November 21, 2024

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The General Manager
Dept. of Corporate Services
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400 001

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

Scrip Code: 543654

Symbol: MEDANTA

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Earnings Conference Call Transcript

Dear Sir(s),

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Thursday, November 14, 2024, for the quarter and half year ended September 30, 2024 results.

The Transcript is also available at our website: https://www.medanta.org/investor-relation

This is for your information and record.

For Global Health Limited

RAHUL RANJAN
Digitally signed by RAHUL RANJAN
Date: 2024.11.21 12:52:52 +05'30'

Rahul Ranjan
Company Secretary & Compliance Officer
M. No. A17035

Encl: a/a

“Global Health Limited – Medanta

Q2 FY25 Earnings Conference Call”

November 14, 2024

MANAGEMENT: **DR. NARESH TREHAN – CHAIRMAN AND MANAGING DIRECTOR – MEDANTA – GLOBAL HEALTH LIMITED**

MR. PANKAJ SAHNI – GROUP CHIEF EXECUTIVE OFFICER AND DIRECTOR – MEDANTA – GLOBAL HEALTH LIMITED

MR. YOGESH KUMAR GUPTA –CHIEF FINANCIAL OFFICER – MEDANTA – GLOBAL HEALTH LIMITED

MR. RAVI GOTHWAL – HEAD INVESTOR RELATIONS – MEDANTA – GLOBAL HEALTH LIMITED

MODERATOR: **MR. AMEY CHALKE – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Global Health Limited, also known as Medanta Q2 FY25 conference call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amey Chalke from JM Financial. Thank you and over to you, sir.

Amey Chalke: Thank you. Good evening and a very warm welcome to all the participants on the Global Health Limited Q2 FY25 earnings call hosted by JM Financial. Joining us today from the management team, we have Dr. Naresh Trehan, Chairman and Managing Director, Mr. Pankaj Sahni, Group CEO and Director, Mr. Yogesh Kumar Gupta, CFO, Mr. Ravi Gothwal, Head of Investor Relations. I will now hand over the call to Dr. Trehan for his opening remarks. Thank you and over to you, Dr. Trehan.

Dr. Naresh Trehan: Thank you. Good evening to every one of you who is on the call and thank you for joining us today for Medanta's Q2 and H1 FY25 earnings conference call. The press release and earnings presentations have already been uploaded on our website and the stock exchanges and I trust you have had an opportunity to review them.

Medanta's continued dedication to raise healthcare standards has resulted in another quarter of strong performance. As we expand our reach, we see steady progress across our facilities, aligning with our commitment to delivering accessible and highest quality of healthcare.

The quarterly update that I would like to share with you that, I'm pleased to announce that last week we signed an Operation and Management Agreement to operate and management a state-of-the-art 750 bed super specialty hospital in Pitampura, New Delhi.

This is a significant milestone in Medanta's growth journey, allowing us to extend our presence into the high growth densely populated micro markets of Northwest and West Delhi. This hospital to be jointly developed with the society over the next 4 years and will offer comprehensive world-class healthcare services, including multi-specialty robotic surgeries, regenerative medicine and a full spectrum of transplant services.

Our commitment to quaternary care remains steadfast as we focused on delivering cutting-edge medical services to transform healthcare delivery.

Notably, Medanta Gurugram reached a significant milestone by completing 3,000 kidney transplants. Additionally, our doctors achieved a breakthrough in treating Idiopathic Chylopericardium, a rare condition using minimally invasive approaches. Medanta Gurugram also performed its first CAR T-cell therapy, an advanced cancer treatment that harnesses the power of the patient's own immune system to fight cancer.

We also introduced the Da Vinci Xi surgical robot at Medanta Lucknow, which will support precision driven, minimally invasive surgeries, further enhancing patient outcomes. We continue to strengthen our clinical capabilities and on-boarded over 25 doctors in Q2 FY25.

As we look ahead, we remain optimistic about our growth trajectory. Our focus will be on expanding our services offering, enhancing patient care and leveraging technology to deliver world-class healthcare services. Now I will hand over the call to Mr. Pankaj Sahni, our group CEO, who will walk you through the financial performances of the quarter. Thank you.

Pankaj Sahni: Thank you, Dr. Trehan. Good evening and welcome everyone to our Q2 and H1 FY25 earnings call. I am pleased to report a strong performance this quarter, achieving our highest ever quarterly revenue and EBITDA. Growth momentum was robust across our network hospitals and Lucknow unit also showed signs of recovery.

During the quarter, the company delivered consolidated total income of INR 9,748 million, which is a growth of 12.7% year on year and 10.4% on a sequential basis. The growth was driven by a combination of factors including higher patient volumes, increase in bed occupied days and improvement in realization.

EBITDA was INR 2,465 million, up by 5.5% year on year and a robust 18.4% growth on a quarter-on-quarter basis. EBITDA margins were at 25.3% in Q2 FY25, an improvement of 170 basis points on a sequential basis.

Profit after tax was INR 1,308 million, growth of 4.5% year on year and 23.1% on a quarter-on-quarter basis. PAT margins were 13.4% compared to 14.5% in Q2 FY24.

In the first half of FY2025, INR 370 crores of capex were incurred, including INR 131 crores related to the acquisition of land in Mumbai. Our balance sheet remains strong with a net cash surplus of INR 7,186 million at the end of September 2024.

Now moving on to some operational performance highlights.

During the quarter, we have successfully expanded our capacity by 118 beds, comprising 52 beds at Lucknow and 66 beds at Patna. Average occupied bed days increased 9.1% year on year with a strong occupancy of 64.3% on increased bed capacity. Inpatient volumes during the quarter increased by 8.8% year on year to over 45,000 and outpatient volumes increased by 6.6% year on year to 7.75 lakhs. This consistent volume driven growth reflects the sustained trust and confidence our patients place in Medanta's dedication to delivering exceptional patient-centred care.

