November 13, 2024

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

Symbol: MAXHEALTH

Listing Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 543220

Sub.: Transcript of Earnings Call held on November 7, 2024

Ref.: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

Please find enclosed copy of transcript of earnings conference call, organised on November 7, 2024, on financial results of the Company for the quarter and half year ended September 30, 2024.

The said transcript is also available on the website of the Company at www.maxhealthcare.in/financials#earnings-call.

Kindly take the same on record.

Thanking you

Yours truly,
For **Max Healthcare Institute Limited**

Dhiraj Aroraa
Digitally signed by Dhiraj Aroraa
Date: 2024.11.13 20:28:40 +05'30'

Dhiraj Aroraa
SVP - Company Secretary and Compliance Officer

Encl.: As above

Max Healthcare Institute Limited
Q2 & H1 FY25 Earnings Conference Call
November 07, 2024

Moderator: Ladies and gentlemen, good day 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 Mr. Anoop Pujari from CDR India. Thank you, and over to you, sir.

Anoop Pujari: Thank you. Good afternoon, everyone and thank you for joining us on Max Healthcare's Q2 and H1 FY25 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 of the Company.

We will begin the call with opening remarks from the management, following which we will have the forum open for an interactive question and answer session. Before we start, 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.

Abhay Soi: A very good afternoon to everyone and a warm welcome to Max Healthcare's Q2 & H1FY25 earnings call.

This financial year was projected to be one of limited growth. Our brownfield capacity expansions were scheduled for completion at year-end and our greenfield hospital in Dwarka would still be in its early stages of operation. However, the first half of the year has seen stellar growth fuelled by recent acquisitions and their successful integration into our Network. By expanding into new, but proven geographies, we have supplemented our growth momentum.

Max Lucknow and Max Nagpur have been fully integrated into the Network and have significantly improved their performance. Combined revenue reached Rs.130 crore for these two hospitals in Q2, representing a growth of 40% year-on-year and 32% quarter-on-quarter. Compared to the previous year, the combined EBITDA nearly doubled to Rs. 33 crore in Q2 with a margin of 26%.

The newly operational Max Dwarka hospital reported a revenue of Rs. 33 crore and EBITDA loss of Rs. 18 crore, with occupancy of 41% and Average Revenue Per Occupied Bed (ARPOB) of Rs. 80,000. This hospital has been performing very well and we believe that it will break even much before the end of the year and perhaps will be the fastest breakeven in our history.

We are excited about the recent acquisition of Jaypee Hospital, Noida. It is a marquee asset and will strengthen our presence in the National Capital Region. The enterprise value for this acquisition was Rs. 1,660 crore and we expect to integrate the hospital into the Network quicker than others. In the near term, our plan is to increase the operational bed capacity from 376 beds currently to 430 beds by March 2025 and upwards of 480 beds by December, 2025. We are simultaneously strengthening the medical programs in urology, medical oncology, gastroenterology and neurosciences through a combination of external hires, infrastructure enhancement and technology upgrades.

Now coming to Q2 performance highlights; this is our 16th consecutive quarter of year-on-year growth.

Overall network revenue stood at Rs. 2,228 crore, registering a growth of 22% year-on-year and 10% quarter-on-quarter.

Network operating EBITDA was Rs. 566 crore, but more importantly, excluding the extraordinary items comprising of Rs. 18 crore of start-up losses at Max Dwarka and Rs. 7 crore of transaction costs for the Jaypee deal, the operating EBITDA stood at Rs. 591 crore, reflecting a growth of 19% year-on-year and 17% quarter-on-quarter.

Profit after tax (PAT) stood at Rs. 349 crore compared to Rs. 338 crore in Q2 last year and Rs. 295 crore in the previous quarter. Yet again, excluding the extraordinary items as mentioned above, PAT stood at Rs. 383 crore, reflecting a growth of 13% year-on-year.

From here on, I will mention all numbers and percentages excluding the extraordinary items.

1) Our average occupancy for the Network increased to 81% from 77% in Q2 last year and 75% in the trailing quarter, while the occupied bed days (OBDs) grew by 18% year-on-year and 8% quarter-on-quarter.

2) ARPOB for the quarter stood at Rs. 76,100, growing by 2% year-on-year and remaining flat quarter-on-quarter. Like-for-like ARPOB grew by 7% for the existing hospitals.

3) Network gross revenue was Rs. 2,194 crore compared to Rs. 1,827 crore in Q2 last year and Rs. 2,028 crore in the previous quarter. This reflects an increase of 20% year-on-year and 8% versus the trailing quarter.

4) The international patient revenue stood at Rs. 178 crore. This reflected a growth of 12% both year-on-year and quarter-on-quarter, despite contraction in patient footfalls from Bangladesh and Yemen due to political unrest.

