



Max Healthcare Institute Limited Q1 FY2021 Earnings Conference Call Transcript September 2, 2020

Moderator: Ladies and gentlemen, Good day and welcome to the Max Healthcare Institute Limited Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you. Over to you, sir.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on Max Healthcare's Q1 FY 21 Earnings Conference Call. We have with us Mr. Abhay Soi - - Chairman and Managing Director of the Company; Mr. Yogesh Sareen -- Senior Director and Chief Financial Officer; Mr. Dilip Bidani -- Senior Director, Finance; and Mr. Gautam Wadhwa – EVP, Business Development and Business Intelligence of the Company.

We will begin the call with opening Remarks from the management, following which we will have the forum open for an interactive question and answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation' shared with you earlier.

I would now like to invite Abhay to make his opening remarks.

Abhay Soi: Thank you, Anoop, and a very warm welcome to everyone. Thank you for joining us on the maiden call of the Combined/amalgamated entities Radiant-Max that is going to be called Max Healthcare going forward.

Clearly, the last quarter for us was a defensive quarter due to the uncertainty. But we believe at this stage, the worst is behind us and things have progressively improved since April, which was a low point month-on-month, both financially as well as operationally. We are also better prepared for anything that comes in the way forward. However, the trajectory going forward has been better so far, but let's see how things move going forward.

Other than that, we also launched our new logo. We have used this crisis as an opportunity to bring digital to our core. Thus looking at a more technology-oriented enterprise going forward as well.

Now, I would leave it to Yogesh Sareen, our CFO, to take you through more specifics.

Yogesh Sareen: Thank you Abhay and good afternoon, everybody. Let me start by saying that Q1 was a challenging quarter and this is also reflected in the results. So, the focus in Q1 was basically on conserving cash, managing cost, and also ensuring the safety and wellbeing of our staff. So, the occupancy, as you would have seen in the presentation also, during the quarter, it was an average of 45%, April it was low at 33% and May obviously it went up to 43% and June we closed the quarter with

59% occupancy. Currently, the occupancy is hovering around 70%- 71%. The COVID occupancy in Q1 was 27%, i.e., 27% of the occupied beds were from COVID patients and in July it had come down to 24-25% and currently it is around 30%. So that is on the occupancy side.

ARPOB is at Rs. 47,200, and this is lower by 5% over Q1. Now, the surgical-medical mix during the quarter has been low. If we see Q1 last year, it was 56:44, i.e., 56% surgical and 44% medical. This quarter it is the opposite; so, it is 38:62 is the surgical: medical mix. So, the medical patients have gone up mainly due to COVID. So the gross revenue was Rs.610 crore which is 42% lower than the corresponding quarter last year. The Specialties which are mostly impacted on the revenue side were Ortho, MAMBS, and OPDs. OPDs were down, They were 31% of the Q1 last year at least.

On the Payor mix side, the revenue from International patients were low, which came down to 3% as against 11% that we used to have throughout last year. The material costs were higher during the quarter. It was mainly due to spend on PPEs and also the relative share of oncology has gone up during the quarter. And we spent some money on free testing of the staff, etc., so that has gone into the material costs.

The indirect costs were lower by about Rs. 90 crore as compared to Q4. Not taking the prevailing quarter because you know that we had some cost saving plans and progressively the cost structure had come down. So it is Rs.90 crore less than Q4 and a large part of it is personnel costs, and then balance is the SG&A. And this has some voluntary salary reductions, which range from 10% to 50% depending on level of the person. Now this is only for employees above a certain level and salaries have not been reduced or there has been any voluntary cut for people who have been on the frontline of the hospitals. This brings us to operating EBITDA loss of Rs.22.3 crore, this is post IND-AS 116. And if we state it before the IND-AS 116 it was Rs. 32 crore loss, and obviously, it is much lower than what we did in Q1; Q1 profit was Rs.117 crore.

