“Narayana Hrudayalaya Limited
Q1 FY22 Earnings Conference Call”

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Debangshu Sarkar: Good afternoon, ladies and gentlemen. On behalf of Narayana Hrudayalaya, I welcome you all to our Q1 FY '22 Earnings Call. Myself, Debangshu, and as most of you would be aware, I run the Investor Relations and Mergers & Acquisition practices at NH.

To discuss our performance and address all your queries, today, we have with us Dr. Rupert, our CEO; Mr. Viren Shetty, our COO; Mr. Kesavan Venugopalan, our CFO; alongside Ashish Sukhija from the team. 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 viewed in conjunction with the uncertainties and the risks 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. With that, I would now like to hand over the call to Dr. Rupert.

Dr. Rupert: With the impact of the devastating second wave of the pandemic playing out for much of the period, our Indian operations were affected on expected lines in the quarter gone by. Despite the same, on a consolidated basis, we have been able to achieve our highest ever quarterly revenues at over INR 8.5 bn on the back of consistent solid performance by our Cayman Islands operation. For the period Q1 FY22, while registering a consolidated EBITDA margin of 16.3%, we are pleased to have delivered the highest ever quarterly consolidated PAT of INR 762 mn at 8.9% margin resulting in Return on Equity (RoE) of over 23% on annualized basis. Its also heartening to note that our overall cash accruals continue to remain strong with consolidated bank balance and liquid investments of over INR 3.0 bn as on 30th June, 2021.

Our India business, adjusted for the Vaccine revenues, while growing 115% YoY due to the base effect, registered an EBITDA margin of 8.0% during the period with Covid 19 business registering its highest ever contribution at 23.8% of the Total operating Revenue (excluding Vaccine revenues) with Cardiac Sciences' contribution at an all-time low of around 22%.

While other flagship centres like MSMC, Bengaluru and RTIICS, Kolkata registered flattish sequential revenues, the heart hospital ie NICS at Health City, Bengaluru bore the brunt while degrowing by over 44% Quarter-on-Quarter (QoQ), adjusted for Vaccine revenues. With us allocating almost 50% beds across the Health City campus towards treating Covid-19 patients and driven by the much-impacted cardiac sciences based elective domain as well as its higher reliance on out-of-station domestic and international patients, resulted in historically our most profitable facility reporting operational losses (absolute decrease of INR 359 mn in EBITDAR on QoQ basis) during the period. However, with the operating leverage ingrained in the system,

we remain hopeful about the profitability tracing back to normalcy as the sentiments improve all around with a reduction in covid infections and increase in elective surgeries.

Separately, we continue to remain encouraged by the traction being demonstrated by our non-flagship units building upon the momentum over the previous few quarters. Notwithstanding the Covid 19 and seasonal impact, the Other Hospitals excluding the 3 new hospitals and Jammu, grew sequentially (QoQ) at 3.9% resulting in 16.8% EBITDAR margin thereby improving upon its profitability over the previous quarter ie Q4 FY 21. And even within our new hospitals, while we had limited infrastructure in NCR region, and regret not being able to take care of the huge number of patients that needed a critical care bed, our 2 facilities together generated a positive EBITDAR on account of the increased Covid 19 footfalls.

Our overseas unit at Cayman Islands continuing its strong growth trajectory delivered its highest ever quarterly operating revenues at USD 23.2 mn resulting in EBITDA of USD 10.8 mn for the period. While our announced expansion plans in the Islands remain on track, we have recently opened a state-of-the-art clinic at the city-centre which shall be integrated with the larger new campus when commissioned. We remain confident in this regional business emerging as a strong lever for our future growth.

Moving on, with our focus on improving clinical outcomes through digital initiatives, we have implemented chat functionality during video consultation and instant refunds to improve patient experience. We have also enabled IVR based family communication feature in AADI (Aathma Application for Doctor Insights) Doctor's application to ensure timely communication with patients' families. These initiatives form the backbone of health tech journey we have embarked upon so to provide best-in class clinical care to our patients.

