November 17, 2022

The Secretary Listing Department, BSE Limited, 1st 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

Dear Sir/Madam,

Sub: Transcript of Earnings Call for the quarter and half year ended September 30, 2022
Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

This is further to our earlier letter dated November 11, 2022, regarding Video/ Audio recordings of Earnings call of the Company for the quarter and half year ended September 30, 2022, held on November 11, 2022, 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**

HEMISH PURUSHOTTAM
Digitally signed by HEMISH PURUSHOTTAM
Date: 2022.11.17 17:39:38 +05'30'

Hemish Purushottam
Company Secretary and Compliance Officer

Aster DM Healthcare Limited
Q2 FY23 Results Earnings Conference Call

November 11, 2022

Management:	**Dr. Azad Moopen – Chairman & Managing Director**
	Ms. Alisha Moopen – Deputy Managing Director
	Mr. T J Wilson – Non-Executive Director
	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. Balachander R**

Balachander R: Good morning, everyone. I welcome you to Aster DM Healthcare's earnings conference call for the second quarter of Financial Year 23. The company declared the Q2 FY23 results last evening. I hope you've got a chance to review them, along with other materials, which were posted on the stock exchanges and the company website.

Today, to discuss the quarterly business performance and the future business outlook, we have the senior management team at Aster DM Healthcare available with us. It includes Dr. Azad Moopen, Chairman and Managing Director; Ms. Alisha Moopen, Deputy Managing Director; Mr. T.J. Wilson, Non-Executive Director; Mr. Sreenath Reddy, Group Chief Financial Officer; Mr. Amitabh Johri, Chief Financial Officer for GCC and Mr. Sunil Kumar, Head of Finance for India.

I would like to inform everyone about how we will conduct this call. All external attendees will be in the 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 the Zoom application at the bottom of the 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 2 but not more than 3 per participant at a time. Post the completion of your query being answered, we will lower your hand.

I would like to inform that certain statements that may be discussed in this meeting that are not historical facts and might be forward-looking statements. Such forward-looking 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 from those contemplated by the relevant forward-looking statements. 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 our Chairman, Dr. Azad Moopen to start with the opening remarks. Over to you, sir.

Dr. Azad Moopen: Thank you Bala. Thank you very much. Good morning, everyone. Thank you all for joining us for our earnings call for the second quarter of FY 23. I hope all is well with you and your families.

The world is moving out of the dark clouds of Covid and businesses are slowly limping back to normalcy. However, with the very high inflation in many countries and a threat of recession in the horizon, central banks in many countries have been steadily increasing the interest rates. This has led to tepid economic activity in the near future in most countries resulting in lower growth forecasts by IMF across the globe. Couple of exceptions are India and UAE —India's predicted growth rate in the current financial year is 6.8% and that of UAE is 5.1% which are relatively better when compared to major global economies. This will be one of the highest growth rates for UAE compared to last several years buoyed by the high oil price and booming real estate sector. Given our geographical spread in India and GCC, we expect Aster to have a robust business performance in the coming quarters

Let me now discuss briefly the financial performance of Aster for Q2 of FY23,

- At a consolidated level, we posted a revenue of Rs. 2,816 crore which is an increase of 12% when compared with the same period, last financial year.
- EBITDA was Rs. 319 crore when compared to Rs. 343 crore in Q2 FY 22. EBITDA growth was impacted due to losses from commissioning of new hospitals in GCC and India. Adjusted for this loss, EBITDA was Rs. 342 crore.

- Profit after tax (post-NCI) stands at Rs. 46 crore when compared to Rs. 107 crore in Q2 FY 22. Profit After Tax (post-NCI) excluding impact of commissioning of new hospitals is Rs. 88 crore.
- With respect to the GCC business, revenue grew 9% year-over-year to Rs. 2,059 crore with EBITDA at Rs. 192 crore as compared to Rs. 241 crore in the same period, last financial year.
- The Aster India business continues to grow well with revenues growing 24% to Rs. 757 crore and EBITDA increasing by 24% to Rs. 127 crore. Profit After Tax (Post-NCI) stood at Rs. 50 crore as compared to Rs. 23 crore in Q2 FY 22, a growth of 119% in India.

I would like to add few things about the EBITDA in GCC. Unlike in other businesses, the commissioning of hospitals is a time-consuming process in GCC, especially UAE due to the stringent inspections as well as Insurance empanelment. On an average, it takes 6-8 months after building completion and equipment installation to get the authority approvals and empaneling of the different insurance companies. The insurance companies insist on doctors and staff being onboarded for giving empanelment, which adds huge cost which can't be capitalized. This has led to significant additional losses, as there is salary and rental cost without any revenue.

Apart from this also in the GCC, we have the quarter --- the population usually come back after their holidays during this period. But this year, large number of people due to the COVID earlier years have not come back and many of them are just coming back after the second quarter only. So, this is something which we thought has really impacted the overall performance in GCC.

Moving to the operational updates for the quarter –

In India, Aster Hospitals Bangalore has started the Aster International Institute of Oncology (AIIO) with one of the very well know onco and robotic surgeon, Dr Somashekhar and his team joining Aster. The newly launched institute under his dynamic leadership will be the centre of excellence for Cancer Care and Robotic Surgery, offering the entire range of oncologyrelated services, backed by an experienced team of doctors, cutting-edge technologies, and the latest innovations in cancer care.

We entered into a Hospital Operation and Management Agreement (O&M) with Narayanadri Hospitals and Research Institute Private Limited (NHRI), Tirupati, Andhra Pradesh recently. It is a 150-bedded multi–Specialty hospital situated at Tirupati, Andhra Pradesh. With this addition, we have added 290 beds on O&M asset-light model in the current financial year. We expect to add another 2 to 3 hospitals of around 300 to 400 beds together before the end of the current financial year. While this is a low margin business, this has also very low capex and shall help in increasing our ROCE. It will also help to increase the referral of cases to our flagship hospitals.

