

February 16, 2024

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

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

**Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")**

This is further to our earlier letter dated February 09, 2024, regarding Video/ Audio recordings of Earnings call of the Company for the quarter ended December 31, 2023, held on February 09, 2024, please find enclosed herewith the transcript of the said Earnings call.

The same is also made available on the website of the Company at <https://www.asterdmhealthcare.com/investors/financial-information/earning-call-transcripts>

Kindly take the above said information on record as per the requirement of SEBI Listing Regulations.

Thank you

For **Aster DM Healthcare Limited**

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Company Secretary and Compliance Officer



## Aster DM Healthcare Limited Q3 and 9M FY24 Results Earnings Conference Call

February 9, 2024

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**Management:**            **Ms. Alisha Moopen – Deputy Managing Director**

**Mr. T J Wilson – Non-Executive Director**

**Dr. Nitish Shetty – Chief Executive Officer, India**

**Mr. Amitabh Johri – Joint CFO**

**Mr. Sunil Kumar M R – Joint CFO**

**Mr. Hitesh Dhadha – Chief of Investor Relations and M&A**

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

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**Balachander R:**

Good morning, everyone. I welcome you to Aster DM Healthcare earnings conference call for the third quarter of FY24. The company declared the Q3 and 9M financial results for FY 2023-24. With us, we have the senior management of Aster DM Healthcare namely Ms. Alisha Moopen, Deputy Managing Director; Mr. T. J. Wilson, Non-Executive Director; Dr. Nitish Shetty, CEO of Aster India; Mr. Amitabh Johri, Joint CFO; Mr. Sunil Kumar, Joint CFO and Mr. Hitesh Dhatta, Chief of Investor Relations and M&A. Dr. Azad Moopen, our Chairman & Managing Director is unable to join today's earnings call due to some personal commitments.

I would like to inform everyone about how we will conduct this call. All external attendees will be in listen-only mode for the duration of the entire call. We will start the call with opening remarks by management, followed by an interactive Q&A session. During the Q&A session, you will get a chance to ask a question by raising your hand by clicking on the raise hand icon in Zoom application at the bottom of your window. We will call out your name after which your line will be unmuted, and you will be able to ask your question. We request you to please limit your questions to two, but not more than three per participant at a time.

Certain forward-looking statements may be discussed in this meeting and such statements are subject to certain risks and uncertainties like government actions; local, political, or economic developments, technological risks and many other factors that could cause actual results to differ materially. Aster DM Healthcare Limited, will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

With this, I will ask Ms. Alisha Moopen to start with opening remarks. Over to you Ms. Alisha.

**Ms. Alisha Moopen:**

Thank you Bala. Good morning, everyone and thank you for joining our Q3 and 9M FY24 earnings call. Ladies and gentlemen, I will provide an update

about the most important development which was the voting on the restructuring and the sale of the GCC business and of course, will be giving an update on the consolidated quarterly performance and also touching on the performance of our GCC operations before Dr. Nitish talks about India business for the quarter.

On the segregation of the GCC and the India business, I really want to express my profound gratitude to our esteemed shareholders for their resounding approval of our initiative to segregate our GCC operations. This endorsement not only grants us a necessary mandate, but also instills the enthusiasm to nurture and strengthen our operations in India, underscoring our commitment to align with your trust in our strategic direction.

The voting of the resolutions regarding the segregation of GCC got concluded on the 22nd of January 2024, with a significant voting in favor of separating the GCC business from our Indian operations and the resolution which involves approving the sale of a material subsidiary, shareholders showed a strong support with an impressive 99.96% of votes in favor. In the resolution which involves approving the sale of the GCC business as a related party transaction, we are very pleased to report an overwhelming support with an impressive 99.86% of eligible votes in favor.

It is very crucial to highlight that given the nature of this resolution as a related party transaction, the related parties were excluded from voting in favor of the transaction. Excluding those considered as related parties under the law, holders representing 26% of votes were entitled to vote on the majority of minority resolution, which encompasses 16% of institutional investors and 10% retail holders. Of the same holders representing 22% shares voted towards the transaction, comprising 15% institutional investors and 7% retail holders. Remarkably, all the 20 institutional investors cast their vote in favor of the transaction, again, showing unanimous support amongst the major domestic and foreign institutional investors.

Among the top 100 investors, nearly one investor voted against the transaction, again underscoring a widespread approval. Voting among the retail holders also yielded excellent results, with an impressive 99.97% of retail holders voting in favor of the transaction. Really, in summary, an overwhelming 99.86% of votes supported the majority of minority resolution, reflecting a strong confidence in an approval of the proposed transaction. Moving forward, post the successful closing of the proposed transaction, our intention, as published earlier is to distribute between 70% to 80% of the upfront consideration of \$903 million as a dividend to our shareholders. This dividend is expected to be within the range of INR 110 to INR 120 per share, subject to the necessary corporate approvals mandated by the law.

The closing of the transaction is pending the fulfillment of certain conditions precedent including approval from competent merger control authorities in the Kingdom of Saudi Arabia. I'm pleased to share that we're currently in advanced stage of completion of all these conditions. We're diligently working towards meeting all these requirements to ensure a very smooth and timely closure of the transaction by the end of this financial year FY24. The overwhelming support from our shareholders, really serves as a very strong affirmation of our strategic direction to segregate the India and the GCC businesses. This strategic move is aimed at unlocking value, demonstrating our commitment to creating sustainable growth and delivering enhanced returns for our shareholders.

Now moving into the consolidated financial performance for Q3 FY24. On a consolidated basis, our revenue has experienced significant growth, reaching 3,711 crores, which represents a 16% year-on-year increase, supported by the ramp-up of the new hospitals, which were started in the last two financial years, which has allowed us to expand our capacity by more than 780 beds over the last year. The strong growth extended across both the Indian and the GCC regions and was further amplified by various cost-saving initiatives as well.

As a result, our operating EBITDA has exhibited robust growth, increasing 28% year-on-year to reach INR 583 crores, up from INR 456 crores in Q3 FY23, resulting in expansion of our overall operating EBITDA margins to 15.7% compared to 14.3% in Q3 FY23. Our headline PAT performance has also demonstrated a strong growth with a 29% year-on-year increasing to INR 179 Crores in Q3 FY24 as compared to INR 139 Crores in Q3 FY23. If we actually exclude the impact of the new hospital losses and the non-recurring exceptional costs which were incurred during the quarter, PAT has increased by 53% to INR 213 crores in Q3 FY24 as opposed to INR 139 crores in Q3 FY23.