On the clinical front, we continue to deliver cutting edge quaternary work as reflected in some of the highlights of this quarter as captured below.

- NH SRCC, Mumbai successfully performed its first pre-natal intervention for Twin-to-Twin Transfusion Syndrome (TTTS)
- Mazumdar Shaw Medical Centre, Bengaluru continues to build on its eminence in solid organ transplants and other complex procedures and performed 12 renal transplants, 5 liver transplants and 20 robotic surgeries in the first quarter of the fiscal
- Narayana Multispeciality Hospital, Mysore performed Cytoreductive Surgery + Hyperthermic Intraperitoneal Chemotherapy (CRS+HIPEC) for advanced ovarian cancer, it is the first hospital in the region to perform such a procedure
- Narayana Superspeciality Hospital, Howrah performed the region's first adult heart transplant (previous two heart transplants were done on paediatric patients)
- In the first reported case in India, Narayana Multispeciality Hospital, Ahmedabad performed a rare procedure, Melody in Mitral position on a 2-year-old child suffering from severe mitral regurgitation with single papillary muscle

As part of our mission to make healthcare accessible to all, as you are aware, our hospitals are administering vaccines at the cost of procurement at our centres. We have also partnered with several NGOs and global corporates to sponsor free vaccines for the underprivileged and stand in solidarity to extend support to the national vaccination program.

Looking ahead, we remain vigilant over recent developments taking place across some nations with respect to a fresh wave. Notwithstanding the near term Covid 19 related uncertainties, with vaccination rollout program picking up pace, we remain confident about our business prospects by continuing to focus on delivering quality affordable healthcare to all. Lastly, we do share the grief of all the affected people and continue to support our communities in these times.

Ashish Sukhija: We can now open the floor for Q&A. If anybody has any question, kindly raise your hand.

OK, we have the first question from Shantanu Basu. Please go ahead.

Participant 1: My first question is that with respect to your new Cayman Project. I understand 50% of that would be financed through debt so that's roughly US$ 50 mn. When exactly would this debt feature on your balance sheet?

Kesavan Venugopalan: Part of it would come in 12 months time frame and balance would come in another 6 months i.e. totally by around 18 months time frame.

Debangshu Sarkar: Just to interject, Shantanu, with the cash accruals being as strong and robust that we are seeing over there in that business, our actual financing to the extent of leverage might be a little lower than what we have previously guided. The details you are seeking probably will be worked out as we go further on this project and the timelines shall also depend on the progress on how soon we take off the project from the ground because we are still in discussions with the vendors for the finalization of the contracts out there.

Participant 1: OK, so would it be fair to assume that the debt would be around US$ 40 mn, roughly?

Debangshu Sarkar: Like I said, it would be difficult for us to give you a hard number guidance. But at a directional level, it will probably be lower than the figure that we have mentioned before.

Viren Shetty: So the construction period being started out that will be a phased approach and we can manage it with the cash flows. Equipment orders, most of them would be on 80% upfront & 20% on delivery basis and they will come all at once. So 6-8 months from now and staggered, according to when the equipment is expected to land because some are long duration, some are shorter duration. It will get spread out 6 months from now until 18 months from now.

Participant 1: Can I assume around 60 to 70% of that debt financing to be in books by FY22?

Debangshu Sarkar: May not be. There could be a downward bias to that number.

Debangshu Sarkar: We now move on to our other participant, Charulata Gaidhani. Please go ahead, Charu.

Participant 2: Yeah, my question pertains to Cayman Islands in terms of profitability and revenues growth. What are the factors that have led to this growth?

