Management Discussion

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Thank you, sir. Good afternoon everyone. And thank you very much for joining Samruddhi Connect program and this virtual knowledge session where we will be interacting and discussing about Asarfi Hospital Limited. Hopefully, you have had time to go through the investor's presentation which was already uploaded on the website for financial year 25-26, wherein all basic details of company is given, its financials and its future details.

Asarfi Hospital was established approximately 20 years back and it got listed three years back. If we talk about post-listing, we have year-on-year growth in revenue as well as in PAT approximately 40% and details you can refer to the respective pages of the investors presentation. We primarily serve Jharkhand, some part of Bihar and some part of West Bengal. Our entire focus was initially to establish super specialty hospital, but post listing, we established one cancer hospital, which is doing fairly well. And we believe that if we continue to progress in such a pace, we will have multiple hospitals at multiple locations as we wish to. And probably we will be delivering best possible shareholders value.

With regard to our objective in this phase, we are trying to consolidate in the newly established cancer where we are bringing specialists from different parts of the country and we are aggressively marketing ourselves in neighboring districts of Jharkhand, which is underserved and under covered. Our primary specialty, which contributes to our revenue is cardiology, general medicine, neurosurgery, general surgery, pediatrics, orthopedic, obs and gynae, gastroenterology and other specialty.

We also do cardiovascular surgery, which is not mentioned here, but we do CTVS surgery. We are doing all kind of cancer treatment in the newly established cancer hospital. And in days to come, we are also looking for establishing education is an area where we have identified strategic fit because in this area manpower is very difficult to get. So we are trying to generate in-house manpower capabilities. Like we are running a paramedical course, we are also trying to establish nursing colleges and accordingly we are progressing.

I would appreciate Rane sir to start the Q&A session, so that we can take up direct questions from our participants. Thank you, sir.

Questions & Answers

Operator
Okay, sure. Thank you, Harinder ji. So I would request participants to type in their questions in the chat box.

Harinder sir, first question [Foreign Speech] So, if you could share a few details [Foreign Speech]. How do you see the growth coming in? What specialties you see we would try to cover in the cancer hospital?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, as I said, we are providing comprehensive cancer care facility. We have medical oncology department, we have surgical oncology department, we have radiation oncology department, and we have hemato-oncology department. So with regard to the equipment we have PET scan, we have gamma camera, we have radiotherapy equipment, we have brachytherapy equipment. So we are

covering almost more than 95% of the oncological spectrum of cases.

[Technical Issue] when any patient is newly diagnosed of cancer, you can understand what kind of feeling they went into. So first of all, we are trying to establish ourselves, where people can trust. Because when we talk about cancer, the treatment of cancer protocol is same all throughout the world. So, if you are getting treated in Bombay or US or in Dhanbad, you know, treatment protocol remains the same because there is a standard protocol for treating different types of cancer.

So trust plays a very important role when any company or any hospital getting established in the field of cancer. So, we are trying to create trust. For doing that, we are conducting multiple screening camps. We are doing educational sessions in all schools and many places. So, our focus is to educate people, to make people aware that cancer can be avoided if it is diagnosed early. So our focus is on early detection and creating trust among the people of Dhanbad and neighboring districts.

Operator
Okay. Thank you, sir. Sir, we have acquired a company of around 70 beds. So, how do you see the margins and the growth? And if you could also share -- if it's publicly available, what valuation have we acquired this particular company?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
The process of acquisition has begun. Acquisition process has not yet complete. Details are a little bit difficult as of now to share. But it will add value. We hope that it will improve turnover and EBITDA and PAT. So probably it will not be good to open and disclose all the numbers what we are expecting from the new acquisition.

Operator
Sure. Sure. Sir, any estimate about if the revenue and PAT margin for FY27 and FY28?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
One minute, sir. That is given in the investor's presentation at page 23. ARPOB is -- ARPOB -- we are targeting for a revenue of INR400 crores by year 2028.

Operator
Okay.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Technical Issue].

Operator
Okay. [Technical Issue].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Technical Issue] called a bid for opening medical college under PPP mode where government will give a certain amount of grant to the tune of 60% of the total project cost. Total project cost of the 100 seat annual intake medical college is approximately 352 crores, out of which the government proposes to give a grant of INR211 crores. Remaining will be funded through internal accruals, some equity funding, and also from bank finance.