Coming to the GCC performance, our GCC business has achieved a 14% year-on-year revenue growth in Q3 FY24, reaching INR 2,761 crores, primarily driven by improvement in our occupancy rate, which has reached 58% during the quarter, compared to 50% in Q3 FY23, indicating a very effective asset utilization following all our investments in the last year. Our operating EBITDA has surged by 24% to INR 415 crores, with EBITDA margins standing at 15% this quarter versus 13.8% in Q3 FY23 due to better performance from the hospital vertical, retail vertical, cost optimization initiatives, as well as operational leverage. Excluding one off exceptional items, the PAT saw a year-on-year increase of 20%, standing at INR 131 crores as compared to INR 109 crores in Q3FY23. Across the board, all our divisions have experienced notable growth, hospitals have increased by 15% year-on-year, pharmacies by 12%, and clinics have seen a 20% improvement year-over-year.

Amitabh will be elaborating more on the GCC financials later. I'm also very happy to inform you that After Pharmacy was declared the winner in the Best Pharmacy Retailer of the Year and Best Omni-Channel Loyalty Program of the Year at the Middle East Retail and E-commerce Summit in 2023. I really want to express again my heartfelt gratitude once again to all of you for your trust that you've placed in us. We're genuinely excited about the journey ahead, and we are fully committed to delivering not only value but sustained growth in the years to come. Your confidence, it really fuels our determination, and we look forward to exceeding your expectations and creating shared success.

I would now request our India CEO, Dr. Nitish Shetty, to share more details on the India business and its growth perspective. Over to you Doctor.

**Dr. Nitish Shetty:**

Thank you, Alisha. A very good morning to everyone. Thank you for joining us for the Q3 FY 2024 earnings call. India's healthcare market is poised for remarkable growth. It's expected to reach USD 638 billion by 2025 with a CAGR of 22%. Recognizing this potential, we are committed to expanding our healthcare services in the region of our presence. Regarding Q3 FY 2024 performance in India, we are thrilled to report a 23% year-to-year revenue increase reaching Rs 949 crores driven by our ongoing capacity expansion efforts of adding 750 plus beds this financial year. Our focus on cost optimization and operational leverage has boosted our operating EBITDA by 37% to INR 168 crores resulting in an operating EBITDA margin of 17.7% up from 15.9% in Q3FY23. Notably, our mature hospitals achieved an operating EBITDA margin of 21.7%, contributing to the overall hospital margin of nearly 20%. Our post NCI PAT has more than doubled, showing an impressive 105% year-to-year growth to Rs.62 crore in Q3 of FY24.

Looking ahead, we remain optimistic about our prospects in India. To capitalize on the vast population and low hospital bed densities, we are strategically investing in significant capital expenditure, aiming for total bed capacity of over 6,600 by the financial year 2027, which includes adding approximately 1,700 beds. Furthermore, we have strengthened the healthcare ecosystem by establishing 224 labs, patient experience centers and 223 pharmacies across Karnataka, Kerala and Telangana. These initiatives have contributed to 36% year-to-year revenue increase during the nine months of financial year 2024.

We are also proud to announce that Aster Medcity, a flagship hospital, has been ranked number 1 in the best multi-specialty hospital emerging category by Week Hansa research for the year 2023. This reflects our dedication to delivering quality healthcare services. As we move forward, we are confident

that our focused approach in India will yield positive results. We look forward to sharing our progress with you in the upcoming quarters. Now I invite our joint CFOs Amitabh and Sunil to provide more insight into our financial performance. Thank you.

**Amitabh Johri:**

Thank you, Dr. Nitish and Alisha. Thanks for this. Good morning, everyone. First of all, I would like to thank you for joining the earnings call for Q3 FY24

I'll be covering the consolidated performance for the business. Shall be also covering the GCC performance and then I will request Sunil to take over the India-related performance update. On a consolidated basis, our revenue from the operations for Q3FY24 was INR 3,711 crores, an increase of 16% year on year. Consolidated operating EBITDA for the quarter was at INR 583 crores, as against INR 456 crores during the same period last financial year, which is a growth of 28%. Consolidated PAT post-NCI is at INR 179 crores as compared to INR 139 crores in Q3FY23. PAT losses for new hospitals amounted to INR 20 crores. Operational losses from affiliates, largely Aster Arabia, our joint venture in Saudi Arabia, has amounted to INR 8 crores. And one-time restructuring costs towards the segregation amounted to INR 6 crores that were recorded in this quarter. Excluding these items, the adjusted PAT post NCI stands at INR 213 crores in Q3FY24 as against INR 139 crores in Q3FY23, a strong growth of 53% on a year-on-year basis. Now, going specific on the GCC performance, revenue from our GCC operations in Q3 FY24 was INR 2,761 crores, an increase of 14% on year-on-year basis. EBITDA from GCC operations stands at INR 415 crores as against INR 334 crores in Q3 FY23, a growth of 24% on year-on-year basis. PAT post NCI from GCC operations stands at INR 117 crores as against INR 109 crores in FY23 Q3, which is a growth of 7%. Post the adjustments that we had called out earlier, the non-recurring items the PAT post NCI stands at INR 131 crores in Q3 FY24, a growth of 20%.

Coming to segmental performance for the quarter. GCC hospital revenue was at INR 1,222 crores, a strong increase of 15% year on year basis and EBITDA stands at INR 210 crores compared to INR 171 crores in Q3 FY23 a growth of



22% with an EBITDA margin of 17.1%. Our new hospitals that went operational late last year are seeing better performance while matured hospitals are seeing higher occupancy. Overall, GCC hospital occupancy has increased from 50% in Q3 FY23 to 58% in Q3 FY24. GCC clinics revenue stands at INR 792 crores, an increase of 20% year on year basis. EBITDA for GCC clinic segment stands at INR 180 crores compared to INR 142 crores in Q3 FY23, a growth of 27% and EBITDA margin of 22.7%. GCC pharmacies revenue stands at INR 932 crores, an increase of 12% year on year basis. EBITDA increased from INR 98 crores to INR 118 crores, an increase of 19% on year-on-year basis. EBITDA margin for this segment in Q3 FY24 was at 12.6%.

GCC net debt stands at USD 155 million as at 31st December 2023 compared to USD 163 million as at 31 March 2023. The capital expenses for Q3 FY24 were at INR 78 crores. Now I would request joint CFO Mr. Sunil Kumar to take you through the India performance during the period. Thank you.

**Sunil Kumar M R**

Thank you, Amitabh. Good morning everyone. For the quarter ended 31st December 2023, India revenues have increased to INR 949 crores up by 23% from INR 771 crores in Q3 FY23 and operating EBITDA has increased to INR 168 crores with a margin of 17.7% compared to INR 123 crores with a margin of 15.9% in Q3 FY23 with a growth of 37%. PAT post NCI for Q3 FY24 is at INR 62 crores compared to INR 30 crores in Q3 FY23 with a growth of 105% year on year.