We have entered into share purchase agreement to acquire the remaining 22.69% in Sri Sainatha multi-specialty hospital. Pursuing to this acquisition, the 158-bed Prime Hospital in Hyderabad has now become wholly owned by the Company. We have also decided to acquire more stake in very profitable Malabar Institute of Medical Sciences which operates 4 hospitals in North Kerala with a bed capacity of 1,449. Aster already owns 74.14% stake in MIMS, but have decided to acquire 5% stake at Rs 100/share, spending Rs 50 crores for this, which will reduce number of small shareholders and increase the holding in this very profitable subsidiary with major expansion plans in pipeline.

Coming to the Aster Pharmacy branded retail stores, operated by Alfaone Retail Pharmacies Private Limited or ARPPL; we had recently crossed the milestone of opening our 200th store in India. In our endeavor to bring omnichannel healthcare delivery to the doorsteps of people, we are adding more pharmacies to our network of hospitals, labs, clinics and online consultation platform. As of 30th September 2022, there are 214 pharmacies: 96 in Karnataka, 65 in Kerala, and 53 in Telangana.

Aster Labs has its presence in Karnataka, Kerala, Maharashtra, Tamil Nadu, Andhra Pradesh, and Telangana. As of 30th September 2022, there are 2 reference labs, 17 satellite labs and 140 patient experience centers. There has been a change in the overall structure of the Labs business where earlier, it was being managed completely centrally. Now we have decided that this will be managed by the different clusters where the labs are situated for more efficiency.

On the CSR front, Aster DM Healthcare completed the handover of 255 Aster homes to the victims of the 2018 Kerala floods, who lost everything to the devastating calamity. This was a project by Aster Volunteers with support from philanthropists, partners and our employees of Aster.

In the GCC region, we have inaugurated the 101-bed Aster Hospital in Sharjah in October 2022, the soft launch of which was done in May 2022. The hospital has a team of experienced doctors with proven clinical excellence and support staff to offer exceptional patient care and medical outcomes. The newest facility has all the core specialties like Obstetrics and Gynaecology, Orthopedics, Neurology, Cardiology, Paediatrics, General Surgery, and Urology. The plan is to add many tertiary care treatments to the bouquet of services in future.

In Oman, we had a soft launch of the 181 bedded multispeciality hospital Aster Royal Hospital in Muscat, located next to the Aster Al Raffah Hospital. This is being considered as the best private hospital in Oman and is already attracting a lot of attention. Some of the special features of the new hospital include a dedicated floor for mother and child, cath-lab with interventional radiology, advanced tertiary departments for gastroenterology, urology, orthopedics, obstetrics and a Stroke Unit.

Status of Restructuring

Just want to give you an update on the status of the restructuring of the company. The investment bankers have informed that they are in receipt of interest and indicative terms from various potential investors and are in the process of evaluating the same. Upon submission of the evaluation of investment bankers, the Board shall review the option for segregating the company business in the Gulf Cooperation Council region from the business in India.

Thank you very much. I now request the Deputy Managing Director, Alisha Moopen, to elaborate more 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.

Good morning, everyone. We are past the COVID travel restrictions, which is good news. Having said that, this has impacted the GCC in somewhat -- a couple of negative quarters. Quarter 2 saw some unprecedented travel out of the GCC region given the first vacation time post the COVID restrictions, which has been lifted off.

The impact also from the reduction of PCR revenue was very visible on the financial results. Additionally, the quarter also witnessed the delays in the insurance and empanelment, as Chairman mentioned, for 2 of its new hospital, which is both Sharjah and Aster Royal Hospital Oman. This has delayed the ability of the hospital to start commercial operations fully.

With regards to the GCC financial performance for Q2 FY 23, the hospital revenue during the quarter increased by 8% Y-O-Y. The Retail business saw an increase in Revenue by 34%, while the core revenue of Clinics business, which is excluding the PCR revenue saw an increase of 14%. The GCC business EBITDA excluding operational losses from the new hospitals commissioned during this period is Rs 212 crores. Overall GCC Revenue grew by 9% over last year and EBITDA saw a reduction of 20% over last year. However, the core GCC business, excluding Covid testing, grew at a healthy rate of 21%. We do see better forecasted growth rates for UAE in the coming months - October and the November so far has been very reflective of that.

On few of the business updates, we continue to feel very positive about the Saudi Market. Our existing Hospital has been showing a very steady and consistent performance for last 3 Quarters. Aster DM Healthcare has launched its pharmacy operations in Saudi Arabia through a tie up with the Al Hokair Holding Group. The partners will create a network of 250 plus Aster pharmacies in the Kingdom in the next 5 years. The partnership plans to open in high-street locations, communities and malls beginning with Riyadh. As Phase 2, the aim is to set up pharmaceutical manufacturing as well in the Kingdom.

We have rechristened our Digital app as myAster from OneAster. This is symbolic of our affinity to our patient base. Our Digital Initiatives have set a new benchmark for digital healthcare delivery in the UAE. Following key tactical edits basis valuable consumer feedback, we have now released the full-fledged teleconsultation and ePharmacy platform under the new myAster brand. myAster is now the ranked #2 across App Store and Play Store in the UAE, in the free medical apps category.

In Q2, with Non-prescription orders practically doubling month on month, we saw a 74% increase in Patient registrations on the app, 130% increase in virtual consults and 90%+ increase in physical appointments which are booked through the app. myAster continues to grow exponentially. It is current scaling at 86,000+ App net downloads. We have 97,000 monthly active users, we have had more than 4000 Non-prescription and 700+ prescription orders per month, 3000+ appointments booked and 300+ tele consults per month. The Pharmacy home delivery business, which holds easily convertible population into Digital Pharmacy orders, continues to scale around AED 10m per month in revenue. We are actively promoting the movement of these customers over to the myAster platform in order to be able to serve them better with the real time tracking technologies, as well as improve their purchase frequency and increase the overall lifetime value. It is still very early days in the growth curve given that we are yet to scale performance marketing. We continue to work agile to enable quick releases incorporating engagement drivers for the UAE while working to adapt the tech stack to suit Indian market and business.

