Sure. So the number regarding the lab, what is the plan and where we are now and what we are planning, even though it may be a little forward-looking, Sreenath and Sunil, who is the India Head, will be able to give you those details. And even the pharmacy, how it is performing now and what we are looking at.

Roughly, what I wanted to just tell is that it's in a very primitive stage and we are catching up. Major part of the business now comes from own business from the hospitals. Our B2C business is increasing, and that's what we are focusing now, and that should increase our EBITDA. And now our large part of business coming from the hospitals who take the profits. It is not reflected in the lab.

But as soon as the B2C business catches up, which is doing as we speak, as we are increasing more and more of the patient experience centers and the satellite labs, our margins will start increasing. So our hope is that by next year, we'll have a fairly good situation regarding the EBITDA and the profits and all and the top line also is going to significantly increase.

In the pharmacy, as we are having a very fast rollout, in the next year, we are planning another 170 pharmacies. So that will be, altogether, 300 pharmacies. The one good thing which has happened is that we have not gone into that discount mode which has been followed by most of the online stores.

Our discounts are very low, and we are still maintaining a fairly good margin. And we are in a situation where the sales also is increasing. Every month, there is an increase in the per store sale as well as the overall volume. Of course, the number of stores are increasing. So I think we will be able to go into a breakeven on the pharmacy side. Sunil, you can just come in on what we are planning and what is the overall plan regarding the lab and the pharmacy.

**Sunil Kumar M R:**

Yes. On the labs, as we already know that we have around 66 labs, that's basically 1 reference lab, 8 satellite labs and 57 patient experience centers. And currently, as Chairman was saying that majority of our business - 75%-80% currently flows from our Aster business. Non - Aster business, is a minority currently around 15%-20 %, which is expected to grow to almost 40%-46%, by end of next year. In terms of profitability, we are almost reaching the breakeven state and expect to have a positive EBITDA in the next full financial year. That is on the lab business. On the pharmacy bit of it. Already, as the Chairman has suggested that we have already clocked in around 90 stores up to December. And our per day sales are also ramping up very rapidly. We are almost reaching to Rs. 10,000 per store. We are doing that. And with respect to ARPPL, the connection what we have is that we have a brand licensing agreement from Aster DM, so that's how they are able to launch the retail stores.

**Sreenath Reddy:**

Adding to what Sunil has said, the lab business at this point of time, majorly it is the in-house business, a very small component, which comes externally. But beginning from next year is something we'll have a separate vertical segment being disclosed both for the pharmacy as well as labs. So pharmacy, we have got a wholesale business, and the retail is being done by ARPPL under a brand license arrangement from Aster.

**Amrish Kacker:**

**Thank you. So this is very exciting. Look forward to next year on this front. Just one quick clarification, on again, a follow-up from last call. We talked about some form of demerger of the GCC business. Is that now off the table because we're now focusing - will anyway grow the India business? Or is that still something that we're looking at?**

**Dr. Azad Moopen:**

Yes, yes. So I was just talking about in the first question which came in. We are still considering that, and we would like to have these 2 businesses looked separately. So that's a very important strategic consideration where the India can be looked at by the Indian investors and analysts

and all, whereas the GCC has a different set of investors usually who would like to invest into GCC.

So as we speak, we are looking at getting a partner who is interested for the GCC. And if we find a partner who goes well with our philosophies as well as with a good valuation, we will be willing to have this being done either as a demerger or a sale of the GCC business. We will definitely be on both sides. And, for us, along with a partner, that's what we are looking at, Amrish.

**Amrish Kacker:** **Thank you very much. Wish you all the best.**

**Saurabh Paliwal:** Thank you, Amrish. The next question is from Harith Ahmed of Spark Capital.

**Harith Ahmed:** **Good afternoon. Thanks for the opportunity. So my first question is on the Aster pharmacy rollout. The arrangement we have with ARPPL. Just a clarification on that. Do we book the revenues at Aster pharmacy stores? Or is it just a brand licensing arrangement?**

**Sreenath Reddy:** Yes. Harith, we don't consolidate the revenues or the profits or losses of ARPPL. Only to the extent of investments, we pick that. So we don't consolidate the revenues over here because it is something which is not a subsidiary, so it's a different entity altogether. And we have got 15.7% stake. So therefore, we don't consolidate.

