Aster DM Healthcare Limited

Investors' Conference Call

November 29, 2024

Management:	**Ms. Alisha Moopen – Deputy Managing Director**
	Mr. T J Wilson – Non-Executive Director
	Dr. Zeba Moopen – Non-Executive Director
	Mr. Sunil Kumar M R – Chief Financial Officer
	Mr. Hitesh Dhaddha – Chief of Investor Relations and M&A
Moderator:	**Mr. Puneet Maheshwari – Senior Manager, Investor Relations**

Puneet Maheshwari: Good evening, everyone. I welcome you to Aster DM Healthcare investor conference call. With us, we have the Senior Management of Aster DM Healthcare namely Ms. Alisha Moopen - Deputy Managing Director, Mr. T J Wilson - Non-Executive Director, Dr. Zeba Moopen Non-Executive director, Mr. Sunil Kumar Chief Financial Officer and Mr. Hitesh Dhaddha Chief of Investor Relations and M&A.

We are delighted to introduce Mr. Varun Khanna Group Managing Director of Quality Care. Mr. Varun is here solely in the capacity of a representative of Quality Care to give insights into the business and future plans of Quality Care. The entity with which we propose to merge with for our investor benefit it is to be noted that proposed merger is subject to further regulatory approvals. I would like to inform everyone that we have uploaded an investor presentation outlining the details of the merger.

Now, we inform you about how we will conduct this call. All external attendees will be in listen mode for the duration of the entire 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 the chance to ask a question by raising your hand by clicking on the raise hand icon in the Zoom application at the bottom of your 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 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 risk and many other factors that could cause 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. With this, now I will request Ms. Alisha Moopen to start with opening remarks. Over to you Ms. Alisha.

Alisha Moopen: Thank you, Puneet. Good evening, everyone. Today marks a significant milestone for Aster DM Healthcare as we announce the proposed merger of Quality Care India Limited (QCIL) with Aster DM Healthcare. Together, we will be creating one of the top three hospital chains in India, an alliance will strengthen our mission to elevate healthcare standards and accessibility across the country.

This merger will align two organizations that have demonstrated robust growth and resilience. With Quality Care's renowned network of CARE hospitals, KIMSHEALTH, and Evercare, we are excited to add Aster's presence and expertise. With a combined portfolio of 38 hospitals and 10,150-plus beds, our combined presence will now span nine Indian states, extending our footprint across South and Central India to serve patients at every stage of their healthcare journey. Our unified goal is to bring world-class healthcare to the communities we serve.

Today, as we join forces with Quality Care, we reaffirm our commitment to this purpose. This merger offers immense opportunities for growth and expansion, whether through upgrading existing facilities or entering new geographies through Greenfield projects. By combining our strengths, we will be well-positioned to deliver enhanced outcomes for patients and set new benchmarks for excellence in the healthcare sector. This merger will not only enhance our operational capabilities but also strengthen our corporate governance.

I am proud to announce that in the combined entity, Dr. Azad Moopen will continue as the Executive Chairman. The merged listed entity will be named Aster DM Quality Care Limited, with Aster promoters along with Blackstone holding equal representation on the board. Independent directors will have 50% representation on the board. Together with our board and management, we will continue to uphold Aster's foundational values and create long-term value for our stakeholders.

Now, coming to the transaction details and the transaction contour, this transaction values QCIL at 25.2x FY24 adjusted post-IND AS EV/EBITDA and Aster at 36.6x FY24 adjusted post-IND AS EV/EBITDA, which is 45% higher than the relative multiple ascribed to QCIL. Aster promoters and Blackstone will hold 24.0% and 30.7%, respectively, in the merged entity, with the remaining shares being held by Aster public and other shareholders of QCIL. The merger is cash-neutral and is expected to be EPS accretive from the first full year of operation.

Going into the steps of the transaction, first one:

Acquisition overview and upfront share issuance: ahead of this merger, Aster will purchase a 5% stake in QCIL from Blackstone and TPG in consideration of primary care issuance by Aster for 3.6%, which is the initial share acquisition.

Proposed merger: QCIL will then merge into Aster by way of a scheme of amalgamation with NCLT approval.

Shareholders Issuance: Shareholders of Quality Care will be issued shares of Aster in the agreed swap ratio at the completion of the merger process.

Expected Timeline: We expect the merger to take about 12 to 14 months.

This merger is much more than a sum of two organizations. It really is a strategic alignment that builds a stronger and much more resilient healthcare ecosystem for India as a whole.

Some of the key benefits we believe will come from this merger include scale and market leadership. With 38 hospitals and a capacity of 10,150 beds, we will be among the top three hospital chains in India. Through this merger, we will expand into four additional states, namely Madhya Pradesh, Chhattisgarh, Odisha, and Tamil Nadu, and strengthen our market presence, especially in South and Central India.

Our portfolio on the merger will consist of four key brands: Aster DM, Care Hospitals, KIMSHealth, and Evercare, with a presence in 27 cities across India and Bangladesh. This scale is crucial as it will enable us and allow us to serve a much broader range of patients while setting new benchmarks in the quality and accessibility of healthcare across the nation.

Enhanced service delivery: The idea is to Aster and Quality Care bring distinct strengths to the table. Aster's diverse services across primary to quaternary care, combined with Quality Care's established reach in non-metro regions, means we will be better positioned than ever to bridge the gaps in healthcare access across cities. On the specialties front, both Aster and Quality Care have a good CONGO mix of over 50% currently. The larger and diversified platform will also give us greater ability to attract and retain medical talent with state-of-the-art medical facilities. The combined platform will be well-placed to enhance the capabilities of each other and provide high quality healthcare services.

Synergistic network of hospitals. The idea is how do we build more synergies with this merger. Aster and Quality Care have a presence in different cities, with no real material overlap of hospitals. Near-term expansion plans of both groups also have very limited overlap with each other. When we look at the synergies of the combined entity, we anticipate substantial near-term synergies resulting in an EBITDA upside potential of 10 to 15%. Together, we will be able to optimize resources, from supply chain efficiencies to shared best practices in both our clinical and administrative protocols. These improvements will not only help streamline operations but also deliver enhanced value for patients and stakeholders.

Looking at the growth opportunities, the merged entity will be uniquely positioned to pursue both brownfield and greenfield expansion projects, with plans to reach a 13,300-bed capacity by FY27. Along with this, an extensive ecosystem of labs, pharmacies, and outpatient centers we have capability to strengthen our reach across India, accelerating our expansion and upgrading facilities to meet rising demand.

Strengthening our management and governance: The merged entity will operate under a robust governance framework, with independent directors having 50% representation on the board. This will enable key stakeholders to participate in strategic decision-making and ensure that the highest standards of accountability guide our actions. Subject to necessary approvals, Aster promoters and Blackstone will hold equal representation on the board. Dr. Moopen will continue as the Executive Chairman of the merged entity. Mr. Varun Khanna, Group MD of QCIL, and Mr. Sunil Kumar, CFO of Aster, will be promoted to the positions of Managing Director and Group CEO, and Group Financial Chief Officer of the merged entity, respectively. This dedicated leadership team will propel us forward with a steadfast commitment to patient-centered care.

Finally, this merger is a pathway to long-term value creation. Together, we are well-equipped to drive growth, realize efficiencies, and deliver sustainable returns for our shareholders. We are uniting to create a healthcare entity that will not only meet India's growing needs but will continue to lead the way in quality, innovation, and impact.

