



Apollo Hospitals Enterprise Limited

Q3 FY 2021 Earnings Conference Call

February 13, 2020

Moderator: Ladies and gentlemen, good day and welcome to Apollo Hospitals Ltd. Q3 FY21 earnings conference call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank-you and over to you sir.

Mayank Vaswani: Thank-you. Good afternoon everyone and thank you for joining us on this call to discuss the financial highlights of Apollo Hospitals for Q3 & 9M FY21, which were announced yesterday. We have with us on the call today, the senior management team comprising Ms. Suneeta Reddy – Managing Director, Dr. Hariprasad – President of the Hospitals division, Mr. A. Krishnan – Group CFO, Mr. C. Chandra Sekhar – CEO of AHLL, Mr. Obul Reddy – CFO of the Pharmacy business and Mr. Sanjiv Gupta – CFO of Apollo 24/7.

Before we begin, I would like to mention that some of the statements made in today’s discussions may be forward-looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties, is on slide no. 2 on the investor presentation shared earlier. Documents relating to our financial performance have been shared with all of you and these have also been posted on our corporate website. I would now like to turn the call over to Ms. Suneeta Reddy for her opening remarks.

Suneeta Reddy: Good afternoon everyone and thank you for taking time out to join our call even on a Saturday. I believe all of you have received the earnings documents which we had shared yesterday.

Calendar year 2021 has begun on a positive note with the substantial breakthroughs achieved on Covid-19 vaccines. This pandemic which created disruption to normal life in Q1 and Q2 has now started receding substantially in India. As the impact of the pandemic wanes, the economy in general and the healthcare industry is now gradually progressing towards normalcy.

This recovery was evident in our performance in Q3FY21, which witnessed an ongoing uptick in patient footfalls and occupancy across our network.

We saw substantial improvement in all our metrics, on a quarter-on-quarter basis. Healthcare Services revenues grew 17%. Surgical volumes grew at 54%. Overall

IP volumes for the Group increased by 21% and Occupancy improved to 63% from 56% in Q2.

We had allocated 2,300 beds for COVID patients across our hospital network during the pandemic, and have now reduced the allocation to 1,500 beds as at December 2020. In Q3FY21, COVID contributed to 15% of the Net Revenues, with a 25% share of occupied beds.

COVID related healthcare services revenue, has now begun to taper off, and is being effectively substituted with non-COVID revenue. However, since there has been limited resumption in the Airline and Rail traffic across the country, out-of-state and International business continues to be affected, especially on the OP front. OP is at around 65-70% of normal levels and we expect that progressive resumption of travel will bring back older levels of volumes, and are in parallel, investing additional effort in strengthening local market share.

Against that backdrop, let me walk you through the financials for the quarter.

The Company recorded standalone revenues to Rs. 2,367 crore, and consolidated revenues of Rs. 2,760 crore. On a like for like basis, revenue growth was at 6%. The Pharmacy Platform as a whole reported double digit revenue growth at 17% while Healthcare services revenue de-grew by 4% during the quarter.

Our new hospitals recorded revenue growth of 7% while mature hospitals revenues de-grew 8% Y-o-Y. Margins in mature hospitals were strong at 20.6%, up from 12.3% in Q2, an increase of 830 basis points. I am happy to share that our margins at new hospitals were at 13.8%, a strong improvement from 8.81% in Q2, and more than 350 basis points on a year-on-year basis.

The Pre Ind-AS 116 EBITDA for Q3FY21 stood at Rs. 301 crore, compared to Rs. 201 crore in the previous quarter, a growth of 50%. Within this, Healthcare services EBITDA was at Rs. 229 crore, 101% growth compared to a EBITDA of Rs. 114 crore in Q2FY21. EBITDA after giving effect to Ind AS 116 was at Rs. 322 crore.

Our comprehensive cost optimization initiative initiated in Q1FY21 continued into this quarter as well, and we recorded savings of Rs. 40 crore. As guided earlier, we expect to sustain a cost saving of Rs. 100 crore to Rs. 125 crore in FY22.

As most of you closely tracking us are aware, the frontend pharmacy business was separated into Apollo Pharmacies Ltd. in Q2FY21 with effective date September 1st 2020. AHEL now has Pharmacy distribution as its business segment while continuing to hold a 25.5% stake in Apollo Pharmacies Ltd. The Pharmacy Platform i.e including the front-end retail portion delivered a strong revenue and EBITDA growth in Q3FY21. The Pharmacy Platform reported a revenue of Rs 1,440 crore in Q3FY21 registering a 17% year-on-year growth. AHEL which continues to be the exclusive distributor for Apollo Pharmacies Ltd, reported Revenues of Rs 1,126 crore in Q3FY21 and Rs. 73 crore at 6.45% EBITDA margin.

AHLL recorded an EBITDA of Rs. 11 crore as compared to Rs. 5.7 crore in Q3FY20. The business has recorded a 6% year-on-year growth in top-line.

Net Debt as of 31st December 2020 is Rs. 2,598 crore. We have a Debt to equity ratio of 0.71.

In January, AHEL has raised equity capital of Rs. 1,170 crore via QIP. We are delighted with the response from marquee investors and pleased to share that the book was oversubscribed by 12.5 times. Part of this capital will be deployed towards acquiring the balance 50% stake in the Apollo Gleneagles Hospitals in Kolkata. Additionally, the proceeds from the fund raise would also enable AHEL to seek inorganic opportunities and further develop its digital platform "Apollo 24/7".

Our Board has approved the Scheme of Amalgamation of our wholly owned subsidiaries i.e Apollo Home Healthcare (India) Ltd. and Western Hospitals Corporation Pvt. Ltd. with itself. The amalgamation of these two companies with the parent is expected to deliver significant synergies.

I am happy to state that we have partnered with the Government in the world's largest vaccination program, and have commenced vaccination of healthcare workers in 27 Apollo Vaccination centres across the country.

To conclude, we believe that things are moving in the right direction, and this quarter has helped us gain momentum on the inpatient and surgical front. We have been able to cement our position as the safest Network of hospitals providing world-class care for our patients during these trying times. Our initiatives to optimize and streamline the business have placed us in a good position to capitalize on the future growth potential over the medium to longer term.

