

Narayana Hrudayalaya Limited

Transcript of the proceedings of

20th Annual General Meeting

August 31, 2020

MANAGEMENT: DR. DEVI PRASAD SHETTY – CHAIRMAN

**DR. EMMANUEL RUPERT – MANAGING DIRECTOR AND
GROUP CHIEF EXECUTIVE OFFICER**

**MR. VIREN PRASAD SHETTY, WHOLETIME
DIRECTOR & GROUP COO**

**MR. KESAVAN VENUGOPALAN – GROUP CHIEF
FINANCIAL OFFICER**

MR. S. SRIDHAR – COMPANY SECRETARY

BOARD OF DIRECTORS:

MR. ARUN SETH – INDEPENDENT DIRECTOR

**MR. B. N. SUBRAMANYA – INDEPENDENT DIRECTOR
AND CHAIRMAN - AUDIT RISK & COMPLIANCE
COMMITTEE**

**MR. MUTHURAMAN BALASUBRAMANIAN –
INDEPENDENT DIRECTOR AND CHAIRMAN -
STAKEHOLDERS RELATIONSHIP COMMITTEE**

**MR. DINESH KRISHNASWAMY – INDEPENDENT
DIRECTOR AND CHAIRMAN - CSR COMMITTEE**

**DR. KIRAN MAZUMDAR SHAW – NON-EXECUTIVE
DIRECTOR**

**MR. MANOHAR DAYARAM CHATLANI – INDEPENDENT
DIRECTOR**

Moderator: Over to you, Chairman.

Dr. Devi Prasad Shetty: Good morning to everyone. Dear shareholders, it gives me immense pleasure to welcome you all to the 20th Annual General Meeting of your company, held through video conferencing facility.

Pursuant to the Articles of Association of the Company, as a Chairman of the Board of Directors, I am entitled to chair General Meeting of shareholders. Accordingly, I am chairing this 20th Annual General Meeting. We have requisite quorum to commence the meeting, and accordingly call this meeting to order.

I would now like to introduce your Board Members who have joined this meeting.

Mr. Arun Seth, Independent Director. He is joining from his residence in Delhi. He is the Chairman of Nomination and Remuneration Committee.

Mr. B. N. Subramanya, Independent Director. Joining from his residence in Bengaluru. He is the Chairman of Audit, Risk & Compliance Committee, and member of CSR Committee and Stakeholders Relationship Committee.

Mr. Muthuraman Balasubramanian, Independent Director. Joining from his residence in Bengaluru. He is the Chairman of Stakeholders Relationship Committee and a member of the Audit, Risk & Compliance Committee.

Mr. Dinesh Krishnaswamy, Independent Director. Joining from his residence in Bengaluru. He is the Chairman of CSR Committee and member of the Audit, Risk and Compliance Committee, and Nomination & Remuneration Committee.

Dr. Kiran Mazumdar Shaw, Non-Executive Director. Joining from her residence in Bengaluru. She is a member of Nomination & Remuneration Committee.

Ms. Nivruti Rai, Independent Director. Unfortunately, she is not able to attend the meeting today.

Mr. Manohar Dayaram Chatlani is an Independent Director. Joining us from his residence in Bengaluru.

Mr. Viren Prasad Shetty, Whole-Time Director and Group Chief Operating Officer. Joining from his residence in Bengaluru.

We have our Group CEO and Managing Director, Dr. Emmanuel Rupert; the Chief Financial Officer, Mr. Kesavan Venugopalan; and the Company Secretary, Mr. S. Sridhar joining us from our Corporate Office in Bengaluru.

I would also like to acknowledge the participation of the partner or authorized representative from our statutory auditors Deloitte Haskins & Sells, and the secretarial auditors, Ganapathi & Mohan, Company Secretaries.

I now request Mr. Sridhar, Company Secretary, to provide general information about the meeting for the benefit of the shareholders participating in this meeting.

S. Sridhar:

Thank you, Chairman. Dear shareholders, in compliance with the provisions of the Companies Act 2013, SEBI regulations, directions of the Ministry of Corporate affairs, and due to the health concerns and safety of shareholders arising from COVID-19 pandemic, this meeting is held through video conference facility.

I would like to state that all efforts feasible under the current circumstances have been made by the company to enable members to participate and vote on the items being considered in this meeting. The company has made available the facility for the shareholders to join the meeting through video conference on first come first serve basis. While live streaming of this meeting is also being done through the video conference facility provided by NSDL.

Pursuant to the directions of Ministry of Corporate Affairs, the Notice along with the Audited Financial Statements, Auditor's Report, Director's Report and other information required to be sent to the shareholders have been sent through email to the registered email IDs of the shareholders. For the convenience of the shareholders, SMS and WhatsApp messages have also been sent to the registered mobile numbers of the shareholders about the date and time of 20th AGM with a link to download the Annual Report and the Notice.

