

December 06, 2023

The Secretary Listing Department, BSE Limited, 1 st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001 Scrip Code: 540975	The Manager, Listing Department, The National Stock Exchange of India Ltd Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (East), Mumbai 400051 Scrip Symbol: ASTERDM
---	--

Dear Sir/Madam,

Sub: Transcript of Investors Conference Call on Segregation of GCC and India
Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

This is further to our earlier letter dated November 29, 2023, regarding Video/ Audio recordings of Investors Conference Call on Segregation of GCC and India held on November 29, 2023, please find enclosed herewith the transcript of the said Investors Conference Call.

The same is also made available on the website of the Company at <https://www.asterdmhealthcare.com/investors/segregation-of-gcc-india/investors-call-transcript>

Kindly take the above said information on record as per the requirement of SEBI Listing Regulations.

Thank you

For **Aster DM Healthcare Limited**

HEMISH

PURUSHOTTA

M

Digitally signed by
HEMISH PURUSHOTTAM
Date: 2023.12.06
22:52:40 +05'30'

Hemish Purushottam

Company Secretary and Compliance Officer



**Aster DM Healthcare Limited
Investors Conference Call
on
Segregation of GCC and India**

Management:

- Dr. Azad Moopen – Chairman & Managing Director**
- Ms. Alisha Moopen – Deputy Managing Director**
- Mr. T J Wilson – Non-Executive Director**
- Dr. Nitish Shetty – Chief Executive Officer, India**
- Mr. Amitabh Johri – Joint CFO**
- Mr. Sunil Kumar M R – Joint CFO**
- Mr. Hitesh Dhadha – Chief of Investor Relations and M&A**

Moderator: **Mr. Balachander R**

Balachander R:

Good morning, everyone. I welcome you to Aster DM Healthcare's Investor Conference Call. With us, we have the senior management of Aster DM Healthcare namely Dr. Azad Moopen; Chairman and Managing Director at Aster DM Healthcare; Ms. Alisha Moopen, Deputy Managing Director; Mr. T.J. Wilson, Non-Executive Director; Dr. Nitish Shetty, CEO of India, Aster India Business; Mr. Amitabh Johri; Joint CFO; Mr. Sunil Kumar, Joint CFO; and Mr. Hitesh Dhaddha, Chief of Investor Relations and M&A.

The main agenda of this conference call is to discuss the segregation of Aster India and GCC business. I would like to inform everyone about how we will conduct this call. All external attendees will be in the listen only mode for the entire duration of the call. We will start the call with opening remarks by management followed by an interactive Q&A session. During the Q&A session, you will get a chance to ask a question by raising your hand by clicking on the raise hand icon on the zoom application at the bottom of the window, we will call out your name after which your line will be unmuted, and you will be able to ask your question. We request you to please limit your questions to two but definitely not more than three per participant at a time.

Certain forward-looking statements may be discussed in this meeting and such statements are subject to certain risks and uncertainties like government actions, local, political, or economic developments, technological risks and many other factors that could cause the actual results to differ materially. Aster DM Healthcare Limited, will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances. Before handing over to our esteem chairman, I apologize for any inconvenience caused due to rescheduling of the investor conference call and thank you for your understanding. With this I will ask Dr. Moopen to start the opening remarks. Over to you, sir.

Dr. Azad Moopen:

Thank you Bala. Good Morning everyone. First of all again let me extend the apology from Bala because we were supposed to have this yesterday. Due to the delay in completing of board meeting that couldn't happen as well as we

also should apologize because after the announcement of results also we couldn't meet you we thought that this is going to happen at least two weeks back but at last, we are ready with what you were all looking forward to. So, I am extremely happy to announce that the major milestone in history of Aster DM Healthcare has been accomplished, with the Board of Directors approving the sale of the GCC business to a consortium of investors. We believe that this is a transformative event shaping the future of the businesses in both India and GCC, given the distinct market dynamics in both the geographies. While acknowledging that, the process has taken more time than initially anticipated due to the complexity and size of the transaction. I am finally delighted to announce that the Segregation, which is now approved by the Board, is expected to be accomplished by March 2024, subject to the necessary shareholders and regulatory approvals.

With a large presence in India and GCC, Aster has been providing quality healthcare at affordable cost to 20 million patients a year in both the geographies, through services of over 30,000 committed employees in 7 countries. We have observed that both of these markets have significant differences in their business models with which they have grown differently in these regions. One of the reasons may be the huge population and demand supply gaps in the two geographies along with different mix of the services and business models.

While the existing GCC business is mature, the India hospital network is growing exponentially due to the huge demand supply gap, increasing affordability of the population and insurance coverage. While still there are opportunities in countries like Saudi Arabia in GCC, we feel there is a higher runway for growth in India in the coming years. This has led to the realization by the Aster DM Healthcare Board that separating the GCC business and creating independent management team for developing their own strategies and leading execution in each geography, shall help to create and unlock the value for investors in future.

This transaction will result in the separation of Aster's India and GCC businesses, creating two distinct geographically focused entities - each with its own management team and governance framework as well as its unique strategic roadmap for growth and capital allocation.

Let me just come to the transaction contours:

We have reached an agreement with a consortium of financial investors led by Fajr Capital to acquire 65% of the shares of GCC Business, at the completion of the transaction, at an Enterprise Value of ~USD 1,651 mn equivalent to ~INR 13,540 Crores and Equity value of USD 1,002 mn equivalent to ~INR 8,215 Crores. The multiple of 11.9x signifies a strong endorsement of our growth potential and the value this partnership will bring.

The consideration receivable from the transaction is ~USD 1002 million of which USD 903 million, subject to customary adjustments, is payable at closing and up to USD 98.8 million may be received subsequently subject to certain contingent events. This includes an earnout of up to USD 70 million based on EBITDA achieved by the GCC business for the Financial Year ending 31 March 2024.

Due to the fact that Promoters have been strategically running the GCC business for over 35 years, it was one of the pre-conditions by the shortlisted financial investors including Fajr that promoters remain with Operational control of the business, if they have to come in. Hence, the Promoters decided to own 35% of the GCC Business, reaffirming our commitment to the future of the GCC business also along with India.

Out of the transaction proceeds, part amount of the proceeds (net of transaction costs) will be distributed as dividend, subject to various required approvals and the balance proceeds will be retained as reserves and to pursue inorganic growth opportunities from time to time. The time and quantum of this shall be decided by the Board after looking at the requirement for growth

capital in India. I want to assure the shareholders that We'll Treat you well, like our patients and employees.

Our India Business will remain an integral part of Aster DM Healthcare Limited, reflecting our dedication to providing exceptional healthcare services to the country.

Strategic Rationale and Value Creation Possibilities- let me touch upon this.

This transaction marks a significant step in unlocking value and sharpening of our focus. By creating two separate entities, we aim to:

Strengthen operational and strategic focus in both the GCC and India markets, allowing each entity to optimize its growth potential and deliver better value to our patients and stakeholders.

Dedicated management teams with regional expertise and the ability and bandwidth to focus on their respective entities and craft independent strategies.

Create distinct capital allocation strategies, ensuring that the cash flows of each entity are efficiently deployed to drive growth and innovation, and provide the company with the autonomy to pursue its own independent capital allocation strategy.

This will also enable exploring investment and fundraising opportunities through new private equity investments or pursuing new growth opportunities in India entity.

As an India-focused business, Aster DM Healthcare is now well poised to fully leverage the immense growth potential and address the needs of the Indian Healthcare market.

Many domestic and foreign institutional investors are currently invested in Aster DM Healthcare and as the part of strategy, this segregation will bring new opportunities and prospects, for our valued shareholders by:

Enhancing transparency and understanding for investors and the healthcare community, as it will enable better reporting of operating and financial parameters for the listed entity.

Transaction also offers Aster an opportunity to potentially expand its institutional investor base to also include investors who are mandated to invest in India only or India majority businesses.

Last but not the least, this transaction is expected to lead to potential dividend distribution to shareholders subject to relevant corporate approvals, rewarding them for their continued trust and investment in our company.

Positioning of the India Business, I would just like to touch up on that.