I have Dr. Hariprasad, Krishnan, Obul Reddy, Chandra and Sanjiv from 24/7 with me to take your questions. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Neha Manpuria from JP Morgan. Please go ahead.
- Neha Manpuria:** My first question is on the ARPOBs, our ARPOB continues to surprise on the upside, seeing strong growth. While I understand the surgical volumes are going up, but how should we look at a sustainable ARPOB growth from the current levels? Or should we look at the current year as an elevated number which will normalize going forward?
- Suneeta Reddy:** The ARPOB growth is clearly because the surgical volumes have gone up. And also because the COVID ARPOB which we showed in quarter two, quarter three has come down. So, this has been reflected in the ARPOB which is currently at 40,000.
- Neha Manpuria:** And next year, ma'am, would we be able to grow on this number as surgical continues to normalize on the 40,000?
- Krishnan A.:** So, two things which is important for you to understand is, our new hospitals have been doing well also, as you have seen. And the new hospitals ARPOB has also increased well in this overall mix that you are seeing by cluster. We are aware that the 'new hospitals' as a segment was around 32,000 ARPOB last year, and that has gone to 36,000 now. So the new hospitals platform and we all know that the COVID

ARPOB is only around 28,000 or whatever that is, around that number. So clearly, the new hospitals ARPOB is continuing to do well, hence it's a sustainable number going forward. If you look at Tamil Nadu, etc., clearly we still have ability to push the ARPOB because we still don't have some of the high-end surgeries and some of the international patients, we still have a potential to get Tamil Nadu higher and some of the other places like that higher as well.

- Neha Manpuria:** And can the new hospitals get to 40,000 ARPOB over time, would that be possible?
- Krishnan A.:** We would probably for now look at it at around Rs. 36,000 to Rs. 38,000, we are now at Rs. 36,000, we probably will look at Rs. 36,000 to Rs. 38,000 as the first milestone there, and then take it up.
- Neha Manpuria:** Understood. My second question is on the cost sight. Again, I know ma'am mentioned that we will be able to sustain about Rs. 100 crore to Rs. 125 crore of cost saving in FY22. But versus the level that we achieved in this quarter, should we look at this Rs. 100 crore to Rs. 125 crore as incremental or this is the base on which our cost will increase? How should we look at the operating costs?
- Krishnan A.:** It will be based on the FY 2020 base when we said Rs. 100 crore to Rs. 125 crore, it will be based on the FY 2020 base. So, clearly some of that is already baked into the numbers.
- Neha Manpuria:** But there is incremental opportunity for cost savings since we have achieved only 40?
- Krishnan A.:** Yes, broadly if you ask me, a bit of incremental opportunity is there for now, I wouldn't want to still guide that there is a significant opportunity. But Rs. 100 crore to Rs. 125 crore will continue. So the current EBITDA is something that we would like to sustain and grow, let me put it like that.
- Moderator:** Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.
- Anubhav Aggarwal:** One clarity on the previous question. So, when you say Rs. 40 crore saving, this was savings in this quarter, right, which annualizes about Rs. 160 crore? Out of that you are saying that Rs. 100 crore to Rs. 125 crore is sustainable for fiscal 2022?
- Krishnan A.:** Yes, off the Rs. 40 crore saving, there is also Rs. 10 crore in in Delhi which is not getting consolidated in our results. So, clearly, the Rs. 30 crore is the number that we have in the quarter which is consolidated. So, the annualized number of that is Rs. 120 crore, which we said we continue to say Rs. 100 crore to Rs. 125 crore, which is why I said that the current EBITDA is something we can sustain and grow.
- Anubhav Aggarwal:** Okay, very clear. And second clarity on the ARPOB number. Even when you look at mature hospitals, there I think the ARPOB that you have done this time is the highest ever we have done. So just want to understand, is there a big difference in the payer mix right now that the ARPOB is significantly higher right now? Because this ARPOB is highest ever and still includes a good contributions from COVID. So clearly something has gone different in the non-COVID ARPOB.

Suneeta Reddy: So, clearly the tertiary care work and the quaternary care work has picked up. And earlier, I think a little bit with the COVID pandemic fear lingering on, people have not really come for all of the elective surgeries which were lower ARPOB, for example, some of the orthopedic work and some of the general surgical work. But what we have done is to look at the intensity of the case mix, and this has really changed in terms of, we are looking at more of transplants, we are looking at more of on-core, and we are looking at more at the high-end cardiac and high-end neuro. So this is really reflected in the ARPOB.

Anubhav Aggarwal: You are saying that it was not the payer mix difference, it was largely the case mix difference which is resulting in this?

Krishnan A.: Yes.

Anubhav Aggarwal: Okay. And just two, three questions from the Apollo 24/7. When you have started his pro health thing, what exactly, in layman's term, it means? Does it simply mean that if somebody comes for a digital consultation platform, rather than him choosing the doctor himself right now, the AI platform will help him suggest some of the options, the doctors he can go for?

Suneeta Reddy: No, I think there is a little bit of confusion here. So ProHealth is our preventive health care checkup, which, along with the COEs we promote like on-core, etc. We believe that there is a potential to really reach Rs. 1,000 crore of revenue from preventive health itself. So, the preventive health product has AI inbuilt into it. It also has gene sequencing and understanding, doing a genetic analysis. It is coupled with AI, it's a very high end product which is focused on wellbeing. So it's preventive healthcare and wellbeing. And this is where we have launched it. And we believe that, that we can scale this up to about \$1,000 of revenue in the next 36 months.

Anubhav Aggarwal: And this is part of 24/7 or this is just outside 24.7?

Suneeta Reddy: No, no, it is part of AHEL, but 24/7 will be used to actually funnel patients into ProHealth.

Krishnan A.: It will be both.

Anubhav Aggarwal: Okay. And just one or two more questions on 24/7. One is, you announced HDFC Bank partnership, what has been an experience there so far? I know it's early days, but still trying to get some experience from corporate partnership and any other partnerships that you have also done after that?

Krishnan A.: Sanjiv, you want to talk about the HDFC partnership?

Sanjiv Gupta: So, thanks for the question. So HDFC partnership, yeah, it is early days but we are seeing a lot of momentum. HDFC has got a very large customer database and HDFC Bank as a service, on the health side, they want to promote this amongst the entire user base. And we are seeing a good traction as far HDFC and Apollo 24/7 partnership is concerned. And apart from this, we are also in the dialogue with a couple of more big corporates to have strategic you know tie-ups. And with time, we will talk about that also. But at this stage early, but we are seeing good results.

- Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Thanks so much and good afternoon everyone. Is it possible to talk about the overall occupancy, how we should see this go forward? I think it was 63% now and pre-COVID it used to be 68%, 69%, and especially with the COVID patients moving out.
- Suneeta Reddy:** So currently it is at 63%. And I think the main factor in that is, that we mentioned earlier, that travel had not yet opened up. So mostly it's a reflection of our increase in local market share. And we truly believe that when the road and air travel opens up completely, the occupancies will move up significantly. We are seeing very healthy trends in all our new hospitals, some of which are in Tier-2 where healthcare has become localized and people are using these facilities. Our mature hospitals are also starting to do well. We believe that next quarter we should be able to see a pickup in occupancy with the travel and roads opening up.
- Sameer Baisiwala:** Okay, great. Is it a possibility that COVID patient related revenues move out faster than we get recovery in the core business, so therefore, quarter-to-quarter we would actually trend down?
- Suneeta Reddy:** So, 17% is the revenue from COVID. And I am not talking about occupancy, but I think that this will be balanced with the international patients come in. And like I said, all the travel etc. opens up. Plus, there is still a little bit of a lingering fear that we really need to go to a hospital for surgery. Like I said, our ARPOB is a reflection of the intensity of case mix that we are getting. So we will also get the high margin, secondary care work coming back. So, net-net occupancies will go up.
- Sameer Baisiwala:** Okay, thanks for this and a great job done on the cash flow and net debt management. So, is it possible to talk a bit more on the QIP fundraise as to how do we breakup between Gleneagles and then how much you want to invest in 24/7 and other inorganic opportunities?
- Suneeta Reddy:** So, we raised Rs. 1,170 crore, we will use Rs. 410 crore for Gleneagles, another Rs. 150 crore has been allocated for use for 24/7, and another Rs. 150 crore for our diagnostics. So really we are going to grow the diagnostics space in AHLL. Currently, we have over 650 diagnostic centers and we believe that in the next 24 months, we must be the strongest diagnostic player in the South, moving on to the East as well as the North. So, we have an end use for Rs. 700 crore, the balance would be used to reduce debt and then strengthen our balance sheet. Because when required, we will have the ability to do some bolt-on acquisitions that we are looking at to strengthen our presence in certain markets.
- Sameer Baisiwala:** Okay, great. Thanks so much. With your permission, one last question from my side. Apollo ProHealth seems to be a great step, Suneeta. So, anything you can share on adoption? I know you have given a revenue target of Rs. 1,000 crore for next three years. But just on monetization, what's the revenue model? And are there any International benchmarks which we can use as case study?
- Suneeta Reddy:** So, when we started out, we looked at Ilang. I don't know if you have heard of it. But it was a Chinese company that was doing these run-of-the-mill checkups. And

their TAT was around two hours. But when we looked at what Apollo stood for, we said, we just can't do these checkups. And if you look at a lot of these people who are checking blood, they are doing their own version of a checkup. So we said the Apollo one has to be more meaningful, it has to have lifetime value. And keeping this in mind, we created ProHealth, which is a package that looks after well-being, it looks at markers that include stress, anxiety, besides the other things which are normal, the cardiac, but looks very closely at neuro issues.

Having said that, since we launched it just last month we have 12,000 people who have undergone that checkup. We have case studies where people have reduced weight and managed to keep their blood sugar at normal levels. So yes, I think the feedback has been very good. And we are getting ready to launch it on an all-India basis. And especially at this time, when people are looking at OPM, saying your OPs have fallen away, I think this is something that will bring back the OPs.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Ma'am, on the Apollo Gleneagles Hospital, with the recent changes, the reinsurance scheme which the West Bengal Government has started, does it have any implications? What implications do you think it has for the business over there?

Krishnan A.: So this was something that was always there, it's a State insurance scheme which has always been there. If you look at it, they have been pushing that a bit, but the funds available in the Government kitty is not as high as the push which is there from the Government. So, some of this we will have to look at it as pre-election push. But we don't see that this is going to impact us negatively, we are fine and whatever is required to be done on the Government cases, we continue to do that. So, we should be able to navigate this well.

Nitin Agarwal: This should not be a source of any potential concern around the West Bengal market?

Krishnan A.: No.

Nitin Agarwal: Sir, secondly, now with the cost cuttings and all that we have managed to achieve in the business, what should be a sustainable EBITDA margin for our mature hospitals now going forward? We used to target 20% earlier, is an aspirational target now higher 24%, 25% and higher for us in terms of where we can get to in the mature business? And when can the new hospital really get to with the incremental tailwinds of these cost savings?

Krishnan A.: Yes. So, at the mature hospitals level, the first target is to get 23%, 24% in the next year, that is what we would like to get to. But clearly, the business needs to come back, because some of the earlier businesses of International etc. is also important for us. You are right that our cost efforts that we have taken allows us to achieve that a bit faster, if the business comes back at the same pace over the next one, two quarters. We are hoping for the same, because clearly there is some kind of comfort in the patient's minds, in the consumers' mind to come back. We are seeing patients have also started travelling from Bangladesh to Chennai. We have also seen patients travelling from Assam and West Bengal to Chennai. So we have seen that

all of that. In fact, 60% of our pre-COVID levels, even from out of Chennai has started coming back, so which is definitely good. So, if that comes back, you are right, we should be able to see beyond 24% in the next two years.

Nitin Agarwal: And lastly on this one, the new hospitals have also had a very spectacular improvement in EBITDA margins. So is this sustainable, this 14% pre-IndAS EBITDA margin level, which is the threshold level to really work with from here on?

Krishnan A.: So, we have been guiding that we should get to 15% in the next 12 to 18 months, if you will. And this is what we continue to work on. And of course, the 13.8% is something that we have got from this quarter, some of that is also enabled by high-end surgeries. And as some of the other surgeries come, we will still think we should be able to get 13% to 15% next year.

Nitin Agarwal: And just last one, you mentioned about investment in the diagnostics platform. So what would be three year goals for this business? Currently it is like about up Rs. 160 crore, Rs. 170 crore annualized business from a net revenue perspective, is it fair? And two, where do you see this business really heading to over the next two to three years, given the fact that couple of large pan-India players have become very aggressive and they make very large scale investments in Southern India, which is our primary market at this point of time.

Suneeta Reddy: Chandra Sekhar, would you answer that?

Chandra Sekhar: Yes, ma'am. So, our strategy will be to strengthen in our existing markets, which is essentially South and East, and opportunistic entry into some of the other larger markets. As you rightly pointed out, we are attending to Rs. 170 crore to Rs. 180 crore for FY 2021. But we are hoping to have a significant growth in FY22, combined by very few new market, but largely consolidating existing markets. We are looking at a two to three year horizon, then we want to hit the Rs. 500 crore mark. The next year's direction should be upward of 270.

Nitin Agarwal: And Mr. Chandra Sekhar, how do you view the increased competitive intensity in the market with the two larger pan-India players really increasing their investment in this area in a meaningful way?

