Max Healthcare India
Update Conference Call
January 04, 2019

Moderator Ladies and gentlemen, good day and welcome to Conference Call to discuss Radiant Life Care and KKR acquisition of majority stake in Max Healthcare through merger. As a reminder, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. I would now like to hand the conference over to Mr. Mohit Talwar – Managing Director of Max India. Thank you and over to you, Mr. Talwar.

Mohit Talwar Thank you. Good afternoon, ladies & gentlemen. I want to also wish you all a very-very Happy New Year. I welcome you to Max India's Investor Call on the recent announcement that we made last week. We have gathered here today to discuss Radiant Life Care and KKR's acquisition of majority stake in Max Healthcare, through the merger.

On the call we have with us senior management from Max India, Max Healthcare and Radiant. So, let me introduce Mr. Abhay Soi, he is Chairman and Managing Director of Radiant. We have Mr. Rajit Mehta – CEO, MD and Director of Max Healthcare; Mr. Yogesh Sareen – Director and CFO of Max Healthcare; Mr. Dilip Bidani – CFO of Radiant. And we have Jatin Khanna, who is CFO of Max India.

We are excited to announce the merger of two large healthcare businesses in this changing environment. We believe the merger would create significant value for all stakeholders, given the complementary strengths of both parties.

As many of you would have already going through our press release, and the subsequent analyst presentation, the proposed transaction is a two-step process. While the first step involves Radiant's acquisition of Life Healthcare's 49.7% stake in Max Healthcare at INR 80 per share. The second step is a composite scheme that involves the following steps:

1) Demerger of the non-healthcare business of Max India Limited, which will get listed separately and have a mirrored shareholding.
2) Demerger of the healthcare business of Radiant, including its investment in Max Healthcare into MHIL.
3) Reverse merger of residual Max India Limited into Max Healthcare.
4) KKR's acquisition of a 4.99% stake in the merged entity from existing Max promoters at INR 80 per share.

On the swap ratio: The shareholders of Max India Limited will receive 1 equity share of Rs. 10 each of the new-co for every 5 equity shares of Max India Limited of Rs. 2 each. Radiant shareholders will receive 9074 shares of Max Healthcare of

Rs. 10 each for every 10 shares of Radiant, based on the share entitlement ratio. Max India Limited shareholders will receive 99 shares of Max Healthcare of Rs. 10 each for every 100 shares of Rs. 2 each held in Max India Limited, based on the share swap ratio.

Depending on the regulatory process, the composite scheme is expected to be completed in the next 10 to 12 months. Combined entity will be promoted by Mr. Abhay Soi, and co-promoted by KKR. Max India's current promoters will subsequently step down through the process of being de-classified as promoters after completion of the merger. The merged entity will continue to use the current brand name of Max Healthcare.

We believe consolidation of the healthcare of Radiant with Max Healthcare in a single listed entity can create significant value for all stakeholders. What are these? These will be one of the top three hospital chains in India by revenue. They are attractively positioned in two of the largest urban healthcare markets, well recognized local brands, promoter lead strong leadership team, balanced vintage mix of hospitals, significant potential to extract cost savings, realized synergies and improve margins, elimination of holding company discount for Max India shareholders; and lastly, it provides a strong platform to consolidate through acquisitions of attractive healthcare assets.

Let me talk a little bit about Radiant. We would like to take this opportunity to provide more details on Radiant, part of which have been discussed in few slides of investor presentation. Radiant, promoted by Mr. Abhay Soi, provides high-end quaternary care. Presently, Radiant has two iconic facilities in its portfolio, namely BLK Super Specialty Hospital in Delhi; and Nanavati Super Specialty Hospital, Mumbai. Radiant forayed into healthcare in 2010 with the redevelopment and commissioning of BL Kapoor, a 650 bed hospital, one of the largest private sector hospitals in Delhi, NCR. Besides this flagship hospital, Radiant collaborated with the Nanavati Hospital Trust in 2014 to take over operations of Nanavati, a 350 bed multi-specialty hospital in Vile Parle, West, Mumbai. Over the next four years Radiant plans to transform Nanavati into an 800 bed state-of-the-art quaternary care institute, and expand BL Kapoor by another 200 beds.

Radiant is backed by KKR, a leading global investment firm which has a strong track record of investing in healthcare assets globally. Radiant has demonstrated a track record of turning around BL Kapoor Hospital in Delhi, and is in the process of replicating the same at Nanavati Hospital in Mumbai. Radiant is well recognized for its safe and ethical medical practices, and has a good presence across clinical specialties, something which brought us closer from Max's Ethos perspective.

About Max, you already know most of our story, and hence we are not delving into much about us. However, during the course of the discussion if there is anything that you would like us to address please feel free to point out.

With this we are happy to open the floor for question-and-answers. Thank you.

Moderator Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Manoj Bahety from Omni Science Capital. Please go ahead.

Manoj Bahety So, I have three questions. First of all, can you share details of own versus managed beds for Radiant?

Abhay Soi Radiant's 100% of the beds are managed beds.

Manoj Bahety And what happens in case of expansion? Like you mentioned that Nanavati as well as BLK, both beds will be expanded. So the owner will expand and we will continue to manage?

Abhay Soi The way it happens is, our mandate is to redevelop and manage both of the properties. So the onus of expansion is on to Radiant, that means we will be arranging the financing against the land and property of the two hospitals, both are approximately 4.5 to 5 acres of land in Delhi and Mumbai respectively. And this expansion will be done at the trust, we will be overseeing and managing the entire expansion. However, the ownership of the asset remains with the trust.

Manoj Bahety And what is the duration of this management contract, like, how long will you continue to manage the beds?

Abhay Soi Delhi, at BLK it is for 45 years and in Mumbai it is for a period of 29 years, but it is rotatable at the end of 29 years. But any point of time when it is not rotated then the trust will be paying us fair market value of the business on a going concern basis.

Manoj Bahety My second question is from your slide number 5 of deck, in case of Radiant Life Care you mentioned that there will be Rs. 240 crore of additional debt in the near-term and that debt is towards Life Healthcare's acquisition. But I believe this Life Care's acquisition is completely funded by KKR, so why this Rs. 240 crore of additional debt which is being mentioned…

Abhay Soi It is not entirely funded by KKR, KKR has funded Radiant, Radiant will be raising additional Rs. 240 crore of debt and use these funds to acquire Life Healthcare.

Manoj Bahety But KKR I believe that it is almost funding Rs. 2,200 crore kind of money to Radiant, I think that will be sufficient to acquire that or it will require more?

