Q3 2022 Earnings Call

Company Participants

- Debangshu Sarkar, Head, Business Development & Investor Relations
- Emmanuel Rupert, Managing Director and Group Chief Executive Officer
- Sandhya J, Group Chief Financial Officer
- Viren Shetty, Chief Operating Officer

Other Participants

- Ahmed, Analyst
- Amit, Analyst
- Harith Ahamed, Analyst
- Jhalak, Analyst
- Nitin Agarwal, Analyst
- Prashant, Analyst
- Ranveer Singh, Analyst
- Sameer Baisiwala, Analyst
- Shantanu Basu, Analyst

Presentation

Debangshu Sarkar {BIO 20026423 <GO>}

Hello, everyone. Myself Debangshu and as most of you are aware, I run the Investor Relations and Mergers and Acquisition practices at NH. On behalf of the company, I welcome you all to the Quarter 3 FY22 Earnings Call of ours. To discuss our performance and address all your queries, today we also have with us Dr. Rupert, our CEO; Dr. Mr. Viren Shetty, our COO; and Ms. Sandhya, our CFO, who has joined us a couple of months back.

I'm sure you have gone through the investor collaterals which have been uploaded on the stock exchanges, as well as on our website. Before we proceed with this call, I would like to remind everyone that the call is being recorded and the transcript of the same shall be made available on our website at a subsequent date. I would also like to remind you that everything that is being said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement, must be strictly viewed in conjunction with the uncertainties and the risk that they face.

These uncertainties and risks are included, but not limited to what we have already mentioned in our prospectus filed with SEBI before our initial public offer in late 2015, and subsequent annual reports on our website. Post the call, in case you have any further

queries do feel free to get in touch with us. And we will try to address it to the best of our abilities.

With that, now I would like to hand over the call to Dr. Rupert.

Emmanuel Rupert {BIO 20800168 <GO>}

Good evening -- good afternoon, everyone. With the effects of pandemic subsiding for most part of the last quarter, we are pleased to deliver a consolidated EBITDA of INR1.82 billion at a margin of 19%, and PAT of INR1 billion at a margin of 10.2% for the period Q3 FY22, despite this being a seasonally moderate period. Our strong business performance has resulted in a consolidated return on average equity employed of over 28% annualizing the year-to-date nine months PAT of over INR2.7 billion, despite the pandemic induced severe disruptions, faced earlier during this fiscal.

Overall, our balance sheet and liquidity profile remains strong with INR5.5 billion of gross borrowings, as against consolidated cash and liquid investments of over INR3.4 billion, as on 31st December 2021, despite incurring a CapEx cash outflow of over INR0.8 billion during the quarter gone. With COVID-19 related business contributing just over 1.5%, our India business adjusted for the vaccine revenues grew by over 3.5% on a quarter-on-quarter basis, despite the seasonal --- seasonality impact. With the recovery in high-end cardiac elective work, 34.9% of India business, as well as international patient mix 5.7% of India business led by our flagship hospitals, we are pleased to deliver record profitability for our Indian operations during the quarter gone by, registering an EBITDA margin of 14% for the period.

Sequentially over the previous quarter, quarter 2 FY22, our Indian operations registered an absolute increase in EBITDA of around INR155 million in the quarter gone by, adjusted for the higher vaccine contribution in quarter 2 and one-time impact of incremental other income of INR50 million in quarter 2 towards the write-back of deposits pertaining to our Whitefield unit. With the improving sentiments facilitating people's mobility across regions for the most part of the last quarter, profitability of our flagship hospitals recovered significantly with these set of three centers of excellence registering an EBITDAR margin adjusted for vaccine business of 27.8% in quarter 3 FY22, as against 22.2% in the previous quarter. Separately, we remain encouraged by the performance of our other non-flagship hospitals, including the three newer hospitals, as it continue to progress along the respective growth trajectories, as witnessed over the previous few quarters despite the pandemic induced disruptions wherein. They have anchored recovery and revival of the business during the uncertain times.

Moving onto our overseas operations, our unit at Cayman Islands continuing a sustained performance grew by over 30% year on year basis, reporting operating revenues of $24.9 million in quarter 3 FY22, resulting in an EBITDA of $10.2 million. This is for the nine months period ending 31st December 2021, the unit delivered a healthy EBITDA of $29.3 million, with PAT of $24.5 million. Separately, we recently, we did the groundbreaking ceremony for our previously announced expansion of the City center. While our original timelines have certainly been delayed a bit due to the global supply chain outages affected --- affecting a completely import dependent nation like Cayman Islands for

construction material and equipment, we look forward for commissioning the expanded operation in a phased manner, starting with the radiation oncology program within the next 10 to 12 months. Overall, we do remain confident in this regional business emerging as a strong pillar of our future growth. Separately as part of our continuous evaluation of our portfolio of business units, we have decided to further rationalize this scene by discontinuing operations at our ophthalmology focused in this [ph] center at Kolkata, that is the Rotary Narayana Hospital as well as our fledging heart center operations at Imperial Hospital, Chittagong, Bangladesh to sustain the long-term interest of the business.

As regards our continuing focus on various digital initiatives, we have now extended our homegrown Aathma HIS [ph] and other allied products like Aathma Application for Doctor Insights, which is AADI, lab information systems, electronic claim management systems to our overseas unit at Cayman Islands. Also, we have now improved the patient registration experience by integrating the verified digitals regulatory compliant aadhar-based KYC database. On the ESG front, during the quarter gone by, we achieved a net carbon reduction equivalent of 3,913 tonne through various energy optimization activities like using alternative energy, upgrade or replacement of equipment across the network, and also upgraded the critical fire detection systems across our hospital at Howrah.

On the clinical front, we continue to deliver advanced super specialty work as reflected in some of the highlights. We have continued to do advanced quaternary work in cardiac sciences, oncology sciences as well as GI sciences across the entire network. Mazumdar Shaw Medical Centre performed the unique Total Robotic Bariatric surgery, the first ever case in Karnataka. The unit also published the largest series of all robotic Whipple operation, which is, which is done as a total robotic surgery for pancreatic cancers in the entire country. The SRCC Children's Hospital performed a complex case in perinatology to treat twin-to-twin transfusion system through fetoscopic laser ablations. This is performed very rarely across the country. The unit in Raipur performed a complex onco surgery for the cancer of the pelvic bone called Chondrosarcoma, by doing what is called as an Internal Hemipelvectomy where they replace the entire pelvic bone, half of the pelvic bone as these cancers generally do not respond to chemotherapy and radiation.

The Guwahati unit also performed the complex Whipples operation for pancreatic cancers, in a young 10-year-old child and also the Ahmedabad unit has done a rare case of total elbow joint replacement for the refractory inflammatory arthritis as well as doing very complex angioplasties using intra vascular ultrasound guidance for Chronic Total Occlusions. In the backdrop of the third wave of the pandemic prevailing in the country, while our Indian operations has been quite impacted in the month of January, we are hopeful that recovery would be faster this time around and remain well-placed to sustain the business momentum, notwithstanding COVID-19 related uncertainties. Looking ahead with lives and livelihoods of the community of the core, standing in solidarity, we remain committed to deliver quality, affordable healthcare to all.

