



**“Medanta – Global Health Limited  
Q4 FY23 Earnings Conference Call”  
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**Moderator:** Ladies and gentlemen, good day and welcome to Global Health Limited, also known as Medanta Q4 FY2023 Conference Call, hosted by Motilal Oswal. 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 the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar from Motilal Oswal. Thank you and over to you, sir.

**Tushar Manudhane:** Thank you, Aman. Good evening and a very warm welcome to all the participants on Global Health Limited Q4 FY23 Earnings Call. Joining with us today from the management side, 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 of Investor Relations. Over to Dr. Trehan for the opening remarks.

**Dr. Naresh Trehan:** Good morning to all of you. Welcome to the Q4 FY23 call. I would like to give you a little background. Most of you may be already familiar with it, but as you know, we created Medanta as a very specific platform to bring all super specialists from different clinical specialties on the same platform to be able to deliver, collectively, the highest end of care. We started our journey in Gurugram in late 2009/early 2010. By 2023 we have grown to 2,700 beds across Gurgaon, Lucknow, Patna, Indore and Ranchi. Our Noida facility is under development and should come online in the next 18 months or so. That will take us to the over 3,300 beds, that's including 550 beds in Noida.

Our focus has always been to deliver the highest quality care across all specialties. We have been able to achieve that in all our specialties across all our facilities. Our expansion is focused basically on areas which are underserved. And we have built a sustainable platform delivering the highest quality of care, making sure that the infrastructure, the technology and the medical facilities like the doctors and paramedical and nurses are all of the same high quality. We are very proud of the teams that have worked across all our facilities and are happy to report that we have been declared the best private hospital by Newsweek for four years in a row. Not only that, we are also recognized by Newsweek as one of the top 150 hospitals of the world. So this is a good achievement and our journey has been quite successful.

FY2022-23 has been a landmark year, in the journey of Medanta.

- We transitioned from a private company to a public company in November '22, with our successful IPO that was oversubscribed almost 10x.
- Our Patna facility is now fully functional for a year and the remarkable part is that it has also achieved EBITDA break even in the first year of operation.
- Over 150 specialist doctors have joined us across the units during FY23, further strengthening Medanta's healthcare delivery capabilities.
- Medanta has also added new specialties during the year such as lung transplant, the woman and child specialists. We have done triple way liver transplants, heart transplants. So all these new accomplishments have happened. Medanta continues on our journey of providing

the most complex procedures like bone marrow transplants, endocrine surgeries and very complicated cancer surgeries across the whole body.

Also the recognition as the best private hospital has given us the boost and we continue on our journey with a renewed focus and taking care of our doctors and teams to work together in the service of humanity because we do want to maintain the highest standard of ethics.

For further financial details, which I'm sure you are all are waiting for, I'll hand over the call to Mr. Pankaj Sahni, Group CEO, who shall walk you through the financials for the year. Thank you and over to you, Pankaj, please.

**Pankaj Sahni:**

Thank you, Dr. Trehan. Good evening and welcome everyone, to our first full year as well as the quarter 4 financial year 2023 earnings call. We've concluded our first full year on a very strong note and we have reported our highest quarterly revenue in this quarter of INR 7,318 million, which is a 37.3% year-on-year growth. Our CFO Sanjeev will talk shortly about our quarterly performance, but let me spend few minutes before that giving you some of the highlights for the year.

As Dr. Trehan mentioned, this has been a landmark year for Medanta. We are proud of what we have accomplished and would like to thank our doctors, nurses, our staff, as well as our shareholders, and of course, finally, our patients for the trust that they have placed and continue to place in us.

Some highlights starting with our financial performance, on the revenue side, our consolidated total income of INR 27,592 million has shown a strong growth at about 25.1% year-on-year. This growth was driven by a combination of factors. Some of it was higher inpatient volumes, increased bed occupied days, as well as changes in specialty mix towards higher revenue specialties.

Our EBITDA as well has grown 38.3% and has come in at INR 6,771 million. EBITDA margins as well have improved by 234 basis points from 22.2% in FY22 to 24.5% in FY23. Profit after tax was at INR 3,261 million, which is a growth of 66.2% year-on-year. And our PAT margins have improved as well by 292 basis points to 11.8%.

During the course of this year, our expansion continues. We have added 293 new beds. That's a growth of about 12.2% year-on-year. Out of these 293 beds, we have added 191 in Lucknow and 102 beds in our Patna hospital. Our average occupied bed days has increased by 14.1%, representing an occupancy of about 59% at the group level. And that is largely because of the increased bed capacity as well. ARPOB have grown as well to about INR 59,098 in FY23. This growth, as I mentioned earlier, in line with the revenue increase, is driven by contributions from higher complex specialties such as cardiac, GI, cancer, and neuro. Inpatient volumes have increased by 32% and outpatient counts have increased by 15.4% in FY23 as well.

When it comes to the breakdown of our developing hospitals, which is largely Lucknow and Patna, our revenue share has increased from 18% to the group in FY22 to 27% in FY23, amounting to INR 7,426 million. The developing hospital EBITDA share has increased from

16% in FY22 to 32% in FY23, amounting to INR 2,159 million. So we continue to de-risk and diversify our portfolio from a single unit in Gurgaon to multiple units across the country.

Medanta Patna, Dr. Trehan mentioned as well, has shown phenomenal growth during the course of the last year. We started our in-patient operations in January 2022 and we have delivered a revenue of INR 1,707 million in FY23. Once again, a Medanta Hospital has been able to achieve EBITDA break-even in its first full year of operations. We are very pleased with the performance in Patna. You will recall Lucknow also had been able to achieve EBITDA break-even in its first full year of operations.