Chandra Sekhar: So it is not new capacity creation, it is organizing the unorganized. So from that perspective, the pie in terms doesn't change much. Yes, competitive intensity could change with more corporate behavior. But I guess from an industry perspective, it is still 85% unorganized. So the headroom for growth for organized players is only going to continue to be bullish.

Krishnan A.: And the brand acceptance in these markets of Apollo is very strong, especially in the Southern market, which as you said, someone is looking at consolidating and growing. We have a very strong brand acceptance in these markets which we are already present in. So, if Chandra Sekhar has a plan to grow, which he has, clearly, we will see that we should be able to get the market share as well.

Nitin Agarwal: And if I can just push on that, does it lead to a meaningful escalation in fighting competition in this market, in your assessments?

- Chandra Sekhar:** When unorganized moves to organized, I think price actually gets corrected upwards, because the price from the unorganized is which is lower. So I guess, it's a good place going forward for a few more years for the organized players, even from a price perspective and price consolidation perspective. Secondly, I have not mentioned this, but we are definitely also starting to see significant amount of work that is starting to come by our 24/7 concept leading to diagnostics and diagnostics booking itself coming directly. As the digital platform ramps up, I think the ability to serve by our strong presence and good phlebotomist home collection capabilities is what we are focusing on building on. We are very bullish about the future opportunity coming via digital as well.
- Moderator:** Thank you. The next question is from the line of Shantanu Basu from SMIFS Limited. Please go ahead.
- Shantanu Basu:** I would like to know the COVID occupancy in Q3 and the non-COVID occupancy in Q3. So if you can break up your overall occupancy into COVID and non-COVID.
- Krishnan A.:** So COVID occupancy, we have brought down the number of beds of COVID to 1,600 levels in December, and we have brought it down even further, the overall COVID beds which we had actually kept aside. Now, if you look at the COVID occupancy, out of the 1,600 that we had, in Q3 we were at 73% occupancy, which is 1,173 beds were occupied by COVID. And if you look at the non-COVID, occupancy, non-COVID occupancy was 60% for Q3. But again, it's important, since I give you this colour, in that 60%, December was 67% of non-COVID. So, clearly, while the quarter was 60% on non-COVID, December has already gone to 67% on non-COVID. And in the COVID, while quarter was 73%, December was 48%.
- Shantanu Basu:** Okay. So would it be right to assume that we are inching close to our long-term 69% mark?
- Krishnan A.:** No, I think it will probably take Q1 before we get back. It's not something that we can say, because the number if you look at the bed, we have a COVID bed also, right, which we will now start releasing and putting it back to non-COVID. So it's also a factor of classification of those beds, right. Because once we reclassify that and get that inventory back to non-COVID, our occupancy overall will probably show a bit of a dip, but our revenues will still hopefully be okay. As we get some of the non-COVID revenues come back, which is a bit higher ARPOB. So I think to get back to that 67% and 69, we will have to think of it as Q1, Q2.
- Shantanu Basu:** Okay, great. And what's the number of COVID beds that you have currently in February?
- Krishnan A.:** Now it's come down, January is around 800 beds. In terms of inventory it is around 800, and the occupied beds is even lesser.
- Shantanu Basu:** Okay, right. So it is coming down drastically, right, from 1,600 to 800?
- Krishnan A.:** Yes.

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

Prakash Agarwal: First question on this Apollo Kolkata, so here what I understand is, the consolidation will start from February, but I am trying to understand the ARPOB has increased already, when do we expect a normalcy in occupancy? Also, how do we improve the margin from the previous peak; what is the management planning to do here, if that can be highlighted.

Krishnan A.: So, firstly, we won't consolidate that from February, it will probably be March or April, because we have still not completed the transaction and we can consolidate it fully after the transaction. So, we will complete the transaction over the next 30 to 45 days, so it could probably be March or April. Overall, Kolkata, if you look at FY 2020 levels etc., we should go back in FY 2022, it is a Rs. 400 crore to Rs. 450 crore opportunity or revenue for the next year, with at least Rs. 75 crore to Rs. 80 crore EBITDA, which is what we should think we should be able to get in next year.

Prakash Agarwal: No, I was trying to understand your medium-term plans in order to optimize the margins. I mean, first goal obviously would be to achieve the older occupancy and margins, but how can we go beyond is what I wanted to understand.

Suneeta Reddy: So what we have done is, we have really recruited a few more surgeons and doctors. We are strengthening our Centers of Excellence. So in terms of cardiology, orthopedics, oncology, and neuro, we have very strong offerings. And with this, I think we should see higher AROPBs and better margins. We have already recruited these doctors. You would have noticed that even Sourav Ganguly chose to come to Apollo Gleneagles. So it's being positioned as a very high-end clinical care center.

Krishnan A.: And we are pushing it for a Rs. 40,000 ARPOB in the next year itself.

Prakash Agarwal: Got it. Perfect. And secondly, for Medics Lucknow, I understand consolidation has already started and would it come under the new hospital cluster and would that be the reason for a margin spike in that segment?

Krishnan A.: Medics has not yet come, it's only going to come ahead going forward.

Prakash Agarwal: Okay. So this would further improve the margin levels?

Krishnan A.: Yes, it will. So you know there are going to be two, three areas which we seek significant margin improvement, and in the next year also, even beyond this quarter. One is, as you rightly said, Kolkata; second, Medics, because Medics is also going to be significant, it's doing very well, they will do over Rs. 250 crore of revenue, hopefully, next year, and will be at least Rs. 40-plus crore of EBITDA. They already had a Rs. 10 crore run rate on EBITDA, and they don't have much of COVID, in fact, almost negligible COVID in Lucknow, as we speak. And the third thing is, Proton is also something that we are quite excited about, because we are seeing that January, we are seeing a good spike coming from patient inquiries. So we are already at a Rs. 100 crore run rate on Proton. If you look at Q3 and that's at a EBITDA breakeven, and we should see significant accretion in the overall EBITDA from Proton as well into the next year.