Since the meeting is conducted through virtual means, the option of appointing proxies is not allowed as per the circular of the Ministry of Corporate Affairs. Only the shareholders can attend the meeting. However, authorized representatives of corporate shareholders and institutional investors who have submitted the authorization resolution can attend and vote at the meeting. Shareholders who have not cast their vote during the remote e-voting window through the remote e-voting facility provided by NSDL can cast a vote during the meeting and up to 15 minutes after the conclusion of the meeting, by clicking on the e-voting button appearing on top of the PC screen. Shareholders who have already cast their vote through remote e-voting cannot vote again during the meeting, but can participate in this meeting.

Shareholders who have registered themselves to speak in the meeting would be enabled to speak after the Chairman announces the opening of the floor for shareholders to speak. The meeting moderator will facilitate the shareholder speakers to seamlessly join the meeting. And when your name is called out,

you are requested to unmute your video and audio. Shareholders can also post questions through the communicate tab provided at the top of the video conference screen anytime up to 12:15 pm. The registers and documents that are required to be made available during the meeting for inspection to the shareholders, under the Companies Act 2013 are available for electronic inspection. Shareholders who want to inspect can send email to the designated email id given in the Notice.

I now hand over back to the Chairman.

Dr. Devi Prasad Shetty: Dear shareholders, I spend half my day seeing patients and performing surgeries on children and adults with complex heart conditions. I love operating, and when I go to sleep at night, I dream about different ways to perform surgery safely. My professional life has been dedicated towards achieving excellence in cardiac surgery. And we have built this organization with the goal of delivering excellence across all clinical specialties. I am extremely fortunate to work with a dedicated group of individuals who share my mission of making world class healthcare, affordable to everyone.

I spend quite a bit of my time working with the government on programs that can improve the state of healthcare in this country. This is not directly related to your company, but I strongly believe that India's greatest strength is its people. If we train enough doctors, nurses and medical technicians, we can change the world. I know this is possible, because I have seen engineers from small towns across India build a software that powers mighty companies. I strongly believe that the economy of the 21st century will be driven by health sector. And I believe that healthcare is the industry that offers the most scope for children from small towns to build a better future for themselves.

COVID-19 has changed the world forever. The existing healthcare model was only beneficial to a small percentage of the world's population, and the rest of the world barely managed to survive on the remaining scraps. This pandemic has brought the deficiencies of global healthcare delivery to the forefront and exposed the soft underbelly of every country's healthcare delivery system. Some scientists are predicting that COVID like pandemics will keep repeating themselves. India has one of the most fragile healthcare systems and we will not be able to survive another pandemic. The time has come for us to work

with the government to build a healthcare system that is more robust, more equitable and financially viable. And these are my suggestions.

There is no reliable database of the number of doctors and nurses actively practicing in India. Out of the 10 lakh doctors registered with the Medical Council of India, 1 lakh doctors are actually practicing in the USA, 40,000 practice in the United Kingdom, and we have no idea how many of the rest are even alive or still practicing medicine. The National Medical Commission, must create an active database and use it as the basis for a strategic roadmap for health. India should become the world's largest producer of trained doctors, nurses and medical technicians. If we train 50 lakh healthcare workers from small towns across India, they will bring a minimum of \$100 billion of remittances every year. This money will transform the economy of poor states across India, just like what happened in Kerala. As a benefit, there will be more than enough doctors to run clinics, nursing homes and hospitals across the length and breadth of our country. With such a large domestic market, Indian companies will find it viable to manufacture all the medical equipment indigenously, and we will not be reliant on multinational companies to meet the requirements.

I am sorry to say that privatizing healthcare is not the solution for a country like India. No matter how much a private hospital reduces the treatment charges, they simply cannot treat a patient with no money in his pocket. Most government hospitals today are nearly empty because of a shortage of doctors. So patients end up in private hospitals and spend a lot of money on their treatment. This is the root cause of public unhappiness with public hospitals. Public hospitals can serve majority of the population if we make them vibrant, and self-sustaining. There are 740 district hospitals across the country and all of them can be upgraded to medical colleges with very little investment. This will ensure a steady supply of trained doctors, nurses and paramedics. Medical colleges in small towns can transform the rural economy because of the large number of students spending on local goods and services. If every medical college is allowed to double their intake, we can create an additional 50,000 doctors without spending on infrastructure. All these seats will be belonging to the government and should be given to students from backward parts of the country.

I am slightly going off the script. I would like to take this opportunity to thank our Prime Minister and the government for their pathbreaking reform in liberating higher medical education. On 6th of August, not long ago, government notification allowed any 100 bed hospital run by the government or the private to become a post graduate institution in training medical specialties. This will dramatically change the way healthcare is delivered. There are 740 district hospitals, few thousand taluka hospitals, few lakh primary health centers, all of them will be transformed beyond recognition in just four years. Which I thought will never happen in my life has happened today. And I would like to especially thank the Prime Minister and the government for making this dream a reality. Now I have no doubt that in our lifetime India will become the first country in the world to dissociate healthcare from affluents.

Nearly one-third of the causes of poverty in India can be traced back to catastrophic healthcare expenses. This causes needless suffering because it doesn't cost much to give everyone access to health insurance. The government should follow the example of Asian countries and make health insurance mandatory for all Indians. Currently, only 10% of the country has private health insurance and 40% of the country below the poverty line is entitled to PMJ. The other 50% should have access to a low cost health insurance with some premium paid by the government and some by their employer, and the rest from the monthly contributions.