**Harith Ahmed:** **And any specific reasons why we have this Aster pharmacy rollout under an associate, and not under the parent company? Or under 100% owned subsidiary?**

**Sreenath Reddy:** Yes. So Harith, see, we have got the wholesale business. So we will concentrate more on the wholesale business. And this wholesale business would also cater to this particular ARPPL. Over and above the other wholesale business to what we are doing. The reason is due to certain legal challenges we can't get into. We ourselves can't get into retail, and that is the reason we thought it's best to have a brand license arrangement wherein ARPPL, on its own, can roll out the retail pharmacies. So we will just concentrate on the wholesale. But yes, because we have given the brand license and other things, they are supposed to follow certain conditions under which this brand license arrangement is being brought.

**Harith Ahmed:** **Okay. So how much of ARPPL sourcing is from our distribution or our back-end network currently? And how should we think about it maybe in the long term?**

**Sreenath Reddy:** So most part of the ARPPL business, in terms of the procurement, will be mainly from our wholesale business. They can procure from others, but most part of it, they will be procuring from our wholesale business.

**Harith Ahmed:** **Okay. Thanks for that. And my second question is on the COVID vaccination, both in India and GCC. In GCC, is this an opportunity for us? Is there some upside from vaccination in our**

**GCC business? And if yes, under which segment are we booking this? And in India, how significant was this in the third quarter?**

**Dr. Azad Moopen:** So in India as well as in GCC, this is not an income source for Aster. India, of course, initially, it was but very limited now. As well as in GCC, this is completely done by the government. So it is not a source of income for Aster.

**Harith Ahmed:** **Okay. Understood. And I'm assuming in India, in the third quarter, it was not a very material number.**

**Dr. Azad Moopen:** No, not material numbers. Sunil, how much was the vaccination income in quarter 3?

**Sunil Kumar M R:** In quarter 3, it was only Rs. 2.68 crores.

**Harith Ahmed:** **Okay. And then last question from my side. GCC hospitals, the mature hospital cohorts. We've been at an EBITDA margin of around 16%-17%. I'm just trying to understand what's the margin profile excluding the Sanad hospital? And I understand that the expansion there could be on hold. So any updates on that front at Sanad, in terms of an exit or expansion? How should we think about it?**

**Alisha Moopen:** So Harith, yes, you're right about the margin profile. We expect our steady-state mature hospital to be around 18% in the hospitals. Definitely, Sanad is pulling it down because Sanad is closer to 4%-5%. So if you adjust it, Sreenath, we might be closer to 17%-18%, right?

**Sreenath Reddy:** Yes, that's right.

**Alisha Moopen:** And then on the Saudi asset, as Chairman mentioned in the opening remarks, we are looking at some potential monetization on the Saudi asset. Hopefully, we will have some news in the next couple of months.

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

**Saurabh Paliwal:** Thank you, Harith. The next question is from Shyam Srinivasan from Goldman Sachs.

**Shyam Srinivasan:** **Thank you for taking my question. Just the first one is on the opening remarks by Chairman on the India contribution over the next 4 years, right? So we are at 24% revenue from India today. And in the comment, it was 40%-50%. So want the broader vision around how we plan to reach it. Maybe the split between hospitals, maybe early days hospital, pharmacy, labs? Maybe it's just driven largely by hospitals, but just want to understand the path. So is it going to be continued expansion in beds? How do we look at the pricing strategy? Do you think ASPs will keep going up? So just help us understand how we reach the bridge from, say, 24-25% today to 40% on the lower end?**

**Dr. Azad Moopen:**

Yes. So the strategies are different. One is the sweating of the existing assets. We have still beds which are sitting there, which are not operationalized. About 200-250 beds are sitting, which can be operationalized which will bring in significant revenue.

