

Operator

Ladies and gentlemen, good day and welcome to the Apollo Hospitals FY11 Earnings Conference Call. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would like to hand the conference to Mr. Mayank Vaswani from Citigate Dewe Rogerson. Thank you and over to you.

Mayank Vaswani, Citigate Dewe Rogerson

Thank you, Melissa. Good morning and thank you for joining us on this call to discuss our financial results for FY 2011. We have with us the senior management team of Apollo Hospitals Limited.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. For a more complete listing of such risks and uncertainties, please refer to the investor presentation.

We will start with Ms. Suneeta Reddy, who will discuss the operating highlights for FY11, Mr. Krishnan Akhileswaran will then discuss the financial highlights and CapEx plans and Mr. Padmanabhan will discuss highlights of the Pharmacy operations, Apollo Munich Health Insurance and Apollo Health Street.

Documents relating to our financial performance have been emailed to all of you earlier and have also been posted on our corporate website.

I would now invite Ms. Reddy to provide key highlights of our performance. Over to you, ma'am.

Suneeta Reddy, Executive Director, Finance

Thank you. And good morning to all of you, who have joined our call. It has been an excellent end to the year FY11 at Apollo Hospital. We have reported strong growth on both standalone as well as on the consolidated basis.

Before discussing the financial highlights, I would like to mention some of the key operational highlights. Our consolidated annual revenues has crossed landmark of Rs. 25 billion. We have ended the year with 54 hospitals, which have a best capacity of 8,717 beds, of which over 5,800 are our own bed and the balance are managed beds.

As of March 31st, 4,665 beds are operating beds. During the last 15 months, we have added 700 beds across our hospitals in Bhubaneswar, Hyderabad, Karaikudi, Lavasa and Secunderabad.

We are amongst the largest healthcare groups in the world on the basis of existing capacity. We conducted 1,000th tissue transfer surgery in April. Additionally, Apollo Hospitals New Delhi crossed the milestone of 500 liver transplants in February 2011.

Apollo Chennai has completed 100 liver transplantation surgeries, crossing a milestone in the Group's own performance as well as in the largest context of the state and national transplantation programs.

We have performed over 775 organ transplant for the year 2010 and we are pleased to share with you that we are among the world's busiest solid organ transplant program in the world.

The increasing volume and complexity of treatments increase -- indicates a high level of trust in our abilities and the trust that we receive from patients around the world.

We have always maintained that clinical excellence is a backbone of Apollo and integral to our brand. This is bearing from the fact that presence at Apollo, we are committed to doing the -- innovative surgeries that you can see in India.

Among them, surgeons of Apollo Hospitals conducted a -- servicing program using the iPad to navigation, which increase the effectiveness of the surgery. A rare cosmetic surgery was performed in Dhaka for the repair of repair of Atrial Septal Defect.

We had an Iraqi patient last quarter, who came to us with Cervical Dystonia and after visiting various hospitals in the Europe and Middle East, doctors in Apollo Chennai conducted a Deep Brain Stimulation, which enables significant progress towards this treatment. This is the only the second such surgery to have been conducted in our country.

We have also invested in new technology during the quarter with the inauguration of the FullnField Digital Mammography at Apollo Specialty Hospital. The equipment is the first of its kind to be installed in South Asia and it will help us offer the latest treatments for Breast Cancer.

We have also set-up East India's first dedicated comprehensive Bone Marrow Transplant Unit, which was inaugurated at Apollo Gleneagles Cancer Hospital.

I would also like to introduce our new CFO to you, Mr. Krishnan Akhileswaran. I am sure some of you have already interacted with him. Mr. Venkataraman, who has been with us for many years has now been elevated as our Chief Strategy Officer and I am sure that his years of experience would contribute to defining Apollo's new strategies.

Coming to the financial performance for the year, our consolidated revenues were higher by 28.6 at Rs. 26 billion. Consolidated EBITDA was higher by 39% at 4.2 billion. The EBITDA margin improved from 14.9 in FY10 to 16.1 in FY11. This has come because of strong growth in four operations as well as improved performance and in our retail pharmacy segment.

PAT was higher by 33.7 at 1.8 billion. On a standalone basis, our revenues were higher by 27.7 at 23.3 billion. Standalone revenues include hospitals, retail pharmacies and consulting.

Standalone EBITDA was higher by 34%, at 3.7 billion and the EBITDA margin improved 76 basis point to 16.2. Standalone PAT was up 19.5% at Rs. 1.8 billion.

Our Board of Directors have recommended a dividend of Rs. 3.75 per share on the now split face value of Rs. 5 per share.

We continue to deliver strong performance this fiscal as well as in quarter four to enable to deliver this growth in our hospital services from our existing facilities, which are mature facilities, recalls for better operating metrics and asset utilization as well as larger volume, which have started to show in our new hospitals.

Although our businesses like the retail pharmacies as well as health insurance also continued to contribute to growth, we have now delivered in excess of 25% for the past 25 consecutive quarters. Clearly, a track record to be proud of. We are confident that we are in a position to continue to deliver such momentum as we go forward.

Our hospital business continues to be the backbone of our performance, which enable to realize there were an increase in patient volume with over 26% growth in OP volume in our standalone hospitals and over 19% growth in our significant sub and JVs.

There was also a healthy increase in IP volumes by 15.4%, in standalone hospitals by 17.7% and at significant subs and JVs. This had helped to increase occupancy level in all our major hospitals except the Hyderabad cluster, where we increased bed capacity by 200 beds.

Our loss has declined over the year and this along with a better revenue mix has resulted an increase in average revenue per bed across the hospitals.

We have also seen strong momentum in our retail pharmacy business as revenues were higher by 36% at 6.6 billion in FY11. We have ended the year with a positive EBITDA of 30.9.

Our consolidated performance was also helped by the profits made by Apollo Munich and Apollo Health Street. Krishnan and Padu will now provide you with further details of financial performance later in the course of the call.

As before we have been fortunate to receive some accolades and rewards this quarter, including the Best Tourism Facility for 2010 by the Ministry of Tourism and Government of India for Apollo Health City, Hyderabad.

To sum it up, FY11 has been a year of very strong growth for Apollo Hospitals. There have been several innovative new treatments as well as recognitions.

The business both on the hospital and the pharmacies funds remain strong as we continue to focus on improving operating efficiencies further. We also have in place a strong pipeline of new hospitals projects into FY14.

We will look to continue growth at our mature facilities and also anticipate improving metrics for the facilities that we recently set up.

Each hospitals will begin to contribute in FY12 and we also await further progress in the retail pharmacy division.

Now let me hand it over to Krishnan, who will now provide you with further details of our financial performance.

Krishnan Akhileswaran, Chief Financial Officer

Thank you, Ms. Suneeta for the introduction. Good morning to all of you. As mentioned by Ms. Suneeta, we have been able to deliver strong growth in standalone as well as a consolidated business.

I would like to bring your attention to slide 21 of the investor presentation, which has the consolidated numbers. If you look at it, revenue for the year grew by 28.6%.

Operator

Excuse me sir. Sir, I'm sorry to interrupt, we cannot hear you clearly.

Krishnan Akhileswaran, Chief Financial Officer

Is it better now?

Operator

Yes, you can go ahead.

