Apollo Hospitals Y 2013 Earnings Call 21 May’13

Operator

Ladies and gentlemen, good day and welcome to the Apollo Hospitals Q4 and FY13 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Mayank Vaswani of CDR India. Thank you, and over to you, sir.

Mayank Vaswani, Investor Relations

Thank you, Shyma. Good afternoon, and thank you for joining us on this call to discuss Apollo Hospitals financial results for the quarter and financial year ending March 31, 2013. We have with us today members of the senior management team, including Ms. Suneeta Reddy, Joint Managing Director; Mr. S. Premkumar, Group CEO; Mr. S. Venkataraman, Chief Strategy Officer, and Mr. Krishnan Akhileswaran, Chief Financial Officer.

Before we begin, I would like to clarify that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. For a more complete listing of such risks and uncertainties, please refer to our investor presentation.

We shall start with Ms. Suneeta Reddy who will discuss the operating highlights for the quarter. Mr. Akhileswaran will then discuss the financial highlights and expansion plans. Following that, Mr. Venkatraman will cover developments on the retail pharmacy business and Apollo Munich Health Insurance. Lastly, Mr. Premkumar, our CEO, will provide an overview of the new initiatives that the group is undertaking.

Documents relating to our financial performance have been emailed to all of you earlier and have also been posted on our corporate website.

I will now hand the floor over to Ms. Suneeta Reddy. Thank you.

Suneeta Reddy, Joint Managing Director

Good afternoon, ladies and gentlemen. Thank you for joining our call. We entered FY13 with a very well thought out strategy. Our strategy was based on our belief in the strong fundamental demand for healthcare services. We believe that Apollo Hospitals will focus on growth by strengthening and consolidating our presence in Tier 1 cities through quaternary care hospitals where we expect a richer case mix and higher ARPOB.

Second, by setting up community hospitals within the cities. These will be supported by a network of clinics. The second part of our strategy was to create a higher secondary care level of hospitals in Tier 2 cities. The third part was to focus on the profitability of our stand-alone pharmacy network through a combination of same-store growth and increased private label share.

We will also establish a platform for sustaining growth beyond the short-term through a network of carefully planned hospitals and clinics, and among these will be specialty hospitals like the Mother and Child that we have already started. I believe that we have laid the foundation for this in this year and we hope that we will show results in the years to come.

Our healthcare services business has displayed a strong performance with increased volumes and revenues. We have witnessed healthy occupancy levels across our network hospitals. Our focus on key specialties through our Centers of Excellence initiative has benefited the society at large and in turn our performance. Despite the rise in the complexity of cases, we are pleased to report the clinical outcomes are at par with the best in the worldx. And this has been testified when we were conferred the best hospital in several locations by the Week-Hansa Report 2012 as well as the fact that we are the number one in solid organ transplant.

The year 2013 was a milestone for stand-alone pharmacies. The division surpassed 1,000 crores in annual revenues and today we have over 1,500 stores. More importantly, the EBITDA margin for the year is close to 3% with our plans to further improve the same over the next couple of years. Our subsidiary hospitals have reported improvements in their performance. Apollo Munich Health Insurance continues to demonstrate robust growth in earned premiums and there has been considerable progress on key strategic initiatives this year.

As we shared with you last quarter, we entered into an agreement with Sutherland Global Services to divest our stake in Apollo Health Street. This transaction has been successfully concluded this quarter. We plan to deploy the divestment proceeds into our core focus area of healthcare delivery services to enable us to augment our service offering and widen our presence.

We have operationalized 200 multi-specialty beds in Aynambakam, Chennai in quarter four and 140 beds Ortho & Spine specialty hospital in Jayanagar, South Bangalore. Our focus now is on smoothly commissioning and operationalizing 1,000 beds of planned expansion across our network in FY14. The key challenge is to recruit skilled manpower including doctors, nurses and paramedics in all these locations, which has been the edifice of our success.

As many of you will be aware, we have entered into a long-term lease for the Lifeline Hospital facility in OMR in South Chennai. We are currently refurbishing this facility and plan to commission it in the second half of the fiscal. This facility will be complemented by a 45 bed Mother and Child hospital located in OMR in South Chennai, a few kilometers away. As it is evident, our expansion strategy incorporates augmenting our presence even in existing clusters like Chennai where we plan to commission three hospitals in FY14, including the Women and Child hospital adjacent to our Children's Hospital in Central Chennai.

Bangalore is a cluster where we are currently focusing on growth in the next two years. Apart from further strengthening our operations in Chennai and Hyderabad. After having recently launched the Ortho & Spine center in South Bangalore, work is on scheduled launch of a 100-bed multi-specialty hospital in North Bangalore before the end of FY14. Lastly, our presence in Tier 2 and Tier 3 centers through the REACH initiative will see further impetus through the commissioning of 520 beds in three REACH hospitals in Nellore, Trichy and Nashik.

Coming to our financial performance, FY13 was another year of good growth with consolidated revenues grew by almost 20% from 3,148 crores in FY12 to 3,769 crores. Consolidated EBITDA grew by 18.5% from 513 crores in FY12 to 608 crores in FY13. Profit after tax in fiscal 2013 was higher by 38.8% at 304 crores.

Before I close , I would like to comment the recent initiative from the Ministry of Corporate Affairs, which has recommended a 2% spend of every company's net profit towards CSR. We at Apollo have been for the past several years forged a rich legacy of social initiatives in the healthcare space. Each year, we conduct several healthcare camps, screening programs, cardiac and cancer outreach programs across the country with a specific focus in the rural areas for early detection and prevention. Billion Hearts Beating, Save A Child's Heart initiative, and the Society to aid the Hearing Impaired are all examples of highly successful community service initiatives that we will continue to promote and you will continue to see us focus on several more such initiatives in the coming years.

I will now ask Krishnan to take you through the details of our financial performance. Thank you.

Krishnan Akhileswaran, Chief Financial Officer

Thank you, Ms. Suneeta. Good afternoon, everyone, and thank you for joining our call. As always, I shall walk you through our investor presentation which has been circulated earlier and is also available on our website. I would like to begin with slide nine of the presentation, which contains the stand-alone financial performance. Stand-alone revenues grew 18.5% from 2,800 crores in FY12 to INR3,318 crores in FY13. While healthcare services grew by a healthy 14.3%, the stand-alone pharmacy segment reported a robust 28% growth in revenues.

EBITDA grew 19.2% from INR464 crores in FY12 to 554 crores in FY13. The overall EBITDA margin expanded by 10 basis points to 16.7%. We have been able to sustain EBITDA margins despite the cost impact of commissioning two new hospitals at Aynambakam in Chennai and Jayanagar in Bangalore in Q4 made good by enriched case mix in our mature hospitals as well as improved contribution and operating leverages from hospitals at Bhubaneswar, Madurai, Mysore and stand-alone pharmacies. Depreciation is higher due to increased capacity at Hyderabad, new beds added in Bhubaneswar and Karaikudi as well as facilities commissioned in Q4 at Aynambakam and Jayanagar in Bangalore.

Other income was higher in FY13 due to deployment of surplus funds and income earning deposits and mutual funds. These funds are now gradually being deployed as work on new facilities progresses. There was also a small gain on divestment of Apollo Health Street.

Finance costs have increased by 14.2% as compared to the previous year to INR73 crores. The effective tax rate for FY13 is 24.2% compared to 31.6% in FY12 due to the tax benefits under Section 35AD of the Income Tax Act because of the new projects that we can now avail of. As a result, stand-alone PAT grew 34% to 309 crores in FY13.

Those of you who have followed our Q4 performance would have assessed that revenue growth has been a moderate 14% in the last quarter of the fiscal compared to around 20% in the earlier part of the year. Stand-alone pharmacies grew 20.3% in Q4 compared to over 30% earlier. Lesser new store rollouts in the first three quarters of this year at 135 stores as compared to 182 stores in YTD December last year was one of the reasons. The other reason was there were three extended long weekend holidays in Q4 of three to four days each, which impacted revenues in hospitals as well as retail pharmacies.

We planned our operation theater closure for annual maintenance in January at our hospitals instead of December, which also contributed to lower revenues. Growth rates have also been impacted by a higher base effect as Q4 last year saw above average volume due to re-empanelment of our Chennai hospital by the GIPSA or PSU insurance companies.