In the lead-up to this segregation, our focus has become razor sharp towards the expansion of India business. This has not only strengthened our operations but also paved the way for growth of our India business. India's growth journey looks highly promising and convincing based on robust performance across financial and operating metrics over the span of last 5 years.

From 10 hospitals we had in India in 2018, we have significantly expanded to reach a milestone of 19 hospitals, 226 pharmacies and 251 labs.

A substantial capital expenditure of INR 1,000 Crores invested in India business over the last 5 years, propelled our bed capacity to expand from 3,007 beds to 4,855 beds currently.

Over the last 5 years, we have solidified our position to become the second-largest hospital network in South India with the highest number of capacity beds in Kerala, second highest in Andhra Pradesh and third-highest in Karnataka.

We've taken steps to use our resources and capacity more efficiently, focusing on expansion of existing hospitals and improving our specialty mix with more

than 50% of revenue coming from niche specialties like Cardiac, Neuro, Oncology, Nephrology etc. Liver Care and Orthopedic are also included.

This has led to significant improvement across key metrics such as ARPOB, manpower per occupied bed, and occupancy, all while keeping our commitment to delivering excellent patient satisfaction.

On the back of capacity expansion, strategic endeavors, combined with digital interventions and cost optimization initiatives, we are among the fastest growing hospital chains in India over the last 5 years with Revenue growing at 20% CAGR and EBITDA growing at 35% CAGR. In fact, the non-Covid revenue has grown even higher at 40% over the last 2 years.

In fact, our growth in H1FY24 was even stronger, with a 26% YoY revenue growth, YoY EBITDA growth at 30%, and YoY PAT growth at 31%, further solidifying our strong position in the healthcare space.

The deliberate focus on operational efficiency has enabled us to accomplish hospital EBITDA margins at 19.4% and matured hospital EBITDA margins even higher at 21.3%.

The combination of efficient capital allocation and solid financial performance has resulted in exceptional improvement in India hospital business ROCE from 1% in FY18 to 20.1% currently.

Our dedication to building a robust healthcare ecosystem is reflected by our progress towards the establishment of new businesses, including labs and pharmacies. Their contribution to total revenue in India increased to 7% in FY23, reflecting a substantial 72% year-over-year growth in revenue from these new businesses.

Many of our hospitals have accredited such as JCI and NABH all are by NABH, affirming our commitment to the highest standards of healthcare excellence.

While explaining our performance, it brings great satisfaction to share that several of our hospitals have earned prestigious rankings among the top 10 hospitals in India by Outlook, Times of India, and The Week etc.

Many of the media have included us among the first 3 to 5 of the best private hospitals and ET bestowed upon Aster the esteemed title of "Hospital Chain of the Year."

We strongly believe in the future of our India business; as

India's vast population with one of the lowest hospital bed densities provides significant headroom for growth. Recognizing this opportunity, we have planned significant capacity expansion to reach a total bed capacity of over 6,300 beds by FY27 by adding 1450 beds approximately.

The addition of our asset-light model has not only acknowledged the ramp-up but also shortened the breakeven period for our hospitals. This strategic approach has been designed to also elevate our Return on Capital Employed (ROCE) by optimizing capital utilization and ensuring judicious resource allocation.

Emphasizing our commitment to digitalization, we're also gearing up to connect with patients through the digital app, leveraging our experience from the successful implementation of the myAster app in GCC. This initiative aims to make our services more accessible. Additionally, we're increasing our focus on virtual care to enhance the overall patient experience in the future.

Separately, we have also taken multiple initiatives to ensure that all dependencies between both entities have been managed and that all synergies will not only be maintained but enhanced via mutual co-operation between the two entities.

Now finally, I must admit to you that we did a mistake by listing the GCC business in Indian stock market five years back and were not able to get the value of the full business being recognized. I am happy that we are today

undoing that mistake as unanimously advised by our investors, advisories and analysts and of course our Board to unlock the value of both businesses. We were trying to put a square peg into a round hole actually, but we are now changing that.

As we venture into this new chapter in the history of Aster with geography focused pure play businesses, I extend my heartfelt gratitude to all the stakeholders who have been an integral part of our journey so far and request your continued support.

I am confident that this segregation will enable both entities to thrive, each with its distinct vision and growth trajectory. Together, we will continue to make a positive impact on the healthcare landscape and improve the lives of those we serve.

I will now request Alisha to talk about the transaction in more detail.

Thank you very much.

Alisha Moopen:

Thank you Chairman. Good Morning Everyone.

As chairman mentioned today marks a significant milestone in the journey of Aster DM Healthcare. It is with great pleasure that we gather here to reflect on a strategic decision that will reshape our organization's future. Over the years, Aster DM Healthcare has grown and evolved, establishing a strong presence in both the GCC region and India. Our commitment to providing exceptional healthcare services remains unwavering, and today, we celebrate a step forward that enhances our capabilities and streamlines our operations for even greater success.

As the Chairman has already announced, I am pleased to reiterate the announcement of segregation of Aster DM Healthcare Limited into two independent entities i.e. Aster GCC and Aster India. This decision has been carefully considered and is driven by the need to align our operations with the unique dynamics of each market. Our vision is to enable each entity to flourish

independently, leveraging on its strengths and market expertise to deliver optimal outcomes.

The GCC Business has consistently showcased remarkable performance, and I am delighted to share that its equity value currently stands at over USD 1,002 million, equivalent to INR 8,215 crores. The Enterprise Valuation of the GCC Business is a testament to our commitment to excellence, reaching an impressive ~1,651 million USD equivalent to INR ~13,540 crores. These figures not only reflect the dedication of our team but also demonstrate how we have hopefully outperformed market expectations.

As previously disclosed while the disclosure made on July 24, 2023, the Company received requests from the bidders, during the bid process, for continued promoter participation in the GCC business to ensure its sustainability following the segregation of the two businesses. The Promoters had also expressed their interest in continuing to participate in the GCC business. The promoters have decades of experience and goodwill in the GCC region, and their involvement is core to the intrinsic value of the business itself. Accordingly, the promoters agreed to have shareholding in the GCC business and will, at completion of the transaction, hold a 35% stake in the GCC Business, valued at approximately ~INR 2,875 crores. The remaining 65% stake, valued at ~INR 5,340 crores, will be held by a consortium of marquee financial investors led by Fajr Capital, a distinguished private equity investor in the Middle East and Southeast Asia, bringing with them a wealth of experience that aligns perfectly with our vision for growth and innovation.

The consideration receivable from the transaction is ~USD 1,002 millions of which USD 903 million, subject to customary adjustments, is payable at closing and up to USD 98.8 million may be received subsequently subject to certain contingent events. This includes an earnout of up to USD 70 million based on EBITDA achieved by the GCC business for the Financial Year ending 31st March 2024.

We have engaged the following external advisors- EY and PwC as our independent valuer and ICICI Securities (fairness opinion) for the valuation guidance, which is broadly in line with recent transactions in the healthcare services sector in the region.

We arrived at this particular transaction structure and this consortium of investors for the GCC business after several months of deliberation and evaluating multiple options for unlocking value such as:

Demerger of GCC business at the listed entity level and delisting of GCC business

Demerger of India business from the Company

Segregation of entire GCC business

Out of all these three options, the segregation of the GCC business was determined as the most suitable approach. Just for sequence of events:

In June 2022, the Board approved appointment of investment bankers to explore potential options for the segregation which present an opportunity to unlock value for the Company and its stakeholders.

In November 2022, the Board was updated about the progress on the respective exercise by the investment bankers. The investment bankers informed the Board that they are in receipt of interest from various potential investors.

In February 2023, the Board noted that the investment bankers received indicative terms from potential buyers of GCC Business. The bankers subsequently engaged with such potential buyers and the advisors of the potential buyers conducted due diligence on the GCC business. Upon submission of the final evaluation by the investment bankers, the Board decided to review the proposals for sale.

After their extensive due diligence and further shortlisting, the Company received confirmatory bids from recognized bidders and subsequently, the Board then granted exclusivity to Fajr Capital, recognizing their alignment with our vision and values.

The successful closing of this transaction is subject to the approval of our shareholders as well as regulatory authorities and is expected to close by the end of FY 24.

The key milestones:

A significant step in our segregation process involves seeking shareholder approval as the next step for the proposed transaction of Aster DM Healthcare Ltd, which will separate the GCC Business from the India Business.

