February 09, 2026

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

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter and nine months ended December 31, 2025

Reg: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is in furtherance to our letter dated February 02, 2026, wherein the Company submitted the link to the audio recording of the Earnings Call held for the quarter and nine months ended December 31, 2025, please find enclosed herewith the transcript of the said earnings conference call.

The same is also made available on the website of the Company at

https://www.asterdmhealthcare.in/investors/financial-information/earning-call-transcripts

Kindly take the above-said information on record.

Thanking you,

For **Aster DM Healthcare Limited**

HEMISH PURUSHOTTAM

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Date: 2026.02.09 15:46:25 +05'30'

Hemish Purushottam
Company Secretary and Compliance Officer
M. No. A24331

Aster DM Healthcare Limited

Q3 FY26 Earnings Conference Call

February 2, 2026

Management:	**Ms. Alisha Moopen – Deputy Managing Director**
	Mr. T J Wilson – Non-Executive Director
	Mr. Ramesh Kumar – Chief Operating Officer
	Mr. Sunil Kumar M R – Chief Financial Officer
	Mr. Hitesh Dhaddha – Chief Investor Relations & M&A Officer
QCIL Management:	**Mr. Varun Khanna – Group MD & CEO, QCIL**
Moderator:	**Mr. Puneet Maheshwari – Lead - Investor Relations**

Puneet Maheshwari: Good morning, everyone. I welcome you to Aster DM Healthcare Earnings Conference call for the Q3 FY26. Today 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; Mr. Ramesh Kumar, Chief Operating Officer; Mr. Sunil Kumar, Chief Financial Officer; and Mr. Hitesh Dhaddha, Chief Investor Relations and M&A Officer. We are also delighted to have Mr. Varun Khanna, Group MD of Quality Care. Mr. Khanna 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 which is in process to get merged with Aster DM Healthcare.

It is to be noted that the merger is subject to further regulatory approvals. All external attendees will be in listen only mode for the duration of the entire call. We will start the call with the opening remarks by the management, followed by an interactive Q&A session. Certain forward-looking statements in this meeting involve risk and uncertainties.

Aster DM Healthcare assumes no responsibility for actions based on these statements and undertakes no obligation to update them for future events. With this, I will now request Ms. Alisha Moopen to start with the opening remarks. Over to you, Ms. Alisha.

Alisha Moopen: Thank you, Puneet. Good morning, everyone, and thank you for joining us. As this is our first call in 2026, wishing everyone a happy new year.

As we move through the final phase of the regulatory process for the proposed merger with Quality Care, we believe it is increasingly becoming useful to discuss our performance through the lens of the combined platform we are in the process of building. At the same time, we remain fully mindful that the transaction is still subject to shareholder and NCLT approvals.

While the merger process is yet to be consummated, combined performance of the platform reflects how the two organisations are already operating at scale with complementary footprints, similar clinical philosophies, and consistent operating disciplines and provides a clearer view of the earnings capacity and capital efficiency of the platform for the coming years.

Over the coming few months, wherever relevant, we intend to continue providing this combined proforma perspective to help investors better assess the underlying economics of the platform.

With that context and keeping the medium to long-term lens in mind, I will begin by discussing the combined proforma performance of Aster and Quality Care, before moving to Aster's results.

We are very encouraged by the operating performance of the combined entity this quarter, which demonstrates consistent and broad-based growth, driven by continued focus on clinical excellence, an improving case mix, and efficient cost management.

On a combined proforma basis, the platform delivered revenue growth of 15% year-on-year to INR 2,366 crore, supported by 9% growth in total patient volumes and 8% growth in Inpatient ARPP. This was also accompanied by the CONGO mix increasing by approximately 150 basis points to 54.4% in Q3 FY26. Operating EBITDA grew faster than revenue, increasing 22% year-on-year to INR 503 crore, translating into an operating EBITDA margin of 21% and ROCE of 21%.

This performance is not limited to a single quarter. The combined

proforma performance of Aster and QCIL has demonstrated strong performance across the first three quarters of FY26, supported by steady patient volume growth in the 8-9% range and sequential improvement in patient realizations, with inpatient ARPP increasing in the range of 8-10% year-on-year each quarter over the same period.

This reflects not just topline growth, but continued improvement in operating quality, driven by higher clinical complexity, an improving case mix, and sustained cost discipline across the combined platform. As a result, revenue and operating EBITDA have grown at healthy double-digit rates across all three quarters, while operating margins have remained stable above 20%, despite ongoing capacity additions and business seasonality.

Supporting this momentum, we continue to pursue measured capacity expansion aligned with long-term demand. Over the past year, we added 560+ beds, taking combined capacity to 10,620+ beds across 28 cities. Our pipeline includes over 4,000 additional beds, taking total capacity to 14,710+ beds, through a balanced mix of greenfield and brownfield expansions. This disciplined and balanced approach allows us to scale capacity while preserving capital efficiency and returns.

Both Aster and Quality Care have independently demonstrated strong execution across cost management, and clinical productivity. Initiatives such as procurement centralization, in-sourcing of key services, and strengthening of clinical talent have already supported operating efficiencies and margin delivery. This provides confidence in operating alignment and execution discipline ahead of integration, as we continue to progress through the merger process.

Coming to the update on merger. A notable development during the quarter was the continued and structured progress on the proposed merger with Quality Care India Limited.

The transaction has advanced through the key regulatory and procedural steps to date. Following receipt of CCI approval and no-objection letters from NSE and BSE with no adverse observations, the Company filed the merger application with the NCLT on December 11, 2025.

As directed by the NCLT, the shareholders' meeting to consider and approve the merger scheme is expected to be convened between February 27, 2026, and March 13, 2026.

Subject to shareholder approval, the NCLT will thereafter review the application, and upon receipt of its sanction, the merger will become effective. Based on the current process timelines, the merger is expected to be completed in Q1 FY27.

Having reviewed the trajectory of the combined platform, let me now turn to Aster's performance for the quarter.

During the quarter, Aster delivered steady and broad-based growth, supported by improving case mix, disciplined execution, and continued momentum across its core clusters. A key development during the period was the commissioning of the Kasargod hospital, which marked an important expansion milestone and contributed to overall revenue growth.

Aster's revenue from operations stood at INR 1,186 crore, representing a 13% year-on-year increase, driven by 10% growth in total patient volumes and a 9% improvement in Inpatient ARPP. This improvement was supported by a richer specialty mix, with the CONGO mix increasing meaningfully during the quarter, alongside continued focus on operational efficiency.

This performance reflects our continued shift toward complex, high-value care. Oncology revenues grew 27% year-on-year, with contribution

increasing to 11% in Q3 FY26, up from 10% last year. The Medical Value Travel segment grew 41% year-on-year, led by higher international patient footfall in Kerala, where MVT revenues grew 64% year-on-year. In our ancillary businesses, the Labs revenue increased 17% year-on-year to INR 39 crore, reflecting continued scale-up.

At the operating level, performance remained stable despite the addition of new capacity. Operating EBITDA stood at INR 224 crore, up 11% year-on-year, with margins at 18.9%. Core hospitals and clinics delivered 12% growth in operating EBITDA, with margins of 21.4%, reflecting steady execution across established assets.

While reported margins reflect the impact of recently commissioned capacity, the core operating performance of the mature network continues to demonstrate strong operating leverage. Excluding the newly commissioned Kasargod hospital, revenue and operating EBITDA grew 12% and 17% year-on-year, respectively, with operating EBITDA margins expanding by 90 basis points to 20.2%.

This like-for-like performance reinforces the strength of the established hospital portfolio and the predictability of the maturity curve across the network. Core hospitals and clinics delivered 18% growth in operating EBITDA, with margins improving to 22.8%. Excluding Kasargod, Normalised PAT grew 22% year-on-year, reflecting improved profitability. Normalised PAT excludes the impact of provisions related to the revised labour code. Sunil would explain about it in detail later in the call. Within this overall performance, the Kerala cluster continued to anchor stability and profitability, reflecting the maturity and depth of the network following its turnaround. Inpatient volumes grew 11% year-on-year, and 8% excluding Kasargod, indicating healthy underlying demand. Revenues grew nearly 20% year-on-year, while operating EBITDA margins remained strong at 25.4% excluding Kasargod led by cost efficiencies and operational leverage.

Kerala remains a key earnings and cash-generation anchor for the platform, absorbing growth investments elsewhere while maintaining high operating discipline.

The K&M cluster saw a relatively softer performance during the quarter, primarily due to temporary volume moderation from seasonality, scheme rationalisation, and a few clinician movements. Proactive hiring and retention initiatives are underway to strengthen clinical depth and execution capabilities. With these measures in place, the K&M cluster is well positioned to deliver improved performance and accelerated growth in the coming quarters.

Overall, Aster continues to deliver consistent earnings quality and operating discipline, reinforcing its role as a key engine within the combined platform.

