



May 22, 2023

National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051.  
Symbol: RAINBOW

BSE Limited  
Corporate Relationship Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001.  
Scrip Code: 543524

**Sub: Transcript of the Investor call - Financial Results for Q4 & FY23.**

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

Dear Sir/ Madam,

Please find enclosed the Transcript of the Investor call held on May 15, 2023, with regard to Financial Results of the Company for Q4 & FY23.

The said Transcript is also available on the website of the Company and can be accessed through the following link:

<https://www.rainbowhospitals.in/investor-relations/reports/Analyst-Concall-Transcript-Q4-FY-23.pdf>

We request you to kindly take the same on record.

Thanking You,

Yours faithfully,

For **Rainbow Children's Medicare Limited**

**Ashish Kapil**  
**Company Secretary and Compliance Officer**  
Encl.: As Above

## Rainbow Children's Medicare Limited

**Registered Office:** 8-2-120/103/1, Survey No. 403, Road No. 2, Banjara Hills, Hyderabad, Telangana - 500034

**Corporate Office:** 8-2-19/1/a, Daulet Arcade, Karvy lane, Road No.11, Banjara Hills, Hyderabad, Telangana - 500034

**Hyderabad:** Banjara Hills - 040 22334455 | Secunderabad - 040 42462200 | Kondapur IP - 040 42462400 |  
Kondapur OP - 040 42462100 | Hyder Nagar - 040 42462300 | L B Nagar - 040 71111333

**Vijayawada:** Currency Nagar - 0866 6669666 | Governorpet - 0866 6650250 | **Chennai:** Guindy - 044 40122444

**Bengaluru:** Marathahalli - 080 71112345 | Bannerghatta Road - 080 25512345 | Hebbal - 080 35061555

**Delhi:** Malviya Nagar - 011 66888866 | **Visakhapatnam:** Health City, Chinagadili - 0891 3501601 | Siripuram - 0891 3501555



**Rainbow Children's Medicare Limited**  
**Q4 FY '23 Earnings Conference Call**  
**May 15, 2023**

| Call Duration                    | • 1 hour and 18 minutes  |
|----------------------------------|--|
| Management Speakers              | <ul style="list-style-type: none"> <li>• Dr. Ramesh Kancharla – Chairman and Managing Director</li> <li>• Mr. Sanjeev Sukumaran – Group Chief Operating Officer</li> <li>• Mr. R. Gowrisankar – Chief Financial Officer</li> <li>• Mr. Saurabh Bhandari – Group Business Analyst</li> </ul>  |
| Participants who asked questions | <ul style="list-style-type: none"> <li>• Damayanti Kerai, HSBC</li> <li>• Bansil Desai, JP Morgan</li> <li>• Pritesh Chheda, Lucky Investments</li> <li>• Arpit Shah, Stallion Asset</li> <li>• Alankar Garude, Kotak Securities</li> <li>• Prashant Kutty, Sundaram Mutual Fund</li> <li>• Dhavan Shah, Alfaccurate Advisors</li> <li>• Aditya Khandelwal, SIMPL</li> <li>• Aneesh Deora, Nomura</li> <li>• Karthik Narayan, SCP</li> <li>• Yogesh Tiwari, Arihant Capital</li> </ul> |

**Siddharth Rangnekar:** Welcome everyone to the earnings conference call of Rainbow Children's Medicare Limited, to discuss the financial performance for the fourth quarter and full year ended March 31, 2023. We have with us Dr. Ramesh Kancharla, Chairman and Managing Director, Mr. Sanjeev Sukumaran, Group Chief Operating Officer, Mr. R. Gowrisankar, Chief Financial Officer and Mr. Saurabh Bhandari, Group Business Analyst.

Before we commence, I would like to share that some of the statements made on today's call could be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q4 FY '23 results presentation that, is posted on the company's website and uploaded on the stock exchange site.

I would now like to invite Dr. Ramesh to make his opening comments. Over to you, sir.

