



## Max Healthcare Institute Limited

### Q4 FY25 Earnings Conference Call Transcript

#### May 21, 2025

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**Moderator:** Ladies and gentlemen, good morning, and welcome to the Max Healthcare Institute Limited Earnings Conference Call.

Please note that this conference is being recorded.

I now hand the conference over to Suraj Digawalekar from CDR India for opening remarks. Thank you, and over to you.

**Suraj Digawalekar:** Thank you, Ryan. Good morning, everyone, and thank you for joining us on Max Healthcare's Q4 and FY '25 Earnings Conference Call. We have with us Mr. Abhay Soi – Chairman and Managing Director; Mr. Yogesh Sareen – Senior Director and Chief Financial Officer; and Mr. Keshav Gupta – Senior Director, Growth, M&A and Business Planning.

We will begin the call with opening remarks from the Management, following which, we will have the forum open for an interactive Q&A session. Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Abhay to make his opening remarks. Thank you, and over to you, Abhay.

**Abhay Soi:** Good morning, everyone, and thank you for joining us on Max Healthcare's 4th Quarter and full year FY '25 Earnings Call.

This year has been a pivotal one for us, fuelled by focused strategic decisions, disciplined execution on ground, and significant milestones that have set new benchmarks.

After acquiring hospitals in Nagpur and Lucknow in the last quarter of the previous year (FY '24), we acquired the 500-bed marquee Jaypee Hospital in Delhi NCR this year. As part of our asset-light expansion strategy, we commissioned Max Dwarka and signed up contracts for built-to-suit hospitals to be set up by our partners in Mohali, Thane and Pitampura (Delhi).

During the year, in what could have been a year of moderate growth otherwise, we initiated multiple long-term growth plans, including the announcement made last week regarding acquisition of approximately 1 acre land parcel, adjoining our fully occupied 400-bed hospital in Vaishali.

Our recent acquisitions, Max Lucknow, Max Nagpur and Max Noida, played a key role in accelerating top line and EBITDA growth. Our overall financial performance for FY '25 reflected this momentum, with a year-on-year growth of 26% in revenue and 22% in EBITDA.

Notably, Max Lucknow demonstrated year-on-year growth of 56% in revenue and 102% in EBITDA, while Max Nagpur reported a year-on-year growth of 23% in revenue and 86% in EBITDA in their first year since acquisition. Max Noida is being integrated into our network and reported a gross revenue of INR 228 crore with an operating EBITDA of INR 48 crore at a margin of 21% post-acquisition, since October '24.

Additionally, our newly operationalized asset-light hospital in Dwarka achieved EBITDA breakeven in 6 months – a new record. The hospital clocked a revenue of INR 171 crore and an EBITDA loss of INR 29 crore for the entire year FY '25, since becoming operational in July '24. It exited the year with a revenue of approximately INR 30 crore per month and 73% occupancy on 235 beds in March '25, with balance 68 beds yet to be opened. We are already looking forward to embark on the next phase of expansion of 200 beds at this facility.

These results demonstrate the resilience of our operating model and the calibre of our teams. It reinforces our confidence as we prepare to commission three new brownfield towers at Max Smart, Nanavati-Max and Max Mohali hospitals within the next three months, and complete our greenfield facility in Gurgaon by the end of this year, adding approximately 1,500 beds in total.

Among the year's other standout achievements, we are proud to have been ranked amongst the Top 20 companies in S&P BSE 100 Index and recognized under the "Next Leaders" category for corporate governance excellence by Institutional Investor Advisory Services (IIAS), India's largest proxy advisory. This recognition underscores our unwavering commitment to the highest standards of transparency, accountability and integrity in corporate governance.

On that note, we would like to highlight that we continue to undertake corporate actions to simplify the holding structure, improve governance and optimize cash flows. To that effect, we have concluded merger of two wholly-owned subsidiaries Alps Hospital Limited and Max Hospitals & Allied Services Limited. We have also filed an application with the NCLT for merger of Crosslay Remedies Limited and Jaypee Healthcare Limited, which will, in effect, reduce our outflow on the acquisition by INR 200-225 crore.

Now coming to the performance highlights of the fourth quarter, which is our 18th consecutive quarter of year-on-year growth:

- 1) Our average occupancy for the Network stood at 75% versus 74% in Q4 last year, and at similar levels in the trailing quarter. While the occupied bed days (OBDs) grew by 30% year-on-year and 2% quarter-on-quarter. Do note that the Network occupancy stood at 78%, if we exclude Max Noida which was acquired in Nov'24 and is still being integrated into the Network.
- 2) Average Revenue Per Occupied Bed (ARPOB) for the quarter stood at INR 77,100, remaining relatively flat year-on-year and growing 2% quarter-on-quarter. Like-for-like ARPOB for the Existing Units grew by 7% year-on-year and 2% quarter-on-quarter.
- 3) Network gross revenue was INR 2,429 crore compared to INR 1,888 crore in Q4 last year and INR 2,381 crore in the previous quarter. This reflects an increase

of 29% year-on-year and 2% versus the trailing quarter. Of this, New Units reported a gross revenue of INR 353 crore. While Existing Units registered a year-on-year growth of 12% in revenue, driven by 6% growth in occupied bed days and 7% growth in ARPOB.