Thank you.

Questions And Answers

A - Debangshu Sarkar {BIO 20026423 <GO>}

Thanks. Dr. Rupert. I think, we will open the question and answer floor with that. Please use the raise your hand option, that's there with Zoom out here. So that we can go one by one to everyone and seek the question from the participants. Yeah, Shantanu. Please go ahead.

Q - Shantanu Basu {BIO 17238393 <GO>}

Yes. Hi, thanks for the opportunity. I just wanted to know that, as you have mentioned in the last two calls, that there would be a refurbishment of Indian hospitals with more private and semi-private beds getting added. So have you started that? Have you started that as yet or will it take some more time? I know it's a five year plan, but have you started that?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Viren, will you take that?

A - Viren Shetty {BIO 19528778 <GO>}

I'll start and then Rupert can take up. Yeah, the work has started. We have started with refurbishing a lot of OPD and IPD area. Given that these are all running hospitals, it is taking in a more gradual manner, but it is on track. So for example there a lot of areas where the rooms are being reconfigured to deal with the COVID occupancy and ICU work related to that, that freed up space, that we have been using for more procedure rooms. But this is something, like we said earlier, we will take up over the next five years.

Rupert, anything?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, we have been, as Viren has been mentioning to you, we have been doing that. And we are timing it along with the requirement of beds in the unit, so we are trying to balance our the requirements, as well as, how much beds we can actually take out for the renovation purposes. But it's a fine balance, and we will be able to cater to the timelines, which we have in this.

Q - Shantanu Basu {BIO 17238393 <GO>}

Okay, thank you.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Thanks, Santhanu. I think if we can move on to Ahmed [ph]. Ahmed, you can go ahead with your question.

Q - Ahmed {BIO 19292073 <GO>}

Thank you, for the opportunity. My question is on the Cayman business. So, if we understand the relationship between the revenue ARPOBs and the margins of Cayman

business, the -- we are maintaining the ARPOB of about $2 million even in Q3 and the revenue has grown about 25% sequentially, but still the margins have come down about 4%. So what explains that margin lift, is it the -- some mix change in the revenue or any specific component of cost structure? Can you please explain?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Sandhya, do you want to take it?

A - Sandhya J {BIO 17430977 <GO>}

Yes. A lot of our margins are dependent on the type of procedures we execute. So sometimes we have more higher-end procedures, which give us a better revenue realization, but they also come at a higher cost. So some of that mix effect of the procedures, is what is flowing into the margins. So that you would have seen across even in India business, we have that depending on the type of procedures we execute. There is a bit of a range in which the margins -- and because Cayman is stand-alone, so it stands out in a more prominent manner within India because of the balance between the hospitals, you don't see that as prominently as Cayman. Does that answer your question?

Q - Ahmed {BIO 19292073 <GO>}

Yes, yes, definitely. And I understand that we are not currently operating in a steady state world, but how sustainable, what kind of margin do you see sustainable in the future for the Cayman business?

A - Sandhya J {BIO 17430977 <GO>}

So we would -- so as we see today, we would be -- you are aware that we are coming up with an onco facility. So there would be some amount of investments we will make in the near term because of the hiring of consultants, infrastructure, et cetera. So we will see some amount of dilution in the margin in the near term. And then we will pick back up. So if you ask me for an outlook over the next few quarters, I think the current numbers are reasonably sustainable, then maybe we will get into a little more balanced out numbers, post that, until our full facility comes up, full hospital comes up and starts operating at full volumes. So that's the kind of estimation, but I don't want to give a forward-looking number at this time because A, there are many variables and B, also it depends on the scale up, speed and how each of the specialties perform and stuff like that.

Does it answer your question, Ahmed?

Q - Ahmed {BIO 19292073 <GO>}

Yes, very much, very much, very much. Just one question on the -- just a word on the tax rates. So is it fair to assume that Cayman business tax rate is obviously zero and the India business tax rate will be steady state 25%?

A - Sandhya J {BIO 17430977 <GO>}

So, we haven't hit the -- we had, we have certain brought forward losses, which we have to set off and therefore, we haven't opted for the 25% tax rate yet. So when we cross that period, then we will opt the 25% tax rate.

Q - Ahmed {BIO 19292073 <GO>}

That answers my questions. And just one question on the India business. So this quarter, we have about 5.7% from the international patients and the India business, and say it moves back to 8%, 10% kind of a number in upcoming quarters. So does that leave some room for the offset in margins and ARPOBs of matured hospitals in the upcoming quarters, from the current base?

A - Emmanuel Rupert {BIO 20800168 <GO>}

I'll answer this one. We have taken a call in the middle of the pandemic to not create any pricing differential between domestic patients and international. This was a practice that was normally done, because of a huge amount of referral we payout involved in international patients, which we don't want to do. And so from an international patients compared to a cash patient, they will be more or less on par. And given that the proportion of international patients occupying will fall on the same category as our private rooms, I would say that, it would have an impact definitely it would lead to higher yielding patients, but not enough to materially change the numbers in a very short period of time.

Q - Ahmed {BIO 19292073 <GO>}

Thanks. Thanks. Thanks. Thank you so much.

A - Debangshu Sarkar {BIO 20026423 <GO>}

We can move on to Ranveer Singh for the next set of questions. Ranveer, if you can unmute yourself and go ahead with your question.

Q - Ranveer Singh {BIO 19224420 <GO>}

Yeah. Thank you. Thank you for taking my questions. Just on EBITDA front, what has been the EBITDA in Cayman [ph] during this quarter?

A - Sandhya J {BIO 17430977 <GO>}

Yes, I think that is covered when Dr. Rupert gave his initial introduction. We have delivered an EBITDA of $10.2 million in Cayman in this quarter. Quarter 3 of FY22.

Q - Ranveer Singh {BIO 19224420 <GO>}

Just --- I wanted to reconcile the numbers. The consolidated is INR181 crore, standalone INR89 crore. And INR10.2 million is some INR75 crores is from Cayman. So what are other specific (Technical Difficulty)

A - Sandhya J {BIO 17430977 <GO>}

So there are another Indian legal entities, like our Meridian business is in a separate legal entity. And there is also the specialties NHSHPL, which anchors our Dharamshila and Mysore unit. So they are also in separate legal entities, that is the reason you are seeing the difference between standalone and consol, not being equal to Cayman number.

Q - Ranveer Singh {BIO 19224420 <GO>}

Okay, fine. And I see despite in patient and out patient number has significantly improved, yet I see on EBITDA front and most of cluster, we see the Q-on-Q decline. So, any particular reason?

A - Sandhya J {BIO 17430977 <GO>}

Actually, like Dr. Rupert had explained, there was a one timer in the Q2 EBITDA, which we have now -- which is not repeating and despite that we have delivered the increase in terms of the EBITDA at group level. Now, obviously, some clusters, this is as you are aware is a seasonal quarter. So some clusters have seen the impact of that seasonality, some clusters have not. So where we've seen the impact of the seasonality, you are seeing that little bit of difference in terms of the run rate.