**Dr. Ramesh Kancharla:** Thanks, Siddharth. Good morning everyone. It gives me immense pleasure to welcome you all to the earnings call for the fourth quarter and for the full year '2023. It's been one full year since we had our IPO and when I look back at the last year's journey, few things stand out. Rainbow remains the only listed pediatric hospital chain in the English-speaking world. Consequently, the listed universe has no peer comparison for the financial analysts as well as investors.

Therefore, ever since the IPO in May '22, we had to assiduously engage with the investors both in India and overseas and explain the various building blocks of our business model, our key differentiators, significant growth opportunity and its potential. Our efforts are bearing fruit and there is a perceptibly, a better comprehension of our business model among the investor and the analyst community. I must say that I have really enjoyed the journey of evangelizing children's healthcare and its business potential.

Once again, to reiterate our clinical model, Pediatric services under the Rainbow brand includes newborn and pediatric intensive care services, pediatric multi-specialty care, pediatric quaternary care, organ transplantation. Birthright by Rainbow is an integrated obstetric vertical, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetics and fertility care along with gynecological services.

Rainbow Children's Hospital is built on a strong fundamental of multi-disciplinary approach with a full-time consultant engagement model, commitment of 24x7 service, in a child-centric environment. We run India's largest academic training program for the pediatrics and the pediatric super specialties, in the private health care sector, offering

training in DNB post-graduate training program as well as fellowship programs in various specialties including intensive care services as well as pediatric super specialties.

Historically, the strong momentum of the second quarter and third quarter tapers down in the fourth quarter with the examination season and beginning of the summer holiday vacations. However, this time the strong momentum witnessed in the second quarter and third quarter continued into the fourth quarter across all the key operating metrics, including outpatient footfalls, inpatient volumes and occupancy. I'm pleased to inform you that the company has delivered robust quarterly performance, led by high patient footfalls across all hospitals. The revenues for the Q4 FY '23 was INR. 316 crores, which is a growth of 49.2% compared to the INR. 212 crores, which is in Q4 FY '22. The EBITDA for Q4 FY'23 was INR. 98 crores, which is a growth of 103% compared to the INR 48.1 crores in Q4 FY'22. And the PAT for Q4 FY '23 was INR. 53.8 crores, which is a growth of 339% compared to the INR. 12.2 crores in Q4 FY '22.

The occupancy for the quarter was 58.8%, which is significantly higher compared to 39.6%, in the corresponding quarter of the last financial year. The occupancy was higher compared to previous quarter occupancy of 57.1%. This is a result of continued momentum of Q3 and Q4 with the various illnesses, especially viral illnesses, in the community, which is leading to kind of increased footfalls as well as inpatient admissions. In particular, Adenovirus was the most common cause of pneumonia during the season, where the children required admission for longer periods of time.

Now, coming to our addition of beds and expansion:

- We have recently added 100 beds hospital in Financial District Hyderabad, which commenced operations on 1<sup>st</sup> of March 2023. We are seeing a good traction of outpatients as well as inpatients at this hospital.
- We are going to add 270 beds in the current financial year across various geographies in Hyderabad, Bangalore and Chennai.
  - In Central city Hyderabad, which is Himayat Nagar, we are coming up with a 60-bed Spoke Hospital.
  - A new block adjacent to the existing Hydernagar hospital, is being built for the growth opportunity, because we have been running extremely busy in that hospital and requires additional beds. So that's going to come very soon.

