



Max India Ltd.
Q2 FY'20 Results Conference Call
November 08, 2019

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY'20 Earnings Conference Call of Max India Limited. I now hand the conference over to Mr. Jatin Khanna, Head, Investor Relations, Max Group. Thank you and over to you, sir.

Jatin Khanna: Thank you. Good afternoon, ladies and gentlemen. Thank you all for being part of Max India's Earnings Call. Good morning to those participants who have joined us from the Europe and good evening to our callers from the East. I like to thank you all for being part of Max India's earnings call. My name is Jatin Khanna, and I manage Investor Relations for Max Group. Thank you, and welcome everybody.

Before proceeding with the performance highlights, I like to introduce my colleague who is with me on this call; I have Mr. Yogesh Sareen, who is the Chief Financial Officer for Max Healthcare.

I like to begin with the "Key Matters Update" first and then get on to the "Performance." So on the Max Healthcare and Radiant merger and its subsequent listing, shareholders have approved the merger with 99.2% votes in the NCLT convened shareholder meeting which happened a week back. So, thank you for all your support. Second petition will be filed next week sometimes, and we are expecting that the merger should get approved by Jan/Feb'20. NCLT approval and relisting of Max Healthcare and New Max India is expected by Mar/Apr'20.

Now on "Max Bupa Divestment." We have received the shareholders' approval in May '19 with 95% of the shareholders supporting. So, again thank you so much for your support on Max Bupa transaction as well. The IRDA approval is being progressed. We are expecting that approval to come anytime soon. If not close the transaction within November, but certainly by December depending on when the actual approval come from the regulator.

You may recollect that while seeking approval for Max Bupa transaction, we have offered our shareholders part of the proceeds of Max Bupa if they like to exit the residual Max India post spin-off of Max Healthcare by taking the proportionate proceeds from the Max Bupa divestment or they will have a choice to continue to ride on the growth journey of Antara with some new businesses being ceded under Max India.

I am pleased to share that our first step in that direction. So, our foray into assisted living business which we announced starting with two pilots which is really the first step in that direction. Now Antara will foray into assisted living with these two pilots. Why two pilots and not one pilot or not more? It is because we are trying to sort of have two different offerings at two different price points in two different locations which is Gurgaon and



South Delhi and want to test this model really and scrub it before we sort of press the accelerator and start growing it sharply. We are also seeking McKinsey's help to sort of feed this business. Now, assisted living, as you all know, is a white space in the Indian market. The current market price is estimated at about \$1 billion. But the aging population as you know is about almost 15% of the Indian population is in that bracket. So there is a huge opportunity in that space.

There will be a value version of our first pilot and there will be a premium version of the second pilot. And the center would attract long-term stay residents in need of lifetime care and assistance in daily living. The short-term stay residents in need of a respite care for a short-term care sort of requirement. Depending on success of these pilots, we could grow up to 50 centers in five to seven years pan India with a capacity of about 1,500 beds and maybe 100 centers in the next 10-years. So, the funding requirement for the pilot is about Rs.6 crore and the annual revenue per center could be about Rs.5 crore or so, and we expect that the center would turn cash positive in the second year and they could get to an EBITDA margin of about 15%-18% in steady-state.

The vision for Antara is to be holistic senior care provider from just being limited to senior living provider. Over the years, we will bolt-on an assisted living offering at home as well and also expand this to senior care products. So that our holistic vision of being a senior care provider is achieved. The detail plans are currently being worked upon for the same and I will be happy to share more details over the next call.

Now Quick Highlights of our Business Performance for Q2 FY20:

Max Healthcare has 13% revenue growth with revenues reaching about Rs.753 crore for the quarter. The average revenue per occupied bed day is at about Rs.50,000 and has grown by about 11%. The occupancy has also expanded by about 100 bps to 75%. Essentially, the growth is driven by oncology and renal specialties which have grown by about 19% and 23%, respectively.