To shed some light on the process followed, we adhered to the highest levels of corporate governance standards for this merger. Several market-leading firms helping us with due diligence across legal, financial, tax, technical, ESG, commercial, and IT. PWC advised us on the swap ratio, and ICICI Securities provided the fairness opinion. Our independent directors were also advised by a separate reputed law firm.

As we move forward, it is important to recognize the milestones that remain to be achieved to complete this transformative merger. The journey ahead involves critical regulatory approvals, including the receipt of no-objection letters from stock exchange, approvals from the Competition Commission of India (CCI), and the NCLT. Shareholder and creditor meetings will play a key role in advancing the merger scheme, along with the listing and trading of new shares upon completion. These steps, which are expected to unfold over the next 12 to 14 months, require our collective diligence, focus, and unwavering commitment to ensure seamless integration and realization of the long-term benefits envisioned from this merger.

As we embark on a significant new chapter for Aster, expanding our footprint across India, I extend my deepest gratitude to all our stakeholders. Your support has been fundamental to our journey so far, and we look forward to a renewed vision. We ask for your continued partnership.

This merger marks a transformative step in our growth trajectory, strengthening our capacity to create a lasting impact on the health landscape and improve the lives of those we serve. Together, we are positioned to make quality healthcare more accessible and affordable for communities across our combined footprint.

With this merger, we are excited to establish our new partnership with Blackstone, the world's largest alternative asset manager. Blackstone's solid experience in investing and creating value in the Indian listed space reinforces our commitment to innovation and excellence in healthcare. With their support and shared vision, we will be well-positioned to enhance our impact and further strengthen our status as one of the top healthcare providers in the country. We envision immense value-unlocking opportunities in the combination of professional talent and healthcare infrastructure of Aster and Quality Care.

Thank you all for your ongoing trust and support as we bring this vision to life. We stand on the brink of a very exciting future—a future where the strengths of Aster DM Healthcare and Quality Care come together to redefine healthcare delivery in India, driven by a vision that values excellence, accessibility, and resilience.

I would like to now hand over to Mr. Varun Khanna, Managing Director of QCIL, for his remarks.

Varun Khanna: Good evening, everyone, and Alisha, thank you. It's indeed a pleasure being here and being invited today.

Let me take a couple of minutes to introduce Quality Care India Limited. We are one of the largest healthcare companies focused on emerging cities in India. As you know, the gap actually increases as we move to the emerging cities in India, so that's been the strategy that we've adopted. We operate 19 hospitals today across 14 cities with 5,150 beds. We are proud that 2,500+ doctors are associated with this network, helping us deliver care to 3.5 million lives every year. In the majority of the markets that we operate in, we have a micro-market leadership, which reflects the history and strength of our three brands: Care Hospitals, KIMSHEALTH, and Evercare.

Most of our hospitals are either JCI or NABH accredited, which demonstrates our significant focus on quality patient care and guest services. A quick glimpse of last year's metrics: we delivered a top line of ₹3,615 crores with an EBITDA margin of 21% and a blended ARPOB of ₹38,000+ per day. We deliver a very vast spectrum of clinical services across almost 32 specialties, with a CONGO mix at 55%.

The network performs approximately 16,000+ cardiac procedures every year, 1,800+ neurosurgeries, 8,200+ oncology procedures, and about 650+ transplants every year. From a tech standpoint, we have 20 Cath labs, six linear accelerators, 15 full-fledged radiotherapy centers, 15 MRIs, and 10 robots. While I've said a lot about financials and technology, most importantly, our 2,500+ doctors and 12,400 employees have a singular purpose: to ensure that our patients and guests go back home smiling.

Thank you so much for the invite, and I pass it back to you.

Puneet Maheshwari: We can now move on to the Q&A session. Before moving on to the Q&A session, I would also like to request all the participants to introduce yourself with your names and the company that you are associated with before asking the question. If you're not associated with any company and you are an individual investor you can highlight that.

So, moving on to the Q&A session the first question is from Mr. Aditya Khemka. Aditya, can you please unmute yourself. Okay, I think he's dropped off, the next question is from Mr. Bino, Mr. Bino can you please unmute yourself and ask the question and introduce yourself also?

Bino Pathiparampil: ***Hi, Good Evening. Thanks for taking my question. Just a question on this transaction: before the merger, you mentioned buying 5% from the investors of Quality Care. Could you please explain the rationale behind that?***

Alisha Moopen: Sure, Bino. So, I think with having the share swap, we believe that it's very insignificant—it's only a 5% swap that we're talking about—but it gives us the ability to also oversee the business of QCIL until the merger becomes effective. It also gives us a lot more access to getting the periodic information as a shareholder of QCIL. We also think it's a nice stepping-stone for us to help in the integration of the business once the merger becomes effective. So, the share swap transaction, in our lens, will help to strengthen the commitment of both sides towards the proposed merger. To be honest, the share swap is the initial step, and then the eventual merger is all at the same ratios, so there is no difference in the valuation for both these transactions.

Bino Pathiparampil: ***I understood. Just as a follow-up: post this initial share buyout of 5%, as I understand, Aster will hold 5% in Quality Care. When the merger happens, what will happen to this 5%? Will it be extinguished, or will it result into treasury shares? What will happen exactly***?

Hitesh Dhaddha: So, what has happened is, with the merger, the number of shares that have gone up will continue to remain like that, but the inter se will continue to remain the same because the share swap is also happening, as Alisha mentioned, on the same valuation. So, you know, it's just the merger that is happening in two steps. The first 5% is happening in step one, and the balance 95% is actually happening later. That is how we should see this, Bino.

Bino Pathiparampil: ***Okay, but from a technical perspective, QCIL will cease to be an entity. So, those shares of Aster will extinguish—is that what I should understand?***

Hitesh Dhaddha: Yeah, that's right.

Bino Pathiparampil: ***Okay thank you, I will Join back.***

Hitesh Dhaddha: Thank you, Bino.

Puneet Maheshwari: The next question is from Mr. Harith, Harith if you can unmute yourself and ask the question.

Harith: ***Hi, this is Harith from Avendus Spark. Thanks for the opportunity. So, you shared the transaction valuations at roughly 36 times EV/EBITDA for Aster and 25 times for QCIL, and these are on an FY24 basis. Given Aster has recorded very strong growth in FY25 in the first half, I think the valuations on FY25 EBITDA will be more relevant for us. In that context, will you be able to share the same multiples on FY25 estimated numbers, or at least on the first half FY25 annualized basis?***

Hitesh Dhaddha: Yeah, see, the deal has been valued on an FY24 basis. Actually, the term sheet got signed in early July, and post that, we went through a rigorous diligence process. So, the deal has been focused on FY24

numbers, and that is how we valued the deal. Looking at the numbers, you can see we have a premium of 45% between—basically, the difference between Aster's valuation and QCIL's valuation is to the extent of 45%. So, clearly, there is a significant gap in the valuation between both entities, and that is where we believe there is potential to create value for all the stakeholders. We would not prefer to get into estimates and project the valuation based on estimates. We would rather continue to be on how we valued the transaction.