In the quarter, we have done the merger accounting. So we have explained this on page #11 of the 'Investor Presentation'. This merger is a reverse merger which throws up some unique accounting situations. Now the statutory financials of Max Healthcare whenever we report the statutory financial will be three months of Radiant Hospital results and one month of Max Healthcare because since it was a reverse merger, so the Max Hospitals results will be included in the statutory results only for one month, and three months of Radiant. So that is how the merger will be reported. This merger also throws up some extraordinary one-time items. The biggest one of that is the loss on fair valuation of shares. So the IND AS 103 requirements is that when there is a stage acquisition, then the shares held by Radiant has to be marked-to-market and fair valued on the date of acquisition. So it means that the 49.7% holding that Radiant has in Max Healthcare before the entity was demerged into Max Healthcare, so, the shares will have to be again fair valued and the fair valuation gives us a loss of Rs. 204 crore, which is one-time and a non-cash item. Besides that, we also will be merging the BLK / Radiant Life Hospitals with the Max Hospitals. So, basically in BLK Hospitals there are Institutional revenues and there are receivables on the Institutional side. So, we have to align the policies and to that extent the provision for bad and doubtful debts, which is one-time again, has been put as a policy harmonization line item. So, that is a Rs. 5.4 crore line item, which basically represents one-time alignment of the policy on provisioning for doubtful debts. There is another item, which is transaction cost of Rs. 10.4 crore. This is mainly the expense on share issuance, lawyers, consultants, all these transaction for the merger and the listing. And then there is another line item which is shown in the P&L also, which is the movement in fair value of contingent consideration. This is the Rs. 6.4 crore line item. This will be a recurring

line item, it is not a one-off line item, this basically represents the movement in the fair value of the contingent consideration that we have to pay to the trust over the balance period of the O&M agreement. So, it is basically for BLK and Nanavati Trust, results of which are consolidated in the Max Healthcare financial. This basically is only a movement. So what we pay to the trust, goes up before the operating EBITDA. But this movement is only the change in the estimates which happen, and it is really a non-cash item, so to that extent, we want to bring it down and not make it part of operating EBITDA. Similarly, there is amortization of contract assets. This also we have to sort the accounting of this with the auditors. But as of now, this is being shown below the operating EBITDA but this is amortization charge and it is a non-cash item and does not represent operating expense. With that the loss after tax is Rs. 355 crore, which includes Rs. 227 crore of one-off item that we mentioned.

On the liquidity side, despite the losses, we haven't borrowed any further. Our gross debt is at same level as earlier which stands at Rs. 1,921 crore at the end of the quarter. But, this excludes the financial liability towards the put option, as you know that there are two put options that were exercised on us. So the values for that at the end of March was Rs. 586 crore, but end of June the value is at Rs.568 crore, the remaining value of the option that you see. So that is not included in this gross debt number that I mentioned. Our cash and bank balances are intact; we have Rs. 371 crore of cash and cash equivalents at the end of June. We are fairly liquid that way. And that is all from my end and we can open for Q&A.

- Moderator:** Thank you very much. The first question is from the line of Prakash Agarwal from Axis Capital Limited.
- Prakash Agarwal:** On the occupancy you clearly mentioned and shown in the presentation it has moved upwards. Just trying to understand how would the mix change have been from say Q1 COVID, non-COVID versus the first two months of July and August?
- Yogesh Sareen:** Basically the increase in occupancy that we see largely is because of COVID. But I would say quite a bit of surgical work has started already. So, we cannot obviously give the exact proportion of the surgical and medical mix, but, some surgical mix has gone up, some ortho business is back, but the share of the COVID occupancy has also gone up also. So, as I said, it was 27% in July, it has gone up to 30% today.
- Abhay Soi:** But the majority still happens to be non-COVID.
- Prakash Agarwal:** I am just trying to understand how would ARPOB move given the COVID patients which are relatively lower ARPOB is my understanding, so would our ARPOB continue to improve from what we have seen a low in Q1?
- Abhay Soi:** So clearly, Q1 had more COVID than non-COVID. So you see the ARPOB there, so you can pretty much expect improvement with the increase in non-COVID numbers.
- Yogesh Sareen:** Yes, the ARPOB will improve, but there would not be a big improvement, I would say it would be probably 5% to 8% range.
- Prakash Agarwal:** The second question is in terms of your financial statements. So, we could not see the line items of breakup of this clinician payout and staff and others. Would you be able to share it how it has moved quarter-on-quarter or YoY or you are not disclosing at the moment?

Yogesh Sareen: We benchmark the reporting with what others do. So, we found that people are reporting EBITDA directly. So we want to align that reporting with how others report. Going forward, we want to report the numbers that way.