Does that answer your question, Ranveer?

Q - Ranveer Singh {BIO 19224420 <GO>}

Yes. So just getting more detail on it, so like in Delhi cluster, so last year we had some 0.9% of EBITDA margin, this time it says zero. So was it related to COVID last year or why this is a zero in this quarter?

A - Sandhya J {BIO 17430977 <GO>}

I think there is an impact of seasonality in the Delhi cluster. If you see slight dip in the revenue profile as well. So that is what is clause -- causing that. Having said that, I think, there is so good revenue traction we have started seeing and this trend will only improve from here.

Q - Ranveer Singh {BIO 19224420 <GO>}

Okay. Okay. And just you alluded that in -- at CC, there now EBITDA has improved, in fact, so going forward, just we wanted to understand the growth aspect there. So what kind of growth we can extract in revenue or whether we have a scope to improve EBITDA from here onwards?

A - Sandhya J {BIO 17430977 <GO>}

So, the revenue will obviously be in addition to the organic growth we have been delivering in HCCI. The revenue increase will be also dependent on the commissioning of our new facility and in line with that, you will see the next step-change in terms of revenue. EBITDA would follow a similar trajectory and as we make that next step-change like I explained before, we may make some investments at that time, setting up the

practices and creating the relevant occupancy. So there will be an investment in EBITDA for a while and then we will pick back up.

A - Emmanuel Rupert {BIO 20800168 <GO>}

If I can just add to that, the construction period will be split into two phases. One is the oncology block, which has started right now, this is for radiation oncology. That should take very optimistically maybe nine to 10 months, but if you want to be realistic, we will take closer to a year, given the challenges of importing material in and out of the Island. And one year after that, will be the full block which is the NICU, the surgery room, the cath lab, the EAP [ph] and trauma center. And so the ramp-up what would happen in the manpower and so on, we'd follow more or less once the building construction is ready, and that would lead to, I would say a temporary margin percentage dilution, while the unit fixes up, that eventually it should return back to sustainable numbers.

Q - Ranveer Singh {BIO 19224420 <GO>}

But top line would be increased after installation of this?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, the topline would increase, because we are adding more specialties, more clinical departments. Parallelly, also we're looking at adding more clinics. We've set up a clinic in the shopping area in the middle of Cayman, called Camana Bay and started chemotherapy there also. It being a clinic, its contribution is smaller, but that will keep growing. That will keep happen constantly.

Q - Ranveer Singh {BIO 19224420 <GO>}

Yeah. What kind of investment we have made for this expansion?

A - Emmanuel Rupert {BIO 20800168 <GO>}

These are smart clinics that are on rented premises. So those anywhere from $500,000 to $900,000 clinics will be setting up in different parts of the Island.

Q - Ranveer Singh {BIO 19224420 <GO>}

Okay. Okay. And just a last one, on international presence has increased significantly in this quarter, but still, you mentioned that you have not increased the prices. So going forward, can be expect these prices going significantly up, by -- in coming quarter?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Sorry, the last part, what you said?

Q - Ranveer Singh {BIO 19224420 <GO>}

So in next few quarters, can we expect the pricing for international patients would be higher than the domestic one?

A - Emmanuel Rupert {BIO 20800168 <GO>}

No. See, so on average, the average international patient ends up paying more than the average Indian patient, because the average international patients is more likely to opt for a semi private or private room. But on a like-to-like basis, we've not created any differential in pricing for international or domestic patients. For the same procedure, the same disease profile, in the same ward, they will both be paying the same amount. And so from that perspective, we want to create a parity between people coming from all over the world to our facilities and create a more value experience for them. But definitely the more international picks up, it will increase the overall average ARPOB, but not to very drastic extent.

Q - Ranveer Singh {BIO 19224420 <GO>}

Okay. Fine. Thanks a lot. Thanks a lot, you solved all my question.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Deepak, you can go ahead with your question now.

Q - Amit {BIO 7113568 <GO>}

Hi, this is Deepak's colleague, Amit. Just a couple of questions. So, one is on the pricing change, I think in the last quarter, you talked about effecting a price increase probably in January. Has there been--- has that been done and could you give some --- could you share some numbers around average increase in prices that you have affected?

A - Sandhya J {BIO 17430977 <GO>}

Sure. So we have taken prices very, very moderately only to cover for some of the increasing costs that we have. And that is, we've not instituted any org level price change. Therefore this is very much at a unit level and each unit have taken a call depending on their respective cost profiles and their respective operational profile. So I am not sharing any specific number because it's very different for every unit, but you can just assume that it's a very small increase that we have reflected in the pricing.

Q - Amit {BIO 7113568 <GO>}

Understood, understood. And second question would be around, could you throw some light on your long-term growth strategy? Where is the long-term growth if I look at it from a three to five-year perspective coming from? Is it going to be in -- outside of India? Is it, are you adding more beds in existing facilities in India or will you be also looking at inorganic growth opportunities, because, if I -- I don't see any new greenfield coming up and if I compare you to some of your peers who are aggressively adding hospitals in India, so are you less bullish on the outlook here in India or -- and if you are going to be adding, where are you going to be adding in terms of geography?

A - Viren Shetty {BIO 19528778 <GO>}

I'll answer this one. Why not less bullish on the outlook in India? It is no doubt a very challenging jurisdiction and healthcare is one of the most regulated sectors and it's very

difficult to meet all the stakeholder requirements, but the long-term outlook is always one that trends towards more healthcare required for the country. So from that perspective, I would say that our stance has always been not to overspend, not to overbuild, not to overpay for any asset. And that's why we've been a little more cautious compared to the rest.

Now, if you ask, where is the next set of growth going to come from? And you mentioned a couple of things. And the answer is a little bit of all of them. There is expansion in Cayman, which we are doing right now. There will be opportunities we'll be exploring in the surrounding countries also, those will be slower and more measured. In India, it will be a combination of greenfield, brownfield and inorganic acquisition, but all of them as long as they -- there are two certain core tenants. The most important been, one is it synergistic with the existing operations. So the most obvious thing is a brownfield, because if a hospital is full, it makes more sense to add capacity and they can augment an existing infrastructure at a relatively little cost.

The thing that will come after that is greenfield, but then the way we would look at that is greenfield in the same city. If for example, opportunity comes for us in places we have best-known, let's say Bangalore and Calcutta, it will make more sense for us to go ad do that. But even in that, it would have to be very synergistic with our existing infrastructure. So something that is available close by, something that is available in a very complementary fashion or a part of the town where we believe the market is growing. Those are the things we will take up, but again that is always second fiddle [ph] to the brownfield expansion which the opportunities are there and we will be adding capacity to our existing units as and when they start to fill up.

