



18th November, 2023

Ref:- GHL/2023-24/EXCH/83

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, the transcript of the Earnings Conference Call held on Friday, November 10, 2023, hosted by JM Financial, for the Quarter and Half year ended September 30, 2023 Results, is enclosed herewith.

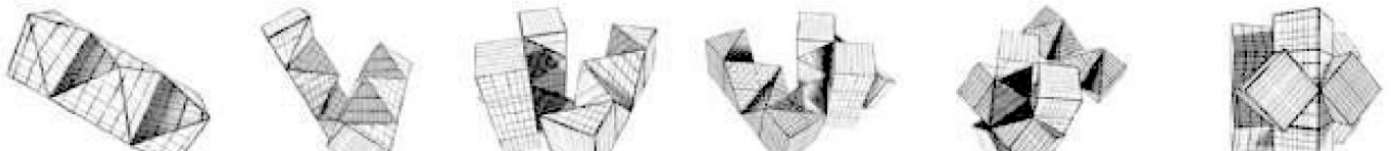
The Transcript is also available at our website: <https://www.medanta.org/investor-relation>

This is for your information and record.

For Global Health Limited

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

Encl: a/a





**“Medanta – Global Health Limited
Q2 FY24 Conference Call”**

November 10, 2023

**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. SANJEEV KUMAR – GROUP CHIEF FINANCIAL
OFFICER – MEDANTA – GLOBAL HEALTH LIMITED**

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

MODERATOR: MR. JAINIL SHAH – JM FINANCIAL

Moderator: Ladies and gentlemen, good day and welcome to the Global Health Limited, also known as Medanta, Q2 FY 2024 Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Jainil Shah: Thank you. Good afternoon and very warm welcome to all the participants on the Global Health Limited Q2 FY '24 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. Sanjeev Kumar, Group CFO, Mr. Ravi Gothwal, Head, Investor Relations. I will now hand over the call to Dr. Trehan for his opening remarks. Thank you and over to you, doctor.

Dr. Naresh Trehan: Good afternoon and Happy Dhanteras to all of you. From my knowledge, I've always heard Dhanteras, which comes before Diwali, is a big trading event. So I guess you guys have been busy.

As far as Medanta or Global Health is concerned, this is the completion of one year of us having launched the IPO and we became listed. We have experienced that there has been a very strong response from the shareholders and stakeholders and they have become more and more integral part of our journey. The real DNA of Medanta has been that we deliver the highest end of care with the best quality and at the most affordable cost that can be made possible.

Integrity and ethics is our central point and everything revolves around these principles so that we can serve as many people who need help, who have the most complex of problems because the real platform of Medanta is having the best of doctors in every specialty functioning on the same platform as a team. And this gives the patient confidence that they have attention of the best of doctors to be able to solve the most complex of problems. As you may be already aware of the fact that we are at a very high end, you know we do every kind of transplant, lung, heart, kidneys, liver. So we are actually going to places where we feel that Medanta kind of quality is missing and can be accessed by the maximum number of people.

Now as you may have seen that after building Gurugram, we have now gone to Lucknow which has completed four years of operations and still growing very strongly. And Patna is completing two years and also ramping up very favorably. More and more patients are accessing quality care there and their confidence grows. We have also received NABH in less than two years which is not the norm for hospitals to be accredited by National Accreditation Board.

Furthermore, we have launched Medanta TB-free Uttar Pradesh project in partnership with the UP government. We have already been doing it in Haryana. Now we are extending it to Bihar also. This is in line with CSR activity and give back to society, TB which is a very sort of debilitating disease can be detected early and treatment started early so that we can get rid of TB from this country.

During the period, we have continued our commitment of delivering the most complex care and our doctors offer the latest robotic treatments. We have done over 200 robotic procedures during this quarter. Our transplant teams are offering critical care. Patients flying from thousands of kilometers to get treated by us and so it has been a good journey and I want to thank you all for supporting us in this journey. Our patients have been very supportive and growing more-and-more.

Now I will hand over the call to Mr. Pankaj Sahni, Group CEO, who will walk you through the numbers and also be able to give you the growth story. So a very happy and safe Diwali to all of you. Pankaj, can I request you to take over? Thank you.

Pankaj Sahni:

Thank you, Dr. Trehan. Good afternoon and welcome everyone to our second quarter FY '24 earnings call. We are extremely pleased to report that the company has delivered another quarter of strong financial and operational performance. This growth is driven not only by our new hospitals but by our mature hospitals as well.

Just to summarize for you a few quick points:

Medanta has delivered a total consolidated income of INR8,647 million, a strong growth of about 24.5% year-on-year and this growth was primarily driven by higher patient volumes across all of our hospital units. EBITDA was INR2,336 million which is a growth of 35.7% year-on-year. EBITDA margins have also improved by 224 basis points from 24.8% in Q2 FY '23 to 27% in Q2 FY '24. The improvement in EBITDA margins is led by higher occupancies which is of course benefited with a higher operating leverage.