Our growth strategy continues to balance near-term operating performance with long-term capacity creation, with a clear focus on disciplined expansion and return-led deployment.

Over the past year, we added more than 320 beds, taking Aster's total capacity to 5,451 beds as of December 31, 2025. This includes recent commissioning of new capacity, including Kasargod, which expanded our India network to 20 hospitals.

Since commissioning, the Kasargod hospital has demonstrated a steady and encouraging ramp-up, with outpatient footfall averaging around 400 patients per day, rising inpatient admissions, and over 120 doctors onboarded, establishing a strong clinical and operational foundation from the outset.

Beyond Kasargod, Aster plans to add over 2,300 beds over the coming

years through a balanced mix of brownfield expansions and greenfield projects, taking total capacity to over 7,800 beds. This pipeline is phased and aligned with demand visibility, ensuring growth remains disciplined and capital efficient.

We also increased our stake in Aster Aadhar Hospital by 12% taking our total ownership to 99%, and we are in advanced stages of acquiring full ownership, further strengthening operational control and integration within the platform.

During the quarter, Aster continued to receive strong external recognition across leadership, clinical excellence, and innovation, reinforcing the depth and quality of the platform we are building.

Dr. Azad Moopen, our Founder Chairman, was honoured with a Lifetime Achievement Award by Mount Judi Ventures and recognised as Visionary Leader in Healthcare at the Elets Healthcare Innovation Summit.

At the same summit, Aster DM Healthcare was awarded Best Hospital Chain of the Year, with Aster RV recognised as Best Multispecialty Hospital, and Aster Whitefield receiving awards for excellence in cardiology, pulmonology, and urology.

Aster hospitals also received top rankings at The Week India Health Summit 2025, with Aster MIMS Calicut ranked as the number one multispecialty hospital, Aster Medcity Kochi ranked second among multispecialty hospitals, and Aster CMI Bangalore recognised as the second-best emerging multispecialty hospital.

In addition, the Group was recognised among India's Top 500 Value Creators by Dun and Bradstreet, and Aster Digital India received the Innovation – New Initiatives Award at the 24th Data Center Summit and Awards.

To conclude, Aster delivered a resilient and well-balanced performance during the quarter, supported by steady growth across core hospitals, an improving case mix, disciplined cost management, and continued strengthening of clinical talent and leadership depth across the network.

Our consistent approach to operating execution, steady progress on capacity expansion, and focused investments in people and systems have further reinforced the stability and scalability of our regional platforms.

As we move through the final stages of the regulatory process for the proposed merger with Quality Care, our focus remains firmly on execution excellence, capital efficiency, and building a clinically strong and scalable organisations, while continuing to deliver consistent operating performance.

By deepening leadership capabilities and attracting high-quality medical talent, we believe we are well positioned to deliver accessible, high-quality healthcare at scale and create sustainable long-term value for all stakeholders.

I now invite Mr. Varun Khanna, to take you through the QCIL performance.

Varun Khanna: Good morning and wish you a very happy 2026.

This quarter demonstrates continued growth momentum and value creation from disciplined execution of initiatives launched earlier. During the quarter, we have strengthened our micro-market leadership through focused investments in clinical capabilities and infrastructure, while maintaining rigor in our approach to bed capacity expansion.

Overall performance in Q3 was strong, with revenue rising 17.3% year-on-year to INR 1,181 crore, while post-Ind AS EBITDA increased 32.0% year-on-year to INR 279 crore. The post-Ind AS EBITDA margin expanded by 265 basis points year-on-year to 23.7% in Q3 FY26.

Revenue growth during the quarter was driven by increase in IP and OP volumes (8% year-on-year for both), improvement in specialty mix-with CONGO-T share increasing by 60 basis points to 57.6% and a favorable shift in payor mix, as the share of cash and insurance business rose by 100 basis points to 80.1%.

Total ARPOB increased 12.2% year-on-year to ~INR 47,000 in Q3 FY26 (from ~INR 42,000 in Q3 FY25), driven by improvements in specialty mix, payor mix, and a 3.4% year-on-year reduction in ALOS to 3.9 days (from 4.1 days in Q3 FY25).

EBITDA growth also reflects the early success of key synergy initiatives, including procurement centralization and new clinical talent hiring implemented in H1 FY26. Continued focus on clinical talent recruitment and management, along with the strong ramp-up of the Nagercoil unit launched in October 2024, which has already started contributing to profitability in a meaningful way.

During the quarter, mature units (~60% of revenue) delivered 12.9% year-on-year revenue growth and 18.8% year-on-year EBITDA growth, achieving a margin of 32.8% an expansion of ~160 basis points year-on-year primarily driven by procurement synergies and doctor cost optimization initiatives.

Emerging units (~7% of revenue) continued to scale well, recording 15.6% quarter-on-quarter EBITDA growth with a margin of 13.3%, reflecting a ~140 basis points quarter-on-quarter expansion. EBITDA improved year-on-year, increasing from a loss of INR 1 crore to a profit of INR 10 crore

Focus units (~29% of revenue) delivered robust 19.1% year-on-year revenue and 68.1% year-on-year EBITDA growth and achieved a 17.8% margin, representing a ~520 basis points year-on-year expansion, driven by sustained emphasis on operating excellence across the business.

We continue to draw top-tier talent from across the healthcare ecosystem and over the past few months, we have built out a strong leadership bringing a wealth of experience from across the industry. Given our leaders' complementary experience and expertise, we feel well placed as we enter our next phase of growth and excellence in care.

We have been continuously advancing our doctor hiring models in a structured manner and have onboarded over 100 clinicians across the network during YTD FY26. While these initiatives were launched a few quarters ago, this quarter has shown significant progress-with the Monthly Recurring Revenue (MRR) from the newly hired clinician cohorts reaching INR 24 crore.

Moreover, these new hires have been instrumental in driving a shift toward higher-acuity care, with our CONGO-T share increasing by 60 basis points year-on-year to 57.6%.

Our commitment to advancing clinical excellence has driven several notable milestones. We performed the first Matched Unrelated Donor (MUD) transplant at KIMS and carried out the first cadaveric transplant at Aurangabad, earning recognition as an authorized cadaveric transplant canter. Additionally, our surgical oncology and urology teams at Nagercoil successfully executed a rare and complex laparoscopic resection of a large retroperitoneal tumor in an 11-year-old boy, demonstrating our commitment to bringing the highest quality of care to Tier 2 and Tier 3

markets.

We have also reduced our ALOS by 3.4% year-on-year to 3.9 days, through focus on clinical protocols.

As part of the expansion of our clinical programs, we have committed to investments in advanced, future-ready technologies to enhance clinical outcomes and expand access to specialized care. Through our partnership with Elekta, we are deploying five linear accelerators (LINACs) across our network, along with the network's first advanced central planning system in oncology. This strengthens clinical decision-making, standardizes care delivery, and enables technology-driven collaboration with expert clinicians.

In parallel, we are strategically scaling our Robotics Program through a newly established partnership with Intuitive Surgical. With the planned acquisition of five robotic systems, we are the first organization to implement robotic surgery at scale across Tier 2 markets. This initiative is our effort to democratize access to cutting-edge surgical care, ensuring patients benefit from the latest advancements in gastroenterology, general surgery & gynecology.

Expansion continues to be a key strategic priority. We remain committed to strengthening our presence in existing markets and entering new ones through brownfield expansions, strategic M&A, and greenfield developments. Our enhanced near- to medium-term growth plan includes an investment of around INR 2,000 crores to add over 1,700 beds in the next 3-4 years. In line with our mission to improve accessibility to high quality care, ~1,300 of the 1,700+ beds will be added in non-Metro / tier-2 / tier-3 markets.

Our efforts continue to be recognized across the industry. Some key accolades we received during the quarter include:
Visionary Healthcare Leadership Award at the AHPI Annual Conference,
KIMSHEALTH Trivandrum received the Kerala Health & Medical Tourism Award from the Confederation of Indian Industry (CII).
AHPI conferred the Best Emerging Hospital Award to CARE Hospitals, Nagercoil.

Thank you and I'll pass on to Ramesh

Ramesh Kumar: Thank you, Varun, and good morning, everyone.

I'll take a few minutes to walk you through the performance of each of our clusters this quarter and share an update on our operational priorities and team strengthening processes.

Let me begin with Kerala, which was the clear standout cluster this quarter and continues to anchor the company's performance. The cluster delivered a strong year-on-year performance in Q3 FY26, with revenues of INR 629 crore, growing 20% year-on-year. Excluding Kasargod, revenues increased 19% year-on-year to INR 619 crores, highlighting the sustained strength of the core hospitals and the ability to grow on an elevated base established earlier in the year.

Performance during the quarter reflected continued momentum post recovery, with underlying demand remaining stable. Revenue growth was also driven by strong growth in MVT revenues growing 64% year-on-year, led by higher international patient footfall from Maldives, Oman, and

other Middle Eastern markets. This was complemented by sustained growth in oncology revenues and the initial ramp-up of the newly operationalised Kasargod hospital. Inpatient volumes grew 11% year-on-year, while ARPP IP increased 7%, supported by an improved case mix led by a higher share of complex procedures, particularly in Oncology.