Krishnan Akhileswaran, Chief Financial Officer

Okay. So I would like to bring your attention to slide 21 of the investor presentation, which has the consolidated numbers. Revenues for the year grew 28.6% to Rs. 26 billion in FY11.

EBITDA grew 39% from Rs. 3 billion in FY10 to Rs. 4.2 billion in FY11. The EBITDA margin has improved by 121 bps to 16.1% for the year.

The expansion in consolidated EBITDA margins have been greater than the expansion in the standalone EBITDA margins, aided primarily by better performance from our subsidiaries and JV hospitals.

Consolidated PAT was higher by 34% at Rs. 1.8 billion from Rs. 1.4 billion in the same period last year. Our consolidated debt as of March 31, 2011 was Rs. 9.6 billion and our total cash balance at the end of the quarter was Rs. 1.8 billion and there was an additional investment in liquid mutual fund of Rs. 0.8 billion.

Coming to the standalone financial performance, please refer to slide nine of the investor presentation. Standalone revenues for fiscal'11 expanded by 27.7% to Rs. 23.3 billion. EBITDA was higher by 34% from Rs. 2.8 billion in FY10 to Rs. 3.8 billion in FY11.

The EBITDA margins continued to show an improvement as they expanded by 76 basis points to 16.2%. This was driven by improved operating metrics for the hospitals business as well as an improving contribution from retail pharmacy.

EBIT again was higher by 35.1% despite increased depreciation on account of new facilities brought on stream. The deployment of funds for expansion resulted in lower other income and an increase in the interest cost. Despite that, PAT was higher by 19.5% from Rs. 1.5 billion in FY10 to Rs. 1.8 billion in the current fiscal.

If you now turn to slide 10 on the segment-wise performance, you would see that the revenue growth has been led by a strong performance from standalone pharmacy with registered growth of 36.4% on a year-on-year basis.

Growth in healthcare services were also healthy at 24.6%. The EBIT margins in healthcare services have trended up marginally from 18.1% in FY10 to 18.6% in FY11.

Retail pharmacies have an improved EBIT in FY11. Though the EBIT was negative for the year, it was positive in Q4 of FY11 at Rs. 6 million.

The annualized ROCE for healthcare services have increased to 15.5% from 13.4% in the same period last year. Excluding capital work in progress of Rs. 3,524 million, the healthcare services ROCE is 18.7% now.

Capital employed during the same period has increased from Rs. 18 billion as of March 31, 2010 to Rs. 20 billion as of March 31, 2011.

Slide 12 has the key operating metrics in the hospital services segment. Our hospital services segment continue to report strong growth in both outpatient and inpatient volumes. The facilities in the Chennai cluster and Hyderabad cluster have reported healthy growth in IP volumes, indicating that there is still adequate growth available even at mature facility.

OP volumes at these facilities are also growing well. Thereby, contributing to continued growth in the IP volumes as well.

Our standalone hospitals outside of Chennai and Hyderabad have grown 23% in IP volumes and near 47% growth in OP volumes. This increase is primarily due to growth witness business in Madurai, Karur and the full year impact of Bhubaneswar, which actually went on stream last year.

The subsidiaries and JVs primarily driven by Calcutta, Bangalore and Ahmedabad have also reported strong growth in IP volumes, which have grown 17.7% on a year-on-year basis.

The growth in OP, IP volumes has been increased -- has helped increased our occupancy levels at all centers. Occupancy at our standalone hospitals of 75% with the Chennai cluster being at 82%, Hyderabad at 65%, others at 73% and significant subs and JVs at 74%. The occupancy in our Hyderabad cluster was lower primarily due to addition of beds.

The ARPOB, the average revenue per operating bed was up 12.9% at Rs. 20,063 for standalone hospitals and higher by 15% at Rs. 13,278 in significant subsidiaries from JV. We were also able to improve ARPOB at our mature facilities with the Chennai cluster ARPOB growing by 10.9% to Rs. 23,907 and the Hyderabad cluster growing by 14.2% to Rs. 15,114.

Our expansion and CapEx plans are provided in slide as well. The total funds for this will be in the region of 13.2 billion, of which Apollo share is approximately Rs. 11 billion, of this Rs. 2.8 billion has already been invested by us and the balance of approximately Rs. 8.2 billion will be funded through a mix of internal accruals, equity and debt.

That's it from me. I'll now request Mr. Padmanabhan to talk about pharmacies, health insurance and Apollo Health Street.

K Padmanabhan, Group President

Thanks, Krishnan. Revenues in the standalone pharmacy segment has grown 36.4% from 4.85 billion in FY10 to 6.6 billion FY11.

While revenue per store for our mature stores increased 16.6%. The increase in revenue per store on an overall basis was 19%, indicating that relatively newer stores displayed also strong revenue growth.

More importantly, we reported an EBITDA of 30.9 million for FY11, of which 24 million was generated in Q4 itself. So this is our first year and third consecutive quarter of a positive EBITDA underlying the fact that this business will continue to perform strongly in the years to come.

If you refer to slide 14 of our presentation, you will notice that our mature stores have performed even more credibly with an EBITDA margin of 5.15% for FY11 and this lay ahead of our stated target of 5% for the year. And for Q4 itself, the mature stores have had an EBITDA margin of 5.44%.

The total number of operational stores on 31 March, 2011 was 1,199. We added 57 stores on a net basis for Q4 in Q4FY11 as we have resumed our expansion of our network of retail pharmacy.

We'll continue to review our pharmacy network and closed on unprofitable stores so that our overall profitability of the pharmacy business improves as we go along into the future. We remain optimistic about this business and we consider

this to be an integral part of our business. We are confident that we will be able to improve profitability even further as newer stores begin to mature.

Coming to Apollo Munich Health Insurance, it has recorded a gross written premium of 2.8 billion in FY11, which is way ahead of

our stated target of 2 billion. The total income has more than doubled to 0.7 billion in FY10 to 1.65 billion in FY11.

Losses of the EBITDA level declined from a negative of 921 million in FY10 to a negative of 705 million in FY11. The combined ratio was brought down to 126% from 198%.

Apollo Health Street was able to report a steady performance in FY11. While revenues were muted largely due to currency fluctuations, there was a significant improvement in EBITDA due to cost control. The improvement in EBITDA was driven by cost control through the implementation of project clean, which has helped us to identify and significantly reduce operating cost.

We have simplified our operating structure and we look to build on the opportunities from the regulatory impetus to control its healthcare cost in the year.

That's it from me. And we are now ready to take your questions.

Questions And Answers

Operator

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. [Operator Instructions]. The first question is from the line of Vikas Singh from B&K Securities. Please go ahead.

Analyst

Congratulations on your good set of numbers.

Suneeta Reddy, Executive Director, Finance

Thank you.

Analyst

Can you hear me?

Corporate Participant

Yeah.

Analyst

Actually I wish to ask the 900 crores -- plan. Can you give me the bifurcation of how much from what process?

Corporate Participant

Sorry. Can you repeat the question please?

Analyst

Your 900 crore fund raising plans, can you throw some light -- means how much of there will be NCDs and then the warrants?

Corporate Participant

At the moment, we just have a shareholder approval to raise 900 crores in a combination of debt and equity. We have not decided on

the timing of the issue and when we will do it. And therefore we have not actually decided on the mix of the debt and equity.