In line with Dubai's vision to become the world's Metaverse Hub, Medcare Women & Children Hospital partnered with BIOMETAVERSE and officially set-up its virtual existence by going live on October 11 and with the first Metaverse hospital, which really gives a glimpse into the real-life experience at Medcare Women and Children. The idea is to use it for medical tourism, given the potential patients, giving them a chance to have an immersive visual experience of the hospital facility.

Medcare also announced its expansion into the premium wellness and beauty care segment with the acquisition of 60 % of the shares in Skin 111 Clinics. Skin111 Clinics is an award-winning premium chain of aesthetic and wellness centres. This acquisition will accelerate Medcare's plans to emerge as an international hub for beauty, aesthetics, wellness and adding to its existing network in the UAE. With this agreement, Skin111's unique offering will be incorporated into Medcare service portfolio which will give us an edge in the aesthetics and wellness segments which is a key driver of the UAE's growing medical tourism sector.

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

Sreenath Reddy: Thank you, Alisha. Good morning, everyone. On a consolidated basis, our revenue from operations for the quarter is Rs. 2,816 crores, an increase of 12% year-on-year. Consolidated EBITDA for the quarter was Rs.319 crores. Excluding the losses of new hospitals not present in FY 22 Q2, namely Aster Hospital Sharjah, Aster Hospital Sonapur, Aster Royal Hospital at Muscat and Aster Mother Hospital Areekode, the EBITDA stands at Rs 342 crores as against Rs.343 crores during the same period, last financial year. Consolidated PAT (Post NCI) is at Rs. 46 crores as compared to Rs. 107 Crores in Q2 FY 22. Excluding losses from new hospitals, PAT (Post NCI) stands at Rs. 88 Crores.

Revenue from our GCC operations was Rs. 2,059 crores, an increase of 9% year-on-year whereas the revenue growth excluding Covid testing was 21% year-on-year. EBITDA from GCC operations stands at Rs. 192 crores. Excluding losses of new hospitals in GCC, the EBITDA stands at Rs 212 crores as against Rs. 241 crores in Q2 FY 22. The decrease is mainly due to drastic reduction of high margin Covid testing which affected our business especially in our clinics segment. Contribution of Covid business has reduced to 2% of our GCC business as against 12% in the same period last year.

India revenues have increased to Rs. 757 crores, up 24% year-on-year from Rs. 609 crores in Q2 FY 22. The main contributor for this growth is the increased occupancy which stands at 72% in Q2 FY 23 and the resulting 28% growth in in-patient volume. EBITDA from India operations was Rs. 127 crores compared to Rs. 102 crores during the same period, last financial year.

Coming to half yearly performance, the revenue from operations stood at Rs. 5,478 crores, a growth of 12% compared to same period, last financial year. EBITDA was at Rs. 611 crores compared to Rs. 624 crores in FY 22 H1. Excluding losses from new hospitals, the EBITDA was Rs. 654 crores which is a growth of 5%. PAT (Post NCI) was Rs. 115 crores compared to Rs. 151 crores in FY 22 H1. Excluding losses from new hospitals and one-time other income, PAT stood at Rs. 165 crores, which is a 9% growth.

An important point to mention is that we are now going back to the pre-covid scenario, wherein the EBITDA for the first half of the year as per the historical trends will be in the range of 35-40% of the full year number and H2 in the range of 60-65%.

Coming to the segmental performance for the quarter. GCC Hospital revenue was at Rs. 950 crores, an increase of 8% Y-O-Y and the EBITDA stands at Rs. 132 crores compared to Rs. 147 crores in FY 22 Q2. Excluding losses from new hospitals, the Hospital segment had an EBITDA of Rs. 152 crores. The EBITDA Margin adjusted for the losses from new hospitals was 16.2%.

GCC Clinics revenue stands at Rs. 528 crores, a decrease of 11% Y-O-Y. As mentioned earlier, the decrease is mainly due to drastic reduction of Covid testing business. Contribution of Covid testing to clinic business has reduced to around 6% as against 26% last year, same period. Normalised for the Covid testing, the core business of the clinic segment grew by a healthy rate of 14%. EBITDA for GCC Clinic segment stands at Rs. 66 crores, at 12.4% margin.

GCC Pharmacies revenue increased 34% Y-O-Y from Rs. 520 crores to Rs. 695 crores. EBITDA increased from Rs. 57 crores to Rs. 66 crores, an increase of 14%. EBITDA margin for this segment is at 9.4%.

India Hospitals and Clinics segment has grown to Rs. 723 crores when compared to Rs. 601 in crores, an increase of 20% year-on-year. EBITDA has increased from Rs. 114 crores in Q2 FY 22 to Rs. 142 crores in Q2 FY 23, an increase of 24% year-on-year. We expect to see this positive trend to continue in the coming quarters.

Consolidated net debt as at 30th September 2022 stands at Rs. 2,045 crores compared to Rs. 1,806 crores as at 31st March 2022. India net debt stands at Rs. 390 crores compared to Rs. 319 crores as at 31st March 2022 and GCC net debt has stands at USD 203 million from USD 197 million as at 31st March 2022. Capital expenditure during the six months was Rs. 349 crores.

On that note, I conclude my remarks. We would be happy to answer any questions that you may have. I now request Mr. Bala to open the question-and-answer session.

Balachander R: Thank you, Mr. Sreenath. We have now opened the question and answer session. So, any of you who would like to ask a question, please press the 'raise hand' icon and we will unmute you in order. Please go ahead.

I think the first question is from Mr. Amrish Kacker. Please go ahead, Mr. Amrish.