From a profitability standpoint, Operating EBITDA increased 18% year-on-year to INR 144 crore. Excluding Kasargod, Operating EBITDA grew 28% year-on-year to INR 157 crore, with margins expanding by 190 basis points to 25.4%. Margin expansion was driven by operating leverage across mature assets, continued reduction in ALOS, and disciplined cost management across manpower and overheads, even as oncology-led growth resulted in higher material intensity.

With close to 3,000 capacity beds, a stable leadership structure, and a clear expansion runway the Kerala cluster remains well positioned to sustain momentum, compound growth over the medium term, and deliver best-in-class profitability.

Turning to the K&M cluster, revenue grew 7% year-on-year to INR 383 crore in Q3 FY26, supported by a strong 17% increase in Inpatient ARPP, despite a 9% year-on-year decline in inpatient volumes. Volume softness was largely due to the discontinuation of the state scheme at Aster Aadhar, and a few clinician movements due to heightened competitive intensity in select Bengaluru micro market. Operating EBITDA grew 5% year-on-year, with margins at 21.9%, despite higher material costs linked to oncology.

Furthermore, proactive hiring and retention initiatives are being implemented to strengthen clinical depth and execution capabilities. With these measures in place, the K&M cluster is well positioned to drive improved performance and accelerated growth in the coming quarters.

Turning to the A&T cluster, Revenue grew 13% year-on-year to INR 137 crore in Q3 FY26, driven by a 4% increase in inpatient volumes and a 10% improvement in ARPP IP, reflecting a better case mix and pricing discipline. From a profitability perspective, operating EBITDA increased 7% year-on-year with margins at 13.2% despite increase in clinical manpower cost. However, there has been a sequential margin improvement from 7.9% in Q1 FY26 to 13.2% in Q3 FY26.

Overall, the quarter reflects steady execution across clusters, with Kerala continuing to anchor growth and profitability, and K&M and A&T making progress on revenue quality and operational discipline. With focused interventions underway and a balanced growth strategy, the platform remains well positioned to sustain momentum and deliver consistent performance in the coming quarters.

Thank you. I'll now hand it over to Sunil for a detailed review of the financial performance

Sunil Kumar: Good morning, everyone. I am pleased to share Aster DM Healthcare's financial performance for Q3 FY26:

For the quarter ended 31st December 2025, excluding our newly launched Kasargod hospital, revenues have increased to INR 1,176 crores, up by 12% from INR 1,050 crores in Q3 FY25 and Operating EBIDTA has increased to INR 237 crore with a margin of 20.2% compared to INR 202 crore in Q3 FY25 with a growth of 17%. Normalised PAT (Post NCI) for Q3 FY26 is at INR 98 crore compared to INR 81 crore in Q3 FY25 with growth of 22%

year-on-year.

Similarly for the 9 months ended 31st December 2025, India revenues have increased to INR 3,451 crores, up by 10% from INR 3,138 crores in 9M FY25 and Operating EBIDTA has increased to INR 715 crores with the margin of 20.7% compared to INR 613 crores in 9M FY25 with a growth of 17%. Normalised PAT (Post NCI) for 9M FY26 is at INR 298 crores compared to INR 251 crores in 9M FY25 with growth of 19% year-on-year.

Our PAT for the quarter was impacted by a one-time exceptional expense related to the implementation of the new labour code, amounting to INR 27.9 crore. This includes a provision of INR 26.3 crore towards gratuity and INR 1.6 crore towards compensated absences.

Moving to segmental performance, our hospital segment continued to deliver a consistent and strong performance during the quarter. Excluding Kasargod, revenues grew by a healthy 14% year-on-year, while EBITDA grew by 18%, leading to an 80-basis-point improvement in margins. Importantly, performance was consistent across hospitals at different stages of maturity.

Our mature hospitals [above 7 years] delivered 14% revenue growth and 17% EBITDA growth, operating at a robust ROCE of 36.2%. Hospitals in the 3–7-year maturity bucket recorded 10% revenue growth and a strong 28% growth in EBITDA, with ROCE improving by 470 basis points to 25.7%. Our newer assets, which are less than 3 years old, saw revenue growth of 19%.

Turning to our diagnostics business, I am pleased to share that Aster Labs has successfully delivered a turnaround since the start of FY25. EBITDA margins have expanded from -7.6% in FY24 to +7.6% in FY25 to +12.2% in YTD FY26, driven by a robust 35% year-on-year growth in external business, enhanced operating leverage, and improved material cost efficiencies. This turnaround has translated into a healthy ROCE of 27%, a remarkable recovery from the negative levels a year ago.

On the wholesale pharmacy front, we took a strategic call last year to outsource the loss-making part of this segment. While this decision led to a reduction in reported revenues, it has materially improved profitability. For the first 9 months, EBITDA margins improved to 1.8%, compared to negative margins in the same period last year. Importantly, this improvement is sustaining, with the segment delivering EBITDA margins of 2.2% in the most recent quarter and moving to positive ROCE for the first time.

As of 9M FY26, our total capital expenditure stood at INR 406 crore, with nearly 50% allocated towards expansion projects. We continue to maintain a robust liquidity position, with cash and cash equivalents of INR 1,255 crore, while our gross debt remains moderate at INR 631 crore. Additionally, we have seen a significant improvement in Return on Capital Employed (ROCE), which has increased by over 260 basis points - from 19.5% to 22.1%.

With this, we have laid a solid foundation for future growth. As we move into future, we are confident of building on this momentum with the same discipline and focus.

On that note, I conclude my remarks and hand it over to Puneet to begin the Q&A session.

Puneet Maheshwari: Thank you, Sunil. Dear participants, during the Q&A session, you will get a chance to ask a question by raising your hands through 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 un-muted, and you will be able to ask your questions. I would also like to request to all the participants, if you can introduce yourself with your name and the company that you are associated with before asking the question.

If you are not associated with any company, if you are an individual investor, you can highlight that as well.

Moving on to the Q&A session now, the first question is from Mr. Tausif. Tausif, can you please unmute yourself and ask the question.

Tausif Shaikh: Thanks, Puneet.

Hi, this is Tausif from BNP Paribas. My first question is to Ramesh on the performance of Kerala Flagship Hospital, Aster Medcity.

We have seen a more than 20% growth this quarter. Can you give us more color on this performance and especially how much delta has been driven by the MVT volumes and whether this growth in the MVT is sustainable or not. And the overall Kerala business, are we seeing a volume increase for the overall MVT or is it just about Aster DM Healthcare?

Ramesh Kumar: Thank you, Tausif, for that question and I am sure you rightly highlighted about the flagship of Aster, it has really grown well. If you really look at the performance, few months back, we always had the issue of sometimes the leadership issue and the MVT growth. So, you have rightly pointed out all this has been taken care of. We have a solid leadership there at the ground level. We are able to build on, add more clinicians to the system that is also brought in lot of the top line revenue and certain programs like the robotic program have taken off very well. In fact, there are months that around 80-90 surgeries of robotic program have been done. So, the overall performance consistently it has been doing around INR 90 crores and above for the last 5-6 months. So, that has been the performance of the flagship.

And since you touched upon the MVT, MVT has grown by 64%. So, that clearly shows that we are back on MVT. And especially from Maldives and Oman is what our patients are flowing in. I think this is definitely sustainable because there was a temporary setback for these patients not coming back. And I think we have started driving them back. And we have a proper engagement with both Maldives and Omani patients as well. So that's where it stands. And I'm sure it will continue. Flagship will definitely contribute. And other units of Kerala have also started doing exceedingly well, including MIMS, Calicut, and the new unit added is also performing very well, Kasargod. So, the entire Kerala cluster will sustain, and you can see a significant growth and with very good margins. It has given 25.5% operating margins as well.

Tausif Shaikh: That's helpful. My second question is on the Karnataka cluster. This quarter we have seen occupancy dip to 55% from 60%. Earlier while you have highlighted there is some movement of clinicians, but can you give us more color, means in which segment the clinicians have moved out, have we able to fill in the gaps and when we can expect a Normalised business?