On the channel side, the growth is driven by the TPA and corporate business growing its share and which has grown by about 17%. You would have noticed the sharp recovery in EBITDA margin starting in Q4 of FY19 and that trend continues into Q1 FY20, and therefore, in Q2 FY20 wherein we achieved all-time high EBITDA margin of about 15.4%, but that's on an IND AS basis. So, if I was to talk about like-to-like basis, we have reached an EBITDA margin of about 14.1%. EBITDA for Q2 where the margin expansion has reached about Rs.116 crore. This is the first time we have crossed Rs.100 crore run rate. The previous that has been Rs.75-plus crore run rate which we have been achieving before we did a recalibration and shortly after that. So EBITDA has grown by about 79% driven by a higher revenue growth of about 13% and also strict cost actions being taken by the business. So the overall margin expansion has been about 436 bps in this quarter. Saket complex margins have improved to 15.2% and the East Delhi complex has reported the all-time high margin of 17.4%.

Moving on to Max Bupa:

While the business continues to do well, but since we are in middle of divesting that business, I would not spend too much time on it and move straight to Antara's performance.



Our asset-light growth has been kick-started with the first project in Noida wherein the definitive agreement has been signed with a developer, a joint development wherein we will be sort of leading the development. Rs.8.5 crore has been invested in the SPV for payment of land dues to Noida authority and the building plan approval is now expected by Nov '19 end and the sales launch is expected by Jan '20. There are a few more such projects we expect to take shape over the next few quarters and we will be sharing the details as they shape up. Needless to say all of these will be designed to be light on capital.

Now on the Dehradun project, the sales trajectory is looking upwards. We have done net sales of about two sales a month, but what has also encouraging is that we've been able to resell about five units wherein customer wanted exit. So, practically, we sold almost 11 units in three months, it is a run rate of about three to four units a month which we have now been able to reach, so which is very encouraging from about 1.5 a month, and about 116 units have been sold thus far.

So to sum up:

Max India will reinvigorate its growth story by feeding new businesses. Over the course of next few months, Max Healthcare and new Max India is expected to be listed by Mar/ Apr '20 and Max India is expected to realize about Rs.500 crore for Max Bupa divestment by Dec '19. And should there be a need we remain committed to offer an exit opportunity through capital reduction to those shareholders who may not be keen to participate in the Max India growth story. Antara is all set to pursue its vision for broader senior living care spectrum as opposed to just being a senior living provider.

So on that note, I will hand over the floor to moderator to open the floor for Q&A. Thank you.

Moderator: The first question is from the line of Vishal Gupta, an individual investor. Please go ahead.

Vishal Gupta: This question is mostly on Max Healthcare. There has been a bunch of media articles around a lot of margin improvement initiative that has been going there and also this quarter has seen lot of growth and margin expansion. So, can you talk about what sort of is the margin outlook for the next couple of years, what are the targets the management is working with, and whether the margins that we had in this quarter is seasonally high margin or is it sort of a sustainable one going forward?

Yogesh Sareen: Vishal, obviously, we cannot comment on the news articles, etc., but I think the trajectory is already high and you are seeing that from Q1 also we have improved margin in Q2. Now I think we mentioned this earlier also that we have a cost investment plan underway and this was Rs.140 crore planned, of which Rs.75-80 crore has been implemented. Obviously, it is flowing partially in the course of the year and another Rs.70 crore is yet to flow, that means that as on 1st of October, we would have seen Rs.70 crore worth of initiative which is yet to start flow into the P&L. Now obviously, only a part of this will flow in this financial year. So, there is obviously a cost action plan in play which will improve EBITDA margins. The other is on the revenue side. I think you have seen that the revenues have grown by 12-13%, and at the moment, the revenues have grown more than 7% in healthcare, you obviously see expansion in margins, right? If you October numbers, etc., we are growing at the same pace in terms of the revenue growth. So, I do think that the margin will expand in the later part of the year, and also, as you know, typically, H1:H2 there is 48-:52 type of absolute EBITDA margins. So to that sense, we do we do think that the margin will expand, we are also hiring more doctors and trying to make space in the



existing hospitals to get more tertiary work. So, I am not going to give any projection in terms of EBITDA margin, but I am saying we will expand the margin for sure.