Average revenue per occupied bed or ARPOB for the quarter was INR 62,140 compared to INR 61,003 in the same quarter last year, a marginal increase of 1.9%, largely driven by changes in case mix and some amount of tariff increases in our matured facilities.

Coming to the matured versus developing hospital performance update. Our matured hospitals comprising Gurugram, Indore, Ranchi continue to deliver strong growth across key performance

indicators. Matured hospital revenue was INR 6,882 million, which is a growth of 13.5% year on year and 7.8% on a quarter-on-quarter basis.

EBITDA was INR 1,739 million, a growth of 12.5% year on year and 9.4% on a quarter-on-quarter basis. EBITDA margins remain strong at 25.3% in Q2 FY25.

Average occupied bed days increased by 6.4% year on year, representing strong occupancy of 67%. ARPOB grew by 6.2% to INR 67,059 in Q2 FY25, driven by tariff increases in Gurugram and Indore and changes in our case mix.

Coming to the developing hospitals, which include Lucknow and Patna, delivered revenue of INR 2,754 million, which is a growth of 4.2% year on year and 16.2% on a quarter-on-quarter basis.

EBITDA was INR 823 million, down by 8.2% year on year and a strong growth of 41.7% on a quarter-on-quarter basis. EBITDA margins improved from 24.5% in Q1 FY25 to 29.9% in Q2 FY25. Average occupied bed days during the quarter increased by 14.5% year over year, representing an occupancy of 60% on increased bed capacity. ARPOB declined by 5.9% year on year due to a change in payor and case mix to INR 53,724.

To add some further colour to these numbers that I've just mentioned, coming first to a Patna unit, it continues to perform well, very strong growth in patient volumes resulting in robust revenue and profitability growth and increasing its contribution to the developing hospital classification and to the group in general.

Lucknow performance during the quarter showed signs of recovery. Sequential growth is seen in inpatient volumes, revenue and EBITDA as is highlighted in our numbers.

During the quarter, we have strengthened our clinical capabilities in Lucknow by on-boarding six senior directors across various specialties. As part of our commitment to innovation and technology, we introduced the Da Vinci Xi Surgical Robot at Medanta Lucknow, further elevating our surgical precision and complex care capabilities in Lucknow.

Aligning with our mission to provide inpatient care access across all types of patients, Medanta Lucknow has already enrolled in the Ayushman Bharat and Deen Dayal Health Schemes providing cardiac and radiation oncology services to a wider patient base.

Furthermore, as of October 2024, we have secured the empanelment of the Central Government Health Scheme (CGHS) expanding our reach within the community. We continue to make further investments in medical equipment and clinical talent additions at our Lucknow unit.

As far as our growth outlook comes for the future, in the first half of FY25, we have significantly expanded our capacity, adding approximately 280 beds across our network with 150 beds coming in Lucknow, 84 beds in Patna and 50 beds in our Gurugram facility. Our focus is on ramping up the occupancy across these new beds, which will include enhancing clinical teams and investing in advanced technology to ensure seamless and high-quality care.

We are also planning an additional 50 beds in Patna, which we hope to come on board in the next coming months. Furthermore, we have capacity within our current infrastructure to add 200 more beds in Lucknow and approximately 150 beds in Patna, which we will bring online in the near future.

Construction of our Noida facility is progressing well and we anticipate opening in Q1 FY2026. This expansion will be an important addition and is in the next step towards serving the Noida and East Delhi catchment of the Delhi NCR region.

I am also pleased to share that as of last week, Medanta has signed an Operations and Management Agreement to operate and manage a state-of-the-art 750 bed super specialty hospital in Pitampura, New Delhi. This facility developed in partnership with the Dr. Narayan Dutt Shrimali Foundation International Charitable Trust Society is strategically positioned to address the healthcare needs of Northwest Delhi and its surrounding regions.

With this, I request the operator to open the line for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Yes, thanks for the opportunity. So firstly, if you could highlight the surgical medical mix for developing hospitals, for the quarter.

Pankaj Sahni: Not sure that I have that number off the top of my head, Tushar. But if you look at our revenue mix in the quarter, and this is for the group I'm talking about not developing, approximately 21% is in Cardiac, 12% is GI and Gastroenterology and about 14% is Cancer. This is on our investor presentation in the revenue mix slide, on slide 11.

Tushar Manudhane: I didn't mean the case mix wise. I meant there has been a decline in ARPOB, but the revenue has grown, which implies that the volume has grown significantly for the developing hospitals. So maybe there has been a higher proportion of OPD. Is that the way to understand? And hence the medical mix is higher for the quarter for developing hospitals?

Pankaj Sahni: No, I don't think there has been a significant change in our OP to IP mix. I think that the two points, as I mentioned very briefly, one is that in the developing hospitals, we include Lucknow and Patna. Obviously, Patna has grown very well and has continued to add a greater share of the total revenue for the developing hospitals. And as you're aware, Patna has a lower realization and therefore a lower ARPOB. So to some extent, the developing hospitals will have a dilutive effect on the ARPOB as the share of Patna increases in that portfolio pool.

Now, our Lucknow Hospital actually has completed five years in November. So that, I guess, in many ways is now moving from being in the developing stage to being in the mature space if you use the five-year timeline. But that is one of the reasons.

The second reason is that we have definitely, as with every other institution, seen a lot of growth in our Cancer work. And as you're aware, the Cancer work is maybe at a slightly more medical orientation if you take Medical Oncology or Radiation Orientation.

Although, this may add actually to an increased ARPOB because the length of stay of some of these patients is lower. So I think that the major reason which you will find for the ARPOB share change is because of the increased mix of Patna in the developing hospital portfolio.