Ramesh Kumar: So, K&M cluster, as we look at, let me tell you the good news that ARPP IP has grown by 17%. That clearly says that we are in a strong footing in Karnataka, especially when it comes to the CONGO-T mix, and especially

in that Oncology and Neuroscience have been contributing very well. And of course, our facility, Whitefield facility continued to contribute 14% of the growth. So, it clearly says that we are on a strong footing. Yes, coming to the other two units, Aster RV and the 2 micro-markets, one is South and the other one is Aster CMI North. Yes, here, as you rightly mentioned, we have been performing with the CONGO-T again, I'm talking on oncology has been doing very well across all the three units. And, of course, transplant as well in these two units. So, the market has, I mean, even though there have been a lot of competition in the market, and there is some attrition of clinicians, we are able to replace all those clinicians, and most of them are either intensivists, anesthetists or even for that matter, revenue generating doctors as well. But if I say for example, in Aster CMI, if I would have had the pediatric team moving out, we have onboarded some of the best clinicians, best, well renowned pediatric team on board. So, the replacement has also been happening in a fashion that we hire the best of the clinician on board. So that's where I think we'll be not only replacing, we'll also be adding new clinicians. Way forward we are, and the good news is there are some clinicians who have already left us they are also rejoining Aster. That clearly shows that, our mantra which we say that we will treat you well and most of the clinicians happy rejoining us. That's a very good news. So, way forward, our plans are to hire more clinicians, ensure that we have the right clinicians and well-renowned clinicians on board to contribute and have a steady growth happening for Bangalore.

Tausif Shaikh: Ramesh, just last one on the ARPOB levels of Bangalore clusters. Have we reached an optimal level of case-mix in Bangalore? And what is the sustainable level of ARPOB levels one could see? Whether one can assume 75,000 and from there whatever the industry growth of 6% to 7%?

Ramesh Kumar: Yeah, there is a headroom for growth, as I rightly said, once we start progressing well with our CONGO-T, which will be our focus for Bangalore as well. The ARPOB would also, you know, which should move to another from whatever, INR 77,000 to furthermore, it can add another 6-7% more, is what I foresee in the coming days.

Tausif Shaikh: But for a mature hospital in Bangalore, the levels would be 75,000 to 80,000, right?

Ramesh Kumar: Yeah. It should be 75,000 or so.

Tausif Shaikh: Thanks, I'll get back in the queue.

Puneet Maheshwari: Thank you, Tausif. The next question is from Mr. Amey. Can you please unmute yourself and ask the question please?

Amey Chalke: Thank you for giving me an opportunity and congrats to the management for good numbers. So, the first question I have on the QCIL front, we have shown really good improvement this quarter on the margin front. Is it driven solely by the QCIL efforts on each of these assets or is there also impact of synergies which we have started seeing in QCIL? Thank you so much.

Varun Khanna: So, Amey first of all, thank you. Yes, the numbers look good. Amey, I think the question, as I understand, we do have synergies, I told you previously as well, we do have synergies, but that's not the QCIL-Aster synergies.

Those synergies will only play out post the merger, post the regulatory approvals come in. We had, even in QCIL, we had synergies that played out between KIMS and CARE and Evercare, those synergies are playing out. We started working on them about a year back and that's led to a significant upside. We've also had significant business improvement.

I touched upon it but let me emphasize them again. Our payor mix is getting better. We've actually moved to 80%+ payor mix now. And just to give you a sense, I think a few years back, this was 76%, 77%. So there's a very significant shift that is happening. Our CONGO-T continues to get significantly improved. I alluded the fact that we've been hiring a lot of clinicians, almost 100-odd clinicians have been hired in the last three quarters. The monthly impact of these new clinicians coming on board is about INR 24 crore which is sizable. And we've been able to restrict any consultant leaving. So, the good part is that anything that we are hiring today is accretive. I also give you a sense by, various categories, as you know, that, we've always emphasized that we work on a mature, emerging, underperforming and focus, mature continues to grow very well.

And we've seen about 18-19% kind of EBITDA growth rate on them. The other categories are firing as well. So, you know, wherever we had some challenges, wherever EBITDA wasn't looking good. For instance, we had the focus units where EBITDA wasn't looking very good, and which is why they got categorized in focus units. And there was a reasonable number, 28-29% of the value of our business was coming from that. There we've seen a 19% growth on the top line, and the bottom line has grown about 70% which also means or translates into 550 basis points of improvement on the EBITDA percentage. This is largely led by the value growth or the top-line growth and the initiatives that we've taken. So, I hope that answers your question.

Amey Chalke: Sure, so, basically, the synergies led by the combined procurement of pharmacies, etc., that is likely to play out only post-merger, what you mean to say?

Varun Khanna: Absolutely. So, if you are, again, if you are alluding to synergies between QCIL and Aster, those synergies will only play out post-merger. So, there are no synergy impacts of the proposed merger in the QCIL results.

Amey Chalke: Sure. And what would be the quantum for these synergies? The reason I'm asking this because the next year, if you look at for the combined entity, we are adding on almost 900 beds, of which 700 beds are greenfield, where QCIL is only adding 200 beds, which I suppose are brownfield. This number has cut down sizably from last quarter. So, the next year seems to be a high greenfield year, where there would be losses to recoup. So, will these synergies be able to recoup these losses?

Varun Khanna: Well, let me take a part of it and pass on the part to Sunil to handle. So, we will see some bed growth which is coming in. And the bed growth that we are looking at essentially may not be margin-dilutive because a large part of these beds is coming in Bhubaneswar, which is a facility for us that does very well. Bhubaneswar, we are maxed for capacity. So, we can really take more patients. It's a highly profitable asset for us. And we are also adding to the acuity, we are adding oncology there. So, I don't think these will be dilutive on margins, is one part of it. Some of the beds that are going to be added in Raipur will also not be margin dilutive, we will be able to enhance again acuity there because one of our linear accelerators is

coming there. So that too doesn't seem to be a concern, if that's a question. On the margin piece for the blended or the merged entity, I'm going to pass this question to Sunil.

Sunil Kumar: Thank you, Varun. Amey, see with respect to next year, what we are expecting is that because one of the things which has changed is the Sarjapur road hospital, right? So, what has happened is that it took us some time to get the drawing approvals and all and construction has just started, basically the interiors and everything. So, it should come mostly in the Feb-end of FY27, that's where we moved it to the beginning of FY28. That means to say we'll have only two greenfield projects next year. And also, if you've seen the merger date also, right, we are expecting sometime in Q1. So, for sure you can be very sure on, when the operations will happen of these 2 greenfield. Because out of the Hyderabad and the Trivandrum, Trivandrum is expected to operationalise first and sometime in the beginning of H2, right. I am hoping that before that the merger should happen. And second is that it is related to the Hyderabad hospital, which is women and children care, and that should happen sometime in the second half of the H2, of next year. So, keeping that in mind, the timeline, I don't think so it will have a very considerable impact for the financial year. It will be very similar to Kasargod, right? It will happen only in the second half. And you'll see it's not going to impact even the full year margins. Also, it's very, very important, Amey, to note that both in Trivandrum and Hyderabad, we have the QCIL assets already there, right? We can get the network benefit, which is a very, very important thing. And Trivandrum, we have called out previously also. It's very, very under-penetrate from a corporate, you know, private quality beds per se. KIMS have been the leader there. And we're expecting to get the network benefit in Trivandrum to have a very, very good launch, attract the good clinicians locally, and we're able to drive the ramp up. And that's what we're showing in a city which is only 1.5 million. We're talking about ramping up to, within 3 months, 400 patients, OP patients per day, and 50-60 occupant beds in a day. And same thing in Hyderabad also. Hyderabad has got CARE and has got good assets. And our asset, women and children, is very much strategically situated in IT geography. So, we expect it to do really, really well.

Hitesh Dhaddha: So, I just want to add here that, as you saw, the combined number, more than 50% of the beds are actually coming are greenfield in nature. And plus, the synergy element that we have guided that we expect 10-15% of EBITDA coming in form of synergies over the next 2-3 years. Putting all of that in perspective, we don't want to guide you on every quarter. I think for us, what's important is, we reach to those 24% - 25% margin threshold in 2-3 years. The answer is probably yes that we intend to do that. And I think we see that moving forward. I mean, there will be a few quarters that you will see because of new capacities coming in. You will see that excluding those projects, the momentum continues, but there will be some impact because of those new projects coming in. But I think it's important to have clarity on that we are looking for a 24%-25% margin with a sizable expansion and capacity volumes as well as top line as we move forward.

Amey Chalke: Sure. Thank you so much that answers the questions.
This last question if I can squeeze in on Bangladesh because there has been a lot of concerns from the investor side how this unit cluster is performing for QCIL over the last 9 months since there have been a lot of

social issues there and any thoughts on the minority stake as well in that entity. Thank you so much. I will join back the queue.

Varun Khanna: Thank you, Amey. So, Bangladesh has also done well for us and is in line with our overall performance. The top line growth for Bangladesh for the year, and I think, that is the question you had. You didn't ask for a quarter, you asked for YTD, is at about 21-odd percent. And I've said this earlier, Bangladesh does get influenced by certain external factors, but the fact of the matter is that we happen to be the best place for patients in Bangladesh. And therefore, we spring back our volumes very, very quickly. So, yeah, that's, the strength of Bangladesh continues.

Amey Chalke: Sure. Any thoughts on the minority interest? Are we going to buy back this minority interest or how is it going to stay? Thank you.

Varun Khanna: Amey, thanks for the question. But I think, we do not want to give a very leading comment on this. We will keep you posted as and when we have a decision on this.