Harith: ***Yeah, but Hitesh, there's very strong growth for Aster in the first half FY25 numbers that you've disclosed. That's the reason for the question. If you prefer not to get into estimates, at least on the basis of the first half annualized numbers, that would be really helpful because we don't have those numbers for Care. And this 45% premium that you've shared on the base of FY24 is not so relevant, given that we're almost towards the end of the third quarter in FY25.***

Hitesh Dhaddha: So, I would request Mr. Varun Khanna to let you know the performance of QCIL for the first six months. That will probably help you because Aster's numbers are already available, and you should be able to calculate the ratios. We've been focused on FY24, and that's how the deal has been structured and executed.

Varun Khanna: Well, Thank you. Let me share a little bit in terms of our topline CAGR over the last three years. We maintained a CAGR of about 18% on the top and about 28% on the bottom. The first two quarters have been in line with the industry growth, kind of double-digit growth rates. So, I think that's what I can add at this point in time, Hitesh. Thank you.

Harith: ***Thanks for that. My second question is on the role of Aster's promoter family post this transaction. I understand that Dr. Moopen continues as the Executive Chairperson, but is there a timeline by which there will be more involvement from the QCIL side or more executive or professional management taking over the operations.***

Alisha Moopen*:* So, Thank you, Harith. Like you mentioned, Dr. Moopen will continue to be the Chairman for the next few years. I think he will continue to be operationally involved and working alongside Varun, who will be the Managing Director for the merged entity. We have not specifically defined when there would be any other arrangement. We believe that we have to further strengthen the professional management team that is there. It's going to be a very large enterprise, and we believe that having the combination of the Aster management team so far plus the QCIL team is the way for us to make this partnership and this merged entity very successful and distinguished.

Harith: ***Thanks, Alisha. I'll get back in the queue.***

Alisha Moopen: Thanks, Mr. Harith,

Puneet Maheshwari: The next question is from Mr. Param Jain. Can you please unmute yourself and ask the question and please also, introduce yourself.

Param Jain: ***Yes, thank you so much for this opportunity. Good evening to all. My first question is: post the merger, what could be our peak revenue and peak capacity utilization per se?***

Sunil Kumar: Let me start, and then Varun can add to that. Param, see, there is nothing called peak capacity. Whatever capacity you have, you can always go up to 80-85% occupancy utilization, but we will never hit peak capacity because you are always in a continuous growth stage. Right? In Aster, we have at least 5,000 beds, and 1,800 beds are in the pipeline up to FY27. Recently, we also added CMI Hospital with an expansion of 350 beds and a 300-bed hospital in Hyderabad. So, the expansion will keep continuing. But the good thing to note is that with the continuous growth coming in, Aster has been growing at 30%-plus, with 25-30% revenue growth on the topline and more than 35-40% on the bottom line over the last three to four years. You've seen the H1 growth also that we achieved. Even with that, we are still at 68% occupancy, which shows that we have further room to grow. So, keeping that in mind, I think even previously, I have given certain assumptions to say that in the next two to three years, we should be able to reach, with the current 19.6% consolidated EBITDA, 22-23%. And I think somewhere in the mid-to-high teens, our growth will continue to drive.

Hitesh Dhaddha: The merger is bringing you to know significant expansion in EBITDA margin as you can see while Aster has been growing very rapidly but you know Aster's margin has been in mid-teens as we see the numbers which has been reported in the presentation that you can see, the QCIL margin have been north of 20%, so clearly there is a Synergy that we see here between both the organization it on an immediate basis improve the margin profile the transaction is EPS accretive and also there is potential to grow further margins on both the sides with the synergies that we can generate, whether it be the Cost synergies or Revenue synergies and so combining, I think we expect to go to around 25% margin soon as a combined entity.

Param Jain: ***Correct sir, and my question was: what Peak Revenue could you guys achieve post the scheme?***

Sunil Kumar: Param, why don't you take the growth rate? With the continuous expansion happening, as I said, we are growing at 25% plus. QCIL is growing at a topline of somewhere between 18-20%. And I think Varun also believes that this growth can continue put together. That should give you the assumptions for the next three to five years, and also both hospitals put together we are adding approximately 3,300

beds in next three years. We are adding 1,800 beds and QCIL is adding approximately 1300 beds.

Param Jain: ***Thank you understood. Thank you so much sir. That answers my question.***

Sunil Kumar: Thank you Param.

Puneet Maheshwari: The next question is from Mr Kunal Randeria. Kunal, can you please unmute yourself and ask the question?

Kunal Randeria: ***Hi good evening, sir. My first question is on the operational leadership structure. In Aster, I believe you were following a cluster-based approach where you had heads for Kerala, Karnataka clusters, and so on. But now, with some of the Quality Care hospitals overlapping in the same states, I'm wondering how you intend to lead the company going forward from an operational leadership perspective.***

Alisha Moopen: So that's a great question. I think what we believe is we do have very little overlap, to be honest, other than in Hyderabad and some in Kerala. How we were looking at the operational leadership is really kind of going back to the drawing board and working with the board, the NRC, Blackstone, Varun, and the Chairman to determine the most efficient and effective operational structure we should put in place. There is an implementation committee that will be in play for the next one year to evaluate these aspects and come up with the right structure. I don't think we're in a position yet to say how we define a cluster or a region, but I think we will have more information on that over the next couple of quarters for you.

Kunal Randeria: ***Sure Alisha. I hear you here, but your model has been very successful, right, at least in the last couple of years? Even the QCIL's biggest city, Trivandrum, falls under, let's say, the Kerala cluster. So, I'm wondering whether I should pencil in that your structure would be something you'd continue to carry forward?***

Alisha Moopen: Yeah, whatever we believe is best—you're right, our structure has definitely worked for us, and QCIL's structure has worked for them. So, we will have to look at what would be most efficient as a combined entity. Right, Kunal? We're thinking more as a micro-market play. So, when you say Kerala, it becomes very broad. Trivandrum Aster is only coming up with a hospital in the next 18 months, so we will have to really go to each micro-market and talk about the right structure for that micro market. That's how our initial conversations with QCIL and Varun have been. But you're right—whatever structure we've had has been working for us, so we will try to replicate a similar or even better structure in the future.

Kunal Randeria: ***Sure thanks, Alisha. Just one more question for Sunil and Hitesh. Now, I hear you when you said you valued it on FY24, right? But***

Aster is growing at more than 20-25%, as Sunil himself mentioned, while QCIL's growth rate has been 10%, and the margins have been flat for the last couple of years. So, if I were to extrapolate this for the next two to three years, it seems that this premium will entirely vanish. Is my understanding correct, or is it too simplistic?

Hitesh Dhaddha: I think it's too simplistic, Kunal. I think there is a need for you, as well as others, to understand the plan for QCIL's growth on a standalone level. It's a platform that has been created, combined with KIMS as well as Care, and backed by Blackstone. With Varun coming on board recently, Varun has a lot of experience in driving large hospital chains in India as well as internationally. I would request Varun to talk a little bit more about the plan at the QCIL level standalone, and how you should expect the projections or performance to continue moving forward. Once you understand that, you'll be able to appreciate that the discount will continue to remain similar, or the difference in valuation will hold over the next few years. Varun, could you throw some light on this.

Varun Khanna: So, thank you, Kunal. First of all, Kunal, I think we can choose to look at different periods when we look at this question as to what the growth rate has been. As I mentioned a while ago, the growth rate has been 18% on the top and about 28–29% on the bottom when I look at a three-year period, which comes at the back of COVID as well. So, I think the growth numbers have been pretty good.