5) Network operating EBITDA stood at Rs. 591 crore, reflecting a growth of 19% year-on-year and 17% quarter-on-quarter. Operating EBITDA margin stood at 28.2% for the quarter.

6) Annualized EBITDA per bed stood at Rs. 75.5 lakhs, remaining flat year-on-year and increasing by 6% versus the trailing quarter. Like-for-like EBITDA per bed grew by 4% for the existing hospitals.

7) Profit after tax was Rs. 383 crore versus Rs. 338 crore in Q2 last year and Rs. 295 crore in the previous quarter.

8) Overall free cash flow from operations was Rs. 464 crore, of which Rs. 217 crore was deployed towards ongoing capacity expansion projects and upgradation of facilities at acquired hospitals. Consequently, net cash position for the Network stood at Rs. 313 crore at the end of September 2024 compared to Rs. 66 crore at the end of March, 2024.

9) Continuing our effort to support the local communities we treated approximately 39,600 outpatients and 1,300 inpatients from economically weaker sections of society entirely free of charge.

10) Both our strategic business units continued to report significant growth in the revenue and profitability.

- Max@Home reported a top line of Rs. 53 crore, reflecting a robust growth of 24% year-on-year. It offers 14 specialized service lines across 12 cities, with over 50% repeat transactions.

- Max Lab reported a gross revenue of Rs. 47 crore, reflecting a strong growth of 21% year-on-year. It provides services in 50 cities through its network of over 1,100 collection centres and active partners.

11) Now coming to the status of our expansion projects:

- For capacity augmentation at Max Lucknow, finishing work for additional 140 beds is in progress and will be completed by December 2024, as communicated earlier. Further, environmental clearance (EC), consent to establish (CTE) and fire no-objection certificate (NOC), etc. have already been received for the additional 450-bed tower at Max Lucknow. We are completing the drawings for the same and will be appointing the contractors shortly.

- For 140 beds at Nagpur, 12 beds have been added in October 2024. For the balance beds on additional floors, applications for EC, etc. are in progress.

- For 268 beds at Nanavati in Phase 1, we have completed most of the structural work. The project continues to be on schedule and we expect completion by end of the financial year, as communicated previously.

- For 400 beds at Max Smart, this project is on track. We expect its completion within Q1 FY26.

- For 155 beds at Mohali, most of the structural work is complete and we expect its completion again by Q1 FY26.

- For 501 beds at Sector 56 Gurgaon, the structural work is complete up till the plinth and above. We expect completion of the first phase of 300 beds by end of Q3 FY26.

All of these are on schedule and we will see, over the next 12 to 15 months, significant ramp up in our capacity, most of which via Nanavati, Mohali, as well

as Max Smart (Saket) should be coming through in the months of April-June 2025.

- For 367 beds at Patparganj, post issuance of NOCs by fire departments and water departments etc., we have already submitted our plans and we have received the environmental clearance. This project is largely on schedule as well.

- For 550 additional beds at Max Vikrant (Saket), EC, CTE, etc. have already been received and barricading work is on. The forest approval over here is delayed due to Supreme Court proceedings in relation to tree felling involving DDA and the Lieutenant Governor of Delhi. For the past 6 months, they have not permitted anybody to remove any trees. But we think that this should get resolved fairly soon.

And finally moving on to the overview of the company performance for the first half of financial year 2025:

12) Network gross revenue stood at Rs. 4,222 crore, reflecting a growth of 19% year-on-year.

13) Overall Network operating EBITDA grew by 17% year-on-year to Rs. 1,089 crore, reflecting a margin of 27.2%. While EBITDA per bed stood at Rs. 72.8 lakhs per bed.

14) In the first half, we generated Rs. 722 crore of free cash flow from operations, after interest tax, working capital changes and routine CAPEX, of which Rs. 430 crore was deployed towards ongoing expansion projects.

With this, we open the floor for any Q&A.

Moderator: Thank you. The first question is from the line of Amey Chalke from JM Financial Institutional Securities Limited.

Amey Chalke: The first question I have on Nagpur and Lucknow units, both have done well during the quarter. I understand that Nagpur might be going through the seasonal peak, but both the units are now delivering 20%+ margins. Is it possible for us to give some colour – what would be the potential margins for optimally utilized unit both at the Nagpur and the Lucknow unit? Specifically, Lucknow, can it match the profitability of our existing hospitals in Saket, etc.?

Abhay Soi: Firstly, we do not give forward looking statements. But intrinsically, margins and percentage margins are only one part. They are still operating at lower ARPOBs compared to the rest of the Network and compared to the potential in the market over there as well. In the coming quarters, we will see improvement in that. There will be improvement towards better quality programs, that means higher-end surgical mix, more robotics, more complicated surgeries, as the new teams that we have hired come in and kick in, some of them being very recent hires. We will see all the benefits coming through. For Lucknow so far, we have a bunker over there but oncology has not been a big play. It accounts for only 7-8% of revenue as against 26-27% across the Network. As we get the bunker ready and the new LINAC machine comes in place, you will see this number move up. And so, you will automatically see an increase in ARPOB. Our preoccupation, as you are aware, is never with margins in percentage terms, it's with EBITDA per bed. And we think there is a significant amount of juice over there with respect to EBITDA per bed.