Analyst

Okay. And regarding the equity warrants issued to Mr. Prathap Reddy of 3.3 million warrants. So how much of this has actually converted into equity?

Corporate Participant

6.2 million warrants

Corporate Participant

There are 6.2 million warrants outstanding. And it will get converted by FY 2012.

Analyst

Okay FY12...

Corporate Participant

Yeah...

Analyst

And regarding pharmacy business last, fourth quarter was -- right for pharmacy so going forward do you believe that till now the pharmacy business will be at the average level give up -- contribution to your EBIT line?

Corporate Participant

As I mentioned that during the last year and then in -- we will continue to go forward we will review the profitability of the pharmacy business as we are looking at closing down unprofitable outlets and replacing them with more profitable outlets.

And therefore we believe that the steps that we have taken in the last three quarters and the steps that we will continue to take going forward, will help us further improve our pharmacy profitability.

Analyst

Sir your employee expenses also has seen a significant jump from last year. So, do you think that going forward this trend will continue?

Corporate Participant

No, you are mentioning -- talking about the employee the cost. See the last year we had a settlement long-term settlement that actually increased the employee cost on one time basis we don't think that's going to effect us over the next two or three years.

Analyst

Okay sir. Thank you so much sir. That's all from my side.

Operator

Thank you. The next question is from the line of Ajay Nandanwar from UBS. Please go ahead.

Ajay Nandanwar

Good morning sir. Congratulations on a good set of numbers. Just a couple of questions could you give you some light on what beds are commissioned, what hospitals are commissioned during this quarter and during the year apart from Secunderabad and Karaikudi?

Corporate Participant

We have added around 700 beds the last 15 months, Ajay as you would know. And in the last quarter we added Karaikudi which is approximately 100 beds and over the year we have added Secunderabad and we have also added, in the last quarter of the last fiscal Bhubaneswar. So, between FY10 March is when we started Bhubaneswar as well. So, those are some of the, and Hyderabad is a cluster where we have added substantial beds as well.

Suneeta Reddy, Executive Director, Finance

But I think those contributing to revenue in terms of operational beds have been about 320 beds.

Ajay Nandanwar

320 beds during FY11?

Suneeta Reddy, Executive Director, Finance

Yeah.

Ajay Nandanwar

Okay. That includes beds in JVs or standalone?

Suneeta Reddy, Executive Director, Finance

That includes...

Corporate Participant

Only standalone.

Ajay Nandanwar

Okay. Then on standalone as I see the bed count go up from 28, 29 to 30, 28 which is by 200 beds If Q4-to-Q4 comparison?

Corporate Participant

No because Bhubaneswar was accounted in the previous year.

Ajay Nandanwar

Okay fine. And I don't know just if you could give EBITDA, previously you gave EBITDA margin by clusters earlier for Chennai, Hyderabad other clusters, would it be possible for you to share that information again.

Corporate Participant

No, we are not sharing the EBITDA by cluster at this point-in-time. We will evaluate, if we can share it at the subsequent point-in-time.

Ajay Nandanwar

Okay, I understood. And just finally discuss this briefly earlier, your current position on debt and cash investment?

Corporate Participant

So, the current debt in the standalone books is approximately 740 crores, 7.40 million and the cash in hand is approximately 229 crores including the mutual fund investment that we have in liquid funds.

Ajay Nandanwar

Okay and does this 740 crore include debt on the 27, 85, that you already invested?

Corporate Participant

That is correct

Ajay Nandanwar

Okay and going forward given that you are Secunderabad -- Hyderabad cluster is going at least beds is growing substantially. You have Secunderabad and now you are adding the international expansion in -- it is already commissioned as for your -- here, do you see that sort of pressure, the sort of new beds and start-up costs, do you see that. How do you see sort of an occupancy in Hyderabad cluster over the next 12 months or so?

Suneeta Reddy, Executive Director, Finance

I think Hyderabad cluster last year was very good year for them because of the Telangana bandh. But going forward we are quite confident that utilization of beds in Hyderabad will improve.

We have in terms of really getting together number of key doctors and we have opened new facilities including an international patient block. So, we are very confident that occupancy will improve in the next, in the forthcoming year.

Ajay Nandanwar

Okay and...

Corporate Participant

And in fact we have notice that the occupancy drop in on probable larger base from 670 to 810...

Ajay Nandanwar

Of course the in-patient volume has gone up 10% Hyderabad but the occupancy has been sort of slow throughout the year, it has been the 60 sort of mid 60s throughout the four quarters this year in spite of Telangana issue having stabilized almost a quarter ago.

Corporate Participant

No. we believe that the occupancy in Hyderabad is now picking up. In fact in -- which is our main facility and in the newer facilities they are beginning to pick up. And we believe that is not going to be a big issue going forward into the next year.

Suneeta Reddy, Executive Director, Finance

And added to that is the fact we were not taking this facility, insurance patients which this year were actually moving towards the resolution on that.

Ajay Nandanwar

Has the resolution been done already?

Corporate Participant

Yeah.

Suneeta Reddy, Executive Director, Finance

Yes.

Ajay Nandanwar

And was this issue prevalent across all clusters or only in Hyderabad cluster?

Corporate Participant

There is no problem across all cluster.

Ajay Nandanwar

And when was it resolved sir?

Corporate Participant

Hyderabad accounted for a larger percentage of insurance business.

Ajay Nandanwar

Okay, okay. And when was it's resolved?

Corporate Participant

Sorry.

Analyst

When was it resolved?

Corporate Participant

Just, as far as Hyderabad is concerned, it is resolved Hyderabad, Ahmedabad is resolved, Chennai we are in the process of resolving.

Ajay Nandanwar

Okay. And does from a cash -- the pairs have negotiated right, I guess that probably what your can conversation was about? How would this impact your realizations on profitability?

Corporate Participant

No, we have actually, what we have done is that resolution was in terms of being able to offer more packages to the insurance business, not so much in terms of actually discounting. So, therefore we don't think this will have a serious impact on bottom line.

Ajay Nandanwar

Okay, okay understood. Thank you so much.

Operator

Thank you. The next question is from the line of Perin Ali from Edelweiss. Please go ahead.

Perin Ali

Yeah, hi. Good afternoon and excellent set of numbers. Just a couple of questions, was it that your pharmacy business margins at EBITDA level is now 0.5%, what kind of restructuring have you done over the last year? And also if you could throw light on how you see margins expanding from this base?

Corporate Participant

As I mentioned, one of things that very critical for the pharmacy business apart from actually controlling cost is being able to get adequate operating leverage and that invariably comes with maturity of the store.

What we have also done and I mentioned this earlier, is that we are on an ongoing basis reviewing pharmacies that are not ramping up fast enough and then deciding to closed on some of these unprofitable pharmacies and replacing them on better locations.

We hope all this combined with being able to control greater cost and been able to have an increased percentage of owned brands private label in our stores will bring about increased EBITDA across our pharmacy line.

Perin Ali

How much contribution of private level revenue was in within your pharmacy business this year versus FY10?

Corporate Participant

Currently it has just moved from about 2% to 3%. And we hope to take it up to about 10% within the next three years or so.