Jatin Khanna The gap is because there is a Rs. 300 crore which is coming into Max Healthcare, as in some sense a shareholder loan, which then will get cancelled as the merger happens to sort of give boost to the liquidity of Max Healthcare.

Manoj Bahety So you are saying that from KKR Rs. 300 crore is coming to Max Healthcare and balance to Radiant, is my understanding right?

Jatin Khanna So the split is that of the Rs. 2,200 crore, Rs. 300 crore being invested as equity by KKR, Rs. 300 crore will be extended as shareholder loan to Max Healthcare. So therefore that leaves Rs. 1,900 crore for acquisition. However, they need to pay Rs. 2,136 crore of the acquisition, and therefore they will have to borrow another Rs. 240 crore to complete the acquisition.

Manoj Bahety So this Rs. 300 crore is towards what, for shareholders loan, right?

Jatin Khanna It is a shareholder loan being given to Max Healthcare because as part of this overall transaction we had requested for some funds from Max Healthcare also to improve the liquidity position of the balance sheet of Max Healthcare.

Abhay Soi So, essentially you can look at Rs. 240 crore being borrowed by Radiant for giving further loan to Max Healthcare.

Manoj Bahety So, once Max Healthcare gets merged into Radiant this money comes back, right?

Jatin Khanna This money gets squared off.

Manoj Bahety And my last question, if I see the transaction, promoter of Max India is getting an option to tender his shares, 4.99%, that is almost 40% of his stake for cash. Is this option available to other minority shareholders or only to the promoters of the company?

Mohit Talwar No, this is an interse arrangement between two shareholders which is KKR and promoter of Max. As you will see, this is a transaction which is subject to regulatory approvals and it is being proposed at the same price as what the merger transaction is.

Jatin Khanna If I may just add, the merger transaction is between Radiant and Max Healthcare. This transaction is outside of Radiant and Max Healthcare wherein two shareholders, one from Max India and the other from Radiant, which is KKR and Mr. Singh, they are transacting between them for 4.99%. So, this has got nothing to do with the merger per say.

Manoj Bahety So, minority shareholders do not have this cash-out option, right? It is the transaction between two parties independent of this transaction, right?

Mohit Talwar Correct, and is subject to regulatory approval.

Moderator Thank you. We have the next question from the line of Rushabh Shah from Sameeksha Capital. Please go ahead.

Rushabh Shah Sir, you gave explanation on the synergies that are possible between the combined entity, but then looking at the latest numbers of Max Healthcare they were on track of turnaround and targeting 13%, 15% margins in the near-term, as well as Radiant in their hospitals of BLK are in the same range. So what kind of additional value addition will Radiant provide to the Max Healthcare entity going forward? Max Healthcare has been already doing pretty well so far.

Abhay Soi As far as Radiant's NCR operations via BLK is concerned, at about 61% - 62% occupancy it is doing a normalized EBITDA of 16%. As our occupancy moves up we will probably see more operating leverage coming out of that once it moves into 75% odd range. So, that is the level of efficiency that we are looking at Radiant. We need to delve deeper into perhaps what the operating elements are at Max, but this is what our yardstick is at present.

Rushabh Shah And coming to valuations, looking at the numbers what you have mentioned in The presentation of Rs. 7,240 crore, if we just value EV per bed, valuation which is implied for Radiant is a bit higher than what valuation is given for Max Healthcare. So what is the reason for valuing Radiant a little bit higher? Is it only because of efficiency or is there something more that we are missing?

Jatin Khanna Well, EV per bed is not a metrics which valuers have used. So, there are two parts to this whole valuation, first part to the valuation is, there are two independent transactions happening wherein Life Healthcare's stake is being acquired by Radiant, so that is one independent transaction. Then there is an independent transaction which is happening at Radiant level wherein KKR is investing into Radiant to acquire that ownership. So, there is therefore a valuation visibility or value visibility from that transaction. Now, independent of that, KPMG was appointed as a valuation advisor for this and Axis Capital as a fairness opinion provider, these transaction multiples are one of the valuation methodologies. Other is the comparable company method wherein they have factored both, the multiples at which the control transactions are happening as well as the multiple at which the stocks are trading. So they have arrived at the same swap ratio basis the comparable company valuation methodology as well. So, EV per bed was never a part of this overall analysis.

Plus, also the other important point is, Radiant has assets in Mumbai, and as you know the cost of an asset in Mumbai is always higher than cost of asset in Delhi, and we have assets outside NCR as well. So, to that extent I don't think so EV per bed is the right metric either.

Mohit Talwar If I may just add, when you compare the two entities, you will find that in terms of balance sheet strength, Radiant's balance sheet strength is more than that of Max Healthcare, given the fact that Max Healthcare is quite highly geared at this point of time. So, looking at all of these parameters, getting a multiple of around 26x is something which augurs well for this transaction.

Rushabh Shah Sir what will be the strategy going ahead for growth and expansion? We have stated that we have potential of 2,500 plus beds going forward that you may add going ahead. Like Max Healthcare had plans for expanding around 600 bed in the near-term earlier, so will there be any changes in the strategy going forward of the combined entity? And what will be the change?

Abhay Soi I think in terms of the total expansion per say is concerned, it is something which is that we are going to be looking at rolling out. However, we have to look at what the specific timelines and so on are, because being a public listed company there is only a limited amount of extent we could have gone, as far as diligence is concerned. So, I would leave this for another time, but definitely the rollout of bed expansion is something which would be on the anvil.

Rushabh Shah I have a last question, in one of the slides we have mentioned, on Slide #8, the Rs. 630 crore additional debt will be coming in near-term. Is this related to the put/call option that Max Healthcare has?

Jatin Khanna Yes, that is correct.

Rushabh Shah And by when can we expect that, will it be completed by FY19?

Jatin Khanna So, the first one will most likely happen within the next 30 days, which is the bigger of the two, which is Saket City put/call option. The other one which is relatively smaller is the Pushpanjali put/call option which is due in July. And the endeavor will be to accelerate and see if we can close it earlier.

Moderator Thank you. We have the next question from the line of Hardik Doshi from First Voyager Advisors. Please go ahead.

Hardik Doshi I had a question on the improvement that was in Radiant, in both BLK and Nanavati hospital, I think in both of the you managed double-digit improvement in the number of surgeries per month. So, maybe can you just talk about what are the key changes that were made out there that drove that kind of volume increase?