Amrish Kacker: ***Thank you for the opportunity, and congratulations on some very good progress in India. I had one question on GCC and one on India. So GCC just to make sure I have understood the financials for Q2. So, I'm looking more from a steady state going forward. I understand the seasonality impact, and I understand the COVID issue. So, we have still got a PAT, negative PAT. And***

I think you've explained that there is perhaps a Rs. 19 crore impact just from the new hospitals. So, I think this part is clear.

Is there from a steady state then Q2 going forward, generally, we should not be seeing negative PAT. Is that reasonable? And is there any impact on the clinic as well in GCC in Q2? Because the segment results show about just a Rs. 3 crore total for all clinics. That's the first question.

Sreenath Reddy: So, on the first part of the question, definitely, quarter 3 and quarter 4, especially in the GCC is a peak period, and you will not find that negative PAT in quarter 3 and quarter 4. In terms of clinics during the quarter, we had that impact, right? Because mainly due to COVID testing business going down. So that has significantly impacted the profitability of the clinic segment as well as the overall GCC business. Amitabh, you would like to add?

Amitabh Johri: Sure. Thanks, Sreenath. So, if you look at the clinics segment of ours, the profitability for the same quarter last year, which is Q2 FY 22 was 16.6%, and the profitability for this quarter is around 12.4%. And that's largely emulating from the fact that if we were to talk of the PCR revenue, there was almost 26% of revenue coming from PCR in the last quarter, which was a high-margin business. And that has pretty much come down towards 6%, which has led to a 11% reduction year-on-year on the revenue base in the clinic side. That is adversely impacting the margins of the business. However, it is worthwhile to say that if we were to remove the PCR impact, the Clinics business is showing a year-on-year growth of almost 14%. That is a core business coming back.

Amrish Kacker: ***Thank you. Just as a very quick follow-up. I was looking also if we were to look out to FY 24 Q2, then we seem to have the worst of a couple of things this year. One is the hospital, the new Sharjah Hospital, plus perhaps a more active holiday season than we would have otherwise seen. So actually, we should not expect a negative PAT in GCC from Q2 FY 24. Is that reasonable?***

Sreenath Reddy: Yes, you are right

Amrish Kacker: ***Thank you. So, second question is on the India strategy. So, there's a lot of moving parts and there's a lot of progress. So, it's very interesting to see, especially on the pharmacies and the PECs side. I'm just trying to understand a little bit more on our O&M strategy. So I think Chairman has already explained a little bit on the financial side, so this is regarding, of course, our Tirupati acquisition and we'll probably do 2 or 3 more partnerships before the year-end. So, these will be likely slightly lower margin. But of course, they will not have the denominator, so ROCE should improve.***

Just to understand a little bit strategically, what is it that the O&Ms are doing for our business? So, is this a way for us to get a bed space faster? Is it a way for us to be getting more specialization? Is it a way for us to consolidate some of the fragmentation of the market? If you could just qualitatively explain a little bit about on a longer-term basis, what role does O&M play in our strategy in the hospital side in India?

Sreenath Reddy: Chairman, you are on mute.

Dr. Azad Moopen: Yes. Thank you very much, Amrish. So, I just wanted to highlight this was a strategy which we decided to adopt last year because we thought that there are multiple benefits by this. One, most importantly, we extend our services to people who are in the periphery rather than the main cities. And this we didn't want to construct and invest into that, which is going to be very, very capital intensive. So, we thought what is the best way in which we can do, and we thought that the O&M will be the best way to do.

So, there are multiple benefits due to this. One, many of our hospitals, for example, in Kerala, we have the issue of almost full capacity in some of the hospitals. So, this helps in having some of these patients who are not requiring our treatment to be kept in such places or even after discharge, they can be looked after little long-term care or medium-term care that can be done in the hospital. So that the average ALOS in the hospital comes down, which will help a lot in increasing our ARPOB.

Now the other important thing is the referrals which come from these hospitals. What we have seen is that when we manage such hospitals, while some of these cases can be managed here, many of this will have to be referred to the hospitals. So, this acts like a hub and spoke, where the hospitals in which we are managing, the case naturally will come to our own hospitals. So that's another major benefit that we are finding.

So for us, the advantage is that even managing something like a cath lab, for example, which is required even 50 kilometers away from a main city, we can have a doctor who is attached to our cardiology department going and doing that, and coming back after 1 year, 2 years and doing in the main hospital. So for us, it's easier to do that. So, we are getting people who can do the emergency medicine or in cardiology or neurology, wherever it is required. So, it's much more easier when compared to other people who are just running it in the periphery.

Apart from that, of course, the financial benefit, the investment Sunil will tell you; the hospitals where we have invested - it's very miniscule investment, which has come in. It is more of our knowledge, which has come in. And that helps us to get a top line and bottom line. Like what I said, our EBITDA, we'll have to consider this separately because it will go down, but there will be a significant increase in the ROCE. So regarding the investment, our India CFO, Sunil will highlight. Sunil?

Sunil Kumar M R: Thank you, Chairman. So thank you, Amrish, for your question. With respect to investments, we work on 2 different things. One is that we give an interest free refundable security deposit, the range is somewhere between INR 5 crores to INR 10 crores. So this again, this comes back because it's an interest free refundable.

Second bit of it is on the investment point of view because it's an existing hospital, which is running hospital, we look at investment less than INR 5 crores. So that means to say we are looking at an investment of INR 5 to 10 lakh per bed, not more than that. And we enter into a long-term contract here again, between the 15 to 20 years with less lock-in compared to usual O&M

what we entered into the metros. So these are moving parts on the financial bits. Thank you.

Amrish Kacker: ***Very clear. If I may, just a very short follow-up to this. So just from a cash flow perspective, the INR 5 crores to INR 10 crores is an outflow, but then I'm not comparing to a brownfield or a greenfield. But just from a cash flow for an O&M, we have a Rs. 5 crore to Rs. 10 crore outflow upfront and then slowly, we will make this back. Is that reasonable? Is that a reasonable understanding?***

Sunil Kumar M R: That's right, Amrish.