Vishal Gupta: As of now Rs.75-80 crore has been implemented and Rs.70 crore will be implemented from 1st of October onwards?

Yogesh Sareen: That is right; Rs.75-.80 crore has been implemented. So it does not mean that all that is flowing into the P&L, but some of it will happen, for example, your overheads expenditure which is rent and eventual gain will when the expenses that vacated, but you already given an eviction notice, so to that sense done. So as on 1st October, there is another Rs.75 crore to be done, of which we think there will be Rs.20-25 crore EBITDA which should flow in this year for what is yet to be implemented.

Vishal Gupta: Because the annualization impact in H2 will come after a year, only half of it will flow, and even within that Rs.20-25 crore will hit the P&L and the balance will come in over time?

Yogesh Sareen: Yes.

Vishal Gupta: You also initially commented that the like-to-like margin is 14.1% Vs 15.3% that has been reported. What is the difference, if you can comment on that?

Yogesh Sareen: Vishal, this is because of the IND AS accounting where there is depreciation and interest cost. So to that extent, there is 1.2% EBITDA margin growth expansion which has come because the rental line is down below EBITDA.

Aditya Khemka: So, can you talk about what is driving our ARPOB growth this quarter? How sustainable is it? What is the mix between pricing, case mix, occupancy, etc.,?

Yogesh Sareen: So I think there are four-five factors which are actually growing the ARPOB; one is already the bed share has gone up for the Walk-in patients which is the cash, TPA and international patients, more beds have been occupied by those patients. There is also we have PSU and as a result the ARR has gone from Rs.63,000 to Rs.72,000, per patient revenue has gone up by 15% on the PSU, so that means we are not taking the low-end business and we shut down some PSUs. Also, there is a growth in OPD, which is higher than the IP growth. So to that extent, there is a bump-up on the revenue going, so to that extent there is higher ARPOB comes. Also despite roughly something like Rs.9 crore is actually is a pricing impact in Q2 which is price gain that we have over the last year same quarter. And also, the ARR because of the complexity of what we have done, ARR of TPA and cash patients has gone up by 6% which means that it is partially priced or partially equity of work has been done in the hospital. So these are the five perspectives which actually accounted to the growth in the ARPOB.

Aditya Khemka: Could you talk a bit about the case mix, how has the case mix changed, and what is the major area of our operations, and what percentage for instance comes from oncology, orthopedics, and cardiac, can you talk a bit about that?

Yogesh Sareen: So I think we mentioned that the oncology and the renal transplants are growing faster. The total contribution from the specialties, so Q2 Cardiac has contributed 11%, Oncology has grown its share from 15.2% to 15.4%, Orthopedics is roughly around 8%, and renal has grown from 7.9% to 8.7%, that is why it is growing faster. I can send you what the mix is, but I would say within the mix also, there is equity of work. In neuro surgery you would see that percentages are same, but fact is that the equity of work has gone up in the

hospital, which means the ARR of the patient has gone up, and that is what is actually driving the ARPOB.

Aditya Khemka: Just on the question of the previous participant on the cost side, so while you have already implemented Rs.75 - 80 crore worth of cost cutting, in the first half of FY20, how much of the Rs.75 -80 crore is reflected in the numbers?

Yogesh Sareen: It will be around Rs.40-plus crore which has flown into the P&L in H1.

Aditya Khemka: Rs.40-plus crore has already flown and the balance Rs.35-40 crore will flow in the second half?

Yogesh Sareen: The balance Rs.6 crore which we implemented on 1st October and I think Rs.24-25 crore of incremental cost which will come there, and also some of the discounts that we used to give to the patients those discounts we have stopped. So they will flow will come by the net revenue route.

Aditya Khemka: So Yogesh, my next question is in first half if we have implemented Rs.75-80 crore of the cost savings, and in the first half, absolute amount of cost saved is about Rs.40 crore is what you said. So just from what we have done so far, there should have been another Rs.35-40 crore of cost saving in the second half, right, forget about Phase-II, I am talking about the Phase-1 of cost saving?

Yogesh Sareen: No, you have to take the run rate now, from the run rate now; I am saying in the H2, from the run rate, you will have Rs.25 crore.