We will also diligently work towards completing other Conditions Precedent (CPs) which are essential for the successful implementation of the segregation plan. This includes obtaining necessary regulatory approvals, ensuring compliance with legal requirements, and fulfilling any contractual obligations relevant to the segregation process.

3) Additionally, we will focus on securing Antitrust Regulatory Approval to ensure that the proposed segregation fully complies with antitrust and competition laws, safeguarding the process from any potential legal challenges.

Out of the net transaction proceeds, part amount of the proceeds (net of transaction costs) will be distributed as dividend, subject to various required approvals and balance proceeds will be retained as reserves for contingent liabilities and to pursue inorganic growth opportunities from time to time.

Now, let us talk about the immense benefits that this segregation will bring to both the GCC Business and the India Business. By allowing each entity to operate independently, we really are paving the way for tailored governance and strategic direction, specifically aligned with the nuances of their

respective markets. This means that the GCC Business can focus on further expanding its leadership position, capitalizing on its strengths, and seizing new opportunities within the GCC region. On the other hand, the India Business will have the autonomy to harness the immense potential of the Indian healthcare market, explore new organic as well as inorganic growth opportunities and raise capital as and when required to fuel further growth. As shareholders of this company, you will now be part of this growth story, fully leveraging the dynamism and immense growth opportunities presented by the India market as Aster's well-established yet ever-expanding presence in this market.

One of our foremost priorities during this process is to ensure that the synergies that exist between the GCC Business and the India Business are not just preserved but also enhanced. We plan to foster collaboration by facilitating the cost-sharing of technology, expertise, and services between these entities. This strategic approach will enable us to leverage the strengths of both businesses and provide even better healthcare services to our valued patients.

As we move forward, we remain steadfast in our commitment to delivering exceptional healthcare services, advancing medical excellence, and making a positive impact on the lives of millions. Our journey might be taking a new direction, but our core values and dedication to excellence remains unchanged.

I extend my gratitude to our incredible team, our partners, and our stakeholders who have supported us throughout this journey. Together, we are embarking on an exciting chapter that promises growth, innovation, and prosperity.

Thank you.

Balachander R:

Thank you, Ms. Alisha. Now we open up for the Q&A session. I repeat that if anybody wants to ask a question, please click on the raise hand button and

we will call out your name and we will unmute you. The first question is from Sanjay Shah.

Sanjay Shah: Yes, am I audible?

Balachander R: Yes, Sanjay you are audible.

Sanjay Shah: *Yeah, thanks for an opportunity. Dr. Moopen, now congrats, after hard work you have achieved the required strategic decision. So, my question which I already sent to you, which you already replied in your opening remarks. So, now the question was regarding the Aster DM GCC equity valuation. So, the rationale what we understand from our point of view and I would love to have your reply on that, that you have valued it at INR 8,215 crore and EV at INR 13,540 crore, this includes the debt of that lease liability of INR 5,325 crore. The GCC has an EBITDA of INR 1,100 crore so valuation is at 12.3 times EV/EBITDA and equity valuation at 7.5 times EBITDA and less than one time revenue multiple. And when we compare with some UAE like Burjeel is trading at four times revenue multiple and 20 times EV/EBITDA even if UAE hospitals fetch higher value, the discount currently is at 40% compared to Burjeel. Can you please throw a highlight, share some your view on that and why and what was the rationale of our valuation? Thank you*

Balachander R: Chairman, you are on mute sir.

Dr Azad Moopen: Yeah, thank you very much. Thanks a lot. That's a very important question. And so I'll start off and then of course Alisha and Amitabh will then further take it forward.

Now, when you look at the value of the GCC business there are various ways in which you can look at it. One of the ways in which you can look at it is that what is that people are ready to pay for that. So, as has been mentioned by Alisha we have gone around in the last one year with multiple investors who are ready to invest into the business or the GCC business and sought initially 42 people came forward and then it came down, shortlisted 16, then 8 and 4 people actually were shortlisted finally and had long discussions, came down

to two, Fajr Capital and another, and they were allowed to do the DD. On the basis of that, they submitted the non-binding bids, and finally, Fajr submitted the bid. So, this value is what we are seeing now.

So, what I wanted to tell you is that this is the value which is seen by the market as a value for Aster. This has gone over a period of six months, both the investment bankers have gone around and got the best possible value. So that's one. Second thing is that, there is a way in which we made sure that this value is what actually the value is by looking at the valuation by two of the very reputed firms. One is the EY, another one is PwC. So, they both came with their own values. And of course, there was a range, but it was around this is what came out. And then there was a fairness opinion by ICICI Securities, which is approved by SEBI, I understand. And on the basis of that only, the board has decided to, I mean, board decided, and we were not involved in that because you know that there is a clear conflict of interest in this transaction. And so, we were, we, ourselves volunteered and the board also didn't want us to participate and this whole thing was decided on the basis of that.

Now, how did these people reach the valuation is what your question is that what was the basis of that. While there are comparables in GCC, it's entirely different when you look at our business and their business, and Alisha and Amitabh will go deep into it. We have a mix of hospitals, clinics, pharmacies, which has got its own challenges. The valuation of each one of these is different, whereas the other people, especially in Saudi Arabia, the valuations are different. So, this is the basis of the value which has been discovered. And so, I request Alisha and also Amitabh and also Hitesh to join because we have been deeply involved and we wanted to get the maximum value for that. So Alisha, if you can just add to, because that's a very important question. Many people will have this question, better to we put that into rest. And if you can elaborate further, that will be very good.

Alisha Moopen:

Sure, thank you, Chairman. Yes, Sanjay, so as Chairman mentioned, they were the two independent valuers had looked at two different ways of valuing the business. One was the discounted cash flow, looking at what our next five years plan and seven years plan will look like and using the discounted cash flow method, as well as the comparable market peers, the CCM method.

So, when we look at the comparable, we realize that there are very few comparables for our Aster GCC business because most of the listed entities are in Saudi, which is a very deep market. In UAE itself, we don't have any comparable. You did allude to Burjeel. So, there are some differences again between Burjeel and Aster. Burjeel has a large part of their business that comes from just hospitals. We have a one-third split pretty much between our hospitals, our clinics, and our pharmacies, which have different margin profiles and slightly different value, I mean quite different valuations as well. So as a blended, I don't think it is very comparable. Also, Burjeel, as we understand, I mean, it is being listed recently in the Abu Dhabi market. Again, we do know that, you know, it's a very little liquidity that is there in trading that happens in that market at this point in time. It's a fairly new asset that's been listed. I'm not sure if you have looked at MediClinic. That was another asset which was a little bit closer, which again was in the Dubai market where we have a larger presence similar, whereas Burjeel has a larger presence in Abu Dhabi. MediClinic was delisted. Of course, they do have a combination of geos like South Africa and UK and Middle East, but they got delisted at 11.2 multiple.

One thing I also wanted to kind of add is over the last six months, one major thing that has happened in UAE market has been the corporate tax announcement. The corporate tax was announced almost a year ago. So initially when we had received our first bid, we thought we were in the pillar one company, and we assumed that our tax bracket would be a 9% tax bracket. But over the last four or five months, we realized that because of our size as well as the different geos that we operate in, we are a pillar two company. So, our tax bracket goes up to about 15%, which actually had a significant impact in the valuation of our business as well, which had to be

adjusted for this transaction. We believe that this does not exist in countries like Saudi because they already have a tax that has been running for many years right now. So, there've been some of these nuances which have been time sensitive, happened in the last one year, which has affected our valuation as well. But as Chairman mentioned, we believe that with the private transactions that's happened in healthcare, with looking at our portfolio and the balance of businesses that are sitting in our portfolio, with one third of them being pharmacies, another one third being the clinics, and then one third of the hospitals, we do believe that we have got a very fair valuation for our GCC business. I will ask Amitabh also to add on to these comments.

