



“Aster DM Healthcare Limited
Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Aster DM Healthcare Q3 FY2021 Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Param Desai from Elara Securities Private Limited. Thank you and over to you Sir!

Param Desai: Thanks Malika. Good morning everyone. On behalf of Elara Capital, I welcome you all for Aster DM Healthcare Q3 FY2021 results. From Aster management we have with us today Dr. Azad Moopen, Chairman and Managing Director, Ms. Alisha Moopen, Deputy Managing Director, Mr. Sreenath Reddy, Group CFO, Dr. Harish Pillai, CEO Aster India, and Mr. Amitabh Johri, CFO, GCC. I will now handover the call to Dr. Moopen for his opening remarks. Over to you Sir!

Azad Moopen: Thank you Mr. Desai. Thank you all for joining today’s call, our Q3 earnings call. As we bid farewell to an unprecedented calendar year in the history of mankind, we are seeing light at the end of the tunnel with the rolling out of the COVID-19 vaccine in many countries. India apart from being very aggressive in vaccination drive has also become the supplier of vaccine to many parts of the world, which will help to contain the global pandemic at the earliest. In the GCC states, where we have most of our operations, there has been a downward trend in the COVID cases, but in UAE the cases have increased recently as the second wave has come.

The good news is that UAE ranked second in terms of vaccination rollout with over one-third of the total population already receiving the vaccine including AstraZeneca vaccine from India. In India, the daily COVID cases are at all time low and the vaccine rollout is also progressing well. In Kerala, where majority of our Indian business lies, the COVID cases are still high due to a late start and spiking of the pandemic, but we hope that this will also come down soon.

In the year 2020, accessibility meant shifting the healthcare delivery model to the homes of our patients where they feel safe and comfortable. Through use of technology and business reengineering, we introduced teleconsultation, issuance of prescription, delivery of medicine, doing lab tests and providing homecare to our patient. We are diversifying our business model through homecare services, diagnostic, e-pharmacy, etc. We are also focused heavily on controlling cost across the group through improving efficiencies of manpower and shared services. We are in the process of rolling out of our lab and pharmacy

businesses in India, which besides being asset light allows us to provide end to end services to our patients.

During the third quarter, we posted revenue of Rs.2259 Crores, which is a decrease of 0.4% when compared to previous quarter and decrease of 3% when compared with the same period last financial year. A big part of this is attributable to the COVID impact in the GCC states, which has resulted in revenue shrinkage of 5% while revenues in India has increased by 7.5% compared with the same period last financial year.

The EBITDA in Q3 was Rs. 328 Crores, an increase of 21% when compared to previous quarter, but a decrease of 15% compared with the same period last financial year. The profit after tax post NCI for Q3 was Rs. 92 Crores, an increase of Rs. 59 Crores when compared to previous quarter, but a decrease of 47 Crores compared with the same period last financial year. Our group CFO, Sreenath Reddy will take you through the details of financial and segmental performance for the Q3 and nine months of the financial year.

I feel relieved that we had been able to tide over the pandemic without too much issues and I feel confident looking forward in view of the waning of the COVID-19 in the geographies that we operate. We are venturing now to the western hemisphere with our hospital in Caribbean, which shall add a new chapter in the history of Aster. This I hope would enable Aster to serve a high potential market.

We have just signed a long-term agreement with Cayman Island government to build Aster Cayman Medcity, a 150-bed, multispecialty hospital in the next three years. Close to the USA mainland with 90 minutes flight time from Miami, the project would cater to America and Canada apart from the entire Caribbean Islands and South America. This will allow us to provide quality healthcare at the affordable cost to the population in USA and the neighboring country. Aster's experience in Tertiary and Quaternary Care, with our clinical and service excellence and our international experience will help in delivering. The project is expected to add to our geographical diversification and at the same time allow us to increase addressable market. At Aster, we are evaluating various models to make it asset light and at the same time allowing to meet our ambitions for expansion.

In India, our new initiatives such as Aster Labs, Telehealth and Aster at Home have continued to see increase in business volume. Aster Labs have so far conducted around 60000 COVID tests including government and private hospital samples. Aster at Home, the homecare division is already very active in Kerala and Bengaluru. We have received some awards; the IHW Award, 2020 for the Best Home Healthcare Services and Innovation for Home Critical Care Services.