- 4) International patient revenue stood at INR 202 crore, registering a growth of 28% year-on-year, despite contraction in patient footfalls from Bangladesh and Yemen due to continuing political unrest.
- 5) Network operating EBITDA stood at INR 632 crore, reflecting a growth of 26% year-on-year and 2% quarter-on-quarter. This includes INR 67 crore EBITDA contribution from New Units.
- 6) Network operating EBITDA margin stood at 27.2% for the quarter. Existing Units reported an EBITDA margin of 28.5%.
- 7) Annualized EBITDA per bed for the Network stood at INR 74 lakhs. Like-for-like EBITDA per bed for Existing Units stood at INR 84 lakhs, reflecting a growth of 7% year-on-year.
- 8) Profit after tax, excluding exceptional items and one-off tax gains, was INR 376 crore versus INR 311 crore in the Q4 last year and INR 372 crore in the previous quarter, reflecting a growth of 21% year-on-year. There was an exceptional item of INR 74 crore towards CIS charges paid to YEIDA for seeking permission for change in shareholding of Jaypee Healthcare Limited prior to acquisition and one-off gain in tax costs of INR 18 crore consequent to voluntary liquidation of a wholly-owned step-down subsidiary in Q3 FY '25.
- 9) Overall free cash flows were INR 422 crore. During the quarter, INR 390 crore was deployed towards ongoing capacity expansion projects and upgradation of facilities at acquired hospitals. Consequently, net debt for the Network came down by INR 32 crore to INR 1,576 crore at the end of March '25.
- 10) Continuing our efforts to support the local communities, we treated approximately 36,500 outpatients and 1,200 inpatients from economically weaker sections of society entirely free of charge, worth INR 53 crore as hospital tariff.
- 11) Both our strategic business units (SBUs) continued to report significant growth in the revenue and profitability.
  - Max@Home reported a top line of INR 56 crore, reflecting a robust growth of 22% year-on-year. It offers 15 specialized service lines across 15 cities with over 50% repeat transactions.
  - Max Lab reported a revenue of INR 46 crore, reflecting a strong growth of 19% year-on-year. It provides services in over 50 cities through its network of more than 1,200 collection centres and active partners.
- 12) Now coming to the status of our expansion projects:
  - 268 beds at Nanavati in Phase I: Interior work is in progress and we expect to commission this facility within 90 days.
  - 155 beds at Mohali: Finishing work is underway and we expect to commission this facility within 90 days as well. Plans to add 45 more beds through internal reconfiguration will be initiated once the new tower is completed.

- 400 beds at Max Smart (Saket Complex): Interior and MEP-fit-out works are ongoing. We expect to commission this facility latest by Q2 FY '26.
- At Max Lucknow: We have added 128 beds on floors 9 to 12<sup>th</sup>, as communicated previously. Through internal reconfigurations, we have added 35 beds in May and plan to add 39 more beds in the next 12 months. We expect to complete the onco block here by Q2 this year.
- 500 beds at Sector 56 Gurgaon: Structural work is in progress. We expect to commission the facility by end of this calendar year.
- At Dwarka: The onco block is expected to be commissioned by Q3 this year.

All of these are on schedule, and we will see significant ramp-up in our capacity over the next 12 months.

- 127 beds at Max Nagpur: 12 beds have been added in October 2024. For the balance beds on additional floors, we are awaiting the Environment Clearance (EC) approval, while the bill of quantity (BoQ) detailing has started. We expect to complete this project within 24 months.
- 397 beds at Patparganj: We have received the environmental clearance and the tendering work is in progress. The project continues to be largely on schedule.
- 550 beds at Max Vikrant (Saket Complex): We are still awaiting the clearance from forest department for tree transplantation. All other statutory approvals already in place, and we expect to complete the project by 2028.
- 400 beds at Zirakpur (Mohali): Our partner is currently awaiting the EC approval and has initiated the tendering process, BoQ detailing, contractors, etc. The project is expected to be completed within the next 30 months.
- 140 beds at Vaishali: As announced earlier, we have acquired the land adjoining to Max Vaishali and will be initiating drawings, detailing, etc. in the next couple of months. We expect to complete this brownfield project in the next 30 months as well. Presently, Max Vaishali is operating at 83% occupancy.

And finally, moving on to the overview of the Company's performance for the full year ending March '25:

- 13) Network gross revenue stood at INR 9,065 crore, reflecting a growth of 26% year-on-year. New Units contributed INR 938 crore to the gross revenue.
- 14) Overall network operating EBITDA grew by 22% year-on-year to INR 2,319 crore, reflecting a margin of 26.8%, while EBITDA per bed stood at INR 70 lakhs. Existing Units reported an EBITDA margin of 27.9% and EBITDA per bed of INR 80 lakhs.
- 15) During the full year, we generated INR 1,447 crore of free cash flows from operations after interest, tax, working capital changes and routine capex. INR 1,182 crore was deployed towards ongoing expansion projects and upgradation of facilities at acquired hospitals, INR 146 crore was distributed as dividend and INR 1,716 crore (net of cash at Jaypee Healthcare Limited) was used for the Jaypee acquisition.

With this, we would like to open the floor for any question and answers.

**Moderator:** Thank you. The first question comes from the line of Amey Chalke from JM Financial.

**Amey Chalke:** Thank you so much for taking my question. Congrats to the Management on good set of numbers. First question I have, if we can give information on the profitability of the acquired units like Nagpur, Noida, Lucknow for the quarter?

**Abhay Soi:** As far as Lucknow hospital is concerned, we had 56% growth in revenue and 102% growth in EBITDA. Nagpur has reported a 23% growth in revenue, 86% growth in EBITDA. The Noida hospital, of which we completed the acquisition in Nov'24, reported a gross revenue of INR 228 crore and EBITDA of INR 48 crore at 21% margin. This is for full year FY '25.

**Yogesh Sareen:** Given the fact that the 2 of these hospitals were acquired in Q4 last year, Alexis (Nagpur) unit was acquired in February '24 and Lucknow unit was acquired in March '24, it is difficult now to segregate the last year numbers into 2 parts; that's why we have not put the numbers for these from this quarter. But nevertheless, you have the Overall and Existing Units' numbers with you. We had INR 67 crore of EBITDA from New Units, which is 19.4% margin.