Also, as Hitesh alluded to, I think being able to do much more and build a strategy around it is something that we've been doing over the last two to three quarters. We've also been looking at margin-accretive strategies. You know, as you amalgamate and integrate a few companies, there's always the synergy that is sitting there. At the QCIL level, within CARE, Evercare, and KIMS, we'll also be able to drive synergies. But again, from a numbers standpoint, I'm refraining from making any leading comments at this point in time. Thank you.

Kunal Randeria: ***Fair enough, fair enough. Just one more question: CARE would be adding around 1,700 beds, right? Can you tell us in which cities you would be adding?***

Varun Khanna: Sure, allow me a moment. To start with, we've just added almost 250 beds in a new state and a new city, which is Nagercoil. So, that's something that we are celebrating at this point in time. We're looking at approximately 1,200 to 1,300 beds by FY27, which spans across various cities, a mix of brownfield as well as greenfield.

We're looking at Vizag, Hyderabad, Chattogram, and bringing in a new hospital in Indore, which makes us stronger. We're looking at adding beds in our flagship hospitals like Banjara. We're looking at adding beds in Trivandrum, where our occupancies look pretty good. The fact that we run about 880-odd beds, we will go up, and we've

already made plans around it. We're adding beds in Bhubaneswar, and along with adding beds, we're also adding a lot of capabilities.

I think that's more important—sometimes adding beds does not give the real picture. One of the things that I think we've been discussing in our strategic forums is how we enhance all elements of the business. One is talent; we are now looking out and bringing in more talent. As you get stronger with better backing, you also realize that your ability to recruit talent improves significantly, and that's something we're experiencing in the marketplace.

Second, I think our business is not just about capacity, but about the kind of capacity we create. As I told you, we today have about ₹38,000+ blended ARPOB. If you look at the spectrum of ARPOB across our network, there'll be a hospital at ₹20,000+ and another at close to ₹70,000+. Our endeavor is to bring in the right clinical mix, supported by technology, and therefore raise the ARPOB, which will yield better profitability numbers as well.

As a network, QCIL has been very focused on what it does extremely well, which is cardiology. There are areas where we haven't performed as well, at least as the revenue numbers show, such as oncology. We've been very focused on adding oncology as a specialty at the group level. In fact, just yesterday, we inaugurated a state-of-the-art LINAC in Trivandrum, which is our second linear accelerator because the first one was overflowing.

There are things we're doing through technology to build a better ARPOB. Another aspect is that some Care hospitals needed a spruce-up. If you ever get to Hyderabad, please visit our Banjara flagship hospital. It now looks better than any other building in the city. I assume all this will help you think through our numbers and what we can achieve over time. Thank you.

Kunal Randeria: ***Thanks for the detail answer and all the best to you. Thank you.***

Puneet Maheshwari: Thanks, Kunal the next question is from Mr. Sumit Gupta. Sumit, can you unmute yourself and ask the question please also introduce yourself?

Sumit Gupta: **Hi, thanks for the opportunity I'm Sumit Gupta from Centrum broking. So, I want to know about the QCIL. So, first of all how many Census beds are there?**

Varun Khanna: Census bed would be close to about 4,500.

Sumit Gupta: ***4,500 okay. and if I talk from FY22 to FY24, the ARPOB CAGR has been around 6% so how do you see it expanding so like are you highlighted that on you are adding you plan to add oncology so just want to understand your thought on growing the ARPOB.***

Varun Khanna: So, Sumit, again, I am not someone who would like to give, at this point, leading comments. I think I've given you a sense of how we are thinking, right? And in the last two quarters or ever since Blackstone invested into the business, we've been very cognizant of how this business needs to be done right. A combination of talent, technology, and infrastructure is being looked at. And when you look at a combination like this, I mean, I would say that we'll be able to grow better than what we've grown in the past.

Sumit Gupta: ***Okay and on the combined entity basically like you highlighted you expect to reach 25% margin so just want to understand how in how much time over the next 3 to 4 years.***

Hitesh Dhaddha: See, this takes us to nearly a 20% margin. As we are talking, Aster was at a 17% margin for FY24. QCIL is already over a 21–22% margin, so we are almost at a 19–20% margin already. We are expecting synergies to start coming in, and, as Alisha talked about, we are expecting 10 to 15% of EBITDA going up with the synergies that we expect across all the areas.

Because if you see, as Varun was mentioning, the KIMS acquisition that they had done within the QCIL platform is also a few months or few quarters back. So, I think there are synergies that are coming in right now from there as well. And, plus, we expect a lot of synergies coming in through this transaction in terms of material cost optimization, in terms of revenue enhancement, in terms of the kind of manpower cost optimization, and various other aspects.

So, combinedly, with this synergy, we naturally, you know, we naturally move towards 22%, you can say, around the margin with the synergy itself. And then, with the scale going up as well as ARPOB moving forward, I think we expect that in the next two years or so, or maybe three years, we should be around that margin at the combined level. And I would request Sunil to kind of give some more color around this.

Sunil Kumar: No, that should be fine, actually. Yeah, you called it very clearly. In 3 to 4 years, we should be able to reach 24 to 25 percent. And, yeah, synergies are going to kick in really well. And I can also see both sides; we got a lot of brownfield expansion. All brownfield expansions are really EBITDA accretive—that's going to really yield our benefit. And also, in both places, we see a further scope. In their case, middle margins are going to be a real booster for their EBITDA margin growth.

So, that is something which we're going to work on. I think, with all these cost levers and the revenue ARPOB levers with us, I think we should be able to achieve this in the next three to four years.

Sumit Gupta: ***Okay so just one last question on like how do you see like what is the plan for the growth of QCIL business.***

Varun Khanna: Sumit, Specify your question.

Sumit Gupta*:* ***So, apart from the beds that are going to be added like how do you plan to expand the let's say Bed in terms of ARPOB or Bed in terms of occupancy and the kind of scalability or how do you plan to attract more patient volume just on that.***

Varun Khanna: So, let me restate that. So, I think our business, fundamentally, we need to understand, is growing the beds and being able to grow the occupancy. I think Sunil alluded to that from the context of Aster. And I think things are no different when it comes to QCIL.

The way we think is, if we continue to add beds and the occupancy, even if it is retained, we will see significant growth in our business from a volume standpoint. The quality of delivery that we do today, which is what defines the ARPOB, is essentially, I think, the way we look at ARPOB is clearly defined by the clinical mix that we have. And I've very clearly alluded to the fact that complexity is something that we're working on. And as we work on the complexity, it will yield better ARPOBs.

The second piece is we're very focused on payer mix. If you look at our payer mix, 80% of our payer mix is between insurance and cash, dominated by cash. So, it's about 20% or so that is the balance, and we are still focused on doing better in the mix than what we have today. So, all of these investments that we're making into infrastructure and technology are able to get the mix better. And this also then allows pricing leverage because as you create value for patients, patients are willing to pay more.

So, all of that is a mix that we will play. I think our growth will be both ARPOB and volume led. And that's how historically it's been. Otherwise, to be able to do the kind of numbers that are just alluded to is difficult. So, yeah, I think we are, I must say, we have a very 360-degree view of how this business needs to be run and how we can deliver better and more complex work for our patients and deliver utmost care.

Hitesh Dhaddha: Just to add on, Varun also mentioned that both the platforms are bringing their own strengths to the table, right. If you look at Aster, it has really high-quality facilities, many of the facilities, and you've been seeing our communication around those that many of the Aster facilities get rated among the top 10–15 facilities across the country. So, the kind of quality of service that we provide, the kind of infrastructure that we have built across, you know there's a lot of medical strength that can be leveraged as well.