Amrish Kacker: ***Thank you. Perfect. Thanks a lot and all the best to the team***

Balachander R: Thank you Amrish. The next question is from Shyam Srinivasan. Please go ahead.

Shyam Srinivasan: ***Good morning and thank you for taking my question. So just the first one on the GCC hospitals, constant currency revenue growth of 0%. I think you alluded to some of the things, but I'm just trying to get a qualitative colour. Our beds are up, I think, 14%, 15% operational beds, occupied beds are up 10%. Our visits are probably up 3% or 4% in-patient visits. ARPOB is up. So when I do all of that, why still we are having 0% constant currency growth?***

Dr. Azad Moopen: So Amitabh, you would like to answer that?

Amitabh Johri: Sure Chairman. I could do that. So, thank you very much for your question, Shyam. Effectively, what we are looking at is this is quarter 2 where we have increased the beds, but these are new hospitals, first of all. They are yet to go through the occupancy. If you look at the new hospital occupancy, we are looking at almost 3% kind of an occupancy on the new hospitals.

Also, the fact is that the old hospitals, which are one, which are more than 3 years, that is where we are seeing higher occupancy up in the range of 60%-65%. Having said that, while the patient base has increased and everything, all other factors are increasing, it's a factor of ALOS that has increased in this period. And secondly, it's also a period where the patients, given the vacation period, have reduced the elective surgeries. So, if we were to look at our July and August specific months, the revenue for hospitals were fairly down as compared to what it was previous year, given the fact that the electives have gone down. It's only in the month of September as the vacation period started to recede that we saw the revenue was coming up. And as a result, which is why we see a little muted growth on the revenue side on this.

Shyam Srinivasan: ***So Amitabh, just following up here. When I look at, say, October or November, have you seen things reverse or move more towards surgical/elective procedures?***

Amitabh Johri: I think that's a fair assessment of yours. As we have moved towards October and November, we are seeing more footfalls. We're seeing more elective procedures being conducted and the reflection of that is there on the revenue side.

Shyam Srinivasan: ***Got it. Helpful. My second question is on the India business. And specifically, I think the Andhra, Telangana cluster from a margin outlook perspective; it remains lower. I think Q1, we had it lower, but Q2, no signs of improvement. So if you can outline what's happening there?***

Dr. Azad Moopen: Sunil, do you want to take that question?

Sunil Kumar M R: Sure, Chairman. Thank you. Thanks, Shyam, for the question. See, in Andhra, Telangana cluster from the occupancy point of view, right? So in the Q1, we were somewhere between 44% to 45% in Q1. That has improved to almost 55% to 56% in Q2. So that is one bit of it in the moving part.

Second is from the EBITDA margin, I think Q1, it was around 7% as a cluster, and it has moved around 8.2% in H1. Margin has moved. But what has happened is that this margin moved actually more than double digits, right? I'm talking about 12% to 13% only in the end of September. So you will start seeing a comping to a double-digit margin, somewhere in the teens in the Q3.

So because one of the important part, which we discussed in the last analyst call is whether the margins and the occupancy, which is lower, which will be improved. We've seen a good amount of improvement happened in the August and September. And we think October already, we are doing really well. And I think that as I said, we'll move to double-digit margins in Q3. That's very much possible.

Shyam Srinivasan: ***Got it. Just the last couple of questions. One on India utilizations. So where are we? Is there any guidance that you're giving either for the second half or the full year in terms of utilization because clearly things have improved? I think Chairman mentioned about high occupancy in Kerala. So if you can just help us understand how the second half could likely pan out on an India hospital utilization perspective?***

Dr. Azad Moopen: Yes, Sunil?

Sunil Kumar M R: Yes, Chairman. So Shyam, on the occupancy, we were at 63% in the Q1. And Q1, we all know it's a quarter where starting of the financial year, it's always the lowest. And as expected, Q2 is always very good in India, and it has moved to almost 72% occupancy, right? So now Q3 is where we'll have festivals because all of you know that in October, we had 2 festivals coming in again in December end is there. And January, February, March, also, it's a similar thing.

But we don't see a reduction in the occupancy from 70% to back to 60% what we saw in the quarter 1. So it's a fair assessment that it will be around 70% in the second half because October indicates that even with the festivals, we are at 70%. So, my expectation is that we will be around 70% in Q3, Q4.

And most importantly, we are seeing the Kerala doing about 80% occupancy. That is expected to continue with the patient flow there. And only movement which I see positively, that's where I said that above 70% even with the festivals is that Karnataka moved from 55% to almost 60% plus occupancy. So we see that it's moving further forward.

And one of the important things, which you noted in the Chairman's speech. We have hired Dr. Somashekhar who was onboarded into Bangalore cluster, and we are expecting oncology to do really well in the Q3 and Q4 and going forward. So considering that, it will be upwards of 70%.

Dr. Azad Moopen: I just wanted to add to what Sunil said. See, we have been looking at how now we can improve our income as well as our profits and all. So the focus now is on quality of cases rather than quantity of cases because we know that in many places, we are reaching that top level of occupancy. And even though we'll have the O&M hospitals and all for offloading a little, we are now trying to see how we can increase the conversion from OP to IP, more of referrals coming in as well as the complexity of cases going up so that the ARPOB goes up in spite of the occupancy not going up, we want to increase ARPOB and thus the profitability. So that's the plan. In many of the places, we are bringing in a lot of high-end tertiary, quaternary care, which will definitely increase our revenue as well as our reputation.

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

Balachander R: Thank you Shyam. I think the next question is from Abdulkader Puranwala. Please go ahead

Abdulkader P: **Thank you for the opportunity.** ***Sir, just one question from my end. When I check your profitability or EBITDA margins in India. So, would it be possible to just provide some colour as to how would your India hospital EBITDA margins look like in Kerala versus what you're reporting or your other clusters?***

Dr. Azad Moopen: Sreenath, you want to answer that or…?