Also, I just want to add that as we are going to get 140 more beds over there, which is almost 50% more capacity, our operating leverage on the incremental beds is much more, so the EBITDA per bed for incremental beds will be significantly more. You will see the margins expand because of that as well.

Amey Chalke: So, do you see the Rs. 70 lakhs per bed kind of EBITDA to be achieved in Lucknow?

Abhay Soi: Well, we will not give you any forward-looking statements on that.

Amey Chalke: The second question I have is on the Saket Complex. So, here we are adding almost 1000 beds or maybe 800 to 900 beds over the next 2 to 3 years. So, should we consider this as a brownfield expansion? Because considering this much number of beds are getting added, I believe that everything like utility, doctors, everything should be added as well. So, the delta in the margins will not be significant. Is my understanding correct or you think that this is like a plain brownfield expansion which is happening in this locality?

Abhay Soi: No, it works like a plain brownfield expansion. When you look at utilities, you are looking at capital cost. As far as the operating cost is concerned, there will not be a significant increase in operating cost. If you look at the P&L, about 15% of our costs are related to doctors. And out of the 33% of indirect costs, 23% is non-medical personnel – most of it is being management cost. About 25-30% of the operating cost may increase on incremental basis, but we will still have significant amount of room. In each one of the brownfields that we do, the utilities are the same. We have to increase our utilities, whether it is chillers for air conditioning or sewage treatment plants (STPs), etc. but it is all in the same complex. Yet you have these benefits of a brownfield. Also, please note that it is not 800-900 beds over the next 3 to 4 years. You will have to look at it slightly differently. We will have 375 beds coming up in the month of April-May 2025. We expect a very quick ramp up of these 375 beds, as we have witnessed in our other brownfield expansions. The next set of 550 beds will come up after 3.5 years. Basically, we will have a run on these 375 beds for the next 3.5 years. Our belief is that these beds are going to get occupied in very quick time and we are going to run out of capacity way before our new beds, which is another 550 beds in Vikrant, are going to come out.

Amey Chalke: And the third question if I can squeeze in, our profitability for the core business is still healthy at 20%+ margin but it has dropped slightly year-on-year. If you have to call out anything there.

Abhay Soi: Again, the point I would like to highlight is that you need to change your view on the margins. When one starts doing high-end surgeries, or high-end payor mix, margin in percentage term comes down but it goes up in absolute terms. We would rather do a Rs. 10 lakh-surgery with a 20% margin than a Rs. 2 lakh-surgery with a 50% margin. If you look at medical patients, medical patients give you more margin in percentage terms but less in value terms. Whereas a surgical patient, say a liver transplant or a heart transplant patient, gives you less in percentage terms but more in value terms. But that's the patient you would want. You will need to see it in context of three aspects. First, you need to look at EBITDA per bed. Secondly, you have to compare it to the same time last year rather than on a quarter-on-quarter basis. Q2 is always a medical quarter and ARPOBs are lower in Q2, but it is always also characterized by higher occupancy. And the third aspect is that if you are going to look at EBITDA per bed, you have to take out at least the newer acquisitions that we have done because be it Dwarka, which has started its operations only right now, or Lucknow and Nagpur, which have been acquired and are still in the building stage. So, they enjoy lesser EBITDA per bed. Other than that, if you look at the EBITDA per bed, it's fairly healthy.

Yogesh Sareen: EBITDA per bed has grown by 7% YoY and this is despite the fact that our immigration business, which we mentioned last quarter also, has dropped by 44%. And it was very high EBITDA margin business for us. So, this has had some impact but we think that it will get normalized from Q4 onward because we had the drop in business from Q4 last year. So, we think that once that gets normalized, you will see that even EBITDA per bed growth would be much better than what you see today, which is 6% YoY.

Ameya Chalke: So, going ahead for the existing business, the EBITDA per bed improvement would be largely inflationary or you think there is there would be improvement in terms of the productivity as well.

Yogesh Sareen: ARPOB is growing by 7% and if we really adjusted for the drop in immigration business, it would be 8-9% growth in APROB, of which only 2% is because of price. Rest all is efficiency in terms of processes, as well as payor mix and case mix. If this is what you are referring to as efficiency, then this will continue. And we do not think that we will see any big change in these numbers in terms of growth in ARPOB going forward.

Moderator: The next question is from the line of Neha Manpuria from Bank of America Securities.