As Varun was mentioning, QCIL is extremely strong and has a significant presence in cardio. If you look at our side, we are, you know, strong in multiple other areas, including building a strong presence in oncology as well. So, I think there is an opportunity lying

for us in the future on how we can cross-synergize and, you know, leverage these opportunities across both sides of the platform. Both platforms learn from each other, and, you know, they can kind of improve performance across the board.

Sumit Gupta: ***Understood thanks.***

Puneet Maheshwari: Thanks Sumit, Mr. Bino has joined back to the queue Mr. Bino can you unmute yourself and ask the question?

Bino Pathiparampil ***Hi thanks for taking my question again. Just most questions answered, but Puneet and Hitesh, just to clarify: only a year hence from now, in the interim, would you be providing any proforma consolidated numbers, or do we have to wait for a year before we get the actual consolidated numbers.***

Hitesh Dhaddha: So, Bino, we will definitely evaluate, and we do understand that the market would like to understand the combined financials at a certain point of time. Having said that, we also want to make sure that we don't jump the gun on some of these areas before we get the adequate and appropriate regulatory approvals.

So, as of now, I think the companies will continue to operate the way they've been operating, you know, and obviously both have their own management dreams to drive their own performance. But at a certain point in time, once we get, you know, some of the key approvals, including, you know, CCI approval and others, we would start evaluating how we can start disclosing the combined numbers as well.

Bino Pathiparampil: ***Got it thank you.***

Puneet Maheshwari: The next question is from Mr. Nikhil Poptani. Can you please unmute yourself and ask the question?

Nikhil Poptani: ***Hi good evening, and thank you for giving me the opportunity. Congratulations on the merger. So, my first question is for QCIL. What is the expansion plan for QCIL? Is it targeting tier-one cities, tier-two cities, and while expanding both Aster and QCIL, is there any overlap of the geographies? That is my first question.***

Varun Khanna: I'm going to take only one part of this question, and that part is that I think I mentioned in one of the previous questions as well. We've just got a new facility in Nagercoil. It's a state-of-the-art building, extremely beautiful, that adds about 250 beds to our network and can be scaled up to 310.

Outside of that, we continue to evolve, we continue to explore more, but we've got firm plans laid out to add about 1,250 beds till FY27. I also mentioned earlier that this is across various geographies, and the idea is to strengthen our presence where we are. So, very clearly, we've articulated our strategy to say wherever we are—and

I mentioned in my opening remarks around QCIL as well—we like to lead the micro-market that we are in, and therefore, to be able to do more in the same micro-market has so far kept us in a good situation.

Nikhil Poptani: ***Thank you for the insight, sir. My second question is for Aster specifically. Last time, during the con-call, you mentioned that you are looking at inorganic expansion with the cash balance that is left from the GCC. So, have we moved on from that idea, or do we have another strategic overview after this merger.***

Alisha Moopen: So, see, we were exploring various options over the last one year. Now, with the capacities that we are getting as a combination, we said we will be opportunistic. We do have cash from the GCC transaction that is still there in the business. We're not very leveraged as an organization, so I don't think we can keep it off the cards. We just said we'll be opportunistic. As assets come, we will review and evaluate accordingly.

Sunil Kumar: So Nikhil, it's not only inorganic expansions. For example, in the last—I would say—you know, after the GCC sale, we added two assets, right? Almost 650 beds. We added both in Hyderabad and this one. This will also both put together require more than INR 400–450 crores of cash, right.

So, we are looking at both organic and inorganic expansion, right? So, we are not shying away from that, and whenever we get the right opportunity, we would like to take that.

Nikhil Poptani*:* ***Okay thank you for answering my question. That's it from my side and all the very best.***

Puneet Maheshwari*:* Thanks Nikhil, the next question is from Damayanti, can you please unmute yourself and ask the question.

Damayanti: ***Hi, good evening, all. My question is for Mr. Khanna. So, it appears QCIL has a significant presence in the non-metro market, and a lot of expansion you are planning is coming up in the non-metro market. So, I just want to understand your experience in these markets in terms of scaling up units and what is your right to win.***

Varun Khanna: Interesting question, Damayanti. You're asking for the entire thought that we have in our network. So, first of all, I think I generally go back and try and answer this question from a need and demand standpoint. You know, we are significantly underpenetrated as a country. In the metros, when you look at the bed density per thousand, that is three times more than the bed density per thousand in what I call tier-two or the emerging market.

And the fact that today, with the rising insurance penetration, with rising government coverages, there is the need converging into demand in the tier-two and tier-three markets as well. And that

model has been fantastic for us. Because if you are quality-focused, if you are patient-focused, if you are able to make the right investments in terms of talent and technology, and you are able to deliver care in what you may today call tier-two or an emerging market, why would anybody travel?

And that strategy—I think it's not only us, this is something that the country needs if you look at it from a macro standpoint. So, I think it's a clear win strategy that we've adopted, and we've been able to keep well with the same thing.

Damayanti: ***Sure, that's helpful. My second question is again on QCIL's existing portfolio. If I understand correctly, most of the assets in your current network are mature assets, right? Mostly, I guess, in existence for more than 10 years or so.***

Just want to understand—in that, you mentioned about adding oncology, which will be a key driver. But with the presence in a market like Hyderabad, and then you are operating at, say, 20–21% of EBITDA margin, do you think the mix could have been much better? Because if you look at some of your competitors, I guess in a similar market, they are operating at, say, much better EBITDA margins, somewhere in the mid-20s.

So, was it more of a mix difference that led to such EBITDA margins, or do you think it was more to do with other operating costs.

Varun Khanna: Well yeah, interesting question. So, first of all, I think I'll go back and **tell you a little history about QCIL. So, when you look at QCIL, these** are three different entities operating, right? They only converged together, got amalgamated, I guess, about 8–9 months back.

And, to be fair, I came into the company about 6–7 months back, and that's where the strategy of integrating them, doing what is right, came in, and so did the capital. So, we've been utilizing our resources to actually make the hospitals better.

Now, let me take your question in three parts because there are three different questions that you've asked me. So, the first question is more around expansion. While you're right, we have a mature network, which has been operating for a pretty long time, and therefore these brands have immense recognition in the marketplace. Our brand share today in the markets that we operate is number one in most cases.

But I think, from an expansion standpoint, I'm going to say that again. I just said that we are growing in the markets that we are present. So, it's not that we can't expand—all our 1,200–1,300 beds that we spoke about, which are going to come in till FY27, are in markets that we operate. And most of them are actually additional capacity that is coming into the hospital that we own.

So, when you mature and if you have the ability to grow the same network, nothing better than that because that is EBITDA accretive. So, I alluded to—we'll be adding, let's say, 150-odd beds in Trivandrum. Now, Trivandrum is already an 800-bed center, and we have the ability today to take it to 1,000-plus beds.

And that's because the fixed costs are going to be quite static. Those beds or the incremental capacity will only come with the variable cost, and this is the play that we have almost everywhere. So, for instance, in Bangladesh, we're adding beds because we were occupied at about 78–79%, so we needed some beds. So, we're getting beds there.

In Raipur, we are adding beds because we are kind of occupied. In Banjara, we need more space for OPD because we are well beyond our OPD capacity. We are adding OPD. And needless to say, across the spectrum, we are adding clinical capability as well to be able to take a higher complexity patient load than we currently have, and all of this is going to be margin accretive.