Amey Chalke: Sure. Thank you sir.

Puneet Maheshwari: Thanks Amey. The next participant who is asking question is Ms. Damayanti. If you unmute yourself and ask the question.

Damayanti Kerai: Yeah, hi. Thank you for the opportunity, and I hope I'm audible. Yes, so my first question is on your Kasargod unit, which just started. So how do you see the trajectory for scale up of this unit, and when we should be expecting unit to turn cost neutral? So that's my first point. And then I have some other questions on the new units. I'll come back.

Alisha Moopen: Sunil, do you want to go ahead?

Sunil Kumar: Yeah, Damayanti. So, I think I called out on the Kasargod unit. It has done really, really well. As I said, in the third month, because the ARPOB's are quite lower being a Tier-3 city, right? So ARPOB are only at INR 31,000. With that, we are able to ramp up to 50-55 beds only in the third month with more than 400 patients, right? So, losses have drastically reduced to only around INR 2-2.5 crores per month.
So, if the trend continues, the growth what we had in the first 3 months. So, I think within the next one quarter, I think we should be able to break even.

Damayanti Kerai: So, you're comfortable about covering up all the costs in short term, right?

Sunil Kumar: Yeah, because we already added all the key clinicians. We added more than 100+ clinicians with more than 40-50 RGDs. And also look at the CONGO-T mix there. Already CONGO-T mix for new hospitals is more than 46%. That's really good.

Damayanti Kerai: Okay, that's, I think, helpful. My second question is on your Women and Child Hospital in Hyderabad, where I believe we had seen some shift in the timeline and now you're indicating that to start in the second half. So, if you can just, update, you know, if it is H2 the time when you are confident about launching the unit and in preparation of entering that space, what kind of hiring or other preparations are currently underway.

Alisha Moopen: Ramesh, would you like to?

Ramesh Kumar: Yeah, so as you see that it's a women and child project, broad specialty. What I mean to say it is, sorry, it is a multi-specialty of women and child. Multi-specialty means we are going to have all specialty of women, especially to start with oncology, not only maternity cases, gynecological cases. We are also looking at other super-specialization of women alone and also the children. The all-sub-specialties of children as well.
So as far as that's the concept of the hospital. So, actually we wanted to add a bunker now in between. So that's where the timeline got shifted a little bit. But nevertheless, as projected timelines, we will be commissioning. And side by side, we are looking into the talent pool as well. And since the concept is all there, we are also looking at which talent can be hired and how to kickstart so, all the plans are in place and sure shot we will be coming up at the given timeline.

Alisha Moopen: So, Ms. Damayanti, just to add to what Ramesh is saying, we have had other women and children at Kottakkal before as well as within Whitefield Hospital there is a women and children block. So, we have done this before. The delay has been slightly because we wanted to change the configuration of how many beds are for women compared to how many for children and also work with sort of the QCIL team on how do we kind of leverage this network that Quality Care has in Hyderabad. And exactly like you said, there's a lot of review happening in terms of onboarding of the right clinical talent for a specialized care for the women's hospital largely in Hyderabad. So, the preparations are on.

Damayanti Kerai: Thanks Alisha. So just want to understand, out of the total capacity which you are planning for this facility, how much will be for the pediatrician part and how much will be for women care?

Alisha Moopen: So, the majority will be for women. So, I don't want to give exactly the number because we still have some flexibility. But sort of more than 60% will be for women's care.

Damayanti Kerai: Okay. My last question is on the talent movement in Karnataka cluster which we already discussed, and you mentioned you are preparing some strategy to retain the best doctors in your team etc. So, if you can highlight a bit about how the competition is shaping up in terms of getting the best talent as we see more competitors coming into this market, especially Bengaluru. And what are your key strategies to retain your core doctor team there?

Ramesh Kumar: Yeah, so I think I have again called out, but still, I would like to repeat the same. One, we are as rightly, we are looking at how to retain an existing clinician, so that is, of course, many of them are quite happy and contented with the Aster itself. They don't want to because as we go by our, you know, what do you call the tagline, we will treat you well. They're quite happy with the culture of Aster. So many of the senior clinicians are quite happy to be with us only. And those who have, and I did mention about some of them, few of them who had left, they would like to come back. So that is also one good thing what we see.
Now, further, we are looking at what are the best talent available in Bengaluru. We look into the top 1, 2, 3, for example, what in the CONGO-T mix we want to see who are the top 1, 2, 3 clinicians and we would like to onboard them, engage them. We are putting all the efforts and shortly

you will hear some very big names associated with us. So that's the way forward plan. We are trying to get the best of the clinicians on board.

Damayanti Kerai: Sure. Thank you, team. I will get back in the queue.

Puneet Maheshwari: Thanks, Damayanti. I would like to put a reminder to all the attendees who would like to ask a question. Please raise your hand and ask the question. With this now we have next participant Mr. Kunal Randeria. Kunal can you please unmute yourself and ask the question.

Kunal Randeria: Hi, Good morning, everyone. My question is around the expansion plans. I would like a few clarifications. So, in Kasargod, for example, you have 264-bed expansion, but those are bed capacity, right? So how many bed will be operational? Because you have 80 census beds for now. So, when will the remaining come and how much should be the total operational beds there?

Sunil Kumar: So, thanks Kunal for the question. See, we said that 264 beds are the total capacity beds. Out of that, census beds are approximately 183-185 census beds and balance around 80 beds are non-census beds. That's a broad break up on it. When you talk about the operational, usually non-census beds gets operational very quickly because there you're talking about emergency, daycare and few other pre-op, post-op beds, right. Those mostly usually get operational in the first year. But mainly it takes time for the census beds to get operational. As you said, currently we are at 80 beds now the question is how fast we can ramp up to 180 beds, so, what we have always seen is that even when you looked at Kannur previously, because that was the first hospital in that micro market, we were able to ramp up very, very quickly. If the current trend of Q1 does, and I think very quickly we should be able to ramp it up to the 180 beds.

Kunal Randeria: Right. So, fair enough. And for the remaining 750 beds that you're going to add in FY27 in Hyderabad and Trivandrum, will the ratio be approximately the same?

Sunil Kumar: See, usually 75-80%. Around 75% is the census beds and 25% is the non-census beds. That's a mix you should keep in mind whenever you're doing your modeling.

Kunal Randeria: Sure. But then, just for a modeling purpose, how many beds would be, you know, the census beds coming on stream in FY27?

Suni Kumar: See, usually, always we start between 75-80 beds, that's a usual start, like, what we did in Kasargod also. It all depends on the ramp up. Whenever on the operationalized beds you hit between 60-65% occupancy, you start adding 30 beds. So, usually what we have seen is that wherever the micro-market is very strong, like a Tier-2 city, we have seen the ramp-up to happen to a complete capacity between, again, if it's a 500-bed hospital, you're looking at 5-6 years. But if it's a micro-market as strong as Bengaluru, it may take another 2-3 years longer. That's a broad guidance what I can give you.

Kunal Randeria: That's very helpful. Thank you. My second question is on Kerala. Now obviously, since the last one year there has been a massive change in how this has spanned out. Earlier, the occupancy used to be very high. ARPOB used to be depressed. So, I understand the discounting and all would have

come off. But now, we are seeing very sharp ARPOB growth. So, what is it that's changed? Have you added a lot of specialties in your hospital that's driving your growth? Because for an asset that's been mature and there's been a sea of change in one year itself. So, I just want to understand how much of this is sustainable.

Sunil Kumar: I'll ask Ramesh to come in after I add a very technical part of it. So, Kunal, if you look at ARPOB percentage growth in Kerala, the majority of that is coming because of ALOS. ALOS is almost 7%. If you remove that, ARPP level, it's around 8-9%. But if you go to the ARPP IP, that's around 7-7.5%. So, I don't think so 7-7.5% is a very mature growth for, you know, so with the 2,500 beds or 2,800 beds what we have today. So, even that's what I think, you know, previously also we've given that understanding that, very important to know in Kerala is that, Kerala almost, in the north of Kerala, 75-80% is a cash patient, still the insurance penetration is quite less. But as compared to a central Kerala where we have the flagship hospital in Kochi, still the cash patients are almost 60%. Keeping that in mind, you can continue to expect the ARPP, better not to track the ARPOB because there will always be a movement because of the case mix, or the procedure mix, or the specialty mix changing. You always see ALOS going up and down. That's more of a misnomer. Better to control on the ARPP IP. ARPP IP think in the future between 6-8% is a growth in a mid-term. I'm talking about around 3-4 years. It's something you can expect in Kerala for sure. And the most important thing, why it will also drive is that I told you about the payor mix. In addition to that, you've also seen the competition coming in, right? With competition coming in, a lot of these changes will happen and that will expect you to drive the ARPOB growth.
In addition to that, I think Mr. Ramesh called out, we added more than, across Kerala itself, we added more than 20-25 clinicians in the CONGO-T plus broad specialties. That's what I was expecting, you know, basically elevating our ARPP IP growth over a period of time.