When it comes to our international patients, our revenue has increased by 68% to INR 1,564 million and that of course is driven by higher realizations as well as increased volumes post-COVID from countries such as Iraq, Nepal, Bangladesh, as well as the CIS countries. Our in-house OPD pharmacy business, which we had started a few years ago, continues to register strong growth. Revenues have increased by 58% from INR 536 million in FY22 to INR 850 million in FY23.

From a balance sheet perspective, a lot of good news. We became a net debt-free company. In fact, we had a net cash surplus of INR 4,692 million at the end of March 2023. Cash proceeds of INR 5,000 million or INR 500 crores which came in from the IPO, out of which INR 3,750 million utilized towards debt repayment which were completed in April of 2023. During the year, we have also incurred net capital expenditure of about INR 2,846 million, out of which INR 659 million has been incurred towards our ongoing Noida Hospital construction project.

One very important highlight, Medanta continues to generate very strong operating cash flows, a very robust EBITDA to cash flow conversion of about 95%. So overall, from a balance sheet point of view, our balance sheet remains well capitalized, we are well positioned for funding the future expansion as well as the growth that we see coming.

A few developments during the year in addition to the financial numbers that I would like to share, we have been very focused on ensuring that we execute the plans and strategies that we have outlined for each of our units and I would like to share a couple of updates.

The first one is around bed additions. As I mentioned earlier, we have added a total of 293 new beds, which is a growth of about 12.2% in bed capacity. At Lucknow, strong demand resulted in us bringing forward our bed expansion plans a little bit. We added 191 beds, out of which 126 beds were added in the last quarter of FY23. Patna as well has seen bed additions, we have added 102 beds, including 29 new critical care beds during the course of the year. Both these facilities will see bed additions in FY24 as well. In fact, some of those bed additions and operating room additions are already underway.

We have also launched some new specialties and new services over the course of the year. At Gurgaon, we started our lung transplant program, already completed six successful lung transplants. We have, in fact, one of the leading chest specialty departments that comprises leading clinicians in lung transplant, chest surgery, respiratory and pulmonary medicine, collaborating together to deliver some of the highest quality in chest care services.

We have also launched our mother and child specialty, both in Gurgaon as well as in Lucknow. And we have further enhanced some of our cancer care with advanced treatments in bone marrow transplant, endocrine surgery, etc., in Lucknow. Our Patna facility also continues to add specialties as we speak and continues to expand its operations.

New technology added in Gurgaon includes the Da Vinci robot. We have added one of the fastest CT scanners in the world in terms of next generation sequencing and molecular work. We have also added a new edge Varian EDGE LINAC machine, which I think is only the third or fourth installation in the country, in our Lucknow facility. We will operationalize this by the first quarter of FY24.

In terms of our ongoing digital transformation, we continue to enhance our existing clinical applications, which include the e-Clinic application, which enables our patients to book online appointments as well as access their medical records from anywhere in the world. Our doctor EMR app, allows our doctors to review their patient's records from anywhere as well as receive real-time clinical alerts, engage in real-time manner with their clinical teams. This year, we have developed a third application, which is a 'smart nursing application', which is used to identify critical and sick patients and support intelligent nurse staffing based on predefined parameters.

Finally and perhaps most importantly, as Dr. Trehan mentioned, we have added over 150 full-time super specialist doctors during the year, including some well-known names like Dr. Randeep Guleria, Chairman of our respiratory and internal medicine department in Gurgaon, Dr. Gagan Gautam and his team of robotic uro-oncology specialists, various doctors including Dr. Praveen Khilnani, Dr. Rajiv Uttam, Dr. TJ Anthony, Dr. Preeti Rastogi in terms of our paediatrics, obstetrics, gynaecology and neonatology specialists in Gurgaon, as well as Dr. Neelam Vinay and her team of experts in mother and child care in Lucknow.

We continue to strengthen our large pool of medical, surgical and radiation oncologists with the addition of senior faculty across Gurgaon, Lucknow and Patna. We continue to scale up in newer facilities with the addition of over 50 doctors in Lucknow and over 35 senior specialists in Patna.

Over the past three years, that's FY2020-23, Medanta has delivered consistent financial growth. Our total income has grown at a compounded annual growth rate of 21% over this time period, while our EBITDA and profit after tax have grown at a compounded annual growth rate of 43% and 108% respectively.

As we look forward, we are confident that we shall continue our deliberate and sustainable growth by focusing on the ramping up of our Patna and Lucknow facilities to their full capacity. Continuing to attract and retain the highest quality of clinical talent across the country. And by concluding the construction and launching our 550 bed facility in Noida and finalizing our already announced plans for our 300-plus bed hospital project in Indore.

With that, I will hand over to Sanjeev to discuss our fourth quarter financial performance.

**Sanjeev Kumar:**

Thank you, Pankaj and good evening to you all. I would like to share some of the consolidated financial performance of Medanta for the quarter ending FY 23, that is March 31, 23.

Medanta has delivered total income of between INR 7,318 million, registering a growth of 37.3% on year-to-year basis. EBITDA was also INR 1,915 million, which is a growth of almost 108% year-on-year with EBITDA margins improving from 17.3% to 26.2% in quarter 4 FY23. Our profit after tax was INR 1,011 million, which is a growth of almost 478%. During the quarter, 126 new beds were added at Lucknow.