Prakash Agarwal: Lastly on the debt numbers, so in the last presentation, there was a put option number that was given. Would that still hold good and what would be the net debt number as on the June quarter?

Yogesh Sareen: So, I mentioned that the put option number has come down by Rs.18 crore, so it is Rs.568 crore now, earlier it was Rs. 586 crore. So that is the movement in the numbers. We have gross debt of Rs. 1,921 crore and Rs. 371 crore of cash. So the net debt is Rs. 1,550 crore.

Gautam Wadhwa: You can refer slide# 23 for details on debt levels.

Prakash Agarwal: The put option we need to add that back, right?

Yogesh Sareen: Yes, but as on 30th June the net debt on balance sheet would be Rs.1,550 crore.

Moderator: The next question is from the line of Suchi Srivastava from Edelweiss Financial Services Limited.

Suchi Srivastava: So my question was basically from cost savings front. Now it has been a trend across all companies and sector in June quarter for everyone. But we were doing this even before COVID, and I was also reading somewhere that you had identified some 200 cost line items when you took over from the erstwhile promoter. So how much of that is exhausted and how much can we expect going ahead?

Abhay Soi: As we explained in our earlier call, so we need to distinguish between the structural cost saves and the seasonal cost saves or what our reaction to pandemic has been. So the current cost saves in the first quarter, majority of them were seasonal costs saves and temporary salary cuts and so on, with normalcy will come back. So, I'm not going to confuse that with structural cost save. Structural cost saves like we had mentioned in our investor calls, we were looking at about Rs.220 crore last year, which we implemented, Rs.140-150 crore of which had got banked last year because we did not get the benefit of the entire 12-months for the Rs.220 crore, the balance will come into play this year. Having said that, in addition, there are about Rs.100 crore of savings and synergies, largely synergies based on normalization of business because some of them are revenue linked as well. And we were looking at perhaps banking 40% of that in the current year and 60% in the next year, but this again, the timeline, the trajectory of normalcy has to be there.

Suchi Srivastava: My second question is on International patients. Obviously, FY21 let us take it as anomaly. But from FY22, FY23 onwards, what kind of mix would you want to see from that? As in Radiant as well your focus was more on International patients?

Abhay Soi: Clearly, it is a higher value business for us and our number which was about 11% pre-COVID has come down to about 3% in Q1 and we are obviously looking at increasing it further beyond the 11%. We are also looking to distill the capacity, 35% of our capacity is addressing the Government business, which is at 40% discount. So slowly we will be looking at distilling that capacity also. And clearly, the idea has to be moving towards International cash paying patients, insurance and so on.

- Suchi Srivastava:** What is this fundraising for? What exactly are you planning to do, get rid of whatever debt you have or is it for addition of new beds, or acquisitions of distressed hospitals?
- Abhay Soi:** We conveyed in the previous investor calls as well that going forward, we have Brownfield expansions that we are looking forward to, but the expansion plans will resume post normalcy. While these plans are there, we intend to fund them through equity and at this stage, what we have done is we have essentially taken an enabling resolution for a QIP because it was more to do with upcoming AGM, which is there towards the end of September. So this is for in the interim of course, look, the funds will bunch up because we will not be using them entirely for Brownfield purposes. So in the interim, it will strengthen the balance sheet as well, then we use internal accruals for Brownfield.
- Moderator:** The next question is from the line of Gautam Dedhia from Old Bridge Capital Management.
- Gautam Dedhia:** Couple of questions, firstly when is the put option exercisable? And would the future growth be in terms of inorganic acquisitions. So I saw your media interviews where you said you would be open to that. So just wanted to get a sense of what size of a hospital would be looking at and is there any location preference?
- Abhay Soi:** So, as far as acquisitions are concerned, we are not actively looking at anything right now. Going forward if the pandemic was to throw up some opportunities, if they are value accretive, we will look at it on merit. Having said that, that is essentially the way we are looking at things. We moved from 2 hospitals to 17 hospitals and the performance is to show for it. I think the size of the acquisition is not something whether it's a single hospital or a chain or something is not something which really concerns us from that standpoint, because over the last one year as well as through this pandemic, the organization has really strengthened.
- Yogesh Sareen:** On the question on the put option, at the end of June, there is Rs.568 crore put option outstanding which is in two parts; one is Rs.82 crore, which is for Crosslay entity, which is basically Max Vaishali and that represents 18% of the balance equity in that entity. For Rs.82 crore, the long stop date is December 31st, so that we will close before December. The balance is Rs.486 crore, which is for the Max Smart or Modi Hospital. So, this put option is basically warehoused with KKR, in the sense, they have already paid Modi and its stake lies with KKR and we will buy it when we raise debt. So we had delayed it because it's a no cost, no loss to us, and we are not even paying interest on this. So we'll try and do it in the course of the year, but there is no fast tracking it and there is no long stop date for the same. And also of the Rs.82 crore today crosslay; we have paid Rs.5 crore in July. So the balance at the end of July will be only Rs.77 crore.
- Gautam Dedhia:** Ok and whatever revenue share agreement that we have with BLK and Nanavati when we book revenue, there is no expense, or it is just net of revenue?
- Yogesh Sareen:** In BLK and Nanavati, we consolidated line-by-line. The amount which is payable to the trust is considered as expense in the P&L. Whole of the hospital P&L is into this P&L minus the amount payable to the trust. So the minimum amount payable to trust is included in the expenses.
- Abhay Soi:** Just for clarity sake, things remain as they are, there is not any additional payment other than that, there is no line item.
- Moderator:** The next question is from the line of Shaleen Kumar from UBS Securities.