The lockdowns necessitated by the COVID pandemic has caused severe economic stress across the world. It may take a long time for the Indian economy to fully recover and we should expect significant revenue pressure across all industries. The healthcare industry is best poised to recover from the Coronavirus induced recession but is not immune to after effects. These are the difficulties we expect to face this year. We expect that government schemes with shortage of funds will delay their payments to hospitals, which will add pressure on the working capital. Most patients will delay elective surgeries for as long as possible, and the ones who opt for surgery may not have enough cash on hand to pay for it. In anticipation of this, your company has undertaken multiple rounds of operational consolidation and cost cutting measures across every department to ensure that business remains viable. We also have an

analytics program to dynamically adjust the surgery package so that we try to match the patient's ability to pay.

Since COVID spread through contact, our hospitals are reducing the number of person to person touchpoints and investing in automation and paperless systems. Your company's software development team was able to respond rapidly to the changing environment and build a working telemedicine app in two weeks. This allowed our doctors to continue seeing patients remotely and most of them have told us they prefer to speak with the doctor online than in person. There is nothing more important to your company than the safety of our staff and patients. We created outdoors training clinics, have given PPE kits to all our medical workers, and are testing our staff and patients frequently to ensure that there are no outbreaks.

There was a worldwide shortage of health professionals long before the current pandemic. We have seen countries like UK, USA expedite the immigration process for foreign doctors to plug their manpower shortfall. Once international flight reopen, we should expect a large number of Indian doctors and nurses leaving the country to take up jobs abroad. All our large hospitals offer postgraduate diploma programs for specialists so that they do not face a sudden shortage of manpower. Your company also facilitates training and upskilling programs for physicians, nurses and paramedics as part of a diploma, graduate and postgraduate programs in nursing, physiotherapy and allied sciences offered by Narayana Hrudayalaya Foundation, Rajiv Gandhi University of Health Sciences, National Board of Examination and others under affiliation with the Indian Nursing Council, State Nursing Council and the Paramedical Council.

Your company was founded during the 2000 dot com bust. Expanded across the country during the 2008 recession and began consolidating operations well before the 2019 slowdown. We have been prepared for difficult financial conditions from the very beginning and would like to assure you that we are doing everything possible to come out of this current challenge stronger than before.

Thank you and please stay safe. I now request Dr. Rupert and team to address the shareholders.

Dr. Emmanuel Rupert: Thank you, sir. Good morning and a warm welcome to all our esteemed shareholders. It's a matter of privilege for me to present a brief performance update of your company for the year gone by. We come into this meeting amidst the global COVID crises. Few states in India have borne the brunt so far, and the government, public and private healthcare are taking extreme measures to respond effectively. Lockdown restrictions implemented across the globe have impacted various sectors, and the healthcare industry is no exception. Despite these challenges, we have closed the year with impressive financial and operational performance.

Can we go to Slide #2. This is a snapshot of the Narayana Hrudayalaya's footprint. We have 20 owned or operated hospitals across the country, one managed hospital in Bellary, six heart centers and one health city campus in the Cayman Islands. This translates to 6,500 plus capacity beds and almost around 6,000 operational beds. We have more than 30 specialties providing clinical services. And we have 17,000 plus employees and professionals delivering the clinical services across all the centers.

Slide #three please. The income from operations for the FY 2020 was Rs. 31,278 million against Rs. 16,138 million in the FY 2016. This translates to a CAGR since listing in 2016 of 18%.

Slide #4 shows the profile of the patients that come to our hospitals. The cardiac sciences and the renal sciences constitute predominantly the patient base for us for a long time. But the percentage of revenue coming from branches other than cardiac and renal sciences have increased from 42% in 2016 to 50% in 2020. Likewise, the percentage of revenue from northern and western regions have increased from 16% in 2016 to 23% in 2020.

Slide #5 please. The net profit for the FY 2020 stood at Rs. 1,237 million, as against Rs. 200 million in FY 2016. This translated to a CAGR since listing in 2016 of 44%.

Slide #6, the impact of COVID-19 on our financials and operations for FY 2020, as against 11.9% year-on-year growth on consolidated basis for the period of 11 months ended February 2020, the year-on-year revenue growth for the period of 12 months ended March 2020 was 9.3%. And similarly, as

against 45.9% of year-on-year EBITDA for the period of 11 months ended February 2020, the year-on-year EBITDA for the period of 12 months was 33.3%.

Slide #7 please. COVID-19 impacted the recovery and mitigation. We have gone through many phases of lockdowns and we are in multiple phases of unlocking. And this has severely impacted our patients from coming into our system because of all the problems. But with the easing of the lockdown restrictions with inter-district and inter-state movements becoming more feasible now, we are gradually seeing patients coming back to our hospitals. We have prepared ourselves for treating both COVID positive patients as well as those who do not have COVID by infrastructurally increasing the scope of COVID testing, and we had to go through many accreditations and the ICMR approvals for all our centers. We got all of that done. And we also infrastructurally created a segregation of space for the non-COVID patients as well as for the COVID patients, and also segregation of staff so that there is no intermingling and patients getting COVID from the healthcare facility. And this was done through routine monitoring and a lot of training of our staffs in how to handle these various situations.