On the occasion of Aster DM Healthcare's 34th Foundation Day, the organization has announced the Aster FreeIN, a program to provide 10,000 free medical investigations like MRI and CT scan in the next one year across India to the patients who are facing financial difficulties.

I expect 2021 to be a year of hope, recovery and building upon the new foundations that the world has kept in 2020. I now request the group CFO to walk you through the financial number. Thank you very much.

Sreenath Reddy:

Thank you doctor. Good day everyone. As Chairman mentioned in his speech, the vaccination rollout all over the world has given signs of hope to everyone though the fight for COVID is still not over. We are seeing unusual trends and recovery in different geographies. In Q2, we had a good quarter, but in Q3 travel restrictions were eased and people started travelling out. This had an impact on our business.

For Q3 FY2021, our revenue from operations were Rs. 2259 Crore which is similar to Q2 revenue of Rs. 2268 Crores, but on a year-on-year basis revenue declined by 3% and corresponding constant currency decline is 6%. This is largely on account of reduction of revenue in GCC where hospitals occupancy and ALOS has been affected by COVID. The revenues in GCC have reduced by 5% whereas in India where COVID related impact is waning off, we saw a 7.5% revenue increase.

In Q3 FY2021 we have reported EBITDA of Rs.328 Crores, this was 21% higher than the previous quarter of Rs. 271 Crore, but a 15% decline on a year-on-year basis. In constant currency terms, the decline is 18%. The EBITDA margin in Q3 FY2021 was 14.5% as against 16.6% in Q3 FY2020, a reduction of around 210 basis points. Q3 of previous year was one of our best quarters. During the current quarter, reduced footfalls in all segments had an impact on profitability. PAT decreased by 34% to Rs.92 Crores as compared to Rs.139 Crores during Q3 last year.

Coming to 9-month performance, revenue from operation for FY2021 decreased by 2% year-on-year to Rs.6287 Crores from Rs. 6437 Crores on account of COVID, which had significantly impacted our Q1 revenue for the current year. We are seeing recovery in Q2 and Q3 of the current year. EBITDA for 9 months excluding other income decreased by 13% from Rs.854 Crores in FY2020 9 months to Rs.742 Crore in FY2021 for 9 months, which was mainly due to the adverse impact in Q1 of the current financial year. PAT decreased from Rs.146 Crore in FY2020 to Rs.42 Crores in FY2021 for a 9-month period. The constant currency decline for revenue and EBITDA for 9 months was 7% and 17% respectively.

Coming to the segmental performance for the quarter, the hospital occupancy during the period dropped to 47% in GCC compared to 61% in FY2020 Q3, resulting in drop in EBITDA margins. The EBITDA decreased by 21% on a year-on-year to Rs.143 Crores in Q3 FY2021. The EBITDA margins decreased from 22.9% in Q3 FY2020 to 17.9% in Q3 FY2021. However in India, the situation in many of the geographies have normalized with both OP and IP patients coming back.

Revenue had gone up by 8% year-on-year, but EBITDA marginally declined by Rs.2 crores due to the increase in material cost mainly in Kerala cluster where COVID cases continue to be on the rise.

Now coming to the GCC clinic segment, the revenue is at Rs.536 Crores during Q3 compared to Rs.543 Crores in Q3 for the same period last year. EBITDA was at Rs.115 Crores in Q3 FY2021 compared to Rs.100 Crores in Q3 FY2020. The EBITDA margins increased to 21.4% compared to 18.4% in the previous financial year. The increase in margins is mainly on account of increase in PCR testing carried out at our clinics. For pharmacies in GCC, revenue is at Rs.529 Crores in Q3 FY2021 compared to Rs.623 Crores in Q3 FY2020. The EBITDA has decreased from Rs.88 Crores in Q3 FY2020 to Rs.59 Crores in Q3 FY2021 and the EBITDA margin is 11.2% in Q3 FY2021 compared to 14% in Q3 FY2020. The dip in EBITDA and the EBITDA margins is mainly on account of reduction of footfalls during the quarter.

Coming to the balance sheet, the group net debt stands at Rs. 2488 Crores as at December 31, 2020 compared to Rs.2783 Crores as at March 31, 2020 which is a reduction of Rs.296 Crores excluding the forex impact, it is 244 Crores. The breakup of net debt; India stands at Rs.342 Crores compared to Rs. 358 Crores as at March 31, 2020 and in GCC, the net debt stands at USD 293 million compared to USD 324 million as at March 31, 2020.