Now if I take out Dwarka, which just broke even in Dec'24, and even in this quarter, there is nominal EBITDA from this hospital, our EBITDA margin is 24.9% in the New Units.

**Amey Chalke:** Sir, the reason I wanted to ask because how much margin expansion still can happen in these units, except Dwarka, obviously, which is recently commissioned. But the other 3 units, how much margin expansion scope is there for next 1 to 2 years.

**Abhay Soi:** Significant. This is only the first year of acquisition. By the time you put the building blocks in place, which you must appreciate takes some time. Just to give you an example, in Lucknow, you had expansion of EBITDA by 102%, yet, there is no radiation oncology there. There is no bunker. And that bunker is going to come into play at the end of H1 this year.

And once that happens, your oncology business, which even currently is not anywhere near the oncology business of the rest of the hospitals, there is a major move up over there. If you look at Nagpur, for example, we are already now approaching very high-capacity utilization. The teams are coming into play. We are already looking at the next phase of expansion, which is adding another 100 beds over there. So once that happens, that gives you a major fillip, because you don't have any capacity left over there.

As far as Max Noida is concerned, we bought a unit, which is operating at less than 50% occupancy. So, you have 50% more occupancy, higher sort of ARPOBs as well as all the clinical programs, etc. coming. Typically, when you do these acquisitions, the first year you will have less of an improvement curve in terms of absolute value, maybe in percentage terms as you are operating off a smaller base. The second year is when you are going to have that improvement kicking in. And each one of these, whether it's Jaypee, Nagpur or Lucknow, holds significant further brownfield expansion. So, you will have yields coming out in years to come.

**Yogesh Sareen:** The important question is to say that we have very respectable margins. For example, Lucknow margin is more than 30%, Nagpur margin is around 22%, and Jaypee will also be in similar range as Nagpur. The main thing is that we want

EBITDA per bed to improve now, which means that we have to start medical programs that are higher-end.

For the New Units, overall EBITDA per bed is 43% of the rest of the network, which means we have to really grow that number. And that's one of the reasons why you will find that the EBITDA growth is a bit tepid compared to revenue growth, because the share of new hospitals is going up and their EBITDA per bed is lower than the rest of the network.

**Abhay Soi:** But going forward, you are going to see that the EBITDA growth will outstrip revenue growth there. Not that the revenue growth is slowing down, there's more than enough fuel over there too.

**Amey Chalke:** Sir, second question I have is on that itself, because we have said that 1,500 beds Brownfield expansion will happen in next year. So this year, we have seen a lot of acquisitions. So what are the objective next year? Is it a Brownfield focus here? Or you think the M&A would still be there?

**Abhay Soi:** It's not one at the cost of the other. The brownfield expansion is already under construction. It's already being built. If you look at Mohali Hospital, it's operating 80-85% plus kind of occupancy levels. And the number of beds that are coming in should get taken up very quickly. That's the whole purpose of a brownfield expansion.

Now similarly, if I look at Mumbai, in the next 90 days again, you are going to have some beds come up that solves the problem of the Mumbai hospital. Then Max Saket again, is at a very high occupancy, and that's our main hub. We are really crying for space and more beds over there. These are the three brownfields we are doing and the balance sheet is something which is completely different.

Gurgaon Sector 56 - Gurgaon for us is the highest ARPOB, the highest EBITDA per bed market. Again, with this new hospital, which is very well located in Sector56, we are looking to adopt the same approach, will have the same results that we have had in Dwarka.

That has nothing to do with our balance sheet and our capabilities of doing other things. We will continue to seek acquisition opportunities also. But like I said, we have to be able to touch base or clear 2 of our filters. One is the 20-25% ROCE within 4 to 5 years, and in markets where we have at least 1 or 2 of our peers. And if these 2 conditions are met, we are happy to look at acquisitions, and we will continue to pursue them.

**Amey Chalke:** Sure. Thank you so much, I will join the queue.

**Moderator:** Thank you, the next question comes from the line of Damayanti Kerai from HSBC.

**Damayanti Kerai:** Hi, good morning, and thank you for the opportunity. My first question on your payor situation at new hospitals. So if I look at your institutional bed share, you mentioned it went up to, say, 33% in 4Q. So is it because you are putting more of these patients to really like move up in the occupancy, cover up the fixed cost? And then can you please comment on it?

**Abhay Soi:** That's absolutely right. Typically, when you open a new hospital, Dwarka, for example, you kind of fill it up with all payor groups, because the first focus is to get the occupancy up and then you start churning it.

If I look at Nagpur, for example, it was operating at 50-odd percent occupancy prior to acquisition, but we took up institutional business over there in order to ramp up the occupancy and the occupancy now is almost full up.

What that does is, it helps you occupy your idle beds, and yet cover fixed costs or at least a part of it, and it all trickles down to EBITDA. From our standpoint, so long as contribution is positive from any payor group and there is idle capacity, it makes sense to do that. We continue to do that, and that's what is paying us the yields / dividends / returns as well. There is no sense in keeping the beds idle. If you have any idle beds, you must do institutional business over there. And we continue with that strategy.

**Damayanti Kerai:** Sure. So at what occupancy you choose to optimize between institutional or TPA patient? So say you ramp up to 40%, 45% or what level you take that decision?

**Abhay Soi:** We can go up to, let's say, about 80% occupancy. Till we get to 80% occupancy effectively, we can take institutional patients. Suppose we have 60% occupancy other than institutional, then for the balance 20%, we will take institutional. We will not have an idle bed.

**Yogesh Sareen:** Look at it the other way round. As long as we are not refusing any cash or insurance patients, we would like to accommodate the institutional patients.