Like Dr. Shetty has been mentioning in his speech, we resorted to online video consults, and contactless OPD to reduce the overcrowding and to maintain safe social distancing, whenever the patient came into the outpatient clinics. We were able to put out the video consultation app within a very short period of time. And this constitutes one of the important way of reaching out to our patients. And also, a lot of patients from areas which generally we do not get too many are wary of influence, where they have been reaching out to a lot of our consultants in various specialties to take an advice for various illnesses.

Slide #8. We have a total of 17,000 plus employees and professionals in the organization and they are all predominantly healthcare workers. But we also have a lot of talented administrators and in the research areas lot of scientists. And the HR has put together a program of talent acquisition and retention. We have online system for training and development, and a very robust employee engagement.

Slide #9. Patient-centric care is the cornerstone and hallmark of the care provided at Narayana Hrudayalaya. We are creating and evolving our culture of safety with ongoing leadership environments for our patients. And we want Narayana Hrudayalaya to be the safest place for our patients seeking healthcare delivery. And we have been concentrating a lot on the training and awareness and we have a very robust online system of adverse event reporting. Once this anonymous and confidential reporting has taken place, we have an escalation to the next level of the functional heads for the root cause analysis. And we have a central team to enable the learning from different units to populate down to all our units across the entire network. We have also been doing the online patient feedback and feedback from a centralized call center on basis of the USA's HCAHPS survey, where we will be able to know exactly which area of the clinical or non-clinical areas which have the issues and we are able to look into those operational issues. We also have a robust audit system for medical records and handle environment in the entire network of hospitals.

Slide #10. The focus for FY 2021 and beyond, as far as healthcare services is concerned, the focus has been on tertiary and quaternary care. And we have a strong clinical engagement programs with Group level collegiums. We have the onco collegiums and are in the process of setting up collegiums for high-end tertiary, quaternary cardiac care and transplantations. The expansion focus has been mainly on the existing hospitals to add capacities in existing hospitals and expand scope at key locations. As far as the digital services is concerned, the focus has been to migrate from the old hospital management system to our in-house built ATHMA Hospital Management System. We will completely rollout in all our Indian units within the next two months. And we are also looking at ATHMA as a SaaS model and we have a go-to-market plan as well. The advance analytical and the AI team of our organization has built a strong business intelligence platform called Medha, and we have sourced external clients for this platform. And we are also building more AI capabilities in the system.

And in addition to the online video consultation and contactless OPD experience, which Dr. Shetty had mentioned about, we also have started the NH Expert Opinion, which is an advanced form of second opinion, where a group of clinicians across the network gather together for very complicated

clinical scenarios to give the best possible advice to patients. This has been appreciated a lot and we want to expand it into multiple other clinical areas as well. And we are in the process of looking into developing our NH patient app and deploying it for the patients. And the patients will be connected to our hospital in a true way. And will be able to reach out to doctors and make many other operational things applicable to them through this app, they can do it at a click of a button.

Next, Slide #11. The CSR engagement with the community, we have been doing in the program HOPE, we have been screening a lot of people in the community for cancer and non-communicable diseases. We worked with the government schools in Rajasthan project, which is iron fortification and supplementation. We have seen that there are a lot of baseline anemia in school children, especially in school girls, and with this program we have seen there is a significant reduction in anemia, and we have seen a sustained hemoglobin levels in all these children who have taken this iron fortification and supplementation who participated in these events. We have also been through the program called Udaan and CHAMPS, enabling scholarships for the rural children to enable them to pursue a career in medicine. Care Companion Program is a program of enabling and empowering patient's relatives to be the caregivers once they are discharged from the hospital. And so far, since the inception of the program, we have trained more than 1.6 lakh caregivers in this very unique program.

Slide #12, please. I thank our esteemed shareholders and the entire NH family of doctors, nurses, technicians, administrators who have reposed their faith in our journey. I thank you once again, for patient hearing.

Dr. Devi Prasad Shetty: Dear shareholders, the Notice along with the Financial Statements, Director's Report and Auditor's Report having been already sent to the shareholders, I shall take the same as read with your permission. Since there is no adverse remarks, qualification or observation in the Auditor's Report and the Secretarial Auditor's Report, it does not call for reading the said reports. I would now like to take up the formal business of the meeting proposed in the Notice.

The first item of the ordinary business is the adoption of the Audited Standalone and Consolidated Financial Statements for the year ended 31st March, 2020, along with the Director's Report and Auditor's Report thereon.

The second item of the ordinary business is to confirm the interim dividend of Rs. 1 per share, declared and paid for the financial year 2019-2020 as the final dividend for the said year. Considering the impact of COVID-19 pandemic on the revenue and cash flows of the company, the Board did not recommend a final dividend for the year with a view to conserve funds.