With various cost optimization initiatives undertaken during the year across manpower cost and procurement of material, we expect better profitability as footfalls of outpatient and inpatient increases once COVID impact wains off.

On that note, I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this call to open the question and answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Harith Ahamed from Spark Capital Advisors. Please go ahead.

Harith Ahamed: Good morning everyone. Thanks for taking my question. I was looking at your slide on pipeline projects and I see that a couple of large projects have been put on hold and this includes Chennai as well as Aster KLE in Bengaluru and at the same time you have announced a large investment in Aster Medcity in Cayman Island. So a couple of questions here does this indicate a shift in your geographic priorities in terms of expansion and what is the capex outlay for the Cayman project?

Azad Moopen: Yes. Thank you for that question and so we have some of the projects in India are already on including the Aster Aadhar and the Whitefield Hospital and these are the things, which are already on. So we thought that there is a requirement for us for looking at the opportunity of significant business close to US, Canada and all, when we put this together and when we were looking at the opportunities in India as well as in the Cayman, which came in with a lot of concessions from the government, we thought that we should take it up. So that is why we thought that we should be looking at those geographies instead of just focusing India and GCC, we thought that beyond GCC we should be looking at that. This was the plan even earlier we had this intention to go beyond GCC. So that is the reason for that and regarding the capex cost it will be around USD120 million to USD130 million it is going to be the cost for this hospital when it is completed, which will take about 3 years that is what we are looking at.

Sreenath Reddy: Dr. Harith to add to what doctor just now said, the shift of focus is not away from India, so we would like to continue growing in India. The project what you mentioned was put on temporary hold due to COVID. We will have a relook at this project once things goes back to normal. Maybe we are looking at other asset light ventures within India. That is labs and pharmacy. The shift to Cayman is more a shift from GCC to Cayman. So the expansion in the GCC will be reduced but the same thing is being now moved to Cayman. So India will be our focus and we will continue to grow in India. Now coming to the capex even though the cost of the total project is anywhere between USD 100 million to USD 120 million. We are looking at various ways of structuring this. It would be partnership with some insurance companies. It could be partnership with some other hospital group or it could be asset light model. So we are looking at various other ways of structuring it. We are aware that we should not be increasing our debt. So keeping that in mind we will definitely look at other ways of structuring that project.

Harith Ahamed: Got it and my second question is on the GCC Hospital segment and on looking at the segment on a YOY basis there is a modest 3% decline in revenues, but I see a very sharp decline in EBITDA here of around 25%. So it is bit surprising to see first a high margin contraction despite almost the same revenues. So what explains this?

Sreenath Reddy: One of the reasons is that if you look at the ways, the mix of the revenue right, so that changes. So what has happened was that we have got especially in the hospital when there is a COVID patient getting admitted to their hospital, the margins on that is very, very minimal. So only on the clinic side where there is PCR testing we will get margins, but if a patient gets admitted into the hospital, then the margins are limited because we have got other fixed costs of the doctor; the specialist doctors, which will continue and therefore the margins as such will decrease in the hospital. Similarly, clinics like what I said; the margins tend to improve, but that also has got an impact on our clinic. The clinics what happens is that, the COVID patient who come to the clinic, on the pharmacies we do not get the benefit out of it and that you would have noticed where there is a decline in the footfall because of all these factors what happens is that even though the revenue has not fallen significantly, but the EBITDA margins are lower. The drop in EBITDA is higher and also the margins will be lower.

Harith Ahamed: Just a followup there, so when I am looking at the GCC hospital segment ARPOBs for the quarter. It is assuming COVID patients are margin dilutive, but it really does not reflect in the ARPOBs, ARPOBs for the segment is higher on a YOY basis. So can you explain this?

Sreenath Reddy: Yes, so see in the hospitals like what I was saying earlier, the occupancy has dropped to 47% right, but this is the inpatient occupancy, but however, the outpatient continues to remain more or less the same. So when we calculate ARPOB because the outpatient revenue continues to remain and the inpatient on a lower number of beds so as a mathematical formula we see a higher ARPOB per bed, but in reality that is more because of the fall in the occupancy and OPD revenues remaining high, that OPD revenue on reduced number of beds, per bed it showed higher number.