**Abhay Soi:** That's right. Any growth in cash and insurance patient will be accommodated first.

**Damayanti Kerai:** Okay. Got it. My second question is on international patient revenue. So I remember a few quarters back, you were talking about initiatives or incentive provided by the government to ease flow of the medical international tourists in India. On back of that, have you seen any meaningful pickup in your international patient business? Because if I see, I think it's still like 9% of your hospital revenue, although on a bigger base, but any significant or notable push, which you might have seen from these initiatives?

**Abhay Soi:** It will be 9%, but please understand we have increased capacity by 30%. And the growth in that business this quarter has been 28%, which is a significant increase. I would not entirely put it down to Government of India, because that's a slow move. But the image of the country has improved.

But then you have certain setbacks. You have geopolitical unrest. We have had that issue with Bangladesh, Yemen, etc. We most recently had this with the Pakistan issue, where the airspace has been closed. But you will always be two steps forward, one step back. If you were to draw a line, we have had more than 25% growth in this business for a long period of time, and 28% is an acceleration in spite of these setbacks.

**Damayanti Kerai:** Got it. And my last question is, if I look at your ARPOB on a network basis, including new and existing units. So it's somewhere around, say, INR 75,000 for FY '25. So what kind of we should look at this parameter, given now going ahead also, we will be having mix of existing plus new beds on a consistent basis?

**Abhay Soi:** It's irrelevant what the overall ARPOB is. Today, if we acquire something for \$100 and it gives us \$25 of EBIT, it's a 25% ROCE. We do not worry about what it is producing is lower ARPOB or higher ARPOB. What we have to look at is what is happening to overall EBITDA and EBITDA per bed, what is happening to ROCE vis-a-vis what we are deploying.

**Damayanti Kerai:** Got it. Okay. Thank you.

**Abhay Soi:** If I look at the ARPOB growth of existing facilities, it has gone up by 7.4%. But when we buy something worth lower ARPOB, that drags it down. But the fact is, should we not be acquiring something with lower ARPOB, even if it is very high on ROCE, even if we are getting it very cheap. Answer to that can never be 'do not acquire'. Answer to that always has to be 'yes, you must'. So long as we can deploy money at a 20-25% ROCE. Our FY '25 ROCE is pretty high, it's 26% overall.

**Damayanti Kerai:** Yes. That's clear. Thank you.

**Abhay Soi:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Neha Manpuria from Bank of America.

**Neha Manpuria:** Yes. Thanks for taking my question. I think in the presentation, we mentioned that the IP growth at 3.5% was impacted due to lower footfall in Internal Medicine, Paediatrics. Is there something to read into this? Because it isn't as if March is a seasonal quarter. So just trying to understand the reason for this weakness.

**Yogesh Sareen:** No. Typically, when you compare quarter-on-quarter, Q3 happens to have more Internal Medicine patients and Q4 happens to have less Internal Medicine patients. There's that impact of seasonality which comes in, that's what we are trying to explain there, because the share of Internal Medicine has come down.

**Neha Manpuria:** Okay, so the drop you are talking is on a quarter-on-quarter. But even if I were look at a year-over-year, it's just 3% IP volume growth. So hence, I was wondering if there is anything one-off in the quarter?

**Yogesh Sareen:** A lot of dengue patients, etc. comes up through quarter. Sometimes it happens in October, sometimes it goes into Q4. That's probably the change that we are referring to here.

**Neha Manpuria:** Okay. Got it.

**Abhay Soi:** Last year, if you recall, October had significant amount of dengue patients, particularly in places like Mohali and Dehradun, where we had massive dengue. For some strange reason, it went into October. This year, there wasn't.

**Neha Manpuria:** Yes. But I was thinking about March versus March, but I understand that there could be...

**Abhay Soi:** Yes, but nothing to read into it. It could also be due to some of the new facilities that we acquired, they weren't there last year, now they are. They may have a lower level of Peds and Internal Medicine. None of our signs are showing any weakness. If I look at the number of OPDs overall, there's been a significant increase.

**Yogesh Sareen:** In the 4th Quarter, surgical business comes up, so IP volumes goes up.

**Abhay Soi:** Year-on-year.

**Yogesh Sareen:** It will be basically configuration of the new hospital versus the old hospital.

**Neha Manpuria:** Okay. Got it. The second question is on Dwarka. I think in the presentation, we mentioned that the Dwarka achieved breakeven in December quarter. And based on the loss number, if I were to calculate, I still see there is a loss in Dwarka in the quarter. It's still making EBITDA loss. Is that correct or am I missing something here?

**Abhay Soi:** No, there is no loss. After breakeven, we have not made a loss. It's obviously lower profit. It's not as if in we broke even in December and then January, February or March, any of the months that we have lost money, we have not. Since then, till date, we have not lost money. Only occupancy has moved up. Your flow through to the bottom line has improved since then.

**Neha Manpuria:** Okay. And have we ramped up more beds in Dwarka from the 140 that we commissioned and what's the plan for the ramp-up for the rest of the beds?

**Abhay Soi:** We already are at 235 beds. We had an occupancy of 73% on these beds in March. We had INR 30 crore of revenue coming from that single hospital in the month of March. We are expecting now any time to be opening the 68 additional beds. These beds are ready, we just need to staff these beds as the occupancy increases.

**Neha Manpuria:** Understood. Yes, yes. Makes sense. Thank you.

**Abhay Soi:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Prashant Nair from Ambit Capital.

**Prashant Nair:** Yes. Thanks. Good morning, everyone. Just had a question on the expansion plan, since there is no slide on that in this quarter's presentation. So the 1,400-odd beds that you were planning to add in Financial Year '26, that remains on course, would it roughly be in the same range?