For 9 months ended 31st December 2023, India revenues have increased to INR 2,721 crores up by 25% as compared to 9M FY23. And operating EBITDA has increased to INR 453 crores with a margin of 16.6% as compared to INR 342 crores in 9M FY23 with a growth of 32%. PAT post-NCI for 9M FY24 is at 153 crores compared to 99 crores in 9M FY23 with a growth of 54% year on year. We have been actively pursuing margin expansion in our hospitals by implementing rigorous efficiency measures in the areas of revenue assurance, material cost and other overheads. This aims to enhance revenue, optimize operational cost, improve ROCE and ultimately strengthen the overall

performance of our business in India. This is evidenced in the performance of our hospital and clinical segments. Specifically, the revenue from India hospitals and clinics excluding the O&M asset light hospitals stands at 869 crores in Q3 FY24 with a growth of 19% year on year. And the operating EBITDA stands at 181 crores with a margin of 20.8% as compared to 143 crores in Q3 FY23 with a growth of 27% year on year. ROCE for this segment stands at 21.8% in Q3 FY24 trailing 12 months compared to 17.9% in the same period last year. Moving on to the performance of our mature hospitals operating for over three years. For the quarter ended December 31st, 2023, revenue rose to 816 crores, marking 16% increase from INR 705 crores in Q3 FY23. Operating EBITDA climbed to INR 177 crores with a margin of 21.7% compared to INR 141 crores with a margin of 20.1% in Q3FY23, reflecting a growth of 26%. Furthermore, ROCE of mature hospitals showed a significant improvement, reaching to 27.1% compared to 19.2% in the corresponding period last year. For the first 9 months of FY23, capital expenditure amounting to 287 crores has been incurred, with nearly 60% allocated to expanding our capacity. Aster India net debt stands at 632 crores as on 31st December 23 compared to 510 crores as on 31st March 2023. On that note, I conclude my remarks. We would be happy to answer any questions that you may have. Now I request Balachander to open the question-and-answer session. Thank you.

**Balachander R:** Thanks, Sunil. We can move on to the Q&A session. Before moving on to the Q&A session, I would also like to highlight if all the participants can introduce yourself with your name and the company that you are associated with. If you're not associated with the company and if you're an individual investor, you can highlight that also. Moving on to the Q&A session, the first question is from Sanjay Shah. Sanjay, if you can unmute yourself and ask your question.

**Sanjay Shah:** *Yes, am I audible?*

**Balachander R:** Yes, Sanjay you are audible now.

**Sanjay Shah:** *Hi, gentlemen. Good morning, sir. Thanks for the opportunity. So, I would like to understand the strategy for Aster India and as you highlighted the growth path on the increasing the bed counts and can you elaborate how we are planning for next two, three years on hospital side, lab and even our pharmacy? That was my question and more it was related to, we came across the interview that you are planning to even invite some strategic partner as a promoter to carry forward this growth story. So, can you highlight upon that please? Thank you.*

**Ms. Alisha Moopen:** So, thank you, thank you Sanjay. Maybe Dr. Nitish, I can ask you to answer the India strategy.

**Dr Nitish Shetty:** Thanks Alisha. So Sanjay, now in our earlier presentation also we are focused heavily on future plans. To put it in a nutshell, our future plan is to be among the top three in India. Our vision is very clear for the next five years. We want to be top three in India. Having said that, the immediate plan is to ramp up the existing capacity beds. That is from 4,800 to 6,600. We are planning to roll up 1,700 beds in the next three years, by year 2027. This is the combination of brownfield and greenfield projects, 60% of the beds are going to be added as a brownfield. Brownfield, when I say brownfield, it is the expansion of the existing capacity in existing hospitals. We are adding beds in Kerala Cluster, Medcity and a few of our hospitals there. Also, we are expanding the capacity beds with hospitals in Karnataka. Now, also we are planning a greenfield project basically in Kerala. We are adding close to 600 bed hospital, to start off with 460 beds in Trivandrum, and then we are adding 250 beds in Kasargod hospital in Kerala as a part of greenfield projects. These are the plan we have but we are also open for further inorganic expansion in the adjoining geography.

We are already present in three states now, Karnataka, Kerala, and Andhra Pradesh. We have some presence in Maharashtra and Telangana also. But we are also actively looking at expanding our footprints in the neighboring geographies. We are also looking at having also presence in Northern India in

states like Uttar Pradesh and also we are very actively making an opportunity in Maharashtra through inorganic growth, which can be through M&A and coming to the labs and the pharmacy vertical, this is something we have started to create an integrated healthcare ecosystem around the hospital. This is basically to enhance the patient's experience and convenience.

So, for that reason, we have deployed close to 223 labs and lab experience centers and then around close to 230 pharmacies. And all these pharmacies and labs are located in the geographic area already have a presence in terms of having a large hospital. So, this is a plan now, but right now we are focusing on pharmacies and labs to kind of break even, bring in the financial viability and sustainability, which we are confident of doing it in the lab next quarter itself, Q4 and when it comes to pharmacy, we might take another year or two to break even. But at the same time, if we are expanding our footprints in other geographies through hospitals, we will be also scaling up in terms of doing by Lab and pharmacy business in other geographies.

**Sanjay Shah:**

***So, when we talk about growing your bed counts, especially in tier two and tier three cities. So is the rising cost of the bed is that proposition works well for us or we are going for some light asset model. And the other thing was about pharmacy. How do you see that change? Are we planning to go into B2C for general pharmacy or only to the customer or the patient who are housing in our hospitals, is that only is our forte?***

**Nitish Shetty:**

It's a combination of both B2C and B2B because we are deploying this pharmacy on a standalone basis in the geographic where we have presence. So, it'll keep major to the B2C in the geographies, we are present, but also, we are leveraging on that B2B advantage what we have in terms of brand presence and brand growth.

**Sanjay Shah:**

***And about tier 2, tier 3 expansion?***

**Nitish Shetty:**

Yeah, tier 2, tier 3, see, the biggest strength of Aster, if you really look at us, 60 to 70 percent of our beds are in the tier 2, tier 1 cities already. And only 30 percent of our beds are in the metro. We have that expertise to make a working model, viable model, a successful model in the tier 2, tier 1 cities. That gives us tremendous confidence in kind of exploring the opportunities in Tier 1, Tier 2, Tier 3 cities, which we have already done through asset light models. We have deployed four hospitals, different geographies. We have done two of those in Kerala, one in Andhra, and one in Karnataka. We had a mixed response to that. 50% of those models have done well and 50% are taking some time to reach a state of giving us the confidence to pursue this model. As it is early days now, we are in the phase of just observing how this model will play out in the next one year. But we are confident that in the post one year this model will demonstrate the viability. We have this asset light model because it might not generate enough margins in terms of EBITDA, but this model is good for ROCE. So, we are looking at this model closely, but probably a year down the line we should reach.

**Sanjay Shah:**

*I appreciate, sir my last question was regarding any landmark we have received or on getting any bids or any inquiries about our strategic partnership in India and for Indian operation.*

**Dr. Nitish Shetty:**

That I would like to request Alisha.

**Alisha Moopen:**

Sure Dr. Nitish, so Sanjay, I think we've been very lucky as Aster we've had a couple of PE who been partners with us over the last 10, 15 years. Of course, you know, with all PEs they do at some point exit, some people who've been with us for a long time, so at that point we would look at having someone else join us. We are trying to look for the right strategic partner for us who would be able to assist us in further value creation as we are now looking into India only strategy. So early days, but we hope that we'll have someone coming on board when the time is right.