In terms of our operational performance, our occupied bed days has also increased by 25.6% and occupancy was at 58% on increased bed capacity. Our ARPOB also stood at around INR 61,000. It has grown by 7.5% year-on-year, primarily driven by change in specialty mix. During the year, we have also initiated our tariff revision. In-patient volume also grew by 32% to almost 33,000-plus and outpatient volume also grew by 26% to 5.7 lakhs. In terms of our developing hospitals, that is Lucknow and Patna, our total income has increased from INR 1,102 million to INR 2,025 million, a growth of almost 84%. And EBITDA increased from INR 133 million to INR 625 million in quarter 4 FY23.

Now we are happy to take questions from the participants.

**Moderator:** Thank you very much. We will now begin the question-and-answer-session. First question is from the line of Dheeresh from Whiteoak. Please go ahead.

**Dheeresh:** Thank you for the opportunity and congratulations on good operational performance. First question is, in April first week there was an article about Gurgaon administration wanting more beds. Is there any update on that?

**Pankaj Sahni:** I am sorry, let me just clarify the question. You are saying that the Gurgaon administration, do you mean the Medanta or the government administration?

**Dheeresh:** No, so in April first week there was an article which said that instead of 5%, 20% beds in Gurgaon, and then I had checked the thing with you and you had said that we are going to, as per our obligation, we are only obligated to provide 5%. So have you exchanged anything in communication with the administration and what is an update on this?

**Pankaj Sahni:** Yes, so I understand the question now. Thank you. In terms of the requirements and any notification or information from the government, there has been no change in the course of the last several months. Like you mentioned on the call and like we have constantly reiterated, we continue to abide by the terms of our lease as well as the terms of the allotment ad that was there which mentioned that 5% of the beds should be reserved. We do service whatever requests come to us in this nature from the government authorities. We have not seen any significant uptake or any significant change in the volume of patients coming in from the underprivileged category. So no real significant impact on anything thus far.

**Dheeresh:** So in the Gurgaon facility, right now you are providing only 5% of the census beds free of cost.

**Pankaj Sahni:** So the terms of our allotment require us to service up to that much at present and for the starting of the hospital, we have never received that high of a number. We continue to provide services

to the EWS patients that come to us. There are certain requirements that the authorities follow when they refer patients to us and as and when they come in, we service them, yes.

**Dheeresh:** And just to understand, when you report the KPIs like occupied bed days and ARPOB, for example, for Gurgaon facility, the occupied bed days would include whatever bed days you have provided to this section of the population, right?

**Pankaj Sahni:** That is correct. And actually, if I understand correctly, you would be referring to the occupied bed days of the mature facilities. So it is not Gurgaon, it does include Indore and Ranchi as well, if I'm not mistaken.

**Dheeresh:** Understood. No, what I'm asking is whatever it is, it is not shown net. You're showing occupied bed days, ARPOB, everything is gross of the beds that you are obligated to provide for the EWS section, right?

**Pankaj Sahni:** Absolutely, correct.

**Dheeresh:** Understood. Okay. Thank you for that. And then on slide 44, which the right hand side, there is this exhibit which talks about capacity from 2,697 beds to 4,000 beds. So can you just like discuss in terms of, you know, each project, you have mentioned the beds, but in terms of timeline and in terms of capex spent, can you just give us a, you know, refresher on this slide, please?

**Pankaj Sahni:** Sure. So let me do the following. Let me just very quickly walk you through the bed numbers that you see on this graph, and then I'll hand over to Sanjeev to give us a little bit of an overview on the capex. Let me start with our Gurgaon facility. Actually, somewhere in the presentation, it is also mentioned we are currently undergoing two major projects within our Gurgaon facility. One is the development of our mother and child floor. We will be adding about 30 beds or so into that area that will include operating rooms, a neonatal ICU, etc. We are also in the process of renovating our complete oncology services in the unit. So we will be adding in approximately 50 beds of medical oncology daycare services. That is a renovation, so it is not a new build as such. That is the first major part of the capex that is happening in our Gurgaon unit.

The second part is in our Lucknow facility. Our Lucknow facility as at March 31<sup>st</sup> is at 601 beds. That includes about 200+ beds of critical care, as well as about 12 operating rooms. We added in about seven operating rooms in Lucknow during the course of this year. As we move forward, Lucknow will move from 601 beds to 950 beds. Our estimation is that approximately, 150 of those beds will come during the course of this financial year.

As far as Patna goes, Patna Hospital is 330 beds today and will also add in probably around 70 beds or so, which will take us to maybe slightly over the 400 bed limit during the course of this financial year. The more important part of Patna is that we will add in almost 10 operating rooms. In fact, since the end of March, we have already activated about four operating rooms and six more operating rooms will come on board in Patna. So Patna will finally then have another six operating rooms will come on board. So Patna will finally have then the 14 operating rooms that it was planned for. That is the plan for Patna.

Noida, which is built as a 550 bed facility, we anticipate opening somewhere towards the latter part of financial year '25. That gives you some sense of the build timeline. Let me hand over quickly to Sanjeev for the high level overview of capex on these projects.

**Sanjeev Kumar:** Yes, thanks, Pankaj, and thanks, Dheeresh. As Pankaj has explained we will actually move from almost 2,700 bed capacity to ~4,000 bed capacity in the next three years or so. We expect to incur approximately INR1,000 crores capex for almost 1,200 to 1,300 beds. We expect that this will come over the period of the next three years or so.

**Dheeresh:** So how much, Sanjeev, your voice, audio quality is not very good, but if I understood what you're saying is INR 1,000 crores capex for this, between FY24 and FY25 for this 1,300 bed. How much will it spread out in '24 and '25, the capex?