**Abhay Soi:** That's right. We usually have it in the investor presentation, not in the quarterly presentation. If you see the investor presentation, it continues to be the same. We are expecting within 90 days, both Nanavati 268 beds and Mohali 155 beds.

By second quarter, you will have Max Smart. By end of calendar year, you will have the Gurgaon Sec-56 facility, and in the midst, we are also adding some beds in Lucknow and other places. We'll be hitting around 1,500 beds, not 1,400 beds.

**Prashant Nair:** Okay. And of these, how many would you operationalize this year, if you can just give an approximate range? I imagine the bigger projects would have not all beds operational from the beginning. How do you calibrate that?

**Abhay Soi:** There will be a ramp up. At Dwarka, for example, we didn't commission all 300 beds, although they're ready. What we commissioned is as per occupancy. We started the hospital in July '24, and by March '25 we are already at 73% occupancy.

By April-May, it should theoretically be further. When you see 75%-plus occupancy in any set of beds, that's the time we open the next lot. Now we are opening the final lot in Dwarka. And so, roughly within the year, we would have been able to occupy all the beds.

**Keshav Gupta:** And that was a greenfield. Majority of the beds that are coming up are brownfield.

**Abhay Soi:** Gurgaon should have the same trajectory as Dwarka, whereas the brownfields would be much faster, right? The uptake is almost immediate.

**Prashant Nair:** Right. So that's what I was trying to figure out. So for the greenfield, would the rule of thumb be that you initially operationalize, say, 50%, and then once that hits 75% occupancy, you add the next block? Is that how one should think about it when...

**Abhay Soi:** Well, you can think of it like that, but the only difference is that in a greenfield, you take 6 months to break even. By the time you get to 75% occupancy, it probably takes you a year. In a brownfield, you do it almost in a few months. Like in couple of months, you would just be ramping up capacity. Your take-up is much faster.

**Prashant Nair:** Understood, thanks. And when you categorize into existing and new units, so new units would include all the acquired hospitals plus just the Greenfield ones? Or would you also include some of the Brownfield...

**Abhay Soi:** All acquired units plus Dwarka.

**Prashant Nair:** Yes. And going forward also, it is the greenfield plus the acquired...

**Abhay Soi:** That's right.

**Prashant Nair:** Thank you very much. That's it from me.

**Moderator:** Thank you. The next question comes from the line of Vivek Agrawal from Citigroup.

**Vivek Agrawal:** Thanks for the question. If you look at EBITDA, this year the Company has done quite well, we have seen expansion in EBITDA margin in the existing units, and even the new units acquired in that division was quite well. Now we are seeing another 1,400-1,500 beds coming up this year. So it would be great, actually, if you can just give some qualitative colour on how to look at the overall EBITDA growth margins like for the next couple of years? Thank you.

**Abhay Soi:** Brownfields normally give you higher EBITDA margins, in percentage terms as well, because fixed cost is already incurred. Primarily, with the brownfields coming in, which is close to 1,000 beds, they should throw out significantly higher EBITDA margins. And I am not going to give you any forward-looking statements, but theoretically, they should give you higher EBITDA margins compared to your existing business.

Even if you are occupying those beds with institutional business, they give you higher EBITDA margins. That's what we have analysed from all our previous brownfield that we have done. That should work out well for us.

And again, we increased capacity by 30% last year. Dwarka, of course, for the first 6 months was operating at a loss and after that it has been profitable. You will see the full strength of Dwarka coming into the current year. You will look at the momentum of both Lucknow and Jaypee sort of snowball in the current year.

On top of that, you have got three brownfields that are coming. And the one greenfield, which comes at the end of the year will produce some operating loss, but like Dwarka did, it should more than get set off or absorbed by what we are doing on the brownfields and the momentum of others.

That's where we are. We are probably going to be entering, if I was to look at it, the strongest year in the last 5 years that we have had.

**Vivek Agrawal:** Thank you sir, this is comprehensive. Just one more question. As I think there is a significant capacity expansion by you as well as the peers, so how you should look

at the situation as far as supply of doctors or medical tellers, nurses, et cetera? Thank you.

**Abhay Soi:** The brownfield capacity additions do not typically require increase in senior-level clinicians. It does not, because the existing doctors increase their footprints within those hospitals, since they are the ones who are seeking these beds to start with.

Other than that, we do not see massive capacity expansion happening other than one more hospital other than ours in the current financial year in Delhi NCR. Nobody else is coming in the current financial year and thereafter.

We have a very strong presence in Delhi NCR. We have 14 facilities there. We tend to pick the best of what is available. And if I look at Mohali, it is not as if any new hospitals are coming, we are just expanding our capacity. In Mumbai, no new hospitals are coming right now, we are just expanding our brownfield capacity. But again, you have to keep in mind that in India, there is a need for quality healthcare and new greenfields, brownfields are required.

And all the senior clinicians over the next few years or a decade are going to be emanating from current set of MBBS doctors, etc. that you have. Even today, the cost of MBBS, i.e., the salary is about INR 45,000-50,000 per month. The demand-supply gap shows up in the salary standards as well. So, we do not foresee any shortage in senior clinicians.

**Vivek Agrawal:** Thank you, sir. That is from my side.

**Moderator:** Thank you. The next question comes from the line of Piyush Kumar from Magnus Hathaway Investment.

**Piyush Kumar:** Yes. So sir, my question is can we see the average revenue per occupied bed go into the territory of 80,000 plus in the coming quarters? And if yes, what speciality could be the main contributing factor?

**Abhay Soi:** All the specialties, which have been growing, should take you there. We had a 7% growth in ARPOB for the existing hospitals.