Abhay Soi I think there were quite different in both, because while BLK was a case of commissioning a new hospital, so a ramp-up is largely due to commissioning, you are starting on a lower base, or no base for that matter. But having said that, if you look at Nanavati, it was a turn-up and a turnaround situation story. In both of these it was about augmenting the clinical plans by adding doctor teams, large doctor teams, looking at and conducting very high-end quaternary care work such as transplants, we do everything from heart transplants, liver transplants as well as kidney transplants in both of the facilities. We are conducting bone marrow transplants in fact in Delhi at BLK, bone marrow transplant is among the top-five in the world and amongst the largest in Asia as well. So, as far oncology is concerned it has been focused on organ specific oncology, so on and so forth. So it is not only expansion or increase in number of surgeries, it is also increase in grade or quality of surgeries. So the quantum of high-end high-grade surgeries is significantly larger in proportion compared to low grade surgeries within both the hospitals. Again, I think it is a demonstration of everything else in terms of value proposition one is able to provide to the patients and customers to clinical outcomes and so on and so forth. But we have been able to do this while commissioning a facility and while turning around the facility, so two are very diametrically different situations that we faced.

Hardik Doshi Got it. And then at Nanavati, while you are turning around and I know you have gone from -15% margin to about 2% now, but how do you see this ramp up of margins, let's say if you were to look at it from a three-year perspective?

Abhay Soi So, I think in Nanavati, again, we are very-very early stages I think the key thing to look at is the top-line ramp up which is happening as well as in terms of the ARPOB in terms of the revenue. When we took over operations of Nanavati it was operating at 90% capacity utilization, at the same time I had Rs.13,000 to Rs. 14,000 kind of ARPOB number. If you look at it today we brought down the occupancy to about 60% odd but the ARPOB number at present is at Rs. 42,000 – Rs. 43,000, so that is an exponential growth in ARPOB over a period of three calendar years. We are just at the beginning of this and we are not really seeing the numbers dissipate as far as this growth is concerned. Mumbai, again, is extremely attractive market. In fact, when we compare the cost for surgeries across our two hospitals or the price for billing in Mumbai, it is significantly higher than what it is in Delhi.

Hardik Doshi I guess the other question I had was, what would be the net worth of the combined entity?

Dilip Bidani Right now we are not giving the net worth numbers at this point of time, because there will be some amount of debt which is disclosed in the numbers in the presentation. So that is something which we are not at the moment…

Jatin Khanna See, there is a little bit sort of a tricky issue on this one, because when you look at the accounting the accounting norms will require fair valuing Max Healthcare assets. So we need to do that assessment before we can come up with the net worth. So at this stage it will be difficult to quantify the net worth.

Hardik Doshi I guess the combined entity will have about Rs. 2,150 crore of debt, right, as per the presentation. I was just wondering how Max Saket has expansion plan, Radiant also would be looking to add more beds in both the hospitals. So how will the funding for that would be coming through, I just want to understand the leverage in the business?

Abhay Soi I think in terms of we are looking at significant EBITDA ramp up over the short-term to medium-term, which should speak for the debt itself.

Hardick Doshi Sorry, that would speak for the debt itself, you mean that would speak for the funding of the expansion plans?

Abhay Soi Absolutely, the funding of expansion plan because the expansion plans are over a period of four to five years between the two organizations and it is going to be funded through a combination of internal accruals as well as debt. We believe given the EBITDA ramp up which is expected, we will be giving perhaps guidance at a future date in terms of what those specifics are. But that should be supportive of any debt we are looking at raise for this expansion.

Jatin Khanna If I may supplement Abhay's comments, see at this stage we obviously do not want to guide on the future performance, etc. What I would want to just say is that we have sort of looked at some preliminary numbers and the leverage ratios look very comfortable and in the ballpark of what other healthcare providers will have. So, it is not that this balance sheet of the merged entity will be as levered as today's Max Healthcare balance sheet.

Moderator Thank you. Our next question is from the line of Gautam Bahl from Morgan Capital. Please go ahead.

Gautam Bahl Firstly, did you say that KKR is infusing capital in Radiant at the same valuation that Radiant is getting valued at in the Max deal?

Jatin Khanna Yes.

Gautam Bahl Second one I had was on the Max India level, the holdco cash of about Rs. 400 crore I think it was last quarter, where does that go?

Jatin Khanna There is no holdco cash of Rs. 400 crore at Max India level.

Gautam Bahl I may forget the number, there was some holdco cash, right?

Jatin Khanna Not some holdco cash, I think the number if I remember correctly it goes in the ballpark of Rs. 90 crore and not Rs. 400 crore.

Gautam Bahl The other one, the insurance business, is it capitalized to grow for the next couple of years? Leading on from that.

Jatin Khanna No, insurance business will require capital as we progress forward, and the planning cycle for the business will be mostly February so that the insurance business will require fair amount of capital going forward, but the real assessment of that capital will happen as part of the business planning cycle for Max Bupa, which will happening sometime in February, so we will have happy to share more specific details on that. What I also want to just clarify is that Max India has been split into two parts, one of the healthcare business which is the Max Healthcare and Radiant combined, and every other business which is Max Bupa or Antara or some real-estate assets we have, etc, will move into new Max India. So these assets or Max Bupa is not part of the merger.

Gautam Bahl Second question also leading on from that, there was a bunch of intra-group sort of revenues and costs in the Max India level, which also had to do with Max Life and Healthcare, what happens to the entire sort of convoluted structure that we had earlier?

Jatin Khanna So the intra-group transaction was essentially for services being provided Max India to various group companies. Now as Max Healthcare moves out of the equation, so that stops. But at the same time, we are working through a cost rationalization plan, so we do not see any material changes in financial profile of Max India because of Max Healthcare leaving out.

Gautam Bahl But Max Healthcare itself will stop having these transactions, is that correct?

Jatin Khanna Max Healthcare will stop having these transactions, absolutely, because the combined Max Healthcare and Radiant team is equipped enough to handle all the support which was required from Max India team at this stage.

Gautam Bahl And would that make any difference to the Max Healthcare margin, up or down?

Jatin Khanna Well, you can add shared services charge back to their numbers which is some Rs. 11 crore, there will be some support coming from shareholders of Radiant, it's for them to figure out how they price with them, I do not want to comment on that at this stage.

Gautam Bahl And lastly from my side, on the brownfield expansion sort of that is envisaged, would that require any equity dilution going forward?