- Prakash Agarwal:** Okay. Madam has something to say?
- Suneeta Reddy:** No, I said Lucknow is already at 18% margin. And the one strength for us in Lucknow is the fact that we are probably one of the best tertiary care hospitals. Our ICU beds, which are about one-third of total beds, are at very high occupancy. So the potential to move to a higher ARPOB definitely exists in Lucknow.
- Prakash Agarwal:** Understood, fair enough. And last one from my side is on the pharmacy business. So, understand, given the restructuring that margin had a step down, but my understanding was, step down would be about 100 basis points, we see it's more than that. What is the outlook and the reason for the same?
- Obul Reddy:** On a combined basis, if you split the accounts between AHEL, AHEL is only consolidating the back-end results. On a combined basis, we are at the same level, last quarter we are at 6.4% of the EBITDA on the overall sales and this quarter is over 6.3%. As you know, when the demand is affected, there is some cost adjustment between the two entries. And also, the growth is about 17%, 18% in the overall sales, against the previous quarter 25%.
- Krishnan A.:** So there are some 24/7 costs also which are there, which is something which has been absorbed by the pharmacy business, as you know. And otherwise if you exclude that, maybe the like-for-like EBITDA margins would have been 6.7%, 6.8%.
- Prakash Agarwal:** What would be the outlook sir, going forward, next year?
- Obul Reddy:** We should be back with the normal growth rates. And then we have 24/7 growing up, and then that will also contribute to the sales and margin. We will see that.
- Prakash Agarwal:** But it would move forward, right? I mean, the margin trajectory would inch up to (+7%) plus mark?
- Obul Reddy:** See, if you notice that we are at 6.3%, 6.4% now, and we should be closing this year anywhere around 6.5% to 6.6% and move next year to 7%.
- Moderator:** We will move to the next question. The next question is from Pratik Mandhana from Nomura. Please go ahead.
- Pratik Mandhana:** So, my first question is on Apollo 24/7 business. I just wanted to understand that the revenues that we say that we will get from 24/7, so will we get directly in to 24/7 or is it more of a concierge for like diagnostics and ProHealth as you said that they will funnel the patients into 24/7 and diagnostics, you will book for the diagnostics. So sir, where will the revenue get booked? Will it be in AHLL or ProHealth or the E-pharmacy or teleconsulting? So just some bit on that, how will the revenue get booked and how much of revenues do we expect?
- Krishnan A.:** No problem. So clearly, if you look at the pharmacy, we will ensure that the pharmacy business revenues are booked in the back end of 24/7, so that is something that we will continue. The back-end pharmacy business will still continue to be at Apollo 24/7 and we will start showing that eventually as Apollo 24/7 scales up. But on the other parts, whichever is, diagnostics etc., the way we are looking at

it is, that business, it will get pushed on to the Apollo Diagnostics for revenue booking and there will be a revenue share which will get us a bargain or a commission which will get booked by Apollo 24/7. So, once Apollo 24/7 starts scaling up, we will obviously have to figure out how we start reporting GMV etc. so that the perspective of Apollo 24/7 is understood. But it is again something that we will plan in the next year.

Suneeta Reddy: Sanjiv, do you want to add anything?

Sanjiv Gupta: I think AK already gave the right answer. So the entire revenue accounting with respect to the pharmacy being delivered or the diagnostic services being offered by 24/7, or as a matter of fact, any other services, those things will go to respective Apollo entities like APL, AHXL or AHLL. And as far as the GMV part of it is concerned, I think we will work out some mechanism to also highlight that so that there is a right perspective available with everyone.

Pratik Mandhana: Okay. And to add on to that, so again, there will be multiple division. So, what kind of contribution from each division can we expect into like the revenues for 24/7 diagnostics, ProHealth, E-pharmacy and Teleconsulting, if you can just highlight some.

Krishnan A.: It is a bit early now, we would probably take it forward as we start doing it. But broadly, giving you a timeline, I think 15% to 20% margin is what we expect to do on both diagnostics and teleconsultants. Is that fine, Sanjiv?

Pratik Mandana: Sorry, I think I was not able to convey my question clearly. So I was asking sir, the revenue, let's say, 100 will be the revenue for 24/7, so how much of it do we expect to come from each division, like from diagnostics and teleconsulting and e-pharmacy, so how much revenue contribution from each segment? Like, which will be the biggest contributor to Apollo 24/7?

Obul Reddy: See, we have about eight health products coming into the platform, some of them are yet to start and go online. So (inaudible) we will have a better view going forward, and we will be back with those numbers in Q1 of next year. It's not a (Inaudible).

Krishnan A.: But when we look at the target, we have been saying that when we get to the overall target split over the next three, four, five years, 50% of that will be coming from the pharmacy business, the other 50% will be a combination of what we spoke now, teleconsults, plus diagnostics, plus condition management and some insurance.

Pratik Mandhana: Got it. And sir, any number that you want to highlight currently, what is the run rate for 24/7 revenues, if you can highlight that.

Obul Reddy: One or two products are under phase that we will be coming out from next year with specific numbers.

Pratik Mandhana: Okay and just one last question from my side, if I can ask that, on the number of pharmacies. What is the number of front-end pharmacies that are now there?

- Obul Reddy:** We have 4,000 pharmacies operational as of 31st December, and we have added about 252 stores during the year. But most of them were added in Q3, so we are on track, but there was delay in the schedule of opening because of the COVID pandemic. And we will be controlling about 300 stores as usual, 300 plus.
- Moderator:** Thank you. The next question is from the line of Divyansh Kalra from Perpetuity Venture. Please go ahead.
- Divyansh Kalra:** Sir my question is, I just wanted to understand the breakup of inpatient and outpatient business from hospitals and what are the normalized levels and what was happening in Q3, so any update in Q3? Thank you.
- Krishnan A.:** Can you get offline on this, because we don't have the exact split of the OP and IP revenues as of now.
- Divyansh Kalra:** Sir, normalized level historically would be fine.
- Krishnan A.:** 20.
- Divyansh Kalra:** 20 is outpatient?
- Krishnan A.:** That's right.
- Divyansh Kalra:** Okay. And were we seeing any divergence in last quarter?
- Suneeta Reddy:** We saw an increase in last quarter in OP.
- Divyansh Kalra:** Okay. Ma'am, you said something in your opening remarks that International business OP was very much affected. So OP business contributes significantly in terms of International patients, so my question is, I am just trying to breakup domestic patients vs. international patients. So what was the ratio of inpatient and outpatient breakup for international patients?
- Suneeta Reddy:** So just looking at International is probably just addressing maybe 10% of total volumes. I think what was significant is that airline, even within India, patients were not able to travel. And we believe that when that comes back, the OP will definitely pick up. But International is about 10% of that.
- Divyansh Kalra:** This is normalized level, 10% OP and 90% IP, which is a normalized level for International patients, am I correct?
- Suneeta Reddy:** 10% OP is correct.
- Moderator:** Thank you. The next question is from Harith Ahamed from Spark Capital. Please go ahead.
- Harith Ahamed:** So I am looking at the employee cost for the quarter, there is a 15% quarter-on-quarter decline and 26% Y-o-Y decline. So what's driving the sharp reduction? Is it the front-end pharmacy transaction or is there any other reason for this?