Profits after tax was INR1,252 million which is a growth of 46.1% year-on-year and PAT margins have improved by 214 basis points year-on-year to 14.5%.

Our overall growth is driven by higher patient footfalls. Our inpatient volumes in Q2 FY '24 increased by 19.4% year-on-year to 41,506 and the outpatient volumes increased by 23.2% year-on-year to 7,27,728. Volume growth was driven by the impact of new clinical talent additions, bed additions, some of which were done towards the end of the last financial year and some portion of seasonal disease impact as well for this quarter.

Average occupied bed days for the quarter have increased by 17.8% year-on-year representing an occupancy of approximately 65% in Q2 FY '24. It's important to note that our census bed capacity has also increased by about 7% on a year-on-year basis and therefore our occupancy on an increased bed capacity has been around 65%.

Our ARPOB grew by about 5% year-on-year to INR61,003 in Q2 FY '24 led by an increase in tariffs at our Gurgaon facility as well as the ramping up of our Patna facility.

Developing hospitals which comprise Lucknow and Patna, their revenue share has increased from 27% in Q2 FY '23 to 31% in Q2 FY '24 amounting to INR2,643 million and developing hospital EBITDA share has increased from 33% in Q2 FY '23 to 38% in Q2 FY '24 amounting to INR897 million. This is along the lines we had articulated earlier around the further geographic diversification of the Group. Occupied bed days at developing units has increased by 38.7% year-on-year with largely consistent ARPOB reflecting that this growth has been led largely by volume increases.

Matured hospitals have also registered strong revenue growth of 19.5% year-on-year and an EBITDA growth of 32.8% year-on-year amounting to INR6,064 and INR1,545 million respectively. During the quarter, international patients' revenue has increased by 20% year-on-year to INR507 million driven by increased volumes and realizations.

Our outpatient pharmacy business continues to register strong growth, revenue increased by 39% year-on-year to INR298 million in Q2 FY '24.

In addition to the financial numbers I just articulated, I would like to share some major developments during the quarter.

During the quarter, we have added additional operating theatres in our Patna facility taking total operating room headcount from four to eight and this has allowed us to add in the ability to perform more-and-more complex surgeries. We continue our expansions in Patna as we speak. We have added 40 doctors in this quarter across all our facilities and have also strengthened our research capabilities with the appointment of Dr. Shoibal Mukherjee as our Director of Medical Research.

As far as our updates on our bed expansion and capacity expansion, our expansion at Lucknow and Patna are progressing well. We are planning to add another 125 to 150 beds at Lucknow and approximately 50 beds at Patna by the end of the current fiscal year. Construction in both these facilities is currently underway.

Our Noida Hospital project is on track and is expected to commence operations by FY '25 end as we had mentioned earlier. I am also pleased to report that our project has received pre-certification of the green building certification under the IGBC Green Healthcare Facilities Rating System. Finally, our recently announced Medanta Delhi Hospital in partnership with DLF is on track. The definitive agreement between the two parties has now been executed.

With this, I would like to wish you all a happy Diwali and hand over to our Group CFO, Sanjeev, to discuss the half-year FY '24 performance.

Sanjeev Kumar:

Thank you, Pankaj. Now, I would like to share consolidated financial performance of our first half that is H1 FY '24. Medanta has delivered consolidated total income of INR16,592 million in H1 FY '24, reaching a strong growth of 25.6%. This strong growth in revenue is in both

matured and developing hospitals. EBITDA for the H1 FY '24 is at INR4,329 million, reaching a growth of 38% with EBITDA margins improving from 23.7% in H1 FY '23 to 26.1% in H1 FY '24.

Our profit after tax was at INR2,272 million, that is reflecting a growth of 57.3%. This strong performance is driven by higher patient footfalls. Our inpatient volumes in H1 FY '24 increased by 19.4% Y-o-Y to 78,934 and the outpatient volumes increased by 20.5% Y-o-Y to 13,84,907. Addition of critical clinical talent and increase in bed capacity also contributed to these higher volumes.

Average occupied bed days for H1 FY '24 increased by 17.1% Y-o-Y, representing an occupancy of 61.5% in H1 FY '24. I would also like to inform you that our census bed capacity has increased by 12.7% on Y-o-Y basis and therefore on increased bed capacity we have been able to deliver 61.5% occupancy. Our ARPOB grew by 5.9% Y-o-Y to 62,011 in H1 FY '24, led by increase in tariff at Gurgaon facility as well as ramping up of Lucknow and Patna facilities.