Abhay Soi We are not envisaging any equity dilution for brownfield expansion at this stage.

Moderator Thank you. We have the next question from the line of Nishita Seth from ITI Capital. Please go ahead

Nishita Seth My question is, we are currently valuing Max Healthcare at around Rs. 4,000-odd crore, 50% of which goes in Max India. Currently Max India is somewhere at a market cap of Rs. 2,000 crore, so I just wanted to understand what is the value that we are ascribing to the non-healthcare business?

Jatin Khanna Well, it is a mirror image demerger, in the mirror image demerger you don't have to ascribe any values to the healthcare or the other businesses, it is only a share entitlement report wherein for every five share which you hold in Max India today of Rs. 2 today you will be getting one share of Rs. 10 each in the new entity. Because it is a mirror image demerger there is no valuation required for other assets of Max India.

Nishita Seth So when we list the company what is the price that we can expect of this listing?

Mohit Talwar We will be unable to say at this stage what the price would be.

Mohit Talwar That is for you all to figure out.

Nishita Seth No, because what I am unable to understand is what is the underlying value of Max Healthcare at the moment?

Jatin Khanna That value is very evident, this Rs. 4,300 crore valuation which has been ascribed by Radiant as we have acquired 50% ownership, there is a Radiant value which is visible from KKR transaction. So, if you add the two it is about Rs. 7,242 crore of combined value which is as of today. Now how it moves 12 -15 months from now is something which we leave for you all to sort of ascribe.

Nishita Seth What I want to understand is for the non-healthcare business, so the Rs .7,000 crore does not include the non-healthcare business I assume?

Mohit Talwar This is a little bit of a difficult question to answer because whilst embedded in the Max India share price a significant part of it belongs to the healthcare business, the residual is the other businesses. At this point in time we are also getting impacted by the holding company discount. So, when you bring that equation into this it is very difficult to say that it should be 80% and 20%, because we really do not know how much of holding company discount is fitting in to this. And therefore, this whole merger, once it happens, you are really eradicating or taking out of the equation the holding company discount and getting what is really going to be a pure play.

Jatin Khanna Also, as part of the demerger, like I said before, there is no formal valuation which has been done for any of the other businesses of Max India because it was not required.

Moderator Thank you. We have the next question from the line of Raphael Foo from Target Asset Management. Please go ahead.

Raphael Foo I just want to understand for the mirror image sort of demerger, who will be the promoter for that? Because there was also some rumors that some investor wanted to buy the stake in Max Bupa. If you can share some thoughts surrounding that

Mohit Talwar Let me address the first part of your question. The promoter of the new Max India will be the current promoter of Max India, which is Analjit Singh. At this point of time he holds 40% in the company and he will continue to hold that in the new Max India part. As far as the rumors you have heard, this is all in the realms of speculation, so we are unable to comment at this point in time as to what is happening at Max Bupa.

Raphael Foo But it is confirmed that there will be no sale? And it is confirmed that there will be a distribution in it?

Mohit Talwar No, I am confirming nothing.

Abhay Soi As part of the demerger there is a distribution as we said.

Raphael Foo So, whether there is some sale or not, it is for the future to talk about, is it?

Mohit Talwar Yes, we will discuss that. Actually, if I may request all the participants to kind of restrict their questions to the transaction itself, because that was really the purpose of this call. And we will have subsequent calls on the other businesses as we normally do.

Moderator Thank you. We have the next question from the line of Dixit Doshi from White Stone Financials. Please go ahead.

Dixit Doshi Just one question, so after the KKR infusion of Rs. 2,136 crore and fresh new shares issued by MHIL into Radiant shareholders, post this entire transaction what would be the capital of MHIL?

Jatin Khanna 90.5 crore shares.

Dixit Doshi That will be Rs. 10 paid up, right?

Jatin Khanna Yes.

Moderator Thank you. We have the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani My question pertains to how much of Max India's consol debt will move into the new entity?

Jatin Khanna Max India has two parts of debt, one debt is for Max Healthcare and the other is for Anatara. So the Max Healthcare debt moves to the merged entity and Antara debt remains in Max India.

Charulata Gaidhani Can you quantify?

Jatin Khanna It is about Rs. 200 crore.

Charulata Gaidhani Rs. 200 crore is…?

Jatin Khanna Antara debt. And Max Healthcare debt is Rs. 1,900 crore which is disclosed also in the presentation.

Charulata Gaidhani And in terms of Radiant the entire network is managed beds, so there are no owned beds so how do they get the revenue? Is it through management fee or…

Abhay Soi The entire revenue comes up as management fee and also there are some loans given to the trust, it comes as a part of servicing those loans in form of interest and repayment of those loans. But the entire cash flows of the hospital, all the free-cash-flow entirely belong to Radiant in both these situations, other than the 1% to 2% revenue share which is given to the trust.

Charulata Gaidhani And how many beds belong to the trust?

Abhay Soi In Delhi the trust has 5 acres of land which consists of about 650 beds, there is an FSI of 5.82 of which they have consumed FSI of about 2. So the balance FSI is available for development in Delhi, at present although it is 650 beds. In Mumbai, again, it is 4.5 acres of land opposite the Juhu airport, it is 350 bed hospital over there, including a nursing school. We have utilized less than 1/3 of the total FSI available in Mumbai as well and this capacity again is going to be expanded to becoming an 800 bed hospital. I think the work is starting middle of this present year and should finish over the next 3 to 4 years.

Charulata Gaidhani Because of this deal how much will cash that will come into Max India?

Mohit Talwar There is no cash.

Charulata Gaidhani So it is entirely share swap?

Mohit Talwar Yes.

Moderator Thank you. We have the next question from the line of Rushabh Shah from Sameeksha Capital. Please go ahead.

Rushabh Shah Just one question to Mr. Abhay, you had given one example of how did you manage the turnaround of hospital after takeover, but if you could make us understand the thought process before taking over hospital that you have a big chance of a turnaround, how do you decide on which hospital comes under your radar and what other examples can you share of how did you manage to turn the BLK, Nanavati hospitals?

Abhay Soi The former part of your question wasn't very clear, can you just repeat that again please?

Rushabh Shah I just want do understand like before you decide to take over a hospital, what is your thought process, as to what are the basic criteria that a hospital should fulfill that makes you confident that you can turn it around? Or is it that you are confident that you can turn around any hospital that you may choose to acquire?