The last part is on inorganic, those come few and far between and there are many kinds of inorganics. There are the ones which are privately held trust-run nonprofit where we sign O&M agreement. There are some that are completely just management contracts based and there are some, of course, that you have to pay decent money to acquire. The first three, the ones that are available to us at relatively low cost, we will keep pursuing and here and there, we sign up and they take their own time to do it. It is very hard to plan in advance that I am exactly going to add 500-beds in Delhi over the next three years. That's completely inorganic, that's hard to do. The opportunity no doubt exists, but you will have to overpay for those beds if they have to meet your profitability criteria. So instead, we will take it up in a more opportunistic fashion.

But for the last part in the inorganic acquisition, they have to be close by, they have to add something very important to our units. And that's how we've looked at it. But yes, there is definitely over the next three to five years, a combination of consolidation where in our existing network, we will be trimming some low-yielding department and low-yielding beds and adding more high-yielding beds improving the infrastructure as well as for few, not all, but for few of the cities, we operate for adding more capacity to take care of our patients.

Q - Amit {BIO 7113568 <GO>}

Sure. Viren, that's extremely helpful. Just a follow-up to that, are you looking at any other opportunities be -- like outside of India beyond Cayman?

A - Viren Shetty {BIO 19528778 <GO>}

Yes, in the Caribbean region, there are opportunities we are pursuing. For example, we currently have a contract in Saint Lucia for running the government hospital. We are talking with them to see if they'd be interested in having us run the hospital for a longer period of time. There are other Caribbean islands, we are looking at, but these things, it just takes a lot of time for us to do and the North American region is something that's more of a long-term interest for us, which we will evaluate as and when these opportunities start to come about, for us.

We had this opportunity in Bangladesh for running the cardiac center, but there were a lot of challenges in running that. And so if you weigh the time and profitability and the amount of management attention then to take against other opportunities that present themselves, it wasn't really working out for us. And that's why we decided not to renew our contract there.

Q - Amit {BIO 7113568 <GO>}

Got it. Thank you and all the best.

A - Viren Shetty {BIO 19528778 <GO>}

Thank you.

A - Debangshu Sarkar {BIO 20026423 <GO>}

If can move to Jhalak. Jhalak, if you can ask your question.

Q - Jhalak {BIO 20784756 <GO>}

Thank you for the opportunity, sir. Sir, firstly, yeah, congrats on the good set of numbers, but my first question would be what is your occupancy rate on the quarterly basis like quarter three December '21?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Debangshu?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yeah, it could be around 53% at consolidated basis, at the India level that is. And separately Cayman was around 52% or 55% odd it was for the Cayman facility.

Q - Jhalak {BIO 20784756 <GO>}

Okay. So sir, this is basically on your operational beds, correct? The 6,100 [ph].

A - Debangshu Sarkar {BIO 20026423 <GO>}

No, this is on my census beds, all occupancy is reported by the industry is on census beds.

Q - Jhalak {BIO 20784756 <GO>}

So, I'll take it on the -- the capacity is basically 6,800, out of which your census beds is?

A - Debangshu Sarkar {BIO 20026423 <GO>}

No. So, census beds, typically are the revenue generating beds, as understood by the industry in our parlance. We dub those as the beds excluding beds like emergency, daycare, post operative recovery and so on and so forth. So it's a subset of the operational beds. As a thumb rule basis, while a different hospital basis, how proficient and how important a daycare program they are running, would have different numbers of census bed as a percentage of the operational beds. But at a very general guide, I mean thumb rule basis, if I were to give you an indication, it to be like around 85% of your total operational beds is roughly your census beds.

Q - Jhalak {BIO 20784756 <GO>}

Okay. So your 85% is census and your next the 5% is your --- the next 15% on your no-census beds, correct?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yes. Roughly, that is the split of the total operational beds.

Q - Jhalak {BIO 20784756 <GO>}

Okay. And this occupancy is on my census beds, that is my, yeah, okay, so I'll take 6,100 into 85% and into 52% which you gave me, the India basis, correct?

A - Debangshu Sarkar {BIO 20026423 <GO>}

At a very indicative level.

Q - Jhalak {BIO 20784756 <GO>}

Yeah, yeah, yeah, sure. And sir, my next question was cardiac -- on quarterly basis, if you see your specialty profile, the cardiac science have increased to 35%, which was 22% in quarter one, correct?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yes, Jhalak. Go on.

Q - Jhalak {BIO 20784756 <GO>}

Yeah. So, sir, as upon my like --- just a question on this, is the margins high in your cardiac science as compared to other specialty profile?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Typically, yes, I mean, it depends on what that cardiac specialty is replacing it with. But on a very aggregate basis, if you see my other specialties, if it comes down, when I say, others, other than the top six, you would -- basis cardiology procedures, typically we would see higher profitability in this particular mortality.

Q - Jhalak {BIO 20784756 <GO>}

Yeah. So sir if my cardiac science, the profile mix has increased, along with an increase with my international patient, so but -- sir, if you see your average revenue per patient, which was 1,25,000 in quarter one, has reduced to 1,09,000 in quarter 3. Sir, any specific reason to this?

A - Emmanuel Rupert {BIO 20800168 <GO>}

That would be the COVID impact right, Debangshu?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yeah.

Q - Jhalak {BIO 20784756 <GO>}

Quarter 3?

A - Emmanuel Rupert {BIO 20800168 <GO>}

No Q1, we had a lot of COVID admissions. So these people come in and they have a fair amount of mediclaims --

Q - Jhalak {BIO 20784756 <GO>}

But is that fair -- sorry to interrupt, but your COVID during, your quarter one, your -- the mix would be in others right? Here, your mix is in cardiac science, the 35% which has in 22% to 35% that is increasing Cardiac science. So, your -- as you said your profitability and your number would also be high in cardiac science, correct? The changeability to the patients?

A - Emmanuel Rupert {BIO 20800168 <GO>}

I'm a little locked, Debangshu are you able to?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Sorry, I didn't get the question, what is the question, Jhalak, if you could repeat?

Q - Jhalak {BIO 20784756 <GO>}

Sir, my -- yeah, I'll repeat. My question is, in your specialty profile, which was in which say Cardiac science is there, the cardiac science was 22% in quarter one, which has increased to 45% in quarter 3.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yes.

Q - Jhalak {BIO 20784756 <GO>}

Correct? And now mentioned by you, this, it has a higher profitability margin. So, yeah and -- another thing your international patients have also increased from quarter one to quarter three. But if I see my average revenue per patient of the -- inpatient, that has come down to 1,09,000 which was 1,26,000 in quarter one. So any specific reason of my ARPP coming down?

A - Debangshu Sarkar {BIO 20026423 <GO>}

So first of all, I mean, this has got to do with the denominator part. So increasingly, we have done a lot of other procedures in medical procedures and other procedures, which probably would -- I mean other than the revenue, but it would have a dilutive impact on the ARPP workings. That is what --

Q - Jhalak {BIO 20784756 <GO>}

I'm sorry.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yes. So you look might be -- the discharges have gone up significantly for the period that you are comparing against.

Q - Jhalak {BIO 20784756 <GO>}

Okay.

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yes, go ahead.

Q - Jhalak {BIO 20784756 <GO>}

So this is -- number -- the number of increase in my IT, the denominator, that is the only reason, correct?