Now, the second part is, I think, you alluded to margin vis-à-vis competitors. So, I think outside of Hyderabad, our margins are better than any competitor I would see in those micro-markets. Hyderabad has been a challenging market.

This is one of the only markets that I see today in the country where the capacity outweighs, in a way, you know, the way we calculate demand. But that's also a reality—that in this market, whatever beds have come in have got consumed over a period of time.

So, that gives me the opportunity. For instance, I mentioned that some of our assets needed some investment, and that is currently underway. Over the last 6 months, we've invested significantly in infrastructure in Hyderabad, adding more on tech, adding more on talent, and I think that will raise the bar on profitability as well.

Damayanti: ***That's very helpful. Thank you, Varun.***

Puneet Maheshwari: The next question is from Mr Amrish. Can you please unmute yourself and ask the question?

Amrish Kacker: ***Thank you for the opportunity, and congratulations to everyone all around. It's a much-awaited final decision. So, my first question is, you talked a lot about the opportunities and the synergies, and I think they're quite clear from your presentation. From what you've seen currently of each other, what would you say are some of the risks in post-merger integration? What differences do you may see across the two entities.***

Alisha Moopen: Thanks Amrish. Thanks for the compliments. I think, in general, integration is tough, and when you're bringing huge-scale assets like we're talking about—38 hospitals together—we are not minimizing

in our head, you know, what that entails, right? So that is, I think, one of the biggest challenges we foresee with the transaction.

But we believe that the pain will be worth it. Whether it is the integration of IT and, like what Varun was mentioning earlier, he's already been trying to do that from a QCIL level as they are integrating the three brands that have come together. Now, to add Aster as a mix—the benefit in some ways is that Aster as a whole is fully integrated between all our hospitals. You know, one HIS system, one Oracle system, backend systems, ERP—all of those are integrated IT.

So, now we need to kind of make that same effort to integrate this to be able to leverage the benefits. We believe that's worth it, but that is obviously something which will be a bit of a process that will be painful.

Amrish Kacker: ***Yeah, thank you. No, and it's already good to see that from a leadership position, we've got both Varun and Sunil—one from each entity—and that should go a long way.***

Alisha Moopen: So it's yeah that will help in making sure that you're building those bridges- the people who understand each of the systems agree.

Amrish Kacker: ***Thank you. The second question is, I'm not sure if you can comment, but I'm just trying to understand a little bit more from a shareholder's perspective. We've got now the Aster promoters at 24%, Blackstone at 30.7%. How does one think about this entity going forward? Does this become, like, you know, a fully private entity at some point in time? Does the private equity person exit, and it remains an Aster entity? Is there any sense you can provide at this point in time.***

Alisha Moopen: Yeah, sure, Amrish. I mean, see, we've been talking with Blackstone over the last one year on this transaction. As we understand, the reason we joined hands with them was to try and build this platform to become one of India's best and biggest platforms. So, we definitely want to build this out further.

Of course, we've got 13,000 beds in next two years including the pipeline, you know, that we have visibility on, but scaling that up is a joint goal that we have set. Of course, they are a private entity, and their end goal even in this would be, at some point, definitely to exit. As far as the family is concerned, we are here for the very, very long term, but private—we don't consider this going into becoming a private in any way, as that would not be the situation. So, we will see more and more public shareholding coming up.

Amrish Kacker: ***Thank you. That's good from my perspective. Wish you all the best and wish everyone all the best over the next 12 months and going forward. Thank you very much.***

Puneet Maheshwari: Thanks, Amrish the next question is from Mr Mithun can you please unmute yourself and ask the question, please?

Mithun: ***Yeah, hi. Just one question—you know, what would the expanded equity be post-merger, and what would your debt levels on a consolidated basis be? How is the balance sheet of QCIL looking right now? The second question is, I think that's been answered actually on QCIL—how many of the hospitals are new so that you know there is a potential for margin expansion? So, those were the two questions.***

Sunil Kumar: Yeah thanks, Mithun, for the question. On the Aster side, you are already aware that my net EBITDA or the debt-to-EBITDA ratio is somewhere around 1.9 negative, I have ₹1,500 crores of retained cash, which is sitting with me. Even if you exclude that, we are at 1.1, right.

When you look at QCIL, I think they are also delivering at 1.1, and both entities put together, you're generating cash of more than ₹1,400 crores. We see that, with the next 3 years, with even the growth plan of 3,300 beds in the pipeline for the next 3 years, I don't see, you know, we should have any problem in either delivering more or with respect to generating more internally for the growth bit of it.

I would say, with such growth coming across—because if you look at Aster alone, we just require ₹1,200 to ₹1,300 crores, and in their case, maybe ₹1,500 crores. So, we don't expect major leverage, at least as of now, right. But still, yes, we should look out for what inorganic expansions each of us is looking into. But as of now, from the growth plan that we put across, we don't see much of a stress on the balance sheet.

Mithun: ***Your expanded diluted Equity post-merger from 50 crore shares is outstanding now what would that go to?***

Sunil Kumar*:* The swap ratio is 977 Aster shares for 1,000 QCIL shares, and we are looking at expanding from 50 crore shares to 87.16 crore shares.

Mithun: ***Okay and that includes that 5% acquisition and all that right.***

Sunil Kumar: See, this 5% acquisition will involve approximately 1.8 crore shares, which will be issued. And, as I told you, we'll be acquiring approximately 1.9 crore shares—their cap table is approximately 38 crore shares, you know. So, once the merger happens, that will get cancelled out. But overall, we will be moving from 50 crore to 87 crore shares.

Mithun: ***Got it. And one question for the QCIL team—on the Aster front, we had a number of hospitals which were ramping up, and that's why we've started seeing improvement in margins. I think the last participant mentioned that QCIL hospitals are kind of mature, but***

I just wanted a take from their management to understand what percentage of their hospitals are maybe 2–3 years old, where there's a ramp-up and potential for improvement.

Varun Khanna: So, great question, Mithun. I think I'll go back and start with the commentary that I gave earlier and then get to a little bit of a city-specific number for you.

See, one thing that I said earlier was that we are investing—even the growth that we will do or the organic expansion that will come in—is actually going to come in the same city, if not in the same facility, right? So, I'm going to break my answer into two. We generally look at potential for organic expansion within the same city or premises, and the other one is your question, which is the ramping of facilities.

So, let me go across the network and give you a sense of how we are stacked up. In Indore, it's a mature facility. So, as I mentioned, we have a brownfield expansion plan which takes care of expansion for that city or that micro-market.

Aurangabad—we have potential for organic expansion, and we are already working on it. Hyderabad—we have facilities where we're going to add organically as well as ramp up. So, again, Hyderabad and both of these as a blended profitability number is going to get better.

South Kerala—we again have potential for organic expansion. Trivandrum, I alluded to, while it's a mature facility, we'll be able to add more beds to the facility. Raipur, again, is a little bit of a mature facility, but we have the potential for organic expansion within the facility.

Chattogram—we have actual potential to grow organically as well as ramp up the facility. Bhubaneswar—we are ramping up the facility. Vizag—we are ramping up the facility. And Nagercoil, of course, as I alluded to, is a hospital we've just opened, so that too will get ramped up.

So, that should give you a sense that, you know, we've been pretty mindful of the fact that we need to be able to grow the bed capacity across the network.