Kunal Randeria: Right, right. That is very helpful.

Puneet Maheshwari: Thanks, Kunal. We would like to highlight that we will be giving preferences to attendees who have not asked a question before. So, in that line, the next question is from Mr. Vivek Sethia. Vivek, can you please unmute yourself and ask the question?

Vivek Sethia: Yeah, sure. Thanks for the opportunity. So, I have a couple of questions with regards to QCIL. So, firstly, just wanted to understand the breakdown of your expansion plan for QCIL, right, in terms of Greenfield and Brownfield expansion, year wise. I see that you have provided for the merged entity. Provide same for QCIL and along with the Capex earmarked on a year-on-year basis.

Varun Khanna: So, Vivek, we've given some color but let me give you the image so, we are adding Bhubaneswar, Raipur and Kottayam for FY27. And that'll be 155 and about 190 beds, which is coming in FY27. Now, all of these are existing facilities. So, there's a ramp up of beds that is happening. All of these are census beds. So that is one piece I can tell you. We're looking at FY28 and about 780 beds. And again, a large part of this is, actually all of it is brownfield, right? So, it's addition happening to our existing properties. And therefore, capacity expansion is how I'm going to put these beds as. FY29 and beyond is another 750-odd bed. So, if that answers your question.

Hitesh Dhaddha: Just to add in all the expansion that Varun mentioned in QCIL, almost 89-90% of the expansion is brownfield in nature, that QCIL is having.

Vivek Sethia: Sure, that helps. Secondly, just wanted to understand like we've seen the CONGO mix for both Aster and QCIL sort of improving on a quarterly basis. Going forward on a steady state basis, where do you see the case mix for Aster as well as for the merged entity going?

Varun Khanna: So, let me take the QCIL side of it. Is that okay, if I answer for QCIL? So, QCIL is currently sitting and is able to see around 57.6%. I think the endeavor is to continue doing this. I told you that our investments, a large part of our investments for QCIL is going to oncology. Oncology is still under dialed when it comes to QCIL. So, the fact that we are investing into linear accelerators, the fact that we are adding oncology blocks in 5 different facilities over the next 2 years, needless to say that this will enhance the contribution of CONGO-T as we go forward.
So, I don't think 57.6% is going to be where it is from a mature number standpoint. It's continued to grow. I don't know. I can't really put a number to where it will end up. But my sense is that you'll be mid-60s over a period of time. So, I don't want to draw when, but the how is known to us. I don't think when is a fair answer. Is that okay? Maybe I can pass this on to Sunil for the other side of it.

Ramesh Kumar: Yeah, so just to add to that, Aster side, you know, somewhere in the mid-fifties is what we are having CONGO-T mix. I think it will steadily start growing. As rightly mentioned, even the new units have started doing exceedingly well in the CONGO-T, like the Kasargod one. So, we are also looking, I mean, steady growth and the focus, as we rightly said, especially in Tier-1 city in Bengaluru, and of course, all the Tier-2 and Tier-3 cities also are focused. We are looking at the dedicated cancer care centers, rightly said, oncology can give us a real growth. We are looking at having the LINACs and make it as a complete comprehensive set. So, oncology will be one major contribution, followed by cardiology. We have started doing a lot of transplants, heart transplants as well. Even the Calicut unit has opened the account. Aster MedCity, we are focusing. Bengaluru is doing exceedingly well in the heart transplants. So, I think the way forward focus would be, anyway, as rightly mentioned by Mr. Varun, we would look at somewhere around 60%+, 60-65% is what we are looking at, to achieve the numbers.

Varun Khanna: And Vivek, one of the other things I have to tell you, maybe I'm just adding to what Ramesh said, and this is less to do with our network. This is more to generalize our comment. As we get into Tier-2, Tier-3 hospitals, the need for complexity there is very high. Currently, or given the fact that this is how health care has developed in the country, people have moved to various cities. But the need to travel can be limited if the capability is available, which is where getting more LINACs, which is where getting robotic systems into various cities, expansion of talent that I spoke about earlier. I think all of this is helping us grow our CONGO-T mix.
I spoke about the complexity that we are enhancing. I think adding transplants into Tier-2, Tier-3 cities today is becoming a norm. So, all of that will continue to enhance the group's focus and performance on CONGO-T.

Vivek Sethia: Thank you, that helps. Just one last question with regards to the pharmacy

business. It's a two-part question. First, we just wanted to understand what is the size of the pharmacy business for QCIL and its margins?
The second part is, in the previous couple of calls, you had mentioned that, you know, we are making sort of a strategic exit from loss-making units in the pharmacy business. I guess this was more pertaining to Aster. So, I just wanted you to shed some light as to how that's panning out for the merged entity as a whole.

Sunil Kumar: So, Vivek, it's very important to know that QCIL doesn't have any pharmacy business. Whatever pharmacy, it's more of IP and OP pharmacy within the hospitals. What we have is two parts. One is wholesale pharmacy. We have wholesale pharmacy which gets consolidated. Then there is a retail pharmacy where we have 49% investment where the share of equity gets adjusted at the PAT level. That's 2 different parts. Now the wholesale pharmacy level, what used to happen is that the asset which we bought in the local Bengaluru market. And in addition to that, we added the second business unit to supply to a retail pharmacy, which didn't work out really well due to logistics and reverse logistics and the fill rates and a lot of other things. That is the reason, I think, a year back, we tried to move out of that and ensure that we come back to the one which we acquired.
And that's where we were able to bring out of the negative margin a year back to a positive margin in the wholesale pharmacy. And going forward also, wholesale pharmacy, we don't expect to do major growth because you can't expect more than 3-3.5% margin, considering it's a low margin business. So, we'll try to keep at that level. In terms of retail pharmacy, where I said we only own 49% and balance is owned by resident individuals. Here we have around 203 pharmacies where we have lent our brand to drive the business, right? That's where we have, you know, brand licensing arrangement has been done here. And there, I think, it's 203 pharmacies. Spread over Telangana, Karnataka, and Kerala. That's doing well. That's expected to break even in another year or two. I hope that helps.

Vivek Sethia: Thank you, that helps.

Puneet Maheshwari: Thanks, Vivek. I would like to request all the participants, if you can raise your hand and ask the question. In this, we have next Mr. Harith. Mr. Harith, can you please unmute yourself and ask the question?

Harith Ahmad: Hi, good afternoon, thanks for the opportunity. QCIL EBITDA that you've disclosed, which is the operating EBITDA, it's around INR 800 crores for the 9M FY26 period. So, is there a minority share out of this INR 800 crore that you can share? A rough number is what I'm looking at because there are quite a few units of ours where there's a decent minority shareholding, like for instance the KIMS has a part of it. So, any approximate number that you can share?

Hitesh Dhaddha: So, approximate minority for QCIL is roughly 20% you can use that as a base, and we can probably send the exact number separately.

Harith Ahmad: Sure, and between the operating EBITDA and the reported post IndAS EBITDA for QCIL, is there a major difference? Like we have in Aster a few ESOP items and the fair value movements, etc. So, for QCIL as well, is there a similar adjustment between operating EBITDA and reported EBITDA?

Varun Khanna: Well, there will be, but we will share that number with you. I think it's about INR 15-17 crores is what I remember offhand.

Harith Ahmed: Okay. And for the new units that we are expecting in FY27-28, which are mainly Trivandrum, Hyderabad and Sarjapur at Aster, I'm referring only to the Greenfield units, what's the kind of EBITDA losses in the first 12 months that we should be penciling in? All these are in different markets, and we should be looking at different numbers, but any ballpark guidance will be helpful.

Sunil Kumar: Harith, as you called out. I think it's very difficult to give you the number because it's all in different micro-markets. Sarjapur anyway is going to come in the beginning of FY28. But the next year we are only talking about in the second half. The first one should be Trivandrum, and the second should be the Hyderabad women and children. But the good thing is that in both the cases I called out saying that it is not a new geography. Hyderabad is already present, CARE is present. That should help us in driving the growth and attracting the key clinicians. Same is the case in the Trivandrum. But usually what we've always seen on average, right? Again, this is something very broadly for your modeling I'm talking about. It could be anywhere on a monthly average. And again, I'm talking about the first 6 months, could be between INR 2.5-4 crores per month. Usually that's a broad burn, which we expect.

Harith Ahmad: Alright, and the last one, more of an observation. When I look at the total operational beds at a Aster level, excluding QCIL, the breakup between census and non-census, the 24% share of non-census beds, it seems to be a bit higher than what we typically see at your peers. And then even at QCIL, I think this is a lower number around 15-16% of beds being non-census. So, is there a reason, is there something different about our model or network that's leading to this higher number of non-census beds? Is it because, you know, some of our units are smaller?