We have increased our capacity beds from 2,569 in H1 FY '23 to 2,725 in H1 FY '24. It is important to note that during this period number of ICU beds has increased from 563 to 664 in H1 FY '24. So out of 156 bed additions, 101 is in ICU beds which shows Medanta focus on expanding its critical care infrastructure.

During this period we have also added five new operating theatres out of which four were added at Medanta Patna and while one operating theatre was added at Medanta Lucknow. This will allow us to perform complex surgeries and further enhance our critical care capabilities. We have also added 250-plus doctors across our facilities over H1 FY '23 during the period.

From a balance sheet perspective, we have incurred a capex of INR1,276 million during H1 FY '24, out of which INR308 million was incurred towards Noida Hospital. We have a strong and net cash positive balance sheet and are very well positioned to fund our future expansion plan and growth.

Now we are happy to take questions from the participants.

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

Tushar Manudhane: Thanks for the opportunity. Congratulations on good set of numbers and happy Diwali to the entire team. Sir, my question refers to more on the Patna. If you could share some ballpark profitability for Patna Hospital now?

Pankaj Sahni: Sorry, could you just repeat that question, Tushar, if you could share what about Patna?

Tushar Manudhane: The profitability of the margin side Patna for first half FY '24 or 2Q FY '24?

Pankaj Sahni: So, Tushar, as you are aware, we reported the numbers on the quarterly basis for the mature and developing hospitals separately. You will get a chance to see the GHPPL, which is our Patna

facility at the end of the year. What I can share with you is that overall we've seen very strong and robust growth in Patna. If you recall, our financial year FY '23, we had ended with approximately 10% EBITDA margin, and that has grown significantly during this quarter. You know, getting to a very healthy profitability margin and almost doubling the kind of profitability.

If you look at our growth across Patna, it has come in from good amount of addition of clinical talent, ability of the teams that were already existing to expand their scope of services because of the additional operating rooms that we've been able to add. Of course, a normal growth happening because of the increased awareness of our facilities, and we see now patients coming in from various parts of the region as well. Overall the Patna growth story continues very strongly. We believe that just in the second year to deliver these kind of EBITDA and profitability metrics is not a small feat. However, I would like to add that we have still quite a long way to go in Patna. We've got a lot of growth still to come. We've got clinical talent still being on boarded.

One point, I think which may be important to note with respect to Patna, as you may be aware, it is a public-private partnership with the government of Bihar. And this quarter, we have seen the government patients start to now flow in. While this activity has taken some amount of time to get started because of various logistical challenges, I'm pleased to report that we are now able to service the patient community, which is being referred to us through this partnership with the government of Bihar. So, on an overall basis, I think strong performance in Patna, and we're very happy with the way that is growing up.

Tushar Manudhane:

Understood, sir. That's helpful. At the same time, ARPOB for developing hospitals is pretty stable now for almost three quarters, four quarters, while we have been adding clinical talent. So, any thoughts over there?

Pankaj Sahni:

So, when you look at the ARPOB across the developing hospitals, one, of course, we don't really look at this on a quarter-to-quarter basis. There is some amount of fluctuation and seasonality depending on what is the disease profile. But if you look at this across the year, what you will find is that Lucknow Hospital, which has been now in operations for just about four years, we haven't really taken any tariff increases in that at all. So, a lot of the growth that you see coming in, not only in terms of ARPOB, but also in terms of the average revenue per patient, is largely driven by the volume growth and as that expands. Some amount of this is a little bit dilutive in this quarter, because the patients who come in for dengue and some of the other medical management patients typically have a little bit of a lower realization. But more than a lower realization, you will notice that the average length of stay also has increased a little bit. So, of course, that has a dilutive effect on ARPOB.

Patna, of course is a newer facility there we haven't taken any tariff increases as well. So I think that as we look at the years coming forward or the months coming forward, we will evaluate what is the right time to look at tariff increases in both these facilities. But we do also expect that as the sales mix stabilizes beyond the seasonal fluctuations, you will see a better picture of how this ARPOB moves on an annualized basis.