Amitabh Johri:

Thank you, Alisha. So, Sanjay, I think between the chairman and Alisha, they have fairly covered the reasons for that, but I'll probably touch upon a few numbers that will help us align in the discussion. So, if we look at it the enterprise value pre-IFRS for the business is around INR 10,666 crores, which is equivalent of the \$1.3 billion that we talked about. Now, if I look at the last year reported EBITDA, which is the pre-IndAs reported EBITDA, that was INR 751 crores. An imputed EV to EBITDA comes to almost 14.2x. Obviously, once we go to the post-IFRS, the numbers assume a different multiple, but which is also around 11.9x. While I state this number, Sanjay, the fact is also that GCC as a market, and there are reports available, has enjoyed a CAGR of 5.6-5.7%. Now, that is something which is perhaps not comparable to India, if you were to look at it. And if one looks at Aster's business, 46% of our revenue comes from the hospital business, which does operate in the range of 18 odd percent, but another 33 odd percent comes from pharmacies, where the margin profile, as we have reported in our various earlier disclosures, is around 9.5%. So, the blended margin is very different, but when you compare that to the Burjeel, which don't have the pharmacy or the clinic business, it's not an apple-to-apple comparison. And Alisha rightly called out, there are certain new nuances of GCC that are coming in, specifically UAE, where the corporate tax is coming in. When we run the models from the DCF basis, which was further validated by you know the valuers as they run that

independently. This has impacted the valuation, given the fact that on a DCF basis, once you factor in the taxes moving forward, it impacts the free cash flows of the company and does the discounting cash flows get impacted.

Dr Azad Moopen: Hitesh, you wanted to add anything.

Hitesh Dhaddha: Yeah, I think fairly between Chairman, Alisha and Amitabh, I think a lot of relevant aspects have got covered. Just Sanjay, if you look at from the external market perspective, and as Alisha also explained, the difference is there also in the model, how we are structured versus some of the peers that you're talking about. And hence, when you see the impact of change in the model on the performance part of it, there are differences in the performance on revenue growth, EBITDA margins as well between the entities, you know, and I would request to have a look at that because that will help you to kind of understand the differentiation and you know, the valuation as well that you're asking.

Sanjay Shah: *Yes, sir really helpful, thank you.*

Dr Azad Moopen: Thank you, Sanjay

Balachander R: Thank you, Sanjay

Balachander R: The next question is from Naitik Mutha. Naitik, please go ahead and ask your question

Naitik: *Hi, thanks for the opportunity. I just wanted to ask, you know, the funding for the holding company, you know, Alpha GCC. So, I wanted to ask some clarity on how are the promoters thinking on funding the 35% parts there? Will there be a raise for them or, you know, how are they going to fund that?*

Dr. Azad Moopen: Yeah, thank you. Thank you for that question. So this 35% one- we have our own resources which is there in GCC as well as we hope that the dividending out of the profits in India which comes to India, we will be getting 42% of that and we have to find ways to fund 35 percent of the transaction value here.

So, we hope a large part of the money which we get as dividend can be utilized for that.

Naitik: *Sure, thank you. That's it from my side.*

Balachander R: The next question is from Harith

Dr. Azad Moopen: Harith, we can't hear you.

Balachander R: Harith, can you unmute?

Harith: *Yeah, hope I am audible now.*

Dr. Azad Moopen: Yeah

Harith: *Sorry about that, Thanks for the opportunity. The \$70 million earn out, which you have mentioned, which is based on the FY24 EBITDA for the GCC business. So, what kind of EBITDA growth will the GCC business have to achieve for this \$70 million earn out to actually be achieved? So, just trying to understand the probability of this \$70 million proceeds actually coming through.*

Dr. Azad Moopen: Yeah, Amitabh you would like to answer that?

Amitabh Johri: Yeah. Sure Mr. Chairman. So Harith, thank you very much for the question. So, if you look at the last year performance, the last year performance has two, three very peculiar items. One was the fact that we had opened three new hospitals. There was Oman, there was Sharjah, and there was also Sonapur that we had gotten into operations.

Further to that, we also had certain significant investments on the digital side that we had made. And this was also one of the years where we were getting out of COVID, the quarter one of FY22 and quarter one of FY23 had this impact of COVID revenue not being there. Plus, there was a lot of revenge travel, you know, more off once the COVID had gone off had come in. Now, if you look at, we pretty much ended around the number of \$91.6 million of an EBITDA

for FY23. But if you look at the financial year FY24, those three hospitals that I talked about are into operations. From a negative number, it has gone into a much better number in terms of return, and we're seeing better trends. Similarly, the investments that we had made on the digital side are now paying results given the fact of e-pharmacy revenue going up and other revenues going up. So, we do expect that this could be in the range of anywhere between 25 to 30 percent or maybe a little more than that as something that is required for the earnout and at least the current trends are almost different.

Dr. Azad Moopen: Alisha, you wanted to add?

Alisha Moopen: Yeah, Chairman. So, I think the only point I would like to add what Amitabh said is also we seem to be trending on target for the first seven months. Of course, in GCC, it's quite geared towards the H2, where a large part of our business, I mean, almost 65% of our profitability comes in H2. So, all our efforts are to ensure that we are able to kind of make sure that we hit our targets. Last year was very, very peculiar. We don't have those two new hospitals. At least one of them has stabilized quite nicely. And the digital investments are also near breaking even. So, we are making all efforts to make sure that we are able to enable the earnout to come through at least in portion.

Harith: *Okay, that's helpful. My second question is on the proposed dividend. So, net of the transaction costs and you also mentioned that you'll retain some of the amount for future, for funding future growth. Can you give some ballpark percentage of how much of these \$1 billion proceeds that will actually get dividended out because from a shareholder perspective, some broad color on this will be very helpful.*

Dr Azad Moopen: Thank you, Harith, for that question. So, I will wear two hats here. One as the, I mean shareholder who has 42% and second as the board chairman. So as a shareholder, my interest is to get the maximum possible dividend due to many reasons, including that we have to take this money back and utilize in

GCC for securing our position. Otherwise, we have other means, but we'll have to use this funding. So, our interest is for that and we'll push for that at the board level. The board has to decide this. You know that we can't, nobody can, unless the board decides say that how much is going to be dividended out. But one thing which I can tell you after discussion with the board members, they're also positive if we have a plan for India, where whatever is seen as a requirement for the next three years is being funded from this as well as from whatever is available from the accruals and the leverage that can be taken. I think they should be fine to provide a large part of this as a dividend to the shareholders. They have been waiting for five years, so I very earnestly and passionately request in all board meetings that when we were discussing about this transaction that this has to be given to the shareholders. So, I hope that there'll be a significant portion.

India, luckily, see, this transaction helps India in such a way that the debt, which was sitting on the consolidated balance sheet, large part of it goes away because this was in GCC. What is coming back to India, it is the equity value which is coming into India. So, India debt is very minimal for us. It's as low as maybe one time, one year's EBITDA. So, we won't have an issue for getting funding from the banks as well as, you know, the further growth happening, we'll have good profits coming in. So, I think that we will be able to convince the board and get a large part of this dividended out. That is my hope, but I cannot give you any percentage or amount.

Hitesh Dhadha:

Harith, just to add on what Chairman mentioned, you know, if we look at India financials, which have been also published in the presentation that was released yesterday, you would see and maybe Sunil can also elaborate, is that India is generating pretty healthy returns, in form of EBITDA and profitability. So that money would be pretty much self-sufficient for the Capex plan that we have going forward. And hence the need for additional funding from this proceed, I don't think we will need as much, but maybe I would also have Sunil to kind of elaborate on that part.

Sunil Kumar M R: Yeah, thanks Hitesh. Yes, as we have mentioned in the presentation, currently the September ending quarter, our gross debt is around INR 680 crores and net debt is around INR 615 crores. And if you look at the net debt to excluding the lease liabilities to EBITDA, it's around 1.2 to 1.3. And looking at the growth trends what we have, we are comfortable. We are coming up with almost 1,450 beds and we require an investment of additionally INR 850 odd crores. And that is very much sufficient to do with the internal accruals, the majority amount and to certain extent leverage. But even with leverage, you're not going beyond 1.5 times the EBITDA. So, I think we'll require a very limited amount of money from this \$1 billion which were going to receive. Thank you.