- Anna Nagar, Chennai is coming up with 80 beds spoke hospital.
  - A Brownfield 80-bed Spoke Hospital is coming in Bangalore at Sarjapur area.
  - An additional block with an outpatient department and an IVF facility at Rainbow Children's Hospital, LB Nagar, a Spoke, to enhance the patient facilities at the existing hospital and also cater to the future growth at this hospital. We are adding additional space in this hospital to allow it to yield some more beds to cater to the demand.
- These hospitals are expected to come into operation during the second half of the current financial year.
  - There are another 160 beds, which are going to come in next 18 months to 20 months' time, which are a 100-bed facility in Rajahmundry, which is one of the important cities in Andhra Pradesh, and a Spoke Hospital at Hennur Cross Road in Bangalore city of 60 beds. These projects are likely to come in about 18 months to 20 months' time. The work is in progress.
  - Recently the company participated in an E-Auction held by Haryana Shehri Vikas Pradhikaran (HSVP), which is the government site for hospitals. So, we won the two bids. One is in sector 44 with 2.32 acres of land, and another one is sector 56 ~1.23 acres of land. On these land parcels, we are going to build Greenfield hospitals. The sector 44 land parcel is very close to Huda City Centre and close to FMRI, we're going to build a 300-bed facility, which will be a children's hospital with focus on the tertiary and quaternary care services for children. This hospital will be kind of a referral center for multi-specialty, pediatrics and perinatal care across Gurgaon and northern states, as well as international patients.
  - The Spoke Hospital of 100 beds will be built in sector 56, which is very close to the Golf Course Road, and this is for the rapidly growing affluent population of Gurgaon, in the Golf Course Road as well as Golf Course Extension Road. This hospital will be primarily offering 24x7 emergency services for children and as well as women, large outpatients, obstetrics and pediatrics inpatient services and the level 3 NICU.

With the expansion plan highlighted now, Rainbow Group is comfortably placed to add 1,000 beds as envisioned in the business plan and as outlined during the IPO and investor

meetings earlier. We are focusing now on the execution of these projects in a timely manner.

Coming to clinical excellence:

- We have crossed an important milestone of a million outpatients across the group. Perhaps we have actually done 1.2 million footfalls of outpatients in the last financial year.
- Dr. Nageswara Rao Koneti, is the Director of Rainbow Children's Heart Institute. He is a leading cardiologist. He received a patent for a device named "KONAR-MF". This device is utilized to close holes in the heart for children with cardiac defects. This is being used across 60 countries. We are very proud of him for coming up with a cost-effective device.
- Despite a large patient inflow, our doctors had published 100 research papers in the last one year. It gives me immense satisfaction to see such an academic interest among our doctors.
- We have successfully completed 20 liver transplants and five kidney transplants with excellent results. After 20 liver transplants, we have only lost one child and 19 of them actually gone home with a successful liver transplant. All five of them, the renal transplants have done very well and got discharged.

I take this opportunity to thank all my doctor colleagues and the paramedical staff, who have put in an untiring effort to deal with such large volumes and achieving excellent outcomes.

With a well-laid business plan, our main priorities are now to strive harder to deliver robust clinical outcomes with an excellent patient care, strengthen our hubs with multi-specialty and quaternary care and expand our Hub and Spoke model in Bangalore and Chennai.

Before I pass on the mic to our CFO for business updates, I would like to take this opportunity to welcome Mr. Sanjeev Sukumaran, who has joined us, as a Group Chief Operating Officer effective from April 15, 2023. Sanjeev has more than 25 years of experience doing various senior manager roles across various industries. We are very glad to have him with us.

I now request Mr. Sanjeev Sukumaran to introduce himself to the audience.

**Sanjeev Sukumaran:** Thank you Dr. Ramesh. Good afternoon, everyone. I am extremely pleased to have been given this opportunity by the Chairperson and the board and I really look forward to contributing to the success of this organization as we move forward in this ever-exciting journey. I wish to bring in the 25 years of experience that I have in various industries and work closely with the Board and the Chairperson and the senior leadership team over here, to continue to grow the business as well as to continue to bring in excellence in clinical as well as operations. And I look forward to your continued support too. Thank you. And I hand it over to Mr. Gowrisankar now.

**R. Gowrisankar:** Thank you Sanjeev. Good afternoon. I would like to thank you all for taking your time and joining our earnings update call. I will now share some insights on our financial performance during the period under review.