**Yogesh Sareen:** Yes, there is a gap between new units and existing units. We do not have radiation oncology in Dwarka and Lucknow; once we start that, it will add to the ARPOBs. We obviously want to shorten the gap but there will still be a gap between a Nagpur ARPOB and a Delhi ARPOB.

**Keshav Gupta:** And the second part is that all the expansions coming up are in Mohali, Saket Complex (Smart), Gurgaon, Mumbai. These hospitals have a higher ARPOB in the current mix.

**Piyush Kumar:** And sir, my second question is regarding the stock price. So sir, in the last 6 months, the stock prices range bound over 1,200 level. So any comment on that, sir?

**Abhay Soi:** You have to tell me. We are happy to discuss operations, financials and balance sheet, but markets have their own territory.

**Piyush Kumar:** Thank you, sir.

**Moderator:** Thank you. The next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.

**Tushar Manudhane:** Yes, thanks for the opportunity, sir. Sir, just if you could share like for FY '25, ARPOB, maybe like payor-wise, institutional ARPOB, international patient ARPOB, and let's say, cash ARPOB.

**Yogesh Sareen:** We typically do not share payor-wise ARPOB separately, but we do mention the various parameters. Typically, the international ARPOB is 1.3x of the cash, in this quarter, institutional is around 40% lower than the cash. So that's the parameters coming into this quarter. It changes from quarter to quarter depending on what is the contribution of patients that we get from international and institutional channels.

Institutional ARPOB has de-grown a bit, by around 3% to 4% in this quarter, compared to previous quarter. But that's temporary, I would say there's nothing changed directionally in any of these ARPOBs.

**Tushar Manudhane:** And on a full year basis, you have to think about in terms of either growth or decrease, if you could share that?

**Yogesh Sareen:** No, I would say similar trends as we see. The recent trends are more important than the full year trends. Let's say, the cash is 100, the international will be anything between 1.3 to 1.5x, depending on which quarter you talk about. And the Institutional would be 52% of that 100% in some quarters or it will be 57% of that 100%. And Insurance will be 8-9% lower than the cash. That's the range it all works out to.

**Tushar Manudhane:** Got it, sir. Got it. Thank you. That's it from my side.

**Moderator:** Thank you. The next question comes from the line of Kunal Lakhan from CLSA.

**Kunal Lakhan:** Hi, good morning. Abhay, you said earlier during the call that because of the Brownfield expansion, the margins should improve or rather it's accretive to the margins. So our existing units are operating at about 28.5% margin and EBITDA of INR 84 lakh per bed. There is an upside potential to this going ahead as per you then?

**Abhay Soi:** That's right. We have always guided to that. Brownfields have higher EBITDA per bed and have higher EBITDA margins, because the management costs and senior clinician costs are already incurred by the existing hospital. Any incremental beds that you have, even if you were to fill them with lower ARPOB businesses like institutional, they will still give you a higher EBITDA per bed as well as EBITDA margins.

**Kunal Lakhan:** Sure. As and when this incremental Brownfield capacity stabilizes, right, where do you think these ARPOBs or rather like EBITDA margins or EBITDA per bed would settle?

**Abhay Soi:** We are not going to give you a forward-looking statement.

**Kunal Lakhan:** Okay. No worries. Okay. Secondly, on the free cash flow side that we are generating some serious free cash flow from operations. And going by your newer assets are also like reaching EBITDA breakeven faster, any upfronting of your long-term guidance of, like, say, adding or doubling your capacity over the next 4 years, any upfronting of that guidance?

**Abhay Soi:** No. Any guidance that we give, is based on us already having acquired the asset, breaking ground or permissions, etc. What we do not tell you is that look, our belief is that over the next 5 years, we will generate, let's say, INR 15,000 crore. So we would look at tripling our capacity. No, that's not how we sort of guide.

What we can tell you is that, we have guided that we are happy going up to 2.5x net debt to EBITDA. We have very little leverage on our balance sheet. We are going to be funding all of our expansion mostly through internal accruals. And we have more than spare room to acquire. Just last year, we did three acquisitions.

What is very difficult for us to do is to give any guidance till the transaction is closed. Now there are other places that we are looking at expanding, putting up facilities, etc. But till we have that signed, we cannot give any guidance. We are cognizant of the fact that at 2.5x net debt to EBITDA, we can get money at 8-8.25% and we are able to deploy it at 20-25% ROCE. But as and when the deals happen, we will announce and that number on a rolling basis will only go up. So today, we are guiding you that by 2028, we may have 9,000 beds, but I am pretty sure one year down the line, that number would have moved up.

**Kunal Lakhan:** Understood.

**Yogesh Sareen:** Availability of cash is not a constraint for the capacity additions.

**Abhay Soi:** It's not only cash. We have enough room in the balance sheet too.

**Kunal Lakhan:** Correct. Understood. Lastly, a bookkeeping question. Can you give me occupancy numbers in Q4 for the newer units individually, Nagpur, Lucknow, Noida?

**Abhay Soi:** So Dwarka, I've told you is 73% in March. The older units were 79%. The Chitta and Jaypee Noida acquisition, which we completed in November '24, that's 46%.

**Yogesh Sareen:** 46% on average basis. 52% in Jaypee Noida and 26% in Chitta.

**Abhay Soi:** And Chitta is a really small unit. We obviously did not pay much where we did not have any EBITDA to start with.

**Kunal Lakhan:** Sorry. And how much you said for Lucknow and Nagpur?

**Yogesh Sareen:** Lucknow is 65%, with the additional beds that we opened. Lucknow's operating capacity has gone up. And in fact, in this quarter, again, it will go up to 413 beds. It was 343 beds in last quarter. So, including the additional beds that we have added, the overall occupancy was 65%.