Viren Shetty: There is a mild cyclicality to the way the spend happens there and we noticed this over the past 5 years. Most insurance companies operate on the calendar year and benefits tend to get exhausted towards the end of the year and so we always see the first 2 quarters of a calendar year i.e January through June, those being the ones which tend to have the most amount of medical spend. By the time you get to October, most people have exhausted their benefits and so that's why you'll see that it starts to taper down. So one is that effect, like I said it's a mild cyclicality. The other is the incremental investments we've been making in increasing our presence on the island. We had indicated we've set up a clinic in the Camana Bay shopping area, which is one of the most prominent high street locations of the Cayman Islands. We have added additional consultants in urology, medical oncology, we've gotten a lot of primary care specialties. We've also started more aggressively working with referring doctors and institutions on the island for critical care. I would say that what is leading to this growth is the fact that there were some departments specifically in urology, medical oncology where we were sort of debating between adding additional doctors or not, but, given that we'd rather at this point be safe than sorry, we are going for a little bit all out and capturing as much market share as is possible in all the departments that don't have a presence on the island and so definitely we will see a revenue growth from that. It's taking time because new doctors when they come, they take time to build up good practice and we're seeing the results of that now. But yes, going over the next 2 quarters and especially if you're looking at October - December, it will start to taper down just because as I said the benefits will exhaust for not all the payors but definitely some of them would still have good benefit plans, but for a good number of them, it may get exhausted.

Participant 2: And that is the reason for the higher profitability also?

Viren Shetty: To an extent, yes because we've added a lot of consultants without much addition to any other cost. It's just manpower cost. Our priority is top line growth at this point i.e. to gain market share than preserving the margin. We will start focusing a lot more on growing the top line and it doesn't mean that we set fire to the margins.

Participant 2: OK, so the additional clinics that you will set up what are the timelines for that?

Viren Shetty: This will be on a staggered basis. We've already opened up two. We have plans to launch three more over the next two years. They will come up as and when we sign rental agreements and are able to get it going. Relatively speaking, the cost of these are about US$1 mn each for these clinics. So, on the scale of Cayman, these are really not that much of investments and we'll be rolling them up as and when we get the people to run it.

Participant 2: OK and my second question was on India business despite a large 23% contribution of Covid comparatively the profitability seems to have gone up well. So other than cost controls are there any more factors?

Debangshu Sarkar: There hasn't been any specific cost control initiative that we took this time around. While you will appreciate that obviously Covid hit us hard just like everybody this time around, but unlike possibly the previous wave of Covid that we saw in the last year, this time, the average realizations per patient, given the clinical protocols as well as the fact that a lot of the patients did end up requiring critical care treatment as well as oxygen flows meant that we were

possibly reimbursed much better than we were impacted in the last wave of covid that you would have seen. Given that this quarter also saw the kicking in of our annual wage escalation for the broader manpower segment, you would have noticed the dip in the overall EBIDTA that you saw at an aggregate level. As Dr. Rupert mentioned in his opening remarks, if you split it across the units, you will see that by and large, all units have been able to largely hold on to their own in terms of what they had been able to accomplish last time round (Q4 FY 21) as the revenue impact due to Covid (in Q1 FY 22) was not as high as was seen last time round particularly given the seasonal impact (Q1 is typically muted than preceding Q4 in our Indian operations). Also, like outlined in this Call initially, it's just our flagship hospital, the heart hospital at Bengaluru, which bore the brunt by degrowing by a huge 44-45 cr quarter on quarter and with the resident fixed cost in the system over there is the reason why you saw the kind of absolute decrease in our overall EBITDA. But for that thing, I think in fact we would have done even better during the quarter for the reasons that we outlined before. Viren, please feel free to add anything else.

Viren Shetty: I think one other thing was we were not idle this time. Because the 2nd wave came so fast and so ferociously, it was almost like we were doing surgeries one day and then the next day, the ICU beds were full. Also, we didn't have what we had in the first wave where there was a long period where hospitals were empty. People were not moving in and out. So what you lose in terms of COVID business being lower yield and lower outcome will make up in the fact that it is constant or there is no lag between when one person gets discharged, another person comes in because we had people lining up outside the hospitals.

Debangshu Sarkar: Thanks Charu, I think we can move on to Nitin Agarwal for the next question. Please, you can go ahead.