Harith: *Okay, thanks for that. And last one from my side with your permission. Dr. Moopen, slightly broader question. I believe that you mentioned that you will continue to oversee both the businesses post this transaction. So, from an Aster India shareholder perspective, how should one think about your time being allocated to a business that is outside Aster DM Healthcare, the listed company, and that to a business which is significantly larger than Aster India. So, any thoughts around this?*

Dr Azad Moopen: No, no, that's a very important question. So, the good thing is that in the last five years, we have been able to have very strong, robust teams on both sides. With Alisha leading GCC and now becoming the managing director and CEO, as well as new partners coming. The reason why we have selected those partners also is because they are people who can help us in the different GCC countries. So, that I am confident that they will be able to take it forward with the support. We didn't have in GCC anybody as a partner who can support us. So, my burden of looking after GCC comes down significantly with Alisha herself doing and along with that we have a very strong partner, who has got their constituents, the consortium members who are in different countries. So, it becomes much easier. As you know, it's all contacts, which is important in the GCC, unlike in India, and so this will definitely help us a lot. Fajr Capital, Iqbal Khan, as well as Atif, they are all people who are seasoned, and they'll be able to help Aster GCC.

India- Nitish has done a fantastic work in the last one year. We have grown significantly. So, the results speak for itself and with Farhan and other team members and of course with Sunil and the finance they have really stabilized. But I have to support that I have been involved deeply but gradually over a period of three to five years I think I can take my hands off but until that time I'll be actively involved, If Nitish feels that it is time for me to retire and Alisha also feels so. Nitish, you wanted to add something.

Dr Nitish Shetty: No, sir. We don't expect you to retire very soon. You bring in that expertise and experience, which is, we can't value it at this point of time. But like you would earlier, we have a team, fearless and strong team. Aster journey has been 10 years, actually, in India running the business. In the last five years, we have put up a team, robust team and our strategy has worked in terms of what we have kind of structured in terms of cluster approach. And of course, the attrition rate in the senior management has been very minimal. So, all the team has kind of come together well and we are at the inflection point. This was a very much needed event which has happened for good reasons only I assume that it has happened. And then now with the renewed focus and the chairman focusing most of his time on India, we are very, very confident of carrying forward good work what we have done in the last five years. And in fact, we are hoping to do better.

Dr Azad Moopen: Yeah

Dr Nitish Shetty: Thank you

Harith: *That's very helpful. Thanks for taking my questions and all the best*

Dr Nitish Shetty: Thank you

Balachander R: Thanks, Harith. The next question is from Rushabh. Rushabh, you can unmute yourself and yes, please go ahead.

Rushabh: *Am I Audible?*

Balachander R: Yes, you're audible

Rushabh: *So, thanks for the opportunity. Just wanted to understand on some questions on the India business. So, we have currently 19 hospitals and our EBITDA margin would be close to eighteen, eighteen and a half percent if I'm not wrong. So, can you just help me understand on which of these are mature hospitals? I believe mature hospitals make 21 percent kind of a margin. So which of these are mature hospitals, which of these are on the cusp of reaching maturity and how should we look at the blended EBITDA margin for these 19 hospitals in the India business in the next one to two years.*

Dr Azad Moopen: Yes, Sunil, if you can come out with those details

Sunil Kumar M R: Yes Chairman, thank you, Rushabh, for that question. So, when you look at our numbers for the quarter two, right, we have a close at INR 934 crores revenue and almost with a 16.8% blended EBITDA. But when you look at our own hospitals and clinics, right, excluding the O&M assets, so now we're given a breakup also in this segment reporting slide. O&M, excluding O&M assets and specifically the hospitals under the O&M asset light model, we already hit a revenue of INR 31 crores end up break even there. So, excluding that, when we're looking at only the hospital & clinics, wherein we already generating an INR 855 crores revenue on almost a 20% EBITDA margin, right? And you can see a good growth which has happened quarter on quarter. And that is basically because of the good ARPOB increase which we're able to do around 9 to 10% every year. And also, with the added measures on the cost optimization, specifically in the area of materials and other manpower cost also. So that is one of the reasons we are able to achieve around 20% EBITDA margin. And stabilized when we look at the matured profile, see, when you look at the new assets, the new assets are basically the Whitefield Hospital A and B block, and all the O&M asset light basically the Aster Mother Hospital, Areekode, Aster Narayanadri Tirupati, Aster G Madegowda Hospital in Mandya, and Aster PMF Hospital, which recently started in Kollam. So, these are the four hospitals, which are new hospitals, below three years. And

excluding this one, our EBITDA margin is almost 22% on the matured profile, which is above three years. And we see that the hospitals and clinics side, excluding the O&M, we should be around, we don't want to give guidance, but the trend which goes on is very clear around 20 to 24% is something which is possible under the ARPOB of INR 39,000 which we are achieving at India level. I hope that answers your question.

Dr. Azad Moopen: Yeah, Sunil, you can also mention about the hospitals, large matured hospitals like Aster Medcity and all.

Sunil Kumar M R: Yeah, so under the flagship hospitals, the major hospitals, above 500 beds. We have Medcity, Kochi, which is again a more than 30% EBITDA margin, if we do. Our CMI hospitals, Bangalore, in the north Bangalore, that's also again a 500 bed hospital, which does more than 30%. And another big hospital, what we have is our Calicut Hospital, Aster MIMS Calicut. That is EBITDA on the range of 22-23%. So, you can expect that we are going to stabilize the margin. And also, when you look at cluster approach, Kerala cluster already it's doing at a 21% plus, Karnataka cluster again at 22% operating EBITDA we are able to do. And Andhra cluster which we struggled last year, we are seeing a ray of hope, and Ramesh hospital specifically, now they're clocking in somewhere between 14 to 15% and we see a good exit in the FY24 end.

Rushabh: *Okay, so if I correctly understand, the owned hospitals that we have, which are majority in the Kerala cluster, those hospitals, those 6 hospitals are doing 21% kind of a margin right now. The majority of the O&M hospitals are in the Karnataka and the Maharashtra cluster if I am not wrong. I just I think just one of them is owned in the Maharashtra cluster, apart from that all are O&M and they are doing some 22 percent margin and the Andhra and the Telangana cluster is doing 14 to 15 percent kind of margin. Is that understanding correct as of now?*

Sunil Kumar M R: Yeah, yeah, you are very much right. We have all Kerala hospitals are owned hospitals and also the Maharashtra Kolhapur is an owned hospital. You're very much right. And all the Bangalore hospitals, which is in the Aster CMI, Aster

RV and Aster Whitefield hospital are under the O&M model. You're very right. But in terms of margins, because this come have a different maturity profile, right? Within Bangalore, Aster CMI is more than six to seven years old. RV is around four years old and Whitefield is just a year. Recently, we started the A&B block. But if you remove the Aster Whitefield Hospital, which is a new hospital, Aster CMI and RV put together blended, it's more than 25% operating EBITDA.

Rushabh: *Okay. So, in terms of number of, just one last question. So in terms of number of beds, how many of these hospitals who are making this 22-23% kind of margin, how much number of beds would it cover from that 4800 beds that we have?*

Sunil Kumar M R: I would say fairly 75% beds.

Rushabh: *Okay, so 75% of our hospitals are already in the mature stage, right?*

Sunil Kumar M R: Exactly, Exactly

Rushabh: *And the scope to improve there would be close to 1 or 2%. Is that understanding correct?*

Sunil Kumar M R: Yeah, at least more than 200 basis points we can do that.

Rushabh: *Okay, Okay*

Hitesh Dhaddha: And I think you also need to focus on the new Capex plans that we have, which intends to add another 1500 beds. So, we keep adding to, you know, the capacity. So, I think it's important to see the journey where we started, you know, as Chairman was talking five years back when we got listed, you should see where the margins were and how those have improved every year. So, I think rather than you know focusing more on owned versus you know leased or O&M, I think you should see the trajectory for the overall company. And I think we are on fairly good trajectory with Capex plan as well as the growth in the revenue and EBITDA margins every year.