- Tushar Manudhane:** Okay. And sir just lastly, for this 100 beds addition at Gurgaon, so how much is the approximate investment and when would they be operational?
- Pankaj Sahni:** Sorry, for Gurgaon, how much is the what? Sorry?
- Tushar Manudhane:** 100 beds, the presentation indicates 100 beds will be added at Gurgaon. So just would like to understand how much is the investment and when will that be operational?
- Pankaj Sahni:** As we have mentioned before, the bed additions in Gurgaon are largely linked to some amount of interior work which is happening. So the capex on that is fairly limited. We'll be adding one complete floor of our mother and child services. We added in this clinical team towards the end of last financial year. And their working space or their area is being outfitted. We expect this to be on-board by the start of the next calendar year. So that work is underway.
- As far as the capex goes, since it is really just an interior fit out, it is almost negligible amount of capex that is involved because there is no incremental build, which is happening in terms of civil infrastructure in Gurgaon.
- The second area is our medical oncology floor, which we are renovating, as we may have mentioned as well earlier, converting additional chemotherapy beds, scaling that up. And that also is more of a renovation and an increase in capacity in our existing infrastructure. So also fairly negligible capex.
- As far as the capex goes for Gurgaon bed additions, I would say, it would be negligible. However, as we look forward, we do anticipate some amount of capex, maybe somewhere in the range of maybe INR70 crores to INR100 crores over the course of the next year-plus, which would be largely medical equipment refresh and upgradation of technology in our Gurgaon facility.
- To answer your question, the bulk of the capex, which we anticipate coming in in Gurgaon, will be more around technology than around infrastructure.
- Tushar Manudhane:** Thank you, sir. Thanks for the elaborate answer and all the best.
- Pankaj Sahni:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jainil Shah from JM Financial. Please go ahead.
- Jainil Shah:** Yes. Hi. Thank you for the opportunity. My question is on the capex. So like which other regions are we targeting now? We have announced Indore, we have announced DLF JV. So, which other regions are we planning to expand?
- Pankaj Sahni:** I think with respect to capex, as I said, I let Sanjeev handle that. But a little bit respect to what the capex that we have already visible. I think really your question is not just capex, but around, where do we see additional facilities coming up?

When we look at Medanta's approach to care, we have always maintained that our approach is to make sure that we are able to deliver a very high-standard of care at the right complexity and care level. We are more in the business of bigger, definitive steps, high-end, high-complexity kind of institutions.

We have also articulated that we believe that in the immediate future, our strategy will remain focused around central India and north as a region. We are currently evaluating opportunities in several cities in these regions, both in territories where we already have existing hospitals as well as in newer cities.

A lot of our thought process around this is to make sure that we are able to get the right asset or the right location at the right scale. Therefore, as we think about this growth, which you will, of course, come to hear about as and when we conclude on that, it has to be the growth which links up to our strategic footprint.

Last quarter, we articulated that the strategy around our facility in Delhi was not only to look at Delhi as a stand-alone facility, but actually to look at the entire NCR region now linking up to start with our Gurgaon facility, our Noida facility and then our Delhi facility, which very nicely links up along a major arterial road connecting these three facilities.

So we do have thoughts on how we can serve the people of the NCR region, but also other areas in Uttar Pradesh. We already have a big facility doing very well in Lucknow. And obviously, with the success of that, there is a demand from the communities to see if we can provide additional services there. But also, as I mentioned, other cities beyond our existing regions continue to be in focus. As and when these become slightly more definitive, we will definitely share them with you and the larger community.

Jainil Shah:

So, sir, can you specifically call out which cities are these and what would be the asset size that we would be looking at? And what kind of business model or rather how would we be financing it? So will it be a pure green field? Will it be in a partnership? What is the thought process there?

Pankaj Sahni:

Jainil, you would obviously appreciate that there is only so much that we can call out, both with respect to where we are on what is definitive as well as in context of, too much crystal ball gazing into the future, which may or may not be allowed. So I'm not at this point in a position to give you specifics on which city we're looking at beyond what I've said.

As far as the partnership model, you're aware we just signed the deal with DLF. So obviously that is a partnership that we feel is a very strong and well-respected partner. You are also aware that the O&M model where a partner would build out the warm shell and hand over to us is something that we already are looking at doing.

And then, when you look at our balance sheet, I think Sanjeev mentioned we are already sitting on approximately INR600 crores of net cash. So we do have a fairly healthy balance sheet to be able to look at opportunities directly, both in terms of greenfield or brownfield or acquisitions as they come up. So I think we are not constrained on any one particular model. However, the

model has to make sense for that location and has to make sense from a quality and our brand point of view, as well as from a financial point of view.

The one thing that I can say for you is that we will unlikely make very small bets. So you are unlikely to see, 70, 100 bed big footprint facilities from Medanta, especially if they're in the greenfield arena. They will typically be larger in size.

Now, again, a city like Lucknow, a 1,000 beds may also be too small. But we believe that certain other cities, like, for example, Indore, 300, 400 beds is an optimal size. So the size of the facility will be linked to the territory, but it will be a substantial facility for the most part. So I think the sweet spot we typically believe is 300 beds and upwards is a good size for the kind of care that we deliver.

Jainil Shah: So that's helpful. I have a few questions, but I'll get back to you. Thank you.

Moderator: Thank you. The next question is from the line of Banshi Desai from JP Morgan. Please go ahead.