Participant 3: First of all, have noticed the granular details that have been introduced in the Investor Presentation around IP/OP split of Business with respective ARPPs and Footfalls being showcased and would want to congratulate you the same. Moving on, On Cayman, earlier apprehensions around the fact that once the island opens up, we will have a drop in footfall. The Cayman Islands patient footfalls as indicated in the presentation seem to have gone up or you know they seem to be on much higher than what they were in the previous quarters. You alluded to the seasonality part of it. Is that as a concern really behind us?

Viren Shetty: So broadly, I think you're right. Anecdotally, even though the borders are closed, people are still going in and out, but it's very annoying if you go; you have five-day quarantine and so several of our cancer patients were getting treated at MD Anderson Cancer Centre (Texas). We were managing them, they've gone back and they're going to get treated in U.S. hospitals, but not as many as we thought. Obviously, you have to factor in that people are a lot more scared about leaving the island, so there's that kind of retention, but I think from our doctors speaking with them, the patients are quite happy. They're happy with the convenience. They're happy with the kind of facilities we are offering and are very thrilled that we're setting up an oncology center. I think in one year, we've been able to double the number of patients visiting us. I would put caution around a couple of things. One being that we have a pretty large unit coming up and for us as I said a little bit earlier, It's more important for us to grow our market share not just in number of departments that we have in one island but also

spreading out across the Caribbean because these are all ultimately very small islands and they're prone to all kinds of natural disasters and we don't want to be too concentrated on just one place, so we have made a lot of progress. We run a project in St Lucia which is the eastern Caribbean Island. This is part of the French speaking Caribbean and over there, we are advising and consulting with the government on operationalizing one of the hospitals and in time we will work with them to run it. We're also speaking with other islands in like Jamaica, Bermuda and the Bahamas for sending our doctors over there to do clinical camps and to eventually start running clinics.

Participant 3: Secondly on the India business, clearly mentioned in the previous conversations that in inorganic growth or something we will be very cautious around in terms of overpaying for the transactions. So on the organic growth now with government also incentivizing meaningfully in terms of giving us fairly low cost loans and everything. I mean, is there any rethink on our own organic growth or plans?

Viren Shetty: There is a rethink, yes, but not rethink on acquisition but reinvestment in our own business. So right, the government has gone all out and they're really encouraging for the setting up of healthcare infrastructure and we are taking advantage of this to renovate and refurbish a lot of the infrastructure that we have. The Health City campus in Bangalore is our flagship performer but also quite old, it's 20 years old. Similarly, the one we have in Kolkata, one of the buildings is quite old. Other places also could do with a bit of a refresh and so this gives us a chance, not just to paint the interior exterior but also to completely rework all the floors. So for example, one of the activities will be taking up over the next five years is a total transformation of the kinds of beds that we have, so that means investing more in ICU beds, critical care beds, private rooms, a lot more of diagnostic areas, lot more daycare areas. So that is a kind of refresh. That one can be executed very quickly. Not to say that we're completely ruling out going to new areas and locations. That's something we always retain, but as of right now, these are the near-term opportunities that we see. In addition to that, we are investing a fair bit in the service transformation, improving the sort of the experience that patients have in our hospitals. We also invested quite a lot in the technology for apps for patients to use so that their stay in the hospital becomes seamless and they can order their tests online. They can pay the bill online, they can view their prescriptions whenever they want and soon we will start working with other partners to make these apps a lot more fully featured. Not to say that Acquisition is a bad thing and hospitals shouldn't do that. They absolutely should. But these couple of things are a priority for us. The hospitals we have been speaking with which are in our target area and which you know we're in constant discussion with their promoters, those discussions will take their own time, but we can't wait for that and so these are the things will be taking up with the RBI concessional loans in the meantime. Intuitively, it should improve the yield for hospital beds. So, you'll see a little bit of a lag period.

Participant 3: So, this brownfield investments ie transformational / refresh intuitively should be far more attractive with the returns being relatively much more front ended than acquisitions. Right?

Viren Shetty: Yeah. That’s the reason we want to fast track the same.

Participant 4: OK, I was looking at the investor presentation and it looks like the cost structure has changed quite a bit in terms of the percentage of costs attributable to Manpower. It's 43% now as compared to 71% a year back.