If you now turn to slide 10 on segment wise performance, you will see that while healthcare services revenue grew by 14.3%, EBIT in healthcare services segment grew by 16.3% in FY13. The annualized ROCE on healthcare services has dipped to 16.9% in FY13 from 17.8% in FY12 due to the incremental capital of INR460 crores deployed on a year-on-year basis. As we continue to invest into new projects in the next two years, the ROCE is expected to come down marginally and is expected to contribute as they mature.

I will now take you through slide 12, which contains the key operating metrics in the hospitals business. The operational beds as of March 31 was 5,549 beds. The year-on-year increase of 396 beds over the period has come through the net addition of 155 beds across hospitals in Chennai, Madurai, Bhubaneswar and Karaikudi as well as 241 beds added in Bangalore, Delhi and Ahmedabad.

Overall occupancy has increased to 72% in FY13 on an increased capacity as compared to 71% in FY12. Volume growth has been healthy with double-digit growth in both inpatient and outpatient volumes. Outpatient volumes in Chennai grew 11% while inpatient volumes grew 3%. At 74% occupancy, the Chennai cluster includes the beds at the new hospital at Aynambakam commissioned in Q4, which is just beginning to ramp up. The new outpatient center block which is very close to the main hospital should be operational in the next six to eight months and should help us create additional 100 beds in the main hospital, thereby providing further headroom for growth in this cluster in the medium term.

Hyderabad cluster has been seeing some traction on occupancy which is now at 66%. We have specific plans in place to augment the revenues and profitability in this cluster over the next few quarters. Volume growth at stand-alone hospitals outside of Chennai and Hyderabad like Madurai, Bhubaneswar, Karur, Karaikudi and Vizag was over 20% on a year-on-year basis. The joint ventures, subsidiaries and associate hospitals also registered healthy growth in both IP and OP volumes.

The average revenue per occupied bed has grown 6.1% on a year-on-year basis and is currently at INR21,700 at a group wide basis. ARPOB in Chennai grew by 7.7% followed by other stand-alone hospitals at 7.6%. The Hyderabad cluster registered ARPOB growth of 5.6% while subsidiaries, JVs and associate hospitals grew by 8%.

Before closing, I will quickly walk you through our expansion plans. In line with our expansion plan, we will commission over 1,000 beds in FY14, as Ms. Suneeta already stated. This includes 300 beds across three hospitals in Chennai, including the Lifeline facility, 180 beds at Malleswaram in Bangalore and 525 beds in three REACH Hospitals including 200 beds each at Trichy, Nellore, and 125 beds at Nashik.

Our total planned expansion in the next three years totaling 2,685 beds has a CapEx outlay of approximately INR2,234 crores in a phased manner, of which we have already invested INR478 crores. As shared earlier, our existing cash internal accrual and debt funding position in addition to sales proceeds from Apollo Health Street will allow us to fund this expansion. Further details on our expansion plans are available on slide 16 of the investor presentation.

That's it from me. I will now hand over to Mr. Venkataraman who will walk you through developments on retail pharmacies and Apollo Munich Health Insurance.

Krishnan Akhileswaran, Chief Financial Officer

Thank you, Krishnan. Good afternoon, everyone. Revenues from the retail pharmacy business continued their strong trajectory as they grew 28% from INR861 crore in FY12 to INR1,102 crores in FY13. Growth has come through a healthy increase in same-store sales as well as continued expansion of the pan-India network of stores.

While overall sales growth was strong, it would have been better, but for the unusually several long weekend holidays in Q4. On holidays, the average daily sales were impacted by 25% to 30% chiefly in the non-pharma segment. Further the delay in getting drug licenses in certain states has meant that we have not rolled out as many stores as envisaged in the first nine months of the fiscal. In fact, we opened only 50 stores less because of this.

Operating metrics have improved further. Overall EBITDA has improved from INR16.4 crores in FY12 to 29.3 crores in FY13. The EBITDA margin has expanded 76 basis points from 1.9% in FY12 to 2.7% in the current fiscal. Store category wise EBITDA has also improved. Like-for-like revenue growth has been 16.2% for the mature stores set up before end FY08, 19.1% for stores set up in FY09 and 23.8 for stores set up in FY10. You will also notice in slide 14 of our presentation that all the stores set up prior to FY10, representing 845 stores, are now significantly EBITDA positive. The pre-FY08 category, which contains matured stores, has also reported an EBITDA margin of 5.3% in FY13 compared to only 4.6% in FY12.

In FY13, we made a net addition of 139 stores. We have added 215 stores and closed 76 stores wherever the operations were rendered unviable or we found that they were not viable. We now have a pan-India network of 1,503 stores as on 31st March, 2013.

Coming to insurance, Apollo Munich Health Insurance has recorded a growth of 30% in gross written premium from INR476 crores in FY12 to INR620 crores in the current fiscal. Total income is also higher by 46.6% at INR485 crores in FY13 as compared to 331 crores in FY12. The EBITDA for FY13 is only a negative of 1.3 crores as compared to a negative EBITDA of 38 crores in FY12, which shows considerable improvement in EBITDA. The company will continue to make progress in this business and has plans to expand it further. It has a network of 50 offices across the country and registered assets under management of INR547 crores as of 31st March 2013.

That's it from me. Premkumar will take over the overview as a part of the Q&A. Now I throw the floor open for questions. Thank you.

Operator

Thank you very much, sir.

Suneeta Reddy, Joint Managing Director

Let's just spend a minute on the new initiatives that Premkumar is having.

S. Premkumar, Group Chief Executive Officer

Okay. Good afternoon to all of you. I think a large part of it could be part of the Q&A that we will take off, but very broadly, I wanted to spend a few minutes essentially talking about the -- what Suneeta was just talking about in terms of strong fundamental demand. I think in the context of the newer capacity that we have created as well as in the context of maturing existing ones, we continue to see the strong fundamental demand. We have done core initiatives in the context of case mix which touched upon when Krishnan was talking about it in the one aspect.

The second aspect of our connect was also to try and increase our access inside the marketplace and maybe in the context of some of the Q&A that comes up, I would be able to touch upon some in greater detail. Apart from it, another aspect of change which is really something that we are trying to do in the recent -- in the short-term and in the medium term is to look at our mix from international business, which again continues to be a very strong revenue growth space. We have increased our partners internationally, increased the set of activities associated with this as well as in the context of looking at really various kinds of technology leverage centers in many parts of the world which is translating itself into appropriate consultations and subsequent participation back here in India.

So the core initiatives you could look at is greater access, a significant amount of technology leverage, the case mix that we are taking about and obviously a re-portfolioing in terms of our COEs, essentially making sure that we try and look at a continuing trend in terms of ARPOB increase with appropriate COE related activities, apart from further enhancing what India needs most is essentially in the context of the prevention side by a strong set of products that we are launching and tested across the country in the area of health checkups and so on.

So more of it as you get on to the Q&A. Thank you.

Questions And Answers

Operator

Thank you very much, sir. (Operator Instructions) We have the first question from the line of Balaji Prasad from Barclays. Please go ahead.

Balaji Prasad, Analyst

Thank you. Hi, good afternoon, everyone. Congratulations on the results. Just a couple of questions on the business. Firstly, with reference to your comments that revenues were affected by holidays, two parts to my question. When I look at the number of holidays this year, this quarter and the corresponding quarter last year, they seem to be same. Can you help us understand how weekends could have affected this?

And also secondly, can you let us know what percentage of your inpatient revenues come from elective surgeries which can be deferred? Thanks.

Suneeta Reddy, Joint Managing Director

In terms of the holidays, I think the difference this year was that there were a clustering of holidays. You know, there was Thursday, Friday, Saturday, Sunday that came together and many institutions actually gave -- I mean, people took off on that Friday, which is crucial. So there was four days away from work and this happened three times during this quarter. We had three events where people left the cities and were not present in Tier 1 and that affected the volumes.

The second, of course, is that theater closure which is generally planned for December happened in January because many of the doctors and surgeons took their time off because of the conferences that were scheduled in January and we decided that this was the best time to do theater closure.

With regard to elective surgeries, Krishnan, do you have a breakup?

Krishnan Akhileswaran, Chief Financial Officer

Though we wouldn't have an exact breakup of elective and non-elective at this point in time, we would get back to you on that, Balaji.