Mithun: ***Just one last one on the QCIL hospitals that you mentioned that you need to spruce them up—that was one comment you made. Just wanted to understand where in that process of sprucing up are you? Because you may have these hospitals, and they needed a makeover. So, I think you mentioned the Banjara one is through. Amongst the others, where are we, and what is that cost for doing that, that you think, you know, will have them up and running properly.***

Varun Khanna*:* Let me clarify that—not every hospital needs to be spruced up. So, a large part of this network today has the flow. I alluded to the number—we take care of more than 3 million patients, so they come to a happy place. Yes, there are certain assets that needed some investment. That's underway, by the way, and the majority of the work that we started over the last 7–8 months is actually looking at completion as we speak.

So, you know, there's nothing much that we will look at doing going forward. By this year, we should be finished with whatever sprucing work or makeover that we need to do.

Mithun: ***The reason I ask you this is that it is a brand—at least I'm based in Bangalore. Aster has, you know, kind of a premium quality—you know what to expect from that brand. So, I just want to understand if that is something that I think maybe QCIL will get because of this merger. So, I'm just trying to understand, going forward, till that merger happens, how are you going to maybe change the brand and things like that? I don't know, there'll be a kind of a time gap, right, between the announcement and when it actually happens?***

Varun Khanna: So I'm not sure if I'm equipped to answer any of that at this point in time. We operate three brands, and we will continue to operate those three brands in the foreseeable future. Most of your questions, I think, are subject to the regulator, and I would refrain from taking that question at this point in time.

Mithun: ***Yeah thank you all the best.***

Puneet Maheshwari: Thanks Mithun. We would like to highlight that we will be giving preference to attendees who have not asked questions before. So, in that line, the next question is from Mr. Rahul Salvi. Rahul, can you please unmute yourself and ask the question? Also, introduce yourself.

Rahul Salvi: ***Yeah, so this is Rahul from Franklin Templeton. First of all, congrats on bringing up such a scale merger, and congratulations to teams on both sides. My question firstly is on QCIL. So, QCIL, which we have shown here as ₹3,600 crores of revenue, does that include KIMS revenue, or is it just for the last three months.***

Alisha Moopen: Rahul, your voice broke off, but you're asking about the 3600 crores of revenue, is including KIMS.

Rahul Salvi: ***Yes, that's my question, because the acquisition happened somewhere last December or November.***

Alisha Moopen: Yeah, this is the combined one

Rahul Salvi: ***From FY22 to FY24, do all three years include KIMS?***

Sunil Kumar: That's right, Rahul. It's normalized for it because only then you will be able to put a, you know, probable comparison. For example, in

FY24, there is a pre-acquisition revenue, and EBITDA is also included. That's when you'll be able to see the growth area.

Hitesh Dhaddha: Will help you with numbers Rahul, so that it helps you all to build your financial models in a much better manner.

Rahul Salvi: ***In terms of revenue breakup for QCIL, I saw the revenue breakup in terms of geographies or clusters. What is the EBITDA breakup in similar terms? Do any two or three geographies contribute majorly to the EBITDA? Trivandrum, Hyderabad is 45%, so is the EBITDA contribution similar, or is it very skewed towards Trivandrum, Hyderabad, and Dhaka?***

Varun Khanna: Let me give you an answer not city- or property-specific. I think, from a network standpoint, CARE as a network contributes to—and don't hold me to the decimal because I'm coming from my memory—about 45–49% of the EBITDA. Then 30-odd to 35% actually comes in from KIMS, and the balance probably comes in from Bangladesh.

Rahul Salvi: ***No but in the combined entity, what is the… So, in the graph, which you have shared on page 20 of the PPT, we have shown that 23% comes from Trivandrum, 22% from Hyderabad, and 17% from Dhaka. So, similarly, what is the EBITDA breakup of these entities or these geographies? Is it that most of the EBITDA comes from the top two or three geographies, or how is the split.***

Hitesh Dhaddha: So, on a combined basis—and Varun, maybe we would like to take up the combined question—on a combined basis, Rahul, the margin split will be kind of largely similar. It'll be diversified across different cities because Aster also has large assets, and similarly, you can see that KIMS also has. With the number of assets—almost like 38 hospitals—we're talking about 25–26 cities and eight states.

That kind of presence means the numbers for us are quite diversified. Some of the states might be larger, but what we see is at the micro-market level, especially at the city level. It's almost not possible to attract patients from one large city to another. I'm talking of regions like Kerala and all. So, if you look at it from that perspective, it's fairly well-diversified.

Rahul Salvi: ***Okay, and what is Bangladesh's contribution to EBITDA for QCIL?***

Hitesh Dhaddha: On a combined basis Bangladesh's EBITDA would be less than 10%.

Rahul Salvi: ***Okay so taking that question ahead so considering the situation in Bangladesh are we able to operate the hospital in a proper manner or and in future is there any plan to divest that those assets.***

Varun Khanna: So, Rahul, it's unfortunate what's happening in Bangladesh. But, having said that, our doctors and nurses have been attending the hospital every single day. There isn't a day that's gone by in the last

six or seven months that I've been around that we've had an impaired hospital functioning.

Having said that, during the crisis, in fact, our hospital has been seen as the go-to place because a lot of Bangladeshis who prefer to travel outside the country did not have the option to fly out. That brought the patients into the finest quality network that exists in a fragmented country, and that's ours.

So, having said that, if that was the case, I can assure you the numbers look good. They have met the budget, and they have kept to the growth expectations that we have for the business.

Rahul Salvi: ***So, in FY25, do we see any hit because of Bangladesh on the EBITDA of QCIL.***

Varun Khanna: No.

Rahul Salvi: ***Thanks.***

Puneet Maheshwari: Thanks Rahul, I would request you to please join our queue. The next question is from Mr. Rahul Kumar Jalan. Can you please unmute yourself and ask the question.

Rahul Kumar: ***Yeah, thank you so much, Alisha, Varun, Sunil, and Hitesh, for this opportunity. I am very excited about this large-scale merger, given that Dr. Moopen sir, Padmashri, Dr. Sumaraju built the CARE platform, Sahadulla, TPG led Vishal Bali and Blackstone's legacy, along with Varun Khanna's experience coming together. So, I am very much confident with regard to EBITDA improvement, given the scale and the talent around.***

I have two questions with regard to the revenue growth as well as the operational structure. If you look at Aster, they have multiple models, including O&M, multi-brand like Aster Prime in Hyderabad, Narayanadri in Tirupati, and Ramesh in Andhra. You guys work more on the cluster approach, while QCIL doesn't. So, will the arrangement get rearranged, and the hospitals will work on a cluster approach?

Will the CARE brand, which is stronger in this market, be used? That's one question.

The second thing—on the QCIL front, QCIL has a strong brand in Nagpur, Bhubaneswar, and Raipur. Especially in Nagpur and Bhubaneswar, there is a requirement for larger facilities. At the same time, the competition is catching up. So, how soon will the larger facilities in Nagpur and Bhubaneswar be up.

Alisha Moopen: Yeah, I think, Rahul, thank you. I'll just take the first part of the question. So, thank you, first of all, for the kind words. You're right—we've got legends that have built the brand, and the goal is to make it even better.

On the cluster part of things, I think I alluded to it in an earlier question as well. We haven't defined what the operational structure would look like. I think that will require some more time for us to really look at the management bandwidth on both sides and then discuss what might be the best cluster approach or a region approach.