Viren Shetty: Just to clarify, 71% as a percentage of revenue in Q1 FY21 was because we all were sitting at home and not going anywhere. There was no revenue, so that's why 71% is the aberration, 43% is more of a normal thing. Debangshu, that's right, no?

Debangshu Sarkar: Yes Viren. You should look at it with the Q4 figs, and if you look at it, actually QoQ, our manpower cost as well as the overhead costs as a percentage of total has gone up. Not that huge, but because of the Covid business as well as Seasonal impact, we have degrown on Revenues, so it has gone up. And as I have previously mentioned, also our annual wage escalation also kicked in from 1st of April, so that has meant that the manpower cost as a percentage of total has gone up.

Participant 4: OK, yeah, thanks for clarifying so that was oversight on my part so and so is that an indicative range that we are comfortable with 40 to 45%.

Participant 4: So I saw there's a fair amount of automation and I remember last year, we had a chat about this on the sidelines of the AGM as well. I did not seem to see a corresponding amount of effort on the front end essentially for customers and Apollo for example, seems to be a lot more visible in this area. So is that deliberate or it's just the nature of services that we offer that differs from Apollo, which is sort of much wider and they do a lot of opd consultations.

Viren Shetty: I would say it's a combination of things. We were so committed and focused on at the beginning, this was pointed out to us by several people in the past that we've done brilliant work in making our doctors more efficient in getting all our labs automated, in sending a discharge summary quicker in the hospital, but none of that is contributing meaningfully to customer front-end experience, it's still the same app. The apps that we use are still better than what they were earlier, but nowhere by any stretch are they fully featured enough. We are working very hard to address. The challenge of building an app for ordering medicine from a technology perspective, that is the easiest problem. The biggest problem is how that information flows within the system, how quickly they're able to call on different APIs from different entities within the hospital, whether it's a pharmacy or the supply chain side or the billing system and that integration of all those things is something we focused on first. That is the non-glamorous completely back-end work that we spent the last four years working very hard on and that is more or less done. Now that these guys are lot more free and can focus on things that actually start churning out money for us and that is going to be the focus going forward. So yes, one year from now we will have, you know, we'll be able to show you a much better response to the question you asked. Other groups focus more on the revenue side first and then I think they fixed the back-end part later. But as far as I think, we did the reverse.

Participant 4: OK, that makes a lot of sense. Thanks for the detailed explanation, so you're saying essentially the platform is in place now.

Viren Shetty: It's just the front end that needs to be built out and made a little more convenient and probably marketed a little better as well.

Participant 4: Does that also mean that the addressable set of patients we are looking at becomes much wider?

Viren Shetty: Yes, so just to give you a sense, ever since doctors wholeheartedly embraced telemedicine, the traditional places where we expected patients to come from have gone up by three times. We never used to get patients from central India and now they are almost displacing the number of patients that we get from Bangladesh. It definitely opens up a lot more catchment areas. New revenue lines, it does, but it would involve a commitment from us to build out the ability to service those requirements. So theoretically, so right now our NH app, which is on the App Store which patients use; tt can take care of anything you want to do when you are inside one of our hospitals. That part is seamless, but let's say you go home to wherever you're from, whether say in Bangalore or Nagpur, where we don't have a presence and you wanted medicine delivered, we're not able to do that. For us to build medicine delivery business to service patients in Nagpur because we need to have a presence and it's easier to get someone else to fulfil. Digital revenue, which is patients consulting us from geographies where they traditionally would not have, so right now it is driven by people who know about us and are coming here. But soon, it will be driven by people who have never visited us and only peripherally heard of us and probably have no intention to ever visit. But they will get some element of advice and management of the medical condition from our centers and it will be done remotely.

Participant 4: OK and is that initiative likely to be extended to the wider Caribbean?

Viren Shetty: Of course, but you would actually be surprised by how low the technology penetration is there. The most important way patients interact with our hospital is not the app, it's the call center and so they may even be a little bit behind on that, but it doesn't mean we won't roll that out because whatever we do here just needs slight modification to be applicable there. But yes, it will definitely be something that we will be rolling out there.