Balaji Prasad, Analyst

Sure, Krishnan. Thank you. Thanks, Suneeta. Secondly, on the operating margins, could you help us understand this by addressing it segmentally? I guess the key thing I want to understand is how much dilutive has margins been because of the 340 beds that you added this quarter?

Krishnan Akhileswaran, Chief Financial Officer

So this quarter, if you look at it, the added, there was costs of almost around 6 crores which is part of the EBITDA, which has been -- which has impacted the margins. That's on account of both Aynambakam as well as Jayanagar.

Balaji Prasad, Analyst

Got it. So 6 crores, is it?

Krishnan Akhileswaran, Chief Financial Officer

That's right.

Balaji Prasad, Analyst

Okay. Thank you. Lastly, when I looked at the updated project list, Mumbai seemed to have only Byculla and Navi Mumbai. So Vashi seems to be missing. Is this something that's no more a part of your expansion plan?

Suneeta Reddy, Joint Managing Director

Thane, Thane that -- yes, we did have a JV agreement with Mr. Yash Birla, but I think Mr. Birla decided to refocus his business strategy and he is actually using that land for some other business. So we are looking for land in Thane or for a partner in Thane, but I think we still maintain the number of hospital beds that we are going to add because they are new beds that we've -- and new facilities that we've identified in Chennai, Bangalore and several more that we'll announce later.

Balaji Prasad, Analyst

Okay. Thank you. I understand that. Thank you and all the best.

Suneeta Reddy, Joint Managing Director

There is no change in the number of beds.

Balaji Prasad, Analyst

Understood, Suneeta. Thank you very much. All the best.

Suneeta Reddy, Joint Managing Director

Thank you, thank you.

Operator

Thank you. We have the next question from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru, Analyst

Yeah, hi. Just first on the occupancy side, I mean, although you have explained there were fewer visits this quarter, but how has been the decongestion plan in Chennai working out in the quarter and has that kind of benefitted in terms of what kind of growth we can see in the quarters from Chennai cluster?

Suneeta Reddy, Joint Managing Director

Yeah, both Prem and I will answer that. I think first we have to understand that hospital beds have no shelf life. When we lose a day, we've lost that day, something that cannot be compensated later on. Having said that, in terms of decongestion, yes, this whole Chennai strategy was done with the aim of decongesting the main hospital which we want to focus on a richer case mix in the quaternary care and move the higher secondary care to the community hospitals, which is why we commissioned Aynambakam, which is why we have FirstMed and we are doing OMR. And this continues to be our strategy. We will -- we continue to grow our ARPOB in the main quaternary care hospital. Meanwhile, the others will start contributing significantly.

At this time, I have to say that while we have commissioned Aynambakam, we really have not fully operationalized that facility. Otherwise you would have seen the volume growth. Chennai has reached a certain level where the occupancies are high, asset utilization is high and therefore that -- even if you look at the return on capital figures, margin figures, everything has really reached a certain level, which is why moving -- creating these new centers is going to benefit Chennai.

The second aspect of this is that, we are setting up a separate building for outpatient services to decluster the entire space and to add 100 new beds over a period of time in the main facility that will focus on quaternary care.

S. Premkumar, Group Chief Executive Officer

Yeah, just to add to what Suneeta has been talking about, fundamentally, we have really shown the context of trying to move off and decongest and create newer centers within the city. I mean, the specialty hospital was the first one that we did many years ago. As an extension to that, we believe continuously looking at trying to create capacity in the existing one by increasing headroom as we are now talking about creating another 100 capacity over a period of time, which essentially rolls out and also positions ourselves because one of the other market factors that we are also seeing today is the need to have greater access in various parts of the city. So the whole community perspective really comes in when we really take out on one side, on the southern side of Chennai and the other -- getting down to other part of Chennai, which is beyond the central side. So while we do that, another aspect of decongestion which perhaps needs to be touched upon, is the fact that we are trying to look at a clearly OP based facility which would be very close to our main facility in a very short period of time. And Krishnan alluded to it saying that in the six to eight months you would have that. So that's another way by we are trying to decongest the main, thereby creating additional capacity and ramping that up significantly.

Suneeta Reddy, Joint Managing Director

I think the (inaudible) we are increasing outpatient facilities as well as which will convert to -- where the conversions will be much better and creating space for inpatient because we realize that holidays and all will always be a part of our life and that hospital beds really don't have any shelf life.

Girish Bakhru, Analyst

Right. I mean, just to -- I mean, that was helpful. Just to look from the perspective, the reason we were decongesting is because we were facing huge demand and capacity constraint and now that the inpatient volume has kind of struggled to grow, would we see the occupancy levels like 80% that we have seen in the past in that cluster anytime soon?

S. Premkumar, Group Chief Executive Officer

I think the context of the inpatient volume, you have to look at it both in the context of ARPOB management, case mix management and so on. So it is -- some of which is actually planned as we go across and look at it in terms of what will decongest into a newer facility and how much of it is really going to be creating incremental demand. It is not the cannibalization of facility A which gets into facility B. It is also the community demand in the second location, for example, in southern Chennai which is by itself gravitating in the incremental demand. So there is a planned perspective here, and I think that is the reason why you should really not look at it purely in the context of some kind of an inpatient capacity stabilization of 80%.

Krishnan Akhileswaran, Chief Financial Officer

To add on to that, if you look at the 74% occupancy this year, we have Aynambakam as part of that, Girish. And Aynambakam today is only soft commission which is at 20 beds occupied today. Hopefully over the next couple of quarters to three quarters, as that adds up to a 60%, 70% occupancy, we will see the 74% on the 1,237 going upto at least 76% and 77%, but you'll have to give us a couple of quarters while we get there.

S. Premkumar, Group Chief Executive Officer

And you have seen that happen in Bhubaneswar in the context of the best practices capacity, migration into maturity, I think you will get some of that coming into some of the larger -- newer capacities.

Girish Bakhru, Analyst

Right. And second question was on the Bangalore. I mean, given the addition of Jayanagar, it seems like this cluster is probably growing much faster and if you could just give a broad highlight on overall what's the number of beds in Bangalore and how much ARPOB and occupancy would Bangalore be doing overall?

Krishnan Akhileswaran, Chief Financial Officer

See, Bangalore this year has grown almost 25% for us. The existing hospital is a 225- bedded hospital and it's grown -the top line has grown 25% and it's a part of the subsidiaries and JVs and associates number. So we are doing almost 125 crores in hospital revenues alone there and including the hospital base, pharmacies et cetera, we are almost at 175 crores there. And the EBITDA again has grown by almost 40% in this region and it's grown from around 20 crores to 26 crores.

So clearly, Bangalore -- that's the reason that we have now added the hospital in Jayanagar in South Bangalore and we already have a set of clinicians who are practicing there, we already have a set of orthopedics as well as neurosurgeons who have begun operations there. And we are today at almost around 35% occupancy in that facility of 125 beds.

So yes, you are right. Bangalore is an interesting cluster that we want to be present in. And especially given the geographical spread of Bangalore, the current facility which is the hub will be -- the other two will help us. The Malleswaram which we are planning in North Bangalore, which is 180 beds, as well as the South Bangalore one, which is our Ortho & Spine speciality center is going to help us.

What is not also visible is, we are as part of the Apollo Health and Lifestyle, which is a subsidiary of ours, we also have two cradles which we have acquired recently; one acquired and one which we have set up in Bangalore. So Bangalore clearly is the cluster that we are focusing on.

Girish Bakhru, Analyst

Right. And just lastly, given the change in the Thane plan, and there is of course some timeline shift that we are seeing with another project in Mumbai, specifically Byculla. Are you seeing that there is some kind of change in the way you are looking at Mumbai operations or when do you see really that to really come on board?

Suneeta Reddy, Joint Managing Director

Well, there is a slight timeline shift, and I think this has happened mostly because of delay in getting commissioned. So I think in our last call, we had informed investors that there is a timeline shift as the projects that we delayed, some of them to the next quarter and this is, again, like I said (Technical Difficulty)

Operator

Sorry to interrupt you, ma'am. Your voice is not clear. It's cutting off in between.

Suneeta Reddy, Joint Managing Director

However, in terms of total cost of project, we maintain that those will be the same and the IRR, we will maintain the same. So there is -- financially I don't think there is an impact.

Girish Bakhru, Analyst

Right. All right. That's helpful. I'll join the queue. Thank you.

Operator

Thank you. (Operator Instructions) We have the next question from the line of Ruchi Vora from UBS. Please go ahead.