Second, as we speak, we have this new strategy of adding on this O&M on brownfields. And that will be a revenue which will start coming in without much delay.

Along with that, we also have greenfields in pipeline. Apart from the hospitals which we mentioned, we also have other projects which are in discussion like in some of the areas like in Trivandrum as well as in Bangalore. And we are looking at the addition of beds in those areas. So with all this, there will be a significant increase in the number of beds. That is one part which will definitely contribute to that increase in the revenues. And maybe there will be some pull down because of the greenfield projects, but we hope that in many of these places, we'll be able to go into a breakeven, which we have done in Bangalore or in Kannur and places like that within a very short period.

So answering your question, large part of this will come: one, from sweating off the assets better, where there will be an increase in the utilization of the existing beds, operationalization of beds in the existing facilities; and then adding beds to our existing hospitals, which is one of the most important areas. For example, Kannur, we are adding 100 beds. We are planning to add 100 beds in Calicut, MIMS where already 70 beds are added through the brownfield. Another 100 beds we want to add. In Kochi, we have sufficient space to add another 100 to 150 beds.

So those things, along with like what we did in Kolhapur, there will be an expansion happening in the existing hospitals. So answering your question, in the next 3-4 years, there will be a significant increase by way of increase in the number of beds of the existing hospitals and then also new hospitals by way of brownfield and as well as greenfield.

Now the other areas, we have not been very aggressive on is our pricing. If you look at our pricing strategy, many of our hospitals have not taken significant price increase in the last 3 years.

We have now started looking at an annual price increase of 5%-10%, which should increase our revenues because last 3 years, we have not taken any price increase. So that will be another important thing which will bring into, definitely improve the revenue as well as flow into the EBITDA.

So apart from that, the most important is the ecosystem, which I spoke. We are going to have exponential increase in the number of patients as well as the overall revenues and profits by utilizing the ecosystem of putting together our pharmacies, clinics, the labs, the home care along with the hospital and providing a sort of a single-stop solution for our patient needs. That



is going to place us in a position which will be far ahead of anybody who presently hasn't tried that. So we hope that we'll be able to do that and have significant improvement in our revenues, both in GCC and India. So as this is being done in GCC now, we will extrapolate that into India and get that benefit. So that's the overall strategy.

**Shyam Srinivasan:**

**Dr. Moopen, if you can and maybe you can do it, say, when you're doing for 4Q or when you're giving your Analyst Day. Just the walk on the number of beds from 2,900 today. If you say it's like 3,500 or 4,000, what was the number that you are there? So that forms the basis for this particular thing. That will be useful to get. I think maybe that is one suggestion that I can quickly give. Flipping over to the question on the other side, which is when GCC reduces in size in terms of significance. Just looking at GCC hospitals, I'm doing 2 years CAGR on hospital business alone, has been low single digit, right, 4%-5%. Occupancies are like around 50%. Is there something that we think that's the rate it can actually do? Or do you think there is any scope for improving growth in GCC hospitals?**

**Dr. Azad Moopen:**

Yes. So I'll answer the first part, and then I'll ask Alisha and Amitabh to answer the part 2. Now the part one of your question, definitely, we can provide that because we have a strategic plan, which is already built for the next 4 years until 2025. So we have all the numbers, which I mentioned, being put in there. What are the number of beds which are going to increase in different categories, how much will be increased in our existing hospitals, how much will be the brownfield and how much will be the greenfield. All these are being finalized. So we'll be able to give that in the investor meet when we have that. And that will definitely give you a more definite information regarding what is being planned and so that you can also look at how we are doing that. We will provide you those details as we go forward in the investor meet for India. And regarding GCC. If Alisha, if you can just take it up.