**Sanjeev Kumar:** In case of FY24, which is actually the current year, since our Noida project is actually in full swing, and we actually might see almost INR 250 crores capex getting incurred in case of Noida. Overall, this year we will incur approximately around INR 450 crores or so. The balance of INR 550 crores in the next two years, that is FY25 and FY26.

**Dheeresh:** Okay, and just one last clarification, Noida, as Pankaj mentioned, towards the end of FY 25, 550 beds, so it's not in phases. The full 550 will become operational at the end of FY25, and that capacity will be available for commercialization in FY26, right?

**Pankaj Sahni:** No, let me clarify. The facility in Noida is a single tower facility, unlike our Gurgaon, Lucknow and Patna facilities. So it will be built in one shot, but we plan to operationalize only about 300 beds on opening day, and then we will scale as and when the requirement comes.

**Dheeresh:** Understood. Thank you so much, Pankaj. Thank you.

**Pankaj Sahni:** You are welcome.

**Moderator:** Thank you. The next question is from the line of Rishabh Tiwari from Allegro Capital. Please go ahead.

**Rishabh Tiwari:** Hi, thanks for the opportunity, and congratulations for the stellar numbers. My question is regarding the decision for Indore O&M facility that we are opening. So if the management could please add some colour to the current Indore unit, what are the occupancy and ARPOB levels that we are seeing, and the basis on which the management has decided to set up another facility? So some colour on the current business of the Indore unit.

**Pankaj Sahni:** Okay, let me give you a little bit of quick context. You know, our Indore facility is actually just a rental building. It was an existing hospital that wasn't functioning that we had taken over. So it's a very small infrastructure facility, just about 150 beds there. We have four operating rooms there, and about 50 critical care beds. What we are finding in Indore is that our ability to add in services is hindered by size, for example, we do not have much medical oncology services there. There is, of course, no space to add things like a radiation oncology service, etcetera.



We are fairly constrained with that facility, and therefore, we have actually decided that the appropriate and logical thing for us to do is to build out a reasonably big facility there, which would be somewhere in the range of 300 beds to 350 beds, to be able to cater to some of the deficiencies that we have. For the most part, the services that are currently running in Indore are mainly cardiac and neuro.

As we look at how we should build this out, we decided that it would make sense for us to go more towards the asset-light approach in conjunction with a partner. So we have been able to tie up with a partner who will build out the infrastructure and deliver to us a warm shell, which is about 5 lakhs sq.ft, which should accommodate for us about 300 beds to 350 beds. Medanta will put in the medical equipment and, of course, then run the hospital. So this is our plan.

At present, our Indore facility is functioning at a kind of suboptimal level and that is why we have decided to move forward with this approach.

**Rishabh Tiwari:** Just if I could have a ballpark number on the occupancy or ARPOB levels?

**Pankaj Sahni:** So we don't report out the financial data in terms of the Indore facility separately. What I can tell you is that if you look at the ARPOB levels that we are able to achieve in Indore today just with a couple of specialties that are there, it is probably about 40% to 45% lower than our Gurgaon facility. We see occupancies there more or less on a similar line, fluctuates a little bit depending on the season, because other than cardiac, neuro, a lot of the care is secondary care.

**Rishabh Tiwari:** Okay. That helps. Thank you.

**Pankaj Sahni:** Thank you.

**Moderator:** Thank you. The next question is from Nikhil Mathur from HDFC Mutual Fund. Please go ahead.

**Nikhil Mathur:** Hi. Good evening. My first question is on the ARPOB. If I remember correctly, at the time of IPO Roadshow, the sharp run-up that happened in Lucknow and perhaps was next in Patna as well, I may be wrong here, was largely driven by non-scheme patients, mostly cash-paying patients. Has that started to normalize in Lucknow and Patna both wherein the scheme-based patients and insurance-based patients are kind of coming into the mix? Because the ARPOB continues to look good. Over the last couple of quarters, you have expanded your ARPOB. So I'm not sure if there is any ARPOB dilution, that's happening from Lucknow and Patna?

**Pankaj Sahni:** So, if I draw your attention to the slide number 31, where we have detailed out the payor mix for the year and indeed, even for the quarter. You will see that, we continue and have for several years now, continued to maintain a fairly healthy payor mix. Upwards of 85% of our payor mix is in the cash and insurance segment. And that hasn't really changed over the course of the last quarter or any change with the Lucknow and Patna facilities scaling up. In fact, both Lucknow and Patna continue to be towards the end of FY23, almost exclusively cash and TPA. So, no real change in the year mix from say, when we last spoke.

**Nikhil Mathur:** Yes, so that's the question. In Lucknow and Patna, if we return mix will skew to a certain extent towards scheme-based patients as today, it's entirely cash and TPA, wouldn't that lead to some bit of ARPOB dilution?

**Pankaj Sahni:** Is the question that going forward, will that mix change?

**Nikhil Mathur:** Yes.

**Pankaj Sahni:** Yes. So, let's go unit by unit. Let's first start with our Patna facility. As you're probably aware, Patna is a PPP project, with the Government of Bihar. So, 25% of the beds are reserved at State Government rates. We have been working with the Government to get those activated but that hasn't been activated yet. We do believe that it will get activated in the first quarter of this year. You may see some ARPOB dilution in Patna specifically because of the PPP project scheme-based patients coming into play.

As far as Lucknow goes, we have not seen nor have we any immediate plans to change the payer mix there. Obviously, as we continue to scale up, we will keep re-evaluating this at the appropriate time. At present we don't have any major plans to change the payor mix in Lucknow.