Neha Manpuria: On the Jaypee asset acquisition, I just wanted to get a sense on do you think if I look at the numbers EBITDA per bed obviously can be better but in terms of occupancy, ARPOB, it seems pretty decent. Obviously, it can be higher. But what do you think is required there from either do we think we need more medical equipment, more doctor teams, does it need upgradation? How are you thinking about ramping up the Noida asset?

Abhay Soi: I think all of the above. It has been a company, which has been in liquidation for a significant period of time. So, most of the equipment is the end of life. As far as the clinical programs are concerned, again these have been operating with just (bare minimum) gravity. So, there is a huge amount of upside over there. Separately, it has been operating as a 376-bed hospital and we believe that we can move it to a 500-bed hospital very quickly, within the current structure, without making any significant changes. And this can be done in matter of a few quarters itself. So, if we ramp up the capacity, we move up the clinical programs, we move up ARPOB and payor mix, etc., we think we will be able to get there soon. To us, given the location, the access and the quality of infrastructure, it is a marquee asset. So when you have this kind of advantage, it becomes easy. We have no doubt that this will play out the same way as Lucknow, Nagpur or even better.

Neha Manpuria: And are there any litigation etc. that we need to be worried about which needs resolving or which could be a liability in the future that we need to be mindful of?

Abhay Soi: None whatsoever. I mean there are no pending litigations. That's the benefit of buying through an NCLT process that if there are any creditors, if there are any claimants, etc., there is a time-bound manner in which they have to raise their hand and put in their claims, be it any department, even a government regulated department. So, the NCLAT process allows claimants to step up and state what their claim is. And after the expiry of time mentioned by NCLAT, those claims are not entertained. In this case, all the claims that were entertained at the NCLAT proceedings, all of them have been satisfied and more importantly, even post the proceedings there are no further claims that have been raised. When you get something through a High Court order, i.e., NCLAT is a High Court, it cannot be questioned.

Neha Manpuria: So, it's a fairly clean, from a litigation perspective, there's no big overhang that we need to be worried about then?

Abhay Soi: Since we are getting it through the High Court, the title is clear. And there were no creditors which were dissatisfied creditors either. All the claims have been fulfilled.

Neha Manpuria: What about the two, the Bulandshahr and the Anoopshahr and Bulandshahr is commercial. So, would that be meaningful enough? Should we be considering that when we are looking at the math?

Abhay Soi: No, they're not meaningful enough. And we did not even attribute any value to it. We are trying to determine whether we should focus and spend CSR time and money on this or just wrap it up.

Neha Manpuria: And last on Jaypee, we have acquired part stake. The rest of it what is the process for that? By when do we see the full acquisition?

Abhay Soi: I think in the next few days we should have that wrapped up.

Yogesh Sareen: There is a call and put option, and they have exercised the put. We think that hopefully by next week we should be wrapping it up.

Moderator: The next question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets (India) Private Limited.

Damayanti Kerai: My question is on Dwarka, so Abhay in your opening remark you mentioned Dwarka will still be in ramp up phase for most of this FY25. So, just want to understand like on TPA and insurance empanelment I believe discussions are underway. So, when do you expect this 18% revenue share will likely move up to the Network level 30% when you empanel the required number of channels?

Yogesh Sareen: So, presently the TPA empanelment is underway. We are also waiting for the NABH certification as some of the TPAs have a requirement of NABH certification. We do think that by end of December 2024, we should have all of them in place. And January 2025 onward we think we should see more than 30% revenue coming from TPAs.

Damayanti Kerai: So, by December most of the contracts will be signed and then you will build up from them?

Abhay Soi: Yes.

Damayanti Kerai: And the ARPOB which you mentioned in your presentation Rs.80,000. That is because we understand most of the patients so far are with the cash channel patients. And maybe ARPOB will settle down more at your Network level for this hospital also?

Yogesh Sareen: Yes, there are two aspects. One is that we have very high outpatient consults and since we do not have TPA empanelment, the outpatient consults were happening in Max Dwarka but in-patient admission was happening in some other Max hospital. These doctors did have some attachment in other Max hospitals and were admitting the patients in the other hospital. For example, the neurosurgeon was attached with Max Gurgaon, so we admitted the patient there. Hopefully when we have everything in place, then the ARPOB will moderate a bit. But it will not be a very big change because it will be closer to the national average.

Abhay Soi: But it's also a play between occupancy and ARPOB. Our belief is, like I said earlier, that this will probably be the fastest greenfield breakeven that we have witnessed. We have seen very good traction and it is only a matter of time when all the TPAs signed up. We started end of July, so basically beginning of August. It does take 3 to 6 months to sign all the contracts. I mean a lot of it is in play already, and like Yogesh mentioned, by January 2025 we expect all of the empanelment to be done.