**Alisha Moopen:**

So Shyam, I think what we've been seeing here is, between the different segments there's been different competitive pressures happening. So our Aster units are performing quite well. So we are seeing high occupancies in them, and that's where we've been expanding more so.

On the Medicare segment, there has been more units set up over the last 1 year in the market. So there has been some pressure on occupancy, which is seen because of that. Having said that, we do feel that with some of the initiatives that we have started, whether it's the referral leakages, the digital CRMs, we are pretty confident about the growth in the occupancies.

Here, you don't see the occupancy rates like in India at 75%-80%. We would still be aiming for closer to 60%-65% as a blended. Aster probably at around 70%, and then Medicare probably because here, a large part of the income also comes from the OPD.

So if you look at Medicare, for example, it's pretty much equally split between OPD and IP in a hospital. In Aster, it's a little bit more skewed where it's probably around 40% OP and then 60% IP. So we don't look at only the occupancy when we are looking at how these assets, especially

hospitals, are performing. Here, there is a large amount of revenue that comes in from the OP as well. Amitabh, anything you might want to add?

**Amitabh Johri:** Sure, Alisha. Thank you very much. So just complementing what Alisha is saying. Clearly, in the case of Aster Hospitals, we have seen occupancy for Mankhool in the range of 90% and Qusais in the range of 70%. So blended could be in the range of 75%-80%. While what we see in Medicare is around 52%-53%, and that's largely emanating from the fact that there are specialty hospitals over there because obviously, occupancy could be lesser. We try to increase that with referrals, especially from the clinics, which is inside clinics and our own clinics and outside clinics. Another thing that we are trying to work towards is we work with the insurance companies to increase the networks over there. Because once we do that, this GCC market is an insurance-driven market. The expansion of networks and getting more of those aligned to the Medicare group will help us increase the occupancy through patient flow. So that is something that we are planning for the next few years to come in.

**Shyam Srinivasan:** **Got it. Thank you and all the best.**

**Saurabh Paliwal:** Thank you Shyam. The next question is from Ruchika Bhatia.

**Ruchika Bhatia:** **Thank you for the good set of numbers. And just wanted to understand what would be the differentiation strategy for setting up hospitals like expanding hospitals in India?**

**Dr. Azad Moopen:** Yes. Can you please repeat that question?

**Ruchika Bhatia:** Yes. What would this differentiation strategy compared to the peers for expanding capacities in India?

**Dr. Azad Moopen:** Differentiation in strategies between GCC and India or...

**Sreenath Reddy:** India compared to the peers.

**Dr. Azad Moopen:** Oh, compared to the peers. Okay. So as I mentioned, many of our hospitals have got capacity for increasing the beds because we have adjacent land. That's our first preference. We want to increase the beds attached to our existing hospitals. We have found that it is much less expensive as well as it breaks even and they provide significant increase in the revenues and profits. So that will be the first preference. And luckily, in many of our places, we have land, which can be utilized for this expansion.

The other thing will be the brownfield, which I mentioned. We are going into active search for partners for the operations management to get hospitals into that. So even though others might be doing that, I don't think as a strategy others have taken it up.

What we see is that, when we have a large hospital in one of cities, and maybe 50 kilometers away, there is a requirement for a hospital facility, and there is a hospital there which we can take over operations management, maybe 200 beds - 300 beds, whatever. And they are struggling in management because they don't have the people and expertise for that. That increases the delivery of better health care in that region because we have doctors who can provide the service there. We can connect online with them. And with all that, we hope that the care there improves as well as that will also bring in a lot of revenues.

So answering your question, expansion of the hospitals, I mean, which are our existing hospitals. Second, to go into the brownfield where the capex will be very low. And third, of course, some greenfield expansion, and we also will look at the strategic acquisitions if something is available. But that is not the first choice because you will have to spend a lot of money if we want to do that.