**Nikhil Mathur:** Got it. That's quite helpful. Also, my second question is slightly higher level. In the entire north to east belt, do you see any major bed additions happening by non-incumbents? I will include Medanta amongst the incumbents now given its presence in three or four cities now. But do you see any major bed additions by non-incumbents? Perhaps, any player from south or west that, you might be seeing?

**Pankaj Sahni:** You are asking me to do a little bit of crystal ball gazing. So, I don't know. What I can tell you is that, there are many people who are not in the healthcare industry, who continuously approach us to say, will you please partner with us, to help us build a hospital or we will build a hospital and you run it. So, maybe that is just an indication of the success of Medanta or the brand of Medanta or the industry in general.

I do not know, who will decide to come into which territory of the country. However, what I can tell you is that, there is still a huge need for capacity build out across many, many parts of the country. So, the more people that are invested in the success of the healthcare industry, the better it is.

**Nikhil Mathur:** Would it be safe to say that, at least for the next two years to three-year horizon, even if someone tries to enter and it takes a few years to kind of set up a hospital, at least from a two years to three year perspective, the incumbents are kind of sorted on supply demand balance?

**Pankaj Sahni:** Yes, you have to see two, three factors. One is obviously, you cannot produce a hospital out of thin air, especially any hospital of meaningful size and quality. It takes at least three years or so, to build if you are starting from scratch. I also do not see too much visibility on hospitals, which are ready made and are just waiting to be taken over for somebody to run. So, you are absolutely right. It takes a certain amount of time to put up this kind of infrastructure, especially in terms of quality infrastructure. But let us not forget that, building and construction is the easy part.

After that you have to actually hire the doctors and nurses and get the clinical talent to be able to operationalize and run the facility. We have done very well to be able to break even both Lucknow and Patna, within one year of starting operations, but that is not a normal trend. Normally, hospitals take at least three years to four years to deliver, EBITDA break even. So, I would say that, yes, some of your conjecture is correct.

The other thing is that, I do not see too much construction actually underway beyond, what we have been doing. So, I cannot pinpoint that there is any specific asset that, is likely to come on board, in the immediate future. So, yes, that is the correct assumption, I would say from your part. As far as the supply-demand mismatch goes, the northern part of the country is hugely underpenetrated, whether it is UP or Bihar, Haryana, even NCR still has a lot of scope. So, a lot more to be done.

**Nikhil Mathur:**

Right. That is pretty helpful. One more question I had is on ALOS. If I look at versus pre-COVID levels, I have some data possibly from your DRHP. The ALOS used to be 3.9 days, somewhere around that in FY19, and currently, it is standing around 3.3 days, 3.2 days. Can you give some colour of, what is happening and what has changed?

**Pankaj Sahni:**

Sure. You are absolutely right with one exception. If you look at our ALOS over the years, and I will just quickly flag out some of the numbers, in FY19, it was 3.9 days, we were able to reduce that very actively in FY20 to 3.5 days, and I will talk about that in a minute. It bounced back up in FY21. to 3.9 days, then 3.8 days in FY22, and we have been able to bring that back down in FY23 to 3.3 days.

Now, we had actually started some of these initiatives in FY20, just before COVID to actively work on bringing the ALOS down, and that benefits patients and it benefits the hospital. We worked with some of our surgical specialties to get them to admit patients the day of surgery instead of admitting the patient the night before. We also worked with our doctors to get the patient discharged The day of the surgery itself. So we did work on ALOS reduction and efficiency.

These are standard operational improvement metrics, and it's good for everybody because we get the patient home, we are able to possibly even close down some of the wards at night to save some operating costs, and most importantly we felt that it was the right thing to do. We have reactivated some of that work in FY'23, after COVID has gone away, and we do see some amount of ALOS reduction which is very much intentional.

The other thing that's very important to keep in mind, especially in context of the Medanta group, is that, we have a very high percentage of cash and TPA patients, and we have seen that cash and TPA patients do have a shorter length of stay as compared to the scheme patients, who tend to have a little bit of a longer length of stay. So these are some of the factors that, could be leading to the lower ALOS that, you see.

But active strategy was implemented in FY 20, active strategy has been implemented in FY23, and we will continue to do our best to get our patients home as soon as possible.

**Nikhil Mathur:** Right. So, it's a right deduction, right, that while your occupancy might look lower versus some of the peers that report Delhi NCR-centric numbers, but that gets offset by ALOS, right? The focus is more on the right efficiency in terms of getting the ALOS right, which might be at the expense of what occupancy numbers, we are able to see.

**Pankaj Sahni:** That's right. If you look at the basic mathematics, obviously the ARPOB as well as the occupancy levels are a function of the volume of admissions and the volume and the length of stay. Like I said, some of the scheme patients tend to stay a little bit longer because frankly, they're not too concerned about, who is paying for their stay. We have seen this even in our Gurgaon facility, scheme patients for the same specialty, do tend to have a little bit of a longer length of stay. So you're right.

The deduction that you did is correct. You do see differences in occupancy levels in ARPOBs, but the real thing that, we should be looking at frankly is, how the volumes have grown in terms of the absolute amount of inpatient additions or admissions or discharges and more than even ARPOB, the average revenue per patient, which gives a slightly better perspective on what each patient is actually paying.

**Nikhil Mathur:** Got it. And just one final question, just kind of a bookkeeping. When I look at your operating beds to capacity beds ratio, it is somewhere around 75%-76%. Once all these bed additions are laid out in the slide in the presentation that happens, should we assume the same percentage of operating beds with the denominator being the capacity beds?

**Pankaj Sahni:** So, just to give you a quick context, right, it's in line a little bit with the length of stay point that you mentioned earlier. We do have, (and we have realized this, in fact, after building Gurgaon), a very strong focus on daycare work because we have a lot of people, who come into the system during the course of the day, who may not need to stay at night.