Tushar Manudhane: Got you, sir. And from a capex point of view, Indore project is also sort of stuck because of the litigation. Delhi project is also, if you want to clarify how temporary the assault is. And given that we have new Pitampura project and the Mumbai project, so if you could lay out the kind of capex outflow for say second half of FY25, FY26 and FY27.

Pankaj Sahni: So let me just give you a quick overview on the projects and I'll ask Yogesh to walk us through on the capex. You are right, Tushar. There has been a delay in both Indore as well as our South Delhi project. And that is unfortunate even as far as we are concerned. Our Indore project, as you rightly pointed out, is stuck in litigation. We are, of course, exploring all other as well as current opportunities in Indore.

And our DLF project or a partnership with DLF in Delhi is very much on track. Unfortunately, given some of the pollution challenges in Delhi, we have been a little constrained on some of the construction activity. But that project will happen, although it is delayed as well, unfortunately, but that project is fully on track as far as our intention and our partnership continues. Let me hand over to Yogesh who can maybe share some of the capex numbers for the next few years.

Yogesh Kumar Gupta: So capex numbers, I think we have already shared this on the slide 23 of the investor deck. If you see that what we are maintaining here is that there will be about INR 470 crores of capex on the existing units. And then the INR 500 crores on the Noida which will be spend in the somewhere Q4FY25 and Q1 of the next financial year when we order major medical equipment, etcetera.

South Delhi and Indore is something which are delayed a little right now. South Delhi may come up, but Indore is delayed for a longer period. Rest, Mumbai, Pitampura, Medical School, Guest House, all these projects will get spent maybe equally over the next three to four years. For hospitals, major chunk of medical equipment will get spent in the last part of the development of those hospitals.

So we haven't broken up right now into the financial year wise as you asked, but what we have given is the overall strength on these projects. And except for Indore and South Delhi where we don't know right now how much time it will take, but all other projects will get completed in the next three to four years.

Tushar Manudhane: Thank you, sir. I have some more questions and I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: Good evening and thank you for the opportunity. My question is again on status of DLF and Indore. So Indore unit you mentioned is pushed slightly longer, but on DLF, can you clarify like by when we should be getting complete clarity on all the aspects, whether it's environmental or some other pending issues?

Pankaj Sahni: So DLF facility, if you recall, I may have mentioned in our last quarter earnings call that we were going to proceed with the barricading and soil testing of our site there in South Delhi. That work actually got stalled because of the pollution requirements in Delhi. And so that has created a little bit of delay, but that work we will commence. There is no other major challenge there on one part of that.

On the other part of it, we are actually working out to see how we can look at addressing some of the concerns that exist with respect to the site and some of the challenges that may be on the site. But the work will progress and the project will progress.

I would say that if you look at it on an overall basis, I think it's probably been approximately one year that this project has been delayed because of the various compliances and approvals that we've been trying to get. But the project will continue and is on.

As far as the Indore project goes, I think there the situation is a little bit more ambiguous. And that is why we have also commenced alternative thoughts in Indore to see how we can look at expanding our capacity. But we continue to work with our partners there to resolve these legal issues and continue to work with them to try to get these cases expedited and as you may be aware, I've mentioned in the past, currently the landlord has won the case which people had put against saying that there was an inappropriate transfer, etcetera.

So we are just waiting for the appeals process to play itself out before we go ahead there. But a little bit less visibility, frankly, in Indore than in Delhi. And that's why we are looking at what all other options can be played out in Indore.

Damayanti Kerai: Just a clarity on DLF. So you have two blocks, right? And you started work on one side and then you're waiting for some clearance on the other block. Is that the situation?

Pankaj Sahni: Correct. Right now we are waiting for the Delhi Government pollution card requirements to allow for construction and to begin the soil testing.

Damayanti Kerai: My second question is on your margin profile for the developed hospital clusters. So I guess it's more consistent at mid-20s. So do you see more scope to improve from these levels or this is more of a steady level which should continue ahead also?

Pankaj Sahni: So if you look at the matured one, you will see that the margins have moved around 25%, 25.5%, 25.3%. So yes, if you look at the last several quarters, it does appear that they are reasonably stable. I don't want to say though that there is no opportunity to become more efficient. I do believe that there is always an opportunity to become more efficient.

But we've repeatedly maintained this stance that we would like to ensure that we're able to provide the patients with a very reasonable price of care and given the quality and the services that we offer. So we have not gone all out to jack up the tariffs and you would have seen that over not only last quarters, but last several years, we've been very conservative with tariff increases.

So of course, there are opportunities. The question is that how aggressive do you want to be just to extract every last basis point of margin? I think that we feel that a slow and steady approach is much better. But yes, there are some efficiencies that we believe that we can look into. Although when you look at the industry trends in terms of material costs or manpower costs, they seem to be very much in line with some of the best-in-class peers.

Damayanti Kerai: And my last question is on your empanelment proceeding in Lucknow. So you mentioned you are done with Ayushman, Deen Dayal and maybe CGHS. So out of the total bed, how much is currently going for these patients?

Pankaj Sahni: So we don't have any bed allocation for these patients. So it is not like we reserve X percent of beds for these patients, like some of the least requirements in certain hospitals in Delhi and other areas. There's no such requirement for any beds. This is really a function of how patients come and how we want to service them and how the various specialties apply.

I think the larger thought is that our intention has always been to service every kind of patient from every category. And we had maintained always that once we reach a certain bed threshold, which I think in March we had crossed the 700 number or thereabouts, that we would go forward with all these various empanelment to ensure that our reach is higher.

I think if you look at our peer mix across the group, as well as even if you look at it on developing versus mature hospitals, I think almost 80% to 85% in Lucknow, probably even higher, business is coming from cash and TPA. So, like we've always said, 10% - 15%, if you do business at scheme rates, nothing wrong.