- Shaleen Kumar:** Just to understand from a COVID perspective taking a call from near to medium term, occupancy levels were upward of 70% pre-COVID and then COVID happened. Assume let us say COVID continues for two years, so would you think that COVID which represents a 12% of your revenue, it can become an add on and you may hit an occupancy level of 80% or is it not possible because COVID against you need some kind of segregation, etc., so you probably have to give up COVID thing and then probably focus on your core business, how do you see the scenario play out from near to medium term perspective?
- Abhay Soi:** It depends on what extent of COVID you are looking at. Look, if you look at COVID will continue like H1N1 or something else, then it becomes part of the business. But it really depends on what extent of COVID we are looking at, because at some stage even H1N1 had initially began like this, then you are able to put iron curtains around it. So it's not as if you have to compromise capacity so to say for that, because really medical treatment and the things, not as if you are using a large amount of other infrastructure, of course, in cases of some co-morbidity which are not so significantly high in India. So, it can be taken in the stream of things, but again it depends on the extent of the disease.
- Yogesh Sareen:** Also, I would say that it depends on the Government response to the COVID. Today we have 1,070 beds but only 700 occupied. So, until today we have to keep beds empty because of the Government mandate.
- Abhay Soi:** So, the COVID capacity is idle. What you will see is more or less non-COVID capacity is already back to the normalcy.
- Shaleen Kumar:** So basically, what we are saying that we are almost back to normalcy or is it still some time away?
- Abhay Soi:** No, we are clearly not back to normalcy. What we are saying is that due to Government regulation, we have to set aside certain beds for COVID. Those COVID beds are not operating at full capacity. While the non-COVID beds capacity in terms of percentage utilization are back to pre-COVID levels, but obviously the amount of beds available for non-COVID are lesser than what it was previously.
- Shaleen Kumar:** As and when let us say Government lifts off that kind of a requirement, we expect our non-COVID business to further pickup?
- Abhay Soi:** Absolutely.
- Shaleen Kumar:** On cost saving side, so roughly, we're looking at Rs.300 crore of cost saving to mix up synergies with the revenue synergy or cost saving, let's say the way you are operating right now, and if Government lifts up this restriction on COVID beds, etc., in next two to three months, do you think FY22 can be a year where we can see the whole benefit of this coming in...Rs.300-crore odd?
- Abhay Soi:** Theoretically, yes. If FY22 is a normal year you should have the whole thing come through. Do keep in mind that Rs.140- Rs.150 crore of this is already reflecting in the previous year.
- Shaleen Kumar:** So, what all do you need for FY22 to be a normal year? Occupancy levels of 70%-plus level, something like that you need?
- Abhay Soi:** Normalcy of business to pre-COVID levels. It also, has to be mix of business. It can't be occupancy level at pre-COVID levels, but the occupancy is only of medical

or only of COVID patients, right, because you are going to have lower amount of revenue in spite of occupancy being at the same level.