**Sanjay Shah:**

*Thank you, Ma'am, really helpful. I'll come back in queue. Thank you very much.*

**Hitesh Dhatta:** Sanjay just also wanted to add to what Alisha, mentioned. We are seeing a lot of interest coming in from the PE investor side as well as many PE investors are keen to come into this kind of opportunity. But we are also evaluating from various perspectives which partner will make sense for our long-term growth journey.

**Sanjay Shah:** *Great, good luck to you sir. Thank you.*

**Balachander R:** Thank you, Sanjay. The next participant who is asking question is Amrish. Amrish, if you can unmute yourself.

**Amrish:** *Thank you for the opportunity and congratulations on a good set of numbers. My name is Amrish, and I'm an individual investor. Coming to nitpick on the sequential numbers, if you could throw some more color on the Karnataka operations. So just on a sequential basis, financial results are a little muted, partly understood because of the Whitefield expansion. But also, if I look at the operational metrics, if you could shed some light on the operational beds have gone down and our PECs have reduced quite significantly from, I think, 76 to 50. Is there something to look at over here or it's just a one off?*

**Alisha Moopen:** Thank you Amrish. Sunil maybe you can go into the.

**Sunil Kumar:** Yeah, I'll start with that maybe Dr. Nitish can add to this also, Amrish, thanks for the question. So, with respect to Karnataka, Maharashtra yes, right, see Karnataka & Maharashtra all know that quarter three is a quarter of festival, right from October to November to December, we always see that occupancy dip happening there, right. And when you look at the occupancy also there is a dip which has happened that is reflecting on the little bit of the numbers also, for example, CMI had, I think, 8% to 10% dip specifically due to the festival season. And also, yes that Whitefield will come into picture it's diluting at the cluster level margins also, but the 9 Months when you look at, we are at 19.4% operating EBITDA margin for Karnataka and Maharashtra cluster. But if you exclude the Whitefield Block A&B, we are at 22.2% so that we were

quite strong there and also, we are already seeing that Jan numbers coming in. We have a very good month for across India, not only Karnataka, Maharashtra, that is one bit if it.

Now coming to the other PEC numbers, yes PEC numbers have come down. I think we were at the peak. We were something like 250 plus. Now it has come down to 223 to 224 and that is basically because we have closed down certain franchise collection centers. So, you already know that out of the 220 odd numbers, we have 16 labs that are processing labs and balance 208 is basically your collection centers, which we call as a patient experience centers. And these things usually are done through franchise. Company doesn't invest in it, and you always know when you do a ramp-up, we always look at kind of the other franchise partner also looks for a breakeven very quickly, for certain locations may not really worked well. Those cases, we're trying to either close down or shift from that location to another location. And that is a change which is happening due to which only the numbers have come down.

**Amrish:** Thanks, and the operational beds in Karnataka in there anything to read in that?

**Sunil Kumar:** No, basically it has happened in Madegowda hospital, Aster Madegowda hospital had a total bed counts to 100 beds with the operational beds of 89. Now currently, it's occupancy is quite low, right. So, when I say occupancy it's between around 20 odd beds, so we can't keep all the 100 beds operational. So, we ensured that to save the cost we cordoned off certain beds basically and only kept around 40 beds currently operational to drive that.

**Amrish:** ***Thank you. The second question, just a broader question on the use of funds. So, we're going to pay out 70% to 80% as a dividend. The balance 20% to 30% as Dr. Nitish has already highlighted that perhaps we will use this for inorganic or will be used to reduce debt, or is there any other plan for this at the moment?***

**Alisha Moopen:** I think Amrish, we're still working with the Board to look at to evaluate opportunities like what Dr. Nitish said that we have to be opportunistic in some of those decisions, so of course there will be a small fund that is available post this. But it's still kind of Board are still evaluating the various options.

**Amrish:** *Thank you, and I wish everyone the best.*

**Balachander R:** Thank you, Amrish. The next question is from Bino. Bino, if you can unmute yourself.

**Bino:** *Good morning, I hope I'm audible.*

**Balachander R:** Yes, you are audible.

**Bino:** *So, I just had a question around the broad strategy thought behind getting a PE partner in, so you already have a pretty good expansion plan in place and adding almost 40% more to the capacity more over the next three years. You have identified the geographic areas where to grow, etc? How would this change suppose you actually get into PE partnership? How will that investment change the strategic direction and how would it accelerate things?*

**Hitesh Dhaddha:** So, if I can take up this Alisha. Yeah, so Bino, thanks for the question. As Dr. Nitish laid out, you know, the organic plans are pretty much in place and the cash that business is generating, India is generating, I think, would be kind of self sufficient to be able to help us deliver on the organic growth plan. So, I think the PE partner will kind of help more on the inorganic front and some of the other new edge initiatives that we may want to take up in future. So, I think it's more going to be an add-on to what our existing strong growth plans are and you know how we can create more value for our shareholders in future for those initiatives.

**Bino:** *Got it, thank you.*



**Balachander R:** The next question is from Alankar. Alankar, you may please unmute yourself.

**Alankar Garude:** *Hi, thank you for the opportunity. This is Alankar Garude from Kotak Institutional Equities. Sir my first question is, I know you've delivered a pretty strong 20% EBITDA margins in a seasonally weak quarter in the India business I mean despite all that expansion, which have carried out in the last 12 months or so. Now going forward, there is, as you said, that further expansion planned then on top of I mean, within that expansion, it's going to be a mix of 40% greenfield and some of the low margin O&M asset-light hospitals as well. So just if you could help us understand how the EBITDA margin trajectory, given all these moving parts in the India business is going to be over the next, say, two to three years?*

**Sunil Kumar:** Yeah. Thank you, Alankar. For the question. Yes, so what you said is very right for the hospital clinic segment. We closed the quarter 20.8% and for nine months period we are 20.2%. And even at the consolidated level, we are at 16.6%. And one of the things which we are able to expand margin is basically because of the multiple measures which were taken internally, whether which I talked about in my speech also on certain optimization measures, whether it's revenue assurance, or whether it's the manpower, material cost savings we were driven down from our highest of 25% now, we are doing it almost like 20 to 21.5% so all those things are resulting in margin expansion. And we see that still a lot of scope is there in terms of manpower and other overheads, which we are trying to do that now and keeping that in mind, when I look at the margin expansion, I can't give exact numbers. But broadly what we see, we also have to understand that as Dr. Nitish called out our 70% of the beds are in the non-metro and only 30% beds are in metros. But still we have a very good ARPOB of almost 40,000 and also with the large brownfield expansion happening in coming years, next two to three years, we see that there will be no much of EBITDA drag or margin drag and including all the expansion 1,700 beds, we are looking at the next two to three years, approximately, only in the hospital and clinic segment, we are looking at least 300 to 400 basis points expansion, which is expected in the first two to three years. And in terms of consolidated also we can look at beyond that numbers

because one of the thing, which is dragging at the consol level, is the new vertical which we started like labs and pharmacy. So those are the expected to stop the cash burn with that added to advantage, we should grow beyond 20% in next two to three years. I hope that answers your question, Alankar.