Krishnan A.: So the front-end, as you rightly have assessed, the front-end pharmacy business has been separated out and it has been put into Apollo Pharmacies Limited. So the full quarter impact of that is clearly visible in the in the reported numbers. So that's what you can see. Of course, as we said, as Ms. Suneeta already said, the overall cost savings otherwise for the quarter was Rs. 40 crore and Rs. 30 crore in the consolidated numbers for the quarter which includes, the Rs. 30 crore embedded would be almost around Rs. 15 crore to Rs. 20 crore of manpower. So, otherwise it is the Apollo Pharmacies Limited which has got shifted out completely, because last quarter you had only one month impact of Apollo Pharmacies Limited whereas this quarter you have the three months impact of Apollo Pharmacies Limited.

Harith Ahamed: Got it. And my second question is on AHLL. So we have been in a consolidation phase over the last 12, 18 months, and that's reflecting in significant margin improvement over this period. So when we think of further network expansion here, what are our plans? You mentioned about diagnostics, so on the other formats, can you give some details on our next medium-term expansion plans?

Chandra Sekhar: Yes. So I think we spoke about diagnostics being the primary area of focus, and that's going to consume over 70%, 75% of our focus in terms of expanding within and consolidating within existing markets as well as some opportunistic expansion into other new markets. And, importantly, the second focus will also be on going up the value chain in terms of our high-end test menu. So that's the two areas for which we will make both investments as well as marketing efforts to have more and more higher end test menu. I mean to say, areas of uncogenomics and a few other ideas that we have outlined. The growth of primarily subsequently is in primary care network, will be on closer to communities is the initiative that will do. It will have ramifications also for diagnostics, in terms of as we get closer to communities. So that's the third area of network. We are not looking at growing the secondary care network significantly, barring a small growth that we will do to assess the regulatory tailwinds that seem to be emerging in the space of IVF. But that will be a small growth which is carefully planned, because the IVF as a space is attractive, but we are mindful of the fact that it is predominantly unorganized. But there are some very good regulatory tail winds that are likely to help organize play. So there is a small focus on growing that. Besides all of this, we are looking at some asset-light growth models, including expanding our franchisee network in the primary care.

Harith Ahamed: Okay. Thanks for that. Last one on the Proton Center clocking annualized revenue run rate of over Rs. 100 crore and you broke even at the EBITDA level. And this, I presume, is without much of International patient volumes. So should we think of significant ramp up going to FY 22 once International patients are back? So how should we think of Proton from hereon?

Krishnan A.: Yes, our hope is definitely to double down on both domestic and International, because even the domestic opportunity on Proton is high, because, clearly it is, as Ms. Suneeta has been always saying, it's now become a gold standard in radiation globally. A lot of doctors have got comfort around embracing it and also suggesting this for patients and specific organs like head and neck, pediatric, etc. where we have seen significant help and support being given to the patient. So we are quite hopeful that this should ramp up quite well in the next two years. And we should see good ramp up in EBITDA as well because, as you know, the EBITDA margins on this business is north of 40%, 50%.

- Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Just thinking about the higher ARPOB. Was there any pricing action that was meaningful in the quarter, cash market, insurance or corporate side?
- Suneeta Reddy:** No.
- Sameer Baisiwala:** Okay, anything that you are planning over next three, six months?
- Krishnan A.:** Next year, maybe, not for now.
- Suneeta Reddy:** Yes, nothing significant this year.
- Sameer Baisiwala:** Okay, great. And the second is for the digital platform, 24/7, are you looking for any sort of equity dilution over there to either access capital or to access patient access?
- Krishnan A.:** So we have said that we have plans for that. And we have always been saying that at the right time we will unlock value in the overall pharmacy business also. And so we are open for all options there. And we will come back to you as we have better plans around the same.
- Sameer Baisiwala:** Okay. Great. And how are we thinking about the about the ALOS going forward? I think it's gone up from 3.8 to now a good 4.3, 4.4.
- Suneeta Reddy:** So 4.4, I think reflects the COVID occupancy. We can hope to see something below 4 in the next quarter, and then improvement in the beginning of next year.
- Sameer Baisiwala:** Okay. One final question, and that's on the site; any thoughts on COVID vaccine being available on the private market?
- Suneeta Reddy:** Well, we have a plan on rollout, we have a cold-chain, logistics and everything prepared to roll it out. But we are just awaiting Government approvals.
- Sameer Baisiwala:** So you think it can take a couple of months or longer?
- Suneeta Reddy:** I think within maybe mid-March, end of March, for sure.
- Moderator:** Thank you. The next question is from Ayush Pansari from Allegro. Please go ahead.
- Ayush Pansari:** My question was what is the like-to-like pharmacy revenue and EBITDA as to pre-restructuring?
- Krishnan A.:** 17% has been the growth overall for the pharmacy platform for the quarter. And EBITDA margins as we said, was 6.3% to 6.4%, in that range. And what we have reported in the back end is 6.5%.
- Ayush Pansari:** 78% you said, right?

- Krishnan A.:** What is it?
- Ayush Pansari:** Sorry, I have missed the number. What is the growth number?
- Krishnan A.:** 17%.
- Moderator:** Thank you. The next question is from the line of Girish Pathak from Goldman Sachs. Please go ahead.
- Girish Pathak:** So on the pharmacy, the quarter's EBITDA growth is lower than the year-to-date growth, so any thoughts there?
- Obul Reddy:** Talking about which quarter, any reference, specific quarter?
- Girish Pathak:** No, so this quarter the like-to-like pharmacy EBITDA growth is 20% and I think year-to-date is in the range of 30%.
- Obul Reddy:** We have a robust Q2 and that has contributed to the higher sales and higher EBITDA. But EBITDA overall is the same range in the last two quarters, 6.4% in Q2 and 6.3% in Q3. And that 6.3% is coming on the back of absorbing some online pharmacy cost.
- Girish Pathak:** Okay. And sir, during the QIP meeting, we had requested some more KPIs on 24/7, so I was expecting probably this quarter to see some metrics around that in terms of traffic, user engagement. So when can we see those disclosures because typically your disclosures are very good.
- Krishnan A.:** We will take a couple of quarters before getting that, because there is a high level of competitive intensity around this business as you know. And there is a lot of competitor interest also. Unfortunately, all of them are unlisted, and we are the only listed players. So we have to keep that in mind also. We know that our transparency levels have been good and we will get back to that over the next two quarters surely,
- Girish Pathak:** The traffic increase quarter-over-quarter for your online pharmacy ordering or the consults, anything can be shared right now for this quarter?
- Suneeta Reddy:** So just on the teleconsult, let me say that we have already done 250,000 teleconsults. We are tracking about 2,000 a day. But more importantly, if you look at our telemedicine platform, etc., for the Government, we do about 7,000, 8,000 a day. So we really believe that there is a potential to ramp it up. And just going forward, we will. The reason that we are seeing a slight slowdown in teleconsults is that doctors are moving back to the offices, and that's the reason. But at the same time, 24/7 is increasing the number of doctors on this platform. It was 6,000 last month, and they have a plan to really double the number of doctors. And with that, the teleconsults will significantly increase. Plus, the adoption of teleconsults by our senior doctors will take a little bit more time. But definitely there is a huge opportunity, and the plan is there. We think that post our March quarter we will be able to share numbers with you.