Banshi Desai: Yes. Hi. Congratulations on a good set of numbers. My question is on occupancy. So we've seen very strong outcomes in this particular quarter, both in mature and in developing clusters. And for mature specifically, the increase is not just quarterly, but even on a year-over-year basis, we are seeing a 500 basis points of expansion. So I understand international patients has grown significantly for us. But should we consider this as a new base and barring quarterly fluctuations? You know, can we expect your overall mature cluster to trend at 65% and then, above?

Pankaj Sahni: Banshi, let me answer that on two, three dimensions. First of all, as far as the mature hospitals goes, we have seen strong growth coming in from all specialties, not just the specialties, which are a little bit more seasonal in nature for this particular quarter. And as you very rightly pointed out, this growth is not just a quarterly growth. This is actually growth, which we are seeing on an annualized basis.

I would also like to just refer you back to the strategy that we had articulated, several quarters ago where we really talked about investing in and focusing on our core capabilities. So if you recall, I think it was in our last quarterly presentation or maybe even both the last earnings calls, we have mentioned that we have made very significant clinical additions in our mature facilities.

Almost 80 doctors added in during the course of 12 months in our mature facilities, which is for the most part, in case of Gurgaon, over 10-year old facility. So what we are really doing is delivering and executing well on what we had said. And some of that is now playing out over the months, which you are seeing.

So what you are actually seeing is the playing out of the new talent coming in, the new equipment getting utilized, and all of the strategies around hardcore execution and focus on our operations and our quality. And that gets reflected, whether it comes in this quarter or the previous quarter. Yes, there is some amount of seasonality with respect to internal medicine, dengue, etc. But frankly speaking, we've seen a little bit more of that in our Lucknow facility than our Gurgaon facility.

This is how we see ourselves playing out. Like I said earlier, we don't necessarily just look at this on a quarterly basis. We are committed to putting in place all the tools that allow us to grow consistently and in a stable manner over the period. And by the way, we are still adding in clinical talent into our mature facilities and, of course, also into our developing facilities.

So from our point of view, the growth in clinical talent, technology and patient servicing in terms of volumes continues. And we do hope that that will play out as the quarters go forward. There will be some seasonality that changes based on festivals, typically the Diwali time is a little bit more conservative in terms of elective procedures. But these things, even out over the course of the year, which is really how we look at it. So that's our approach.

Just to touch on quickly on the developing facilities, Lucknow, pretty big now in terms of 600 beds. But like I said, adding in about 100, 150 beds there. So we do anticipate growth coming in Lucknow in terms of bed addition as well. We are also adding in clinical talent into Lucknow. In fact, both going deeper in the existing specialties as well as filling out other specialties that may not be as mature as some of the others. So Lucknow growth will continue both on beds as well as in talent.

Finally, Patna. Patna is, as you are aware, is little bit further behind. So that talent will continue with addition and that bed growth will continue. And frankly, in Patna, we've already seen very high demand, especially for services like critical care, emergency care, etc. So we are trying to ramp that up as fast as possible. And our immediate focus actually in Patna is to add in approximately 40, 50 ICU beds because there's a big demand for it.

And then lastly, as we move, it's not a quarterly play, but as you think about the next 12 months to 18 months, we do already have our sights set on the talent that will be required to get Noida off the ground. I may have mentioned earlier as well that we have already started to look at some of this talent coming in in advance so that we can get everybody geared up to the Medanta way of functioning and also get as advanced a team as possible ready so that we can hit the ground running in Noida.

So that's how we look at it across all the three pools of developed assets, mature assets, developing assets, and then the upcoming Noida facility.

Bansi Desai:

Understood. Thanks for that. And therefore, just thinking from a profitability standpoint, if we continue to see, improvement in our occupancies at both these clusters and given the bed addition, barring Noida is not going to be significant at Lucknow and probably is also measured in case of Patna as well. We can continue to see improvement over the current levels as well, right? Because the drag from the newer units are not going to be as much. Is that correct understanding?

Pankaj Sahni:

So just to clarify, we do have, on a base of 600 beds in Lucknow, we will be adding approximately 130 to 150 beds. So from a percentage capacity increase, that is not a trivial amount. So there will be some addition. However, as you rightly pointed out, a lot of that addition is going to be in, because of the way in which we build out within the existing structure.

As far as the profitability and the drag goes, look, I mean, you all are better experts to kind of project some of these things out. The way I think about it is that when you look at the company as a whole and you look at the portfolio of assets that we have, we feel fairly confident about how well balanced portfolio of assets we have. So you've got a strong and so to speak, well-sweated asset in terms of our mature facilities, of course, led by Gurgaon and very big in scale. That's delivering well. And as that volume scales up, obviously, you get the benefits of profitability coming in there.