Rushabh: *Perfect, thank you very much. Thank you*

Dr. Azad Moopen: Yeah, Rushabh, I just wanted to add while finance people have spoken about that, one of the things which we have done is we have started this, even if you look at our O&M, there are two models in that. One is O&M model where we take up the equipping and all invest some significant amount of money, while the building is not owned by us, it's on a rental basis. That is one model, which is the ones in Karnataka. What we have done recently is that the asset light O&M model where we are going it even into the tier 2 and 3 cities and taking up hospitals which are already functioning and adding few equipment and all where the capex cost is very low, but we are to one able to take the services to the periphery. Second most importantly with very low capex we are able to get even maybe very low EBITDA also. So, this will seem that when you look at the EBITDA margin, you will see that you may feel that the margins are low for those beds. But when you look at the ROCE, this will be very high. So, in the presentation, it was mentioned that we have some, if you look at the hospitals, 20% ROCE over a period of time we have reached that. That is something which will be differentiating us because of these beds which have come.

Rushabh: *Right sir, thank you very much*

Balachander R: Thank you Rushabh. The next question is from Mithun

Mithun: *Yeah, just wanted to understand since you are paying out, you know, we are going to receive close to a billion dollars, I think \$900 million for us, right? And what would the taxability be for the India entity and post the taxes or capital gains, which will be there? What is that amount that the India entity will receive? And also paying it out as dividend may not be very tax efficient for the Indian shareholders. And just wanted to get a sense on that. And since you know, you yourself said the India business is where the growth and the prospects are much larger than GCC business. Wouldn't it have been wise for you to, you know, keep your powder dry in India to grow the India*

business because you could potentially do maybe an M&A or grow it more rapidly. So just your thoughts on that.

Dr. Azad Moopen: Thank you, thank you very much. Thanks a lot. I'll answer the third question, but the first and second questions I'll ask, first part of it, how much is that money being lost from GCC to India? And second, how much is that for in the hands of the shareholders know what is it going to be the tax liability and then the last part. So, Amitabh if you can answer that the first part and the second part if possible.

Amitabh Johri: Sure Mr. Chairman, so thanks Mithun for the question. If you look at it the sale for the transaction is been effected from Affinity. Affinity is a Mauritius entity and that is where the decision for the sale has been effected. This enjoys a double taxation avoidance benefit; a treaty benefits between India and GCC. And as a result, the sale transaction plus the upward streaming of dividend, and this will be probably in two parts, there are some redeemable preferences share and beyond that, there will be some dividend to be paid post the customary transaction costs. That would also perhaps not attract tax because, taxability is in the hand of the ultimate dividend shareholders as the dividend is declared. So, the transaction flow that we are talking from the sale to the dividend will perhaps not have any tax leakage as such. That is answer to your point one. The point two, of course, the taxability for dividend is dependent on the status of the shareholders, for an enterprise, for an individual. There are different tax positions and those will determine the dividend taxes.

Dr. Azad Moopen: Sure, thank you. Thank you. Mithun, so, the first part has been answered. So, we presume that after discussions with the tax experts and all, money which comes into India, and that's a good thing for India, for Indian shareholders, money doesn't attract a tax, it comes back. Now, the second part, it depends again, like what alluded to by Amitabh, the foreign investors who have come in for them, the dividend which comes out, many of them may not have significant taxation. And for NRIs also, there is for a dividend, there is a limitation of the tax to some extent. I understand that for NRIs, it is 10% and

also, we have a lot of NRI investors who may not have as much as tax. But the Indian investors, so depending on what category they are, they will have a taxation.

Now, the third question as an extension of that, which you asked, we definitely will keep money, which is required for acquisition or for, I mean, expansion and all. We discussed about that earlier but thinking that a large amount of money at some point will be required for us to, I mean, invest into and keeping that money, I don't think that's the right thing to do. We have a responsibility; I personally feel that there's a responsibility to the shareholders. We have not given them anything for the last five years. So, all the shareholders, including institutional investors, have been telling us that it is time for us to show that we will treat them well. We always tell that we will treat you well to our patients. So why are you not treating us well is the question. So, it's time for us to treat them well and that's what we would like to do.

Hitesh Dhaddha: Yeah, Mithun, just adding further to as Chairman mentioned, you know, keeping that cash and inflating the balance sheet and, you know, marginalizing the return profile will not be the best way to kind of deal with a listed entities balance sheet. You know, I think so, as Chairman mentioned, the required amount will be there to ensure that the CAPEX needs are fully met. And if there are acquisition opportunities, the company is in a strong position to raise funds in future whenever needed at the appropriate valuation. So just for assumption that we will do acquisition later and then we keep cash for that till that period, I think may not be the best idea.

Mithun: ***No, my thought was also in terms of potentially, the promoters increasing their stake in the India business, because if the opportunity is here, why is you know focus being segregated? That's the only point here.***

Dr Azad Moopen: No, no, that's a good question and I would like to answer that. See, we have increased focus here because we have demonstrated that we have gone from whatever earlier position was from 37% to 42%, we increased our stake in

India and we are not bringing it down, whereas in GCC we are bringing down our position from 42% to 35%. So, our confidence is there for the India business, but we also have the reality of maintaining this 35 percent we have to buy again for which the funding is required. So, some part of the fund will have to be required for that, like what I said earlier. So, it's a balance. We are on both sides because we started this business in GCC, came to India. So, it's important that we as a family, we believe in both geographies. It's not that we don't have confidence. That's why we are, I mean, having this. And we also are a lot of, I should tell you this also. This is a different story altogether. We have huge interest which has come from the private equity firms in India who wants to invest in and come as our partners and who wants to be with us as soon as the India becomes a separate entity. Whereas in a joint entity, none of them were willing to come and join us. They were very reluctant because they thought that the growth is not there. We have struggled while all our peer group has done well in their pure play India story, we have not done well. And that's what we are correcting now. So, like what I told, this was something wrong which was done five years back, we are correcting that. So, with this segregation, I've got at least five calls today from major private equity people saying that now that they want to look at this journey, how to go forward. So, there's no lack of funding there or money there. It's only just we have to be a pure India only play. So, we see significant opportunity as we go forward for the India business to grow alone or with the help of private equity partners.

Mithun: *Thanks for your answers. All the best.*

Dr. Azad Moopen: Thank you.

Balachander R: Thanks Mithun. The next question is from Alankar

Alankar Garude: *Hi, thank you for the opportunity. Sir, just a clarification on the previous question. Can you help us understand the tax incidence for the promoters, post issuance of the anticipated dividends?*

Dr. Azad Moopen: Yeah so, the promoters invested this funding from GCC, and we understand that we will get the benefit of that because it is coming as a foreign direct investment. So, whatever is possible, we hope that we will be getting that. Whatever tax implication comes in, it is a reality that we have to meet that. So, we hope that as NRIs and as foreign direct investors, we will get that benefit.

Alankar Garude: *So practically a nil tax incidence for the promoters- would that be a fair assumption?*

Dr. Azad Moopen: No no no. I think there is tax that on the way there will be some leakage definitely, but we are in the process. We would like to minimize that but definitely we will be happy to pay whatever tax is there.

Alankar Garude: *Sure sir, and just a continuation of this question, once the deal concludes and the dividend comes in, should we expect the promoter pledging in the Indian entity to come down significantly?*

Dr. Azad Moopen: Okay, that is a good question. It is good that you asked it. So, our present pledge of our total, I should disclose to you is that 80 million dollars for whatever worth we are, 42% of a two billion \$ company or two and a half billion \$ company, whatever is there, our total amount which we have availed is \$80 million. So that \$80 million also has been availed for increase. Yeah, so that is a pledge which I mean, for which we were due to some structure issue because we are holding this from outside India there is a complete I mean lean on our stock and as you rightly mentioned one of our intention is that once this transaction goes through and India and GCC become separate we will be able to a great extent reduce the leverage in India and I mean the promoter pledging in India, it will be very minimal and I assure you that it will come to the minimum possible. Even now it is less than 10 percent and it should even come below that is what we hope.

Alankar Garude: *Understood sir. So, my second question is if you look at the net debt in GCC and try and look at the September 30th numbers versus what seems to be*

the implied net debt given in the transaction. It seems that the net debt in GCC has increased since September 30th. Is that a fair assumption? The increase seems to be closer to about 100 odd million dollars. So, can you elaborate, can you clarify that please?

Dr. Azad Moopen: Amitabh, you would like to answer that.