The third item of the ordinary business is to appoint a director in place of Dr. Kiran Mazumdar Shaw, who retires by rotation at this meeting, and being eligible offers herself for reappointment. We have received requisite consent and declarations from Dr. Kiran Mazumdar Shaw for reappointment. I take this opportunity to express my thanks and gratitude to Dr. Kiran Mazumdar Shaw for the valuable guidance and assistance provided to the Board over the years that has contributed to the strategic directions of the company.

There are two items of special business which are unavoidable, hence have been considered in this meeting. They are the fourth and fifth items of the Notice. The fourth item being a special business requiring consent through ordinary resolution for ratification of remuneration payable to the cost auditors, PSV & Associates for the financial year 2020- 2021 as proposed in the Notice.

The fifth and the last item in the agenda is a special business requiring consent through special resolution seeking approval of shareholders to issue debt securities up to an amount of Rs. 200 crores as proposed in the Notice. The shareholders may note that there is no voting by show of hands as e-voting facility has been provided.

I now request the shareholders who have registered to speak at the meeting to address the meeting.

S. Sridhar:

Thank you, Chairman. Dear shareholders, thank you for taking time and registering for speaking at the meeting. The moderator will facilitate the shareholder speakers to seamlessly join and speak. You are requested to state your name, folio number, or DPID and client ID, and the place from where you

are joining the meeting, and then proceed to speak. I now request the moderator to please connect the shareholders. Thank you.

Moderator: Thank you so much, sir. I request everyone to please be connected while I allow the speaker shareholders to come online. We have the first question from Mr. Rajat Sethia. Mr. Rajat, you may go ahead with your question, please.

Rajat Sethia: Thanks. So, my DPID is IN300213. And my client ID is 15928691. And I am calling from Delhi. So thanks for the opportunity once again, I will just go ahead with my questions. The first question is around the three hospitals where we have license to do heart transplant and the four hospitals where we are licensed to do the liver transplant. Just wanted to check, are we looking to increase the number of licensed hospitals where we can do the transplant surgeries? And what does it take to get the hospitals licensed, I mean, in terms of the approval timelines for compliance requirements, etc.? This was my first question.

And the second question is, what is the estimated impact of doctors' shortage in the COVID time on our business? We mentioned in our Annual Report that we expect a lot of doctors to fly to overseas opportunities. So what would be the impact of our business because of that reason?

The other question I have is, the three new units in NCR and Mumbai, in terms of margins do they have the potential to reach closer to our flagship units at some point of time in future? That's one. And related to Gurugram unit, in terms of the location of a unit do you think the location just may be worked around or it can become a hindrance to achieve the full potential at the Gurugram unit?

And the other question I have is around debt repayment plans of the company. I understand today it is a difficult time at the moment in terms of cash flows, but going forward when the situation improves and we come back to normal levels. But are there any plans for debt repayment given there are not much of CAPEX plans at the moment?

And just next question is about the cost structure, just to understand a bit about our cost structure. So, if we look at what happened in quarter one, our other overhead costs were down by Rs. 44 crores, which was a big number. And

similarly, doctors' cost and employees cost were down by about Rs. 54 crores and Rs. 8 crores respectively, and other I must say (Inaudible). So what led to the decline in the cost? Because my understanding was that a lot of costs are fixed in nature and it is difficult to reduce them in such times. So, what really led to that? And how much of those cost reduction is actually sustainable?

Also, final question around the talent that we hire across all our hospital chains. So some of the channel checks suggested that in terms of salaries we are not really pay masters in the industry and that may lead to some of the good talent not coming to us. So, just would like to understand what is management's view on this? And if this thing is true then have we taken any steps to change this or anything has been done on this? Thank you so much.

Moderator: Thank you so much. We have the next question from Sadanand Shastri. You may go ahead, please.

Sadanand Shastri: Good morning, sir. I am Sadanand Shastri from Bangalore. My number is 1170-2201. Sir, I can identify very much because you are on your own uniform, not on civil suit. Sir, first of all, to be frank with you, this video conference is fit for nothing, neither we can approach you nor you can reach us, even online report is also very difficult to refer and digest, physical meeting is the only solution, sir.

Sir, during this April, May COVID period, your advice of giving courage and encouragement and confidence to the public is very much appreciated. Prime Minister was very happy about your following the principles of clapping, lighting the lamp and ringing the bell. People also were very happy, enthusiastically participating to take courage on your advice. Sir, in this, I wrote a two, three lines and sent it to our Prime Minister, and I got an appreciation and acknowledgement from him. For your information, I will read one line, sir (recited a few lines from his Kannada poem).

Sir, unfortunately, we have no connection individually to enjoy and to share these joys also. But anyway, the image of the company grew up one or two inches, for that I am proud of you. Sir, coming to report. Overall performance of the company is very good, I appreciate that. Sir, in page #7, while saying I-

Care, A stands for accountability to shareholders, very fine beautiful line sir and principled also. But it should be carried out by everyone and anyone.

Sir, in your message you have talked about the shortage of doctors and healthcare units. Umpteen medical college are producing more number of doctors, but to fail to retain them even before getting degree certificate, they will board the flights. Sir, of course, such a condition is in our country. Our NH, that is Narayana Hrudayalaya, company can make little efforts to bring them back. Why can't NH, Narayana Hrudayalaya, make a national highway, NH to them to come back?