Damayanti Kerai: So that's helpful. Thank you very much.

Moderator: Thank you. We have the next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, good evening, everyone. So in the previous call, you had outlined a host of issues around Lucknow, including competition, approach of some of your competitors, availability of clinicians, community connect, et cetera. So while there would have been a seasonal benefit at Lucknow in Lucknow in this quarter, similar to the other facilities, can you comment on how has been our progress in addressing some of these challenges seen over the last few months? And what are our expectations going forward?

Pankaj Sahni: So, you're right in the last quarter, I had mentioned a couple of improvement opportunities that existed for us as a group, specifically in Lucknow. And if you go through the last couple of quarters, you will see that there's been some fairly aggressive clinical talent additions in

Lucknow. So that was one intervention that we made. And by the way, we will continue to make that.

What we're finding actually is that as happened in every other city where Medanta has opened, the baseline of healthcare has improved because we have gone in, we have set up a new system. Doctors have come from all over. Other hospitals have imitated us and come following us into the various catchments that we've gone into.

And that actually is good because it elevates the quality of care in the community. It elevates the health ecosystem of that community and that correspondingly transfers to greater availability of clinical talent and so on. So we have done aggressive hiring. Six department heads have been hired in the last three months. And we continue to do aggressive hiring and you will see that playing out as we move forward, not only in quarters, but over years actually.

The second thing that we've done is that there's been a pretty significant amount of investment. And we had mentioned in the last call that we don't look at this quarter to quarter, we invest for the long run and we've invested both in terms of a Da Vinci Xi Robot recently, which is the most visible equipment, but other equipment as well, which may be less known. And we continue to do that into this quarter as well across the specialties. So that's the second thing, which is investment in medical equipment.

The third thing is that we've continued the bed build out. So you will see that every quarter, some beds are getting added and we will look at how that bed build out should continue, but also looking at adding in newer specialties that we may not have.

So to give you a very small example, we did not have an Ophthalmology service maybe six months ago at all. That has been added now. We have two senior doctors that we brought on board. And so it's a very small example, but an example nonetheless. Similarly, there are other departments which we did not have or had at some scale and we have added those in. So the service offerings have increased. That's the third thing. And we hope to continue to increase those service offerings as we move forward.

The fourth thing, as I'd mentioned, is that obviously we have got a greater sense of touch base with the community. We've already signed up several residential communities where we now have our implanted clinics. I think soon we will be in double digits in that and the idea is to take that forward. We've connected with very close by and community-based nursing homes, doctors' hospitals, et cetera. So almost 100 touch points on that front. And so there's a lot of action which is happening at the community level itself. Not to mention the increases in our awareness, et cetera.

Also, we are now five years in Lucknow. This November, we would have completed five years in Lucknow. So you can say, success, commitment, the embrace that we have received from the Lucknow community over five years is something that we very much value. And we are not in this for even five years. We are in this for the next 500 years. So the way we want to think about this is what do we need to do to continue to scale up? So I personally believe that there's a lot more to be done.

We are by no means over in the work which we need to do in Lucknow. At the same time, we see a lot of positive momentum and a lot of excitement in the unit as well as in the city. But once again, if I take the example of Gurgaon, we've been running this facility for 15 years. Over the 15 years that we've been in Gurgaon, there have been multiple quarters or years where things go up and down. So I don't think that that worries us too much. We've got to keep our head down and focus on what we stand for, which is to continue to deliver very high-end care at the right ecosystem, right values, and hopefully at the right price, which our communities and our patients can afford.

Alankar Garude: That's very helpful, Pankaj. A couple of follow-ups there. One is, in terms of competitive intensity, what is your assessment now? Are we in a slightly better position today as far as the market is concerned versus six months back? Or it has only got worse? Any thoughts on that front? That's one.

And the second question is, from a margin perspective in Lucknow, of course, we have come down a lot from our peak levels. I think last time you had mentioned that the recovery will be gradual. So some of these initiatives you spoke about, should we expect the recovery to continue to be gradual as far as our margin trajectory in Lucknow is concerned?

Pankaj Sahni: I think Alankar, after having interacted with me for so long, you'll always know that my answer will always be that everything should be gradual. Nothing should be in radical terms. So I would not like to answer that question any other way, but to say that, look, everything that we do moves the organization forward in the right direction.

The financial results that come out at the end of it are an outcome of our efforts. We don't run the company to deliver only the financial results. So I would say, look, allow us the time to get all the things that we need to do to make Lucknow finally a thousand-bed mature facility. We are still not there. While it has been five years, it's still a growing facility.

We are still adding talent. We are still building beds. We are still adding equipment. We are investing in cath labs. We are investing in robots. We are investing in OT weld-outs. A lot of action is happening there. So I don't necessarily think that these things can be tracked. Now, let's say I start a new department. If that department takes off very suddenly, it's very hard to predict. If you bring in a new doctor, that doctor takes six, nine months to get up and running, that's absolutely fine.

So I don't think that it's very easy for us to lay that forward, and neither are we hiring the clinician, thinking that, who can give me a financial return in the next three months? We look at hiring exceptionally talented doctors that will be with us for as long as possible and deliver very high-quality care. So that's how we've looked at it. That being said, yes, we've had a fairly positive momentum shift, potentially at faster than what other people would have expected.

But it is not like we had a timeline in mind for this. We said, let's put our head down and get things fixed, especially where it was not done. And one of the most significant feedback, as you rightly mentioned, was this absence of a community connect. If you ask me, are we done with our community connect, I would say, no, not at all. We are just getting started.

So I think that there's a lot more to do, and I would urge that people look at us as a more stable growth organization than radical organization on that front. The second thing that I would say is that when you look at the margin profile of Lucknow, as you are aware, we have a model which our doctors are all full-timers and are kind of on fixed models. So obviously, the volume growth has a very disproportionate impact on margin because our marginal cost to serve every incremental patient is potentially lower than others.