Sunil Kumar: In the industry, there is no confusion when you get to the census beds. We all know that any bed which you try to occupy for the patient on the midnight basis, you take it as census bed. In case of non-census bed, there is no industry-wide agreed standard. Everyone takes it very, very differently. In our case, it is higher because we count everything and also, say for example, usually it includes your emergency beds where there is no admission happens overnight or say daycare beds, right? That's one bit of it. Third one is also your pre-op, post-op beds. We also look at dialysis beds. There are a lot of these things where some of the institutions may count in the non-census and some institutions like us, and we have been very consistent, you know, over a period of time, last 10, 12 years, we've been including it and we have not changed any formula. But also, it's important to note that we're also looking at now going forward because there are a lot of short-stay procedures and the daycare, specifically oncology. In case of oncology, more than 50-60% of the revenue comes from chemo. And it's a daycare, right? You don't see a patient staying overnight. And we have been converting most of the time, sometimes from census to non-census beds. So as long as you're going forward, that's also another reason why our ALOS is also going down drastically. You've seen from one year back, we've been reducing last 4 quarters or 5 quarters, we're going down by more than 5-6%. So, it's more to do with the short-stay procedures and more daycare patients which we are using. Otherwise, there is nothing much to talk about there.

Harith Ahmad: That's helpful Sunil. Thank you, I'll get back in the queue.

Puneet Maheshwari: I would request you to please limit your question to 2, but not more than 3 per participant at the time. The next question is from Nancy. Nancy, if you can unmute yourself and ask the question.

Nancy Yadav: Congrats on a strong team. I'm just trying to piece a few things together and trying to understand. So, you know, we see that there's a margin dip from the previous quarter. And while I understand that Q3 is generally a slightly weaker quarter for entirety of healthcare. And some of the margin drag is also coming from the Kasargod hospital that we've started. But still, there's about 200 basis points despite the Kasargod hospital adjustment that's lesser from the previous quarter. So, I'm just trying to understand that. Is this totally accountable to seasonality or are there any other factors that are also playing out here?

Sunil Kumar: Yeah. Thank you, Nancy. See, there are 2-3 things we need to look into it. So, year-on-year, if you remove the Kasargod, right, then you are talking about 22% going down to 20.2%. And when you look at the revenue and all, you are talking about INR 21-22 crores revenue dip from quarter-on-quarter, where in EBITDA it's impacting almost INR 26 crores, right, if that's the right number. Yes. And if you look at the dip, almost 62-65% is impacting to the revenue, right? If in INR 22 crores revenue comes down, naturally 62% of that impacts on this one.

Second thing which is really happening is more of investment which you are doing in the clinical talent, which Ramesh talked about, right? And I also spoke about saying that Kerala itself you look at, year-on-year Q2, Q3, it's the same revenue, right? INR 619 crore, excluding Kasargod. But still the margin, you can see a slight dip. It's because of investment, what you're doing. And it's very, very important that an organization like us, which we talked about, again, Ramesh talked about the CONGO-T mix and growth. We are looking at, because we can get a major leverage in the how CONGO-T mix, we can improve.

Year-on-year, we already improved by more than 240 bps. And we expect to go beyond 60%. So, we are very, very clear that we want to add more and more clinical talent. And that's exactly what's happening. So, it's important to note that this is an investment. We need to think of it as an investment so that once the new doctors come on board, start ramping up over 3-4 quarters, you will see the benefits in the volume, benefits in the margin, right? That's one thing. That's the first important thing.

Second also, one thing which has happened between the Q2, Q3 is that I also told in the last quarter in the similar earnings call that year-on-year the medical specialties, basically the vector-borne diseases reduced by almost 70%. And when you look at, and because of which last Q2, we have seen a dip of almost 12% in the internal medicine, pulmonary and children's specialties. Same thing has happened in Q3 also. In this Q3, when you compared to the last Q3, you have seen a dip of almost 12% in internal medicine, pulmonology and children's cases. So that's also another reason why it is impacted. At the same time, what's also happening is that irrespective of this, our oncology growth is great. For example, when you talk about oncology, in this only in the Q3, both our cardiology has grown by more than 22% and oncology has grown by 27%. Both these specialties carry a high material cost, unlike other broad specialties. That's one of the reasons our material cost has gone up from year-on-year, this one. And that is also impacting our margins. But as I

said, this is not a structural issue. You have always seen in Q3 it always slows down. But again, with the investment what you made, you can expect a good ramp up and steady ramp up in our volumes going forward.

Nancy Yadav: Understood, sir. That was super helpful. Thank you

Puneet Maheshwari: Thank you, Nancy. The next question is from Mr. Kashish. Kashish can you please unmute and ask your question?

Kashish Thakur: Hi, thank you for the opportunity. Just 2 questions on the ancillary business. One is on the Aster Labs; we have seen the margins improve sharply to 12%. At what scale do we see these margins stabilize and what can we expect going forward? And secondly, towards the wholesale pharma business.

Sunil Kumar: Sorry, Kashish, we didn't get your second part of the question. Let me answer the first one on the labs. Labs, I think even I have called out in my speech, how from a negative EBITDA it has gone to positive EBITDA in FY25. And in FY26, on a YTD basis, we have already gone to 12.2% margins. And here the most important thing for the margins to further drive up is important that our non-captive business, which is currently at 30-31% of our Aster Labs revenue, how to drive it more than 50%? So that's exactly the sales strategy which we are internally working in. And also, you'll see very soon, there'll be a dedicated labs app we'll be launching, not linked to our hospitals, but dedicated retail app we'll be launching. That's going to really help us in driving the non-captive business. Once we're able to get a non-captive up from 30% to more than 50%, that's when you will see our gross margin improvement in a very drastic way. And if that happens, then you can look at more than 20+ margins. And again, the question is all about how fast we move in this one. And again, you've seen the year-on-year growth also is more than 20% or 30% on the external business, what we are talking about. I think next 2-3 years, you can see more than 20% of margin from Aster labs. And also, labs is always a high-margin business, and we expect to do really well.

Kashish Thakur: Understood. Thank you. And second question was, after outsourcing the wholesale pharma business, how much margin drag has been removed? Margin losses have been removed.

Sunil Kumar: Here what we are talking about is that on a monthly basis around INR 1-2 crores every month, that's a number which we have removed. Because you know, right, Kashish in the wholesale, it's a distribution business, actual margin what you get is 8% but with so much of discounts being given to the retailers and the other trade business, the gross margin further from 8% dips to around 5-6% and with the other manpower and overheads put together, the max you can hit is around 3-3.5% not more than that. And also, you need a scale to drive this margin and currently as I said in the Q3 already we moved to 2.2% and we are consistent to continue to keep it positive and try to drive up beyond 3%. But again, Kashish, I called very clearly. We are not looking at increasing this business in a very drastic manner. Because you can always drive this business, but you won't get the quality business. We want to ensure that what business is that. It's a high margin business, what we're getting it. And we don't want to drive the top line at the cost of our margin. So, the main idea is to, even though my revenue dips year-on-year, I want to keep it consistent and drive the margins up.

Kashish Thakur: Understood, sir. Thank you.

Puneet Maheshwari: I would request everyone to limit your questions to two, considering the time. The next question is from Mr. Siddharth. Siddharth, can you please unmute yourself and ask the question?

Siddharth Negandhi: Hi, thanks for the opportunity. On the ALOS, one sees a significant difference between the ALOS at QCIL vs Aster. Aster is among the lowest in the industry. Given what you mentioned on oncology being largely daycare and that being a focus area for you, should we expect this to stay at this level or even drop further? That was question one. Question two was in terms of AI initiatives or technology initiatives, given that a large part of the network is in Tier-2 – Tier-3 cities, are there any remote diagnostics or AI initiatives that you have been taking that could possibly keep availability of talent being a lower challenge in those centers?

Sunil Kumar: Mr. Ramesh, you want to pick the ALOS question?

Ramesh Kumar: So, as far as, you know, as rightly mentioned, it is all about oncology, daycare, more of targeted therapy has been done. So, daycare has been improving day by day. Chemo daycare is, more number of patients have been there in chemo daycare. So, that's one impact. Second is we have also a lot many of keyhole procedures, and we have been using a lot of soft tissue robo also for various other procedures. As sometime back I mentioned, in a place like MedCity, we do around 80, 85-90 robotic procedures. And of course, lab surgeries are gone up. So, there's a significant reduction in average length of say, if you ask me, will there be a further reduction? It is very difficult to say but I am sure this is the best what we are in. This is the shift that has been happening to a lot of different procedures which we have taken up. I am sure ALOS would be the best. And the length of stay is also to do with your quality parameters like infection control practices and thereby the length of stay is high. So, we have one of the best quality parameters closely monitored by all the chief of medical services. So, all these factors have contributed to a reduced ALOS.

Siddharth Negandhi: And Mr. Khanna, if you could just give us a sense on whether from where you are at 3.9, given post the merger, learnings and synergies, do you expect there to be a reduction?