- Shaleen Kumar:** And probably the medical tourism also in teens you will need for that?
- Abhay Soi:** Yes, normalcy of business would assume medical tourism also, not at these levels, but at normal levels.
- Moderator:** The next question is from the line of Sabyasachi Mukerji from Centrum Broking.
- Sabyasachi Mukerji:** First, on the fundraising part, you plan to raise around Rs.1,200 crore through QIP and Rs.550 crore through NCD. What is the timeline and what is the objective of the Rs.1,750 crore of fund?
- Abhay Soi:** So, the NCD is a renewal of pre-existing approval of NCD which was been there from the previous year. So, it is really an enabling resolution and renewal of a previous approval which the company had. And secondly, as far as the QIP is concerned, we are only seeking enabling resolution because of the upcoming AGM up to a level of Rs.1,200 crore. We had in our investor calls mentioned previously that when we start the Brownfield expansion, we would be incurring expenditure for Brownfield and that we will be doing through an equity raise of circa Rs.1,000 crore. So, even the extend of amount is not certain. And timing again like I said, this is enabling resolution at this stage. Markets have to come back to normalcy.
- Yogesh Sareen:** And also, Rs.550 crore was basically the put option liability that we have. So, this is a renewal of that. The approval that we have taken from the Board to raise debt.
- Sabyasachi Mukerji:** On the same lines, I also see increase in share capital that you mentioned in press note. Could you elaborate on the same?
- Abhay Soi:** So in order to do the QIP, we require the increase in the authorized capital. I mean, again, that is the enabling resolution. Tomorrow, if you were to do QIP, you would also require approval to increase the authorized capital.
- Sabyasachi Mukerji:** My second question is on the operations part, not something in the near term, but on the medium to long term perspective probably two to three years or maybe five years per se. What is your target bed capacity that you would like to have probably on four to five years horizon? And what kind of EBITDA margin is sustainable, probably if you can indicate EBITDA for this, is it sustainable or you are looking at from four to five years medium to long term?
- Abhay Soi:** It is very difficult to estimate that over a four to five year period but over a four to five year period we certainly see the Brownfield coming on stream that should give us another thousand beds, in the midst of it, we would be open to value-accretive opportunity. And that will also I guess as we go ahead will change both the character and nature of our balance sheet as well as of the P&L and whilst our new capacity of Brownfield is going to come up in the next four to five years, I would also like to point out that 35%, like I mentioned, of capacity at present is catering to the Government business which is at a 40% discount to our normal hospitals rack rates and we will use this opportunity over the next four to five years to distill that to the cash and International and insurance business. While we do not believe this entire 35% will come down to zero, but there would be a significant reduction of it.
- Yogesh Sareen:** That will obviously add to the top line & margins.

- Sabyasachi Mukerji:** Your BLK Hospital clocks around 18% kind of EBITDA margin. Do you believe the other hospitals will also kind of attempt similar margin in the medium to long-term?
- Abhay Soi:** So if you see the Q4 of FY20 numbers, Max Hospital were also at, if I just take out the impact of COVID over the last 10-days of that quarter, they were also tracking at 19% EBITDA margin, and with the impact of COVID over the last 10-days I think it was 17% EBITDA margin. So we are already there.
- Sabyasachi Mukerji:** And this is sustainable, right?
- Abhay Soi:** Absolutely.
- Sabyasachi Mukerji:** There is one-line item called policy harmonization effect in doubtful debts of the BLK Hospital. I missed the explanation, could you give a brief?
- Yogesh Sareen:** There are three, four places where the policies were different between Radiant Life and Max Hospital. So Max Hospital follows a policy of creating an allowance of 3% on the unbilled revenue, there is a policy on some gratuity, actuarial valuation, and also there is mainly a policy on the provision for doubtful debts. So, provision of doubtful debt policy at Max Healthcare says that any bill which is more than 365-days is provided for, while the practice at BLK Hospital which has the Institutional business where the money comes late, was that they need to provide it after 18-months. So, we align the policies and so, there is a one-time impact of aligning the policy and that impact has been shown below the operating EBITDA because it is one-time item.
- Sabyasachi Mukerji:** So, this is a provision, right? Has there been any write-off?
- Yogesh Sareen:** It is a provision for doubtful debt. It is like a policy for example any bill which is let's say even if the money has come in on April 1st but on 31st March if the bill is outstanding at more than 365 days, it will be provided for in the financials. We applied in Radiant hospitals also. So, there is impact of the policy which we try to crystallize and realign.
- Moderator:** The next question is from the line of Jigar Shroff from M. Jigar & Company - Financial Research.
- Jigar Shroff:** One is pre-COVID I think we had an occupancy level of about 70%. So what is the optimum occupancy that we can reach in normal times? That is the first question and my second question is, you just mentioned that we had a Brownfield expansion plan of about 1,000 beds. So could you explain that trajectory in terms of year one, year two, year three, please?
- Abhay Soi:** Pre-COVID levels, our occupancy was 73% while some of our hospitals have been operating at 83%, 84% consistently in the past as well. The headroom we believe is the 73% can get up to about 81%, 82%. What we are looking at is like you rightly said the Brownfield in two places; one is in Mumbai at Nanavati Hospital adjacent to a hospital which is already operating in high capacity and the second would be at Max Saket which is our flagship cluster in South Delhi. And we are looking at setting up 600 beds capacity in Mumbai while we are looking at setting up 650 beds superstructure, of which we are looking to fit out 350 beds. The earliest we see these capacities come online is between three to four years from the date of start of the works.
- Moderator:** The next question is from the line of Yash Jain an individual investor.