A - Debangshu Sarkar {BIO 20026423 <GO>}

True.

Q - Jhalak {BIO 20784756 <GO>}

Okay. And sir, last question. My the Cayman OP has decreased from quarter one to quarter three. So it was --

A - Debangshu Sarkar {BIO 20026423 <GO>}

OP would have -- OP ARPP would have gone up.

Q - Jhalak {BIO 20784756 <GO>}

Yeah, yeah, ARPP would go up because my OP has reduced, by denominators reduced and hence my ARPP going up, correct?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Okay. You are referring to footfalls, OP footfall when you say it has reduced?

Q - Jhalak {BIO 20784756 <GO>}

Yeah, so any specific reason to that?

A - Emmanuel Rupert {BIO 20800168 <GO>}

That's the seasonality. This -- Q3 is end of year, there includes Christmas time, where most people are on vacation, including our doctors and the patients as well. The most people generally try not to schedule doctors' appointment on that time. That and the impact of COVID on the Island, early on, the island was in full lockdown and over the past couple of months, it has been opening up slowly. And so it's -- because this is a population not been exposed to COVID at all, so it's spread very quickly over there and so people were more completely locked into their houses are not moving around a lot. So that led to reduced footfall.

Q - Jhalak {BIO 20784756 <GO>}

Yeah, and sir, one more question. Sir your, as you mentioned your occupancy percentage is roughly around 52% right now. So what is like any target or any peak occupancy that you can guide? And in there timeline, in like one year or how much, how much time would it take to reach the peak occupancy?

A - Emmanuel Rupert {BIO 20800168 <GO>}

See, one of the things we've been trying very hard for the past three years, is to move our industry away from occupancy, because hospital occupancy is not like hotel occupancy where you stay in the bed and then you leave the thing. For us our trends are the ICU, the OT, the doctor availability all of those. So those are constraining factors. So even though we may show for example in our flagship tender 65% occupancy overall, that will be the availability of general ward and the large number of beds there.

But in the OT, capacity on the ICU, that will be completely full. And so what we would have to do is addressing the occupancy number more by reconfiguring the beds to put it more in line with the patient flow and the length of stay and so on. So let's say, we're trying to move towards ARPP and those sorts of metrics that give a more, a better indication of forward momentum, for our business rather than just blindly filling up bed.

Q - Jhalak {BIO 20784756 <GO>}

Yeah, and increase with the IP and OP, along with the increase in IP and OP, correct?

A - Emmanuel Rupert {BIO 20800168 <GO>}
Yeah.

Q - Jhalak {BIO 20784756 <GO>}
Okay, thank you.

A - Debangshu Sarkar {BIO 20026423 <GO>}
We can proceed to Harith. Harith, if you can ask your question now.

Q - Harith Ahamed
Hi, thanks for the opportunity. So my first question is on the new hospitals. Can you comment a bit about what is happening at these three new hospitals, especially the Delhi NCR cluster, we've seen a lower EBITDA compared to the second quarter. And if you could also comment about the competitive intensity in this region, quite a few of your competitors have announced bed division revision yet. So how do we see the improvement from here in the two hospitals in Delhi NCR?

A - Sandhya J {BIO 17430977 <GO>}
I'll take the question on the EBITDA and then hand over to Viren on the competitive intensity. So as for as, there are two hospitals Dharamshila and Gurugram. I think in Dharamshila, we have started generating positive EBITDA. We have seen a slight decline in Gurugram, but that's the effect of the Q2 to Q3 seasonality. We are confident that Gurugram is starting to turn around the negative EBITDA that we are having, it's a small number and we can cross that. So I think in a matter six to nine months time, I think we should be able to turnaround Gurugram also into positive EBITDA number and from there we can built on.

I'll hand over to Viren on the competitive intensity.

A - Viren Shetty {BIO 19528778 <GO>}
Yeah, it is a competitive market, and I would say, Gurugram being some of the most contested real estates for healthcare in the country, we may not be able to match the quantum of investment that are made by, some of the hospitals that have announced, massive investments in Gurugram. But we can do the best we can, with what we have, while keeping a lot of the fundamentals in place. So in Gurugram for example, our hospital has scaled up well and we expect from the next year for it to reach a full proper breakeven.

It did breakeven for few months during COVID and as the thing normalized, went back but it's nearly there. The kinds of investments we would look at for Delhi, given that for us at least it's still relatively new, because anything less than 10 years is closer to being new. For them, the kind of lessons we will make would be on bed addition to the existing infrastructure something close by or reconfiguring their -- the set up. Only when it is

completely, completely full, like in Calcutta or Raipur for example, would we then look at proper bed additions.

Q - Harith Ahamed

That's helpful. Just a clarification on the Cayman hospital related question it was asked previously. A loss increase that we are seeing on a quarter-on-quarter basis is on account of higher volumes of --- from COVID. Is that understanding correct?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Debangshu?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Not necessarily, Harit. This is --- there has been generally an increase in long stay patients in Cayman. It has got to do with our observation, particularly in couple of cases like General Medicine and Neurologic department in particular, as well as few LVId cases in particular that we did there, couple of them in the last quarter, which generally resulted in a higher length of stay across these select procedures, which ultimately given the comparatively lower base of total discharges that we do, resulted in the higher -- a loss for this quarter over previous this months.

Q - Harith Ahamed

Thank, Debangshu. Thanks for taking my questions.

A - Debangshu Sarkar {BIO 20026423 <GO>}

We can go to Sameer. Sameer Baisiwala, you can just go ahead with your question.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Yeah, hi, good afternoon. Thank you very much. Can you talk about the sort of a brownfield expansion that you're planning over the next one to two years for India?

A - Viren Shetty {BIO 19528778 <GO>}

The -- we'll be setting up oncology centers in -- radiation oncology centers in Ahmedabad and Jaipur, those we had announced. We will be adding some bed capacity in our Howrah hospital in Ahmedabad. We have bought up some nearby buildings for our arthritis units in Kolkata and there's a small piece of land very close to the hospital we're looking at buying, which will be used for setting up radiation oncology.

There is an opportunity for us to get a landlord to build an OPD Plaza next door to our main Health City in Bangalore, that will be on a rental basis. So investment there will be less and we will be using that to move a lot of the non-clinical admin and certain amount of registration OPD for there. Other than that, Dharamshila we are in discussions with the partner for adding few beds in bone marrow, and ICU. Gurugram, if we get permission from the Development Authority -- the Haryana Development Authority, we can add two more floors there, that will come up. Mysore, we will be adding 30 beds on private and

semi-private rooms. Shimoga, we will be adding radiation oncology. Yeah, I mean basically what you're looking at is nearly every hospital we have with the exception of Guwahati and Jamshedpur, we'll be doing some combination of capacity addition and oncology.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

So that's quite a handful Viren. So you think, all of this will get done in next say two years and the sort of beds that get added is what 300, 400-bed capacity?