- Our quarterly performance, the revenue for Q4, stood at INR. 316 crores and has grown by 49.2% compared to the corresponding quarter of the last financial year.
- EBITDA for Q4 FY '23 stood at INR. 98 crores and has grown by 103.62% compared to the corresponding quarter of the last financial year. EBITDA margins are at 30.91% in the current quarter as against 22.66% in the corresponding quarter last year. Expansion in EBITDA margin is on account of improved business and better operating leverage.
- PAT for Q4 FY '23 stood at INR. 53.86 crores and has grown by 339.34% compared to the corresponding quarter of the last financial year. PAT margins are 17% in the current quarter and as against 6%, in the corresponding quarter last year.
- Our OP and IP volume for the current quarter has grown by 48% and 57% over the corresponding period of FY '22.
- We have recorded 59% occupancy during the quarter. Our Matured hospital has witnessed 67% occupancy and New hospital has witnessed 41% occupancy during fourth quarter.
- Our return on capital employed and return on equity stands at 24.61% and 25.36% on a full-year basis for FY '23.

- Our payor mix between cash and the insurance stands at 52% and 48%. 52% is cash and 48% is credit.
- During Q4, the company has incurred about INR. 35 crores as capital expenditure towards new projects, medical equipment and other fixed assets.

With this, I conclude my remark. We can now open the call for your valuable questions and suggestions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:** Hi, good afternoon and thank you for the opportunity. My first question is on your occupancy. So, the fourth quarter obviously was very strong. As Dr. Ramesh mentioned the momentum from viral fever, etcetera, continued. So, going ahead, how should we look at occupancy, especially for the mature hospitals? Say like we don't see such exceptional cases coming due to some seasonal viral fever, etcetera.

**Dr. Ramesh Kancharla:** Yes, mature hospitals will continue to clock the similar occupancies. And what happens for us is that the quarter one is generally muted, in the sense of occupancy because children are on holidays in the summer season. And we do, kind of, more of surgical work in summer season. As we move into the second quarters and third quarters, occupancy really picks up. So, a mature hospital shouldn't be a big problem for occupancies because they're already kind of well established. They will have a good traction of patients across the specialties as well as the pediatrics and obstetrics as well.

**Damayanti Kerai:** Mature should be sustaining 60% plus occupancy rate. Obviously, it could be better, but 60% plus is something we can definitely look at.

**Dr. Ramesh Kancharla:** Yes, of course. we've clocked around 67% occupancy across mature hospital (in the Q4), which is pretty good occupancy. At Rainbow, we do not do as much revenue from other things. So, it's purely a private insurance and the cash patients. That's where it's very difficult to kind of look at our occupancies and compare it to adult hospitals.

**Damayanti Kerai:** Sure. My second question is your average revenue per operating bed. So, in FY '23, ARPOB grew around 4% year-on-year, after adjusting for COVID vaccine benefit in the previous year. So, this looks a bit lesser than earlier, we talked about sustaining growth in high single digits. So how should we look at this number ahead? And also, if I



look at your press release, ARPOB for new hospital looks better than mature hospitals in fourth quarter and full year. So, can you please explain this?

**Dr. Ramesh Kancharla:** If you discount the COVID vaccines from the previous year of '22 and look at FY23 we have clocked ARPOB ~48,000 plus. I think we achieved about 4%, growth (YoY). So that's what actually we had guided ~4% to 5% growth of ARPOB year-on-year.

When you look at the new hospitals, the ARPOB is about Rs. 49,000+. Because what happens in new hospitals is that they kind of, are focused on very small areas of business with more deliveries and more of ICUs, less occupancies that skews more towards the higher ARPOB. When you get occupancy levels increased, as hospitals may choose that, the ARPOB gets moderated.

**Damayanti Kerai:** Okay. My last question is on your FCF yield. So obviously on the EBITDA level, you have been delivering one of the best margins across listed hospitals. But if I look at the FCF yield, my calculation suggests, it should be around 1%. So that looks like, very less for the kind of margin which you make on your business. So, can you explain it and how should we look at FCF yield going ahead as some of your key units reach maturity?