Ruchi Vora, Analyst

Hi, good afternoon and congratulations on a very good year. Just my first question is on the EBITDA margins. Just wanted to get some guidance from the management as to how do we look at margins evolving over the next two to four quarters given that we are starting many new capacities over the next one or two years?

Krishnan Akhileswaran, Chief Financial Officer

See, we typically don't guide towards margins, but with that said, we can let you know that the next -- as new capacity comes, you should expect some operational costs which should come out of this new capacity till the time they mature. We have budgeted for around 20 to 25 crores of costs in the next year on account of new facilities. But with that said, we are also banking on our existing clusters such as Hyderabad to start delivering and giving us the EBITDA fillup.

We are also focusing on two other aspects which is, one, if you look at last year, we had an exceptional increase in our manpower cost because of nursing and that is something that we would not expect to continue in this year because we already have seen that impact last year. So that should start benefiting our EBITDA margins. So broadly if you ask us, the current trends is something that we are looking to continue for a while, but there could be some impact of this new hospital beds.

Krishnan Akhileswaran, Chief Financial Officer

I think there is also an initiative within the group so that our fixed costs don't really grow and that we are looking at some of the units have delivered 3% saving on the fixed cost. So this is also part of it, which is why we believe that we will try very hard to maintain the existing EBITDA margins.

Operator

Excuse me, ma'am. The line for the concerned participant has been disconnected. We'll proceed with the next question that is from the line of Ravi Dodhia from Crisil. Please go ahead.

Ravi Dodhia, Analyst

Yeah, thanks for taking my question. If you look at same-store sales growth for pharmacy business up to 2,000 beds toll, in fourth quarter, it grew only by 10%. So just want to get a sense, this is the kind of growth that can be accepted from the matured stores going forward?

Suneeta Reddy, Joint Managing Director

Yeah, this is Gokul Reddy, who is in charge of --

Unidentified Speaker

Yeah, we have grown about 14% for the 2007 batch, which is the same store growth and we'll continue grow at that level next year as well.

Ravi Dodhia, Analyst

Okay. Yeah, see because EBITDA margin, also if you look it as kind of say stable at 5.4%?

Unidentified Speaker

(inaudible) it will be mature batch and we are almost at 6% on that batch.

Ravi Dodhia, Analyst

Okay, okay sure. And see with the respect to the lower occupancy and volumes in all the clusters Chennai, Hyderabad and also Tier-II cities. Apart from the holiday that was there, do you also see kind of competition that is there as in more number of supplies coming in then which is why some amount of volume has impacted?

S. Premkumar, Group Chief Executive Officer

I mean you look at it in the context of a broader volume view, I don't think there is any competitive impact associated with this, the brand stands by itself. (Technical difficulty) and decongestant and look at it in the context of our power based increased through case mix. We're also looking at trying to have community centers in South Chennai and in the other parts of Chennai.
So, I think I wouldn't to answer your question directly, I wouldn't say there is any competitive impact on that.

Suneeta Reddy, Joint Managing Director

I think if you look at the product picture of organization, cities are developing. If we have in a city 3.1 thousand, it's now -- we're still maintaing the same ratios, because the number of people -- cities is growing and I'm sure that's phenomenon that we're seeing all over India. With regard to the Tire-II cities, I don't think we've competition because Apolo has created image for itself, espeically where surgical care and IC care is concerned, which is why we find the utilization wherever we start whether it's Bhubaneswar or Madurai, extremely high.

Ravi Dodhia, Analyst

Okay. Okay and with respect to the tax benefit for Aynambakam and Bangalore, Ortho & Spine, what was the tax benefit that was taken during the quarter?

Krishnan Akhileswaran, Chief Financial Officer

So, we've -- for that quarter, I wouldn't be aware of the number exactly, but for the year if you look at it we got 150% tax benefit and the CapEx of both these facilities put together is around 160 crore.

Ravi Dodhia, Analyst

Correct. So, the tune of Q4 benefit on this CapEx of 160 crore, that is what we have taken in the current quarter, Q4?

Krishnan Akhileswaran, Chief Financial Officer

No, we have already taken it in the earlier quarters as well because you estimate the tax for the full year, but in Q4, there was an incremental impact because we had a couple of large equipments that we had added on to the hospitals which increased the overall capital outlay here. So that's why there was an incremental impact on Q4, but that would probably be to the extent of around 10 crores.

Ravi Dodhia, Analyst

Sure. And with respect to the interest that has been capitalized for full year, what was that amount?

Krishnan Akhileswaran, Chief Financial Officer

21 crores is the interest capitalized for the full year.

Ravi Dodhia, Analyst

Okay. Sure. Thank you. I'll get back in the queue.

Operator

Thank you. We have the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead. Mr. Nitin Agarwal from IDFC Securities, you may go ahead with your question.

Nitin Agarwal, Analyst

Hello, hello?

Operator

Yes, Mr. Nitin, you may go ahead with your question.

Nitin Agarwal, Analyst

Thanks. On the Chennai cluster, the new hospital that we're going to be adding, as far as the profitability is concerned, in terms of the case mix and all, is it going to be any different than the profitability of the cluster right now?

Operator

Excuse me, sir. Can you hear us?

Nitin Agarwal, Analyst

No, I could hear now. I couldn't hear earlier.

Operator

Okay. From the management line, sir, are you able to hear us? Right. As there is no response, participants please continue to stay connected while we join back the management. Participants, we now have the line back for the managements. Mr. Nitin Agarwal, you may go ahead with your question. Mr. Nitin Agarwal from IDFC Securities.

Nitin Agarwal, Analyst

Hello?

Suneeta Reddy, Joint Managing Director

Yes, yes, Nitin. We can hear you.

Nitin Agarwal, Analyst

Okay. So in terms of the hospitals that you -- the beds that we are adding in the Chennai cluster, as far as the profitability is concerned, are they going to be in line with the existing cluster's profitability?

Krishnan Akhileswaran, Chief Financial Officer

See, the existing cluster is a very mature cluster and obviously given that there is an outpatient, which is very high in the main hospital, that helps a lot as well as cancer hospital has a very high EBITDA margin, but with that said, the hospital would be in line with our overall hospital margins of 24% to 25%.

Nitin Agarwal, Analyst

Okay, okay. And on the hospitals that -- the 1,000 beds that you're looking to plan -- planning to add this year, how many of these would you see getting operationalized by the end of this year?

Suneeta Reddy, Joint Managing Director

600.

Krishnan Akhileswaran, Chief Financial Officer

Around 500 to 600 would be the number. So we would have a calibrated plan there. We would open up slowly. We would start up with maybe 50% and then take it higher.

Nitin Agarwal, Analyst

Okay. And in terms of the CapEx, what's the kind of CapEx you did in FY13 and what's the number we are looking at in '14?

Krishnan Akhileswaran, Chief Financial Officer

Including the new hospitals, are you speaking or only routine CapEx?

Nitin Agarwal, Analyst

Including the new hospitals.

Krishnan Akhileswaran, Chief Financial Officer

The new hospitals next year would be approximately 450 crores.

Nitin Agarwal, Analyst

And how much did we spend in FY13?

Krishnan Akhileswaran, Chief Financial Officer

That was another 300 and odd crores.

Nitin Agarwal, Analyst

And on this -- okay, 300 for '13, about 500 -- 450 crores for FY14?

Krishnan Akhileswaran, Chief Financial Officer

That's right.

Nitin Agarwal, Analyst

And do we -- on this Lifeline Hospital in Chennai, do we have to pay -- is there any upfront payments involved in that?

Suneeta Reddy, Joint Managing Director

Yeah, there was a upfront --

Krishnan Akhileswaran, Chief Financial Officer

There is a deposit which is there of almost around 40 crores. Of it, half of which would be refunded and the balance would continue as a security deposit. Over and above this 40 crores, our CapEx would be around 60 crores.

Nitin Agarwal, Analyst

40 crores plus 60 crores. And when would these beds be completely available for you?

Krishnan Akhileswaran, Chief Financial Officer

The beds would be available --

Suneeta Reddy, Joint Managing Director

End of the year, end of the year.

Nitin Agarwal, Analyst

By end of FY14?

Krishnan Akhileswaran, Chief Financial Officer

Before -- it's more around Q3. Q3 is when we should be looking at it. End of the year, closer to -- more towards the end of Q3.