Lucknow is now hitting a little bit of a more mature state, even though we're still growing there. And there we see as we add in volumes, as we add in capability there, you will obviously see some amount of operating leverage benefit. And we still don't have any subsidized patients as such in Lucknow. So that's all at a fairly healthy realization. And then, of course, Patna, Patna as it scales up, you will see the EBITDA profile increase there as well. So the drag that, may come in maybe next 12, 18 months as we start to put some expenses into the pre-operationalization of Noida, kind of gets well balanced out as the operating leverage kicks in in some of the developing hospitals and as we continue to grow in our Gurgaon facilities.

Overall, we're not very concerned about, how this moves. But like I said, we don't view this on a quarterly basis, but a little bit more longer term. But I think if you look at this across the year, we feel fairly good that we have got this portfolio well balanced to be able to manage both the profitability ups and downs, as well as the investment that will be required to build out into the future.

- Bansi Desai:** Got it. This is very helpful. Thank you. And I wish you a happy Diwali.
- Pankaj Sahni:** Thank you. And to you.
- Moderator:** Thank you. The next question is from the line of Rishabh Tiwari from Allegro Capital Advisors. Please go ahead.
- Rishabh Tiwari:** Hi, thanks for the opportunity and congratulations for the amazing set of numbers. Just wanted to understand the capex cycle regarding the INR100 crores mentioned for the medical equipment's and technology upgradation of Gurugram facility. So how what is the capex cycle of such kind of cost increase that we incurred, say, four years or five years? Because it was also mentioned that Lucknow facilities are on four years old now. So maybe in a year or two, that would be would be incurring such kind of expenses at other facilities?
- Pankaj Sahni:** Let me hand over to Sanjeev to give you a slightly more holistic perspective on capex beyond just the medical equipment. But looking at how we're thinking about this over the next couple of years. So, Sanjeev, you want to give a quick overview on the capex?
- Sanjeev Kumar:** If we actually look at the capex, we need to incur capex on three things. One is the increase in actually capacity in case of Lucknow, which is expected to go from 601 beds to almost 950 beds. So I think that's that one area of capex that we really need to incur. The second area of capex is that when we actually have to increase the capacity in case of Patna, which also has to go up to almost 650 beds.

The third place where we will be incurring capex would be in Noida. And in case of Noida, this is going to be a 550 bed facility, which we have already said that we will have 300 beds, you know, in the initial phase. So these are three places as far as the capex is to be incurred in terms of the existing projects. And apart from that, there would be a maintenance capex. So as to say for the purpose of technology upgradation or, you know, maybe some of the assets which are getting worn out and need to be replaced.

So primarily when we look at these four segments, we actually find that we are likely to spend almost in the region of INR1000 crores to INR1100 crores over the next three years or so. Out of which the maintenance capex, which you look at in case of Gurgaon, we have been seeing that it would be somewhere in the region of, almost INR60 to INR75 crores on an average in some years it could be lower and actually some years could be higher.

Pankaj Sahni: Also, just to clarify on the question around the Lucknow four years, much of the medical equipment is in the nature of bigger assets, CT-MRI, cath labs, etc. And their life cycle is not four years. It's actually closer to 10 years. So, some of our assets in Gurgaon are now running for 13 years and running very well. So just to give a clarity that the medical equipment, especially the bigger, more expensive medical equipment does have a longer life than the four years you articulated. It's probably closer to, you know, eight to 10 and in some cases maybe even longer.

Rishabh Tiwari: Thanks for the clarification. And what would be the maintenance capex at a consol level?

Pankaj Sahni: What is a maintenance capex at a consol level?

Sanjeev Kumar: At a consol level, as I explained that probably in case of Gurgaon, it would be a capex. But in case of MHPL, which is Lucknow and at Patna facility, at present, they may not be major maintenance capex. So it would be largely only in case of their matured units, which could be in the region of approximately INR60 to INR75 crores per annum. In a particular year, it may be lower or higher, but it would be within this range.

Rishabh Tiwari: Thank you.

Moderator: Thank you. The next question is from the line of Sourabh Kapadia from Sundaram Mutual Fund. Please go ahead.

Sourabh Kapadia: Yes, thank you for the opportunity. So first question on the, how we should look at the ramp up of the new beds, both at Patna and Lucknow? And will that change the payor mix in the overall company?

Pankaj Sahni: Okay, so let me go aspect by aspect, since you asked about Patna and Lucknow. First, Patna, we are currently at about 358 beds in Patna. And as I mentioned, we are building out about 50 beds more. Those 50 beds actually for the most part are ICU beds, although we are also adding chemotherapy, dialysis, etc. beds in those facilities. So some of the demand for the beds in Patna are actually linked to, potentially higher realization patients because of the fact that it may be critical care.