So you can see that very clearly in the numbers when you look at quarter to quarter. As the volumes increase, we do believe that the margin profile will improve. So our focus is to continue to do that, continue to drive the growth of the organization through volumes as opposed to price. We still haven't taken a single tariff increase in Lucknow in five years. And that should give an indication of the approach and philosophy of the organization.

Alankar Garude: Fair enough, Pankaj, that's helpful. The second question is, you briefly spoke about the ups and downs over the years at Gurgaon. Now, if you look at the next three to five years, there are roughly 3,000 beds coming up in the city by leading multi-specialty chains. So while we might have seen intermittent competition over the years, the intensity of competition coming up over the next, say, three to five years seems to be much higher than what we have ever seen in the past. So, I mean, firstly, how do you expect the supply-demand equation to evolve in the city? And secondly, how do we plan to ensure minimum doctor attrition in the market? Thank you.

Pankaj Sahni: Okay. So let me try to break that down into, I think, three different questions. The first one, let's talk about how do we think about the competition in the city or the Delhi NCR region? I think the first very important point is that we have to think of Delhi NCR as multiple different cities. So West Delhi behaves very differently from Noida, Noida behaves very differently from Gurgaon And I would assume that even Gurgaon behaves maybe differently from, say, South Delhi or East Delhi.

So really, Delhi is such a huge population, or the Delhi region is such a huge population, is really multiple catchment areas within itself. Now, obviously, Medanta as an institution has always been lucky that we have been able to capture a patient base that extends far beyond Delhi NCR. I think I may have mentioned it before, almost more than 50% of the patients from Delhi in our Gurgaon facility come from outside the Gurgaon region. So we do get a lot of patients who come from out of town because of the nature of the institution that we are, which is the destination care that we've talked about. To the extent that continues, I don't see that, or I don't see any reason why that would drastically change because we will continue to be providing care at that standard. And so therefore, I think my only caution would be, don't look at it so simplistically to say that it's one city. It's not.

The second thing is that when you look at the competitive intensity, see, it's not like there hasn't been competition before, there has. It's just that it has been less visible because the industry as a whole, less listed players, less awareness on what is happening with respect to the results. Maybe many were more private. It was more a private equity game. Today, it seems to be more of a capital game. There has also been a very clear shift of capital inflow into this industry, especially post COVID.

And so frankly, a lot more excitement from the financial community. I don't think that the, at least in our case as operators, we have really changed our thought, but it's been a lot more excitement and interest from the financial community. And therefore, the flow of capital has meant that people are interested in building hospitals. Now, as I've repeatedly maintained, building hospitals is easy. It just takes money and land. Running hospitals is far harder.

And you see that with the respect to the number of hospitals not doing so well or coming up for sale. And there are people trying to make a quick buck and flip hospitals over two, three years. That game is not for us. So there will be this game that will happen. Keep in mind, adding capacity takes time. It takes three to four years to build out a hospital. It takes another two, three years to get that hospital stable.

So it's not like all this capacity is coming tomorrow. Most of the capacity that has been announced, including ours, it has to come from the ground up. So you're talking three, four years before it's built. So if you look at the portfolio across healthcare chains, it's not like this capacity is coming on board in the next six months. It will take time. And even after it takes time, there will be a gestation period.

So I don't worry at all about the capacity because the amount of time it takes, there will be a huge demand. Today, if we complete all the capacity announced by every player, tomorrow morning, it's still less from a supply-demand point of view. So supply-demand doesn't worry me at all.

And the last point that I will say is that, look, the push towards quality healthcare is very real post-COVID. The paying power as the economy grows is improving. People feel the need for high-quality care. These are all very positive signs for the industry and for the economy and for the country. And again, I take you back 15 years ago when Medanta Gurgaon opened, people used to ask, what are you doing in Gurgaon? And today, people talk about Gurgaon as a healthcare hub. I mean, who do you think made it the healthcare hub? It is people like us, people like other peers who have come and built into these institutions.

So the creation of these healthcare hubs is a good thing. It will add clinical talent. It will add availability of high-quality care for the communities. And hopefully, it will become a destination not only for India, but for patients from around the world. So I'm not at all worried. I think whatever is happening in healthcare growth is a good thing. And I think that if we double or triple it, it's still not enough for a country like us.

Alankar Garude: Thank you, Pankaj. I had a small follow-up, but yes, maybe I'll come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Thank you for the opportunity. So just want to ask on the matured hospital side, so like what is driving the overall ARPOB growth? So is it the mix or what kind of prices that you have taken?

Pankaj Sahni: So I don't know if you had kind of followed some of our earlier calls. You know, for many years, right after COVID, we hadn't taken much of a tariff increase. In fact, zero tariff increase. Starting, I believe, January 2023, if my dates are correct, we started to take small amounts of tariff increase across different specialties and that continued almost for a year. And that also includes some of the renegotiations with the insurance companies.

So some of the growth which you're seeing in realization is because of the tariff increase that we took, over the course of let's say last one year, which is playing out both on the cash as well as on the insurance side. The other part of it is that, you know, there has been some amount of movement towards complex work. So we now actually have, as I mentioned in the comments, a second robot, Da Vinci Xi Robot in Gurgaon.

So we are running two robots here. In fact, we used to have three and we may even add more than that to really build out a complete robotic program. So the complexity of the case mix is also laid out as one of the reasons. And as you start to get more and more complex work happening, you see that the ARPOBs of the realizations will grow. So I would say that it's a combination of a tariff increase that we've taken in Gurgaon and Indore. We haven't yet taken it in Ranchi and some amounts of increased complexity of work, things like robotics, things like some of our other complex procedures, TAVI procedures, have grown very significantly in cardiology. CAR T-cell is another example of a complex procedure in medical oncology and hematology, et cetera. So I think it's a combination of both of those things is what I would say.