Nitin Agarwal, Analyst

So of the 300 beds that we're looking to add in Chennai this year, at least it's going to be spread literally across the year because, I mean, this Lifeline Hospital beds will get only in the second half of the year?

Krishnan Akhileswaran, Chief Financial Officer

That's correct. The focus in Q1 is going to be on both on filling up Aynambakam and the --

Suneeta Reddy, Joint Managing Director

Fully operationalizing Aynambakam, opening the Lifeline and Trichy, which is Tier 2.

Nitin Agarwal, Analyst

Okay. And given our cash flows and the -- which you are going to be -- which one can estimate based up on the current year numbers, do you see another 450 crore CapEx for incremental hospitals? I mean, do we see a material increase happening in the debt levels going forward or accruals should be good enough to take care of the CapEx that we're looking at for the next year or so?

Krishnan Akhileswaran, Chief Financial Officer

Not so much increase we will see because we have cash of almost some 400 crores in our book now and --

Suneeta Reddy, Joint Managing Director

And our debt to equity is only 0.2.

Nitin Agarwal, Analyst

That's right.

Suneeta Reddy, Joint Managing Director

So, we can definitely take some of what we want. Right now, we are not thinking of adding any additional rate.

Nitin Agarwal, Analyst

And lastly on the whole, this is a first thought of acquisition that we would have taken for a while, so I mean how are we looking at this whole inorganic growth opportunity, are we seeing opportunities or -- and what is actually, where we looking at these opportunities, what are the three criteria as for as evaluation for us is concerned?

Suneeta Reddy, Joint Managing Director

Yeah, I think that we are looking at inorganic growth. We'll probably announce hybrid soon, the margin that work for us. I think the first criteria is that we should not have a presence there already and this sort of limits the hospitals that we can acquire.

Second that you know it has accretive because we have a certain thumb rule on cost for bed even when it comes to acquisition, but it has to be value accretive.
And third, facilities have to be according to our standards, which is ACI enable. So these are the criteria that we are following, Venkat, you want to add?

S. K. Venkataraman, Chief Strategy Officer

The other part would also we to look at the local availability, the patient mix and profile that we see and the consultant availability in that state.

Nitin Agarwal, Analyst

But when you get the opportunity that you are looking at, I mean most of them do they involve the kind of existing hospitals, which you'll just take on some sort of not exactly management fee contract basis, but it's like a lease basis or you would be buying out right assets. How do you see more -- bulk of your -- most of your acquisition really coming through?

S. K. Venkataraman, Chief Strategy Officer

It's a combination of all because if you look at it in the Tier-II locations when there are established hospitals, we pretty much don't see lot of acquisition opportunity for 100%. We tend to go with the 51% options that' s the root currently in these days [ph] and then take it on to 100. Like Bangalore is a classic place where we had a 51% take just on couple of years back and now it's at 90% with their option to buy the 10% out assets.

So similarly there are couple of locations when we are looking at in Central India now where there could be opportunities of 51%. Local players would not want to exit completely as well and so that's one of the sense.

Secondly where there are options like lifeline where we see that the facilities available for lease completely with us and that's the aware option that we do. The third option again if you look at place like Bangalore, the hospital that's coming up with Malleshwaram was a structure which is already put up for a non-hospital facility that is being re-conditioned and given to us as a hospital bed. That brings down the time that we take to get into the market.

So there are multiple options we are not fixated with a 100% acquisition today and not many 100% acquisition also might be available out there which would suit us.

Nitin Agarwal, Analyst

But just to probably finish this one off, when you are looking at some of these assets, have you seen an increase or some sort of decrease in terms of the number of potential competitors that you see looking at some of these assets over the last few quarters?

Krishnan Akhileswaran, Chief Financial Officer

Not really.

S. Premkumar, Group Chief Executive Officer

We'd really not look at the existing 185 beds at Chennai that we are looking at to be really competitive to us, but in the context of making it an Apollo facility, it creates a completely new product out there.

Nitin Agarwal, Analyst

Okay, fine. Thanks very much.

Operator

Thank you. We have the next question from the line of Praveen Sahay of B&K Securities. Please go ahead.

Praveen Sahay, Analyst

Yeah. Thank you for taking my question. My question is related to pharmacy. Like, for the last several years, we are adding almost 150 stores net addition. So where we are seeing going forward, in the similar line or like what's the strategy?

S. Premkumar, Group Chief Executive Officer

This year, we added about 170 stores. We are going to continue on that line.

Praveen Sahay, Analyst

Okay. And also I had noticed like in the last quarter, like last quarter last year and even in the last 4Q '13 as well, we had added across some around 80 stores. So as compared to the rest of the year, this addition is quite high. So what's basically the strategy, like it's always --

S. Premkumar, Group Chief Executive Officer

The reason this year is, there were some delays in getting licenses. So in Q4 we opened 80 stores against about 50 stores in the Q4 of last year.

Praveen Sahay, Analyst

And about the geographical reach, like, more towards where we are expanding, like towards in the southern region only or in the different parts of the country?

S. Premkumar, Group Chief Executive Officer

We are expanding different parts of the country.

Praveen Sahay, Analyst

Okay. So throughout like --

S. Premkumar, Group Chief Executive Officer

We have slightly slowed down in Maharashtra where rentals are still high. Other than that, our expansion is evenly placed.

Praveen Sahay, Analyst

Thank you. Now my next question related to, as earlier in the call, you mentioned about the international contribution increasing. So would you please elaborate more on that?

S. Premkumar, Group Chief Executive Officer

No, I think international has been a very lucrative space for us. We have -- we are continuing to grow our international equities, A, by looking at opening up new countries from which we are looking at strategic tie-ups. Apart from it, going into deeper penetration in some of the existing countries which are already large areas for us. So the point of presence that we so far had, which could be really the information centers and some of our partners there, are being augmented. So also the amount of camps and amount of connects that we're really getting down at the clinical level, which is almost seeing a two to three-fold increase over the last three, four months and will continue to grow at the same pace over the next six to nine months.

Suneeta Reddy, Joint Managing Director

Just to add on to what Krishnan said, I think based on the (inaudible) department, the total revenues in the Indraprastha, which is our Delhi hospital, which comes from international patients has moved to 15%. So clearly, the international -number of international patients coming in is rising, but more importantly, it's growing in locations where the asset and the infrastructure is greater. So Delhi with its connectivity, hopefully Hyderabad with its increased connectivity, these are the types of cities which are actually seeing a larger rise. Ahmedabad with the new connectivity and Bangalore, which are seeing a larger rise in international patients and of course Chennai.

Praveen Sahay, Analyst

Okay, okay. Thank you. Just on your hospital business, what exactly the percentage of hospital pharmacy in the hospital revenue?

Krishnan Akhileswaran, Chief Financial Officer

That's approximately 22%.

Praveen Sahay, Analyst

Okay. Thank you. Thank you for taking my question.

Operator

Thank you. Before we take the next question, participants are requested again to please limit up to two questions. Should you have more questions, kindly come back to the queue. The next question is from the line of Perin Ali from Edelweiss. Please go ahead.

Perin Ali, Analyst

Thanks for taking my questions. My first question is regarding your Hyderabad cluster. I mean, we have been continued lower growth in outpatient volumes and even inpatient volumes have not picked up this quarter. You mentioned that you expect Hyderabad to contribute positively next year. So what is your strategy around that?

S. Premkumar, Group Chief Executive Officer

Yeah, I think you have to look at it in terms of three or four-fold things that we are trying to do there. One of the aspects of it is essentially we have, over the last few months and which is continuing now, significantly increased on the ground presence in terms of connect at the community level. The kind of programs that we started off as really translated itself into significant activity to try and increase volumes and that's at one level.

Two is also in the context of some of the case mix related work that we are getting down to do, that again has translated itself into good results and you would see that as we go forward. The third aspect, as we talked about international market space, we have created Hyderabad as a very critical hub in the international space with respect to some of the newer countries that we are now seeing traction, and from this traction, I think we definitely believe a good amount of those patients would come into Hyderabad, which again has connectivity in some of these countries. That's the third pillar of change.

And lastly, in the overall context of point of presence through the number of tenders that we really have around the Hyderabad cluster, the overall penetration with respect to some of the referring kind of tie-ups and so on has also significantly increased.