Abhay Soi So, I think first and foremost what we look at is the location and presence of the hospital. What we understand more is the metro centric model than the non-metro centric model. In the past we have seen hospitals in non-metros, smaller scale hospitals, so on and so forth, but that is not necessarily core to our strategy and our capabilities so to say. Where we fancy our chances and believe our skill sets apply are large scale quaternary care hospitals in metros because a lot of our business is also fundamentally dependent on medical tourism. Today in Delhi alone about 25% to 30% of our total revenues come from medical tourism, which is again an extremely high ARPOB business, it is Rs. 70,000 – Rs. 80,000 ARPOB business compared to other sponsor groups that we have. Again, treatment of star doctors, kind of quaternary care facilities, infrastructure, technology which can be present in metros is a lot more viable here than in the B & C cities. So what I am actually seeing is, as smaller nursing homes, single specialty hospitals, labs, so on and so forth mushroom up in smaller cities and towns, less people are coming from smaller cities to bigger cities for basic primary, secondary and maybe low-end tertiary care. However, as far as quaternary care is concerned, which is transplants and so on and so forth, revision surgeries for joints and etc, this is what people are coming to the metros. Again, this is business is supplanted by the international medical tourism business that we have been able to attract quite well. Now, given the fact that both BLK and Nanavati in arguably the two best micro-markets in the two best metros in India, that is again very close to what our capabilities are. And Max gives us the same platform. And if I really look at Max, it is operating in best in class ARPOBs in its geographies, it has got very-very strong brand name, it has got great doctors, so on and so forth. As far as the contribution level is concerned, they are in fact a few percentage points than what our contribution is. But in terms of direct costs are concerned, that is something that we manage better. So the marriage between the two gives us a lot of opportunity over here, because it gives us presence in perhaps the two best micro markets in India, Delhi and Mumbai, not many people have that and within a few years to have two very large institutes within these two cities. And not only within the cities but in arguably the two best locations within these cities, which is Juhu, Vile Parle in Mumbai and South Delhi, in Saket, so have about 800 to 1,000 bed facilities in these two locations is a very unique situation to be in. Again, it becomes a pure play healthcare company, our technology requirement for both these are very similar, the kind of doctors and the doctor engagement which is there is very similar, so on and so forth. So there are plenty of synergies in play going forward.

Rushabh Shah If I can just add one more question, I just want to understand the thoughts on the hospital business given the recent regulatory events that we are seeing. Is it still possible to manage decent return capital going forward or do you expect any more head winds in the regulatory and we will still be able to navigate going forward?

Abhay Soi I think what my view of regulatory headwinds is that it is actually all positive, because it is a push towards transparency and not towards curtailing prices. And the industry by and large, not so much so the organized sector, but the smaller players, more disorganized sectors so on and so forth had a lot of opacity as far as the billing is concerned. Now, pushed by the central and state governments across the country has been to bring transparency to it. Initially when you have increase in minimum wages or you have a cap on prices, of course middle of the year you cannot increase prices and you have to do it in a two-step manner. But again, all of these changes and these entire cap which is coming on input prices which in the short run has been difficult, or in the immediate run have been difficult to transfer to the patients. But in the short-term to medium-run all of this will equalize, so you will be able to push it to the patients. I mean, if you actually look at billing for a package, if it is Rs. 1 lakh and half of it was to do with input prices and the other half to do with output prices, the fact is the input pricing part of the billing has been capped, which does not stop you from increasing the price from the output, while the overall package still remaining the same.

Dilip Bidani Other thing I would like to add is that consolidation also leads to greater efficiencies in the whole process, which is what you see the industry there is a lot of consolidation taking place basically to optimize on the cost of doing business rather than trying to increase prices and get top-line growth alone. Because if you look at the healthcare sector, it is so fragmented in the country today that unless consolidation happens and there are large player and large groups taking the lead in bringing about efficiency, we will not be able to provide the kind of healthcare services of a world class standard.

Rushabh Shah Sir, you mentioned that international tourism is a major chunk of your revenue for Delhi, so will that be focus going forward in Max Healthcare as well?

Abhay Soi Amongst other things, absolutely. I think given the location of Max Healthcare hospital, the fact that they are in Delhi and Mumbai; we are connected to 70% of the world's population by a 7 hour flight. And we have the best connectivity amongst all cities, so I think that is definitely something which lends itself to medical tourism. And increasing that sponsor group, increasing that share of the pie will definitely will be a focus going forward.

Moderator Thank you. Our next question is from the line of Raphael Foo from Target Asset management. Please go ahead.

Raphael Foo Can I just understand a little bit more on the timelines? I understand it is going to be in the next 12 months, but in the next 12 months what are the sort of key things we should look out for in terms of the milestones? As well as for the distribution, will it happen before or after this transaction?

Jatin Khanna So let me answer the later question first, because that is the easier one. The distribution in specie will happen after the transaction is done, which is after the 12 months. And both the shares will be listed separately through a price discovery process. What needs to happen between now and the next 12 months is firstly we have to take CCI approvals, which is Competition Commission of India. We expect that approval can take about two months or so. There will be a filing on stock exchanges which will happen say another 30 days from now, and that process could take another two to three months. There will be an approval from IRDA required for moving Max Bupa into a new company, which is the new Max India, which will be progressed in parallel. Then there will be a shareholder's approval which will happen sometime in Q2 and then part of this overall process wherein you take NCLT approvals also, you take other regulatory approvals, so that is part of the overall NCLT process wherein you take the approval of quasi-judicial body for the merger and demerger both.

Mohit Talwar There will be one more step parallelly that is Max will be shifting its registered office, which is currently in Punjab to Mumbai, in order to make the whole quasi-judicial process seamless. And so that process also has kind of commenced and from what I am told, it takes about four to five months for that to be completed. So end-to-end it is about 10 months or so.

Raphael Foo Of all the key approvals do you foresee any to be particularly tricky that we should probably pay attention to?

Mohit Talwar Not really, this is a fairly straight forward corporate finance transaction. The CCI approval is something which is absolutely critical and we have done some initial analysis on that, it is our belief that it shouldn't be very difficult. The other bit is around the stock exchanges, they will obviously be looking at the transaction structure as well as the valuations, the swap ratios, which based on the independent valuers who will be appointed, they are all part of Big Four, there is a fairness opinion also which is being provided by Axis Capital, we do not foresee any issues there as well. NCLT, well, haven't had any experience with NCLT Bombay, but I believe that it is quite efficient and that is something which could take anywhere between four to five months for that process to be completed.