**Dr. Ramesh Kancharla:** I'm very sorry. I did not understand the question.

**R. Gowrisankar:** It's about what, yield on, you're talking the free cash flow yield?

**Damayanti Kerai:** Yes, free cash flow. Yield is coming around 1% for FY '23, despite having such healthy margins. So, if you can explain it like, why it should be so low and how should we look at, in coming period?

**R. Gowrisankar:** I think, we will take this question later, Damayanti, if you don't mind.

**Damayanti Kerai:** Okay, sure. Thank you. I'll get back to you.

**R. Gowrisankar:** We need a little more understanding on this. We'll take it up later. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, a reminder to you, if you wish to ask any questions, please enter star and one. The next question is from the line of Bansri Desai from JP Morgan. Please go ahead.

**Bansri Desai:** Yes, good afternoon everyone. Thank you for taking my questions and congratulations on a good set of numbers again. Sir, my question is on the Gurugram acquisition that we have announced. So, this is a Greenfield expansion. This is very different from our previous

strategy, where we have expanded on a very asset light manner. So, what are your thoughts in terms of acquiring these lands out there? And did you evaluate having lease hold properties instead of going for outright acquisition?

**Dr. Ramesh Kancharla:** Yes, Ms. Bansi, we have actually been evaluating for a fairly long period. And there is probably nothing in Gurgaon with the kind of rental costs. And also, that effective utilization of the space, for what rent you pay is very low: as almost 40% of the rental space will be invisible because of loading. So therefore, when we worked out, (we realized) it's probably better to buy the land and build a Greenfield project. We have cash on the balance sheet, so we kind of are taking that as an advantage. So, we got the land parcels in the key areas which we wanted.

We may take a year, a year and a half extra to do the Greenfield project. But that actually positions us better to build modern hospitals in places like Gurgaon, where we envisage to build truly a referral hospital for multi-specialty care for children in Gurgaon of 300 beds. And also Spoke hospital in a rapidly growing Golf Course and Golf Course Extension Road. I think I'm quite happy with what, how it has panned out. Of course, it takes some time to do this project. I'm quite happy about the way things are progressing.

**Bansi Desai:** Okay. And given the system Haryana government, do we need to reserve beds here for economically weaker section? Or are there any such terms of agreement with the government?

**Dr. Ramesh Kancharla:** Like most of the hospitals in Gurgaon, we have got a similar clause. If there's a specialty hospital, then 10% of the beds are to be allocated for the economically weaker section under CGHS rates for super specialty hospitals, and for general hospitals, they will have kind of allocate 20% beds. Since I'm going to build a super specialty children's hospital, I think I can negotiate on that (10% beds to be allocated).

**R. Gowrisankar:** It's not totally free beds, Bansi. They will pay you on our tariff, there is a discounted tariff. They get about 20% discount. On that rate, they'll pay for the super specialty hospital.

**Bansi Desai:** Okay. And on those rates, are you still able to recover some of your fixed costs?

**R. Gowrisankar:** We can do that. So, it's unlike the Delhi DDA, where you have to give totally free, 25% of OP and the 10% of IP beds are totally free. Here it is not so, actually. So, we can definitely, we can get a better rate. The super specialty hospitals are given a better rate by the Haryana government.