**Ruchika Bhatia:**

**Right. What I actually wanted to understand was, say suppose there are already other brands in the same area, say, Bangalore or something. So why would a customer choose to go to Aster? In that context, I want to understand.**

**Dr. Azad Moopen:**

Okay. So see, as you may recall, when we started 4 years back, the Aster Bangalore. We were being warned and told that how can Aster get a business share there because all the national level players are there and it is very thickly populated. But within 1 year, we went into a breakeven. And this, of course, in Kerala, we are the leading player and wherever we go, we have the capability for doing that. And our brand is so prominent, and there is nobody else as a national brand who is present in Kerala.

So we have confidence that with the strategies that we adopt, we will be able to make a hospital successful by attracting doctors and attracting patients.

Now the most important differentiation, which is going to come in as we speak in the future, like what I spoke earlier, is to tie up all these together, where we'll have the pharmacies, the clinics, the home care, the labs, everything, which will be a funnel for bringing patients into the hospitals. So patient will have an omni-channel opportunity for getting full health care, where they will be much happier than just being spread across 3 or 4 providers, Ruchika.

**Ruchika Bhatia:**

**Sure. Thanks for explaining that. And one question. I wanted to understand in the shareholding pattern. We have like Union Investments Private Limited. So can you just elaborate more on the structure and the business of that company? And why is it set up in Mauritius?**

**Dr. Azad Moopen:**

Right. So see, we are people who are doing business. As you know, we were in UAE for the last 35 years, and we established business here and we had significant businesses here. It is at that point we invested into India and that came through the Mauritius because the India

investment, we thought that it is tax efficient to come through Mauritius. So the family, the promoters invested through the UIPL into India. That's how our holding in India is through the UIPL, and that is held by the family. And rest of our investors, some of them are from outside of India as well as many of them are Indian investors. So that's the structure. Regarding the percentage of how much is holding, of course, you can readily access it from the stock exchange reports.

**Alisha Moopen:**

Sorry, I just wanted to add to your previous question that you were asking about the differentiator, right? I think one of the key areas of focus for us as a group is also on the service piece.

So if you actually look at whether it's Google ratings, our own sort of focus on NPS and stuff, we probably have one of the highest scores as far as service excellence is concerned. We take that very seriously. What is every feedback that comes from the patient, how do you sort of prove? Because at the end of the day, especially in markets like Bangalore, everyone has opportunity and the option to go to different places with insurance coverage.

So how do you really kind of become the preferred choice, right? So for us, one, the service is a key differentiator. And even if you look at sort of in terms of national rankings on clinical leadership, we are sort of in Times of India in the top 10. We have our Aster Medcity, we have the CMI project; even in the Week survey. So even the clinical competence, which is there, we have done probably around 500 transplants in this year. So the kind of doctors that we have attracted and the kind of clinical work that we do is also being appreciated and noticed. So that really has to be a differentiator.

**Ruchika Bhatia:**

**Thank you for answering that. I wanted to understand further in detail about the Union Investments Private Limited. Like what's the core business right now? Or is it only for the shareholding?**

**Sreenath Reddy:**

So Ruchika, it's mainly only for the shareholding and it gets dividends. So it's a holding company of the promoters, and that's invested into India. Just like any private equity investor who sets it up from Mauritius or whichever place. Union Investment because the advice was given to the promoters because the promoters being nonresident Indians, the advice that they should invest through this vehicle, and therefore this vehicle was set.

**Ruchika Bhatia:**

**Ok, thank you.**

**Saurabh Paliwal:**

Thank you. The next question is from Amit Khetan.

**Amit Khetan:**

**Good afternoon. Thank you for the opportunity. Just one question from my end. So if I look at your senior management in your DRHP and your current slide, there are a lot of changes here. So just if you could throw some color on what's really going on here? And what are the**

**challenges we have faced? And what are the steps we are taking to address the attrition, if I may say?**

**Dr. Azad Moopen:** Yes. You are talking about attrition where?

**Amit Khetan:** **In the senior management team. So, if I look at your key management personnel mentioned in the DRHP around 3 years back and what it is today.**

**Dr. Azad Moopen:** Yes. So there has been one major change where the India head Dr. Harish Pillai, he has left, and he has actually got a job overseas and he has taken it up. So that's the reason why he has gone. He has not taken up any other local job. He has moved due to that. So that's something which has happened in India.