Raphael Foo From a politics perspective do you that will be alright, the government after the election cause trouble for us, do you suspect that is possible?

Mohit Talwar No, I am not seeing any political headwinds on something like this, this is good for everybody, it is good for the patients, it is good for the shareholders, it is good for society at large. And healthcare as you know is one of the focus areas for any political parties, so I do not see any headwinds there.

Moderator Thank you. We have the next question from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka Sir, while you are demerging the hospital business and merging it with Radiant, and that will definitely unlock holding discount for the hospital business, but the new Max India entity would still be a holdco of Max Bupa and Antara, any thoughts on why we are living with the holding discount on those two entities, why shouldn't we demerger those two as separate entities as well?

Mohit Talwar It is a good question actually. There is no doubt that it is a conglomerate, the new one, and we have gone through the process of demerger as you know right from 2015. But a pre-requisite for any demerger is you got to have the requisite scale. And at this point in the new co which is going to be created will not have the requisite scale for us to actually go and do a spin off. So overtime, depending on how we grow those businesses, what are some of the new businesses which can be added there, don't be surprised if we go through another process of a demerger to eliminate the holding company discount.

Aditya Khemka Also, as a public shareholder I understand that Analjit Singh as a promoter continue to hold 41% in Max India, and the public shareholding there will be 59%. But in the new merged entity with Radiant the public shareholding will be 17.8%, right, post the structure? And that would need to go up to 25% within 12 months of the new entity being listed. I read in your slide #8 that KKR will acquire the 5% stake from Max promoter only after minimum public shareholding is brought up to 25%, right, is that the correct understanding?

Mohit Talwar Yes.

Aditya Khemka So my question is then, this public shareholding to go up from 17.8% to 25%, so you would need to dilute like 7%-odd in the consolidated merged entity before KKR can buy from Max promoters. Do you already have any word of public shareholders who are committed to this 7% dilution or this would be something that you would take up as you go in the transaction?

Mohit Talwar	So, the construct is going to be like this, we wait for regulatory approvals to get this 4.99% done, which is called advance against subscription. And this transaction gets unwound at the end of the merger period, so in a sense 4.99% has changed hands. Thereafter, we have to bring down the shareholding between the promoters about 82%, we will drop it down to about 75%. So the way we have kind of worked out amongst shareholders that proportionately the shareholders will bring down their shareholding. Now, your question whether we have actually gone and spoken with people? It is too early right now to be doing that, but what one can tell you at this stage is that the whole process of a sell down is going to be done in a kind of an institutionalized fashion and that is where we have the wherewithal and the muscle power of someone like KKR who are global players, and they have got international reach. So these will all be done in a manner which will block these deals rather than doing it straight in the market.
Aditya Khemka	And just on the timelines here, as you said the transaction might take 10 to12 months to close, so 10 to 12 months is the timeline for you to sort of demerge the new Max India and the merged entity. And then from that point another 12 months before you will have notice to bring public shareholding to 25%. So two years from today is what you have to bring up the public shareholding to 25%, is that a fair understanding?
Mohit Talwar	Yes.
Aditya Khemka	Then the KKR transaction that you mentioned, that will be sort of inprinciple done even before the public shareholding is brought up to 25%? And it will only convert to equity after the public shareholding is brought up to 25%, is that also fair?
Mohit Talwar	Yes, that is correct, with a caveat that this is subject to regulatory approvals.
Moderator	Thank you. Our next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
Dheeresh Pathak	Is there going to be any open offer in all this?
Mohit Talwar	No, there is no open offer because we are going through a merger scheme through the court, this is a composite scheme, so it doesn't warrant any open offer.
Dheeresh Pathak	And this 5% of the new promoters, so KKR will be classified as a promoter of the merged entity, the promoter is buying 5% stake of the ex-promoter at a pre-determined value. So I think earlier also some participant asked, suppose this merged entity lists below Rs. 80 per share and then KKR buys x promoter at Rs. 80 then it is not good to minority shareholders, right, the x promoter per share whereas the listed entity is trading below Rs. 80 a share. Is that regulatory allowed?
Mohit Talwar	Let me flip that question around and say that what if it gets listed at Rs. 100.
Dheeresh Pathak	No, my point is that is it regulatorily allowed that selectively by x promoter a certain stake and not offering the same deal to minority?
Mohit Talwar	No, there are precedence in this and therefore like I said that this is subject to regulatory approvals. And let's say you do not get regulatory approval, that could be in the unlikely event that does not come, then in which case this transaction does not go through.
Dheeresh Pathak	And then you are already compliant with that 25% thing, right?

Mohit Talwar No, you are not compliant with the 25%, in shareholding this interse arrangement between KKR and Mr. Singh is what is happening now, subject to regulatory approval. Now what I am saying, in case we do not get regulatory approval then the shareholding amongst the three shareholders will remain at 82% and then we will go through the sell down process in the manner in which I articulated earlier.

Jatin Khanna it is an interse promoter transfer, so therefore to that extent there is no change in public shareholding because of this transaction.

Dheeresh Pathak So Analjit Singh will be classified as non-promoter, right?

Mohit Talwar Later on, once he sells down his stake you go through what is called de-promoterization, this is all post-merger, post sell down, all of that. So, in a sense, 18 months from now or maybe maximum of two years he will not be a promoter in the company.

Dheeresh Pathak So I am just referring to slide #8 of the presentation, so if the transaction of 5% does not go through then Analjit Singh has 12% stake in the merged entity and public have 18%, so we are close to 30% right?

Mohit Talwar Yes.

Dheeresh Pathak And he will be classified as non-promoter, so his 12% will count as public?

Mohit Talwar After the proportionate sell down happens he will not be a promoter.

Dheeresh Pathak So only if his stake is 7% instead of 12% then he will be counted.

Mohit Talwar Yes.

Dheeresh Pathak And just to understand the debt in Max is about Rs. 1,900 crore rand in Radiant is about Rs. 300 crore, so roughly the resultant entity would have about close to 2,200 crore of net debt?

Mohit Talwar That is correct.

Moderator Thank you. Our next question is from the line of Umang Shah from Edelweiss. Please go ahead.

Umang Shah I just got confused between the promoter shareholding. So what we are saying is that currently in the new entity Max India's promoters will be classified as promoters of Max Healthcare 2.0, right?