- Yash Jain:** Can you shed some light on one of your SBU that is Max@Home, any further plans for existing and ongoing Max@Home, franchising services?
- Abhay Soi:** Max@Home is an intrinsic business for us. Max@Home is something an extension of our service lines which includes ICU at home, nursing at home, diagnostics and testing and also providing pharmacy at home. This is Rs.65 crore to Rs.70 crore business that we are doing every year. And, again, we intend to build this out much further by layering digital onto it. So our reach increases. This business has been very, very successful during the COVID times, not only have we got extremely good feedback, but we also served more than 700 patients at home. During COVID, while people are apprehensive about the things which include remote monitoring of the patients and so on
- Yash Jain:** Do you see any new further opportunity after COVID also for Max@Home?
- Abhay Soi:** Yes, so even prior to COVID, this was a Rs.65 to Rs.70 crore business. While the non-COVID business went down, the COVID business kind of substituted for it, and we continue to be doing up to 90% of those pre-COVID levels, but the churn changed, business type changed.
- Gautam Wadhwa:** Also in terms of opportunities going forward, we obviously all the time keep exploring new service lines that can be added. So, it could be from dental at home, to even at chemotherapy at home, dialysis at home, these are things which have been done actually in some of the places. So, we would look to add to certain lines sometime in the future.
- Abhay Soi:** See, our geographical concentration in Delhi, NCR gives us a lot of elbow room to do this.
- Moderator:** The next question is from the line of Ritesh Rathod from Nippon India Mutual Fund.
- Ritesh Rathod:** Can you explain the Rs.204 crore write-off which you have taken in P&L loss on the fair valuation of Radiant merger, so, any particular reason in such a short time to take such kind of write-off and is it linked to BLK, Nanavati asset?
- Yogesh Sareen:** Nothing to do with that. Basically what happens under IND-AS 103 is that we have to value the purchase at fair price. So, now when we do the fair value, you have to pay the current multiple, so it is as on 1st of June, alright. So, the valuer when they did this valuation, Radiant had bought this stake at Rs.80, so based on the fair valuation principles, they derived the value at Rs.73. So Rs.7 we have to put a P&L charge, but that is a non-cash item, I mean, you know that share price today is more than Rs.100. So, that is only a charge which has to happen under the IND-AS 103. This is in respect of 49.7% holding Radiant holds in Max. It is nothing to do with BLK, nothing to do with Radiant.
- Ritesh Rathod:** No, with the private equity stake you bought out which is linked to that.
- Yogesh Sareen:** So this is basically since it is a phased acquisition, that means Radiant held 49.7%, stake earlier and then they upped their stake by demerging their entity. So the requirement of the IND AS 103 that when you do a step-up acquisition, you have to fair value all the stake on date of the full acquisition.
- Ritesh Rathod:** Second, how much net debt level you will be comfortable at, currently, the net debt is approximately Rs.2,100 crore and with the QIP assuming in next six months, what level of net debt would we be comfortable given our Capex plan and the expansion plan?