If you look just at our Gurgaon facility, you would have maybe almost 200 beds or 300 beds on the daycare side, which is, the size of a pretty large hospital itself. So we cycle through these patients efficiently, whether it is endoscopy daycare, emergency, chemo daycare, dialysis, etcetera. We have seen that, we are able to deliver high quality care in this model. So we feel good about this kind of daycare model. We feel that, as we build out the other units, we will continue to maintain a fairly high daycare to census bed ratio. But, it does differ depending on the city or the area which you're in. So there are some nuances depending on, where patients come in from.

Some of our patients in our Gurgaon or our Lucknow facility, may be travelling from further away, so they may struggle with the ability to stay outside of the hospital. When you look at our Patna facility, it's located in the heart of town, so there's plenty of options for people to stay. So these things do make a difference. But in general, yes, we will try to maintain a fairly high daycare to overall bed ratio.

**Nikhil Mathur:** Understood. Thank you so much and all the best.

**Pankaj Sahni:** Thank you.

**Moderator:** Thank you. The next question is from the line of Amit Kadam from Canara Robeco Mutual Fund. Please go ahead.

**Amit Kadam:** Yes, good evening, sir. So I have a couple of questions. So starting with this, one of the observation on the slide, where they have mentioned how the OPD and IPD have grown. In this, I guess it's slide 39. So your IPD volume growth was lower sequentially quarter-on-quarter, which my understanding about the subject is that, usually quarter 3 is little lean quarter and then quarter 4 is a kind of normalized quarter. Still our IPD volumes were sequentially lower. Any particular reason to it? That's point number one.

And so another extension to is that, for the full year, what we have seen that OPD volume growth has been 15%, whereas IPD volumes has been for the full year 32%. Any reason that by such a stark difference between how OPD and IPD volume growth has been? Yes, this is a first question I would say. And there are a couple more.

**Pankaj Sahni:** So let me start with your second question first, in terms of OPD and IPD. You are referencing slide 39 metrics that reflect the whole group. An important point to note as, we look at the year that has gone by, is that we still have hospitals that are growing and in fact, growing in a very big way. So, when you look at our Patna facility, that really came on board in January 2022 we really have had only one full year of operations.

Now in new facilities, their OPD-IPD trends tend to differ a little bit as the specialties come in. So we started Patna just to give you a sense, largely with cardiac and neuro. Now, we have added in many other specialties. Some of them have a faster growth towards OPD. Some of them have a faster growth towards IPD. So, you will see some amount of variability in the newer facilities until they stabilize.

Also, don't forget we are adding in doctors fairly aggressively. So when you look at some of the doctor additions in both Lucknow as well as in Patna, and that goes to your first question as well, you do see sometimes, when a doctor comes on board, there's an immediate uptick because there's a pent up demand of that doctor and they bring in their practice to the facility, whether it is a Lucknow or whether it is a Patna. So, up until the time that you find some amount of stability in the bed addition and the doctor addition, we do find variability both in the OPD and IPD basis.

Frankly, since we don't look at this on a quarter to quarter basis, but look much more at it on an overall basis, we don't stress too much on how things move on a quarter-on-quarter basis. But, we do keep in mind that we see sequential growth as the specialties are maturing and as the unit is maturing. I don't know if that answers your question, but that's how we think about it.

**Amit Kadam:** Okay, it does answer my question. Maybe let the things stabilize and then maybe this will be a correct metric to track thereafter. I got it. So second question is that, our international patient contribution for this quarter was 5%, vis-a-vis like quarter 3, saw 7% contribution. And on top line, we are broadly saying, somewhere around INR 160 crores odd. Just wanted to know because the peers have actually saw some reasonable improvement in both sequential and Y-o-Y. Any particular reason? This is I'm trying to refer from slide number 40.

**Pankaj Sahni:** Yes. So, on an absolute basis, we have also seen the same improvement, both in terms of volumes as well as in terms of realization. The absolute amount of international patients has grown. In fact, we have about a 68% growth year-on-year. And, we are also seeing a breakdown of that by quarter. You do see an absolute growth in terms of quarter 3 versus quarter 4 of financial year '23.

The difference, when you're looking at this graph as a percentage of overall revenue is that, this now includes the revenue additions in Lucknow and Patna. And as you'll understand, Lucknow and Patna is almost negligible international patients. So as the base of Lucknow and Patna adds in, international as a percentage may look slightly different. But on an absolute basis, we have actually seen a growth from financial year '22 to '23.

**Amit Kadam:** Okay. It answers. My final question is that, this like the scheme patient, so that there were some price revisions for most of the like for certain consumables to some kind of service room rates, etcetera. So, what is that particular impact? Because we also cater to lots of CGHS or those scheme patients. Any impact, what we witness in this particular quarter? How do we see it going forward?

**Pankaj Sahni:** Yes. So just to clarify, we have actually under 10% of our total revenue is coming from scheme or CGHS patients. The fourth quarter it is about 8%. And if I look at the full year also, more or less the same in terms of the CGHS, ECHS. So it's not that high, especially compared too many of the others. The tariff increase that, were announced by the government have been adopted in different ways. This includes the tariff increase on the CGHS patients as well as the Ayushman and other schemes.

So of course, some of the public sector undertaking, some of the corporate contracts, the partnerships which we have, those tariffs got affected immediately. When the government made the announcement. In certain other cases, the tariff increases are dependent on, how the States adopt those tariff increases. So, we may see this playing out fully, over the course of financial year '24, more than in financial year '23.