We are already operating with about 84 ICU beds in Patna, but we will be building out. So that asset will go from somewhere around 350 beds today to maybe, a little bit over 400 beds, maybe 410, 420 beds by this end of this financial year. As I mentioned already, that is part of the existing build out. So the bulk of that capex is pertaining to interior fit out, etc. Largely, again, for the ICUs that we're building. One important point also is that our radiation oncology services in Patna, as we speak, not in quarter two, but post end September have actually begun. We have started our radiation oncology services in Patna as well and in the coming weeks, we hope to have an inauguration there of that facility. And so that should help ramp up our cancer services in Patna as well.

So that's how we see the bed build out happening in Patna. As far as the supporting clinical teams, etc. there, I would say for the most part in place, we would have some additional doctors being hired in to manage our ICU, etc. And of course, the supporting staff for that as well. When it comes to Lucknow, we have already got 600 beds operational in Lucknow. And out of those 600 beds, about 200 beds are ICU beds.

So there is a strong demand for adding in some of the ward beds in Patna. So not only will we be adding ward beds across specialties, but there's also some talk about increasing our mother and child capacity there, because we have seen a very, very strong response of our mother and child services in Lucknow. As I mentioned, somewhere around 100, 150 beds getting added in to Lucknow, mostly ward beds, and that will scale out.

Now, in Patna, to answer your question on a payor mix, Patna may see some slight shift in payor mix because of the fact that the PPP work has really only started towards the latter part of the second quarter of this year. As that scales up, you will see that not only the regular cash and insurance business, but you may see some of the PPP mix come in as well. As far as Lucknow goes, currently no real change or no real plans on any changes in the payor mix. But we do believe that that should be able to sustain us towards the end of this financial year as well. So no changes in Lucknow payor mix anticipated.

Sourabh Kapadia:

Okay. And my second question on the long-term margins for these developing hospitals. Right now, it's much higher than the mature hospital, but if you look at two, three years down the line, how would you look at the margin profile for these developing hospitals?

Pankaj Sahni:

Again, you're asking for a little crystal ball gazing. I would definitely say that the margin profile on the developing hospitals has been very strong. Obviously, a lot of that is currently our Lucknow facility, which, as I mentioned just earlier, is currently 100% cash and TPA business. So, you know, as Patna becomes a little bit more part of this, you will see Patna contributing a certain percentage to that profitability or a greater percentage to that profitability. And so Patna does have a lower margin profile than Lucknow.

As well as when you look at this out by the end of this year, we will probably be somewhere around 700, 750 beds in Lucknow, around 400 beds in Patna. And we don't see very significant shifts that will happen there. But as you move forward, there is possibilities that you may have different payor mixes kicking in. But then also, as I mentioned earlier, you we have not taken tariff increases in these two facilities. So you will have the positive impacts of tariff coming in.

Hence, I think the way to think about the margin profile is on levers. Right. So there are some levers which may be slightly dilutive, lower tariff patients in terms of PPP, lower pricing maybe as compared to both the developing hospitals, which is Patna versus Lucknow. Patna tariffs are slightly lower, but then there are positive levers as well. One of those positive levers was on the margin profile is, of course, tariff increases that may get taken.

And then very importantly, you have operating leverage. So just don't forget that we have a fairly robust teams in place in both the institutions. And many of those teams are in place to cater to the full facility, not just the 600 or the 300 beds that are there right now. So as the facility scales, the costs should not scale linearly. And therefore, you should get the benefit of operating leverage kicking in as we move out on this.

So I think overall, we feel fairly confident about the margin profile in the in the developing units. But there will be some up downs as we move along the quarters over the next few years.

Sourabh Kapadia: Okay, thank you. And all the best.

Pankaj Sahni: Thank you.

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

Alankar Garude: Hi, thank you for the opportunity. Sir, my first question is more of a continuation of the previous discussion. If you look at our margin profile between mature and developing, there is a big difference, as you said, almost 10 percentage points. Without giving any numbers, is it possible to broadly rank all the five facilities in the order of their profitability?

Pankaj Sahni: Alankar, today, when you look at our Gurgaon facility, all the so-called corporate overhead costs are fully accounted for in our GHIL, which is our mature facility. So logically, if we were to look at a costing or a profitability by assets, it would make sense for some of that cost to be apportioned across all of the units, on some basis, maybe revenue or whatever. So you will definitely see some dilution of the EBITDA profile in the developing hospitals and some increase in the mature hospitals to the extent that that margin profile gets spread out across.

I think it's no secret, even if you look at the full year financial results, which declare out the three entities, which we have, which is MHPL, GHPPL and GHIL, that currently on a percentage basis, the Lucknow facility has got the highest margin profile. And then, I would say, that the Gurgaon facility would be, next in line. And, of course, Patna is little bit unfair to compare financially on FY '23 margin profile or even now, because it's still very new compared to the other two. And it's a question of about a year and a half of full operations in Patna versus about four years in Lucknow and maybe, about 10 years, 12 years in Gurgaon.