- Bansi Desai:** Okay. And the funding for this project will be largely met through internal accruals?
- R. Gowrisankar:** Yes. In fact, we have allocated some money from IPO as well. But we can meet everything through internal accruals.
- Bansi Desai:** Okay. So, you highlighted actually, INR. 450 crores of investments for this asset over the next three, three and a half years. I'm assuming, INR. 160 crores odd out of this would be purely for the land. So, the balance amount would be, it basically translates into a capex per bed of INR. 70,00,000 or so. Is that correct?
- Dr. Ramesh Kancharla:** We need to see how (CAPEX/Bed pans out), probably once we have designs and those things, we will probably have a better idea about capex for the bed. I would see it probably closer to the kind of INR. 90,00,000 to INR. 1,00,00,000 for the bed. Because if we are building beds for future as a Greenfield project, obviously, Gurgaon has to be high-end hospital.
- Bansi Desai:** Yes. So, these INR. 90,00,000 is basically inclusive of land cost, are you saying?
- Dr. Ramesh Kancharla:** Exclusive of land cost. Probably it's going to be about INR1.2 crores to INR1.25 crores. Including land, I am envisaging it.
- Bansi Desai:** Okay. So sir, in that case, how should we view the break-even timelines? I understand, Gurgaon as a market is definitely, better paying market. So ARPOBs also will be equally good compared to the rest of the regions. But just in terms of break-even timelines, should that differ given, this is the capex?
- Dr. Ramesh Kancharla:** I think what we need to, we would be working out is that, how are we positioning this hospital? And what is the kind of construct of this hospital in terms of if it is a normal children's hospital with intensive care services, you don't need 300 beds. Okay. So, what I am envisaging is to see this as a super-specialty children's hospital with all the pediatric specialties, large intensive care services, and quaternary care services to start in Gurgaon. So, there is a significant international opportunity for children to be treated in this hospital as well. So, when you look at the opportunity and when we are building the hospital for today, probably we need to establish a hospital as a super-specialty. It's almost like a multi-specialty hospital capex. It won't differ. If I am doing a children's hospital or Spoke hospital, then definitely capex will come down significantly. When I am looking at a hospital of that stature, its capex almost like a multi-specialty hospital.

Obviously, now it all depends on the kind of teams which I am going to bring in, kind of facilities what I am going to provide and also what kind of treatment I am going to offer. So that's how it's going to pan out.

Obviously, with my experience of 20 years of building children's healthcare, what we have in Hyderabad today, if I position myself in Gurgaon as a referral center, obviously that's required to build a 300-bed hospital in Gurgaon. So, this is what background statistics I have done. So, another hospital which is about 100-bed hospital, which is going to be like a children's hospital with maternity, ICUs and those things.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Sir, we quite didn't understand this business model change. Earlier we used to have INR. 50,00,000 a bed as the capex and we have a combination of specialty and Spoke hospital today in our targeted regions or core regions of Chennai, Bangalore and Hyderabad. How will this Gurgaon investment be different from it and why is it different? And how will the ARPOB change in this kind of investment?

**Dr. Ramesh Kancharla:** So, obviously what I'm looking at Gurgaon is not as a micro market. I see Gurgaon as a Hub for the NCR plus North. So, when I'm presenting myself with the 20 years of experience in children's healthcare, we do need to build something which is of that reputation, credibility of providing a comprehensive care for children. So therefore, it definitely differs from our routine children's hospitals which we have a capex as a Brownfield project. It's a Greenfield project and it's going to be a high capex project. It's going to be a multi-specialty hospital which is almost like your capex is going to be like a super specialty adult hospital. So that's why it's going to be different. ARPOBs will definitely be closer to the multi-specialty hospitals. And the surgical work and the specialty work is going to be closer to multi-specialty hospitals. This is what I envisage in Gurgaon Hub hospital.

**Pritesh Chheda:** You have a Hyderabad Hub hospital also, right?

**Dr. Ramesh Kancharla:** Yes.

**Pritesh Chheda:** Right, and you would have a Bangalore Hub hospital as well. So there what has been your capex per bed?

**Dr. Ramesh Kancharla:** My Hyderabad Hub hospital my capex was about INR. 70,00,000 per bed which is a Brownfield project, which has been a kind of semi-warm shelf. So, for my Chennai or

Bangalore hospital was kind of a Hub hospital but we continue to put a capex as we were kind of adding more specialties in Bangalore. So, in Gurgaon, I'm going to do everything at one go, which is why it is a different hospital.

**Pritesh Chheda:** So, if you had to put a Greenfield today, let's say in Bangalore or Chennai or Hyderabad, what it would have come up to? And for a Greenfield like or for a specialty center like 300 beds of Gurgaon, how many Spokes can you put then surrounding that hospital?