Harith Ahamed: I will get back in the queue. Thanks.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good afternoon. Thank you for taking my question. The first one is on the outlook for Q4 typically Q3, Q4 were the seasonally strong quarters. I believe that I think COVID seems to have moved things around. So I just want to understand how we should look at Q4 now and is there any in terms of revenue or EBITDA guidance that we are giving for Q4/FY2021? Thanks.

Azad Moopen: Just like what I was mentioning in my speech, there is actually an impact when you look at the business overall performance in Q4, so far when we look at. In this geography, like in Dubai, where we have, most of the establishment, as well as in India, in Kerala where we

have the large establishment, the COVID is having now having a second wave or it is actually increasing. So we do not think that there will be a sudden reversal of that, so that what has been seen traditionally that the very high performance during that Q3 and Q4 that we are now seeing in the Q3 maybe this will be continuing in Q4 also. So change in that and suddenly it is going into that very high performance, whether that setback will happen we hope that this will come down in another two months by next financial year, it will be going into the normalcy and what has happened is here also when we look our Q2, which was very good when compared to Q1, which usually does not happen, the Q2 usually not that big. So at this time we have very good Q2 results because of the pent-up demand in the Q1 coming into Q2. We hope that the same thing will happen, once there is the wave goes down will have much better performance for the rest of the Q4 to some extent may be in March as well as in next financial year.

Shyam Srinivasan: Got it. Thank you, Dr. Moopen. If I just the 47% of hospital occupancy in say Q3, so you are saying, this is trending lower and say January, February maybe is that how we should look at it?

Sreenath Reddy: If you look in Dubai, Shyam, the COVID cases are at the peak and no doubt, over the last few days it has been decreasing so that is why it has got impact on our facilities as well because temporarily the elective cases have been put on hold, keeping the bed for the COVID patient. So we feel that once this is lifted the temporary hold of the elective case, we feel that we should be able to; the pent-up demand should come back, but having said that definitely there will be an impact in Q4 as well mainly because of the higher number of COVID cases being reported in UAE. In India what we are seeing is that Q4, we expect it to be better compared to Q3, but however in the GCC, we expect Q4 to be more or less similar to Q3 because this similar impact we are seeing in Q4 may be March if it changes then we can see better performance.

Shyam Srinivasan: Got it. Thank you and my second question is on the whole restructuring we had done for the pharmacies some of the adjustments we had to do because of the way the patients were actually coming into these formats. Is that largely behind just looking at you know if I look at their patient count it has fallen quite a lot and I am just trying to understand, is that adjustment process for clinics and most of our pharmacies is that done now?

Azad Moopen: So that is done and dusted, but the reason why the pharmacy as well as the clinic; like what Sreenath was telling, the increase in revenue as well as the EBITDA in clinics mainly due to the COVID testing, which is bringing lot of footfalls, but that does not take the patients into the pharmacy. So these patient just come to the clinic, get tested and go back so that there is nothing else happening, but that revenue comes in. So the main issue is the reduction in the

footfalls and we have seen is that people used to come especially during this season and winter season and all for large number of respiratory infection and many other illnesses and people who have infections were increasing and children were going to the school and all. So that significant amount has come down. This has affected both the clinic as well as the pharmacy where footfalls have come down. So we think that this is more like, the clinic pharmacy and of course those patients coming into the hospital there is an issue in all these, but mainly in the clinics and pharmacy.

Shyam Srinivasan: Thank you Dr. Moopen all the best.

Moderator: Thank you. The next question is from the line of Param Desai from Elara Securities. Please go ahead.

Param Desai: So what has been the COVID patient mix at GCC in Q3?

Azad Moopen: Yes. Alisha you would like to answer that?

Alisha Moopen: Sure, when we look at that clinics we have actually around 30%-40% of income coming from COVID right now, but that is on the clinic largely on the testing that has picked up. In the hospitals, it has actually largely been going up in Q4, just in January when we have started seeing the admissions up until end of December it is mainly managed by the government facilities. So to even the earlier question, we are now seeing likely in Q4, we will have occupancy going up closer to 70%-80% with the way it is currently trending, but in Q3 it was mostly on the outpatient that we have the COVID income coming in, but that has continuing effect in the hospitals because people are still reluctant to go for some of the electives because they would just rather not be going to the healthcare facilities. So it is just a little bit of knock on effect, which has reduced our footfalls into the hospitals.