Perin Ali

10%. And how many pharmacies you wish to add over the next, like what's your long-term plan in terms per year pharmacy addition. And do you wish to now constraint that and focus more on profitability what is the strategy around that?

Corporate Participant

No we hope, we are planning to I think open 200 pharmacies and close about 100, bring about a net increase of 100 pharmacies.

Perin Ali

This is for FY12 or...?

Corporate Participant

FY12.

Perin Ali

Okay, okay. So net additions will be around 100?

Corporate Participant

Yeah.

Perin Ali

And what is, do you wish to add more pharmacies going forward or you will constrain it to this level or maintain the pharmacy business as how it is?

Corporate Participant

No on a long-term basis, we would continue to look at opening about between 100 to 150 pharmacies a year given that over last three, four years we have significantly ramped them up and until we bring the entire business in to very strong EBITDA, we don't think we will aggressively increase network at this point of time.

Perin Ali

Do you have any target EBITDA margin vision for the pharmacy business, over say next three four years?

Corporate Participant

No as I mentioned that our mature pharmacies are already giving 5 to 6%.

Perin Ali

Okay.

Corporate Participant

So, that is what we will aim to achieve.

Perin Ali

Okay. And sir also I just want to understand that when you mentioned your mature pharmacies you always mentioned 2007 batch. But Just want to see that how many years it takes or what do you accounted when you see a mature pharmacy? Do you mean that 2008 pharmacies or '09 pharmacies have not yet matured or what could be the margins of those pharmacies?

Corporate Participant

That is right. It takes between two to three years to reach those levels.

Perin Ali

Okay. So you mean to say that even 2008 pharmacies will now be mature and we will have this 5 to 6% EBITDA, 5% EBITDA margins just 2007 pharmacies?

Corporate Participant

Broadly that is the direction.

Perin Ali

Okay. Sir based on your of hospital performance. I mean this quarter your performance of in-patients was very strong revenue, in-patients revenue but your Hyderabad and Chennai hospitals seem to have slight drop in the outpatient revenues.

As per my calculations that shows a 4% decline in Chennai and 20% decline in Hyderabad outpatient revenues for fourth quarter? Can you just tell what happened there and why was that?

Suneeta Reddy, Executive Director, Finance

Actually if you look at the Hyderabad cluster, there is not been a drop, in fact in-patient volumes went up by, from 26 million to 39, and there was a 10.4% increase in in-patient volume.

Perin Ali

Suneeta ma'am I am just talking... Hello.

Corporate Participant

Yes.

Perin Ali

Yeah. I just want to correct that, I am talking about outpatient revenues. In-patient revenues, there has been a good growth, yes.

Corporate Participant

Yeah. Are you referring to the...

Suneeta Reddy, Executive Director, Finance

You are talking of Hyderabad cluster. Right?

Perin Ali

Yeah. Hyderabad and Chennai cluster, I see a drop in outpatient revenues this quarter.

Corporate Participant

For the quarter?

Perin Ali

Yeah.

Corporate Participant

For the quarter...

Perin Ali

No I have just calculated that -- the number and this year drop...

Corporate Participant

You are -- from the previous...?

Perin Ali

Yeah. right.

Corporate Participant

As far as we know there is been no drop just recheck your computation.

Perin Ali

Okay, there is no. I am sorry, I'll will just go back and the check my computation. And is this you mentioned in the earlier comment that your employee, one-off employ expense for this FY11, could you quantify that and tell the nature of that, and of that employ expense?

Corporate Participant

Yeah, As mention that there was long-term settlement, three years settlement at are major hospital.

Perin Ali

Okay.

Corporate Participant

And that increased the employee cost on a one time basis by almost 22%.

Perin Ali

22% on a one time basis. Could you substantiate that point sir?

Corporate Participant

Sorry.

Perin Ali

Yeah, but how much was the incremental impact on your employee expense this year because of this one time settlement?

Corporate Participant

You mean you want to know the actual amount of...?

Perin Ali

Yeah, exactly.

Corporate Participant

We will get back to you on that separately, because the -- it is only for select employees who are on the staff. So, we would have to assess the overall impact on our total employee. But, so I don't, we don't have that number in hand.

Perin Ali

All right. Just a last question, I just want to understand how much medical tourism contributes to your total revenues for Hyderabad hospitals and also for overall Apollo standalone entity?

Suneeta Reddy, Executive Director, Finance

Hyderabad revenues contributes about 15%.

Corporate Participant

Per interactive patients and overall for -- it is about 10%.

Perin Ali

For Hyderabad it's 15%?

Corporate Participant

That's right.

Perin Ali

And, 15% right. And for overall it is 10%?

Corporate Participant

That's right.

Perin Ali

Thank you very much, sir and I will get back in the queue.

Operator

Thank you. The next question is from the line of Jiten Doshi from ENAM Asset Management. Please go ahead.

Jiten Doshi

A very good afternoon to the management and congratulations on a very good set of numbers. I think you all have really demonstrated great vision right from inception. Just couple of questions, one relating to what sort of return on capital employed do you really see going forward for the entire operation?

Corporate Participant

So, as you see that the RoCE products has been growing and we have been steadily increasing the RoCE from last year, 15.8% for the healthcare services segment, it has grown upto 18.7%.

If you look at the overall company RoCE, it got impacted because of SAP still, until last year was an EBIT negative of 10 crores which has now come into a 3 crore profit as well. So, given that we would steadily be looking at improving RoCEs at SAP start contributing more to EBIT as well.

Jiten Doshi

So you have any target RoCE in mind?

Corporate Participant

Not anything specific that we would want to share with you now.

Jiten Doshi

Okay. So, where do you think really this can go, I mean if you can just give us an idea, can you see or your RoCE hitting to 25 to 30% band within next three to four years?

Corporate Participant

I think that is, we currently have a weighted average cost of capital around 17%.

Jiten Doshi

Right.

Corporate Participant

And we expect to be well over that going forward.

Jiten Doshi

Okay, can you throw more light on the Apollo Health Street, what your plans are going forward?

Corporate Participant

As far as Health Street is concerned, we are, as you see we did in fact close some unprofitable lines which is why revenues were also effected to some extent. We are looking at containing costs and consolidating the business so that we are able to significantly improve on the EBITDA compared to even what we have been able to achieve in '10, '11.

Jiten Doshi

Would you be looking at divesting this business at some stage?

Corporate Participant

I mentioned many of our non-core businesses, on a long-term basis, we will looking at how to extract value out of that.

Jiten Doshi

Okay. So any near-term target you can provide us with profitability. How you would look at Apollo Health Street going forward let's say two-three years profit target?

Corporate Participant

We think that's a business that can deliver anywhere between 17 to 18% EBITDA margin.

Jiten Doshi

From the current 12%.

Corporate Participant

That's right.

Jiten Doshi

Okay.

Corporate Participant

It used to be 16, 17% about two, three years back before the U.S. market slowdown.

Jiten Doshi

Correct.

Corporate Participant

We hope, we'll get back there.

Jiten Doshi

All right. And what about Apollo Munich Health Insurance where you hold 11% stake?

Corporate Participant

We have a very small stake at this point of time in Apollo Munich.

Jiten Doshi

Right.

Corporate Participant

I think currently it's about 13%. Sorry, little less than 13%. I don't think it will have any impact on us.

Jiten Doshi

You are planned to hike your stake?