**Dr. Ramesh Kancharla:** You mean to say that, with that money, how many Spokes can be done?

**Pritesh Chheda:** No, not with that money, that 300 bed hospital can support how many Spokes?

**Dr. Ramesh Kancharla:** See Gurgaon is a small area as of kind of say. This is, where we are going to be in right next to Huda City Center. That's the central point. From there, we can drive anywhere about in 15 minutes time. The Spoke, which is going to come in closer to the Golf Course Extension Road, in the Golf Course Road. So that will cater for the rapidly growing Golf Course Extension Road and Golf Course Road area. So, we will have a sufficient number of beds in Gurgaon for a longer period of time.

**Pritesh Chheda:** And how much does the super-specialty now cost, if you had to set up a Greenfield in, let's say Hyderabad or Bangalore, if you had to set up here?

**Dr. Ramesh Kancharla:** If I had to set up the super-specialty hospital, it will cost the same. Probably, it may cost little more because the land cost here, if I have to buy a private land, it will probably cost INR. 20,00,000 more (per bed).

**R. Gowrisankar:** So excluding land, it will cost about, say INR. 80,00,000. So, the current Hyderabad as well as Bangalore Hub hospital, we have set up now five years and seven years back actually. So that time, it cost us INR. 70,00,000, INR. 60,00,000 per bed and then you add upon inflation also. And then this hospital, it will come in next one or two years because you need to take permission for everything before construction. So obviously you will end up somewhere about close to INR. 80,00,000-INR. 90,00,000 per bed actually excluding land.

**Pritesh Chheda:** Okay. Sir on the ARPOB side, you didn't answer whether the specialty hospital in Gurgaon will have ARPOB. You said, it will be closer to a normal specialty hospital? So there, we have range. So Max Healthcare is at INR. 60,000 ARPOB. But someone like KIMS is at INR. 25,000-INR. 30,000 ARPOB. So, which one, we should take? We should take INR. 60,000 ARPOB for you?

**Dr. Ramesh Kancharla:** Well, we right now, we are in INR. 48,000 ARPOB. So, we are not very low-end hospitals. We are high-end hospitals. We are not like KIMS and Narayana (in terms of ARPOB). We are closer to Apollo's and Max (in terms of ARPOB). Max is kind of a dominant under NCR hospital. It's a city-based hospital. So, lot of surgical work being done. So, which is why their ARPOBs are high. So, as a children's hospital, which we like to position ourselves to be, not on the ARPOBs, we want to kind of offer for children of, what adult is getting in a multi-specialty hospital, for a child. This is as a children's hospital group, what we would like to embark in NCR.

**Pritesh Chheda:** So, it will be higher than your current ARPOB of INR. 48,000?

**Dr. Ramesh Kancharla:** Yes. I would think so, it's too early for me to guess, that. far.

**Pritesh Chheda:** And lastly, sir, this ARPOB which you have reported in FY'23, based on the capacity that we have, how much increase can you see further on your existing setup of 16 hospitals, that you have? Because you are a bit seasonal. So, there are two quarters, where the season is very high. So, you have higher occupancy and a couple of quarters with lower occupancy. So, what is the blended annual number that we should put it?

**Dr. Ramesh Kancharla:** I'll tell you what. See, last year, I've guided that, we would do a kind of 18% to 20% of a top line operating revenue. And I will say hereafter, we'll still be high teens for our growth, this current year also. But I would like to also emphasize on one fact that, we are adding almost 270 beds. Plus, we recently added 100 beds, plus 50 beds, 150 beds. A total of 430 new beds are going to be there. Of course, there are going to be existing areas, where our reputation is at the highest level, Hyderabad, Bangalore and Chennai. But still, when you have so many new beds, your growth top line growth will be fine. There will be some degree of moderation on the margins. So still, we'll see that we are in a kind of an area, which is not a new geography.

**Pritesh Chheda:** Sir, my question was, that on the 1,650 bed occupancy at 55%, right? For a FY '23, this 55% can go to what number? Can you reach 60% plus?