Amitabh Johri: Sure, Mr. Chairman, I will take that. So, Alankar, thanks for the question. So, yes, the debt has not increased. Let me put it that way. Because when, what you are looking at is the net debt is technically the borrowings minus cash. But when you look at a transaction, the transactions also include debt-like items, which technically are not borrowings, but I'll give you a small example. Things like, you know, your salary being paid at the end of the month, instead of the end of the month, pay you it on the first of the following months. Or there are, you know, benefits payable, or gratuity and others, which are usually in the nature of a working capital cycle. But when you're consummating a transaction, they are consumed as debt-like items, and they find their way from the working capital into debt like items being considered for the purpose of the transaction. The difference that you are seeing is largely that.

Alankar Garude: *Understood. So, basically the net debt in GCC which we had reported in September 155 million dollars and excluding some of these items which you mentioned has not really changed much.*

Amitabh Johri: That's right. That's the fair assessment.

Alankar Garude: *Understood. Thank you and all the best.*

Dr. Azad Moopen: Thank you.

Balachandra R: Thank you, Alankar. The next question is from Amrish

Amrish: *Congratulations to the Aster team and thank you very much for the opportunity. My question is on the Indian operations. First one is, previously*

I think we'd given some suggestion that perhaps we will add about 400 to 500 beds in the asset light O&M model per year. Is this something that would still be something we should consider or should we wait for a revised plan now that we have some money on this?

Dr. Azad Moopen: Yeah. So, thank you very much for raising that point. We had told that we are looking at about 500 beds to be added. Now all together we might have added more than that. What is the number now Sunil, the Asset Light?

Sunil Kumar M R: Chairman, O&M Asset light model beds is 528, 4 hospitals.

Dr. Azad Moopen: 528. So, what we thought is that we would like to stabilize this before going on that journey, what we want to do is, one, look at how it is going to benefit people, patients who are in the periphery, because it's also a service that we are doing where there is no advanced treatment like an angioplasty or a head injury, somebody comes, there is no doctor in the periphery. We are now having that in all these hospitals which we started.

The second part is that how is it going to, I mean, impact our manning-related areas. Are we able to get doctors to these places, our own doctors or other doctors who can come in? And the third thing is how are we going to integrate, because it's mostly we are taking it 100 percent lease, but there are some places that are where our partners are there. So, we have now four hospitals in that model, and we want to stabilize that in a year's period and also most importantly look at the profile, the EBITDA as well as the ROCE. If the market thinks that this is something from the point of view of investment into that and the effort that we put in, if they appreciate that we would like to continue this journey. If not, we will not go very aggressively. Whenever there is an opportunistic thing like that, we will do that. But otherwise, we want to go aggressively, if it is being accepted as a ROCE instead of EBITDA, if people are able to accept that, we will go in that direction. But we want to put a pause for a year, not going too much into that until we get the reaction in different areas which I mentioned. You wanted to add something to this, Dr. Nitish, because I'm talking on his behalf.

Dr. Nitish Shetty: Yeah, you have covered it, Sir. Now, this is something, a model which we just started one year back, and we are getting a hang of this model and what we have done is out of four hospitals, two are in Kerala and one in Andhra and one in Karnataka. All three geographies are different, the acceptance of this model is different from different- different geographies. And, as we are going forward, we are getting a hang of it. Kerala, to a certain extent, it has been accepted. Andhra, the model has done well. In Karnataka, it is taking some time to kind of, because of the location, there are other challenges. It is taking some time to kind of get a clarity of how exactly it's going to play out. Like Chairman mentioned, you need another year to make a good assessment of these models. At the same time, these models are also getting us inside of the tier two, tier three market, which is the future of India in healthcare space. So, it's a good experience for us. At the same time, some of these models are presenting us opportunity to scale up and become like a regular O&M model also where we are seeing there is general acceptance and then there is a scope to scale up this model because this particular units have space for further growth in size. But again, we need to wait and watch and make an informed call on this. So, in a nutshell it is giving us exposure to tier two, tier three cities and also opportunity to test the market before we go out and invest further.

Amrish: *Thank you, I think that's clear. So just as an extension to that, as well as for the labs and pharmacy business, I think in quarter four, you had indicated that we should be break-even, which we are now in both the Asset light O&M and our lab and pharmacy business. Is there, at this stage, do we have visibility on what these businesses might become in terms of margin or is it too early at this stage?*

Dr. Azad Moopen: Sunil, you want to take that question regarding the labs.

Sunil Kumar M R: Yes Chairman, yes, Chairman, thank you. Thank you, Amrish, for that. Yes, so as we had promised previously, Labs is almost broke even and wholesale pharmacy few losses. For example, in quarter two, both put together we had a revenue of INR 76 crores and a loss of just one crore rupees, right? It's

almost broken even. And when you're looking at the future, see, we can't compare our pharmacy with the other standalone pharmacies which is there listed in the market, right? Because there, we're talking about a more B2B and B2C business. In our case, as of now, 75% comes from Aster and 25% comes from non-Aster. So, for us to grow and increase the non-Aster business, that's when the margin will come in. But yes, in a couple of years, we should be able to reach that level, but it will be a slow ramp up as compared to what these standalone pharmacies have done, because our ramp up will be more concentrated on the clusters where Aster already is present, right? So that's one of the things.

Now coming to wholesale pharmacy, we already have four warehouses in three states already. And you already know wholesale pharmacies don't have a great margin. 4 to 5% is the maximum margin you can really make out of it. And that is something which we should be able to achieve in the next two-years' time.

Amrish: *Thank you. Just one last request. I know you've shared the financials for the India business. It would be fantastic if you could share a detailed pro forma on for the last three years. That would be much appreciated. Thank you. All the best.*

Hitesh Dhatta: Sure Amrish.

Amrish: *All the best.*

Balachander R: Thank you Amrish. The next question is from Bharat. Bharat, if you can unmute yourself.

Bharat: *Hi, congratulations on a successful closure of this transaction. My only question was that in your opening remark is you rightly said that India is a growth market. And had we not distributed this case, whichever we are receiving by way of Dividend and looking at the capability of management, we could have generated more better return for the shareholder in medium term, short term of course, would have been and doing our own expansion*

much larger way. So, don't you think, so what's your thought process on that?

Dr. Azad Moopen: Yeah, this question came in between and we answered.

Bharat: Yeah, yeah, I know.

Dr. Azad Moopen: As I told earlier, no, it has to be a balance because we have retail investors, we have institutional investors, we have people who are looking at also at the return. At the same time, we have to keep our growth. So, what I am telling, what I am just making you, I mean, know is that it will be a process in which the board will look at what are the requirements for a growth that we are anticipating and what are the opportunities for deploying this capital and depending on that this will be utilized. See having a huge fund there, sitting there, it doesn't help anybody because it's not something we are not a finance company, we are an operating company, as and when things are coming if there are opportunities, we will definitely deploy that. And it's not only money which is required, there also has to be if you are doing an acquisition, you have to integrate that, it takes time. If you are constructing, it takes longer time. So, you have to have that growth with some planning, otherwise you can't suddenly grow at 100 percent, 200 percent, I mean, times. So, I think that we will be very, very cautious like what has been mentioned here. We grow 25 percent, 30 percent every year, which I think is a good growth and going beyond that and acquiring lot of things and growing to that level, that's not there in the DNA and we will grow at a very good pace when compared to our peer group as well as our own expectation. So, that is my answer and also, we have this responsibility to the retail shareholders as well as to the other institutional shareholders for paying back. Ultimately, people look at are they getting any return on investment, which is a very important parameter is what I understand.

Bharat: ***Fair sir, thank you. And second thing sir, just if you can give some color on O&M business model, versus we our own. So, what is a marginal, I mean, differential would be there or ROCE or ROE and all three, four.***

Dr. Azad Moopen: Yeah, so Sunil would you like to take on the two models of O&M that we have.

Bharat: *And our own hospital*

Dr. Azad Moopen: Yeah

Sunil Kumar M R: Yeah, thanks Bharath for the question. So see, in India, currently in the hospitals, we've got three models. One is owned, then we have O&M and then we have O&M Asset Light. See now owned we all know it's land building everything is ours but in case of O&M we take the land and building from a third party and we do the interiors and put the medical equipment that's O&M Hospital. Then there is a third one which we recently introduced maybe a year back or so that is O&M Asset Light. Now O&M Asset light is basically we do not do any interiors or the fixtures or even the medical equipment. We basically take the existing hospital which is run by the existing you know stakeholder and we try to refresh certain assets which is required, add more clinical specialties and drive the revenue right which has been studied. So, that is the three big differences between the model.