Corporate Participant

Our investments are, if we -- our investments so we would not be putting any further cash other than the 20 crores that we already put in.

Jiten Doshi

Okay. So no more commitments for the next, what two or three years?

Corporate Participant

Sorry.

Jiten Doshi

When you will...

Corporate Participant

We have a very specific one time Board approvals to make investment of 20 crores.

Jiten Doshi

Right.

Corporate Participant

We have now participated in the loss funding or in the equity infusion which is why we got diluted from 20% to currently below 13%.

Jiten Doshi

Would you be looking at divesting this at some stage?

Corporate Participant

That business has strategic -- I don't think we are looking at divesting it. But what we will do is, we believe it is a strategic stake and we will be at least a strategic investor in that business.

Jiten Doshi

Then would you consider that 12, 13% stake as a strategic investment or would you like to hike in the future?

Corporate Participant

No, given the fact we are a healthcare player and Munich is health insurance business, I don't think percentage alone will give us strength, the fact that we are there along with the promoters in this business, gives us some strength in that -- being partnering in that business.

Jiten Doshi

Okay. And what would be our vision for FY15 in terms of number of beds, total number of beds owned as well as subsidiary JVs associates and managers, do we have any target which you can share like three, four years how do you see the growth in terms of addition to beds?

Corporate Participant

We can tell what we have in terms of owned beds that we have planned which is in the public domain.

Jiten Doshi

Correct.

Corporate Participant

Which is that we will be adding another 2,400 beds over the next 24 to 30 months.

Jiten Doshi

Correct.

Corporate Participant

And we will be investing an additional 800 crores or so there about.

Jiten Doshi

Correct. And what about the other, are you scouting for acquisitions?

Corporate Participant

We are already at acquisitions, but if they come attractive terms we will look at them.

Jiten Doshi

And anything outside India you are looking?

Corporate Participant

No, no. We are not looking at investing...?

Suneeta Reddy, Executive Director, Finance

We are looking at management contracts overseas.

Jiten Doshi

Like the once you have in UAE and things like that?

Corporate Participant

That's right. We won't be looking at investing outside India.

Jiten Doshi

Okay. So, it will be more on management basis?

Corporate Participant

That's right.

Jiten Doshi

Okay. Thank you very much. And I wish you all the best.

Corporate Participant

Thank you.

Jiten Doshi

Thank you.

Operator

Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal

Thanks for taking my question. Two quick questions I mean for next year in FY12, we don't have too many incremental beds coming through, so what do you think going to be the driver for that business really speaking going forward, do we see substantial improvement in the occupancy rates for the current network or improvement, how do we see this growth really coming forward for next year or so?

Corporate Participant

No our average number of beds on a full year base is available for '11, '12 will be in the impact, in the order of about 500 to 600 beds including the ones that will come to in Hyderabad and Secunderabad plus we are also having one additional Day Surgery Centre which is coming up during this -- actually it's already commenced in Chennai.

And which we get for may be towards the last quarter an additional 200 beds coming up in Chennai but that may only be operational towards the end of last quarter. The mature business will continue to deliver in the base of how they are been doing in last two years.

Nitin Agarwal

So 24, 25% there about sort of a growth on revenues on the main business?

Corporate Participant

May be going at that rate.

Nitin Agarwal

And this Chennai expansion is it there as part of the expansion that you talk about in the...?

Corporate Participant

Yes it is. You will see it is actually Ayanambakkam that is actually a suburb of Chennai.

Nitin Agarwal

Sorry which was the suburb?

Suneeta Reddy, Executive Director, Finance

Ayanambakkam.

Nitin Agarwal

So, you are expecting to come towards the end of FY12?

Corporate Participant

That's right.

Nitin Agarwal

Okay. And on the fund raising base, when we look at, we did about 420 crores EBITDA for the year and there is, even if I discount the -- payment and the tax out flow, we have about 250 crores of operating cash -- CapEx.

And I guess since we are going to grow our number as we go forward, we are looking at 253 crores of accruals every year. And what will you be looking to put in the 800 crores of projects, putting in over the next three years. So, what is our need for external funding, can you help me put that in perspective?

Corporate Participant

I think it's also the issue of timing, right.

Nitin Agarwal

Okay.

Corporate Participant

In terms of how the cash flows will come and how the investments are paid.

Nitin Agarwal

Okay.

Corporate Participant

And also, these are only known investments as far as, there would be I believe some opportunities that may come up.

Nitin Agarwal

In the sense of inorganic opportunities or...?

Corporate Participant

No, it's going to be acquisition or any opportunities that are attractive enough.

Nitin Agarwal

So, this 800 crores that you have to spend on the expansion plan that you have highlighted by when you would be looking to put this investors money?

Corporate Participant

We are not in hurry really, because as Krishnan was mentioning we have about 200, 230 crores now. So, we could be doing anytime from now to let's say, beginning of next year.

Nitin Agarwal

Okay, okay. Thanks very much.

Operator

Thank you. The next question is from the line of Rahul Gaggar from Centrum Broking. Please go ahead.

Rahul Gaggar

Yeah, good morning sir. Congrats on a good set of numbers. Just a couple of questions on the healthcare services business. So, first of all I mean obviously year-on-year we have seen an improvement in the EBITDA margin from 13.4 odd percent to 15%.

My question was, if you see quarter-on-quarter, we achieved a high of 17% in Q2 of this year. And since that we have progressively declined to 15.2 this quarter. Any particular reason for that?

Corporate Participant

Yeah. One is of course the fact that the second quarter tends to be one of the best quarters. But apart from that at the end of the second quarter is when we had one time employee cost increase also, which gradually we are hoping trying to recover through -- but we also had a fairly large advertising campaign, the Billion Hearts Beating which came during the Q3 and Q4 which again are discretionary expenditure. So, we will have to look at some of this going forward.

Rahul Gaggar

So basically, I mean on the other hand looking at it the other way would be obviously we would see improvement in the margin quarter-on-quarter going forward as well right?

Corporate Participant

Yeah. That's always been our endeavor. Yeah.

Rahul Gaggar

Okay. And would this be the I mean if you were to go into the segmental business part or it obviously again the same problem in the sense. We achieved 19.3% in the hospital division which has come down to 17.3 this quarter. So, the reason would be the same?

Corporate Participant

Yeah.

Rahul Gaggar

Okay. Fair enough sir, sorry?

Corporate Participant

Yeah. We should be able to. Yeah.

Rahul Gaggar

Sir, what would be your like what would be your internal target if you can share for let's say the next two years in terms of reaching the overall EBITDA margins? Given that we have achieved till now a high of 19.4 in Q1 approximately 20%. So, what would be your EBITDA margin targets?

Corporate Participant

We don't give forward-looking statements at this stage.

Rahul Gaggar

Okay. Fair enough sir. Thank you very much.

Operator

Thank you. The next question is from the line of Vikas Sonawale from Religare Capital. Please go ahead.

Vikas Sonawale

Hi, congrats on good set of numbers. Three specific questions. First one is on Bhubaneswar facility. Sir, this facility is about year old now with 290 plan beds how many beds are operational? That's number one.

Number two is how are the ARPOB levels are they very close to the company level ARPOB of about 20,000? And third is on breakeven point I mean how many months are still waiting for the breakeven point?