Deepak Malhotra: Yogesh, it is again a follow-up on the same. So, what is likely run rate going for the EBITDA margin and the EBITDA in particular going further?

Yogesh Sareen: I am not known to the EBITDA margin run rate, so what I am saying is that there is a cost action program underway which is roughly Rs.150 crore worth, of which Rs.75 crore worth have been implemented, of which Rs.43 crore gain has flown in H1, and there is another Rs.75 crore action which is underway, of which Rs.25 crore incremental gains will come in this year. So that is what I can tell you on the action plan.

Deepak Malhotra: There has been a substantial improvement even on the revenue side vis-à-vis the last six, eight quarters if we see, has been outlined earlier. How do you see the trend going forward?

Yogesh Sareen: I just mentioned that even in Oct'19 we have seen similar level of growth, and my anticipation is that we should be growing the same kind of revenue growth in the balance part of the year, so, (+/-1%). I think the only thing which is suffering is the international revenues. We have not been able to grow to an extent we wanted because of the disturbance in Afghanistan and Iraq. I think that taken apart, we should be able to grow the revenues by 11-12% for the balance part of the year.

Deepak Malhotra: Is it possible for you to update us on the performance of Radiant?

Yogesh Sareen: We do not take any question on the Radiant side. So Jatin, do you want to set up program for that?

- Jatin Khanna:** If you like to sort of get some clarification on Radiant's performance please write to us separately. We will be happy to pass this on to the Radiant team and they will get in touch with you to take it forward.
- Deepak Malhotra:** My question is about the integration of the joint operations between Radiant and MHIL. So what steps have you taken to integrate the same because it has already been almost more than half a year now?
- Jatin Khanna:** Let me attempt this question while Yogesh joins back. Firstly, the Radiant team has come onboard, in the sense that Mr. Abhay Soi is now the Chairman of Max Healthcare as well as on the Board of Max Healthcare, together with the representative from KKR also are on the Board which is Sanjay Nayar and Prashant Kumar. So, firstly, they have come on the Board, so that is sort of one. The second is that there are certain resources from Radiant team who have the old hands at Radiant. They have now started taking accountability for some of the critical functions of Max Healthcare as well. So those are the two things which at a high level, there is integration on. For a more detail level, I let Yogesh come and talk about
- Yogesh Sareen:** We have not really started any serious integration because we want to get the NCLT approval before we start that. At the same time, we have been able to share some procurement, rate, etc., which are driving some of the procurement efficiency on both sides. So that is the level integration is done. And you know that there are some people who have already come from Radiant side onto MHIL. So to that extent, we have Mithul and Vandana and Umesh Gupta who has joined as the HR Head. So, they are driving some of the synergies that may come later. But I think what has been bringing as of now is that the way the indirect overheads were being run and managed in Radiant side, some of those I would say the knowledge has been shared and been used in Max Healthcare side especially on the manning ratios, etc., that is the level we are operating at.
- Ankur Chadha:** My question is on this assisted living concept. I actually missed the call in the beginning. So maybe you already explained. But please can you give a brief overview what does it entail and how is it different from the existing Antara offering?
- Jatin Khanna:** So current Antara offering is on the senior living space, wherein if you are at the age of 55 and above and should you choose to move into an Antara community, there is a concept called "Continuing Care Retirement Community", so wherein you are moving there when you are healthy. We take care of you and your medical needs and your housekeeping, maintenance, even airport transfer and whatever, everything and anything which you can think of in your daily life is taken care of. But as you start to ail, then there is a life assistance which is provided, for example, you may need support for walking around, changing your clothes, medicines being administered, physiotherapy being done, etc., So that is the current senior living offering. So you come healthy, but we take care of you till the time you die. So that is how the senior living part of it works. The assisted living part of it works is that there are a lot of these seniors who are currently at home; they do not want to move into a different community. But there are phases in life when they need this support. So this could be short-stay support, this could be long-stay support wherein somebody is at a stage wherein there is no chance of that person recovering from some of the issues, but actually need the support going all the way till the person die or there are people who are discharged from a hospital and they cannot be on their own and therefore need to be taken care of on their daily needs. So they can move into this assisted living center which is a care center to start with. Then the whole idea is that now this care center will be a standalone center, which will be like a 20-30-bedder. There will be a premium offering and there will be like a budget offering as an experiment. So these are