Param Desai: Thank you and my next question is as you had said that the sharp jump in margins in a clinic business and you did mention about the PCR testing, which one of the factor, but what the sustainable margins in the clinic business we had initiated some restructuring initiatives last year. So, what are the margins in the clinic business one should factor in?

Alisha Moopen: Normalized margin what we are expecting for clinics will be roughly around 15%, 16% so with all the restructuring and with all the shared service centre, also changing the models for the doctors on the structure, we assume that we will be able to get to a good 16% margins for clinics.

Param Desai: Thank you. That is all from my side.

Sreenath Reddy: Yes. Sorry to that question whatever Alisha said, that is pre IndAS 116 EBITDA margins. You will have add another 2%, so that will be the normal EBITDA what we are looking at on the clinic side.

Param Desai: Thank you.

Moderator: Thank you. The next question is from the line of Mehul Sheth from Axis Capital. Please go ahead.

Mehul Sheth: Thanks for the opportunity. The question is around GCC hospital maturity profile. So, if I see, the 0 to 3-year maturity profile hospitals, the EBITDA margin has jumped very sharply if you see H2 EBITDA was somewhere around 24 Crores and now in nine month it has reached to 40 Crores, so what is driving this kind of strong margin or EBITDA performance in new hospital in GCC?

Sreenath Reddy: The reason for that is that some of the larger facilities, which is more than 3 years old which is in Oman and Saudi, they have; in fact their performances is lower, so that is the reason over 3 years we will find that drop. However, the hospitals which are less than 3 years because they are mainly in the UAE where we tend to do better, our hospitals in the UAE we do better compared to the hospitals in other geographies. So that explains as to why 0 to 3 years, we are better in terms of occupancy, but however over 3 years, our occupancy especially we had a dip in occupancies in Saudi, one of the largest facility, due to COVID and that pulls down the overall occupancy level.

Mehul Sheth: One question I would like you just mentioned that vaccination program in UAE has reached somewhere around 34% of population are already vaccinated. So, is there any time gap like from one dose between two doses of vaccination there is any kind of restrictions for more to attain any medical treatment or anything like that, which can hamper demand for near term so just wanted to have your view on that?

Azad Moopen: Actually, there is no restriction on getting availing medical treatment. People are afraid and people do not go out so people once they are vaccinated; both dose have taken and after two or three weeks after that we hope that they will be more confident and will come out. There are no restrictions from the authorities for getting any treatment.

Mehul Sheth: Just a bookkeeping question. Your guidance for the tax rate for the Q4 and FY2022-2023 like it seems pretty low right now?

Azad Moopen: What is it? I did not get that question what is that?

- Mehul Sheth:** Your tax guidance for Q4 as well as FY2022-2023, what will be the tax rate?
- Sreenath Reddy:** The tax in many of the geographies for example UAE we do not have tax. India we have got tax so the way we look at from a consolidated basis we can look around 7% to 8%.
- Mehul Sheth:** This will continue in 2022 to 2023?
- Sreenath Reddy:** Yes. It will remain more or less the same, may be as the India income keeps increasing this percentage will slightly keep increasing.
- Mehul Sheth:** Sir last question around India business. If I do some back envelope calculation then I can get Aster Lab sales somewhere around 22 Crores for the Q3, but the EBITDA margin means EBITDA is now showing negative numbers. So is this calculation correct or understanding is correct about Aster Lab performance for the Q3?
- Harish Pillai:** Thanks for the question. Currently when we look at the mix of revenue, the biggest chunk of the revenue is coming from the hospitals. As you know that Aster Lab vertical is also taken over the management of the Labs and we are currently in transition stage. We are fairly confident that by Q4 we will be rationalizing the transition of allocation of the cost between the hospitals and the labs. So this is basically because of the work-in-progress and we also feel a growing trend in non-Aster business mainly from B2C models and as that share increases we will feel that this will come down to rational figure.
- Mehul Sheth:** Last question if you permit, on Saudi you have acquired remaining revenue 3% now it is like 100% hospital for you, will this ever any impact on the minority outgoing? Will it get reduced going ahead?
- Sreenath Reddy:** Not much because earlier we were at 97%, now we are at 100%, so that will make a very, very small difference.
- Mehul Sheth:** Say on Saudi sector, how the receivables cycle is there is now say after post-COVID era and how the working capital cycle has been there in GCC region?
- Sreenath Reddy:** That is something which in fact many of the governments have been pushing for the payout and both in the GCC as well as in India, we saw a significant money, which was locked into the receivable that getting unlocked. In terms of payment cycle, we have to take roughly around 110 days in the GCC.
- Mehul Sheth:** Thank you for your time and best of luck for future. Thank you.