In addition to that, we did actually take some tariff increases towards the last quarter of financial year '23. I think Sanjeev mentioned it in his opening comments. But obviously, we will see the full impact of that play out only in this year.

**Amit kadam:** Okay. Thanks. Thank you. That's it. I'm done.

**Moderator:** Thank you. The next question is from line of Cyndrella Thomas Carvalho from JM Financial Limited. Please go ahead.

**Cyndrella Carvalho:** Thanks for the opportunity. And congratulations on great set of numbers. Pankaj, if we are looking at our Gurgaon facility or the standalone numbers per se, how should we see the growth from here onwards as well as, at the margin level? How should we be seeing it? Because somewhere, we see that, these margin levels are coming to around 20% odd or more excluding the other income. So how should we see and what could be the levers of margin expansion,

including the standalone business of Indore and Ranchi with it? And if you can help us understand the growth path for Gurgaon as a focus.

**Pankaj Sahni:**

Yes. So let me give you a couple of thoughts. And I'll ask Sanjeev also to clarify. There's some confusion amongst the community on the true definition of other income and what's included and what's not included. But let me just first give you a couple of thoughts, in terms of conceptually. See, when it comes to the growth opportunities in terms of volumes and in terms of the levers that are there for Gurgaon or the NCR market as a whole. First of all, we have added almost about 80 doctors at the senior level across our mature facilities and many of those doctors coming in towards the second half of this year.

So there has been a very definitive understanding that, given the demand that was there, that we experienced during the course of COVID, given the responsiveness of various clinicians, who want to work for us. So we have added in a significant clinical talent pool in our Gurgaon facility. And you will see that, continuing as we move forward in financial year '24. So the first aspect is that, there's new services, new clinicians, mother and child coming on board, as an example, lung transplant, chest surgery coming on board is another example. So we are adding in the clinical firepower in Gurgaon and we do expect that to start taking effect in the coming months and years.

The second aspect is that, we are doing some amount of realignment, as I mentioned, we're adding in about 30 beds of mother and child, 50 plus beds of premium cancer services. So we are looking at, how we reorient some of the care that, we deliver, including looking at how we can think about more daycare, better utilization etcetera. So, those will be all positive levers that, should add to the top line and volume growth in the facility.

As far as margin goes, there are, of course, three or four levers there. The first one, as I mentioned in the question before, was on tariff. We hadn't taken very significant tariff increases for several years, some of that was because of COVID but in general, we are reasonably conservative on the pricing that we have. We have triggered that exercise in Gurgaon, more significantly in January, February, March of this year, concluding in actually towards the end of March, middle of April.

So, we will see some impact of tariff, which should be positive towards the margin side in financial year '24. We also continue to look at, how we can increase our operating efficiencies, whether it is our material cost efficiencies or the employee costs. Last year, because of COVID we didn't do much sales and marketing, and we were also trying to conserve the cash and the costs there. So, some of that cost has come back.

Also very important to note that, when you look at our mature facilities or our GH facility, this includes all the corporate costs. So we don't actually report out, the corporate costs separately, whether that is employee costs or other shared services costs. So that's fully loaded in on Gurgaon. And to that extent, the margin is a little suppressed in Gurgaon vis-a-vis that apportionment, which you would see across all the units in a normal case.

So, these are some of the factors that may be impacting what you're looking at in terms of the numbers as you try to dissect them. And then also on the other income, you know, it's not all interest income which should be taken out. And Sanjeev will give you a very quick overview as to what is really other income and what is actually a normal hospital income. Sanjeev?

**Sanjeev Kumar:**

So, I think, you know, as far as other income is concerned, we have actually seen that other than the interest income, it also includes some of the income like rental income, provisions which actually get written back. And those also have been considered appropriately as far as the expenses earlier. Some of the income like the sponsorship income, this year if you actually look at, you will find that, sponsorship expenses are high. So that gets captured in your miscellaneous income. So, the expenses have been captured in other expenses, but the income is captured in other income. Some of the revenue shares from, food centres, etc., etc. I think somewhere we actually feel that these are all the income which actually wouldn't have been here had our hospital not been operational. So, that's the reason why we do include other income as part of the overall EBITDA margin. And that we have been doing consistently.

I think when we actually look at the consistent basis, the margins excluding interest income it would be more or less in the same region. And I think some of the reasons which that have been explained by Pankaj as well, largely in terms of the higher expense on account of marketing expenses, including the facilitation charges, which are on account of the international operations, that's one. The second one is, also some of the expenses like conference expenses, which I just said, has gone up by almost, that also impacted almost 2.2% increase in your traveling costs, etc. Some of those expenses have also increased. But Yes, the margins remain in the range of approximately 20%-22% excluding the other income.

**Cyndrella Carvalho:**

Thank you for an elaborate answer. Just to clarify, Pankaj, you said 80 doctors, we have senior doctors we have added at Gurgaon, right? Along with all the bed addition that you mentioned. So, all this cost is already in this number that we are seeing today?

**Pankaj Sahni:**

Yes. Just to clarify this does, include some of the senior additions at Indore and Ranchi, as well. As you're probably aware, most of our doctors are all on a full-time fixed kind of salary model. So, yes, their costs will be fully captured in the P&L.

**Sanjeev Kumar:**

For the period that they have been here.

**Cyndrella Carvalho:**

Yes. Yes, thanks for that. And if we look at the overall new hospital margins, they are looking upwards of 30%. And if I try and understand, I mean, our Lucknow was already doing healthy margins. But can we conclude that even Patna is doing very healthy margins at least in Q4 aspect? Or how should we look at it, if you can help us understand the Patna level EBITDA margin?