Even on the brand as well, we don't want to jump the gun. Like you said, there are strong brands on all sides, whether it's Aster, CARE, or KIMS. In each of the micro-markets you mentioned, some of the other cities as well have a great brand image that CARE has built up. So, we will have to do a much more detailed review to decide which brand will stand, whether there'll be co-branding, and all of those. I think those are things we'll have to iron out over the course of the next year. I would ask Varun to comment on further?

Varun Khanna: So Rahul, thanks for the question and thanks for the compliments as well. Your voice tells me that you are a well-wisher whom we know well, Rahul.

You're right. We've been thinking about additions to the two markets that you alluded to—one is Bhubaneswar, and the other is Nagpur. I think the strategy hasn't moved much. Bhubaneswar is doing well as a property. It's got a 20–21% odd CAGR, and it's got best-in-class margins as well.

Needless to say, based on our strategy, when we have a property like that, we try and invest in the same property and make it better. That's exactly how we are growing Bhubaneswar. On Nagpur, we have our growth plans assessed but not currently executed. So, we will come back as we execute them.

Rahul Kumar: ***Thank you.***

Puneet Maheshwari: Thanks Rahul. Mr. Harith has joined back to the queue again. Harith can you please unmute yourself and ask the question please.

Harith: ***Hi, thanks for the opportunity again. For the existing QCIL assets—the three assets CARE, KIMS, and Evercare—I understand there's minority shareholding in some of these. So, will you be able to share the minority shareholding in each of these.***

Alisha Moopen: Sunil, are we sharing that information now, or we don't have it right away?

Sunil Kumar: We'll be able to share it offline to them. Not an issue we will send it across to you.

Harith: ***But is there a minority shareholding in Care or Evercare.***

Hitesh Dhaddha: So Harith, the minority in KIMS is very small. I think more than 80–85% is owned by Blackstone. In Bangladesh, it is almost more than around 60–70% owned. But yes, there are around 30% minorities.

There are some other assets that have small minorities. So, combining, that's where the numbers may look like, and we will give you the more clear or exact numbers in due course of time.

Harith: ***Okay thanks, Hitesh. And last one, on the existing QCIL network in India, can you comment a bit about the ownership of the assets—the land and building? Just trying to understand the asset-light versus asset-heavy nature of the network. And in that context, the ₹70 odd crores of EBITDA that you've shared for FY24—this is on a post-IND-AS basis. Will you have the EBITDA on a pre-IND-AS basis? That'll be helpful if you can share.***

Varun Khanna: We have a few properties where the properties are leased, but I think details can be sent offline. That is the way I see it. One important part of our network is that we are the operational people for every single hospital that we have. So, there's no franchise of any sort that we currently have in our network. When I say this, there's no O&M that we have. What we have is all of the network is essentially what we've done.

Harith: ***Okay and if you have the pre-IND AS number?***

Sunil Kumar: Is this for the QCIL?

Harith: ***Yes.***

Sunil Kumar: Approximately 43 to 44 crores per annum, you can reverse that.

Harith: ***Yeah got it. Thank you so much and all the best.***

Puneet Maheshwari: Thanks, the next question from Mr Prateek Poddar, can you please unmute yourself and ask the question?

Prateek Poddar: ***Am I Audible?***

Alisha Moopen: Yes, You are.

Prateek Poddar: ***Thank you for the opportunity. I have two questions. One is for Alisha—you mentioned integration. I just wanted to check with you: how do you think about the cultures of the two organizations and the merger of the same? How should we think about, if at all, there is attrition in the next one year when the merger happens? That's question one.***

The second question—again, I'm trying my luck. Look, I think if I see the margins of QCIL, they are at 21%. How much would be a drag from, let's say, hospitals which are not mature? The data for which we have in Aster DM—I just wanted to have the same number for QCIL. How much of the numbers would be a drag.

Alisha Moopen: Sure Prateek. So, I'll come in on the first one. I think you have touched upon one of the most important aspects, right? On the amalgamation—the culture part of it. So, we have spent a lot of time speaking to the partners, of course, to Varun, meeting the

management teams, and we do believe that the core philosophy is the same, right.

We want to do good-quality healthcare. The focus is on tier-2, tier-3—accessible, affordable, but quality healthcare. So, in that sense, there is a lot of alignment in terms of the goals and the value systems. Culture is so much more subtle. Now, of course, each, you know, when you have an acquisition strategy like what QCIL is, now you've got CARE, which has its own culture probably.

You've got KIMS, which has been recently acquired. You've got Evercare. So, that will be a process. I think there will be a lot of intense work done to make sure that we're aligned on the people practices. I think it kind of relates to the earlier question somebody asked about that integration. Definitely, the system is one, but probably even more importantly, it would be the people practices. This is where having Varun on one side, Sunil and integrated management team led by the chairman will enable us to, you know, build that common culture of care.

Varun Khanna: So, let me give some color to Prateek. Thank you also, Prateek. I don't have the calculated number the way you are asking for it, but I can give a sense. I alluded to this earlier. Of course, we have ramped-up hospitals as well.

When you have a network that is ramping upas well, two things will happen—one, for the current year, they'll have a drain; and for every subsequent year, they'll add to the profitability. So, Nagercoil is something that we just opened. Chattogram is something that we are still considering as a ramp-up.

We've got ramp-up facilities in Vizag and Hyderabad. These two hospitals are scaling up very quickly. They're growing fast, and they should start to contribute quite significantly to the EBITDA. And when you have a network of 19 hospitals, you'll always have hospitals doing better as well. So, I think there is, of course, the middle as well, and there is a top which is doing extremely well.

Prateek Poddar: ***What's the ratio of the lowest one—the ones which are really dragging you down—to the reported EBITDA margins of 21%? There would be a certain drag, right? Like there would be low single digits—I don't know, I'm just trying my luck here.***

Varun Khanna: But there are a few. Again, I don't have the calculated number, but there are a few which are currently not contributing and taking away, and there are a few which are lower than the blended number.

Prateek Poddar: ***okay I'll take this offline then thanks.***

Puneet Maheshwari: Thanks Prateek, in the interest of the time we would like to take the last question Mr. Sumit if you can ask question unmute yourself and ask the question.

Sumit: ***Thanks for the opportunity again so I have two questions. First is on the on the QCIL point only. So basically the ROE over the last two to three years has it been upwards of 20%?***

Sunil Kumar Are you referring to ROCE? What is it, sorry?

Sumit: ***So, basically for QCIL only the return on equity for over the last two to three years has been being not of 20%.***

Sunil Kumar: Hitesh, do you have this number?

Hitesh Dhaddha: You know, the normalized number could be decent, but they also have gone through some of these acquisitions. So, you know, for the last few years, whether the numbers will be fully comparable from that perspective—we'll have to kind of go back and just get the right information for you on, you know, how the normalized numbers can be seen.

Sumit: ***So okay. And last, on the free cash flow—what is, like, can you give a ballpark number for how the free cash flow has been over the last 3–4 years on a cumulative basis or on an annual basis.***

Hitesh Dhaddha: So, there should not be so much gap between EBITDA and free cash flow. You know so I think broadly you can kind of consider similar numbers for both.

Sumit: ***Understood thank you***.

Puneet Maheshwari: Thank you everyone. So, thank you all. This concludes the call for Aster DM Healthcare. I thank the management and all the attendees for joining us today. If you have any further queries or questions, please do get in touch with us. Thank you.

Alisha Moopen: Thank you thanks everyone.

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