A - Viren Shetty {BIO 19528778 <GO>}

No, no, no, not even close. These are all, most of these are 20, 30-bed additions and we're just reconfiguring and onco -- radiation oncology, we doesn't add any bed. The 300, 400 one, that we are working on and we will present something more comprehensive in the next quarter.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay. Okay. We'll look forward to that. The second question is a quick clarification. The one-off EBITDA contribution that you talked about, Sandhya was last -- in 2Q, not being here, was it, St. Lucia?

A - Sandhya J {BIO 17430977 <GO>}

So there were two aspects. One in the Saint Lucia, which we spoke about in our previous earnings call. We also had a unit in Whitefield, which got closed down and we were working on getting a refund of our deposits, that came through as well. So that was another about INR6 crores. So that was the other one off in the last quarter results.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay. And Saint Lucia, if I remember correctly, it was INR21.5 crores or so.

A - Sandhya J {BIO 17430977 <GO>}

Correct.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

So what was its contribution in 3Q?

A - Sandhya J {BIO 17430977 <GO>}

So St. Lucia, we have many moving parts in terms of the work that is happening there. So in quarter three, we've not taken any revenue from St. Lucia. We take it as and when we have a greater certainty of how the revenue is getting accrued to us.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay, got it. The other question is for ARPOB here in India business, I think we have seen all the clusters by and large, we have seen a sequential, it's 2Q to 3Q, a decline anywhere from 6% to 10%. So what's really driving this?

A - Sandhya J {BIO 17430977 <GO>}

Debangshu, do you want to answer that?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yeah, this is -- Sameer, in line with this in general seasonality impact that we have talked about in the right from our opening remarks. So as we see across the board, there has been a general dip in revenues and a lot of the high-end procedures are typically deferred within, I mean and people do not feel comfortable planning those in this elective, I mean the festival season. That's the reason you would see Q3 over Q2 every year, our revenue dip accompanied by an ARPOB dip accompanied by a margin and the profitability drip. That's true of almost all our units this time around, but for Health City, we had actually picked up the momentum given relatively underperformance in the previous quarter unlike all our other hospitals. So that's the reason it has -- if the other hospitals Q3 over Q2 sequentially is in line with what you would expect of any Q3 over Q2 across the board that you would see even previously with our hospitals.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay, no, that's very clear and.

A - Debangshu Sarkar {BIO 20026423 <GO>}

And Sameer, sorry, to clarify, just one point on your previous thing itself. On an overall basis, if you are looking at a sequential comparison and I thought, I'll just clarify that. So the net movement in Saint Lucia has been INR21.5 crore positive gain recognized in last quarter, with additional INR2 crore of loss that -- I mean for the expense and we -- since Sandhya mentioned, we have not decided to accrue any revenue this quarter. So that net impact was INR23.5 odd crores. An additional impact of -- as Sandhya mentioned around INR6 crores for the Whitefield write-back of provision and there is an incremental INR2.5 crores towards the vaccine contribution that was there in the previous quarter, which relative to this quarter is not there.

So on a net basis, if you see or at an aggregate basis, while I have reported almost similar kind of an EBITDA at aggregate number of around INR181 crores, but actually net of this, there has been a INR30.5 odd crores of increase bit across my Indian and Cayman operation sequentially speaking, which is almost equally split between India and the Cayman, ballpark.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Yeah, that's thanks Debangshu. Very helpful and shows a very solid performance. So good work done there. Just Viren, in line with the Jhalak's earlier line of questioning on the occupancy, et cetera, so I guess the question that's there in our mind is how much of volume growth can the current network of operating beds support going forward? I just

want some qualitative color, is it good enough to take you next two, three years or longer or shorter, if you really are tight fit capacity?

A - Viren Shetty {BIO 19528778 <GO>}

If I do nothing without investing in the infrastructure, I would say still about two, three years we can manage, just through a little bit of efficiency optimization by scheduling surgeries more intelligent pay by more -- getting more people in ICU and converting few beds with -- so doing nothing, I think they have still two, three years, we can sustain. But that's a little bit unsustainable, because then infrastructure really starts to degrade and doctors get a little demoralized when they're not seeing enough beds being added to take care of the demand or not enough refurbishment being put into the private patients who they want to convert.

So the ones -- and there are three kinds. One is the sort of bare minimum thing what we have been doing during this pandemic, where we really haven't spent much and just reconfiguring a few places. The next part is this brown facing [ph] what I said 20-30 beds were hospital, adding certain clinical departments and the last part is adding properly like an additional wing, adding 100 beds at a go, adding a new annex, sort of building block and so on. So those are the things we have to do in a staggered manner to keep driving for optimum utilization of our facility and increasing both the yield, the ARPOB and EBITDA, obviously.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay. This is very helpful. One final question if I may, I see the -- you have detailed pretty high end surgeries in sort of a Tier 2 markets like Raipur, Guwahati, and Ahmedabad. Is there anything to read into this, or do you think it's business as usual, read into it as in, much in a high-end stuff is moving from metros to even smaller cities and towns and what it means for your business?

A - Viren Shetty {BIO 19528778 <GO>}

Can I have Dr. Rupert to address this one?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, so we have been putting together a clinical team, which have the capability for doing this along with the support structures in both clinical and infrastructure. And we have seen with the pandemic people tend to -- wanting to get everything done in the same places, you don't generally go unless it is a very quaternary kind of a work. So a lot of judiciary work is becoming routine even in these kinds of cities. So we have been constantly working on that, and going forward also, we will be seeing a lot of this procedures happening in these spaces?

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay, that's great. And, is it the doctors traveling from metros to these or are these the doctor talent which is already there in these smaller cities?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah. So we have in certain places that we've seen that we need to augment the talent we have augmented them and -- but we need to have doctors upgrading their skills we have done that over the period of past two, three years. And we also have this hub and spoke model. So for very high-end work, we do have people from the spokes, I mean from the hubs, willing to support them and take and go there and work with them. So it is a combination of multiple things which you will constantly see, the spectrum of clinical work increasing in all our cities.

Q - Sameer Baisiwala {BIO 1948804 <GO>}

Okay, great. Thank you. That's it from my side. Thank you very much.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Thanks, Sameer. I do see a raised hand from Ranveer as well. I'm not sure Ranveer you want to ask another question.

Q - Ranveer Singh {BIO 19224420 <GO>}

Anyone else?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Ranveer, do you want to ask any other question? I also see a raised hand from Jhalak. Anyone else? I'm not sure. Jhalak, you -- do you want --- do you have any follow-up questions?

Q - Jhalak {BIO 20784756 <GO>}

Yes, sir.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Yeah, please do.

Q - Jhalak {BIO 20784756 <GO>}

Sir, thank you for the follow up questions. Sir, I just want one clarity, yeah, just understanding. As you said that your -- this OTs occupied at full capacity. Correct? So, sir, I just wanted to know that current reasons it is occupied at full capacity, so how can we debottleneck in the current hospitals that you have, because if your capacity is fully occupied, then how can we increase then the surgeries in the year or in the quarter? Hello?

A - Viren Shetty {BIO 19528778 <GO>}

Yeah. Now, so I'll try and answer this and Dr. Rupert can pitch in.