Suneeta Reddy, Joint Managing Director

Just again to add to this, that you might ask, at this time it doesn't look like 8.3% growth in volume for inpatients and 1.8 are good figures to look at. First, we need to emphasize that as Apollo Hospitals, we focus on profitable growth, but we are not taking -- but we are not really looking at numbers for the sake of numbers.

So this has been our strategy, Hyderabad and every hospitals within the cluster is at a premium to market. And therefore, it is profitable, it might not reflect in huge volume, but let me say that it's profitable and I think that's been part of our strategy.

Perin Ali, Analyst

So, Suneeta, does this means that we are facing some pressure from competition in terms of pricing because we have not been able to take significant price increase in Hyderabad. And I think if I remember last quarter, I think you mentioned that you may be looking at cutting prices across hospitals in Hyderabad to expand on volumes, so is that strategy changed now?

Suneeta Reddy, Joint Managing Director

No, I don't think we ever said that and we've never done that.

S. Premkumar, Group Chief Executive Officer

I think there is no pressure on price. I think you should read the statement from Suneeta and more to be stating that we would continue to sustain our price advantage in the market place and grow as per the sustained premium pricing that we continue to hold. That's one statement should be seen in isolation.
The second aspect of it is that, I think there is a need to get on to greater penetration in the market place and what we perhaps have to do and we have done now is essentially increasing that level of penetration and you would see that reflecting in the kind of volume uptick at the same kind of pricing strategy.

Suneeta Reddy, Joint Managing Director

Because if you look at the outpatient's volumes has grown 1.8%, that outpatient revenue is grown at 13.4%. Clearly talking about bringing down prices in our facilities there because in terms of technology doctors' quality of service outcome, we are clearly -- that this is really what comes and this is the base. This is the central part of our strategy, so I don't think they're going to be a compromise here, which mean that we don't need to compromise when it comes to license.

Perin Ali, Analyst

Okay. Thanks. That was helpful. And Suneeta, just on the international market space which you have mentioned in Hyderabad, I mean, you have 930 operational beds. So if you could just let me know how many of these are for the international block or which cater to international patients and what is the occupancy in those?

Suneeta Reddy, Joint Managing Director

There are about 100 international patient beds and there is an occupancy of about close to 70% of that. I have to say this time that it's not only international patients. Sometimes local patients who are willing to pay a high premium are also accommodated in those rooms.

Perin Ali, Analyst

Okay. All right. And just last question, the funding of your CapEx, I mean, I don't know whether I heard it correctly. You plan to incur around 450 crores this fiscal. Am I correct?

Krishnan Akhileswaran, Chief Financial Officer

That is correct.

Suneeta Reddy, Joint Managing Director

Correct, yeah.

Perin Ali, Analyst

So going forward, with the entire CapEx plan, how do we -- how much debt we expect to raise this year and next year?

Krishnan Akhileswaran, Chief Financial Officer

So the coming year, we would be zero, close to zero. And the year after that, we would be looking at another 500 crores of CapEx. So we would -- predominantly that would come through debt.

Perin Ali, Analyst

That's in FY15, right?

Krishnan Akhileswaran, Chief Financial Officer

That is right.

Perin Ali, Analyst

And sir, just if I can push in my last question, your average realizations now trend at 6% on a group level and you have been able to do a double-digit kind of increase in ARPOBs historically. So do we expect to revert next year to the same level or we will continue to see lower growth or single-digit kind of growth?

Krishnan Akhileswaran, Chief Financial Officer

We are targeting the same numbers, similar numbers. That's what we are targeting and budgeting for.

Perin Ali, Analyst

A similar high-single digit kind of --

Krishnan Akhileswaran, Chief Financial Officer

That's correct.

Perin Ali, Analyst

Thank you very much.

Operator

Thank you. We have the next question from the line of Ishit Sheth from Anvil. Please go ahead.

Ishit Sheth, Analyst

Hi, very good afternoon to everyone. Sir, I had a couple of questions. One is in terms of number of operating beds which will be coming in FY14, that will be roughly 500 to 600 beds out of the roughly 940 beds that we plan to add in FY14, am I correct?

Krishnan Akhileswaran, Chief Financial Officer

That's correct.

Ishit Sheth, Analyst

Okay. And sir, in terms of revenues, I mean if I look at your overall performance, you'll have currently operational beds of close to 3,500. Additional 500 to 600 beds would mean a growth of roughly 17% on that 3,500 beds plus ARPOB growth that we have. So are we looking at close to 25%, 30% growth for FY14?

Krishnan Akhileswaran, Chief Financial Officer

We wouldn't be able to guide you towards that and the important thing that you should also see is you will have to see the clusters where it's being added, the ARPOB will be different from the ARPOB that we typically have in certain other clusters like Chennai. So you cannot just do -- you cannot just extrapolate into the numbers the way you did. You can get offline and we can discuss this.

Ishit Sheth, Analyst

Okay, sure. Sir, and in terms of your consolidated performance, I had a couple of questions on the profitability of our consolidated operation. If I look at the stand-alone and consolidated operation, it's more or less flat. And the biggest -- I mean, one of our biggest subsidiaries, that is Apollo Munich Health Insurance, I mean, the JV, sorry, that had reported basically a profit compared to a loss in FY12. So can you give us a breakup of where are we making losses in the consolidated level from the stand-alone?

Krishnan Akhileswaran, Chief Financial Officer

This year we had some new clinics again which we ramped up in Apollo Health and Lifestyle and we had these two cradles which are the birthing centers that we have also added in this fiscal. And there are some fixed costs which are associated to that in the early part of the maturity. So that is something that we would expect to go up as we move into maturity in these clinics as well as cradles. So that is one location where we have some losses and there is -- there were some write-offs of debts in one other location as well which is a small number.

Ishit Sheth, Analyst

Okay. So can I get a breakup of the Apollo Health Lifestyle loss?

Krishnan Akhileswaran, Chief Financial Officer

Around -- EBITDA was around 8 crores loss.

Ishit Sheth, Analyst

EBITDA was around 8 crores loss.

Unidentified Speaker

That's right.

Krishnan Akhileswaran, Chief Financial Officer

And as we get into next year, we look at it coming down.

Ishit Sheth, Analyst

Okay. But my question again remains that if Health, Apollo Health was around 8 crore loss, we have a profit of in our -- even in our associate at Delhi, Indraprastha Medical, plus we have another profit for Apollo.

Krishnan Akhileswaran, Chief Financial Officer

You can get offline because Delhi doesn't get consolidated at the EBITDA level. It's an associate. It gets consolidated at the net income level. So you need to get to understand what gets consolidated at the EBITDA level and what gets consolidated at the net income level to get the split that you are saying, but the broad answer is only AHLL which is Apollo Health and Lifestyle.

Ishit Sheth, Analyst

Okay, sure.

Krishnan Akhileswaran, Chief Financial Officer

All other companies are profitable.

Ishit Sheth, Analyst

Sure. Okay. So that's it from my side. Thank you very much.

Operator

Thank you. We have the next question from the line of Krishna Prasad form Kotak Securities. Please go ahead.

Krishna Prasad, Analyst

Hi, good evening, everyone. And questions regarding the Chennai cluster. So this year, we've had addition of beds towards the end of the year and we've seen a moderation in ARPOB growth. So with the additional beds being added for FY14, how do we actually view this ARPOB growth for the Chennai cluster next year?

Krishnan Akhileswaran, Chief Financial Officer

See, if you look at the number of beds that we are operationalizing now, the operational -- the coming year, the number of beds are going to be slow. So given that the operationalizing of the new beds are going to be a bit slow, you would still be able to see an ARPOB growth of similar numbers next year.

But with that said, you are right. The overall ARPOB that you would expect of the new facilities would not be in line with the ARPOB of the main hospital which is high or a specialty hospital which is high. So we would try to provide you some color on it as we move forward and start reporting numbers.

Suneeta Reddy, Joint Managing Director

I think the strategy however is to see that Chennai main with its 550 beds will move into a higher ARPOB level and higher utilization level. The key is in the case mix and the fact that we're able to bring down our loss. The new facilities will definitely because they are new and we are launching, we'll have to do it at a pricing which is at a 20% discount to the main facility and that's really the strategy that we follow till people get used to it and comfortable with the facility. And then after that, you could see a ramp up in ARPOB.

Krishna Prasad, Analyst

Sure. Would it be possible to share a number of how much operational beds would be added in FY14 in Chennai?