**Abhay Soi:** No, in the operating capacity that we bought was what?

**Yogesh Sareen:** That will be 209 beds on 234 beds that we started with. So it was around 90%.

**Abhay Soi:** It was 90% occupancy on the beds that we bought. After that, we keep ramping up the beds. If you look at the end number of beds today, then it is 65%, but this is basis the beds that we have added over there.

**Abhay Soi:** Nagpur is 81%.

**Kunal Lakhan:** Okay. Very helpful, sir. Thank you so much and all the best.

**Moderator:** Thank you. The next question comes from the line of Rajit Aggarwal from Nilgiri Investment Managers Private Limited.

**Rajit Aggarwal:** Good morning, sir. First off, congratulations on a good set of results and the overall growth achieved during the year. I just have 2 very quick questions. And this is not a

concern exactly. The interest cost has been going up quarter-on-quarter. And just for how to model it, should we assume the current quarter as the run rate going forward? Or is it expected to go up even further?

**Yogesh Sareen:** No. We do not expect any material change in the number. The interest cost went up since the October '24 quarter, because we borrowed money for the Jaypee acquisition of INR 1,000 crore, and then we had taken INR 600 crore loan for the Sahara acquisition in March '24. The net debt we have is INR 1,572 crore at the end of March '25, which means that primarily these are the two term loans that we have taken which is actually affecting the net debt. Unless we really do any major acquisitions, we do not think any major change is expected in the interest cost as such.

**Rajit Aggarwal:** So similar run rate for the remaining quarters.

**Abhay Soi:** If we do an acquisition, then yes there will be change.

**Rajit Aggarwal:** Yes, absolutely. Second question, while Mr. Abhay touched upon on the supply side, on the competition side, but specifically, given that a peer of yours is coming up with the same number of beds in Gurgaon and at the similar premium location. Do you think that is going to impact your numbers or the overall scenario for the next 1 to 2 years?

**Abhay Soi:** No. We are not seeing any impact of this. We have a very large network in Delhi NCR. Like I said, we have got 14 facilities. Today, in terms of number of locations, we have twice the number of locations that our next three peers have put together.

In terms of number of beds, we are equal to or more than the number of beds that all of them have put together in NCR. We have got 35,000 healthcare workers, of which 20,000 live in Delhi NCR. Out of our 6,500 senior clinicians, about 4,000 live in Delhi NCR. We are the largest home care business, and only profitable one in the country, almost entirely focused on Delhi NCR. Then we have third largest lab over there.

In terms of brand, it's much bigger. And like I said, today we have many facilities in Delhi NCR but the performance of each of them is far better than the flagship of any other hospital chain that you heard of over there, in terms of occupancy, ARPOB, EBITDA per bed, etc.

**Rajit Aggarwal:** Yes, absolutely, I agree.

**Abhay Soi:** Yes. For us, we are solving our own needs. I don't think the other hospitals are the same size either, probably half the size.

**Rajit Aggarwal:** Okay. They're in the same number, but yes, you would know much better. Anyhow, thanks for your feedback.

**Abhay Soi:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Dheeresh K. Pathak from WhiteOak Capital.

**Dheeresh Pathak:** Sir, thank you for the opportunity. Sir, for the Noida asset, what is the total FSI potential and how much has been used currently?

**Abhay Soi:** It's 18 acres of land for Noida. And we can add another 1,000+ beds. The present facility is operating at 50% occupancy, so there is tremendous potential over there. And we keep adding. I don't think we have a problem for the next decade at least.

**Dheeresh Pathak:** Okay. Understood. Thank you.

**Moderator:** Thank you. The next question comes from the line of Tarun Bhatnagar from Tribeca Investment Partners.

**Tarun Bhatnagar:** Yes. Hi. Thank you for your time. My question is on Gurgaon specifically. Now Gurgaon gets a lot of international patients. So should we assume that once Gurgaon comes up, then your international numbers will increase? And you mentioned on the competition that you have some strength. Any particular competitor who you think can be like very tough competitor for you in Gurgaon? Or you think that you have much better, like right to win in that region? Thank you.

**Abhay Soi:** Every hospital of ours, in its micro market, is the best-performing hospital, with respect to perhaps every line item, including significantly higher occupancy. We operate at maybe 75% and the next close competitor is at 65%. It's a function of the value proposition we put together.

Now Delhi NCR also, coincidentally, happens to be our backyard. So, I am quite confident about what we are going to be doing over there. So, nothing much is moving our competitive intensity or what we believe would have been the outcome. That's where we are as far as Gurgaon is concerned.

**Tarun Bhatnagar:** Okay. And international numbers would see an increase once Gurgaon comes up?

**Abhay Soi:** It is destination for international business, but it is very similar to Delhi. We do not give it a significantly higher weightage. But in the overall scheme of things, we do not think it is going to really move the needle for us in terms of international business.

At the enterprise level, will it significantly increase medical tourism? Answer is 'No'. In any case, in the first year or so, we are going to be taking in all sorts of occupancies, not only international business, but institutional, etc. like we have done in Dwarka. And we do not see day one majority of the beds being filled up with international patients. It also takes time to do that, to mature that business for that particular hospital. So no, I don't think it will be a major move.

**Tarun Bhatnagar:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Rishi Mody from Marcellus Investment Managers.

**Rishi Mody:** Yes. So Abhay, I am just looking at your capacity beds, it's around 5,100 beds. And our operational bed count is around 4,654 beds, which comes to a ratio of 90% operationalization. This has been the ratio for the last couple of quarters. Just wanted to understand, historically, we used to do around 95% of our capacity beds were operationalized. Are we going to get to that 95%? Or is it like there's a theoretical capacity, but we are using the space for something else and hence the operational bed count on the existing infrastructure will remain the same?