two pilots. The premium offering will be say about Rs.160,000 a month wherein you get a nice room, which is about 350 sq.ft. Or so wherein your entire daily needs are met, and there recreational activities which are done, there are doctors who come, there is nurse support, there is GDA support, etc., so therefore, and that is one offering. Then there is a premium offering wherein all of this is done, plus there is physiotherapy plus there could be a dedicated nurse, plus all your meals are taken care of which are all part of the package, whereas in a budget offering, you have to pay for some of these things separately. So the budget offering has been tested in Rs.100,000 a month and the premium offering at about Rs.160,000 a month. So those are two different price points which we will test at. Budget offering will be tested in Gurgaon and the premium in South Delhi. Once we have learnt both these pilots, by which time, hopefully, Max Healthcare merger is done, we are looking at March, April, and by that time, we would have sort of done detailed business plans around, we would have learnt a lot on the assisted living front and we would know how the whole senior living sort of project is also going on, we will then come to the investors saying that this is what we want to do on the assisted living side which will not stop just there. The whole idea is that this assisted living offering for seniors eventually we should be able to deliver at home as well and extended to senior care products over the longer-term horizon. So this is the broad sort of plan to become holistic senior care provider as opposed to just being senior living provider or care home provider, whether at your home or in the assisted living center. So, that is the broader plan for senior living. So we had one workshop with McKinsey, I mean, the management team has had actually several workshops and for the shareholders we have done one with them, we have had good discussion at the board yesterday, and now over the next quarter, we will sort of detail out the plan, detail out the offering, create a larger vision and a plan and what does it mean in terms of the capital and things like that, and then bring it to the investor, and then they have a choice to make whether they like to sort of support that plan and continue in Max India or take the proportionate share of Max Bupa proceed, then exit through capital reduction. So that is the broader plan. And depending on what investors choose and therefore how much capital we have, we will accelerate or decelerate some of these bolt-on offerings, like I said care at home to senior or the senior care product space itself or maybe look at another opportunity, it is very dependent on how much capital is available at that stage and therefore that is how we will take the Max India future.

Ankur Chadha:

In terms of the proof-of-concept, are there any other players in India offering such a thing, and in terms of the market appetite or potential like the company has gauged there might be an appetite for such a thing? So those are two questions.

Jatin Khanna:

So firstly, there are some fragmented players; one, two centers each who are trying to sort of make this work in a start-up environment and some of them are trying to sort of attract some VC funding to make it big. But the advantage which we have is our lineage with being in a healthcare business for a fairly long period of time. So that is first advantage. The second advantage is that it is very complementary to what we have done in the healthcare front which starts from the Max Healthcare stops. So really that is the second thing. Third is obviously we have connection with doctors, not just in Max Healthcare but even outside Max Healthcare which we can tie up and therefore get the patients fairly quickly. The brand of Max is very powerful in the NCR region, and so really if I were to just sort of chart out the growth which is over the next five to seven years, it could be some 50-centers and maybe over the next, in eight to ten-years maybe 100 centers. But of the first 50, really the first 35 centers will be on NCR because like I said in...



Ankur Chadha: My question is not about the number of centers. It seems opening new centers is not an issue because it is such a small, like, 30, 50, 100. The issue is about demand. How will you determine that there might be good demand for such an offering?