Sreenath Reddy: Let Sunil, cluster wise margins…

Sunil Kumar M R: Abdul, I think we already put across in the investor presentation. Overall, hospitals, it's somewhere in Q2 very specifically, we are at 19% EBITDA margin, out of which 20% plus is what we see in Kerala cluster and EBITDA at almost 15 to 16 percentage in Karnataka. If you go to EBITDAR in Karnataka because we have a lot of O&M in Karnataka specifically. If you go to the EBITDAR level, it will be upwards of 19 percentage and Andhra cluster is around 8%. I hope that answers your question.

Abdulkader P: ***Yes, sir. And secondly, on investments in clinic and the pharmacy business and Labs business in India. So I mean, where do we see the overall count going on and the sort of cash what we expect? I mean, would these businesses i.e labs, clinics and pharmacy largely breakeven in FY '24 or '25, any road map on that?***

Dr. Azad Moopen: Yes. So we have started looking at the rollout happening very well in the last year. We are now trying to consolidate whatever we have rolled out and bring it up to the levels which we want at the top line and bottom line. So, we hope that the labs with the restructuring, which I mentioned, as it is aligned with the individual clusters. We hope that next financial year, we will go into a breakeven. The pharmacy may take a bit more. The financial year after that, we'll be able to go into breakeven. And that's our expectation. But the labs is going in that direction and we hope that we'll be able to go into a breakeven.

Abdulkader P: ***Sure sir. Thank you so much and wish you all the best***

Balachander R: The next question is from Rishabh Tiwari. Please go-ahead Rishabh.

Rishabh Tiwari: ***I had the question regarding the IndAS 116 impact. So, what would be the Ind AS 116 impact on EBITDA in Q2 for India and GCC?***

Sreenath Reddy: Yes. So, in terms of the margins. So, India margins will be --- just give me a second.

The India margins in terms of EBITDA; hardly there will be any change in terms of the EBITDA as well as the margin because many of the assets are owned by us. But however, in the GCC, there will be atleast on a consolidated basis around 2.5%-3.5% difference in terms of the pre Ind AS 116 and post Ind AS 116.

Rishabh Tiwari: ***2.5% on the GCC business or …?***

Sreenath Reddy: On the GCC business. On the India figures it's very negligible.

Rishabh Tiwari: ***It used to be around 6 crores…***

Dr. Azad Moopen: Your voice is breaking.

Rishabh Tiwari: ***Better now?***

Dr. Azad Moopen: Yes

Rishabh Tiwari: ***So, I'm saying it used to be around Rs. 6 crores when you used to report the numbers, pre Ind AS and post Ind AS. Is it closer to that number? Or has it changed?***

Sreenath Reddy: It is closer to that number on India front.

Rishabh Tiwari: ***Thank you.***

Balachander R: Thank you Rishabh. The next question is from Mehul Sheth. Please go-ahead Mehul.

Mehul Sheth: ***Thank you, sir. So, first question around your India business, specifically on the hospital side. So, we've done this 19.6% kind of EBITDA margin at 20% kind of a growth. Q3 given it's a weak seasonality. In Q4, there will be pick up again. So, what are your overall growth as a margin guidance for FY23? And how you see the margin trajectory beyond FY23 with the new hospitals kicking in your revenues?***

Dr. Azad Moopen: Yes. So, we don't usually give any guidance on the margins and all. But what we see that there has been, like what I said, one, the occupancy is ramping up. Some of the places it has already gone to that high level, but some of the geographies like Karnataka and all, we have significant, I mean, opportunities for growth. There's occupancy still remaining there. As well as in Andhra Pradesh, in Telangana also, we have occupancy, which is there. So, there will be a growth definitely coming from that.

Regarding the margins also, we hope that with the strategy of having more of I mean, high-end cases, our margins should go up is what we feel. So, a specific number, I'm not giving, but there could be some increase, maybe 100 basis point, there could be a growth, even maybe up to 100 to 200 basis point increase in some of the overall when you look at. We hope that there will be an increase in the overall margins.

Mehul Sheth: ***Thank you. And sir, one more thing on GCC part of the business. So, what are your current status like your overall strategy of restructuring to separate out GCC and India please? And also some update on the Saudi Arabia, where you are now looking for a minority partner? So is there any progress across all these restructuring plans?***

Dr. Azad Moopen: Yes. So the restructuring, I already mentioned, the investment bankers have got expression of interest, and that's being assessed and we will be informing the Board as well as then the exchange. But regarding this Saudi, we had earlier thought of either selling it completely or going for a minority partner there. But the business has significantly done well in the last 6 months, and it's actually going into a good profitable state.

So, what we thought is that as there will be a new partner coming in when the restructuring happens and there will be some opinion which we'll have to take from them, we shall take a call on that once the restructuring happens rather than doing anything now because it's a major piece, and we don't want this to be taken out or given out at all. So, the thought is that let us wait for that, see whether and how it happens. And then in that case, we will do.

Regarding the margin improvement, Amitabh, our CFO - GCC, will give some color to that.

Amitabh Johri: Thank you, Mr. Chairman. Good morning, Mehul. So Mehul, on the business side, as Mr. Chairman called out, at least for the last 3 quarters, we've seeing a steady growth on revenues as well as EBITDA. This business in quarter 2 of last year was perhaps a business in red. But today, we talk of almost 12%

EBITDA margin in that business. And we've seen that trend line continuing where a month-on-month revenue increase is happening on that.

So, we are confident about the steady growth of the business. And as Mr. Chairman called out, that's reflective of our strategy also that we want to continue invested in that.