Damayanti Kerai: My next question is on your Network level revenue contribution from TPA and corporate channel. So, it's around I guess 38% in the first half. So, looking ahead I guess when we are adding a lot of capacities into the Network where I guess this payor mix etc. will take some time to build up. So, say in next 2 to 3 years, what kind of contribution we can assume from this particular channel, from 38% can we assume it can comfortably go up to 45% or so or how do you see this pie moving up?

Abhay Soi: So, we cannot give you any forward-looking guidance but we can tell you what our experience has been. When you open a new brownfield capacity, you essentially start taking in a larger amount of lower-end payor mix as well as lower-end clinical mix. One of the characteristics of a brownfield is that you are sort of finished with distilling your payor mix and you are doing very little or none of institutional business in the existing hospital. Like in Saket, in the main hospital, we have stopped doing it, in Nanavati, we have stopped doing it. The minute you put up additional brownfield, one of the things you are going to do is that you are going to switch on the tab for institutional over there, which is a lower-end payor mix. But because of operating leverage, even with the lower-end payor mix, which means with lower ARPOB, the EBITDA per bed is high. That's what we witnessed in Shalimar Bagh when we opened the brownfield. If you actually see what has worked for us in Nagpur – it was operating at maybe 55% or 60% occupancy, and the first order of business after taking over operations was to sign up the institutional business, which is again lower ARPOB but provides higher occupancy. Now, the result is that ARPOB got somewhat muted, occupancy went up to 90%+, but the EBITDA moved up by more than double. So, I think that is what we have seen is when you occupy incremental beds, the cost of which is only incremental, that even with a lower-end payor mix, it comes down to the bottom line and your margin improves. To what extent that I will not guide you.

Damayanti Kerai: And my last question is in some of your near-term upcoming capacities. So, Lucknow and then I guess Nanavati, those are coming in near term. So, for these facilities when do you start putting up a new set of doctors, medical team etc. or it happens very near to the commencement of these units.

Abhay Soi: We have new capacities coming up, firstly in Nanavati, in Max Smart (Saket) and Mohali as well as Lucknow is coming by December. But the first three are coming up at the same time in the month of March-May 2025. These are brownfields. Unlike Dwarka, which is a greenfield, where you are going to get doctors, nurses, other staff, and they will be on your books for about two months even before you commence operations, and even once you commence operations, it takes you time to sign up TPAs and there's a ramp up required. So, there are some limitations in ramping up, which are not limitations of the operational level, but there are limitations of enabling that occupancy. However, in a brownfield you do not have any of these limitations. It is the same existing contracts, the same licenses, etc. And most of your doctors are the same. The more expensive doctors are the chairpersons or heads of the clinical programs. It is not the junior consultants or resident doctors. In the first month itself, you get these junior doctors and absorb them. So, we do not see a major impact because of it, unlike Dwarka.

Damayanti Kerai: So, any hiring in these Brownfields as you said maybe the department heads or the really senior position but most of the team is already in place? That's why like there won't be any meaningful delta in terms of cost?

Abhay Soi: That's right. Even on the management side, it will be the same heads for facility, F&B, nursing, engineering, medical superintendent, etc. It's not a significant amount and particularly in Smart, where we are just expanding beds. The team there is already in place.

Moderator: Next question is from the line of Sumit Gupta from Centrum Broking Limited.

Sumit Gupta: Couple of questions, Firstly, can you tell what is the international patient's bed share and what kind of trend we can expect?

Yogesh Sareen: International bed share is 5.5% and it constitutes around 9% on the revenue side. But the bed share is 5.5% as the ARPOB is higher than the national average when it comes to international patients.

Sumit Gupta: Second is on the Jaypee hospital. So, can you explain the case and the payor mix of this hospital in Noida?

Keshav Gupta: For Jaypee hospital patient case mix, about 25% of revenue comes from institutional business and about 10-14% of business month-on-month comes from international patients.

Sumit Gupta: And just want to understand on the broader aspect like how the competitive scenario in Noida just like so there are hospitals which are also going to expand in this geography, so how do you see that panning out? Will there be any impact that you see on the volume side?

Abhay Soi: I think there is still some time before the other hospitals come up. But Jaypee is a AAA+ location and you cannot get a location better than this in Noida or Greater Noida. It is an 18-acre complex, with 9.5 lakh square feet of built-up area. Honestly, we think none of us would ever build a hospital like that. We would not want to. The size and scale of it is something which is first class. So, from that standpoint the benefit is that you get something with that size, that scale, that location, that infrastructure, which nobody is going to operate. It's like you can make a new hotel in Jaipur, but there is only one Rambagh Palace. So Jaypee is that Rambagh Palace in Noida. So, it's an easy sell, easy access, easy everything from that standpoint. It already has a start, even with a lot of limitations that it operated in, under liquidation for over 10 years, very little medical equipment, etc. yet you have seen halfway decent results coming out of this hospital. The reason for that is just fundamentally structural. I mean it's like getting 7-star's treatment at maybe 4-star, 5-star prices or quality of services.