Sumit Gupta: And the second question, on the margin side of matured hospitals only. So over the next two to three years or four years down the line, how do you see the overall margin profile of matured hospitals increasing, considering you are deploying all the robotics and everything improving the ALOS? So just want to understand on that as well.

Pankaj Sahni: So I think we have to look at the overall margin profile of the matured hospitals in lights of three things. The first is that today we are operating these facilities at somewhere around a 67% - 68% occupancy level. So if you think about given our model, as I mentioned earlier, of fixed cost, every percentage point or two of increased occupancy, obviously adds disproportionately to the bottom line because of the marginal profitability model.

The second thing, as I mentioned, is that if I look at it objectively, there are probably some inefficiencies in the system, whether it is material cost, whether it is manpower cost, et cetera, that can be pulled out of the system. And we should work on doing that. We've already started some activities on optimizing things around supply chain, et cetera.

But one very important point as you build out your models, et cetera, to keep in mind is that our complete corporate costs and our shared services costs are fully loaded on our mature facilities, in fact, on our Gurgaon facilities. So to that extent, if you're comparing just hospital unit to hospital unit, these margins, which you see may be a little bit subdued because they include the corporate costs of the whole group, both on manpower side, as well as on other shared services side, like, call centers and IT and things like that. So these are the two, three things.

The other thing that I would say is that, look, we do believe that we should continue to remain conservative in our tariff increases. Obviously, the easiest way to bump up the margin is to take more aggressive tariff increases. If you look at our list tariff, we'll still be pretty low compared to some of the other players in the NCR region. But I would not assume that we will use tariff as an overly aggressive lever, just for the sake of boosting margins. I don't know if that answers your question.

Sumit Gupta: Understood sir, thank you.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the opportunity again. So on this Pitampura project, it is O&M, but at the same time, it's a JV. So if you could just firstly help us understand in terms of the overall project capex, and out of which, let's say we are willing to spend INR 600 crores, what kind of regulatory approvals would be required for this project? If you could share some more details related to this project, thanks.

Pankaj Sahni: Sure. Just to clarify, Tushar, the project is not a JV. It is a pure O&M transaction. The building, the land, everything will continue to be in the hands of the society. We have a contract to operate and manage the hospital. In fact, there was a complete process that was run by the society. We have been able to win that contract to operate this. And like with any other O&M, there's kind of a rent and a revenue share that will be paid out to the society.

And we will have the complete autonomy for running the medical operations. But the society will continue to be the owner of the land, continue to be the owner of the building. And all the, you can say basic licenses which are pertaining to the site or the property, those will be kind of obtained by the society. And we will obviously take all the responsibility of the complete medical and operational aspects of the hospital.

The site, as you would have read in the release, is about seven acres. The society actually also has an Ayurvedic facility over there, which they have the desire to scale up. And so on the same site, they may be putting their services in, which we've always believed is very complimentary to us. But on the Allopathic medicine site, Medanta will be running it as a pure O&M with a rent or a revenue share kind of a model being paid to them.

Yogesh Gupta: And this Ayurvedic hospital will be outside of the Allopathic hospital of 750 beds.

Pankaj Sahni: Yes, so that will be outside of the scope of this contract. The society continues to run that on their own. As far as capex, I would assume that the partner would be putting in somewhere INR 200 crores or maybe a little bit more, INR 200 - 250 crores of capex because they'll be putting up the civil structure, etcetera. And we will be putting in the services and the medical equipment and of course, the finishing to operate it.

Tushar Manudhane: Understood, sir. Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: One question on Gurgaon again. Now, for any upcoming corporate hospital in Gurgaon, Medanta will be a key hunting ground for clinical talent. Now, we had seen about seven, eight years back impact of senior doctor attrition in this facility. So the question is, how do we plan on minimizing the impact this time around?

Pankaj Sahni: I think Alankar, sorry, you may have asked that question earlier. I forgot to answer it. My apologies. So you're right. We did see three senior department heads leave in 2016 and all the three senior guys came back within two years. Something must have attracted them to come back to us. That being said, I think there are three, four things.

One is that times are a little different now with the breadth of clinical talent that is available both within what Medanta has been able to develop, as well as what is available in the market or in the city. And interestingly, more talent continues to come into the Delhi NCR region. So I think that while talent is always in short supply and always the most critical, it's very different world from what it was, say, eight, ten years ago.

The second point is, then I did mention this, I think in our last call. I do foresee in the industry across the board, not only in Delhi, this kind of war for talent, so to speak, across not only clinical, but maybe even non-clinical areas. And I do believe that this is something that has the potential to create this potential short-term orientation for increasing the cost on the clinical talent or this idea that people will look to us to coach.

But I would only revert back to our last, maybe 12 months or so, forget now what's the exact timeline is. In a hospital that's 13 - 14 years old, we have still hired in very senior talent. If I recall, that was almost somewhere around 80 senior doctors that had been hired in last year in a 13 - 14-year-old facility. So we have never stopped looking at high-quality talent. This is something that given our size and our scale and frankly, the growth that's coming up with our opportunities to move our talent across various parts of NCR and various parts of the network, we will continue to hire aggressively.

But yes, we will, I'm sure, be a hunting ground. I guess in many ways, we should look at it that we should be flattered, that people feel that Medanta has the best clinicians around and they want to come and get them for us. But equally, we get a lot of positive impact from our clinicians saying that this is the most doctor-friendly institution in the healthcare space. So by and large, I think most of the doctors, I would hope, are happy to come and work with us.

And only last thing I would add is that, yes, you have to compensate your doctors well, you have to respect them well and you have to give them the necessary platform. I don't think anybody has a better platform than Medanta across any of its units. And this is evident in the excitement that doctors are showing in joining us in Noida. So the hospital is not even open, but we're already starting to get lots and lots of inquiries, including from senior clinicians from across the private and government space.