Mehul Sheth: ***Ok sir. And sir, one bookkeeping question, kind of the tax rate for this quarter like on a historically higher level. So what's your guidance on the tax …?***

Dr. Azad Moopen: Sorry, I didn't hear it clearly.

Mehul Sheth: ***Yes, sure. So, it's about tax rate or tax outgo for the quarter. So, it was on a higher side for Q2. It's somewhere in the range of around 23% of PBT. So why this tax rate was higher? And what's your overall expectations?***

Sreenath Reddy: Yes. So it is expected to be in similar lines what is in the present quarter because of the improved performance in India. So that is expected to be somewhere similar.

Mehul Sheth: ***So basically, in the half year, your tax rate is somewhere in the range of 14%. So, we can see further increase in the tax rate somewhere?***

Sreenath Reddy: Maybe not at 14%, not as a percentage, but what I said is more in absolute terms because the profitability in GCC in the coming quarters will go up. And therefore, maybe taking as a percentage may not be appropriate. If you look at a percentage, then it would be somewhere in the range of around 7% to 8%.

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

Balachander R: Thank you Mehul. The next question is from Naman Bhansali. Please go ahead Naman.

Naman Bhansali: ***Congratulations on good numbers on the India business. So, I wanted to know just one thing. What is your key priority area other than the India***

business, which you have currently improved? So, what are the priority areas to focus on in the GCC business? And where do you look at the steady-state basis, the margins of overall GCC verticals of your pharmacies, clinics and hospitals? So that is my first question.

Dr. Azad Moopen: Yes. So, the GCC business, as you know, the first and second quarter, we have had, I mean, struggled like all the players but usually, we have seen that it improves in the third and fourth quarter. So, we definitely will see that the new hospitals, which are being started goes into a decent occupancy level in the coming 6 months. So that's one of the top priorities because these are fairly large hospitals in Oman as well as in Sharjah and making those hospitals profitable is the single most important focus that we will have.

Of course, we also are now focusing on the pharmacy business. Pharmacy earlier used to be a business which was focusing on just pharma mainly, not just, but pharma mainly. But non-pharma, it was much less. So, what we have now done is that in the new pharmacies that we are opening, we are looking at locations where there could be more of non-pharma sales where the margins are much better when compared to the pharma.

Now another thing which we are now looking at is that to look at the expansion of the pharma into other geographies, like, for example, in Saudi Arabia. We already have entered into an agreement to start 250 pharmacies in association with a local group there, where this will be rolled out in association with them. So that is another very important area which we are looking at, first in Saudi and if possible, in other areas also.

Apart from that, the most important, if you ask me, on a basis of business. I mean, in GCC first then India, it is the digital transformation. See, we are on a digital transformation journey, which has started about 2 years back. We have Bain as our consultants and we have a large number of technology staff who have joined, which is one of the reasons our salaries have gone up and our margins to some extent, taken a hit in GCC but the app is almost ready for the GCC. This is called the myAster app like what Alisha mentioned.

That being rolled out, we will be the first in GCC to do that. We hope that we'll be able to tie up the different pieces, the e-pharmacy first and along with that, the hospitals, clinics and our other offerings like home care and all, which will create that ecosystem, which nobody else has here. And that will produce significant improvement in our overall performance in all the verticals like the hospitals, clinics and pharmacies.

So answering your question, yes. There are multiple pieces. One is the stabilization of the new hospitals, which have started, which we are very confident within a short period, we will be able to make it into a breakeven stage and then the pharmacy expansion and also then this app, which is being rolled out.

Naman Bhansali: ***Ok that helps. And my second question is relating to a recent number of acquisitions and partnerships that you are recently doing. So, one of the things you have done is in Bangladesh Pharmacy. So, can you talk a little bit about that?***

Dr. Azad Moopen: Yes. In Bangladesh, actually, it is not an acquisition. We are trying out another model where we want to franchise the pharmacies because Aster Pharmacy is very well known and respected in the GCC, especially in UAE. So, we want to try out the franchisee model in other countries. So, what we are doing in Bangladesh is a franchisee arrangement with one of the good reputed groups there, where we are rolling out some pharmacies there. It is not actually an investment. It's a franchisee model.

Naman Bhansali: ***Thank you.***

Balachander R: Thank you Naman. The next question is from Ankeet Pandya. Please go ahead Ankeet.

Ankeet Pandya: ***Am I audible?***

Balachander R: Yes, Ankeet. You are audible. Please go ahead.

Ankeet Pandya: ***Thank you for the opportunity. So, first question on the GCC business. So, I know that you have already mentioned that at the PAT level because of the new hospital losses it has been negative. But is there any other line item or any other reason for the negative PAT or like any change in depreciation or finance cost or anything like that, if you can comment on that?***

Dr. Azad Moopen: Amitabh, you would like to answer that?

Amitabh Johri: Sure, Mr. Chairman. So yes, thank you very much for your question, Ankeet. Yes, the impact is largely because of the new hospitals because if you look at year-on-year comparison for quarter 2, there's almost a Rs. 28 crores increase on account of depreciation and right to use and almost a Rs. 12 crores impact is coming from the lease liability and interest that is coming over there because of the asset financing. So overall, that kind of puts Rs. 40-odd crores of increased impact on the PAT from EBITDA.

Ankeet Pandya: ***So, by Q3 onwards, you expect that to improve and PAT become positive from Q3 onwards?***

Amitabh Johri: Ankeet, that's a fair assumption because once the occupancy of the hospital increase, the revenue and the profitability will allow us to absorb this depreciation and the associated costs.

Sreenath Reddy: To add to what Amitabh said. See, these new facilities will be under losses for some time. But like what I said earlier, Q3 and Q4 is a peak period. So, the rest of the other facilities will contribute significant profit. And therefore, after considering the losses of the new hospitals at the net PAT level, it will be a profit number.

Ankeet Pandya: ***Okay. Fair. And one on the cash flow. So, the trade payables have gone up significantly by almost Rs. 300 crores. So, any particular reason for that?***

Amitabh Johri: Is this specific to GCC or India?