Corporate Participant

Are you talking about Bhubaneswar

Vikas Sonawale

Yeah, right.

Corporate Participant

Yeah, Bhubaneswar we are now at about...

Suneeta Reddy, Executive Director, Finance

100 beds are fully commissioned.

Vikas Sonawale

Okay.

Suneeta Reddy, Executive Director, Finance

...100 this year, average revenue per bed is around Rs. 8,400.

Vikas Sonawale

Okay.

Corporate Participant

And I think I think towards end of last quarter, I think we are EBITDA positive.

Suneeta Reddy, Executive Director, Finance

Yeah.

Vikas Sonawale

Okay. So, if it is around, so base case hospital of about 100 beds super specialty either in metro or in Tier-II city. Can we assume about 14 to 16 or 17 months of BEP?

Corporate Participant

-

Vikas Sonawale

Okay, okay. Hello?

Corporate Participant

Yeah.

Analyst

The second question is about Secunderabad facility, so out of 150 plan beds, how many beds are operational now?

Corporate Participant

The Secunderabad facility has just become operational in this year and we have approximately around 100 beds operation there.

Vikas Sonawale

Okay. -- response there in terms of...?

Suneeta Reddy, Executive Director, Finance

It's just [Inaudible]

Analyst

Third question is Bilaspur -- facility, though it's very small in terms of number of beds, it shifted from September 11 to September 12. Is it a specific issue with this particular facility or it's more of a micro call about demand coming in from the smaller towns?

Suneeta Reddy, Executive Director, Finance

There were some issues which -- SECL?

Vikas Sonawale

Okay.

Suneeta Reddy, Executive Director, Finance

The process is resolving in -- I think we will go ahead with it.

Vikas Sonawale

Okay, great. Thanks.

Operator

Thank you. The next question is from the line of Priti Arora from Kotak Institution. Please go ahead.

Priti Arora

Thanks. Congratulations on the excellent results. Just couple of questions, firstly to understand your EBITDA margin profile better. If you can, I know -- if you can just quantify the number on Billion Hearts Campaign -- which you incurred this year?

Corporate Participant

We roughly spent approximately 5 to 6 crores on Billion Hearts Campaign this year.

Priti Arora

Okay. And sir this was [Inaudible].

Corporate Participant

It won't be to this extend, it will be we will have to continue with the campaign but it wouldn't be to this extend. It would be substantially lower.

Priti Arora

Okay. And were there any such similar one off marketing expenses last year in FY11?

Corporate Participant

Nothing specific from the marketing perspective, we had some legal and professional costs which were there on account of some consulting that we had hired, consultants that we hired. Obviously, there are some marketing cost because of Bhubaneswar Hospital which has gone live last year and obviously start up on account of that is there. But some of these are normal in our course of businesses and we will continue to spend some of those on new hospitals as well.

Priti Arora

Okay. And the employee one off the employee expenses, I mean, can you give us the number now or later?

Corporate Participant

Later, later we'll give you as we said earlier.

Priti Arora

Okay, thanks. My next question is, can you give us the diluted share count please, post the recent warrants in February, which were issued in February?

Corporate Participant

Share warrant is 6.2 million.

Corporate Participant

The existing shares is approximately 12.47. So, the 12.47 we should add 6.2 million warrant.

Corporate Participant

0.09

Priti Arora

So that should be on...?

Corporate Participant

close to 13.1

Priti Arora

Yeah, it should be around 13.1 crores

Corporate Participant

Right

Priti Arora

Okay. And would it be correct to say around 40% of the recent warrants money has come in that's what the...

Suneeta Reddy, Executive Director, Finance

Could you repeat that please?

Priti Arora

How much of the recent warrants money has come in?

Corporate Participant

Warrants money.

Corporate Participant

Two stages, yeah. So far...

Corporate Participant

We have received approximately 25%

Corporate Participant

25%

Corporate Participant

And that will approximately be around 60 crores.

Corporate Participant

That's correct.

Priti Arora

Sorry 68 crores right?

Corporate Participant

That's right.

Analyst

My second question is any ForEx number included in your interest cost for this year?

Corporate Participant

What are you specifically asking here? We don't have any specific extraordinary ForEx cost here.

Priti Arora

Okay, okay. I mean in your total interest cost of -- under on the consolidated book of 89 crores, there is no ForEx number?

Suneeta Reddy, Executive Director, Finance

No even though we have got a line from -- is fully hedged.

Corporate Participant

That's correct. So we don't have anything exposed at this time in ForEx.

Priti Arora

Just one last question. I think it was asked earlier. Your capital requirement is 800 crores spread out over the next at least two years and you have raised debt by 600 crores odd over the last quarter Q-on-Q.

Now this, I mean we are just not able to understand in light of warrants money still pending which will come in and internal good cash flow generation. Why the significant increase in debt, which will obviously translate into higher interest cost, and affect your profitability because hospital beds will come up only over the next two to three years?

And as we see number of beds coming up from FY12 it is little muted, so why the significant increase of debt? If you could just help us understand that?

Corporate Participant

See firstly we have proposed to raise between 600 to 900 crores. Our total investment which is in the order of about 1,300 crores to complete the whole set of projects that we have. The balance required to complete, is another 800 crores.

Priti Arora

Okay.

Corporate Participant

So, these are actually of investments already that have taken place in this project. And the balance 840 crores is to complete investment that have already been underway. And as I mentioned, there is also an issue of timing, okay.

So, we have chosen to raise debt to part finance this 1,300 crores of expansion. The balance required is 840 crores which we will be made in the combination of some debt and equity.

Suneeta Reddy, Executive Director, Finance

And having said that, I think you should know that most of the debt was contracted at below 10.5% and it's all long-term debt -- it's a tenure debt. So, I think, we contracted it at a time which was really good. And at a cost which we cannot hope to see in the near future.

Corporate Participant

And prior to that, we are currently quite under leverage. So, we wanted to actually take the leverage up, so that we can enhance the return on equity, it is totally inline with our plan.

Priti Arora

Okay. So would it be fair to say that, no more leverages come through the next two, three years? I mean is it fair...?

Corporate Participant

Yeah. I think there is scope for improving leverage. And we think that it is appropriate we will do that rather than use equity.

Priti Arora

Okay. And on the dental clinics how do you see the breakeven, does it take two to three years breakeven for the setup and I think around 50 clinics. Yeah, 2 crores per clinic so if you can you just help us understand how quickly will be this breakeven and the plans expansion on that front?

Corporate Participant

Sorry we couldn't hear that?

Suneeta Reddy, Executive Director, Finance

Can you start -- beginning at your question.

Priti Arora

Yeah, just wanted to understand on the dental clinics story which are planning to setup around, I think 100 clinics, can you just help us understand how quickly will the breakeven at the EBITDA level and your plans out there?

Corporate Participant

Very specifically, were you are talking about dental?

Priti Arora

Yes. Dental.

Corporate Participant

Dental

Priti Arora

Yeah. Dental clinic.

Corporate Participant

Yeah. Dental clinic are -- it is a very, very significant portion in terms of investments and each of those clinic cost about 2 crores or so EBITDA. And they typically have EBITDA margins. Dental clinics would have EBITDA margin in excess of about 50%.