I would say that, since you asked for a ranking, that's how I would rank it. But I don't think that it is necessarily a fair ranking, because in some ways, they're all running in slightly different races or at slightly different periods of time. And that, as I said, from a portfolio level is actually quite beneficial.

Alankar Garude: Fair enough, Pankaj. That's helpful. The second question is, if you look at, I mean, Patna and compare it to Lucknow, if I exclude the difference, which will potentially come up in the future because of the PPP partnership, is there any other fundamental reason which can lead to our margins in Patna being different than Lucknow?

Pankaj Sahni: I think we should be very clear. The market in Patna is not at a tariff level or a patient realization level as high as Lucknow. There is definitely a gap of around 10% to 15% from a realization point of view between Lucknow and Patna or UP and Bihar, you may say. So there is absolutely a difference in that vis-a-vis the two units, not just linked to PPP or payor profile.

The second thing is that, because of the historical nature of the clinical talent in Lucknow and because, frankly speaking, of the exceptionally fast ramp-up that we saw when Lucknow opened. You may recall Lucknow opened right around COVID time and while everybody else was struggling, Lucknow just took off like a rocket. So, we did get a very, very fast ramp-up and therefore a fast recovery of costs, although we have been able to breakeven in almost all our facilities within one operating year. But Lucknow had an exceptionally fast ramp-up, even better than what we had anticipated. So I don't think that payor mix is the only reason. I do think that Lucknow benefited from that fast ramp-up.

Patna is moving along very well, but a little bit more slow and steady. And maybe everybody has got a little bit spoiled with the speed with which Lucknow achieved whatever it achieved. But I think if you compare Patna on an overall basis at the size it is, I think and you compare that across industry, I think also doing exceptionally well in terms of how it ramps-up. But I do believe that the EBITDA profile between these two facilities will be slightly different in the long run as well, just because of the nature of the market and the payor ability in these markets.

Alankar Garude: Sure, that's helpful. And one final question. How has been the offtake of this PPP partnership over the past few months? I mean, broadly in terms of patients, how many patients are being admitted on a daily basis? Are there more efforts by the government to kind of spread awareness about this partnership? Any color on this?

Pankaj Sahni: Just give you the quick context. You may be aware that there had been some logistical challenges with respect to how we can actually operationalize this partnership in terms of things like building out the website and how the various government authorities can send in and refer the patients to our facility in Patna.

That, for the most part, has been fixed. The websites are up. Access has been given to all the government medical colleges and other appropriate officers by the government authorities. And they have been very, very supportive in this. I must say that across the board, the partnership is fairly strong. The support from the government authorities has been very, very good. And we have also been helping them to build out this.

We have right now a majority of the patient population still coming in from the Patna area. And we are actively working on our side as well as the government is working to actually spread this information to all the districts where the patients can be referred from. So today you see, I would say almost 80%, 90% of the patient population still coming in from Patna. As far as PPP is

concerned, we do believe that in the coming months that will spread out to all the government medical institutions around all the districts of Bihar. And we will see patient flows coming in from those regions as well.

Alankar Garude: I'm sorry, broadly out of the 25%, what would be the occupancy right now negligible?

Pankaj Sahni: It's right now negligible. If you look at the Q2 numbers, because this really started in maybe last couple of weeks of September. So as far as the occupancy percentages come in, it's almost negligible. And we haven't really captured exactly the occupancy for PPP versus cash separately. As we scale that up and as we see the volumes grow, we'll assess whether that's something that we can capture and report.

Sanjeev Kumar: Just to add to that, Alankar, I think the good thing which has happened is that the process has started. You know, all the processes of escrow mechanism, etc, that is now settled. So we have received the actual payment of the very first set of such PPP patients. So I think those systems have been now established and then in the subsequent quarters, we will see much better inflows on account of PPP.

Alankar Garude: Understood, sir. Thank you and wish all of you a very happy Diwali.

Sanjeev Kumar: Happy Diwali to you as well.

Moderator: Thank you. We have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Pankaj Sahni: Thank you very much. And on behalf of Dr. Trehan, our entire clinical leadership, as well as our entire management team, I would like to thank you all for participating. Just to close by saying that, over the course of the last couple of interactions we've had with you, we have remained committed to executing on the strategies we've talked out.

We believe that focusing on the right quality, the right ethics and value system is the right way forward. We hope that is translating into the appropriate results as well. And we do intend to continue this focus on quality values and a slightly longer term approach towards how we move forward.

With that, I would like to take the opportunity to wish all of you a very Happy Diwali and Healthy Diwali. And thank you all for joining this call.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Global Health Limited