Sir, really it is heartwarming and paining, astonishing to note that when Vaidyo Narayano Hari Hi has been transformed to doctors becoming devils in this COVID treatment, it is very much unfortunate. Sir, also there is a potentiality but there is a paucity of proper practice, and failure in employee implementation. Sir, your micro health insurance slipped into the government hands, no proper maintenance and corrupt officials made it futile. Why can't the company start its own health insurance to serve people and also pharmacies like Apollo and MetLife, etc., etc.? If you starts medical insurance, I will be the first person to be insured, sir.

Sir, company has 11 subsidiaries and 2 associates. Many of the subsidiaries are yet to commence. But India based are running loss, especially NH Surgical is under heavy loss. One happy thing is, except Bangladesh, the other foreign based are satisfactorily running, but how you can control these losses? Sir, what is the level of our participation in associates also?

Sir, page number 66, CSR. The company absolutely has adhered to the norms. But my request is, the servicing persons, NGOs, whoever comes for help, respect them. It does not matter if the company don't extend any help, all will not be bogus people. Sir, I am a media person, freelancer press reporter, and a worker at all-India level. These people are coming and approaching me for help, I may refer the company, one or two, but approve disposal on merit, sir.

Sir, page number 142, write-off. It is said that financial assets that are written-off could still be subject to enforcement. Has the company enforced any cases and what is the result?

Coming to the balance sheet. Sir, in investments, your most investments are on your subsidiaries which are running under loss. So quite natural, impairment and allowances will start on a year-to-year, so how do you manage it, sir? In trade receivables, most of the receivables are unsecured, what strategy company can take to make it free from becoming doubtful? Borrowings, company's borrowings reduced to maximum extent, but finance cost is very high, what is the reason, sir? In other expenses, patient's welfare expenses, I think, 450 million whether it is for poor class or general class, how do you spend it, sir?

In advertisement and business promotions, that are similar and one and the same, but why it is bifurcated, that I want to know. Lastly, I don't want to say goodbye, I want to say good luck. See you next year in Saisadan only for physical fight. Thank you very much, sir. Thank you very much.

Moderator: Thank you so much. This was the last question. I hand it over now to Mr. Sridhar.

S. Sridhar: Thank you. Dear shareholders, thank you for your comments and questions. We are now playing a small video on our subsidiary, Health City Cayman Islands Limited. We will try to answer all your questions after this video. Please continue to stay with us.

(Audio-Video Presentation)

Dear shareholders, thank you for your queries. We will try to respond to all the questions raised by the shareholders. However, the shareholders can write to the company on the designated investor email id if you have any further questions, and we will respond to your email. I now request Dr. Rupert to answer the queries of the shareholders.

Dr. Emmanuel Rupert: Thank you, Sridhar. And thank you to all the shareholders for posting their questions. Regarding the question around transplant licenses raised by Mr. Rajat. The three heart transplant and four liver transplants, in the meanwhile we got one more center accredited for the heart transplant and three more centers are waiting for the transplant licenses for the liver transplant is concerned. Generally from the time of application it takes anywhere up to 12 to 18 months for the accreditation to come because of the various processes of

the inspection of the infrastructure, the credentialing and the proper training of the medical personnel. The accrediting team will come, visit and then generally they take up a period of up to 12 months to get the accreditation licensing going. But we have seen a little bit of a undue delay because of the COVID situation. And some states are generally a little slow and we get them in 18 months' time. But the most important thing is to have the right clinical personnel and the right infrastructure. And once we set that up, we are in a position to generally be able to get it within a 12 month period.

Regarding the question on the doctor cost coming down. Yes, usually they are moreover fixed in nature, but in the last one and half years to two years we have been gradually changing to more of a hybrid kind of a model where we have a smaller retainer and a larger variable structure. So, whatever impact you have been seeing is in relation to that. And this is in no way related to difficulty in retaining the doctor or acquiring a doctor. We are able to attract the best of the talent across the centers. This is one of the questions which was raised about the talent shortage and acquiring the talent for a lot of our facilities. Talent acquisition in most of the metro cities is never a problem, we have enough of talented young people available for coming and working and having being associated with us. As far as even the Tier 2 cities being mostly situated in the major cities and the capital of the respective states, we generally have been able to attract talent. And Narayana Hrudayalaya is known for the higher patient volume base and also associated with a strong academic program. So we do have a very good number of people who are coming to us because of these two very important reasons for them, because the large volume base, the patient base as well as the academic environment that is there in almost all our units.

I request Mr. Viren to take up further questions.

Viren Prasad Shetty: Sure. For the questions that were asked both on the video conference as well as on the online messaging. The first question, the location of our hospital in Gurugram, now this hospital is, for those who are familiar with the NCR region, it is located right behind the Ambience Mall. It is one of the first hospitals that you will encounter when you get out from the Delhi Airport. And a hospital is a bit on the smaller size and is targeted more as a hospital that is geared towards medical tourism, as well as the local patients available within

the Gurugram hospital. We don't see the location as a disadvantage, given its proximity to the airport and its convenient location. We see this as a great opportunity for us to target the medical tourism patients, but it is definitely constrained in size compared to the much larger hospitals which are Vedanta, Fortis and other hospitals. But it is not our aspiration that this be a massive hospital on its own. At some point in the future, if it does scale up, we will start to acquire more land and build a much larger hospital there.