Operator
Okay, sir. Sir, what do you feel are the three biggest growth drivers today?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, because our cancer hospital -- and in the existing hospital also, we are -- our main departments are growing nicely like cardiology, neurosurgery, and other departments including the main driver for the growth in coming days -- coming year will be cancer definitely because cancer has not achieved its potential. Therefore, cardiology, cancer, and neurosurgery will be the main growth driver for our company.

Operator
[Foreign Speech] What does Asarfi mean and what is the significance of the name?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, Asarfil means -- literal meaning of Asarfi is a Urdu word, and it means gold coin. But Asarfi is name of my mother. My nana ji was having two daughters. One was Asarfi -- one -- one name is Asarfi and my masi name is Mohra, both means gold coin.

Operator
Okay, very nice to know that sir. Sir. Again on the cancer vertical, as you add cancer beds, what percentage of treatment do you expect from radiation, surgery, and chemotherapy? [Foreign Speech] And does chemotherapy involve higher drug cost and lower profit margins, while radiation offer better profits? And how will the treatment mix evolve? And how many days do patient typically stay in beds during treatment? [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, there are three broad modalities. One is medical oncology, second is surgical oncology, third is radiation oncology. Based on our experience and what we are targeting, medical oncology includes hemato-oncologist. We are targeting to have this contribution of medical oncology and hemato-oncologist, both taken together to the extent of 33% to 35% and remaining 65% will come from radiation and surgery.

Surgery would typically contribute more than 35% or 30%, and radiation will also contribute 30%. So far as the margin is concerned, radiation should be the most contributing towards margin, because radiation has fixed equipment cost, and you know, incremental cost is not there. So when the volume increases in radiation, your margin shoots up. So, if all are performing equally so far as patient load is concerned, or if having equal patient load, then definitely radiation would contribute better than others -- other two departments.

But we believe that medical oncology department [Technical Issue] hemato-oncology will equally be good. Because we are in the process of establishing bone marrow transplant facility. So, once bone marrow transplant facility gets established, hopefully it will -- medical oncology and radiation will definitely contribute better than surgery. But surgical oncology is our strategic area, because that establishes the trust of a cancer hospital. When you are doing good number of surgery, people trust those centers well.

Operator
[Foreign Speech] So as you said, radiation [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
No, no, no. Definitely cancer hospital [Foreign Speech] because overall per ticket size of cancer treatment is much higher [Foreign Speech].

Operator
Okay,

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Like existing hospital we are having 23,000 ARPOB and 37,000 ARPOB is in cancer hospital. This gap may increase even further.

Operator
Okay. Okay. So versus previous year [Foreign Speech] sorry to ask.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech].

Operator
[Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
No.

Operator
[Foreign Speech] With the new cath lab operational, what share or what share of your super speciality hospital cost are fixed versus variable?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
I could not understand the question properly.

Operator
With the new cath lab operational, [Foreign Speech] what is the fixed versus variable cost comparison?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, it will not happen. This will remain same because you know it's just a replacement that in old machine got outdated. So, we replaced with another machine.

Operator
And again [Foreign Speech] how are specialist doctor paid, fixed salary versus sharing patient fees? [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, generally we hire doctors on the minimum guarantee scheme. There is a model of minimum guarantee. We commit that this much minimum we will pay. And thereafter we design a contract where share of every services delivered is fixed. And as per the share from day one, we calculate how much he will get. So after the -- after the month is over, we calculate how much services he has delivered and how much he has earned. And if that that is more than what is his minimum guarantee. So he gets the -- whatever is more he gets, right?

Operator
Sir, what would be your occupancy target for FY27 and '28?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Approximately 75% occupancy. We are targeting for the '27-'28. The problem is [Foreign Speech] You keep on adding number of beds. So [Foreign Speech], but definitely we are targeting for 75% bed occupancy. But still we are just trying to increase number of beds.

Operator
[Foreign Speech] FY28 revenue target INR400 crores [Foreign Speech] like from INR173 crores to INR400 crores [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech]. Dhanbad had 30 lakh population and we are targeting 10 neighboring districts. [Foreign Speech] So we are targeting like that.