Suneeta Reddy, Executive Director, Finance

And breakeven is 18 months.

Corporate Participant

Yeah. But they are not significant part of our total investments.

Priti Arora

But you will be investing around 50 crores right?

Corporate Participant

Sorry?

Priti Arora

You would be investing around 50 crores right?

Corporate Participant

No no this is not dental clinic. See this is actually I think you are talking about Apollo Health and Life

Corporate Participant

you are talking about the clinic?

Priti Arora

No I'm talking about the 50 dentist clinics you have planed to setup in two years along with the plans...?

Corporate Participant

No, no, right now that's -- we have about six or seven dental clinics which have been in to that company.

Priti Arora

Okay.

Corporate Participant

And we are now trying to established that concept. So, this is only at this point of time an intention only, but we have to really study how the pilots are going to do.

Priti Arora

Okay. -- both the partners will invest 100 crores in setting up 50, 50 dentist units in two years?

Corporate Participant

At this point of time, this is the plan for that business. Right now we have not actually really identified how we are going to expand that. So, we are actually looking at that business model and the partnership model at this stage.

Suneeta Reddy, Executive Director, Finance

Right now what we are actually growing is around clinics division.

Priti Arora

Okay understood. Thank you so much.

Operator

Thank you. The next question is from the line of Krishna Prasad from JM Financial. Please go ahead.

Krishna Prasad

Yeah hi. Good afternoon everyone and thanks for taking my question. First on this FCCB issuance to IFC, if you can help with what are the terms of that FCCB, 15 million that is being done recently.

Corporate Participant

It's converted at Rs. 605 and actually effect... So 605 for the Rs. 10 and we have \$15 million of FCCB which we had.

Krishna Prasad

And when did this come...

Corporate Participant

Half has already been converted this year, the balance is still to be converted, \$7.5 million.

Krishna Prasad

All right. Okay so the 7.5 that's converted as part of the 15 million...?

Corporate Participant

That's correct.

Krishna Prasad

Okay got that. Okay just on your CapEx I mean you have given a detailed CapEx plan for your hospital business on the new hospitals which you have come up, but just on the existing hospitals what would be your sort of maintenance CapEx for let's say FY12, '13?

Suneeta Reddy, Executive Director, Finance

That usually equals the depreciation, maintenance CapEx.

Krishna Prasad

I'm sorry, I didn't get your answer.

Suneeta Reddy, Executive Director, Finance

Usually inclusive of depreciation, the amount that we -

Krishna Prasad

All right. Okay, okay. Thanks. Just one more thing, in your Hyderabad business, you mentioned the drop in occupancy because of the agreements. Is there a sense of where it could get may be this year and year after that?

Suneeta Reddy, Executive Director, Finance

No, I think it can only get better because Hyderabad has recruited a number of new physicians and we have put a strategy in place, which is focusing on several specialities. So keeping all that in mind, we're quite confident that Hyderabad numbers will only improve.

Corporate Participant

And having said that, to add to that, this is inline with the normal experience that it takes a couple of years before we reach our usual occupancy level, so side of 80%.

Krishna Prasad

Right, okay. Also I think you mentioned earlier about a bit of oversupply situation in Hyderabad, is that something you are still experiencing or has that improved on NAV?

Corporate Participant

Yeah. This is of course bound to happened in all markets, when investors get kind of bunch up, then you will see for short periods of oversupply and as you do get corrected over a period of time. The point here is whether we are able to actually be able to grab market shares even at this point of time and I think we will be able to do. Suneeta mentioned that it is our newer facilities that have lower occupancy, not our older facilities, our older facilities are quite full actually.

Krishna Prasad

Okay, okay. And just one more thing on the CapEx plan, in this slide that you have in your recent presentation, I see a few of your Reach projects has been delayed. Is there any specific so that but -- rethink on strategy or is it just a question of sort of freezing your investments there?

Corporate Participant

You are talking about Reach, is it?

Krishna Prasad

That's right. I mean your Nellore facility and also Nashik, and I see a bit of a -- you've delayed some of those projects in terms of completion, is there anything?

Suneeta Reddy, Executive Director, Finance

No, we've already started construction on all those projects. We did take little time to get permissions, licenses, you know we have to get 74 licenses for commissioning, but all of them will be commissioned in 2013.

Krishna Prasad

Okay. Thanks for taking my questions. That's from my side.

Operator

Thank you. The next question is from the line of Ramkrishna from HSBC. Please go ahead.

Analyst

Hello.

Suneeta Reddy, Executive Director, Finance

Hello, yes.

Analyst

Yeah. Most of my questions have been answered, but just on the healthcare, pharmacy segment, just wanted to understand, may be a general question. What is the time it would take per unit actually to get breakeven with the mature cities and in Tier-2 cities, if you can just give some information on that? And what will be the cost of establishing one outlet, pharmacy outlet?

Corporate Participant

Normally, our pharmacy will move to an EBITDA positive within 18 months and then if it doesn't happen, then we will have to review why those pharmacies have not and it maybe if we are not able to rectify, then we will look at closing them and opening in a better location. Normally, it's an issue of location that pharmacy cannot breakeven before 18 months.

Analyst

It will be any location right, I mean Tier-1 or Tier-2?

Corporate Participant

Yes, it costs about anywhere between 12 to 15 lakhs to open a new pharmacy.

Analyst

Okay.

Corporate Participant

And costs about 3 lakhs to close it down?

Analyst

Okay, okay. And anywhere between 15 to 18 months is a breakeven time?

Corporate Participant

That's right.

Analyst

Thank you. Thank you very much.

Operator

Thank you. The next question is from the line of Ravi Dodhia from CRISIL.

Ravi Dodhia

Good afternoon. Congratulations to Apollo -

Operator

Mr. Dodhia?

Ravi Dodhia

Yeah.

Operator

Sir, are you on your handset?

Ravi Dodhia

No.

Operator

Please switch to your handset, sir.

Ravi Dodhia

Actually, I'm on the speaker phone.

Operator

Sir, please switch to your handset otherwise other participants won't be able to hear you.

Ravi Dodhia

But I'm not having handset with me.

Operator

Okay. Please go ahead.

Ravi Dodhia

Good afternoon everyone. Congratulations to Apollo management on good set of numbers. Most of our questions have been already answered. But just one question to the management about what will be their strategy on recruiting new doctors for their new hospitals, whether it will be on fee-for-service basis or it will be on the rolls of the company?

Corporate Participant

Yeah. So as far as existing facilities is concerned, that is not an issue at all. So as far as new facilities are concerned, we have at all point of time better bank of doctors both from India and abroad, who want to come into our facilities and so nearer to when we are about to commissioning of the hospital, we have -- actually get these doctors to come and join us.

If they are coming from abroad, some of those doctors may join us initially on a guarantee money concept and will transit or will move into the fee-for-service model, which is the Apollo model. We have not so far seen any great issues as far as attracting doctors to Apollo facilities.

Ravi Dodhia

Okay. Thanks a lot.

Operator

Thank you. The next question is from the line of Kaustav from PUG Securities. Please go ahead.

Analyst

Good afternoon, sir. Congratulations on a good set of numbers. My question is again related to the pharmacy business. You had said that a lot of -- I mean, one of the key reasons for the pharmacies doing well was the operating leverage because of the maturity factor. What I have seen is that some of your pharmacies, which have not entered the maturity stage have also done well on the EBITDA front. So what could be the reason for that?