**Alisha Moopen:**

I think we are very mindful, just to add to what Sunil said about making sure the margins continue to improve. So, I think we have designed the expansion also very much to ensure that there is no drag. I think we've got sufficient capacity now still got utilization to go as well as Sunil mentioned with all the cost-saving initiatives. We don't expect any expansion that we plan to do over the next few years which are penciled in to have a drag. So, we only see a margin expansion happening going forward.

**Alankar Garude:**

*I understood that's helpful. Maybe just taking that point, further, if you have to break down our margins across the three clusters in India even the flagship cluster, we are at 21% I think in the previous call, we did allude to certain factors which lead to the Kerala cluster margins being, lower than what we would ideally like. And then on top of that, we have Karnataka, Maharashtra and Andhra Telangana of course, is clearly suboptimal. So, when you talk about this 300-400 basis points, so are there any low hanging fruits across some of these clusters, which you would want to specifically highlight?*

**Sunil Kumar:**

Yes, Alankar. When we say low hanging. What we're seeing is that it's all about occupancy, right? If you look at currently, we are at a very optimal capacity of 68% or 69% current or 70% in the current quarter and every occupancy which increases the volume we drive down or the revenue increment revenue which comes in, we see majority of it coming down to the bottom line.

And specifically, for example, when we talk about expansion, you know, we have a 100-beds expansion happening in Kannur. So, Kannur is very near to, in the higher teens, is what the EBITDA margin is there. With adding 100 beds, what will happen is that there is no fixed cost increase, because of which we can expand the margin faster there. Then also, Aster Medcity, which is

running at approximately 90% occupancy, they're also running 100 beds there. And that is expected to get operational in the next six months or seven months' time. With that coming also, we are looking at a margin expansion very quickly because you don't have to add too many manpower, except for the direct manpower, like nurses and few junior doctors. Majority of the consultants are already there. So again, we don't see that. Same thing which is going to happen in our Whitefield also. Whitefield was a new unit started, the cash burn what we expected compared to that we are doing really well there. And even the ramp up which is happening there in terms of occupancy volumes and the revenue is really good. It will hit the numbers faster than CMI. What it took almost six years, it can do it really early. So, keeping that in mind, we see major expansion margins coming in Kerala because of the brownfield expansion and even in Karnataka and Maharashtra cluster also. Because all are these are very mature states in the occupancy where the incremental revenue, the flow down which will happen to the EBITDA is quite high.

**Alankar Garude:** **Okay, Thank you, sir.**

**Nitish Shetty:** Sunil made his observation. Other low hanging fruit is, 70% of our patients are cash patients, because of our presence in tier 2, tier 3 cities. And then, earlier challenges were the minimum wages of the nurses which has impacted our margin but that has to be corrected. Market has to observe that. So, there is a head route to correct the pricing. If you really look at the ARBOP, how the ARBOP was grown year to year in Kerala, that will continue to grow. In fact, it will do better in the coming years. That's another easy path. But we need to be mindful of the big capacity of the genre. But going by what we have our previous experience, the affordability is not a major challenge in a state like Kerala. That's another upside we have, which is going to unfold in the next months and years to come.

**Alankar Garude:** ***Understood. Sir, one final question. If I may if so, given that say 30%, as you said, of our beds are in the metros, if you were to compare, say at the Aster hospital in our Tier 2, Tier 3 market versus, say, a hospital in Bangalore in***

***terms of the clinical mix or the surgical specialty mix. So how would you broadly compare these two sets of hospitals?***

**Nitish Shetty:**

Yeah. I've taken an example of our flagship hospital, Medcity, which is Tier 1 city, it's not in the Metro. But when it comes to clinical competence and specialty mix, it's at par with the metro hospital. In terms of the competency level, there's also specialty mix. There's nothing that Medcity can't do where it has to be referred to the hospital in metro Bangalore. In fact, it's in certain areas, it is better than any of the metro hospitals because of the clinical talent and infrastructure what we have there. Beyond Medcity, even in the tier two cities like Kannur and Calicut, the work we are closing towards being a quaternary care hospital is there. Even, when I say quaternary care, robotic surgeries, organ transplant, all this work that are happening in the tier two, tier three city of hospitals of us. So that's a conviction of what is going to happen in the future and how the things are going to evolve. I think Aster reflects what is going to play out in India in the coming years, the future. What happens in Aster is going to happen in the Indian healthcare landscape across the states also. But I think we will be the flag bearer of this change and we have a conviction that this work model we have created is here to stay and to keep on going forward.

**Alankar Garude:**

***That's helpful. Thank you, Sir.***

**Balachander R:**

Thank you, Alankar. The next question is from Naman.

**Naman:**

***Hi, sir. Thank you for the opportunity. And it's just a follow-up on the previous participant's question. So first is on the beds and expansion side. So, we have almost 4,800 bed capacity in India, and we have operationalized around 3,500 beds. So how many and where are the major beds operationalization we are seeing from the existing bed capacity over the next three years?***

**Sunil Kumar:**

Yeah, thank you, Naman. See, when you looked at 4,800 beds only, if you say 3,500 beds what you are looking at is operational census beds. There are also

another 900 plus non-census beds which is operational. So, if you look at that way, almost 4,500 beds are operational. So, capacity which is yet to operationalize, which already have the capacity, equipment or the medical furnishings are already ready, we have to just operate that somewhere between 250 to 300 beds. That is basically in three places. One is in the Andhra, that is Guntur. Then you have our newly opened Aster Whitefield Hospital because in the phase one we opened almost 350 beds. Another phase two is there, which is in work in progress which is 150 beds. Out of 350 beds, we have only operationalized 140 to 150 beds. Still there is a scope to operationalize. Another 50 beds which is pending is our Aster G Madegowda Hospital which is a O&M asset light model. So, Naman, I hope that answers the first part of your question. What was the second question?

**Naman:** *Second part is, out of the pipeline of 1,700 beds, how much is it brownfield and greenfield?*

**Sunil:** So as of now I would say when you say greenfield really which we are driving it is basically coming in the capital or Aster capital, Trivandrum that is 450 beds which is greenfield then you have got in another in the north of Kerala which is Kasargod which is 264 beds or 254 beds which is the greenfield. Otherwise, majority of these is the O&M projects or the Brownfield expansions which we are doing.