Operator
[Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, our 90% plus doctors [Technical Issue] more than 95% doctors are full-time doctors. Because you know our main service is people prefer to come to Asarfi because whenever they come they get a doctor, which is not available everywhere, and that is why we hire doctor on the basis of full-time or we have full time contract other than -- visiting doctors are those doctors who are very renowned, retired from a medical nearby medical colleges. So only those few doctors or who had a very roaring practice and they have joined us, they bring some special type of critical cases who perform surgery here, Otherwise, our main or core group of doctors, which is more than 95% are full-time doctors.

Operator
Okay. Sir, [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Yes, organ -- we had tied up with the clinical hospital for organ transplant. There is some teaching [Phonetic] problem going on. We are discussing with the state government, where the organ transplant policy is not very clear. We are not able to get clarification as to how cadaver or the organs will be available for the transplant. Otherwise, this is our ambitious project. We want to start it, but because of the policy issues we have not been able to start it. But definitely we are -- we are trying to establish our bone marrow transplant as soon as possible.

Operator
Sir, you had mentioned about issues relating to Ayush [Foreign Speech]? Sir?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, these are the things which is -- which continues to be taken care of. We are trying to take care. [Foreign Speech]. If you are aware about the news of Jharkhand, government has launched a scheme where they are paying direct money to the beneficiary. So government is having some problem of fund. So, that gets impacted sometime. But we are taking care. We are -- our Ayushman contribution is not more than 5%. But definitely other schemes like GSS scheme has some dues,

which we are trying to recover.

Operator
Sir, FY27 [Foreign Speech] if you could split between specialty and cancer hospital?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, immediately bed expansion is not strategic area. Cancer is our main growth driver as I've said. And bed occupancy in cancer does not [Technical Issue]. Because when you talk about radiation, if you are getting 50% per day in radiation, they don't require any bed. They come and take the radiation for 10 minutes and they go back home. Like in chemotherapy, every patient comes for four hours. So paid occupancy does not get reflected, a true reflection of performance of cancer hospital.

Operator
Sir, [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, we are preparing, gearing up [Foreign Speech] and we are trying to figure out how to go to main board. [Foreign Speech]. We are trying and we will -- it is our decision and we will go to main board ASAP. Because anybody who is trying to invest they are required to invest at least INR2.2 lakhs for one lot of share, which is the teaching problem for our investors. So, we are trying to solve it.

Operator
[Foreign Speech]. Thank you.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
That will bring liquidity to our share.

Operator
Shares, right? Absolutely.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech] we are completing third year. After that we will be eligible for mainboard migration. And we have already initiated the discussion for mainboard migration. Hopefully, it should be done quickly.

Operator
Sure, sure. Sir, in the presentation we had mentioned about entering into education business like BCOM LLB, which are not related to healthcare.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, it is about utilizing the resources which you create. Suppose you create an infrastructure, and if that infrastructure can cater to other other other courses also. So that is utilization of resources which has already been created. So it is not that diverted into any field which is not related [Technical Issue] so you have infrastructure. You are doing -- already you are educating people. You are running paramedical courses and other courses. So, likewise that LLB course was started. Am I able? Can you hear us?

Operator
Yes. [Foreign Speech] A participant is asking whether, will you organize a hospital visit for investors?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Definitely, sir. Welcome. Welcome. These days Jharkhand weather is very fantastic. You can -- anytime you can come. We remain present in our unit for most of the time of the day. So you can plan anytime. Just give a heads up two, three days before, and we will be there.

Operator
Sure, sir. Thanks sir. Quite interesting [Foreign Speech] How are you able to convince doctors to settle in Dhanbad? And how do we control talent being posed?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
In the initial period, speak that what they require. I used to tell them that you want to me to become a chief minister before making all such arrangement. Because they used to talk about road condition. They used to talk about Inox. They used to talk about shopping mall. They used to talk about schools. So, fortunately the first attraction was we used to offer 20%, 25% more remuneration than what they used to get in other places or metro cities. Second, top line 25% improve [Foreign Speech] So it is not a 25% jump. It is 50% jump of what you are getting. Gradually, today Dhanbad has eight, nine multiplexes, so that issue got resolved. There are all all kind of brands available. [Foreign Speech] So we figure out [Foreign Speech] We created some hostel. We created some good community [Foreign Speech] Because in big cities doctors have concentrated, and their overall remuneration is going down.