Now when you talk about the margin bit of it, there is no difference between the first owned and the O&M. Okay, only thing is that the owned model takes a little longer to get the ROCE. For example, our Aster Medcity Kochi, which is an owned model, took approximately six to, I would say, eight years, seven years to go beyond 25, 30% ROCE. That is something which our, as Aster CMI hospital, which is a classic O&M model, took, I would say 60% of the time. Four to five years, we were able to hit more than 20% ROCE. It's only about the faster ramp up. But otherwise, there is no large difference between either the EBITDA margins, because when you look at operating EBITDA, which is currently post-IndAs, excluding the rentals, both margins will be almost similar, literally similar. Only thing is that ROCE ramp up will be faster in case of O&M right as compared to owned model now the third bit of it is on the O&M Asset light hospitals where the EBITDA margin will be 100% lower than what you can expect from the other two models which I described now O&M Asset light why it is lower is not because of you know model difference it's

also because of the tiers of the city which is in place for example your Tirupati, Mandya, Kollam, right? You can't expect great ARPOB's. Today the ARPOB's there are below 20,000, right? It's somewhere between, ranges between 17 to 18K. And at that ARPOB, and also you don't have the high-end tertiary care or quaternary specialties, right? Maybe we'll do a secondary or only tertiary care specialties. So, keep all this in mind. ARPOB's are lower, which indirectly impacts your EBITDA margin. So, there you can look at our margin somewhere between 15 to 18 percentage, not more than that. Okay, but at the same time, ROCE is very high. For example, our Tirupati Hospital, which we started I think just nine months back, is doing ROCE of more than 10 percentage, right? So it's a faster ramp up, but also as Dr. Nitish highlighted, we are also looking to see that whether these hospitals, we want to pause it as of now, look at how we can really improve the margins there. And also, can we expand into a number of beds, which will bring the more ROCE and margins that expansion of it. So, basically, you're trying to get the operating leverage. I hope that answers your question, Mr. Bharat.

Bharat: *Yeah, thanks and all the best.*

Sunil Kumar M R: Thank you

Balachander R: Thank you Bharat. I think we'd also like to highlight that we will be prioritizing people who are asking questions for the first time. In that order, the next question will be from Ashwini Agarwal. Ashwini, please go ahead.

Ashwini Agarwal: *Yeah Hi, congratulations, Team. Thank you for all the comments and answers which have been very detailed and very well explained. Congratulations Dr. Moopen.*

Dr. Azad Moopen: Thank you

Ashwini Agarwal: *I just needed one data point. What would be the total costs that we need to be taken out of this consideration of \$1.02 billion and which will flow through to the entity for consideration of dividend, et cetera? So there*

would be some transaction costs, there would be other leakages. What would be the number there?

Dr. Azad Moopen: Yeah, Amitabh, you would like to answer that.

Amitabh Johri: Yes Chairman, Ashwini, thanks for the question. So, actually the transaction is still in progress. There are some fees, some payouts that are success-based and some payouts that are fixed in terms of diligence, valuations and others. All in all, we expect that for a transaction size of a billion dollars plus, we are expecting anywhere in the range of 18 to 20 million dollars of a transaction cost. Now that includes all these costs that I called up, including the legal fee and other items that are there. These are the items that we are trying, we'll identify as cost against the transaction.

Ashwini Agarwal: *Okay, that's negligible. Yeah, okay, thank you. That's all I needed and congratulations once again and all the best as we go ahead.*

Dr. Azad Moopen: Thank you

Amitabh Johri: Thank you

Balachander R: The next question is from Rushabh. I think Rushabh if you have additional questions, please go ahead.

Rushabh: *Yeah, thanks for the opportunity again. Just an operational question. So, In the southern region, let's say if we look at the other southern region of let's say a Tamil Nadu, we would see hospitals doing anywhere between 25-26% kind of EBITDA. So, what is operationally different in Kerala where we are able to do sub 20% kind of margin?*

Dr. Azad Moopen: Yeah, Dr. Nitish you would like to answer that?

Dr. Nitish Shetty: Your question was why we are lesser than the competition in Tamil Nadu? Is that the question?

Rushabh: *The question is more regarding, is there something different in Kerala from the other southern regions because of which the margins are less or?*

Dr. Nitish Shetty: Yeah, margins are less. You mean to say why the margins are less?

Rushabh: Yeah

Dr. Nitish Shetty: Yeah, the one of the primary reasons is the manpower cost. Minimum wages are a challenge in Kerala compared to the other geographies. Minimum wages are around 30,000. The nurses get at entry level 30,000. The Kerala government has been very worker friendly, and they have been revising the minimum wages. That has been one of the reasons. But if you see the Kerala, it's more of urbanized. The smaller towns also have, where it is a condition where we need to put up hospitals. In the other geography, it's always a metro. Bigger cities are conducive for the private players. But in Kerala, even the smaller towns, there's an opportunity, but the ARPOBs are a little lesser, and it's a cash market.

Whereas in the other geography, so in the larger cities, it's a more cash patients, higher ARPOB, but a lot of scheme patients, which are lesser ARPOB. But in Kerala, it's all of more of 60% of the patients are cash patients. It's kind of very competitive when it comes to the paying capacity and also the case mix, what we get there is a little different, but the basic reason, the operating cost might be a little higher in Kerala because of the manpower cost, but that is very soon changing now. The ARPOBs are changing in Kerala market. Earlier, the Kerala population used to go out of Kerala for a high-end treatment, which has changed last in one or two years. You see a lot of patients are availing quaternary care within our network hospitals in Kerala, that should change and the ARPOB like, you know, just a matter of two years, the ARPOB of a city like Kochi has changed from somewhere around mid-20s to now it has gone to 40s. We are doing in a range of 40-42. And even in the Calicut city, it is changing, which used to be around 20s, ARPOB now it is around 30-35. So it is changing fast. And then the margins in Kerala, we are confident to be higher than even the neighboring states. What you are seeing is historical data, but

in the future, we are going to see a major shift in that and the Kerala market will be more conducive for making margin in spite of the challenges in the manpower, minimum wages cost.

Rushabh: *So, you mean to say that it will be the north of 24,25% in next 2 to 3 years. Is that fair assumption*

Dr. Nitish Shetty: Yeah

Rushabh: *Okay, Thank you so much. Thank you so much. Thank you for answering*

Balachander R: Thank you, Rushabh. I think we will take one final question from Awais and I think, please go ahead, Awais.

Awais: *Hello, can you hear me?*

Balachander R: Yes

Awais: *Okay, so this again, congrats to the management team. And this question is to Dr. Moopen. You mentioned about private equity players expressing interest with India business. Are there any ongoing discussions here or how do we see this panning out?*

Dr. Azad Moopen: So, yeah, so at this point we are focusing on completing this transaction. So that is the focus of the company and which will take like what has been mentioned three to four months before end of March we want to finish this. So all the focus is on that. While that's happening, definitely, you know, there is inbound interest which has been shown and Hitesh who is looking after investor relations, are in touch with the people who are coming in. But the active work on this will happen once we complete this transaction, which again is, you know, something which while the board has approved, reality is that this will go through only when the shareholders approve this. It has to have, it should get the minority shareholders majority. So we hope that it will take in two to three months we'll be able to get that. So, answering your question, yes, we get a lot of inbound interest in the last six months it has

been there, but now it has increased, and we will look at which is the best private equity or investor who are ready to be aligned with our plans and of course supporting us. So as such, we are not committed to anything or it will take some time.

Awais: *Thank you.*

Dr Azad Moopen: Thank you

Balachander R: Thank you, Awais.

Ladies and gentlemen, this concludes the investor conference call. I thank you all and the management for joining us today. If you have any further questions or queries, please do get in touch with us. Thank you.

Dr. Azad Moopen: Thank you.

Hitesh Dhaddha: Thank you. Thank you.

Sunil Kumar M R: Thank you, everyone.

<End>

The contents of this transcript may contain modifications for accuracy and improved readability.