- Girish Pathak:** Anytime on the monthly and daily active users, if you can share? There are certain external app traffic monitoring sites where we are seeing some decline in terms of the traffic activity?
- Suneeta Reddy:** No, no. So we take that with post-COVID slight decline because doctors had moved into their offices and started seeing patients. But we believe that again it will pick up, because we are onboarding more doctors and we are also onboarding senior doctors who have not been used to the telemedicine platform. But we will share the details with you post the March quarter.
- Girish Pathak:** Okay. That will be very useful, just one more housekeeping thing. So the impact of AS116 is seemingly lower this quarter versus the last two quarters; so any asset that has gone out?
- Krishnan A.:** The pharmacy front-end has been shifted out.
- Obul Reddy:** A large part of the retail rental moved into the pharmacy content entity. This is the main reason.
- Moderator:** Thank you. The next question is from Nitin Agarwal from DAM Capital. Please go ahead.
- Nitin Agarwal:** Ma'am, on the hospital business. Now when you look at capital allocation over the next two to three years, barring the Gleneagles investment, how are you thinking about it? Is it more greenfield, more brownfield, more M&A to sort of primarily driver of CAPEX and what stage do we need to really step up CAPEX, if you need to?
- Suneeta Reddy:** So, post the Kolkata acquisition, the way that we are thinking of a growth, one is definitely a focus on existing assets, and improving asset utilization. The second is to grow our clusters and definitely to have a presence in the Delhi market where we have one hospital. So yes, to look at something in Delhi, we are looking at it. And the way that we will do this is through bolt-on acquisitions. We have not clearly looked at greenfield, we are not looking at Greenfield. We are also looking at revenue share option. So it's an asset-light growth strategy.
- Nitin Agarwal:** So is there any sort of firm capital number in mind? How are we sort of approaching there because the concern of the hospital business in the past has been exceptional sort of capital allocation phases at different point in time; do we see the same situation emerging for us at some point in time?
- Suneeta Reddy:** So, I think that if you look at the debt-to-EBITDA, we will keep it within 2 to 2.5. And debt-to-equity currently at 0.71 coming down to 0.5; our comfort level is 0.8. So I don't think we will ever compromise the balance sheet, nor will we impact the free cash flows that we hope to see. Some of the growth, some of the bolt-on acquisitions will be funded by free cash flows.
- Nitin Agarwal:** And if I can squeeze in the second one. On AHLL we talked about the different aspects of growth on the business, but how are we looking at, say, a three year picture on the business? I mean, obviously the AHLL business is made of two, three very different pieces of businesses which have limited synergy with each other at

some levels. So I mean, structurally, how are we looking at the business? So when you take a long-term view, how do we independently invest in growing those businesses because businesses need individual capital, are there other opportunities to get individual capital for those various segment?

Chandra Sekhar: Yes. So there are opportunities on individual, there are areas of interest within the platform, per se. But I think our preference is to keep the platform intact and seek investments at the platform level. Growth in a three year horizon, we are looking at growing year-on-year. In diagnostics, specifically, we are trying to grow 30% to 35% kind of growth rates, which we are factoring in organically. On the overall numbers, we are tending to see, at the platform level we will hope to reach, in three years' timeframe we want to reach thereabout of Rs. 1,800 crore to Rs. 2,000 crore and have a steady state 12% to 14% EBITDA margin.

Moderator: Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal: Two, three questions from me. One is on the COVID patients, the ARPOB is low at Rs. 27,000, Rs. 28,000, but what would you say on the EBITDA side? My sense would be that the margins should be higher here, something like Rs. 7,000, Rs. 8,000?

Krishnan A.: Similar margins is what we have. The margins would not be lower, it won't be higher.

Anubhav Aggarwal: So you are saying Rs. 27,000, so Rs. 5,000, Rs. 6,000 per bed per day, something like that?

Suneeta Reddy: That actually varies from State to State. So what we would say is, it must be around 14%.

Anubhav Aggarwal: Sorry, so you are saying 14%?

Suneeta Reddy: What I said was, it varies from State to State. Government had capping on COVID prices, so it would not be more than 14%.

Anubhav Aggarwal: So you are saying Rs. 4,000 per day revenue, which is very similar to profitability of new hospitals that you have right now?

Suneeta Reddy: Yes.

Anubhav Aggarwal: But it's diluted, means, when you have a COVID bed in a mature hospital, it's diluted?

Krishnan A.: That's correct.

Anubhav Aggarwal: Okay. Second question is on the CAPEX for the 24/7, in the sense that you were talking about QIP money being a part of the Rs. 100-odd crore being used there. Can you talk about what you are going to do with that over there in terms of hard, let's say, capital expenditure, which areas you are looking to strengthen over there?