**Pankaj Sahni:** So, Cyndrella, you may be familiar with this from our last conversations as well. We definitely do feel that Patna has delivered fairly healthy margins in not only in Q4 of this last year, but also for the full year. We have been able to deliver a strong break even in Patna. Obviously, the margins in Patna are not as strong as they are in Lucknow or even in Gurgaon, because it's still new and still upcoming. But, yes, we feel fairly confident about our



financial performance there. And we feel that that will only continue to improve. However, to point out that Patna is still in a very strong kind of growth phase. So unlike Lucknow, which I think maybe had a slightly shorter time to achieve a reasonable scale, Patna continues to expand every quarter. It's a slightly, more quarter-on-quarter scale up in Patna. And some of that is, of course, post-COVID, we didn't have the same scenario which we had in Lucknow. So, I think that it may be a little premature to look at Patna margins from any kind of a stable state.

With Lucknow at 600 beds now firing quite well for almost two years. We do feel that is a little bit more stable. Patna, I think you have to still give us another six to nine months or maybe the whole of FY'24 before we feel really confident about what's the stable situation there.

We do intend to add in more doctors, so you will see more cost. We do also hope that the doctors that have been added in will continue to kick in. And we are also adding in very high-end expensive equipment. So, we may have mentioned this earlier, we have ordered the radiation oncology LINAC, and we will be starting our radiation oncology services, hopefully early this year. So, all these things will come in. So, Patna, you'll still see some bouncing around of margins. I think give us six to six months to 12 months to see some stability there.

**Cyndrella Carvalho:** Thanks, Pankaj. We understand definitely that it's just one year of operation that we are already at the gap. We can even make it up. Of course, we do understand.

**Pankaj Sahni:** Don't get carried away with the strong performance in Patna. And assume that is normal. We also feel it is better than normal.

**Cyndrella Carvalho:** Yes, Yes, that we totally agree with you on. Some of the bookkeeping questions largely on the side of, I mean, if you would like to share our, at least Gurgaon, our ARPOB and occupancy, would you be able to share that for the full year?

**Pankaj Sahni:** So, Cyndrella, I can see on the queue, a couple more folks who asked questions and we are already running a little late. I request, if we can set up some specific calls for any detailed bookkeeping questions that you may have. If there's overall kind of questions which may benefit everybody, you can quickly ask them there. Otherwise, if there's specific points, we set up some time, Sanjeev and team will be able to walk you through whatever you need to kind of help you build out, I guess, the models that you're working on.

**Cyndrella Carvalho:** No worries. Thank you so much.

**Moderator:** Thank you. The next question is in the line of Akash Dobhada from Motilal Oswal Financial Services. Please go ahead.

**Akash Dobhada:** Yes, thank you for the opportunity. I have just one question. What kind of locations would you look for in organic opportunity apart from Lucknow, Patna, Noida? And your comment on valuation on such in organic front?

**Pankaj Sahni:** Our approach to looking at which locations to go into is driven by four or five very fundamental values. The first, of course, is that is there a need for providing this kind of high-end, high-

quality services. As you're aware, we operate very high-end tertiary care hospitals, so we're not really looking in at just going in in the secondary care or very lower-level complexity of care. So, the market should be able to sustain high-end tertiary, quaternary care. And that means two, three things.

On one hand, of course, there has to be a certain amount of demand as well as ability to afford those quality of services and that complexity of services. But there also has to be the appropriate clinical talent and employee pools that you can bring in on board to be able to offer and deliver those services. It's not really just about putting up a building. That's the first part.

The second part is that we do like to go into markets where there has to be some element of really being underserved in terms of at least the quality. And by underserved, I don't mean only the places with lower per capita income. As I mentioned many times, there are parts of Delhi and Bombay that you would also consider as underserved. At the same time, there may be tier three cities which may be completely fully served. So, what we look at is whether there is an underserved need or an unmet need in terms of clinical care and specifically whether Medanta can fulfil that need. Of course, lastly, we have to make sure that this can all be done at the quality standards and values that we operate in. So, that's how we look at locations.

Obviously, given our historical experience, I would say, the central and northern part of the country to be more-closer to what we have historically operated in. And therefore, our bias would be towards looking into those areas first. And that includes, by the way, Greenfield as well as inorganic opportunities. Although, never say never. As far as the approach towards the inorganic opportunities, again, two, three fundamental factors. One, as I mentioned, it has to make sense for us in terms of location and the kind of quality of assets that we're getting into. But also, we don't want to buy an asset just for the sake of buying out EBITDA. It has to be able to fit into our ecosystem of delivering high quality care. And very importantly, it has to be in sync with the value system and the ethics which we practice. So, we have walked away from many a deal where we felt that it was not in line with the values, ethics, and governance standards that we would like to practice. And, lastly, I can say that for the most part, we are more comfortable where we are the sole provider of care and our partners, whoever they may be, are more silent partners.

It is something which is completely clean and kosher in terms of the due diligence, etc, that we look at. Of course, after all this, can you get the right kind of value for the asset that you're buying? And frankly, I think that in many a deal, you find one or more of these things are challenging.

**Akash Dobhada:** Okay. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing remarks. Thank you and over to you.

**Pankaj Sahni:** Thank you very much. I just wanted to thank everybody for their ongoing support. It has been our first full annual conference call after our listing. We thank you for your interest as well as your support and look forward to the same going forward. If there are additional questions or

clarifications that you may require, we'd be happy to provide them on a secondary follow-up discussion. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Motilal Oswal, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.

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