- Moderator:** Thank you. The next question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.
- Sriraam Rathi:** Thanks for the opportunity Sir. Sir firstly I mean I think one of the previous question you mentioned that when you are looking for asset light expansion in the labs and pharmacies in India so just wanted to get some sense on what is the strategy, any sites that you have in mind over the next two to three years and what kind of expansion you have?
- Azad Moopen:** Yes. Sreenath you would like to answer that. I think clearly we have not heard that question.
- Sreenath Reddy:** I did not get the question. The question can be repeated please.
- Sriraam Rathi:** I was asking that in one of the previous questions, you mentioned that we are looking for asset light expansion in the labs and pharmacies business in India. So I mean anything specific that you were mentioning that in providing that and any sites that you have in mind in terms of within the next three to five years?
- Sreenath Reddy:** Yes. So, Dr. Harish you would like to answer that related to labs and pharmacy?
- Harish Pillai:** First let me take the lab model. The way we are looking at this phase 1 strategy is to grow our presence in the markets where we are predominantly strong mainly in the 5 states where we have our presence, with a larger presence in the states of Kerala and Karnataka, so when we refer to an asset light model, the bulk of the presence would be franchise centers where we have these phlebotomists and the sample collection takes place. So where we have absolutely no capex outlay for that, but the satellite labs will have a minuscule investment and of course the reference labs currently we have just one reference lab so in comparison to our traditional business model this is fairly an asset light approach. With reference to the pharmacy aspect, currently we are looking at acquiring a wholesale entity and we are also looking at brand licensing agreement on the retail side with another entity. So that is the approach what we are looking at. So we feel that it may not be restricted out only to the geographies where we have hospitals. It can also be expanded to other geographies because clearly there will be a value addition in terms of brand visibility and that is approach which we are planning to pursue.
- Sriraam Rathi:** Thanks for that Sir and Sir secondly just again the followup from the previous participant question. I mean in the GCC less than 3 years hospitals and of course this quarter, the EBITDA margin has moved almost 22% versus I mean matured hospital margin is 17%. Was there any specific reason for particularly related to the COVID patient or something or anything specific to that?

- Alisha Moopen:** Yes, on the GCC Hospital, is that Sriraam?
- Sriraam Rathi:** Yes.
- Alisha Moopen:** I think Sreenath had mentioned before basically some of the newer hospital of ours, which are in Dubai, which is in the 0 to 3 categories had been doing well. The impact just post wave one impact has with the restrictions had been still harder in Oman and Saudi for us. So it is just that they have been trending a little bit lower. So we are just seeing a little bit difference between the different geographies. UAE is still doing much better compared to the some of the other geographies. So that is why when you look it at from a majority perspective, it is getting a bit skewed.
- Sriraam Rathi:** This is something which is sustainable, nothing one off impact, right?
- Alisha Moopen:** No it is sustainable absolutely and we expect the other ones to recover back, Oman and things as economy picks up there.
- Sriraam Rathi:** Thank you and in the other expenses side, it has been quite volatile over the last 3-4 quarters like 290 Crores in Q1 and then 420 Crores in Q2 and then 360 Crores around this quarter. I mean what kind of run rate that we would expect that to continue because it is quite volatile?
- Alisha Moopen:** I think this is largely the expenses are coming from COVID related the diagnostic tests right. So we have also been aggressively pursuing it because if the requirement in the market and a sort of key business development that happens. So it is related to that you have been seen it consistently growing up in the last couple of quarters and numbers here have also risen. So accordingly the volume of testing done have also risen. So you are seeing that increase happening quarter on quarter especially in the last few months as the cases have been risen up.
- Sriraam Rathi:** Okay. So it should normalize to current run rate now. Whatever we are seeing in Q3?
- Alisha Moopen:** Yes. Again depending on how COVID trends right, so if you continue to have these numbers going up and we are doing those testing as well but again it is still high margin for us.
- Sriraam Rathi:** So in terms of capex what kind of numbers you are looking at for full year FY2021 and the next two years?
- Alisha Moopen:** Sreenath you want to take that?