There was a question that was asked on the performance of our three new hospitals, two of which are in NCR, one in Mumbai, and whether they will achieve the same margin structure as the flagship hospitals. This is a really apples to oranges comparison because these hospitals which are old and legacy hospitals have been built over 20 years. They are built on the outskirts of the city on huge parcels of land, they are built as training and research centers. And each of them are upwards of 1,000 beds plus, the flagship hospitals. Whereas the up and coming hospitals, the SRCC Hospital has a potential to eventually reach 700 beds, but it is constrained because of the location and being in the heart of South Mumbai, as well as focusing only on one specialty, which is children, which generally tends to be very high in realization but very low on margin. Now with scale, we do believe eventually that this place will distinguish itself as one of the leading centers for pediatric surgeries in the home country, if not this part of the world. But in the short-term, at least, we don't expect that the margin in the Mumbai hospital will reach that of our flagship units.

The Delhi hospital, we have two of them. One is the Dharamshila Cancer Hospital, which is a multi-specialty hospital. This hospital has been has the best chance of achieving the eventual flagship revenue, but it will take a very long time, simply because it is less than 300 beds, whereas the hospitals we are comparing them against are 1,000 beds. The other thing that is happening is that the need for this rapid expansion beds is decreasing with them, as we focus more on oncology as we are doing more and more procedural oriented surgeries that are daycare in nature, and it is reducing the bed occupancies in a lot of these hospitals. So, we will definitely be coming close to achieving that, but it takes time for the clinical excellence to achieve that level. The Gurugram hospital could achieve that as well on a much lower bed base, purely because

of the higher realization. But like we said, it does take time, we are comparing hospitals which are less than three years old to hospitals that are 20 years old. It's like comparing a brand new batsman who's starting to play cricket for the first time versus a Sachin Tendulkar at the peak of his game. It will just take time for them to achieve that level of excellence.

The questions were asked about the NH Surgical subsidiary and why that is a loss making subsidiary. This is primarily because NHHPL is a company that is represented by Dharamshila Hospital. So it being a brand new hospital, we expect the first three to four years of losses. And post that, these hospitals will breakeven. And the performance of Dharamshila prior to the COVID pandemic was that on a month-to-month basis it had almost reached the EBITDA breakeven. Now the performance did get a hit because of the lockdowns necessitated by the pandemic, but we are starting to see as the mobility starts to increase, and as and when the patients are able to move more freely, the numbers in Dharamshila are going up and we expect a very strong recovery for that hospital.

The other question is on the COVID effect on hospitals. Now, are we taking COVID patients? Yes, nearly all our hospital are taking COVID patients, some of our hospitals have been completely dedicated to taking COVID patients. This is not a very lucrative business in the sense that we do this out of a sense of societal obligation. We are not expected to make money out of COVID, we don't charge patient very massive rates, what you may be reading in the media. For us, this is our obligation to the society. Our primary objective is to treat patients for the purposes that our hospitals were built, which is cardiac care, cancer care, orthopedics, nephrology, neurology. And so what happens in the course of doing a normal business, it so happens that a lot of patients are detected to be positive and we have to treat them as the course of doing business. Now, as long as there is no vaccine available, as long as these cases continue to rise, we will be treating a significant number of COVID patients in the beds that we have. But our hope is that we can slowly start to normalize operations by getting back towards doing more elective cases.

What are they sort of three to five year horizon? How are we seeing the future in the next three to five years? Definitely this COVID is not going to last three years, it may last one year at max, and either there is a vaccine or this thing as

a self-limiting disease will eventually burn itself out. And things will slowly start to get back to normal post that. The three year horizon is very confident what we feel because there is a huge amount of demand that exists for healthcare services across the country, as well as what's happened because of this people realizing the need for getting treated at very high quality centers. We are seeing, unfortunately, a lot of side effects from this that a lot of small nursing homes, single specialty hospitals or individual proprietary run hospitals are struggling to manage in this time. Whereas hospitals which are better structured and which have much better protocol for dealing with infection are becoming preferred. It is definitely more expensive to get treated in a tertiary care hospital, but we are the ones that are best prepared to deal against all eventualities. So, we are pretty confident in the three to five years scenario, that things will be a lot better than what they are now. We are not able to do give the three to five years' targets, given that this is just a very difficult thing to predict for us given the uneven nature. But it's definitely more than what it is today.