Yogesh Sareen: Yes, the net debt is Rs.2100 crore as of end of June and that number is if I really take the normal performance it is around 3.7x in terms of multiples and also you have to consider the fact that of this there is Rs.620 crore debt which is not to be serviced. So, I would say anything up to 3x net debt-to-EBITDA would be comfortable with us.

Ritesh Rathod: So, would it be fair to say a large portion of QIP would go for expansion as of now?

Abhay Soi: So, we are looking only for the Brownfield. In the interim, the funds available and bunched up because as you are aware Brownfield initially, we will be building the superstructure. So initially we use it to retire the debt, then we use our internal accrual. We are very comfortable servicing our present debt with our internal accruals. Net debt level if you look at it, which is of Rs.1,500 crore. If I was to take onboard the put option, then we get to Rs.2,100 crore.

Ritesh Rathod: What level of unutilized credit limit we will be having today from banks?

Yogesh Sareen: Rs.120 crore, and we have a cash balance of Rs.371 crore.

Moderator: The next question is from the line of Praveen Sahay from Edelweiss Broking Limited.

Praveen Sahay: I have some query related to operational numbers. Last quarter, there was a decrease in the ARPOB by 5% on overall basis. So is it possible to give ex of COVID, how much is the realization?

Yogesh Sareen: Typically, we have ARPOB of Rs.28,000 to Rs.37,000 Now, obviously, I cannot really give impact of Covid on this. So there is impact of COVID. But then, it is in specialty, or it is basically the mix which has a play in there. As I mentioned, the mix used to be 52:48; 52% surgical, 48% medical, so it is 38:62. So that is what is actually leading to the lower ARPOB.

Praveen Sahay: This mix is improving now?

Yogesh Sareen: Yes, that is right.

Praveen Sahay: And the second question related to ALOS, there also we had seen a significant jump of 26%. So major reason is it a COVID or?

Yogesh Sareen: Not on COVID, anytime when you have medical revenue going up, you find ALOS jump up.

Praveen Sahay: So majorly that's the medical base and then that is improving as well?

Abhay Soi: Significantly is the COVID, yes.

Praveen Sahay: Also, related to the treatment like as in the oncology numbers even though there is a reduction in the revenue, but the oncology contribution has increased. So plan treatments like oncology, ortho, is it improving right now as compared to last quarter?

Abhay Soi: So overall if you see it is still lower than where it was last year. But these are more essential services those are expected to bounce back as they have faster than some of the others like let us say cosmetic, orthopedics and so on, which have a little more again space in terms of being able to bounce back and gradually these

segments are also improving. They have come down to almost zero previously. They are more elective in nature than clearly oncology and cardiac, etc.

Praveen Sahay: Basically, the number of beds you had given in the presentation the hospital wise in the NCR and out of NCR, so, is it possible to give on the revenue side as well?

Gautam Wadhwa: Revenue from non-NCR region in Q1 was 27%.

Praveen Sahay: On your expansion plan of 1,000 beds on the Brownfield, can you give indication like these are the mostly NCR region?

Abhay Soi: Like I said, 600 beds in Mumbai adjacent to Nanavati and 350 beds will be in South Delhi.

Moderator: The next question is from the line of Mayur Gathani from OHM Portfolio Equity Research.

Mayur Gathani: Can you throw some more light on this video consultation of 28,200 plus, so what was it pre-COVID and do you think this is incremental business for us when things become normal?

Abhay Soi: Video consults pre-COVID was pretty much zero which is now 15% to 16% of our total OPD business. Having said that, the consumer behavior, the patient behavior has changed. And while digital was at the peripheries of the organization, now as most sectors and most specifically ours, it comes to the core. So the pandemic has changed the behavior. We believe that this will permit us to reach out to more and more patients at a more reasonable cost while still being viable. At the same time what it does is because, primarily the OPDs to funnel patients to our IPD, it also will help us open up some very essential real state where we choke up at hospitals which is at OPD level. Because the prime real estate in hospitals at OPD and there is a major, major push towards that. Also, what it does is it helps us in upcountry as well as International business significantly, both in terms of pre and post consult as such. So I think the fact that we have had to embrace digital, I think it can really increase our reach.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Abhay Soi: Thank you very much for being on this call. Exciting time for us. We have just come through a challenging period and we hope good things are to come for not only our sectors but other sectors as well. Appreciate your support through the stellar listing Thank you & Stay safe.

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