**Naman:** *Got it. And one last question. So as per your PPT, we have seen there are quite a few smaller format hospitals and there are 4 to 5 hospitals which have a huge bed capacity of more than 300 or 400 beds. So, we have seen hospitals talk about building larger format hospitals to have a larger operating leverage. So, any thoughts around this strategy that we would look going forward, increasing our bed capacity to hospitals which are just currently 100 or 200 bedded and moving them to 400 beds, 300 beds capacity to get a major leverage?*

**Nitish Shetty:** Yeah, Naman, you're right. The larger format hospital makes more sense in terms of financial viability and return on investment. That's a way forward.

But if you really look at our strategy, we believe in cluster approach. We are focused on particular geography and maximize our footprint there. In that context, a combo of both large and mid-sized hospital always helps. It's pretty like, it's like a hub and spoke model. But if you're going to get into entirely individual geography, a large format hospital is a must.

That's, we have worked for a period of time. Now we believe in that. That's a way of model going forward. Now the smaller hospitals, when you talk about smaller hospital in the Aster group. So, all about, apart from the asset light, because of mid-size hospitals, which are in the range of 200 to 300.

Right now, that's an ideal capacity in a tier 2, tier 3 cities. But when it comes to Metro, a hospital of 500 bed is a prerequisite, and it's a must now. In that context, the mix what you have is right, but if you are going to new geography, we'll be pursuing a larger model. But in the area where we are already dominant, we are not averse to adding a hospital of size of two hundred or three.

**Naman:** *That answers my question. Thanks, a lot.*

**Balachander R:** Thank you. Thanks, Naman. And we have a gentle reminder for the participants to click on the raise hand icon to be added to the Q&A question queue. The next question is from Harith.

**Harith:** *Hi, thanks for the opportunity. My first question is on the labs and pharmacies division. So can you give a sense of our plans in terms of network expansion both on the pharmacy side as well as the lab business? When I look at the pharmacy count as of December 23 it's declined a bit on a YoY basis so is there any change in thought process there?*

**Sunil Kumar:** So, Harith, with respect to the pharmacy bit of it, at the peak level we were at 257. Now we are at 220 plus. You know, when you open a retail store, we have to see that the yield per day per store, it has to increase at an expected

number. When the ramp-up is slower, we try to do certain corrective measures to see that we can optimize on the revenue generation. If that is not working out, then there is no point in staying in that location and burn the money. So, the idea is to relocate those locations. At the same time, we always told that we are not trying to be a standalone pharmacy chain. That is not the idea at all. The whole idea of bringing the labs and pharmacy was basically to ensure that we build an ecosystem around our hospitals. So that from the initial teleconsultations to the OP and IP procedures and also the post discharge, the lab collections or the pharmacy delivery discharge medicines or even you have got the chronic patients, regular medications, those deliveries can happen. So, as we said that currently, 220 plus pharmacies are spread to only in the Karnataka, Kerala, and Telangana region. So, we'll be only expanding the pharmacies wherever the states or the cities where the hospitals are present and build ecosystem. Accordingly, and as per that our strategy next, I think we are told that six months' time, we already more or less finalized the app also. Our myAster app is coming to India. With that launching in, I think we will be able to really augment the revenue and the services which we are looking at in terms of the growth.

**Nitish Shetty:**

Okay, so Yeah, I would like to add to what Sunil mentioned. See, the healthcare now can't be constrained to the hospital. So, it has to be contained and need to take the healthcare to door step of the patients for their convenience and the benefits it brings in terms of service availability. Now, we have created these pharmacies and labs to address this requirement in the future. And also at the same time, to increase the experience of the patient who comes to our hospital.

Now, having said that, we deployed this, pharmacies and lab in a very short period of time. Just two years period, we scaled up to 250. We need to get it to that critical size so that the utility of that particular vertical is experienced by the patients. So having said that, when we deployed 250 and 300 the pharmacies and labs, some we got it perfectly right, few we couldn't get it right because of the locations. Also, at the place where we are grown, there's

a lot of back-end areas we need to tighten, which right now we are started doing it. And then also parallelly focusing on the revenue enhancement. So, as we speak now, that has been done in the lab, with the pharmacy, with the virtue of, the way the business is and the competition in the market. It might take some time for us to go there to break even. But we are committed to this model, and we are going to keep continuing focusing on this model to strengthen our integrated healthcare ecosystem. Now, of course, later we are going to use this model to leverage our digital app experience of a patient. This is basically to give the patient experience and then make a model in future.

**Harith:** *So, the INR 75 odd crores of revenues that you have for the segment, how that breaks up between the two businesses?*

**Sunil Kumar:** So, yeah, for example, we have closed 74 crores for the labs and pharmacy and around 3 crores EBITDA loss. So out of 74 crores, broadly around 30 crores are what is coming from the labs and balance is the wholesale pharmacy.

**Harith:** *Okay. And then Sunil, one more accounting-related question, if you can share the Ind AS benefit that's there in the India P&L so that we can calculate the pre Ind AS EBITDA for maybe the Q3 or 9M FY24 period?*

**Sunil Kumar:** See, broadly, when you talk about India's benefit, there are two parts. I will give a very broad number on the yearly number. You can break it up into the quarters. See, Ind AS rent reversal, what we get is approximately 65 to 70 crores. That is a fixed rent, which gets reversed because of the Ind AS benefit, which we are getting it. At the same time, there is a variable fee also, which is coming approximately on yearly basis around 28 to 30 crores. That doesn't get reversed, that's where we show and call out that separately.

**Harith:** *Yeah, Understood. And then the transaction of the divestment of GCC business, when do we expect the transaction to close, any rough timelines that you can share.*

**Alisha Moopen:** Amitabh, you want to.



**Amitabh Johri:** Sure. Thank you, Alisha. So, Harith, we are in the process of completing the CPs. Presently, you know, we've made substantial progress on that. A couple of them are near completion, so we expect this to sometime happen in the month of late February or early March.

**Harith:** *Got it. That's all from my side. Thanks for taking my questions.*

**Balachander R:** Thank you Harith. We'd like to highlight that we'll be giving preference to attendees who have not asked a question before. So, in that line the next question is from Rishabh Tiwari.

**Rishabh Tiwari:** *Hi, thanks for the opportunity. Just a follow-up on the Ind AS discussion, I see that in Q3 in, India part, I think the Ind AS impact is around 12 crores. In one of the calls earlier, it was mentioned that the quarterly impact is around 6 crores in India. If you could just throw some light on the current Ind AS impact that we have in GCC as well as India.*

**Sunil Kumar:** Well, I'll give the India numbers, Rishabh. As I told to the previous caller also, it is somewhere fixed rent which gets the impact of the post Ind AS 116 impact that is approximately coming to 65 to 70 crores because see, Whitefield we added very recently right, so the numbers kept changing that's why I'm giving a yearly figure to you approximately 65 to 70 crores is the rent reversal which we have that is a fixed rent. Over and above that we also have certain variable rents specifically in certain O&M assets and specifically bigger number which is coming from our CMI and RV Hospital. So that is on a yearly basis is amounting to around 28 to 30 crores.