Jatin Khanna Let me just clarify from the start, to begin with, there is a collective shareholding of 82% between KKR, Mr. Abhay Soi and Mr. Analijt Singh, or the promoter of Max India. So, now that collective shareholding of 82% remains 82%, there is a public shareholding of 18%. Now there is a sell down required under law over a period of 12 months to bring that 82% down to 75%. So that is sort of first step. Once that step is done then there is a shareholding transfer between Max India promoters and KKR wherein Max India promoter sells 4.99% to KKR which is under the creeping acquisition limit of 5%. And that transaction happens which is independent of the sell down obligation. And then thereafter once this is done, then existing promoters of Max India will have to apply for de-promoterization in Max Healthcare which hopefully will get approved as it gets approved.

Umang Shah So what we are saying is that as soon as the new entity, Max Healthcare 2.0 will be formed there would be 82% with promoters and 18% would be with public. And after that 5% would be sold off by Analjit Singh…

Jatin Khanna No. Firstly, the 82% has to come down to 75%, so therefore public shareholding has to go to 25%. After that is achieved then within that 75% there is a 5% which goes from Max India promoters to KKR.

Umang Shah So basically there would be some offer for sale in Max Healthcare 2.0?

Jatin Khanna There is no offer for sale, there is a 5% which exchange hands between two shareholders of Max Healthcare and then… sorry, offer for sale will be for sell down. For sell down there will be a 12 month period wherein there will be offer for sale, but again that is the third largest healthcare provider in the country, so we do not see that being an issue from a placement standpoint.

Umang Shah Agreed, so we are diluting our equity further, that is what I was trying to concur. We would be diluting our equity further before the 5%...

Jatin Khanna No, you will not be diluting anything, there will be incremental 7% which will get added to public shareholding as the existing promoters proportionately sell down the 7%.

Mohit Talwar Only the three promoters will be diluting their stake.

Umang Shah So three promoters would be selling off some shares so that 18% goes to 25%, right?

Mohit Talwar Absolutely.

Moderator Thank you. Our next question is from the line of Zaharah Sheriff from Fedwinteg Knowledge. Please go ahead.

Zaharah Sheriff Just real quick, earlier when Radiant acquired Life Healthcare stake on the earlier concall, you have mentioned that if you had the funds you would have preferred to buy out Life Healthcare. Now this is a complete reversal, so of course from Radiant's perspective it makes sense because they are effectively getting listed and all of that. But for Max India as an entity, as a conglomerate holding these three multiple businesses, effectively you are saying that therefore the health insurance and Antara businesses made more sense to you from a future perspective rather than the hospital business? Or was your hand forced in some sense because of liquidity issues? I mean, I am just a little unclear on this, if you could just share some thoughts on this. Because I feel like your long-term capital requirements were tied-up for the expansion for Max Healthcare. So, what has changed other than the fact that they came to you with this deal, why are you doing it?

Jatin Khanna There are three, four critical reasons which drove this decision. I think firstly, people alluded here to say regulatory uncertainties, and we have been obviously reached and approached by investors in the past to say that, or this question has come on multiple occasions to say that Max Healthcare is overtly concentrated in National Capital Region of Delhi where there is maximum political activism on the healthcare industry. So, one sort of big driver was, whilst we are concentrated in NCR , Radiant brings an opportunity to bring diversify into Mumbai. And therefore opens another market from our perspective, which was very important. The second, as you rightly said, was also to do partly with the leverage, because frankly but for the leverage given the smart performance recoveries, and we have sort of seen that the life healthcare acquisition was happening at Rs. 80 and Max India share price was trading at some Rs. 60. And the concerns being raised was around leverage. So obviously this solves for that leverage, so that was the second critical reason. The third reason is that when you merge it, and this is both from Mr. Singh's perspective with whatever shareholding he has and as well as from a minority shareholder from Max India's standpoint, it make a lot of sense because this gives us an access to an unparallel platform which is co-promoted by KKR wherein you could significantly grow this platform and create a faster growth for prolonged period of time. Those were the top three reason from our perspective wherein we thought that this made lot of sense to combine the two platforms and have them listed separately, which then therefore eliminates holding company discount for our investors too. And then when you bring the two platforms together, there is obviously synergy value to the platform which then improves the earnings potential of the platform.

Zaharah Sheriff So, are you therefore really saying, one of course that on your own it did not feel like you are constraint by capital, but also you are therefore saying that it is now a function of your healthcare management expertise and easier access to finance, and so you are saying this is now a long-term game and you think the little that will be held… I mean, I don't know, it is a sellout, from the promoters perspective you are effectively exiting the healthcare business. Is that a fair sort of comment? Yes the Max brand continues and then what Radiant does with it going forward is of course a different thing, and KKR does provide a stable source of capital. But for the group per say this is effectively exiting the business, right, after the 5% is sold and you are effectively down to 7%?

Mohit Talwar So, let me just summarize this. Look, being alone, and this has been proved in the past, being alone and running this business, I do not think we would have been creating too much of value. And we saw what was happening to the share price. The reasons for that were plenty. One of which was of course the leverage and the fact that it is a continuous flow of cash which will be required in order to scale up, any business we do not scale up then we might as well be dead. So that is point number one. Point number two is, we wanted this very beautiful business which we have created over the last 18 years to be passed on to somebody who actually had the ingredients of growing this in a manner such that there would be value creation right across. And I think the combination of Abhay with KKR is something which we thought was the best out of all the various options which were contemplated. And lastly to your point, whether you want to call it a sell out or whatever, well, that is just nomenclature, over a period of time yes we are getting out of this business, the promoter is getting out of this business, he will be monetizing his stake in this business. And as is known to the market, he is doing this with the intention of deleveraging his own balance sheet. So that is basically the two, three reasons as to why we feel that these are the best partners we got in order to actually perpetuate the legacy which was started by the promoters 18 years ago.

Zaharah Sheriff So, I just wanted to clarify, I did not mean to use sellout as a negative word, I just meant. So therefore then from a hospital business perspective, this is just the beginning in the sense? Because now you have accessed the new entity is going to have access to this stable pool of capital and of course expertise. So, is there a much longer term beyond the three, four year vision that you all want to outline? Are there any thoughts on that yet beyond just the immediate synergy and beyond the existing portfolio?