Sumit Gupta: Lastly on the Dwarka hospital, just like in the presentation you have mentioned that the hospital is expected to open nearly 200 beds by end of FY25. We just want to understand on this, was like you're going to add like 200 beds or what 141 beds are going to be operational capacity to get to 200 beds?

Yogesh Sareen: No, it's a 303-bedded hospital. So, that in a greenfield situation we don't open all the beds, because when you open more beds that means there's a cost attached to it. So, we open beds as are we able to fill it up. So, I think what we said is we have 141 beds open as of now and we think by March 2025 we will open 200 beds in total.

Abhay Soi: What happens is that you have to get a license. If we want to get a license for 300 beds, then we need to staff all 300 beds. Then you have to prove it to the licensing authority that you have staffed all the 300 beds. But if you have occupancy over 150 beds, then you'll just say, give me a license for 150 beds because you will staff accordingly then. There's no point carrying staff of nurses and resident doctors for 300 beds, when your occupancy only 120-150 beds because you are waiting for all the TPA empanelment, etc. to happen.

Moderator: The next question is from the line of Prashant Nair from Ambit Capital Pvt Ltd.

Prashant Nair: So just a follow up on the Jaypee asset. When you acquired it, you had mentioned that there is scope to raise bed capacity meaningfully here. I think you also alluded to that now. Have you worked out over what period of time you will be looking to expand the bed capacity here? Also, second part, for the current hospital how much do you think you would need to invest in order to upgrade medical equipment, clinical capabilities etc. over the next couple of years?

Abhay Soi: On the first part of the question, we will look at expanding the capacity at the earliest. We will be limited by the actual time it takes to construct. So, right now we are looking at moving up to 480 odd beds from the current capacity and thereafter it should take us 2-2.5 years to build another 450-500 beds, which we will embark on fairly soon because we see the current capacity being filled out in a matter of months and way before the new capacity that we are looking at because it takes time to construct.

Yogesh Sareen: As far as the BME medical equipment upgrade is concerned, we already have some plans for that. There will be Rs.150- Rs.200 crore spend that we are planning to expand first to 480 beds and as Abhay mentioned, after that we will start the work to build additional beds.

Abhay Soi: But this includes the medical equipment over Rs.150 crore.

Yogesh Sareen: Yes.

Abhay Soi: Because you have to appreciate that almost all of the medical equipment is end of life. It requires replacement.

Moderator: Next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: We've had a pretty busy last few quarters in terms of these acquisitions that we've done. And with a bunch of new assets coming on stream next year as you mentioned, are we looking to take a pause on the inorganic growth part of plans or we still continue with inorganic growth activity for the next few quarters?

Abhay Soi: We have a pipeline. If we keep getting opportunities to add marquee assets, we will continue to do that. We certainly have the balance sheet and we certainly have the bandwidth.

Nitin Agarwal: Secondly on Jaypee, so we mentioned a Rs.1,660 crore if I remember as the EV for the business acquisition. This includes the entire pay-out for the entire equity and whatever debt we've taken on for the asset.

Abhay Soi: That's right. That's the enterprise value.

Nitin Agarwal: And beyond this we mentioned there is going to be some registration and transfer charges. So, how much of that will really account to?

Abhay Soi: It has already been paid.

Yogesh Sareen: Rs. 62 crore, which is over and above. Yamuna Expressway Industrial Development Authority (YEIDA) has a rule where even if there's a change in shareholding, there's an amount we have to pay for the transfer, which is Rs. 62 crore that we paid.

Abhay Soi: That's already paid out, no further transfer charges.

Nitin Agarwal: So, I mean how should we think about the assets? So, we paid about Rs1,700+ including the upgrades and all about Rs.1,800 odd crore for buying out an asset for about 500 bed asset. So, is that the way we should think about it? Apart from obviously it's a running asset that gives us immediate EBITDA versus a greenfield investment that we would have done. But in your mind how should you evaluate this versus assuming you were to make a same greenfield investment assuming there was an opportunity like this in Noida to versus acquiring this asset for the price if you paid?

Abhay Soi: If you look at it from a return on capital employed (ROCE) standpoint. Essentially what you are doing is you are looking at 500-bed asset, which is renovated with new equipment etc. and capacity to add another 1,500 to 1,700 beds on the same land. So, very clearly if you want to look at it over a 4 to 5-year plan, you look at 500 beds plus another 450 beds that you would be able to add since you have already got the land for it. And then you look at what is the EBITDA and what sort of ROCE you are able to get. If you're able to generate more than 20-25% ROCE over that period of time, then it is a good acquisition. That's how we look at it. It so happens that this one is the easiest yet perhaps because it is a marquee asset with that location. But no matter how you cut it, no matter how you look at it, even if you look at it *sans* any expansion, a 500-bed hospital in this location should give you about Rs. 300 odd crore of EBITDA.