Participant 5: Hi, can you please explain a little bit in detail, how does the O&M model work? What is our revenue proportion from it and if at all there is any capital which is required in these businesses?

Viren Shetty: O&M is basically someone with a hospital property with no intention to run it. Mostly real estate people sometimes retired promoters, non-profit trust hospitals and so what we do is we come in, and we say, we'll take over the operations of this unit and we will pay you a revenue share so the hospital stops being a headache for you. The revenue share payout or the fixed rental payout what we give them is quite muted. Then these are 30-year-old contracts and the commitment is that anything medical related i.e. the Cath lab, MRI, CT, etc that we will invest in and they will take care of the building and so on and this is how we've been expanding. Debangshu, could you help them on the guidance on the Revenue Share fig applicable for our contracts.

Debangshu Sarkar: As a broad guidance, you can assume that figure (Revenue Share) to be 5% of the aggregate top line. I mean, obviously don't hold me on to this number because that could be very different for different hospitals and how the transaction has been structured. But just to give you a ballpark estimate, 5% would be a fair number to go by. Furthermore, the arrangements are typically structured either in the form of a revenue share or pre-agreed rentals with a fixed escalation built in over the period which would be 20 years plus if not even higher.

Participant 5: Yeah, I was actually hinting more towards the Caribbean islands kind of arrangement, which we have got into and are looking more to expand in that area.

Debangshu Sarkar: No, we have not gotten into any O&M arrangement in the Caribbean yet. So the existing Cayman Island facility is a fully owned asset and the St. Lucia project that Viren referred to, at least for the moment, is the pure Management Contract. There is a difference between Management Contract and the O&M. O&M means where we own the P&L. In a management contract, we don't own the P&L and we just get paid fees just like a consultant. So, in the management contract, your top line is your bottom line with no ownership of the P&L and St Lucia project is that. We also have one such project in India.

Viren Shetty: But you raised a good point, which is, should this be the thing that we do and run around the Caribbean signing up if the opportunity existed. But the problem is it works in India because you have this critical mass of people who build hospitals without knowing how to run it and because they were excess hospitals in the market and there are operators like us. So, we were able to get those that don't exist in the Caribbean. Now there are real estate people who have come to us in the past and they have offered that they can put up the building to our specs that we can take and so it becomes asset light for us so they get a steady source of yield (rental or revenue share) and from our perspective, we get to have a hospital without paying (capex investment) for it and only manage the operations (responsible for opex). It is something that we would consider for our clinics. We haven't yet been able to convince any real estate person to come on terms that we find acceptable.

Participant 5: Got it, so in Caribbean Islands, basically, the prime focus area will be the management contract and if any good opportunity comes by, we will take it. But couple of years from now, if any greenfield opportunity presents itself in the island which is able to satisfy our requirements that are there, which is our ability to bring doctors and managed operations in the way that we want?

Viren Shetty: Right, that will be taken up on a case-to-case basis.

Participant 5: Got it and management contracts typically would be how long?

Viren Shetty: St. Lucia project is for the duration of the project construction, so it's a two-year contract where they are paying us to just get the whole thing started, which will then have the option to convert into an O&M contract. We will exercise at our discretion based on a couple of things that we are discussing with them.

Participant 5: Secondly on the new clinics that we are opening in the Cayman Islands. So the $1 mn Capex is basically the Capex on the machines. Assuming that the place is on rental is, is that how we should think about it.

Viren Shetty: This is on rental, but we have to invest in making it look nice and construction costs are extremely high and growing much higher day by day. As you know there's a massive housing boom in the United States, so it's nearly impossible to get construction material, manpower and so on. But yeah, we're spending (mainly medical equipment but also some civil furnishing) $1 mn on these clinics because we will make it look really high end and put really fancy furniture.

Participant 5: Yeah, thank you, now with the covid second wave impact severity reducing, are you presently seeing any uptick in revenues in the month of July and August.

Viren Shetty: Yeah, of course.