Varun Khanna: So, Siddharth, thanks for the question. Let me add to this, Siddharth. I think the reason you see the differential is also the mix of specialties. So, what QCIL does in terms of enhanced revenues, enhanced revenue mix is a high mix of orthopedics, cardiothoracic, neurosciences. So, when you do a complex work around neuro, orthopedics and cardiothoracic, you will then tend to get a higher ALOS. Our ALOS currently is a sub-four and largely driven by the mix part of it. We will continue to see improvement in this as well as we go robotic and oncology, because that will bring in a lower, ALOS patient into the system, which is a high yielding patient as well. So, we'll have a favorable impact to ARPOB on account of value and also ALOS reduction, which is inversely proportional to the ARPOB as well, if that answers your question. I think the second part that you touched upon is more on the AI. Could you be more specific? What kind of a response are you seeking?

Siddharth Negandhi: Okay. So, what I want to understand is given that both at QCIL and Aster you are essentially looking at, a lot more of your capacity being in non-metro towns where talent availability, I'm assuming will be a relatively higher challenge. And in that context, is there any technology initiatives that you're taking where certain operations can be done remotely or what you mean in order to reduce your talent dependence? That's, that's really the question or any other, initiatives in which you know technology helps sort of improve the ability to service patients in those towns better.

Varun Khanna: Yeah, fair question Siddharth. There's a lot happening on tech and AI in our industry. So let me first start with responding to your first part of the question in terms of dearth of talent. So, I don't think we are seeing dearth of talent at least on the QCIL side and having heard what Alisha and Sunil mentioned around Kasargod. I don't think we are seeing dearth of talent. So, these are Tier-2, Tier-3 cities and I just heard Alisha talk about 120 clinicians in Kasargod and I just told you about the complexity of work that we are doing in Aurangabad and Nagercoil. I don't see that dearth of talent. So, even for the complex work. The second part that I alluded to, I mean, today you can do transplants in 100 odd cities in the country. So, it's not limited to the 5, 6 metros that we know of. So that's one. Two, AI, essentially, we are looking at. We are looking at a lot of AI but not certainly emanating from a need because of death of talent. So let me rule that out clearly. We are seeing, in fact, I spoke about EOP, which is the first centralized solution that our group is looking at on radiation and that will be AI enabled that will be tech enabled and the idea to do that is not really, again, talent efficiency in some of these markets, but how is it that you can scale up the decision making, make it more speedier, make it more robust, make it more consultative. I think some of those are playing out. The third and the most important part that's playing out for some of these investments is efficiency. We are getting significant efficiency through some of the work that we are doing through AI. For instance, getting centralized call centers, getting pre-recorded voice calls now with the consumer before they come into the hospital so that the EMR is enabled with the input parameters and the time between the OPD time can actually be reduced or the consultation time can be reduced. So, some of that is being played out. And by the way, these initiatives also help the consumer because the consumer is able to iterate a lot more to a chatbot or a chat or a, you know, they can choose their medium of communication. So, all of that is certainly play out and that will be to drive efficiency. I hope that answers your question.

Siddharth Negandhi: Yes, thanks. And the last question was on the Andhra & Telangana cluster in terms of inpatient volumes. That's sort of been flat for the 9 months. If you could just throw some light on how one should think about that.

Ramesh Kumar: So, if you can elaborate a bit, you want to know about AP & Telangana performance?

Siddharth Negandhi: Sir, AP & Telangana if I just look at the inpatient volume and I will tell you the specific slide that maybe I may have then not looked at it correctly. I'm looking at slide 40 of your presentation where, you know, in Q3 you're continuing to see the inpatient volume even in AP Telangana being flat, right? I mean, 400 inpatient visits extra. So that's the one that I wanted some understanding on. If one looks at it on a 9-month basis, it has been slower growth.

Ramesh Kumar: So, especially when it comes to AP part, we have Vijayawada, Guntur and Ongole, the 3 units what we have, and Tirupati also we have. Tirupati is doing exceedingly well if you really look at, that is one unit which has consistently performed very well and average around 130 or 140% of the budget achievement. And whereas in Vijayawada, Vijayawada is a major center for especially the case mixes cardiology and some of the clinicians are there. We had attrition as far as Vijayawada and Guntur is concerned. So now we have replaced these clinicians, thereby the volumes are picking up. Guntur also, volumes have started picking up. So, you will find a steady growth coming in the next few months. We have replaced all the clinicians wherever attrition was there. Ongole also had the competition where a few of the doctor clinicians have left the competition. But all have been replaced and Ongole has also bounced back in the last 2 months, achieving their budgets and volumes and also there has been a significant growth. So, it was a temporary setback, and I think we have taken action on that, and you can see steady growth in coming days.

Siddharth Negandhi: Thank you.

Puneet Maheshwari: Thanks Siddharth, in the interest of the time, we would like to take the final question for the management. Mr. Shreenarayan, can you please ask the question.

Shreenarayan: Hi, thanks for the opportunity. So, my first question was on the material cost. If we see year-on-year adjusted for wholesale pharmacy sales, it's up 50 basis points. Now, how much of it can be attributed to higher material costs coming from oncology and cardiology?

Sunil Kumar: So, Shreenarayan, thanks for the question. On the 50 bps what you have seen, I would say 60% of that should be attributed to oncology and another 20% is due to neuro because we've done good amount of DBS cases also. DBS cases actually have doubled year-on-year and mostly on balance another 20% is attributed to the robotic procedures also. So, we've been doing almost now 300 robotic procedures every month. It's 100% growth year-on-year. Out of that more than 60% of the robotic procedures are the soft tissue and balance 40% is ortho. So, I think we have been doing a lot of, because see, we've been treated more like a quaternary care and we've been a referral center in all our key hospitals like CMI, Medcity and Calicut, where you get a lot of high-end referral patients. That's where we do TAVI, DBS, robotic procedures, and specifically oncology. And oncology, 60% of it's med-onc, wherein the medical cost, usually it's around 45%, in that 40-50% is my immunotherapy and target therapy. There are no margins for my materials. And usually for every patient, the average yield goes between 4 lakhs-7 lakhs. And out of that, as I said, 70% is your material cost there. So, the question what we are now looking is that, again, as I said, whatever the material cost, because already whatever you looked at last 3 years, we have been able to drive the material cost from 25.5 to below 21, last year closing at 20.9. And that has changed a little bit in the current year because of the case mix. But what we are also seeing is that, as Mr. Ramesh called out, we have been adding more clinicians in the other CONGO mix also. So that's going to help us to drive the overall CONGO mix and also ensure that there is a good growth equivalent to what we're seeing in Oncology. As I said, in CONGO, we've grown by more than 240 basis points year-on-year. But out of it, when you look at all the CONGO specialty breakers, the highest has been the Oncology, at 27%. Only in Q3, that is the highest. And second

highest would be our Cardio, and third highest would be Neuro. So, I expect once we are able to, I would say, neutralize more or less the growth and I think we will be able to get it down below 21% going forward.

Shreenarayan: Okay, but then as a target mix of revenue, where do we see Oncology in medium term, 2-3 years and how would that impact our material cost over?

Sunil Kumar: Yeah, that's another good question, Shreenarayan. And I think we've been calling out saying that we've been doing very heavy investment in oncology. And oncology has been the fastest grower in all our specialties. 2 years back, we used to be around 8-9%, now we've moved to 11% contribution on revenue. And the way it's going, I don't know, another 4-5 years, we expect it to be in high teens, right? That's a growth engine which we are looking at. But at the same time, that's also been part of our CONGO growth right because on a blended view would be around 53, 54. And with that, as Varun called out, we are looking at more than 60% plus. And oncology will be the major driver growth. But I think material cost, we should not get too much worry on the material cost, because oncology also gives you a good EBITDA per bed growth. That is something which we need to always watch out for.

Shreenarayan: If I may ask one last question.

Puneet Maheshwari: Okay, please.

Shreenarayan: Yeah, so on slide 48 of the presentation, there are a few synergies that we have highlighted. So, which of these is most sensitive to delivering the EBITDA upside potential of 10-15%? So, which is your top priority after the merger? Say you want to get this done in 6-12 months, first thing which you want to do. And which, if it is not done, has the highest impact on your EBITDA margin expansion?

Sunil Kumar: See, if I want to jump in Shreenarayan, the quick answer will be the material, right? Today, I have INR 1,000 crores purchased as an Aster and QCIL has got INR 1,000 crores. Imagine bringing the 2 things together and negotiating a INR 2,000 crore procurement and also getting the best of both worlds on the formulary mix. And I think that's a no-brainer, that's going to be the first target, and I think we should be able to do really well on that.

Shreenarayan: Okay, okay. Thank you so much. That answers my question. All the best. Thank you everyone. Thanks to the management.

Puneet Maheshwari: There is no more question to the management now. This concludes the earnings call for this quarter of Aster DM Healthcare. I thank the management and all the attendees for joining us today. If you have any other further questions or queries, please do get in touch with us**.**
Thank you. Thanks, everyone.

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