Jatin Khanna: We really apply various levels of filters, and after we apply various levels of filters and we sort of figure out to say that, of the patients which are discharged from the hospital, there are 1-2% patients who would actually need this offering. And if you now start extrapolating that number, let us say, 35 centers in NCR which is say 1,000-bed offering over the next five to seven years is nothing really from a demand standpoint, because NCR today has about 25,000 quality healthcare beds, and if you fast forward that, I am sure they'll have about 50,000 beds. So you take 1-2% and occupancy assumption of about 75-80%, so filling about 800 beds in NCR is really not an issue. Like I said, there are three, four centers already which exist in NCR who have done well in this space with 20 to 30-beds each. So I think the trick here is to: a), firstly, know what sells, whether a budget offering sells or a premium offering sells or both sell and then try and figure out what is your scale and size in NCR, you could then expand and we have done this mapping and charting out in terms of the demand in North India, then there is a lot of demand pretty much pan India. So there is a lot which can be done in this opportunity but let us do the first two pilots and then we will come back to you with a detailed plan and capital requirement and the support of capital need from the shareholders to really make it big. But if I was to just size in terms of numbers, I think it is 50 centers, like I said, Rs.5 crore a center, it is about Rs.250 crore revenue opportunity if we could do let us say whatever 18% margin, we are talking about some Rs.45 crore EBITDA through those centers, and if I was to sort of fast forward eight to ten years, maybe Rs.500 crore revenue with some Rs.100 crore EBITDA. But again too premature to talk about numbers at this stage because we have not done the business plan, we are extrapolating from whatever two centers assumptions, I mean, we have not done a detail business plan, we have done the first cut plan which is why I am sharing the numbers, but those numbers will be scrubbed in detail, tested properly, McKinsey team is also helping us. So, let us see where we get over the course of next quarter and then I will be happy to share more details around how we think about this opportunity. And by which time, the pilot would have started, so there will be early signs of learnings and those learnings can be shared.

Ankur Chadha: The other question is on the current Antara offering and then about this Noida project. When does the construction start, and when does it end?

Jatin Khanna: The construction starts 12-months from the sale. The plan is that from January when we launch to till such time we sold the first 60-units, we do not want to start the construction because again Noida is also a very different product vis-à-vis Dehradun. So what change between Dehradun and Noida is very important for you to understand or appreciate why Dehradun was what it was and why Noida will be what it is. So Dehradun was 2.5x market price, Noida is market price. Dehradun was lease model, Noida is sale model. So what sale model does is a), you get a capital gain exemption which was a deterrent; and b), you get funding because sale model is financeable whereas the lease model was not financeable. That is the second big change. Third big change is the monthly charges. So Dehradun is about Rs.20 a sq.ft. In terms of monthly charges whereas Noida was meant to be Rs.8 a sq.ft. There is a workshop happening to bring it even down further to about Rs.5 a sq.ft. On maintenance.

And location; Dehradun and Noida are in middle of NCR. So there are four dramatic shifts between Dehradun and Noida model. So let us see how Dehradun versus Noida play out which we want to test over the next 12-months before we start sort of the construction on the ground because we do not want another situation wherein we have committed to



construction and we sort of we go whole hog and to realize that there are still issues because if I may say, there is one dramatic change between Dehradun and Noida opportunity. Noida has oversupply in terms of real estate which in Dehradun the project was totally a marquee project and Dehradun is a location wherein there are no pollution issues, and PMI there is 40 and the PMI in the other day in Delhi touched about 1,000. So we still need to test all of these assumptions, and therefore, we do not want to start construction for the next 12-months.

Ankur Chadha: But if you sold something, would you not be obligated to RERA and all of that to start construction?

Jatin Khanna: In RERA, the obligation is that you have to pay back with interest, so we are committing about Rs.25 -.30 crore equity to this project. If we have to later on unwind an existing project, we have to refund, pay some interest, some marketing and corporate cost would have been spent, but we can sort of like put a lid at Rs.40 - Rs.45 crore exit cost. Other than sort of going all whole hog, wherein you do not know how this whole thing pans out. But having said that, market price project with our brand being what it is, with the product we've already delivered in Dehradun, we have examples wherein Godrej or Hero or for that matter ATS, they sell pretty much, within first month, their whole project gets sold off. So let us see how the experience come. Maybe we will start construction one month after because we want to sell not 50 but 100 units in a month. So who knows?

Ankur Chadha: So you are launching in January, right?

Jatin Khanna: Yes.

Jigar Shah: Can you give us some more color on the capital reduction plan in terms of timing and pricing?