Debangshu Sarkar: To give you a guidance on that, July already appears to be the highest ever monthly revenue that India business has achieved.

Participant 5: And August also is more or less at par with July?

Debangshu Sarkar: A little oo early to say but yeah don't see any reason why it should fall off from July notwithstanding any fresh Covid 19 led disruptions, which obviously one can never rule out in these times.

Participant 6: First question- in June 20, there was dividend income from HCCI recognized but I couldn't find that in the?

Debangshu Sarkar: Yeah, so we (NHL India) haven't yet received the dividend from our HCCI subsidiary. We probably are trying to look at few things in terms of trying to match the cash flows around the cash requirement at the Cayman project level. Over the next two quarters, possibly you will see us (Parent ie NHL India) receiving the same from our overseas subsidiary.

Participant 6: What was the vaccine revenue contribution and how are you treating it in the books of accounts?

Debangshu Sarkar: We have provided those details in a slide in our Earnings Deck. To help you, Total vaccine revenues in Q1 FY 22 was 21.4 cr with consumption of 17.9 cr towards that. We are treating the cost as consumption cost in our books of accounts with the revenues being accounted as typical Operational Income.

Participant 6: How many beds are now operational in HCCI and ALOS of the unit?

Debangshu Sarkar: Guess, all the 110 capacity beds out there are operational with 95 beds being Census ones. On ALOS, I think we provide it in the Slide on the Cayman operations, in the footnotes (6.6 for Q1 FY 22). As a further point of information, we saw the highest ever quarterly average Occupied Bed count for that hospital at 50.

Separately, as you would have noticed, with us having moved on from reporting Occupied Bed as a relevant metric some time back, along with Inpatient Discharge nos (that we have been reporting for some time now) , we have also introduced Outpatient footfalls from this quarter as a relevant indicator for tracking Volumes in the business with respective IP/OP ARPP (Average Revenue per Patient) replacing combined ARPOB as the metric to track Yields.

Participant 6: OK, it just means that you still have a long way to go or at least some way to go before it hits peak utilization.

Viren Shetty: There may not actually be a need for as many beds in one location and so we may reduce the bed count out there. What we would end up probably doing is using that space for more daycare procedure rooms, outpatient area and so one of the things we will be doing once the new unit is operational in Camana Bay is that in the existing hospital, we would start to reconfigure the space.

Participant 6: The last one from my side when you think about expansion. You know, I heard your commentary around the Caribbean Islands. But outside of that are you thinking, something in India, or internationally other than that?

Viren Shetty: Internationally, Bangladesh being our strongest referral market for international patients, we have the heart center already there in Imperial Super Specialty Hospital at Chittagong which is going through a terrible time right now so we were not able to physically visit there and take stock. Of other things we could do over there, we could operate hospitals on O&M basis with people we can partner with and we're talking with quite a few. We will also look at creating something in the primary care, same as in India i.e. focus a lot more on clinics and online consultations and diagnostics and so on. Those don't require a lot of investment over there. Outside of Bangladesh, I mean, here and there, we have conversations with the African countries, Middle East and CIS countries but nothing much to report. North America is another region that we have looked at for a very long time. Right now, we're working with a couple of software firms. These are health tech companies and building systems that these guys work with other hospitals and we're working with them to get introduced to other hospitals and start putting in a software that their doctors can use. Since we're trying to work with them to see if we can help them really streamline their operations and help them breakeven. That's what we're doing on a consulting sort of basis and won't be operating hospitals there yet.

Participant 6: Sorry, I guess I missed on this previously but What about plans in India?