A question that Mr. Shastri asked about, whether NH will get into the insurance business? Insurance is a very regulated industry at the moment. We have definitely seen this huge gap that exists in the market, as Dr. Shetty mentioned earlier, nearly 50% of the country goes without insurance, and is the number one cause, health expenses is a number one cause of bankruptcies in families, especially those that are at the poverty level. We definitely believe insurance is one of the rare financial innovations which has the ability to prevent people going under catastrophic losses. And this is something we will actively look at, we are trying to work in a system that takes a lot of the patients that we have and enroll them in long-term care plans, which is, people who have diabetes, people who have chronic conditions such as heart failure, lung failure, liver failure, we want to be able to manage those conditions on a three, six, one year or even five year basis. This is really not insurance, but some way that hospitals can start being proactive about taking care of patients rather than waiting for you to fall sick and then we start to treat you.

I will pass on mic Mr. Kesavan, our CFO.

Kesavan Venugopalan: Good afternoon. With regard to the debt repayment plans and the CAPEX, I would just like to highlight the year ended 31st March our debt-to-equity was

0.6x and our debt-to-EBITDA was only 1.76x. So considering these two numbers, these demonstrate a very, very healthy leverage position in the company and this also reflects about how cautious we are being about the borrowings. So, the loans have been taken considering the unit profitability and performance and cash flow. Any CapEx expenditures are subject to very rigorous mechanism of evaluation for both patient centric initiatives and viability of the project. The working capital, if you take, we have been on a improvement trend for the last couple of years and will strive to improve further. If you see the last couple of years, we have improved quite considerably, despite the increase in the business.

The COVID-19 is a challenge in terms of the cash flows. We are still building up on the sort of advantage in the leverage what we have done over the years. And we are taking further steps to optimize both in terms of the operational expenditure as well as the CapEx, and the working capital. So, with regard to expansion CapEx, I think at this moment we are cautious about expansions and acquisitions. I think we will do a little bit of a wait and watch in terms of the current scenario.

With regard to the financial assets being enforced on query from Mr. Sadanand Shastri. I think, any provisions, any write-offs what we make are on the best assessment basis for whether those assets will realize, not realize, all probable to realize. So, I think it is a statement which means to say that despite being written-off partially or fully, we always have the right or we always have the ability to enforce despite being provided or written-off, I think it is more about that.

With regards to how the doubtful debts can be minimized. I think it is a continuing effort on an ongoing basis. I think if you see over a five to six-year period, you could see a trend in terms of how we have reduced the provision for doubtful debts year-on-year. So, as we enter the significant part of the doubtful debt provision that we make, is on account of realizability from the government agencies. It is nevertheless to say that there are certain sort of improvements what we need to make about our billing system. But the substantial part comes from the government outstandings which we constantly strive to improve our processes to keep in line with the government process

and avoid or minimize the provisions for doubtful debt. So, it is a continuous ongoing effort.

With regard to the finance cost being high. I think if you would have seen our annual report, we have mentioned that IndAS 116 which prescribes about how to treat the leasing and other associated lending treatment with regard to interest and depreciation, Rs. 186 million has been accounted in the consolidated profit and loss as interest out of the lease rent what we would have otherwise paid. So you could see a reduction in expenditure of rent, which has got possibly reclassified as interest based on the accounting standard. So, per say, in comparison with the last year, on a cash flow basis, interest is in line with what was spent last year. So, I think I would like to state here that we enjoy a very, very significantly creditable rating from the rating agency for our leverage. And similarly, we have a, I would say, very good mechanisms, improved mechanisms to take care and to monitor the interest rates and how negotiations can better make our interest rates being lower.

So with regard to patient welfare expense, patient welfare expense terminology is generally used for all food expenses that are being provided as a part of the patient's stay in the hospital, so it has nothing to differentiate between poor and affordable, it is for all patients who get admitted in our hospital on an inpatient basis. With regard to the segregation of advertisement, publicity and promotion, I think advertisement as we understand is a very explicit, demonstrable advertisement for the company in the form of either hoardings or in the form of software mediums or electronic media, whereas the publicity and the promotion is more about nudging the public to understand about whenever offerings we have, how it will be beneficial to the patients and emphasizing more upon those. So, there is a difference between the two methods of advertisements and hence they are classified appropriately.

And with regard to one of the queries on attrition, our average attrition has been 42% for FY 2020 amongst all class of employees. And with regard to nurses, it is around 58% as a category. There is one more query on the donation paid of Rs. 10 lakhs which is appearing in both standalone and consolidated. It is amount which is being paid to association of hospital providers in India to take care of the initiatives with regard to the healthcare sector.

With that I have covered all, and if you feel anything is not covered, you can always write to us, we will be very happy to respond. Request the Chairman to please proceed.

Dr. Devi Prasad Shetty: Dear shareholders, hope we have answered all your questions. You can email us for any further queries. The Board has appointed Mr. Sudhindra K S practicing Company Secretary as the scrutinizer for a fair and independent scrutiny of the votes cast through remote e-voting, and voting at the AGM. The scrutinizer shall submit his report as soon as possible, after the close of the voting, and voting results will be declared and published on or before 2nd of September, 2020.

I hereby authorize the Company Secretary, Mr. Sridhar, to declare the voting results and be placed on the website of the company. With this, we have completed all the business of this 20th Annual General Body Meeting. With that, I conclude the 20th Annual General Meeting of your company. And I thank the shareholders for your active participation. I wish you all a safe and healthy life. And see you next year. Thank you once again.