**Rishabh Tiwari:** *So that brings around INR 100 crores of impact yearly in India?*

**Sunil Kumar:** Yes, yes, yes.

**Rishabh Tiwari:** *And what would the similar number be for GCC?*

**Amitabh Johri:** So, in GCC for the YTD December there's a rent reversal of almost 142 million that's it so they're on AED terms. So, close to 300 crores.

**Rishabh Tiwari:** *Okay, INR 300 crores for nine months. And if you could also just give some color on the corporate costs that we incurred in India and how would that be impacted our post the de-merger of GCC business?*

**Sunil Kumar:** Currently, the corporate cost what we incur is approximately 1.4% to 1.5% on our topline. That is a number, and we already have a very full-fledged team currently. As the Chairman has been always calling out, we have two different corporate leadership teams for handling the GCC and India. So, it's not that the cost is going to increase. Yes, there are certain rules will come into the picture certain costs will increase, but that may not be having too much impact, when I say currently at 1.4%, 1.5% is it's with a complete leadership team, including the salaries and other corporate related costs is coming to 1.4% to 1.5%. We see approximately another 20-30 basis points impact to that. So, there is no major increase, which is expected to happen for GCC segregation.

**Rishabh Tiwari:** *This is for India business or was this for consol?*

**Sunil Kumar:** This is for the India business, which I'm calling out specifically.

**Rishabh Tiwari:** *Okay, Thanks.*

**Balachander R:** Thank you, Rishabh. The next question is from Jainil Shah. Jainil if you can unmute yourself.

**Jainil Shah:** *Hello., thank you for the opportunity. My first question is on the payor mix. Can you give out the payor mix cluster wise?*

**Sunil Kumar:** I hope you are asking for the India thing. See across India we have a payor mix where in cash or walk-in patients what we call is coming approximately 48%. And the TPA insurance is approximately 27% to 28% and we have a MVT of 5.4% and schemes where various state government schemes the ESIC, ECHS all put together ranges between 5% to 6% so that's a broad payor mix across India.

But when you look at Kerala itself, the cash percentage is quite high at approximately we can take somewhere between 65% approximately will be cash, because north Kerala has got almost 80% plus cash and in the central Kerala, we have got only 60% cash. So that's where we still have majority cash there and the balance will be the TPAs and specifically in terms of MVT, the central Kerala does approximately 10% of the business in now as the MVT business and Bangalore, approximately 4% to 5%. In case of Bangalore or cluster, the payor mix will be something like 40% cash and balance is credit.

**Jainil Shah:** ***Sure, that's helpful. And what is in our pricing position and our strategy going ahead in each of these clusters?***

**Sunil Kumar:** See, as I called out, still we have almost 50 to 60% cash. So, we have that room to take the price increase. And what we also see in that is that post COVID, the insurance ramp up is quite high. At the same time, we don't have the burden of handling the large government schemes. As I said, it's only between five to six percentage. So, keeping that in mind, even in the terms of insurance, yes, you don't get every year increment. It's maybe 2 to 3 years based on the contracts what we have with different insurance providers. And every year, every 2 to 3 years, we get a good increment of anywhere between 8 to 10% there.

At the same time, with the cash, we take the usual inflation, which is expected to be somewhere around between 8 to 10% increase, which we take on the cash patients. So that's where you can see that ARPOB growth has been very consistent for last five years. We're able to go at a consistent 9% ARPOB growth. Even in the current nine months when you compare to the previous FY23 nine months period, December, it's a 9% ARPOB growth which we had.

**Jainil Shah:** ***So, this 9% would be sustainable.***

**Sunil Kumar:** It's sustainable. 8 to 9% is very much sustainable. And if you ask in the current 9M period, actually the ARPOB growth is more than 12% considering the optimization initiatives which were taken on the revenue assurance. But

that's not reflecting because of the lower ARPOB from the O&M asset light. Because O&M asset light where we have in the Areekode or Kollam or Mandya and Narayanadri hospital which is in Tirupati, there the ARPOBs are just around 20,000. So that has got almost a 2,000 rupees ARPOB impact at the India level. So, if we exclude that we are at all more than 10%. So, we see that in the future somewhere around 8 to 9 percent is very much achievable

**Nitish Shetty:**

Jainil, I would like to add here. See, there is a general perception that the insurance inflation increases if the patient comes to us and challenges the ARPOB. But for us what we have seen is because we are basically a quaternary care center, we focus on high end cases like transplants, robotic surgeons.

The insurance penetration helps us in getting this category of patient affordability and accessibility of this patient who improves with insurance. Especially in big ticket procedures. So that is another reason which is which also contributes to the expansion of the ARPOB, growth of the ARPOB.

**Jainil Shah:**

***Makes sense and just one more question and two to three years down the line, what according to you would be the difference in the ROCEs between your O&M asset-light model and O&M hospitals.***

**Sunil Kumar:**

So, currently, our matured hospitals have a ROCE of more than 30% Jainil. But in case of the O&M asset light projects, you see to reach 30% it takes around 5 to 6 years from the start. But in case of O&M asset light, even in the first year, the two out of the four hospitals which we have in the O&M asset light, two are already positive and broken even almost to a near 10% EBITDA margin. There the ROCEs are already doing double digits. I am talking about somewhere between 10 to 15% is the ROCE already which we have. Going forward, we see already at the hospital level, we have a 21% ROCE and mature hospitals are already at 27%. And we see that across India, we have 15% is the ROCE and that is going to expand into about 20% going forward.

**Jainil Shah:**

***Okay. And just one last, if I may. What would be the difference in your In-house business versus non-Aster business in your labs and pharmacies.***

**Sunil Kumar:** See, pharmacies are specifically, we see currently the standalone pharmacy within the hospitals are already captured under the hospital revenue itself. So, it's not outsourced to the pharmacy. So, whatever the pharmacy revenue which we do, it's all non-Aster. But in case of the labs bit of it, 75% is the Aster and 25% is the non-Aster.

**Jainil Shah:** *Okay, that's helpful. Thank you so much.*

**Balachandra R:** Thank you, Jainil. The next question is from Pushpendu. Pushpendu, can you please unmute yourself?

**Pushpendu:** *Yeah, I have a two-part question, mainly on the Indian business. See, currently the Whitefield Bangalore and the new-age hospitals are not making profit and they are not contributing towards the bottom line. So, how soon can these new hospitals will start generating profit at the net level?*

**Sunil Kumar M R:** Yeah, Pushpendu. Pushpendu, Whitefield ramp up has been quite good as I already told. We expected a higher cash burn but from our budgets we are looking at only less than 40% is what we are spending with the good clinical set of doctors what we have from oncology to the neuro to plastic surgery. The ramp up has been very fast and we expect that you know the break-even or we will not start losing money within I would say 12 months period should be good enough here in Whitefield.