In the GCC, there has been some movements. We always look at people who are capable and who can live up to their KPIs. See, Dr. Harish, of course, it was a movement because of his opportunity. Whereas in GCC, some of the people, if they don't fulfill their KPIs, we may have to replace them.

But overall, when you look at the core team, that is 10 to 12 senior management members, of that, at least 80% are stable, and they have remained with us for a long period.

**Amit Khetan:** **Got it. And can we expect stability in the current management team?**

**Dr. Azad Moopen:** Definitely. So that's what we are looking. And we think that we have now fairly overcome the issues regarding the senior management, some of the people wanting and all. Even at the India level, we have some changes at the India management level. But we have now a fairly good team. See, attrition can happen at any point of time. But if it is, say, 10%-20%, it's okay. But even that, we hope that it won't happen.

But like what you said, there has been some attrition more than what we used to have earlier in the last 2 or 3 years because of efficiency-related matters. But we have now replaced people with the people who can deliver and it's going to be stable.

**Amit Khetan:** **Thank you and all the best.**

**Saurabh Paliwal:** Thank you Amit. The next question is from Mehul Sheth.

**Mehul Sheth:** **Sir, one question on your cluster-based approach in India business. So you are in process to divide our India business into 5 clusters, and Dr. Moopen will take a control over Aster India business. So what is the progress on that front?**

**Dr. Azad Moopen:** So that already happened, and we have divided it into 5 clusters, and so the performance in the last 6 months has increased significantly after this cluster came in. So for the Kerala, which

is our largest cluster, we have the regional director, Farhan Yasin, who is taking care of the Kerala cluster. Then for the Karnataka and Maharashtra, which is put into a cluster, we have Dr. Nitish Shetty, who is taking care of that. The other cluster, which is the Andhra Pradesh and Telangana, we have Devanand. All these people were with us for a long period, and so they are continuing.

Two people who joined recently, because these are 2 new verticals. One is in the lab that is Anindya Chowdhury, who has joined. He has been leading the Eastern business of the SRL Limited and he has joined us.

And another one is pharmacy, where Ramakrishna, has joined, who has been the second in command for the Apollo Pharmacies.

So, these are the 5 people who have started driving, and they are reporting directly to me.

So this is not going to be a permanent thing. We will have an India CEO. This is something we thought that in the interim, while this is happening, we didn't want to bring another person and create a confusion. Maybe one of them or maybe somebody from outside will take up the India leadership.

And another thing which I wanted to tell is that even though we have a person who is taking care of that, we are now focused on the virtual. We'll be having a sixth cluster, which will be looking at the virtual and the online-related areas. And that is another cluster which we are hoping to create in the next financial year also.

**Mehul Sheth:**

**And sir, one question on your effective tax rate. So, what can be in FY22, then FY23 and '24, what can be your tax rate?**

**Sreenath Reddy:**

Yes. There have been some news related to the OECD, where 130 countries have come together and signed certain matters related to the taxation. So at this point of time, at least the UAE government has come and said that there will be a 9% corporate tax. But that is effective from June 2023 for those companies where the financial year starts on or after June 2023.

So for us, our financial year starts in the month of April. So therefore for 2023, we will not have taxes. 2024 is when we are likely to have the taxes. Right now, the regulations are not clear so we'll have to wait for some more time to see as to what will be the tax rate because there is Pillar 1 and Pillar 2.

Pillar 2 companies with revenues of more than EUR 750 million could be taxed at slightly higher rates. So we may fall under Pillar 2, but at this point of time, there is no clarity around it. Maybe a few more quarters we can get some clarity around the entire tax part of it. So I think we will

update the analysts and the investors as and when there is some clarity. But at least until 2024, UAE will not have taxes.