Ankeet Pandya: ***Overall on our cash flow statement. From the balance sheet…***

Sreenath Reddy: 300 crores has gone up where?

Ankeet Pandya: ***Trade payables***

Sreenath Reddy: Yes. So these receivables as well as payables will be fluctuating. And this is something which is not abnormal. It's in the normal course of business. So those numbers keep fluctuating.

Ankeet Pandya: ***Ok fine. That's it from my side. Thank you.***

Balachander R: Thank you Ankeet. The next question is from Harith. Please go ahead and unmute.

Harith Ahamed: ***Hi, good morning. Thanks for the opportunity. So, on these hospitals under O&M contract that you talked about, will you consolidate the P&L of these hospitals? Or will it be some kind of management fee that you'll be booking?***

Sreenath Reddy: No. So, we'll only be consolidating O&M. We don't look at taking any management fee. At least in India, we don't do that. But outside India, for example, if you're looking at say Africa or some other countries, then maybe we can think of such kind of a model where we take a fee. But within India, we consolidate all the revenues, profits or losses to our account.

Harith Ahamed: ***Okay. And you mentioned these contracts will come at lower margins. So, is it because of the revenue share or a rent that you will be paying the owners of these assets? Or because of the nature of the markets that you expect these hospitals to be at lower margins?***

Sreenath Reddy: Yes. So, it is both. One is the nature of the market, right? So, because this being entire to terms. So naturally, that the affordability is slightly lower. So that is one.

And two is that because we are also paying a percentage of the revenue. So, both these factors will reduce the margins.

Harith Ahamed: ***Any sense that you can give on the revenue share that you have typically in these kind of contracts?***

Sreenath Reddy: Sunil, you will like to come in there?

Sunil Kumar M R: Thank you. Yes, Harith, it will be somewhere around 5 to 8 percentage, somewhere in between that.

Harith Ahamed: ***Okay. And then the second one is on the restructuring that you talked about for the GCC business. Can you help us understand if the promoters will continue to own a significant stake in the GCC business post the restructuring? Or will it be an outright sale of the GCC business? Some colour on the structure that you're contemplating will be helpful.***

Dr. Azad Moopen: Yes. So, one thing which I just want to tell is that the restructuring is something which the Board Sub-Committee is taking forward. And there are various options, but the preferred option from the promoter side is to remain on both sides. So that's what we have given as our preference. So, we'll be there on both sides is what as promoters we have mentioned.

Harith Ahamed: ***Okay. And this purchase of additional minority stake in the MIMS subsidiary that you talked about. How many assets are there or how many hospitals are there under this subsidiary? Does it include the Kannur Hospital?***

Dr. Azad Moopen: Yes, yes. This includes all the hospitals in Malabar, which is Kannur, the largest is Calicut, then we have Kottakkal and now we are also starting on in Kasargod where the work has just started. So, all these hospitals come under and also, the Mother Hospital, which is one of the operations management, which we have taken.

So, all this together comes under the Malabar Institute of Medical Sciences, and that's the one where we are now increasing our stake.

Harith Ahamed: ***And doctor, can you help me understand the rationale for setting up some of these newer hospitals under this subsidiary instead of under the parent company, like the one in Kannur or the one you're now investing in Kasargod, the reasons for setting this up under the subsidiary?***

Dr. Azad Moopen:	So the main reason for this is that MIMS is recognized as a very, very prominent brand with a lot of confidence by people in the geography. So in North Kerala, that's a brand which we started off and which is still having significant recall as well as confidence of the people. That's one of the reasons. Second, MIMS as a business has got a good strong balance sheet, and it is easy for us to, I mean, utilize that funding for this purpose. So we thought that, that will be good to have under the Aster MIMS, I mean, brand rather than just going for Aster.
Harith Ahamed:	***Understood. Thanks for taking my question.***
Balachander R:	Thank you Harith. The next question is from Niharika Jain. Niharika Jain, please go ahead and ask a question
Niharika Jain:	***Hello, am I audible?***
Balachander R:	***Yes, Niharika. You are audible.***
Niharika Jain:	***So, considering that we are already established players in GCC, I just want to understand the management's thought behind wanting to dilute our ownership there? Like why are we even looking to restructure it? And what do we plan to do with the funds which we raise from this restructuring?***
Dr. Azad Moopen:	Okay. So, this is a question which we wouldn't like to answer now because there has been a lot of discussion on why we should restructure and after a lot of thought, the Board has decided that we should consider that. So, Board has entrusted this sub-committee, which is driving it. Like what I mentioned earlier, as promoters, we would like to be in GCC as well as in India. We don't want to get into that, why this is being done, not being done. But this will come into the public once the Board Sub-committee decide and the Board approves that.

There are reasons, strategic reasons why we are considering that. We have earlier considered then postponed it. But at this point, we are seriously going forward and the investment bankers have been appointed who have got a positive response from people who want to take it. So, this is a very thought of decision. But why is that? How is it being done? I don't want to now delve on that.

Niharika Jain: ***And what are we planning to do with the funds which we are like raising from it? Has there been a proper planning yet or...***

Dr. Azad Moopen: Yes. That also, again, the Board has to decide. Now once they decide to sell. First thing is to decide to sell and if they consider that the price which India is getting from that is something which is, I mean, acceptable or beneficial for the listed company, then they will get that money. And once they get that money, they'll have to decide how to use that, what is the purpose of that.

Niharika Jain: ***Ok. That was it from my side. Thank you.***

Balachander R: Thank you, Niharika. If there is anyone else who would like to ask a question, please raise your hand.

Since there are no more questions, this concludes the earnings call for today. I thank you all and the management for joining us today. If you have any further questions or queries, please do get in touch with us. Thank you all.

Dr. Azad Moopen: Thank you, Bala. Thank you very much. Thank you, everyone.

<End>

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