So, it's a matter of time, plus [Foreign Speech] Every month every doctor gets a printed copy of their books of accounts. [Foreign Speech] We have doctors who joined us [Technical Issue] back. So, once this starts happening you are good. [Foreign Speech] inside our hospital in the main gate itself we have a flex stating [Foreign Speech]. So probably something we are doing way. So we are able to attract doctors.

Operator
Sir, do we have --

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech] 110 doctors, 110 different contracts. Doctor, Hospital Relationship Management is a critical skill of making hospital successful. [Foreign Speech] we have mastered that skill. We are doing at least fairly good enough in that field to design contract with hospital and doctor, shooting to all doctors probably this is the key reason as to why doctors are coming to us. We have doctor from Tamil Nadu. We have doctor from Pune. We have doctor from Chennai, Delhi, Calcutta, Lucknow. Everywhere. You just name it, we have it. [Foreign Speech] And in Jharkhand, none of the private hospitals has more doctor than us.

Operator
[Foreign Speech] But you have surely demonstrated very well on that cancer hospital front [Foreign Speech] And I'm sure [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, thank you very much for your appreciation. We definitely we are trying to -- we keep our value

system intact. We don't take any shortcuts. [Foreign Speech] We have only one philosophy and one value system. What is right for patient is right for us. So all decisions are taken keeping our patients at the center. [Foreign Speech] none of the doctor can say that we are -- we don't engage with doctor [Foreign Speech] because healthcare is not one day game [Foreign Speech] so they should be taken care of like your own family member. [Foreign Speech].

Operator
Great sir, great. [Foreign Speech] Do we have in house diagnostic and pharmacy services and or revenue share [Foreign Speech]?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech]. Sir, we have only two facility outsourced. One is hemodialysis unit with nephroplus and second is eye unit with sharp sight. Other than everything is in-house. So diagnostic definitely is in-house. Diagnostic contributes to 20 -- approximately 20%. I'm telling you the right exact number. 20% of the overall, We have a very good diagnostic facility on parallel, we are right from biochemistry to molecular. We have in-house. When we talk about radio diagnostic facility, some -- few months back I had seen a newspaper cutting of one big hospital of Mumbai and in that advertisement they had displayed four or five machines.

Fortunately, we are we have all those five machines at Dhanbad. So, right from CT scan, MRI, cath lab, PET scan, radiotherapy equipment everything we have today, rather some -- we feel that we have more equipment none of the hospitals in Jharkhand having more equip than -- equipment than us. And that is backed by a competent doctor who are running that.

Operator
Sir, again like if you could share a few details [Foreign Speech]?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Ayushman Bharat, 5% and less. Cash business 50% -- 50% plus [Foreign Speech] 45% cash, 47% cashless, and rest is TPA, third-party, mediclaim.

Operator
Right. Right. Mediclaim.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Cancer overall impact [Foreign Speech] 65% cash business [Foreign Speech] we are having 60% cash business and 40% -- 35% cashless and 5% to 6% TPS. In the main hospital, we are not doing Ayushman Bharat.

Operator
Okay. Sir, [Foreign Speech].

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
[Foreign Speech]

Operator
[Foreign Speech] in diagnostic or in hospital?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Diagnostic definitely margin [Foreign Speech] What type of case you are dealing. [Foreign Speech].

Operator
[Foreign Speech] Most of the questions we have taken. [Foreign Speech] how do we see Asarfi expanding? Morely from a multi state or multi location perspective?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
I'm not able to hear you, sir.

Operator
[Foreign Speech] Am I audible?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Yes yes.

Operator
Most of the questions we have answered [Foreign Speech] how do you see Asarfi growing multi-state, multi-location [Foreign Speech]?

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Sir, Asarfi is definitely looking for multi-state and multi-locational units. [Foreign Speech] As we were discussing the details of the cash and cashless business. [Foreign Speech]. Plus we are strategically locating [Foreign Speech].

Operator
So, participants, this brings us to the end of this particular session. In case of any further queries you can reach out to us at ipo.mumbai@hemsecurities.com. Again, on behalf of Hem Securities, I would like to sincerely thank Harendra Ji and his entire team at Asarfi for taking time to interact with the investors and addressing all the queries in detail. I would also like to thank all our investors today for joining us. Ladies and gentlemen, this concludes today's webinar and have a good evening. Thank you.

Harendra Singh - Chief Financial Officer and Chief Technical Advisor, Asarfi Hospital Ltd
Thank you, sir. Thank you very much, sir.

Operator
Thank you.