So I think that there will be challenges in getting good talent across the industry given the number of hospitals coming up. But we feel we are probably at a position where we are one of the preferred employers of clinical talent.

Alankar Garude: I understood. That's helpful, Pankaj. The other question is, you spoke about 85% odd mix in Lucknow from cash and insurance. Possible to comment on same mix in Patna? How has been the PPP offtake till now?

Pankaj Sahni: Lucknow actually may very well be more than 85%. I was actually referring to the group as a whole. Lucknow, I would say, has very little scheme business. Because I think the numbers which you are seeing in September don't even represent CGHS. We had taken Ayushman only in, I think, April or May. So very negligible scheme business, I would say, in Lucknow.

I would assume it would be far higher than 85%, but we can double check on that and get back to you. I think that in Patna, we started out somewhere around 10% - 11%, if I'm not mistaken, of the PPP business, which is the only kind of scheme business we have. I think now it's probably heading up a little bit more, maybe closer to 15% - 20%. But I think about 80% of our business is still cash and insurance in Patna.

Alankar Garude: And this is as a percentage of volumes, right?

Pankaj Sahni: No, I'm talking about revenue. I would assume that volumes would actually be more or less the same. Actually, the realizations of our PPP business in Patna are pretty high. So it's 19% is the PPP volumes and 11% on revenue.

Alankar Garude: Fair enough, understood. That's very helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Thank you for the opportunity. I have first question on the Medicity where we are building Guest Houses and we are spending around INR 250 crores for the same. The way I see it, it will help us obviously to generate revenue from the Guest House as well as it will help us to improve our patient mix towards international patients or the outside patients.

Is that understanding, correct? And also in relation to that, if we can also provide international patient mix for the Medicity and number of guest houses we plan to or the rooms which we plan to build through this INR 250 crores spend.

Pankaj Sahni: Yes, so you may be aware that the Medicity campus is almost a 43-acre campus across our Gurgaon area with about 25 acres is the area for the hospital. And in the area which is the 25 acres, we do intend to put up a medical school also. So the actual area which is utilized for the real hospital is only about 12 and a half acres currently. That being said, let me first touch on the guest house.

The guest house land, which I believe is about six acres of land, we intend to actually use less than half of it. And we intend to put up a service apartment or a guest house. And as you very

rightly pointed out, it is not only for international patients, it is also for patients who come from out of town. Or to give you a very simple example, if you look at patients who come for chemotherapy, they may not even need to stay in the hospital. So they are staying in all kinds of unauthorized and unofficial guest houses here and there, which have no real standards or no real basis even on things like infection control, etcetera.

So our ability to provide our patients and their families with a safe and reasonable accommodation was the driving force behind moving this and that was part of the original plan of Medicity. That's why the name is about medical city, right. And what we've done is that we've decided to go ahead and do this ourselves. And actually work out possibly different types of rooms. Some may have even extended stay facilities.

So in a scenario where you are running short of beds and patients could be discharged one or two days early, or they require some kind of home care or extended stay support that also can be provided. So I think there are many, many options that are available to us. How we actually utilize this facility. And what you see increasing are the trends around extended care, elderly care, assisted living. So there are lots of options that play out once this facility is up.

And then of course, even some of the supportive facilities and nice big hall for CMEs, etcetera. There are many things that add to the entire campus and fit in fairly seamlessly. So we feel pretty good about putting this up. 250 keys is what we're planning right now. And we'll see how it goes. Like I said, we are building on less than half of the actual land. So if it is a success, maybe we need to scale it up.

Amey Chalke: Sure. What will be the rough timeline for this?

Pankaj Sahni: Well, normally it takes about three to four years for anything to get up and running. Obviously a little less complex than building a hospital because you don't have office rooms and all those fancy things inside. But I think three to four is a good timeline for you to think about.

Amey Chalke: Sure. And the second thing which you also mentioned is about the medical college. Is it any plan in place in terms of number of seats, anything to spend? Because that has not been disclosed on the present.

Pankaj Sahni: So medical college is something we're very excited about actually. The reason it has not been disclosed is because the drawings and the finalization of that is not exactly confirmed yet. We've actually put in applications to the state government for moving this process forward. And as you may be aware, subsequent to that, NMC will require to get your approval from. The way it works is that in your first year you can only get application, you can only get approval for 100 seats. Now that can scale up.

There are some changes that are coming in the various guidelines for medical schools after the NMC has taken over from the erstwhile MCI. So earlier you could go up to 200 seats or so. I think now that number is 150, but you have to start with 100. That's the rule that we have. So if you think about it from the point of view of five-year undergraduate program, that would be 500

students, plus if you think about a two-year postgraduate program after that, and then a super specialized program. So I think these are things that are still being worked out.

What we believe is that the medical school building will probably be somewhere around 4 lakh or 5 lakh square feet of build-out area out of the total one million square feet of FSI, which is left for us on the 25 acres of the hospital medical school area. So about less than half of that we are utilizing. And I think our estimate is that 4 lakhs building like that should probably also cost somewhere around INR 250 crores, maybe thereabouts INR 300 crores, let's say, if you budget.

Amey Chalke: The third question I have is related to the ARPOB and the casework mix movement in the second half. You expect it to be better for developing hospital or what could be the trend in the second half for the developing hospital?

Pankaj Sahni: Sorry, just to clarify, not only for you, but for everybody on the call, the Investor Presentation does actually have the capex laid out of INR 300 crores for the medical school on slide 23. Could you repeat your question in terms of ARPOB for?

Amey Chalke: ARPOBs and case mix for developing hospital, you expect them to be better in the second half of FY25?