- Sreenath Reddy:** Capex we are looking at for the current full year somewhere around 300 Crores so that is the capex what we are looking at in the current year and next year it could be somewhere in the range of 400 Crores, but however we will control it in case the COVID continues, but if the COVID wains off, then the capex will be around 400 Crores because some of the projects in India, we will be moving forward, due to which the capex will be around 400 Crores, but in the current year we are looking at closing at around 300 Crores.
- Sriraam Rathi:** Cayman Island capex will be over and above that whenever?
- Sreenath Reddy:** Cayman Island like what I said it will be over and above that, but then we are looking at various other ways of funding the project.
- Sriraam Rathi:** Sure. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Shashank Krishnakumar from JM Financial. Please go ahead.
- Shashank K:** Thanks for taking my question. This is on the GCC pharmacy margin front, as I am assuming there is no component of volume rebates that we generally receive during the quarter, so margins inch up substantially in 4Q?
- Sreenath Reddy:** Yes you are right because the margin rebates, which we received, last year this time we have not received much of it so mainly to do with the volumes. So beyond the certain volumes we do get rebate, but if the business is slower the volume rebates do not come in. We expect the pharmacies if we look at during the current quarter, we are doing better off compared to the previous quarter. So we expect that we should be eligible for some of the volume rebate in the coming quarters.
- Shashank K:** Secondly in the shared services front, we have talked about shifting some of our backhand operations to India in 4Q is that on track?
- Sreenath Reddy:** Amitabh do you like to answer this?
- Amitabh Johri:** Thank you very much. A quick response is that yes we are on track for that. We have already gone to the point of identifying the opportunity and identifying the roles and the new centers are coming up in Bengaluru and Calicut, so we are on track around with that.
- Shashank K:** Thanks.

- Moderator:** Thank you. The next question is from the line of Divyansh Kalra from Perpetuity Ventures. Please go ahead.
- Divyansh Kalra:** Thank you for the opportunity. My question was as Mr. Reddy explained that ARPOB level is higher despite lower occupancy because of outpatient revenue in GCC hospitals. Sir can you share the percentage of hospital revenue out of total revenue from GCC hospitals, for the last quarter and what is the normalized level and same thing for India hospital more than outpatient revenue as a percentage of total hospitals? That was my question.
- Sreenath Reddy:** I was not able to hear the question properly there was some disturbance. You were asking for the cost of the hospital is it?
- Divyansh Kalra:** No Sir. Sir I was asking total outpatient revenue from hospitals, outpatient revenues hospital as a percentage of total revenue in GCC hospitals for the last quarter and what is the normalized rate for the this quarter?
- Sreenath Reddy:** As the percentage of revenue depends on different geographies have different percentages. So in the UAE if you look at it, averages are around 50% that is from the OPD. A significant portion of our business comes from the OPD. So in India our major part of the business comes from the inpatient. So India's OPD will contribute around 20%, but 80% comes through inpatient.
- Divyansh Kalra:** Sir, this is for last quarter on normalized revenue in FY2020. So I just wanted to compare because the reasons for higher ARPOB, as told by Mr. Reddy was contribution from OPD was good but due to lesser occupancy, we seeing higher ARPOBs in last quarter. So I just wanted to compare what was the percentage in last quarter and what is normalized percentage?
- Sreenath Reddy:** I have given a general trend of the outpatient and inpatient respectively for this quarter and the last quarter that is something, which we can give it separately to you offline.
- Divyansh Kalra:** Sir my second question was, this was a technical question. I have invested into standalone GCC markets, so do insurance companies cover the treatment of patients from clinics and pharmaceutical expenses of patients because in India there are only inpatient revenues numbers from insurance companies?
- Sreenath Reddy:** Yes that is right. So they do cover outpatients and also they cover the medicine even for the outpatient also.



- Divyansh Kalra:** The higher margin protein products and other production of pharmacies so that would not be getting reimbursed right?
- Sreenath Reddy:** You are right. A non-medicine generally do not get paid by the insurance. That is something, which will be more for cash business so nutritional products and other things does not get covered by insurance.
- Divyansh Kalra:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.
- Azad Moopen:** Thank you very much. Thanks a lot for participating accurately with quarter's earnings call and we hope all of us will be staying safe and we look forward for a positive quarter both by way of health as well as in the financial performance. Thank you.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.