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah.

A - Viren Shetty {BIO 19528778 <GO>}

This is -- see, an OT operates generally, 8, 10 hours a day.

Q - Jhalak {BIO 20784756 <GO>}

Okay.

A - Viren Shetty {BIO 19528778 <GO>}

But you can operate for longer, and in some places they do. But then the constraint for OT is the ICU. The ICUs, and again, depending on the time of year, depending on especially during COVID like people staying much longer, that tends to be a constraint. As well as, there is a reverse feedback also in that, which is when the ICU is full, the OTs will actually start to reduce their throughput, because the doctors feel that, oh, if I operate, then there may not be a bed for the patient to be managed. So a lot of the work that we're doing in increasing the capacity utilization is reducing the number of very large format general ward beds, reconfiguring them as semi-private rooms, that bring up certain other areas that can be converted into ICU areas. And so that will not by a lot, but in few places shrink the number of beds, but make the -- it will increase the throughput because then people are able to get process in and out much faster, because lengthened stay comes down in that setting.

Q - Jhalak {BIO 20784756 <GO>}

(Foreign Language) Correct, so --

A - Viren Shetty {BIO 19528778 <GO>}

Rupert, you got anything?

Q - Jhalak {BIO 20784756 <GO>}

Yeah, sir --

A - Emmanuel Rupert {BIO 20800168 <GO>}

That is one more thing, which we have been talking to you about the technology part, the apps called the AADI, the Aathma Insights, Doctor Insights. So these are all tools, which the doctors will be able to use to constantly keep a watch on patients, wherever they are, irrespective of whether they're in the ICUs or a step-down ICU or in the wards. So these are some of the things which we in addition to all the things which Viren has explained, these are some of the tools, which we use to increase the throughput in various areas and move patients from one area to another and thereby enabling us to do more procedures wherever they -- wherever we have the infrastructure. Wherever we are not able to increase the efficiencies and move things further, that is when we keep adding more infrastructure and we've added a couple of OTs in that flagship in (inaudible) and things like that, but then -- and wherever we have a shell-like in the Healthy City, we're equipping them and increasing the capacity for us to do more.

Q - Jhalak {BIO 20784756 <GO>}

Okay, understood. And sir just last thing, you -- as mentioned you that you're adding 500 beds in the next three years. So this will be in your current hospitals or new areas and second thing, are -- these would be more towards your ICU or your general?

A - Viren Shetty {BIO 19528778 <GO>}

We haven't -- we're still working on a plan that will allow us to get to capacity addition and this will be over the next five years, and it will be a combination of all of the above. So that's why I said, once we get a lot more clarity from internally, want to discuss with our Board and get the approvals and face it all out, then we'll be able to more accurately explain what is going where.

Q - Jhalak {BIO 20784756 <GO>}

Okay. Okay. Thank you, sir.

A - Debangshu Sarkar {BIO 20026423 <GO>}

I see a question from Prashant. Prashant, you can go ahead.

Q - Prashant {BIO 6673705 <GO>}

Yeah, thanks Debangshu. So just a couple of questions. I missed the early part of the call, so just apologizes in case this has been addressed already. So at your Bengaluru facility, where you've seen significant Q-o-Q growth, how far would you say you are from normalization, are you already now at normal levels or do you think there is some more room here to get to where you were say pre-pandemic and both in terms of revenue margins, but also in terms of patient profile, so say the out of city patients, international patients, et cetra?

A - Viren Shetty {BIO 19528778 <GO>}

Rupert?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, we have been constantly working on the patients coming into our flagship hospital in Health City, Bangalore by trying and mobilize -- I mean trying and getting patients within the 30 kilometer, 30 kilometer, 35 kilometers radius. So we've seen a lot of traction in these in certain specialties, but then in the cardiac hospital, it's always had a pan-India kind of network of people coming from all over -- all across the country for very high-end work. And with the COVID easing out in quarter three, we've seen a lot of this movement of patients coming from various regions of the country, that has got impacted in January, but as and when -- so this all depends, it's directly proportional to the COVID in various other regions in addition to the actual -- the COVID effect in Bangalore.

So when we see that -- when we have a little bit of an ease on that, we will see all the patients coming back because there is a lot of pent-up demand of people for very high-end tertiary and quaternary and work, which is they have been postponing and they will

keep coming back to us for all these kind of work. And also in other specialties also, we've seen a lot of movement in the vicinity of 30 kilometers, 35 kilometers, we have seen lot of patients moving into the hospitals for various procedures, in addition to the people coming in from other regions.

Q - Prashant {BIO 6673705 <GO>}

And just one more question, just wanted your thoughts on your -- so how should we think about your effective tax rate for this year and say in the next two years?

A - Sandhya J {BIO 17430977 <GO>}

So for India, it will be 35% because we have still not moved to 25% tax regime. And Cayman as you know, we do not pay tax, so that will be the -- depending on the mix, how we finish, that will be our tax rate for the current year. We still have some carry forward losses as I explained earlier. So therefore until we are able to complete that cycle, we will not be able to move to the 25% tax regime. And so, I think this is what will be the outlook for now. As we go forward and we are able to move on this, we can share more information.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Just to clarify on that, Prashant, I mean, effective tax rate will be lower than this, because we do have the benefit of the carry-forward loss that Sandhya just mentioned. And a good portion of our consolidated PBT now is tax-free coming from Cayman. So effective tax rate will broadly be in line with what you are saying, but yeah, or as India business picks up further, the taxability possibly as a percentage of the booked PBT over booked PAT will also increase slightly.

Q - Prashant {BIO 6673705 <GO>}

Thanks, thanks a lot. That's it for me.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Ranveer, do you have any follow-up question, I see a raised hand from your side?

Q - Ranveer Singh {BIO 19224420 <GO>}

Yes, yes, I think personally my queries have been answered. Well, just again the question was related to sustainability of the group, we have seen in this quarter. So basically in Bangalore cluster, pre-COVID level, we used to see some 40% contribution from this center. We currently we have 35%, so with that 35%, can we expect to going to again 40% in next few quarters?

A - Emmanuel Rupert {BIO 20800168 <GO>}

We can say that, there has been an impact because of this January Omicron wave. So Q4, the last quarter which is generally the strongest this quarter, unfortunately got impacted because a lot of our doctor, a lot of nurses, had got infected despite being vaccinated and some of them had booster also. So it led to a lot of cancellations as well as because

of the Omicron, a lot of patients also voluntarily postponed their elective procedures. We are hoping that a lot of that will recover soon and we are seeing very strong recovery in February.

Hopefully that momentum is able to sustain in February and March as well. In such case, we should be getting back, but this is one quarter unfortunately that we'll be looking a little moderated with the rest. And once -- let's hope that the COVID is past us, or even if there are further waves, there it won't be as deadly as what it was in the delta wave. In which case, then I think we should be -- we have a lot of the fundamentals to keep growing and a lot of the things that we have done in terms of our -- that makes in terms of putting the technology and in terms of our surgery and ICU work, we should be able to keep delivering decent amount of growth combined with a lot of the capacity addition and the oncology practice we'll be doing.