Pankaj Sahni: I mean, I don't know that I would classify something as better or worse. The way I think about this is that the case mix is a function of three things, right? First is that depending on what you're defining, first is the actual specialties. So if you look at our last six months in Lucknow, there are certain specialties that didn't really even exist. One example is plastic surgery. This specialty didn't exist really. It's come in, I think in the last three to four months, grown very quickly. And so to the extent that new specialties get added, I do see that the case mix may change. I don't consider one specialty or another to be better or worse, because I think it really depends on what metric you're looking at. If you look at ARPOB, you may say somewhat secondary care specialties with shorter length of stay may be better. If you're looking at how complex is the work, you may say that transplant is better, but may have a longer length of stay. So I'm not sure what your definition is.

The second thing is that depending on some of the clinical talent additions that we have, because in addition to new specialties, we are actually hiring second, third teams in existing specialties. And that will change as those specialties come on board. So obviously if I hire a second doctor in cardiology or cardiac surgery or neurology, that grows as the doctor comes on board. So that will change over time.

And the third thing, of course, is the complexity of the cases. So with a robot coming into Lucknow, you now have robotic cases, which wasn't there for the last three, four years. So that changes, although it's the same specialty, the nature of treatment within the specialty changes. I think that the way in which I would answer this for us as Medanta and for Lucknow in general, is that when we think about taking a hospital from 400 beds to 750 beds, and then from 750 beds to about 950 beds, you are continually adding in what is the service needs and what are the patient needs of that area.

Now, we did not anticipate, for example, two years ago or one and a half years ago, this much of a demand for our mother and child services. But it has been far greater than what we anticipated. And therefore, we may give them additional space. In a similar scenario, we may see things as we build out from 700 to 900, that may change, it may move on.

So we are not going to be adding in specialties or changing case mix purely to drive one financial metric like ARPOB or revenue or anything like that. It would be totally dependent on the need of the community, and what is the clinical talent that we are able to put into place to deliver and service that need. The financial outcome will be what it is.

Amey Chalke: Sure, sure. Thank you so much.

Moderator: The next question is from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Hi, thanks for the opportunity again. So I was talking about the international patient revenue mix. So basically, pre-COVID it was at around 11% to 12%. Now that we have, like post-COVID, it is stabilized around 6%. So going forward, how do we see the international patient contributing to the overall revenue over the next three to four years, considering the majority of the incremental bed capacity is also going to come in Delhi NCR only?

Pankaj Sahni: So, Sumit, I think first of all, let me just clarify some of the numbers. Pre-COVID was really only Gurgaon and maybe to some extent Indore and Ranchi. So international business is only really in Gurgaon. As Lucknow and Patna contribute to the total pool, the share of international business will naturally reduce. And that's why you're seeing it as 6% because of the fact that Lucknow and Patna don't have any international business.

Definitely as NCR facilities come on board, there should be an increase in the share of international business that comes on board, because obviously Delhi will get a much larger share of international patients than Lucknow or Patna. And there is now an airport coming up in Noida, which I'm told will get activated within the year. Then there is Delhi facility that we have, which will have international patients and of course, let's not forget our Mumbai facility, which will also have access to international patients.

So I think as the units and the cities where those units are, that profile changes, our international patient profile will grow. That being said, international business is also dependent on a lot of external geopolitical factors. Afghanistan was a big source of international patients. For India, that has become basically zero. These days, we see challenges in Bangladesh, which is another big source of international business. So I think that international business will be there. But given what happens across various countries that goes up and down as well. So obviously, the core will be the baseline domestic business.

Sumit Gupta: So just one follow up. So basically, considering the geopolitical situation in Bangladesh, so how much of this Bangladesh contributed to your international revenue? Second is, if there is any negative, then have you shifted your focus towards other countries also?

Pankaj Sahni: So the way in which it works, Sumit, is that we regularly look at all the various countries that we can attract, right? And we try to look at certain newer, challenging markets. So for example, Medanta gets a lot of patients from say Rwanda, right? Now, this is not a very well-known country that sends too many international patients to India. But we index quite highly on that. Similarly, we used to be one of the only few hospitals that was getting patients from the CIS countries.

As those markets opened up, many more people have followed us into those countries. And this will kind of continue. So I think that there's a lot of factors that play. Sometimes the government of a particular country will be very keen to interact and engage with the government of India through ministerial functions, and that opens up a pipeline. I think just Bangladesh's familiarity with India and the way in which patients and the seamless movement of the populations was obviously one of the reasons why it was one of the leading and the maximum number of medical visas in India were given to Bangladesh.

But again, it's such a negligible part of our total business. I don't think it moves the needle in any which way. And I'm sure Bangladesh will come back. These are temporary blips. But our focus is not that we are not looking at Africa, Middle East, CIS, we continue to look at all these regions. And I'm sure Bangladesh will stabilize and come back into the fold because these places don't have the kind of care and clinical care that we can offer.

Sumit Gupta: Thank you, sir.

Moderator: Thank you very much. I will now hand the conference over to the management for closing comments.

Pankaj Sahni: Thank you, everyone. I know it's late on a Thursday evening, but thank you for your questions and for joining us today. As we conclude this call, I'd just like to reiterate our commitment to delivering excellence in healthcare, advancing our mission to provide world class medical services, and also making sure that we are doing this with a slightly longer term, high quality, high ethics ecosystem and values that we have always talked about.

As we look ahead, we are very excited about the various opportunities that we've outlined, whether it is the new facility and partnership in Pitampura or Bombay, or some of the other cities that we have outlined in the various interactions that we've had.

We remain focused on delivering what we have always said, strengthening our core services in our existing facilities, expanding our reach and patient care into newer areas where we believe we can make a difference and driving sustainable ethical growth. Thank you for joining us once again. And please feel free to reach out to our Investor Relations team, in case any questions have remained unanswered. Thank you.