Viren Shetty: No worries. The hospitals that we have, there's a lot we need to do to refurbish them, especially the oldest hospital and so this is a hospital built long time back and the room configurations is poor so we will be changing the whole look and feel as well as converting those huge open general wards that we have into critical care areas, procedure rules, diagnostic rooms. So what that will do is it will increase the yield per bed in a lot of the hospitals we have. For the moment, there are capacity addition projects we are taking up in MMRHL (Westbank unit at howrah), and Mysore. We'll be adding radiation oncology in Jaipur and Ahmedabad and will be adding medical robots to a lot of our hospitals with large transplant programs, so those are the near-term things will be doing expansion wise. Capacity expansion will be in Kolkata because that's one where we have capacity constraint where there's really nothing more that we can do in terms of reconfiguring the space and so we are looking at a few opportunities there, some inorganic and some organic expansion. Other than that, I don't think we will look at any new geography right now. We are also adding a lot of clinics in Bangalore and Kolkata. Mostly because we want to be able to take care of patients when they're not at NH as well and so the clinics is about being closer to apartment societies, companies and build something that allows us to have more 360 degree view of the patient.

Participant 7: Whole India expansion strategy we're talking about. So, in the light of this, how does the capex plan for the next 3 years look like, any sense on that?

Debangshu Sarkar: We have previously guided you upon the fact that for this fiscal (FY 22) at least, given that a lot of the things that were planned last year, couldn't take place because of Covid; our replacement/upgradation figs would be much higher number than the typical annual figure you have seen in the past. That aside, given what Viren has just outlined in terms of the transformational capex, a lot of it is still being crystallized as we speak, so we would not be able to give you hard number guidance yet. But suffice it to say that with the guidance that we had previously given you for this year, which is around 250 crores (for replacement/upgradation/maintenance), there could be a strong upward bias to that fig. Going further, as we further crystallize our plans over the next couple of months, we shall share those details with you.

Participant 8: My question is NH is known for a very high-quality care, but at an affordable price. So that's what the perception of NH is in the market. So now that Viren was saying that general wards would get reorganized and number of beds would get reduced and high end beds would come in so just want to understand what that will mean?

Viren Shetty: I mean, this is our core philosophy, we would never get into turning our hospital into some five-star centre. Just to give you an anecdote, I went to one of the common area bathrooms in our hospital and it was worse than a railway station washroom and I showed our team pictures of what the railway station bathrooms look like. So there are the basic standards that we need to get to. I'm not saying we break down all the general ward beds. But there are still a lot of spaces that end up going unutilized. But because the nature of the disease is changing and COVID was a big example of how under equipped all hospitals are when it comes to critical care. Not that something like Covid will happen again, but the nature of disease changes and we also have to evolve according to that. So this is just a response to the changing clinical practice, not so much that we aspire to increase the payor categories nor we want to build hospitals only for rich people. We tried that once with Whitefield. The sort of hospitals that we run cater to all classes and demographically are more aligned with the average Indian. So what we would build would be more reflective of that. But yes, we have to build sustainable operations and we can't turn away patients because we don't have enough ICU beds or we can't be operating the highest level of clinical departments because we're short of space.

Debangshu Sarkar: Somebody has typed in the chat box, it says can you talk about the profitability margins of the heart center and the Cayman business?

Debangshu Sarkar: As detailed in one of our Slides in the Deck, the EBITDAR margin of heart centers was 12.5% for this quarter as against I think around 30 % in Q4 last fiscal and on HCCI business we have already spelled it out in the opening remarks and even otherwise you could derive it from the presentation itself. Just for your benefit again, we registered a post IND AS 116 EBITDA of USD 10.8 mn (IND AS 116 impact of USD 480k for the quarter at EBITDA level) for the last quarter on an operational revenue of around USD 23.2 mn, which works out to be a little north of 45% for the quarter.

Debangshu Sarkar: Somebody has put in a message which says - can you please throw some light on discharges and occupancies? It is low, is it Covid impact?

Debangshu Sarkar: Yes, it is. There is a 15% dip in our discharges QoQ as you can see from the figures and since we have given ALOS and the discharge figures, you can work out the Occupied Bed numbers, wherein, there is a drop of only 5% QoQ. That's because the 15% drop in discharges has been offset by a 12% increase in ALOS given the COVID businesses that we ended up doing.

I think that's that. Thanks all for your active participation and we look forward to such interactions in the future as well.

Should you guys have any further queries, do feel free to reach out to us. We'll try our level best to address that. Thanks once again.