Corporate Participant

See now location is also very important issue. Therefore, there are -- while predominantly reasons will be that mature pharmacies do well after point of time because of operating leverage also, location plays a very role. There are pharmacies, which even breakeven in the first three to six months itself because of some very, very good location. But it's not always possible to be very, very correct in terms of how you choose your pharmacy.

Analyst

Okay. And sir, just looking at the turnaround that's been happening in the pharmacy business, I mean what are the plans going forward? Are there still plans of having it of or you would -

Corporate Participant

We consider healthcare delivery as the core business of Apollo.

Analyst

Right.

Corporate Participant

On all other business, we will look at how we can extract value at the appropriate time.

Analyst

Okay. So no definite decision has been taken as -

Corporate Participant

No, no.

Analyst

Okay. And just a question on the healthcare services income, I think there is a certain portion, which is also contributed by the in-house pharmacy?

Corporate Participant

Yeah.

Analyst

What would be the break-up between hospital income and the pharmacy income, sir?

Corporate Participant

Between the in-house -- see in-house pharmacy is the part of the hospital.

Analyst

So it is counted as hospital?

Corporate Participant

Yeah.

Corporate Participant

It's integrate to the hospital services business.

Analyst

What I was just trying to arrive is that, I mean if we take it into account, I mean should we taken into account the ARPOB also?

Suneeta Reddy, Executive Director, Finance

No, no, no. Net of -

Corporate Participant

It is taken.

Suneeta Reddy, Executive Director, Finance

Yeah, it is.

Corporate Participant

Yeah, it is in the ARPOB that is reflected, it is taken into account.

Corporate Participant

Yeah.

Suneeta Reddy, Executive Director, Finance

It's net of doctors' fees, ARPOB.

Analyst

Alright. And one last question on the pharmacies expansion that you were talking about 100 odd each year, I mean would there be mostly owned by you or would you be franchising them out?

Corporate Participant

No, it won't be owned by us. They will be leased premises, but run by Apollo.

Analyst

They are not frankly our own.

Corporate Participant

Yeah.

Analyst

Alright. So then that is a model, which you follow for almost all the -

Corporate Participant

In fact for all.

Analyst

Alright. Thanks a lot.

Corporate Participant

Thank you.

Operator

Thank you. The next question is from the line of Ajay Nandanwar from UBS. Please go ahead.

Ajay Nandanwar

Can I have one more question about the changes in the tax treatment. There is one 35 AIG tax treatment that's available to you right now. I was wondering if you could give sort of defer to apply in FY11? How it would impact your cash tax payments, how much cash tax we paid in FY11 and how much would you actually pay if this benefit was available in FY11?

Krishnan Akhileswaran, Chief Financial Officer

The current tax is the reflection of the tax payment for the year and deferred taxes are separate line, which is provided there. So obviously, depending on how much new hospitals, if we are able to commission any new beds in the coming year, 30% of that benefit will straight away because of the capital employed, let's say it's 100 crores next year, 30% of that, approximately 30 crores, we can bring down our current tax.

So that's the rough equation, but it all depends on how much new hospitals or new beds we can commission in the coming year.

So the current tax only for the current year is what is being reflected as the current tax line item in the P&L.

K. Padmanabhan

And we can take this questions offline in case you want more details with A. Krishnan.

Ajay Nandanwar

Okay. Thanks so much.

Operator

Thank you. The next question is follow up from the line of Nitin Agarwal from IDFC Securities. Please go ahead. Mr. Agarwal, please go ahead.

Nitin Agarwal

Yeah, hi. Just wanted to understand own beds are close to 3,600, but our operational beds are only 3,000. So how do we see this increase in operational beds going forward?

Suneeta Reddy, Executive Director, Finance

Clearly, the beds that we are adding will come under own beds, 2,400

Analyst

Sorry?

Suneeta Reddy, Executive Director, Finance

The beds that we are adding will come under own beds.

Nitin Agarwal

Okay.

Suneeta Reddy, Executive Director, Finance

But it will be 2,000 -- ended 2013 as far as fully operational.

Nitin Agarwal

Okay.

Suneeta Reddy, Executive Director, Finance

In fact we have the facilities, which are -- new facilities that we added in this year are not fully operational. Under the new facilities that the new beds that we've added is -- These 300 are operational and few of them will get operational going forward in the mid-term.

Corporate Participant

So we still have the capacity in Hyderabad, for example which has not been put to use of around 200 beds, Bhubaneswar around 160, 170 beds. We have capacity in Delhi, Ahmedabad, Karaikudi, Calcutta and Bangalore as well.

So if you look at the total capacity versus the operating beds, the broad around 800 to 900 beds is coming from these locations, which we will -- as we increase our occupancy in these locations, we will slowly increase the operating beds there.

Nitin Agarwal

Okay, okay. Thank you.

Operator

Thank you. Ladies and gentlemen, we will now take the last question from the line of Priti Arora from Kotak Institution. Please go ahead.

Priti Arora

Thanks so much. Just wanted to understand how your Ahmedabad facility has done, can we have the sales on EBITDA for this year and last year?

Corporate Participant

You could probably call me offline and we could you provide you the same, we don't have that right away.

Priti Arora

Okay. And last question, unlike some of your peers, most of the beds, which are coming on stream will be on your owned beds on your own balance sheet. So just wanted the management's thoughts on -- I mean what are your thoughts on sort of leveraging the JV and subsidiary routes in a more effective manner going forward because we just have one facility Thane, which is through that route. And I think Belapur has now also on your own books. So, if you can just share some thoughts on that front?

Corporate Participant

JVs and subs will expand separately like for example, last year Calcutta increased their bed strength from 325 to 425. Bangalore has

just completed an expansion of 50 beds and looking at expanding by another 200 beds. Those are actually investments done by those JVs and therefore, they are not brought into our investment schedules. Similarly, Delhi has increased its bed strength by about 150 beds this year. So those that are been being funded by themselves are not being brought into this.

Priti Arora

With what percentage -- four years into newer geographies through the JV route, we don't -- I mean apart from Thane, we don't see that happening in your future CapEx plans, which you've given us?

Suneeta Reddy, Executive Director, Finance

I think our press release says that where we could do it independently, we rather do it independently. And if we have the opportunity to get may be land and building on a lease basis rather than investing in real estate, that would be a pleasant, but JV route is not our first option. Yeah, investor JV partner brings something critical to the entire space.

Priti Arora

Sorry. You said how much the JV partner?

Suneeta Reddy, Executive Director, Finance

JV partner brings like I said, if it's a good -- reputed, it's a good brand, adds value to the place, then of course we will have a JV, we will consider a JV partner.

Analyst

Okay. Thank you.

Operator

Thank you. I would now like to hand the floor back to the management for closing comments. Please go ahead.

Suneeta Reddy, Executive Director, Finance

Ladies and gentlemen, thank you for joining us on this call. We look forward to any questions that you might have. You may address your questions to Krishnan and to Krishnakumar. Both of them will be available to answer any questions that you might have. Thank you once again. Good day.

Operator

Thank you. Ladies and gentlemen, on behalf of Apollo Hospitals, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.