Jatin Khanna: Yes, sure. So, the timing of the capital reduction plan will be initiated post the listing of new Max India, we have to wait because till such time our shares are frozen, so we can only initiate after that. So like I said the listing of new Max India should hopefully happen by March, if not by March latest by April. So it is a post listing event. When we have done this whole Max Bupa divestment resolution, we had discussed with all our institutional investors and taken feedback. So broadly, we have about 40% institutional holding in Max India. The idea is that we do capital reduction for about Rs.200 crore of the Rs.500 crore proceeds received from Max Bupa divestment which then takes care of that 40%. That is the broad timeline in the capital reduction plan. The other aspect of the capital reduction plan is that let us say, in April, Max India list higher than the cash proceeds of Max Bupa because investors like what they are hearing on Antara and they have some proof in terms of what is happening in Noida and what is happening in these two pilots and they feel excited about it, in which case the price itself may list higher than the proportionate share of Max Bupa proceeds, in which case investors have an option to exit straight through market and then capital reduction may not be required itself because then they get their exit through the market. So our promise is that, all things being equal, should there be a need to secure an exit for the investors through the capital reduction program? We are fully committed to do so and the timing would start beyond April.

Jigar Shah: You mentioned that this entire exercise would only be for institutional investors or for everyone?



- Jatin Khanna:** Broadly Rs.200 crore will be for everyone, so the quantum which we had broadly is about Rs.200 crore, because Rs.300 crore we pretty much need for Antara existing requirements as a business. So now depending on who participates and who does not participate, that exit happens.
- Jigar Shah:** But should it not be for all the non-promoter stake like should it be around 60% instead of 40%?
- Jatin Khanna:** You cannot do it, firstly, because you have 75% limit for the promoter shareholding, so any which way, we cannot do it, and secondly that as a company, we cannot commit the capital which is required for an existing business which a company owns. So we could have only offered that as much as was available beyond the existing capital commitment to the business. So therefore the size was sort of indicated at about Rs.200 crore, so that is one. And second is that, frankly like I said there are two critical things here -- Firstly, the assumption is that the entire 60% will want an exit. So that assumption there may or may not be right. And the other thing is that despite everything else we are doing in Antara and whatever we have done in Dehradun; the price itself will warrant a support through capital reduction program for people to get exit at a price higher than the capital reduction price. So let us see how this pans out and we can discuss this more.
- Jigar Shroff:** I have three questions. What would be the current capacity utilization, and is there any room to increase it? The second question is what has been our experience, I mean, have we participated in Ayushman Bharat program and what has been our experience in terms of returns and profitability? And if you could shed some light on the contribution of medical tourism to our turnover of over Rs.1,500 crore in the first half?
- Yogesh Sareen:** So I will take the last one first. So the medical tourism roughly contributes 9.3% of the turnover. That is the H1 number, and Q2 number is 9.8%, so that means in Q1, it was lower, so it has gone up in Q2. On the Ayushman we haven't empaneled, we do not want to do and we do not plan to unless it shows on to us. So that is on Ayushman. On the capacity utilization, we have around 75%, and yes, there is a room to grow is basically by way of compressing to the ALOS, and we do think that at any Given point of time, we can compressing the ALOS by 3% for sure, and that is what we plan which we put in place especially in the east side, where we are already witnessing very high occupancy levels. So you will also have to consider the fact that the occupancy that we report is the lowest occupancy during the day we take which is the 12 o'clock in the night. And typically in the morning you have patients who really get admitted, the room that operated extra, and also the occupancy is low in Sunday as we do not admit patient on Saturdays for operations on Sundays. So to that sense, while the center have been 75% number, look, as it is there is a lot of room, but active that there is no major room available to I would say expand the utilization unless we work on the ALOS side. Also, the fact that we are a tertiary care player, so to that extent, there will be some rooms that which are dedicated, for example, you have a liver transplant ICU, actually you have a renal transplant ICU, so you cannot really use those, but we are not fungible with other patients. So to that extent, there is some capacity which get underutilized because of the fact that you are a tertiary care player and we do not want to miss the patients.
- Jigar Shroff:** So there is not much room to increase the capacity utilization as I understand, right?
- Yogesh Sareen:** No, two things I am saying; one is that we added some beds in Vaishali in Q2, so only 25 beds have been opened out of 85 that we added, so there are beds available to us for filling up. Second is that we do think that the 74-75% occupancy can go up to 77% occupancy. There is obviously 3%, 4% increase in occupancy can happen. The third is that