Yogesh Sareen: So, let me just tell you how we look at it. Basically, we have a hospital in Vaishali, which is a 387-bed hospital and Jaypee is going to be 480 beds. Now, 480 beds with all the money that we are going to spend is going to be roughly around Rs. 1,900 crore. And the hospital in Vaishali does roughly around Rs.380 crore of EBITDA every year and it is a 387-bed hospital.

Abhay Soi: So, this is actually a better location, better access, bigger, better infrastructure than Vaishali.

Yogesh Sareen: More beds and on 18 acres, while Vaishali hospital is on a 2.5-acre piece of land. So, you can obviously can see the kind of numbers that we are expecting from Jaypee, given that we have a benchmark in the same market already giving that level of EBITDA and margins.

Abhay Soi: Our normal bed size average is about 1,100 square feet per bed. This is close to 2,000 square feet per bed, already constructed.

Nitin Agarwal: Abhay when you are looking at, obviously you are looking at consistently evaluating a pipeline of various sort of assets. So, the kind of transaction that you have gotten in the Jaypee Hospital, is more of a one-off transaction or there are similar such transactions which are there for taking in the market?

Abhay Soi: Well, if Jaypee is a one-off then I guess Sahara was a two-off and then Nagpur is a three-off. So, I think we keep doing these 'one-off's, which we like to do every once in a while. I think Sahara Lucknow was very similar, and so was Nagpur.

Nitin Agarwal: No, I got to appreciate that. And lastly on Dwarka you talked, it's going to be our fastest probably breakeven for a greenfield. So, what is the time horizon looking at for the breakeven here?

Abhay Soi: We are looking at it before the end of this financial year.

Moderator: Next question is from the line of Andrey Purushottam from Cogito Advisors.

Andrey Purushottam: My question is really a follow up from one of the earlier questions, in terms of the levers that you have to increase EBITDA per bed. If you could just expand a little bit on that and also answer two specific questions. One is, has your proportion of your low margin CGHS kind of business actually diminished over the last year or two? And how do you intend scaling up your international business per se and also perhaps to compensate for the possible reduction in volumes from places like Bangladesh and how important is Bangladesh to your total share of patients of the international business per se?

Abhay Soi: I'll take the last one first. Bangladesh used to be less than 1% of our total business. So, it really has not impacted us that much. And we have been able to compensate that through other markets and all our initiatives everywhere else. So, Bangladesh is not affecting us. What did affect us in the past was Afghanistan which was 12% of our international business. But we have not had that business for many quarters now. So, you don't see the impact of that. Hopefully as and when it comes through, there will be a positive impact because of it. Having said that, levers for EBITDA per bed, let's start from the top with revenue lever. And perhaps most of it are revenue levers, which include adding clinical teams, adding occupancy, increasing occupancy, increasing more beds. I mean every revenue lever that you can think of will play into the bottom line and increase your EBITDA per bed. Because I think as far as costs are concerned, we are pretty much in line with where we want to be, any benefits over there will be only incremental.

Institutional business has diminished marginally over the last few quarters. But the ARPOB of the institutional business has almost doubled. The rates are becoming closer to our cash rates. More importantly, in a lot of our metro locations where we already have very high capacity, we have already distilled away from that. So, if you look at Mumbai, we do not do any institutional business. But once we start the new capacity, we will start the institutional business, and we just occupy the beds with it till such time that we have idle capacity. Once that kind of runs out, we start distilling it again, and go back to cash business. At Saket, in the main facility, we do not do any institutional business. At some stage, once we come up with new capacity at Max Smart, we will start taking on more institutional patients. But again, over a period of time, we will distil it. But then, in the third phase 3-4 years later, when Vikrant comes again, we will start doing taking institutional business. So, you keep playing that game. But more importantly, as you start running out of capacity, you start distilling payors and within those payor groups also you start distilling the clinical mix.

Andrey Purushottam: And going back to the international business, you said that you have a 5.5% bed share and a 9% revenue share. Now if you're looking to increase this share, what was the approach that you're following? Is it largely walk-in business or are you making a fair amount of proactive efforts and other geographies to attract patients there?

Abhay Soi: We have set up offices over last 2-3 years in about 16 countries. We have our own offices as well as partner offices. And that is the reason that we have seen an outsized sort of growth in our international business. It may be 9-10% of our revenue, but our revenue has also been growing significantly over the last 4-5 years. This

business has been growing a 20% CAGR for us. It sort of outstrips are overall growth and the reason is the investments initiatives that we have taken in terms of setting up these direct-to-fly offices overseas.

Andrey Purushottam: One hears about lots of problems that people face with the NHS in England and similarly in places like Canada etc. So, given the fact that we can provide outstanding medical care at a fraction of the cost, do you see more traction coming from developed countries like UK and Canada etc. where it has a lot of bureaucratic problems about getting service in their own countries?