Krishnan Akhileswaran, Chief Financial Officer

So Aynambakam is around 100 beds that we have added and by H2 of this fiscal move towards Q3 and we would add Lifeline, which is around 150 beds. And the Women & Child would also be around the same 45 beds in Q3. And in Q4, we would have the Women & Child next to Children's hospital of around 65 beds.

Krishna Prasad, Analyst

Right, okay. My other question is regarding the Tier 2 cities. The volume -- the inpatient revenue growth for the current quarter where we've actually seen a bit of a slowdown compared to the 20% plus growth that we've seen in the previous quarters? Is there anything specific that has happened in this particular cluster or how do we see the growth going forward?

Krishnan Akhileswaran, Chief Financial Officer

There are some specific spot in medical management cases and especially in cases like Karur, Karaikudi, Madurai et cetera and that's something that is not there in Q4. Those were -- some of them especially places like Karaikudi, we had dengue which resulted in some increase in the number of volume. So those don't recur in Q4.

Suneeta Reddy, Joint Managing Director

No, but also they have reached quite a high level of occupancy.

Krishnan Akhileswaran, Chief Financial Officer

Yeah. That's right, but --

Suneeta Reddy, Joint Managing Director

Madurai especially has reached a high level, we're opening -- hopefully we're opening more beds there also.

Krishnan Akhileswaran, Chief Financial Officer

That's right. In Madurai, we are also starting -- Madurai is now almost at around 80% occupancy on normal weekdays and we are now also opening up a nursing home. We have a nursing home where we are now in the next six months we are refurbishing that and we would be having some daycare cases et cetera, which we'd be doing out of that nursing home and that will further give feather to our volumes in Madurai.

Krishna Prasad, Analyst

Okay. That's it from my side and thanks a lot for taking my questions.

Operator

Thank you. We have the next question from the line of Bino Pathiparampil from IIFL. Please go ahead.

Bino Pathiparampil, Anaylst

Hi, most of my questions answered. Just couple of them. As you mentioned the Thane project is now called off, was there any CapEx that we already incurred there?

Suneeta Reddy, Joint Managing Director

There was CapEx, but the Yash Birla Group actually contributed to portion of it.

Krishnan Akhileswaran, Chief Financial Officer

That's right. We got it back. Our portion is back with us now.

Suneeta Reddy, Joint Managing Director

Yeah.

Bino Pathiparampil, Anaylst

Okay. And what is the total all projects put together CapEx budget for FY14?

Suneeta Reddy, Joint Managing Director

450 crores.

Bino Pathiparampil, Anaylst

Okay, great. Thank you.

Operator

Thank you. The next question is from the line of Aditya Khemka from Nomura. Please go ahead.

Aditya Khemka, Analyst

Yeah, hi. Thanks for taking my question and thanks for the detailed presentation, really helpful. So my first question is on the subsidiary sales. So if I just deduct your consolidated revenues from the stand-alone healthcare services revenue, what I arrive at is the subsidiary sales, right, ex the JV part of it. So if I look at that, so on a sequential basis, there has been a huge drop in sales. It was about 65 crores in 3Q '13 and it was roughly around 36 crores in 4Q. Now I understand with my discussions with you previously that in 2Q and 3Q, there was a jump in sales because some clinics were brought under subsidiaries which is why there was a step jump in revenues. So what has really caused the depression in fourth quarter?

Krishnan Akhileswaran, Chief Financial Officer

There was a reclassification which was done in Q4 because until Q3, the estimate, we don't give for consolidated number. Q4, there was a reclassification because we have reported gross revenues in one of the hospitals whereas the auditor wants -- we typically report net revenues net of doctors fees. So in one hospital which is there we had - in the clinics subsidiary which is AHLL again, we had -- until Q3 we had reported the gross revenues whereas in Q4 we had to report the net revenues and that had an impact in the Q4 numbers, but it's just a classification. It's -- the EBITDA remains the same, the profitability remains the same.

Aditya Khemka, Analyst

So am I right in assessing that you -- so you would have probably had to take a write-down on the net and gross difference for the previous quarters also in this quarter?

Krishnan Akhileswaran, Chief Financial Officer

That is correct because till Q3, it was -- the revenue that was being reported was the gross revenues and then the doctors fees was going as a cost whereas in Q4, we had to reflect it as the net revenues, which excluded the doctors fees.

Aditya Khemka, Analyst

Right.

Krishnan Akhileswaran, Chief Financial Officer

So the profitability and everything else continues because we don't report consolidated numbers. It's only for the analysts and the investors at large that we provide the estimates of consolidated numbers, but otherwise it's been in line.

Aditya Khemka, Analyst

Right, right. So if I just wanted to get a further clarity in this, so what would be a more normalized number for subsidiary sales in fourth quarter? So had there been only net revenues and you wouldn't have to take write-backs?

Krishnan Akhileswaran, Chief Financial Officer

So YTD, we will provide that number to you offline. You can get to Krishna Kumar. So you can -- the YTD numbers are correct now. The full-year number that has been reported is correct. So the impact is not as big. It's probably around 15 crores or something which had to be reversed.

Aditya Khemka, Analyst

Right. So the FY13 number is on a net sales basis, I can look at that?

Krishnan Akhileswaran, Chief Financial Officer

Exactly. You can look at FY13 and that's at net sales only.

Aditya Khemka, Analyst

Okay. And sir, my next question relates to your ARPOB guidance or what you mentioned to an earlier participant. So a high single digit kind of a growth in your ARPOB, so there are two -- I mean, there are two aspects to it. One is definitely improvement in case mix, which is going to increase your ARPOB. The next is obviously passing on inflation in cost and third is whatever improvements you can do in terms of your patient, IPD, OPD mix.

Now countering these three tailwinds is definitely the headwind of new launches and how much ARPOB we can generate from the new launches. However, don't you feel that a high single digit doesn't really represent the brand strength that we speak of because Apollo being a branch should be able to charge a premium. In fact that is what we are doing in Hyderabad. So don't you think, I mean, there is a mismatch there in terms of how ARPOB should be doing going forward?

Suneeta Reddy, Joint Managing Director

Yeah, I think we do -- we definitely charge a premium. We are at a significant premium to market. ARPOB only reflects growth over last year, but it doesn't tell you that we are already at almost 15% to 20% premium to market in certain segments. And the second issue that we have to keep in mind is that the ARPOB also does not tell you the increase (Technical Difficulty) everything that has to be -- that we are absorbing in this ARPOB. So there is a limit to which we can go.

The third issue, third and most important issue is that we've re-empanelled GIPSA, the insurance companies, and to stay with GIPSA, I think we have to keep the ARPOB within a certain band. It's still at a premium, but it cannot really be out of block [ph], otherwise we will lose the insurance clientele and they will just get used to going to other hospitals which we don't want that to happen.

Aditya Khemka, Analyst

Right, ma'am. So this re-empanelment of the insurance company, this is for the Hyderabad cluster, right? This is --

Suneeta Reddy, Joint Managing Director

No, in December, it was for Chennai and now at Hyderabad it's happened.

Aditya Khemka, Analyst

Yeah, right. So I mean, given that they have re-empanelled, did you experience higher volume coming from that particular institutional client at your end for the fourth quarter?

Krishnan Akhileswaran, Chief Financial Officer

Yes, we did. Last year --

Suneeta Reddy, Joint Managing Director

Last year fourth quarter, yes.

Aditya Khemka, Analyst

Okay, okay. Thank you.

Operator

Thank you. We have the next question from the line of Nitin Gosar from Religare. Please go ahead.

Nitin Gosar, Analyst

Hi, good afternoon. Just wanted to understand now this pharmacy business which is contributing 22% of your total hospital sales, what happens once a new pricing policy comes into play? There would be some hit on your revenue, right?

S. K. Venkataraman, Chief Strategy Officer

The pricing is not clear from the manufacturer as of now. Unless they determine and decide on that, we'll not be able to comment. It might take another 45 to 60 days to get a view on that.

Nitin Gosar, Analyst

Okay. So by first quarter, we'll have a better understanding on how things might play out?

S. K. Venkataraman, Chief Strategy Officer

But our expectation it is more on the life saving and (inaudible) side, it will be -- the impact will be very less.

Nitin Gosar, Analyst

Okay, okay. Thank you.

Operator

Thank you. We have the last question from the line of Shashwat Panda from Pureheart Capital. Please go ahead.