there is a big room in terms of average length of stay (ALOS) improvement. And we already put in a program especially in east complex, in Patparganj and even in Vaishali, there is a team which is working on improving the ALOS procedural level and talking to doctors, to ensure patients can be discharged faster. If you really ask me, more and more surgeries are going towards day care, I mean the patients knee replacement; they stay six to seven days in a hospital. If you go to west, it will not be more than three days. So there obviously is a big room which is there to improve the ALOS. But it is obviously a slow process; you have to really work with doctors. So there is a plan under way I would say and we should be able to do more of these same beds also.

Jigar Shroff: Medical tourism is approximately 10% of turnover. Do you think there is a scope because I believe the margins are better, is it not?

Yogesh Sareen: EBITDA margin would be probably a shade better, because there is a payment that has to be made to the facilitators. So to that extent, we top up that it does not really flow into the P&L. But the fact is that these patients are generally ticket size is on higher side. So, it may not be a major improvement in margin, but yes, it is better ARPOB patients.

Deepak Malhotra: Jatin, regarding Antara, can you please let me know how much has been the capital employed in the business so far?

Jatin Khanna: There are two parts to the capital employed. There is about Rs.300 crore which has been employed in the Dehradun project and there is another whatever Rs.70- 80 crore which have been deployed in the growth plan. So currently about I think Rs.380-odd crore which have been invested in Antara.

Deepak Malhotra: Going forward from what I can see on the slide in the presentation, I think you are basically going for an asset-light model. So would you like to clarify, I mean, what is going to be the likely capital outlay on the other projects and how you are going to finance them?

Jatin Khanna: Another gentlemen asked this question of saying that why are you not paying more capital through the capital reduction back and why only Rs.200 crore? So the other Rs.300 crore, which we are reserving, is all reserved for Antara for the growth. Now this capital-light model does not require about more than Rs.40-50 crore, a project. So, our whole idea is that we should have at least capital availability for four to five projects, after which Antara becomes self-sustaining. And I just stand corrected; the Dehradun investment was about Rs.280 crore. So the total investment in Antara is about Rs.350 crore.

Deepak Malhotra: But in these other projects, what we see in Noida, because what you are saying is you are taking the land and you are even having the project that as a developer contribution. At this point it also means maybe in the past that going forward you will not like to have their own to the equity contribution such high level as in the past. So what is going to be the financing mix really?

Jatin Khanna: That is what I said. So our equity contribution in this project will only be about Rs.40-45 crore per project because that is why this whole model of not putting a brick on the land till such time you sold first 50-units, in which case your project gets largely funded through customer collection, and then you need about another Rs.75 to 100 crore of debt depending on what project, what size, the kind of sales trajectory and things like that. But that is broadly the mix now. And the land is through a joint development model. So really you do not need to buy the land per se. That is how you save the equity.



Deepak Malhotra: And what is the kind of IRR we are targeting here in terms of the breakeven for the project?

Jatin Khanna: Typically, we do not approve a project anything below 18% IRR. So this will also be similar. Now as we move into the holistic senior care offering and things like that, as you keep bolting on the adjacencies which are also equally capital-light, these IRR could be even higher than 20%.

Deepak Malhotra: And the project breakeven?

Jatin Khanna: I do not know sort of what would a breakeven of a project mean, but say broadly the end-to-end sort of start to finish cycle for a project is about seven years.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Jatin Khanna: Thank you, ladies and gentlemen, for joining on Max India's Earnings Call. We look forward to more such interaction in the future. Thank you once again, and good bye and have a good day.

Yogesh Sareen: Thank you, everybody.

Moderator: Thank you. On behalf of Max India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.