Abhay Soi See, there is a longer-term vision. I think in the short run, immediate run it would be about synergies and operating in in terms of best in class, bringing about best in class efficiencies and so on and so forth. In the medium to long run we are looking at expanding significant brownfield expansions. As you are aware, brownfield expansions are done at a significantly lower cost than greenfield simply because we do not have losses during start-up and so on and so forth. Given the presence in Delhi and Mumbai and the land banks which are available now with the company, puts us in a very unique kind of a platform or a position where we will have two major institutes surrounded by other smaller hospitals and other hospitals supporting it in the micro markets of Delhi and Mumbai. No other hospital player really has that. And again, I would like to repeat, very-very attractive locations and have a competitive advantage compared to any other place in India. This coupled with the balance sheet also puts us in a position where we will be acting as consolidators, having KKR as partners over here gives us deep reach to capital as well. Now, having said that, in the short immediate run, of course consolidation is not something we are not looking at further consolidation right away, we will be looking at integrating the two enterprises and really looking at bringing about the synergies. Like I said, at 60% operating occupancy we are operating at about 16% in the Delhi market. The whole idea is collectively how do we get to that figure sooner than later, we need to deep dive into the operating metrics, etc, a little more to come with tag lines and guidance's on that. But really the whole idea is to have a cluster in a metro should allow us to dictate or be able to attract the best in class doctors as well as have advantage on pricing and so on and so forth as well. If you see Apollo, if you see some of the other players, again, their home cluster is where or the metro based cluster is what is giving them the maximum amount of yield. And that is exactly what we are looking to seek for. I think it is a very exciting time ahead, both in short as well as medium and long run, because there are plenty of triggers as we go along.

Moderator Thank you. Our next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka Just a small clarification from my side, so this 7% equity dilution in the merged entity MHIL, that would be proportionately sold by KKR, Abhay Soi and Analjit Singh, it will not be entirely 7% of Analjit Singh coming to the market? Is that understanding there or is that situation fluid and can change over time?

Abhay Soi That is the current arrangement, yes.

Aditya Khemka So it would be a proportionate sell down by all three promoters for the 7%?

Abhay Soi Yes.

Aditya Khemka And it would be proportionate to their holding in the company or it will be equally divided amongst the three?

Mohit Talwar Proportionate to holding.

Moderator Thank you. Our next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak Just on the leverage of the merged entity, on a pro-forma FY19 EBITDA numbers it still looks on the higher side. So are there any near-term plans to reduce the leverage in the merged entity?

Mohit Talwar I think this was addressed by Abhay.

Abhay Soi I think the idea is really to increase the EBITDA rather than reduce the leverage. So once we increase the EBITDA you will see that the leverage multiple falls.

Dheeresh Pathak Some guidance or outlook you can give for the EBITDA ramp up of the merged entity in the next one year?

Abhay Soi At this point of time I would not be able to delve, it is a public listed company, and we only have access to certain amount of information and no more. Post the CCI approvals and so on we will be able to dig deeper into the various operating metrics, also to be able to work out where the synergies are.

Dheeresh Pathak And will you make public the valuation reports for how the Radiant was valued and how Max Healthcare…

Jatin Khanna Regulatorily it is required to be made public, so the valuation report and the fairness opinion, all of that will be put up on our website.

Moderator Thank you. Our next question is from the line of Manoj Bahety from Omni Science Capital Please go ahead.

Manoj Bahety Just one more clarification on Max India, how many of beds of Max India are owned and how much are under trust like structure? And is there something which is on management only?

Jatin Khanna So, there are three hospitals which are currently owned by trust, first one is Saket City which has about 265 beds, give or take here and there. And second one is the Max Devkidevi Hospital, which is about 300 beds. And last one is Max Balaji Hospital which is in Patpargunj, which has about another 400 beds.

Manoj Bahety So, how much is total beds under trust?

Jatin Khanna Total beds under trust will be about say 1,000 beds.

Manoj Bahety And trust beds, if my understanding is right, you have different regulatory requirement vis-à-vis ownership beds, right? In terms of like keeping a percentage of beds for BPL and all, so that is I think applicable for trust kind of a structure?

Jatin Khanna That is more to do with the trust hospital per say, that is actually to do with the way the land was auctioned. For example, if you look at a Shalimar Bagh hospital wherein we bought land in open auction, and there is no trust involved there, since the land came with a condition that there are free beds to be provided, so the value of that land was accordingly much lower than the market value of the land. So it really depends on under what conditions and circumstances you acquire the land versus whether it is a trust or a non-trust hospital.

Manoj Bahety So, just commercially how it makes, what is the difference between let's say a hospital which is under trust and which is under a complete ownership in terms of like our profitability?

Jatin Khanna There is no difference because the economic value in both cases belongs to us.

Manoj Bahety So you are saying whether it is trust or under ownership, it is one and the same thing, right, there is no difference commercially as well as economically?

Abhay Soi Look at it as there being a landlord and you having the filling rights, so the economic value entirely comes to, so it is like owned asset versus a leased asset.

Manoj Bahety So trust hospitals can be considered as leased asset, right?

Abhay Soi Absolutely. So, I think the O&M arrangement is similar to that, so effectively what we are saying is the tealing rights to that land belong to the operating company. So the trust of all the free-cash-flow, all the consolidation, all of that happens as you own.

Management Some say you can say EWS obligation as a rental.

Abhay Soi Just to clarify, EWS obligation has nothing to do it being a trust hospital or an owned hospital or whatever else it is. And EWS obligation is for land which is auctioned or given out by the state government and they put a EWS obligation on that. For example, I tell you that the Nanavati land in Mumbai was free hold land purchased by the trust, and thereafter under the Charity Commissioners Act, all hospitals have to do x amount of free work, all trust hospitals have to do free work, that came into being. Even in Delhi for example, you will have plenty of owned hospitals which have a EWS obligation. So obligation is on the land and not the vehicle.

Jatin Khanna I gave an example of Shalimar Bagh hospital.

Moderator Thank you. Ladies & gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

Mohit Talwar Thank you for taking time off and being with us on this call. I am sure there are going to be more occasions and from our side we will periodically keep you updated in terms of the progress, especially with regards to all the regulatory approvals that we are going to be going through, starting from now. So, till then look forward to the next call. Thank you very much.

Abhay Soi Thank you. Appreciate the opportunity to field questions and invest you as a part of this call. We are looking forward to this unique opportunity where we will have a pure play healthcare company with significant presence in both Delhi and Mumbai, which will be supported by a very strong balance sheet. And I can promise you, it will have the best in class operating standards going forward.

Jatin Khanna I just wanted to add one more thing, Kotak is helping us with this whole process. So if you would like any further clarification, you can reach out to them.

Moderator Thank you. Ladies & gentlemen, with that we conclude today's conference call. Thank you all for joining us. You may disconnect your lines now.