Q - Ranveer Singh {BIO 19224420 <GO>}

Yeah, so the context was that in first quarter, in this quarter, initial part of the quarter, there might have some pent-up demand also in elective surgery, basically improve, the quarter omicron might have affected. So net to net, I wanted to I understand that this is sustainable base currently in most of our segments or we can see either a specialty mix changing going forward significantly or footfall in any of these clusters are going to increase or decrease? That's what I wanted to understand.

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, the only big swing you'll notice will be because of the January effect, because of Omicron, but I'm assuming that this is the last major wave, in which case it should reach to historical numbers in terms of the case-mix percentages and the ALOS. The ARPOB, would because of a lot of work we've done has increased from the historic norms, and we believe it should sustain and back up.

Q - Ranveer Singh {BIO 19224420 <GO>}

Okay. Okay. That clarifies it. Thank you.

A - Debangshu Sarkar {BIO 20026423 <GO>}

I think we can take one last question from Nitin Agarwal. Nitin you can go ahead.

Q - Nitin Agarwal {BIO 7547261 <GO>}

Thanks, Debangshu. Viren, I think you alluded to that a little earlier. So what should we assume would be roughly where ICU occupancy right now in the system and with the measure that you're taking to increase our ICU capacity across various hospitals, roughly by what percentage do we think our ICU capacity will increase over the next say two, three years with the -- as a consequence of a brownfield expansion that you're undertaking?

A - Viren Shetty {BIO 19528778 <GO>}

Rupert, do you want to take this, the percentage occupancy and --?

A - Emmanuel Rupert {BIO 20800168 <GO>}

Yeah, percentage, seen the ICUs is just clubbed together as broad category called ICU, but there they are actually split across things like surgical ICUs and Neurosurgical ICUs and Cardiac ICUs and Pediatric ICUs and the medical ICUs. So if you really look at it, the cardiac, the procedure-related ICUs is directly proportional to the procedures that we do, the occupancy will be directly proportional to that, the more the procedures, you know that more the occupancies that will happen in those things and we work on significantly on the efficiency too, so that it doesn't become a bottleneck and I think the number of procedures that we do. While the medical ICUs are all generally under longer stay patients, because these are all very chronically ill and very elderly people and these are all, they stay for a longer time, and this is also, this is more or less a steady state throughout the year irrespective of what happens, that kind of an ICU will always remain and have an occupancy, which is high. So depending upon the hospital-to-hospital and the kind of community that we serve, generally, these ICUs have occupancies in excess of 80%, 85% occupancies, while the procedural ICUs have very high occupancies in different days of the week, depending upon the kind of procedures that we do.

Q - Nitin Agarwal {BIO 7547261 <GO>}

And sir, (inaudible) are there any particular hospitals in the network, where this is a -- the procedural IPU, ICU availability has been a constraint for you to grow or to perform these procedures?

A - Viren Shetty {BIO 19528778 <GO>}

No, I mean we -- that is something which the leadership and the clinical leadership constantly monitor on a day-to-day basis and that is when we plan much ahead of time and see the requirement and keep moving it ahead of time. And to that end, for things like 100% of our beds, I have oxygen beds and so technically we can convert any area into an ICU if it need to be, so in the peak of the COVID and during Delta, we were just able to convert many of our beds into, so that we can cater to the critically ill. So it's just a matter of conversion of that but procedural ICUs, you can't just put a patient after the procedure in any area because you can't often subject them to the risk of infections and things like that. So that is something which we scale up in a very careful manner and we keep monitoring the kind of procedures that's simply done and the scale of that and we keep opening up new areas as in wherever it is possible. So that is where we took, and we increased the efficiency of the run [ph], so that we are able to move patients from one area to another in a very timely manner.

Q - Nitin Agarwal {BIO 7547261 <GO>}

Okay, and Debangshu, where in -- on -- from the CapEx perspective, I think you put out a pretty large number at the start of the year for the next couple of years, I mean how are you progressing on that and any rethink on the CapEx number for the domestic business?

A - Debangshu Sarkar {BIO 20026423 <GO>}

Sandhya, are you going to address?

A - Sandhya J {BIO 17430977 <GO>}

So -- we, I think we put about INR250 crores at the beginning of the year. Maybe we will be -- maybe we lend slightly over 200 for the current deal. As far as the next couple of years is concerned like Viren explained, a lot of brownfield opportunities and the way these opportunities get timed, so that will consume a significant chunk of the CapEx. The second is the -- some of the work that we've started in terms of these redesigning, remodeling that's underway and those are approved CapExs, the spends are in progress, so those will continue, so the some of the flow, what, that it has not got consumed in the current year will get consumed. And thirdly, because we are opportunistically looking at greenfield opportunity, even if some good greenfield opportunity comes up, then that will be a big CapEx number.

Q - Nitin Agarwal {BIO 7547261 <GO>}

Correct.

A - Sandhya J {BIO 17430977 <GO>}

So that's why I'm not putting out like a number out there saying these hundred crores, we will do, because that depends on the, some of it is opportunistic in nature, but we will continue to look for expansion on the brownfield spaces as we can time them and they will continue on our existing CapEx path and complete the projects that we have currently undertaken.

Q - Nitin Agarwal {BIO 7547261 <GO>}

If you can, still one last one. Viren, you've talked about other opportunities in the Cayman. In your assessment in the whole our region for us, barring what you've got, what you've got in the Cayman Islands, at what point in time, do we -- are -- you will be able to create another strong -- or strong sort of business geography in that region?

A - Viren Shetty {BIO 19528778 <GO>}

Yeah. See, there are very unfortunately the Caribbean area is pretty large, but there are very few places that have the same characteristics of the Cayman Islands, which is the combination of very high income population, very business-friendly enabling environment. And there have not been many providers of healthcare available, as well as their openness to allowing us to come in with our doctor. So we are in touch with a lot of the major countries over there and there are different opportunities at different places. So for some, we are running information centers, in other places, we're running an outreach center, where our doctors come, see patients and go back. For others, we have partnerships with other hospitals where our doctors will go do surgeries and come back. But, all with the idea that eventually, we want to create a presence in that space.

But it won't be the same, it won't be as -- really to be straightforward as what we did in Cayman, and that's why we are trying to do it in a more measured base, smaller investments, seeing how it goes and then taking a much larger plunge later. The St. Lucia, for example, could have either been an opportunity for us to do what we're doing now, which is a consultancy contract or one in which you take the plunge and invest $1,800 million in an investment and maybe it works out, and maybe it doesn't. We're trying to be

a little more careful with all these things, and so that way we opted for the more conservative one. Once we're confident, then we may look at investing some more money there. But for right now, this is how we're looking at it.

Q - Nitin Agarwal {BIO 7547261 <GO>}

Thank you.

A - Debangshu Sarkar {BIO 20026423 <GO>}

Thanks, Nitin. I guess with that, we will end up or wrap up today's session. Thanks again, everyone for your active participation in today's session. Look forward to such interactions in the future as well. Thank you.