Abhay Soi: It's a question of whether you want bad healthcare for free or you want to pay for good and upfront healthcare and you want to come to India for it. We are setting up some beachhead operations in the UK as we speak, because of the same reasons that you mentioned. But we are not expecting some floodgates to open. It is more a long-term thing that we need to have some sort of presence over there to at least get people of Indian diaspora to India to be able to treat them. But we do not see people coming in drones because there is waiting time in NHS. There is waiting time but ultimately it is free.

Moderator: Next question is from the line of Madhav Marda from Fidelity International.

Madhav Marda: I just had one question, on the Dwarka unit it's quite encouraging that a greenfield asset can breakeven in a very short period of time. Could you just give some colour in terms of what guides us because I guess a general understanding for everyone has been that greenfield assets take let's say 2-2.5 years to reach EBITDA breakeven? But since we can do it at a very good pace, just what are things that are working in our favour, just for my understanding?

Abhay Soi: I do not think it is 2-2.5 years. Typically, it should take about 18 months. That's par for the course. But having said that, Dwarka is again an excellent location. The first factor is always a location. Second is the infrastructure. The third is how much underserved that market is. And fourth, I tend to believe that our brands are NCR centric. We already have around 14 facilities over there, which makes a big difference. There is a very strong brand recall. And our belief is that we would have already broken even if we had all the institutional tie-ups, NABH certification, TPA empanelment, etc. Typically, you need 6 months of data to get NABH. Once you get NABH, you get higher rates from institutions. So, a lot of it is also process related. But otherwise, for us again, once the location is good, once the infrastructure is good, access is good, then it should not take much time to ramp up. Also, the team of doctors we have been able to access and get very good teams of doctors. But that's the Max advantage, particularly in NCR, that we are able to attract quality talent.

Moderator: Next question is from the line of Amit Thawani, an individual investor.

Amit Thawani: I particularly enjoyed the response to the question whether Jaypee was a one off. But jokes apart, I also enjoyed how we've broken up the business into existing and new units. So, at 81% kind of capacity utilization, we are little bit maybe constrained for volume growth in the existing units. A little bit of a forward-looking statement, what would the growth that you estimate in the existing units in volume and ARPOB going forward? I mean just a ballpark even a range is fine and even I'm looking for more of a longer-term number rather than a short-term number.

Abhay Soi: Firstly, 81% is a seasonal number, because of seasonal flu, etc. Normally, Q2 has higher occupancy. You will see in Q3 perhaps the occupancies will get a little more muted than that and that's traditionally been the case. Whatever is the occupancy in Q2, Q3 is lower, Q1 is lower and then Q4 again you ramp up. So, yes, the other

characteristic of having a capacity constraint is that you have a higher move up in your ARPOB simply because when you have the capacity constraint, the lower-end clinical mix and payor mix are perhaps not given priority. And when you are unable to give them priority, you post those surgeries and procedures at a later date, they are likely to evaporate. When you have capacity, all of that lower-end payor and clinical mix comes through. But like I said, it's also characterized by higher EBITDA per bed. So, it works out better to have higher occupancy than a ramp up in ARPOB. The fact of the matter is that we have been operating at these kind of capacity levels for the last couple of years with the 1-2 percentage points here or there as far as occupancy is concerned, and that is always because at the margin there will be some elasticity but it is diminishing returns. And we need to be cognizant of the fact that we have capacity constraints. We are cognizant of the fact that we have capacity constraints and therefore, we embarked on this massive journey of brownfield expansion. Some people will ask me the question like you are asking me that look you're at full capacity, where do you go from here? So, the answer to that is that's what the brownfields are for and some other people tend to ask that look there's so much capacity coming in the country, why are you putting up more capacity? Well, this is the reason we are putting it up. Because we have run out of capacity.

Amit Thawani: But any quantitative guidance. Would you want to venture in that?

Abhay Soi: No, we stay away from providing any forward-looking guidance.

Moderator: Next question is from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Just one question for Yogesh. With Dwarka coming online, what will be the annual lease payment at the Network level?

Yogesh Sareen: I think the overall number for the year would be around Rs. 95 crore. So, specifically for Dwarka, this number is around Rs. 28-29 crore.

Alankar Garude: And the number for Dwarka when you say Rs. 95 crore, would be for nine months, right?

Yogesh Sareen: No, I'm saying Rs. 28 crore is Dwarka, total is Rs. 95 crore for the overall Network.

Abhay Soi: And Rs. 28 crore is for the year.

Yogesh Sarin: I'm talking all annual numbers.

Alankar Garude: So, basically for FY25 the number would be Rs. 7-8 crore lower. Got your point.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Abhay Soi: Thank you everyone for joining us on the Q2 results. We look forward to interacting with you again next quarter. Well appreciated, thank you.