- Krishnan A.:** So clearly, the two areas that we would like to spend more money on is, one is the teleconsults and second is the condition management. Because these are two areas that we believe is going to be more long-term, sustainable. So clearly, from our perspective, the way we look at it is, if we have to be the only platform or app that a patient should use, the pharmacy is not the differentiator, it is something that you will really use the app, provided you know that you have the ability to reach to the doctor, take care of your health, and also ensure that you do condition management and we are able to manage diabetes, have a health counsellor for you, stuff like that. So there is a lot that we are planning around that, many of that screens are already on, there is a separate tech team which is working on this. So you will see significant improvement in some of these over the next six to nine months and not really quarter-over-quarter, which is why somewhere we are not able to give some of this quarter-on-quarter metrics also. But these are some of the plans which we have which you will see showing up shortly.
- Anubhav Aggarwal:** So just a clarity on this, when you say more spend on teleconsultation and condition management. So, as a user what's happening? Are we getting more cloud space when we are spending that incremental money here or we are using more AI here? So what has changed? One is strengthening of the hardware at the backend, second is in terms of user experience, where would you say this bulk of the money is going to be spent?
- Krishnan A.:** Sanjiv, you want to talk about that, user experience and AI, and what are we building on those products, specifically you want to guide Sanjiv?
- Sanjiv Gupta:** So typically, the money which is going to be spent out is going to be on the technology front. And when I am talking about technology, we are talking about AI, and its role in condition management and various bots that could help users' experience while coming into the app, as well as that could also help service them much better. So, primarily at this stage the money that is being spent in 24/7 is towards the technology build only. And I think two, three quarters from now, you would see that technology enabled 24/7 app, which provides a very good user experience and actually takes care of many problems. One, I mean, it provides solution across many problems in one app. So it's good to be technology-based app than just a pharmacy kind of thing. So we see that a lot of AI and ML play in in 24/7 app. So primarily, the money is spent towards the technology built up.
- Anubhav Aggarwal:** Sure, thanks. That's helpful, Sanjiv. If I can ask one last question on ProHealth initiative. Suneeta ma'am, your target of Rs. 1,000 crore, I was little confused with that. So even the large companies which are listed today in the diagnostics space, they do not have this preventive health revenues more than Rs. 150 crore to Rs. 200 crore, each one of them. And we are targeting Rs. 1,000 crore, so, one, it looks to be a very steep target in three years. Secondly, can you also talk about where are you targeting bulk of it from corporate individual segment? And what is the CAPEX, let's say, if you reach to your target of Rs. 1,000 crore, what would have been the CAPEX there?
- Suneeta Reddy:** So, yes, you are right, currently we are already at Rs. 262 crore in terms of what we are doing in terms of preventive healthcare. We do believe there is a large opportunity with corporates. We have tied up with many corporates to look after the health of their individuals. And as you know, COVID showed us that the importance

of looking after your health, which is why we are very focused on launching this product. The third part of it is, most of the retail consumers who use these products on the app, they never really have a physical interface with the doctor. And wellbeing is all about not just taking blood markers, it's not just doing the exercise and following the diet, it's a combination of everything. And that's why we believe that ProHealth is something that is an offering that is differentiated from the rest. Finally, the layer of AI, with Microsoft we have done this cardiac (Inaudible) code. So in that we had many learnings on how we can improve cardiac health. Through sugar, we had looked at condition management for diabetes. So it brings in cardiac, it brings in condition management. Overall, it looks at improving the wellbeing, including things like sleep, producing anxiety, the impact of it on your overall wellbeing. So, yes, we have a plan to double the revenue 5x. But just think of Apollo, we have 70 hospitals, we have 200 clinics, we have 24/7 that will be acting as a funnel to allow people into this program. So I believe that we have the ability to do it. And this is really a space that we need to occupy.

Anubhav Agarwal: And what is the CAPEX for it?

Krishnan A.: Around Rs. 50 crore over the next three years.

Anubhav Agarwal: So, with Rs. 50 crore CAPEX you can almost get incremented Rs. 750 crore, and I am assuming this will be at least 30% margin business?

Krishnan A.: Clearly, there is a lot of existing assets which will be sweated significantly on this, as Ms. Suneeta said. The utilization of our labs in our hospitals etc. are 50% today. So, we have significant plans to sweat existing assets which are, you know, if you look at the assets which are already there in the lab space within the hospital, this is over Rs. 500 crore. So, there is a significant amount across our business which we will be using to increase the scale. As Ms. Suneeta said, it's a clinically designed product and it's not something which is just a diagnostic product.

Moderator: Thank you. The next question is from the line of Krishna Prasad from Franklin Templeton. Please go ahead.

Krishna Prasad: I have a few questions. First, you have mentioned the kind of growth you have seen in the home care segment, I assume part of it is COVID-led. But can you talk about what kind of ambition you have there and how this can scale up?

Krishnan A.: So, clearly COVID has opened up the customers' minds in we doing transactions on home care. Earlier it was a lot of nursing care that we were doing on the home care side. But with COVID we were able to really manage a lot of people remotely, and that was a very strong product which got accepted by the consumer. This is something that we are now figuring out how we can use remote care to take care of the patients over using a product for the same, like a weekly call, a monthly call, etc. So these are things that we are trying to do also, health counselors, etc., which we are also putting from the homecare side of things. So it is already doing Rs. 60 crore of revenue per year now, home care. We believe that with time what will happen is, the handoffs from the hospitals to the home care and also start happening. We have to work on some of these over the next one, two years. But clearly, we are seeing that some of these opportunities will play out well where after an orthopedic surgery we kind of say that we really are able to send home a patient in two days, as

opposed to really keeping them for an overall ALOS of four or five days. So some of these will start lending itself, and we have also started doing ICU management, especially with COVID. We were able to set up ICUs at home as well, though it is a handful of cases, maybe 20, 25, but still we were able to do that effectively. So it is lending itself to a lot of opportunities. We will have to work on it. Wearables are also going to be important as we keep collaborating or keep ourselves open for collaborating on that front with some of the other players. People like Siemens, Philips, all of them are thinking of some of these, and we will have a rollout plan on some of these over the next six months.

Krishna Prasad: Sure, thank you. And my second question is, within AHEL, I would have presumed that daycare would have actually got a boost because of COVID. But it doesn't seem to be the case. I am just wondering is that the case at all?

Chandra Sekhar: No, actually the quarter three daycare surgery work has come back, quarter one or two was very poor. But quarter three, we are seeing the backlogs getting back.

Krishna Prasad: Finally, on the disclosure side I have a request, if you can provide the front-end, I think the free cash flow data on the front-end or the pharmacy that will be very helpful for us to access the numbers.

Krishnan A.: Sure, we will.

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

Suneeta Reddy: So thank you, again, for joining us. As we look ahead, we continue to focus on vaccination. We did have a challenging three quarters where we were busy dealing with the pandemic. However, we believe that we have actually emerged stronger, in the sense that we have rationalized costs, we have created focus around improving occupancies, we have created a renewed focus on asset utilization and more importantly, focus on clinical differentiation, which is really all about Apollo's DNA, how do we do clinically differentiated products for our people. And I think that all of this will result in better AROPBs, as we move into the future.

Our strategy on growing market share, ARPOB and improving the offerings that we have from Apollo in terms of the verticals, which is Apollo Health & Lifestyle where we want to grow diagnostics, improving pharmacy metrics, improving the hospital delivery, and launching 24/7 in a way that is meaningful, things that we will focus on and we are so glad that you have been part of this journey. We look forward to your continued support. So have a great weekend. Stay safe, and stay healthy.

Moderator: Thank you very much. On behalf of Apollo Hospitals Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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