Shashwat Panda, Analyst

All right. Hi, congratulations on a good set of numbers. I just wanted to understand that you are going to add 1,000 beds next year and 2,000 beds in all over next two, two and a half years. Are you planning to do that without starting a price for talent because if my understanding is that, talent is the costliest resource as of now for the industry as a whole?

Krishnan Akhileswaran, Chief Financial Officer

If you look at our expansion plans, you would realize that it's not bunched up in one location where there is a lot of competition for skilled manpower or talent. That's why if you look at our expansion plan, it's well set out. In a cluster like Chennai, we are the dominant hospital network here and we would want to, as Prem said, we would want to go into other locations like South Chennai and the suburban locations where there is a lot of residential units as well, which we would want to now cater to.

And if you look at all the beds that is being added, there are a lot of new Tier 2s and Tier 3 locations where there is not as much corporate hospitals. We are going to be the first corporate hospitals in several locations like Indore or Patna, Trichy et cetera. You would realize that we are not going after the same talent pool. Prem, you want to add?

S. Premkumar, Group Chief Executive Officer

I think we must also appreciate that these are -- one of the criteria for any of these new expansions had been based on consultant availability as a whole, which is a very core element. And based on that, I think that's a very high weightage point, as you rightly pointed out. So our case mix also in terms of what we are trying to do, for example, the Bangalore one is orthopedic based, where the talent is available and pre-budgeted for in terms of what's going to be there. So I think the whole context is case mix -- and most importantly, I mean, I think being part of the Apollo network is aspirational in many cases for not just consultants, but by a larger perspective.

Outside that, I mean, I think we -- you would have noticed that over the last few years, we have had a significant inflow of consultants coming out of India, returning to India either from the U.S. or from the UK and so on. So it continues to be our core catchment area in terms of incremental talent that we are looking at.

Shashwat Panda, Analyst

So do you feed the hospital with talent from your current existing hospitals?

S. Premkumar, Group Chief Executive Officer

Yes, as appropriate and as aspirational for them to be closer where they want to be and also try to look at the right balance as per what we call -- which makes our quality standards and clinical outcomes be there.

Shashwat Panda, Analyst

Okay. So you don't face resistance from the current manpower because if I understand, all your top doctors are on revenue sharing basis. So since they are running businesses in their own right, it must be very difficult for them to pick up and leave and start in another city at a different, I mean --

S. Premkumar, Group Chief Executive Officer

No, I guess -- I mean, I guess the relocations are far and few. More importantly, we look at newer talent. We look at few of them being seeded and there are multiple ways of -- where appropriate incentivization is done.

Shashwat Panda, Analyst

So you don't think this is going to be a bottleneck at all?

S. Premkumar, Group Chief Executive Officer

Not in the -- not in the medium term and our present expansion plans.

Shashwat Panda, Analyst

Okay. And -- okay. So that's fine. The second question was, as you said that Chennai obviously being a big cluster, you have a lot of synergies, if you open hospitals around Chennai and maybe around Tamil Nadu. So do you think you have squeezed out enough or all the juice from that market to actually look at a market like Bombay where you will have two hospitals which is a very high cost location and where you will actually have to compete for talent with people like, let's say, the Reliance Hospital. So does it make sense to enter a place like Bombay vis-a-vis just getting easier business in Chennai, around Chennai in Tamil Nadu?

Suneeta Reddy, Joint Managing Director

No, I think, we proved that we could be successful in Delhi. We've done it in Bangalore, we've done it in Calcutta. And I don't think -- I don't know why we can't do it in Bombay. Our doctor retention strategy is completely different from any of the other hospitals. They work on a fee for service basis and most of our doctors in Bombay unlike most of the hospitals will be full-time Apollo consultants. So I don't think -- a large portion of our doctors are actually doctors that we bring back from overseas who will be committed to working full-time at Apollo.

Shashwat Panda, Analyst

So why is it that Apollo is able to do this or have this unique retention strategy and other people, let's say, Fortis have not been able to do it? Because they do it differently. That's what I know.

Suneeta Reddy, Joint Managing Director

No, I think that because they are the first and that's because all we've learned, we have -- Chairman was a doctor who is practicing in the USA, we came back with some learning, we started with some learning. Instead of acquiring hospitals with existing structures, so it made a difference. And I think it's worked well for us. Sometimes we've had to moderate this strategy and give them a guarantee fee in the first years, which is why the costs are high when we start a hospital in the beginning. We do give them a guarantee fee so that they will stay with us as soon as they come back from overseas and then they move to fee for service, but it's a model that works in all our new hospitals.

S. Premkumar, Group Chief Executive Officer

And at the end of the day, it is a preferred consumer brand. So obviously I mean, there are strong weightages of where you want to work depending upon that.

Shashwat Panda, Analyst

Right, right. So do you see -- I mean, would you say that the brand spills over to the breakeven period also? Would you say that an Apollo hospital breaks even faster or quicker than the competition?

Suneeta Reddy, Joint Managing Director

Well, in Delhi, we broke even in 18 months. So I think it's an example of what we can do.

Shashwat Panda, Analyst

So when you are planning for this, what is the breakeven period that you typically assume for a new hospital?

S. Premkumar, Group Chief Executive Officer

Typically 18 months is what we assume as breakeven.

S. Premkumar, Group Chief Executive Officer

And this is not static. I mean, we keep improving on it. I mean, I think we had various benchmarks and we have continued to beat those benchmarks.

Shashwat Panda, Analyst

Right. So I think the -- should we consider the Bhubaneswar hospital as a typical benchmark?

S. Premkumar, Group Chief Executive Officer

It should be a good one to look at our -- most of our community expansion hospitals. It should be a good benchmark to keep as a base.

Shashwat Panda, Analyst

Okay. And my final question is actually, so again coming back to the Chennai cluster, obviously it is a thing of beauty because you have such a high market share. It allows you to dictate prices. That benefit you don't have in Hyderabad or other places. So would you not say that it is better to plan maybe five years ahead and start developing a cluster like Chennai somewhere else, let's say, Calcutta is one option where you can look at where the competition is low and --

Krishnan Akhileswaran, Chief Financial Officer

Bangalore is already a cluster that we are working on. As we said, it's 225 beds. You will see it getting to 500 beds quickly and we would also expand Bangalore further to this. Calcutta is another cluster that we have been looking at.

Shashwat Panda, Analyst

But I think in Bangalore, you have competition right across the street from Fortis and it's not the same as -- I mean, it's not as virgin a market as Chennai was when you started.

Krishnan Akhileswaran, Chief Financial Officer

That's fine.

Suneeta Reddy, Joint Managing Director

That is what we are looking at is.

Krishnan Akhileswaran, Chief Financial Officer

We are looking at these, but competition is real. We will have to -- we cannot look at expanding without competition. That's fine.

Shashwat Panda, Analyst

Right. Right, but the question is -- are you trying to create another Chennai cluster or is it just you are taking it case to case?

Krishnan Akhileswaran, Chief Financial Officer

Bangalore is a cluster that we are creating. Mumbai would be another cluster that we would be creating. East would be Calcutta and another -- along with east, which we are looking at creating. So yes, you are right. We would be looking at creating clusters around these locations.

Shashwat Panda, Analyst

And would you have one -- it's a vague question, but at around what market share do you think that the competitor dynamics change for given micro market?

S. Premkumar, Group Chief Executive Officer

I think to look at it in terms of market share at his point, the question is a lot more data points across what kind of segments we address, what kinds of case mix we address and so on. I wouldn't get into the discussion around that, but internally, I could assure you that we track each of these (inaudible) intelligence that is available.

Shashwat Panda, Analyst

Okay, okay. Thank you. Thank you for taking my questions.

S. Premkumar, Group Chief Executive Officer

Thank you.

Shashwat Panda, Analyst

And best of luck.

S. Premkumar, Group Chief Executive Officer

Thank you.

Operator

Thank you. I would now like to hand the floor back to the management of Apollo Hospital for closing comments. Thank you and over to you.

Suneeta Reddy, Joint Managing Director

Thank you. Thank you so much for joining. And if there are any other questions that you might have, please feel free to call KK and their team will be available to answer them. We look forward to meeting all of you in our facilities and for our next conference call. Thank you.

S. Premkumar, Group Chief Executive Officer

Thank you.

Operator

Thank you. Ladies and gentlemen, on behalf of Apollo Hospitals, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.