**Abhay Soi:** No. If I take the example of the last two acquisitions that we did, we acquired Jaypee Noida Hospital. And along with it, there was a hospital each in Chitta and Bulandshahr, which have come. They have a 200-bed capacity and it's operating at 26%. So that leaves out about 150 beds there and then.

**Yogesh Sareen:** 26% on 100 beds. We haven't opened out 100 beds yet.

**Abhay Soi:** Okay. So that's one. But nevertheless, it's 150 beds over there out of your 5,100. Then you have the Max Jaypee Hospital, which was acquired, which is a capacity of 500 beds.

**Yogesh Sareen:** We opened only 377. Your question is about the operational capacity and available capacity. There are 3-4 hospitals where we haven't opened all the beds. For example, Jaypee Noida, the hospital has the capacity to go up to 500 beds, we have opened only 377 beds. There is some spend to be done to build up that 377 capacity to 500. We are planning for the spend, but knowing that the occupancy on the 377 beds is 52% only, we are not really fast tracking that. Similarly, Chitta Hospital is a 200-bed hospital, but only 100 beds have been opened. And on those 100 beds, we have only 26% occupancy. So, there is no plan to open the balance 100 beds because that will also require some spend.

Dwarka Hospital, as Abhay mentioned, that we opened only 235 beds. The capacity is around 303 beds. We'll open another 68 beds soon, some of them have already been opened as we speak. And then we have 200 beds at Bathinda Hospital, where we have opened only 100 beds. So, this is the capacity. At Bathinda and probably Chitta, leaving these 2, the others will open in due course of time. At Bathinda, we have not seen the demand, so we do not plan to really open the other 100 beds. But rest all will be onboard, I would say, in another 8-9 months' time.

**Keshav Gupta:** Also, to the point, all the capacities are real. They are an outcome of the business plan. We do not make them live because the business in some sites may not require so at that point.

**Rishi Mody:** Okay. Got it. So like in practicality, if the demand is there, you can open up 5,100 beds?

**Abhay Soi:** That's right, yes. That's right.

**Rishi Mody:** Lastly, I wanted to understand ALOS, right? So I am comparing existing to existing, which is around 4.2 days. Like I just wanted to understand, are we taking any structural efforts to bring ALOS further down on at least the existing infrastructure? Or it's more like now we have optimized to a level, and hence the fluctuations will remain on account of seasonality of mix?

**Abhay Soi:** It is seasonal, and it is ongoing and it also depends on your clinical programs. You can't even compare any two hospitals across the board. You have to do it on an absolute basis, because no two hospitals have the same clinical programs.

ALOS by itself is not a bad thing. It depends on which programs you are running. Just to give you an example, higher-end business, which is international business and higher-end surgical program, which is, let's say, transplant, will always have a higher ALOS, but will have a higher EBITDA per bed per day as well.

That is what we should be focusing on rather than purely ALOS, unless you have a huge capacity constraint. At this point in time, we have that and the teams do work on discharge processes, etc. to turn around the beds faster.

But if you have capacity, then it becomes theoretical, simply because let's say, I have one bed for 365 days, now whether I have 365 patients on one bed per day or one patient staying for the whole year, what matters to me is what is the EBITDA per bed, purely from a financial perspective.

**Rishi Mody:** Okay. All right. Finally, I think on the Nanavati piece, you mentioned we have got one block upcoming. And post that, I think we are going to demolish some 260 beds block, and then build up a new one to replace it, which net-net we'll have a higher bed amount. So just wanted to understand till what period like on those 260 beds at Nanavati, which will be demolished will we be losing revenue?

**Abhay Soi:** No, we are not demolishing 260 beds, we are demolishing 160 beds. Also, of these 160 beds, a large amount of them are the ones which are not occupied. We are adding 268 right now. For a period of 2 years, these 160 will not be available and then we come back with another 270 beds or so.

**Rishi Mody:** Okay. So if I understand it correctly, the current 160 beds, which will go under demolition 2 years out, which means in FY '28. Is that correct?

**Keshav Gupta:** Currently, we have 328-bed hospital. We are activating 268 beds approximately now as Phase-1.

**Abhay Soi:** After that 580, minus 160...

**Keshav Gupta:** Minus 160, and we'll be activating another 275-280 beds as Phase-2.

**Rishi Mody:** So the 160 deactivation is happening in FY '26 or FY '27?

**Abhay Soi:** These will go, then you have new beds coming, another 280 beds coming. For 2 years, you will have 400 beds when we deactivate 160.

**Rishi Mody:** But these 160 you are saying are not that occupied, like I am just trying to understand the hit on revenue will be commensurate to the bed or it will be lower?

**Keshav Gupta:** Most of these 160 beds are ward structures and lower occupancy beds. They are the old economy beds. The idea was to redevelop them anyway. We have got a chance to develop them in a much better fashion, to add a new tower altogether on that footprint.

**Rishi Mody:** Okay. Great. Thank you.

**Moderator:** Thank you. The next question comes from the line of Alankar Garude from Kotak Institutional Equities.

**Alankar Garude:** Just one small clarification. Had you booked some cost in Dwarka in the first quarter before commencing operations, which are contributing to the full year EBITDA loss of INR 29 crore?

**Yogesh Sareen:** Yes, we did. You know that the opening of this hospital was delayed. We were earlier planning for its opening in quarter 1 of last year. We had hired manpower and that's the reason we could ramp it up faster. There was some loss in the quarter 1, it's around INR 6 crore, which was also reported, we actually mentioned about it also in the earnings update.

**Alankar Garude:** Understood. Yes. That's it from my side. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now hand the conference over to the Management for their closing comments.

**Abhay Soi:**

Thank you, once again. We will hear from you next quarter. We appreciate all your time.

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