**Pushpendu:** *Sure, and what would be the revenue guidance for the next year for the entire operation of India, India business so for FY25, how should I look at the Indian business on a revenue front?*

**Hitesh Dhaddha:** So Pushpendu, I think we generally tried to not give any specific guidance, but I think we are on a pretty good trajectory of growth as well as EBITDA margin improvement. You can see the last few years how business has ramped up. So, I think we generally believe that we'll continue to be on the similar growth path and the margin improvement, you know, it's kind of likely to happen along with the growth happening. So that's how we would like to comment

on this probably Sunil, if you want to add anything. But I think we would stay away from giving any specific guidance on this issue.

**Sunil Kumar:** I think you're right in that aspect historically we've grown at a 20% CAGR in revenue and almost 30% plus EBITDA. We expected a very strong performance in a couple of years.

**Pushpendu:** *And why am I asking this question is that now because of Bangalore that that new age hospitals will keep on making losses? And then how are you planning to improve the profitability after incurring losses from this Metro hospital.*

**Sunil Kumar:** See, Pushpendu, if you look at the current losses what we are incurring except for the Whitefield, there are no other major losses apart from the two O&M asset light. Their losses are in few lakhs of rupees, not even in crores. First of all, O&M asset light will not be a drag. Already we have gone into positive margin in the quarter 3 with the publishing almost 4% EBITDA margin already achieved. So, we don't expect a major drag because we are not adding many more beds in that particular category. Coming back to other than O&M, the drag is only from the Whitefield, which I said is not a major point. So that's where I was very confident in the previous comment which I made, that we are looking at a very good expansion. Already we are at a 20.8% in this quarter, and a 20.2% for nine months period in hospital and clinical segment. And we expect at least another 300 to 400 basis points increase in the next two to three years period.

**Hitesh Dhaddha:** I think just to add on. I was just trying to add on to Sunil's point. You know, this Whitefield, I think, is probably one of the fastest ramp up that we've seen in across our major hospitals. You know, I think it has ramped up really well even in the first year of its operations. And I think, you know, the margins should be kind of coming to the Bangalore cluster margin very soon. You know, in the next couple of months or probably a year or so. And if you look at the other places, especially in Kerala, the way we are adding the beds, it's mostly, you know, a large part of it is actually brownfield there in Kerala. So,

you know, the kind of expansion like in Medcity and some other units which is going to happen will help us amortize a lot of fixed costs and help us improve the margins because we don't have to take that many more doctors or staff to kind of ramp up the new beds that we are going to add in those existing hospitals. So, these are some of the initiatives. Plus, I think there are a lot of initiatives that are being taken up from the manpower cost optimization or the material cost is already kind of optimized dramatically and Sunil and team has been working a lot on the revenue assurance as well. So, there are a couple of those initiatives that we are working on, which is going to help us in margin improvement from here on.

**Pushpendu:** *So, if I look at our peers, which are available in Bangalore, like Manipal or Apollo. So, what is the revenue potential from these two A & B wings that we are operating now, what would be the revenue potential? I suppose there is an utilization level reaches to close to 60% to 70% odd, just to get an idea of that, how impactful the contribution is going to be from this hospital?*

**Nitish Shetty:** So, Whitefield Hospital is a 500 bed hospital. If you really look at the CMI numbers, we have an aspiration to achieve CMI numbers in next three years. What CMI has done in seven years, we are looking at this hospital because of the clinical team we have, the location, where we are, and the patient mix, what is there, because the Whitefield is a very affluent area. If you really look at the competition, they have also done well in that particular geography. Considering all these factors, clinical data, infrastructure, size of the hospital and the location, we are expecting to do it in 3-4 years' time, what CMI has done in 7 years.

**Pushpendu:** *Any revenue guidance that you want to give Mr. Shetty.*

**Nitish Shetty:** *Guidance is up there. I have given you the entire numbers.*

**Balachander R:** Thank you, Pushpendu. We have Alankar back in the queue for the question. Alankar, please go ahead.

**Alankar Garude:** *Yeah, thank you for the opportunity again. Just one bookkeeping question. If I look at the segmental results, the hospital PBT has increased significantly, both on a YoY as well as sequential basis that doesn't seem to be in sync with the EBITDA growth in the overall hospitals business. So, can you please help us understand what exactly has happened below the hospital EBITDA for the consol entity?*

**Sunil Kumar:** You are referring to the India segment Alankar?

**Alankar Garude:** *No, I'm referring to the segmental highlights in the results uploaded on the exchanges. So, there you classify the EBITDA across hospitals, clinics, retail pharmacies and others. If I look at the hospitals EBITDA in this quarter, including in India as well as GCC, that's about INR 355 crores. Now there are INR 355 crores compared to INR 193 crores in the same quarter last year and about INR 116 crores in Q2 FY24. So just trying to reconcile that number because the EBITDA growth year on year and QoQ doesn't seem to be so high.*

**Alisha Moopen:** Can we look at it and come back to you, Alankar? I think it must have to do with some of the larger losses in the GCC hospitals that we've seen opened up. We'll show you the reconciliation and will share it.

**Amitabh Johri:** Sure, we can do that. I am just looking at the numbers Alankar. So effectively, what you're saying is as of 31 December 2022, EBITDA was INR 193 crores, which is what has gone to INR355 crores in 31 December 2023. Is that what you're referring to?

**Alankar Garude:** *Yes, yes, yes.*

**Amitabh Johri:** Okay. Allow me to come to you since it's a combination of India and GCC numbers. I will come back with a clarification.

**Alankar Garude:** *okay okay. All right. Thanks.*



**Balachander R:** Thank you, Alankar. We again have Sanjay Shah on the question queue. Sanjay, if you can unmute yourself.

**Sanjay Shah:** *Thank you again. Alisha my question is to you regarding the M&A, have management decided on any tax saving method to distribute the funds, which we received from GCC other than dividend options.*

**Alisha Moopen:** So, Sanjay, I think we had explored various options. We found that dividend was probably the most effective one, but I will also let Amitabh maybe comment a little bit more on this.

**Amitabh Johri:** Sure. Thank you, Alisha. So Sanjay, as Alisha called out, we have gone through this extensive study to say what could be the most effective way to provide the upstreaming of funds to the shareholders. And the dividend came as the most tax effective from both resident and non-resident because the individual tax positions come into the picture over there. While this is there, we also evaluated capital reduction, we evaluated shareholders buyback, but the dividend came out as the most tax effective from that perspective.

**Sanjay Shah:** *Okay, Thank you.*

**Balachander R:** Thank you Sanjay. We have Pushpendu's hand still raised. Pushpendu, you have another question?

**Pushpendu:** *No, no, no. I think the hand was raised earlier.*

**Balachander R:** Sure. If any of the other attendees would like to ask a question, please pick one and raise hands.

Okay, so I think there's no more questions to the management. Thank you all. This concludes the earnings call for this quarter for Aster DM Healthcare. I thank the management and all the attendees for joining us today. If you have any further queries or questions, please do get in touch with us. Thank you.

**Sunil Kumar M R:** Thank you, everyone.

**Alisha Moopen:** Yes, thank you, and thank you for your time.

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