The other taxes will continue like what we have got in India and the other geographies, on an average, maybe around 7% or so. At this point of time, we have got the taxes in the geographies where we have present on a consolidated basis.

**Mehul Sheth:** **Thank you. And sir, one question on your pharmacy business in GCC side. So you added store in Q3. And despite this store addition, there is an improvement in EBITDA margin. So what are the mix for you right now in terms of stores maturity and all?**

**Alisha Moopen:** So Mehul, I think earlier, we were largely focused on adding units with the clinics. It's not like we've added 8 clinics. So these are standalone. We are trying to look more in the malls and good selection of stores which has been showing quick breakeven and good performance. So I think last time I had mentioned, we are actively working on shifting the pharma, non-pharma percentages. So we are seeing a positive trend towards that as well which is helping on the margin.

We're also doing a lot more distribution to supermarkets and sort of large accounts like duty-free, which is also helping on the margins. So we are really kind of shifting our focus from just the pharma reliability, which was there earlier because otherwise, it was too connected to what was happening and the clinics was impacting the pharmacies. So we said let's have a very strong parallel track on the non-pharma and the distribution business and our own private labels, which is showing the positive margins.

**Mehul Sheth:** **Thank you. That's it from my side.**

**Saurabh Paliwal:** Thanks, Mehul. Next question is from Sunil Jain.

**Sunil Jain:** **Thanks for taking my question and congrats on good number. Sir, you had said that in India, you may be taking price increase. So can we know how much differential you have with your peers? And specifically in Kerala area, where you are a dominant player, and when we can see this price increase? Is it expected it in near term? Or you still wait for things to normalize?**

**Sunil Kumar M R:** Thanks Sunil for the question. Compared to our peer group, you look at the national players also, they've also been communicated already in the Q3 results that they're also looking for a price increase between 5% to 10% rate. And that is a similar price increase we would also like to take in all our hospitals. But there is no clear cut timeline to say, yes, we are going to go and do this in quarter 1 or quarter 2.

Usually, our price increase is given in the quarter 1 or quarter 3. That's how we spread it out. So based on the geography also, we look at it. So that's how we are planning to the price increase.

**Sunil Jain:** **Okay. But it will be more of an increase over a period, depending on hospitals and all?**

**Sunil Kumar M R:** That's right.

**Sunil Jain:** **And one question related to GCC. Here, if I see there is a good growth in pharma business, but if you compare it with a 2-year perspective, still it is little lower than pre-COVID level. So where do you see this business moving from here?**

**Alisha Moopen:** So we do expect a much stronger growth, Mr. Sunil. So see, as Sreenath mentioned, the clinics are still not at 100% on the pre-COVID levels; that PCR is helping. So as that is also restoring the business, of course, the pharmacy will have that associated benefit. So we see that coming up.

Along with that, all these initiatives on making sure we realize that, for example, our chronic disease patients were, on an average, only coming once a year to us. How do we make sure that happens 3 times in a year? So all these compliance personalized to kind of focus on the marketing as well, we do believe that we should be able to see a strong, sustained growth in the pharmacies.

And as Chairman mentioned at the end, it's really going to come on the digital piece. How do you really use 1Aster to make people have those interactions much more frequently, because the requirement for people to go to the pharmacy, we believe, is not 2 or 3 times in a year. We can have it as much as 7 or 8 times. So how do you make sure the utilization and the stickiness with this platform will enable us to kind of exponentially grow the retail business?

**Sunil Jain:** **Great. Thank you very much.**

**Saurabh Paliwal:** Thank you, Sunil. It looks like we don't have any further questions.

With that, I'd like to thank everyone for joining us today for our earnings call. If you need any further clarifications, have more questions, please feel free to get in touch with us. With this, we will conclude this earnings call and this webinar. Thank you very much.

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