**Dr. Ramesh Kancharla:** Well, if we stop expanding, then it could go to 65% also. But again you need to add beds for opportunity and also build our business and footprint.

**Pritesh Chheda:** And what is the risk of a price cap, if any, by government on pediatrics hospital? We have seen that happening in non-pediatrics, on certain elective procedures. But do you ever think of a regulation by any chance in pediatrics?

- Dr. Ramesh Kancharla:** Bit unlikely because pediatrics is an emergency-based hospital and it is not a packages hospital, where you've got cardiac, renal, and those things. Our package billing is very-very small, which is why we are probably a better off in that. But the government is doing this all the time, DPCO drugs. This year also, the government has put quite a significant number of drugs (under price control). So, the government is doing its own way and insurance companies are doing their own way. Well, still, we continue to have to do business. That's life.
- Moderator:** Thank you. The next question is from the line of our Arpit Shah from Stallion Asset. Please go ahead.
- Arpit Shah:** Hello. Yes. I just wanted to understand the sequential jump in other expenses, this quarter.
- R. Gowrisankar:** Yes. The other expenses, between the two quarters, December to March, so it has increased by INR. 16 crores. So, this is, due to the expanded business, we have taken a little more of ECL provision of about INR. 2 crores. And then, there are kind of bad debts and the written-off which, we have not done in other quarters. There is INR. 1 crores write-off. Plus, we have, incurred some expenses for our JCI, repair and maintenance., At our Banjara Hills flagship hospital, we are going for JCI accreditation. And then, we have done a lot of repair maintenance in the Q4 because we will just prepare the hospitals for managing the next season. And there are a couple of other business promotion expense we have incurred. That's where it's about INR. 16 crores.
- Arpit Shah:** Q4 always will be having a higher other expense number on our realization, right?
- R. Gowrisankar:** Yes. So, we do a little more of R&M in this Q4.
- Dr. Ramesh Kancharla:** So that is the time, we get a little bit of free time normally or it's kind of a push for us to kind of get ready for hospitals for the next year.
- R. Gowrisankar:** Also, we have opened a couple of hospitals in the last quarter. So like it's Sholinganallur as well as Financial District. So, some of the expenses are there actually, the running and maintaining the hospital, hospital maintenance. And then, we do a little more of marketing for those hospitals that has come in this section.
- Arpit Shah:** Good. And sir, If you can break up the number of beds addition every year. Let's just FY '24, FY '25 FY'26. What would be the number of bed additions?

**Dr. Ramesh Kancharla:** I've already explained to you in the presentation. So, what's going to come is that there will be about 270 beds are going to come in this current financial year. So, we have already added about 150 beds in the last financial year. Another 160 beds are going to come in next 18 months' time. These are all going to come. Most of the hospitals are going to come in the Southern part of India. Our, the 400 beds (in Gurugram), which probably will take about three years to 3.5 years' time. We are really fast in execution, but we'll have to take that kind of time for a Greenfield in Gurgaon, in three years to 3.5 years' time.

So that's the landscape at the moment. But we always try to identify some buildings in the surrounding areas. We are negotiating some of the cities also in the neighborhood, like regional Spokes like in Nellore and Coimbatore. But when they come into the kind of reality, I will speak to you.

**Arpit Shah:** Good. And the insurance price as which were supposed to be effective, Q4 for Hyderabad. So, they were effective for how many months this quarter?

**Saurabh Bhandari:** So, they have been effective only for last 15 days of last quarter. The entire price hike will be there in this current year.

**Arpit Shah:** If you can just quantify that number for everyone. The price hike which would come for FY '24?

**Saurabh Bhandari:** So, for the next year, if you look at our Hyderabad insurance business should contribute about INR.15 crores to INR. 20 crores, close to that.

**Arpit Shah:** Got it. And for the Gurugram project where we are targeting about INR. 450 crores of investment, and it will be ready by FY '26. What kind of ROC or what kind of payback we are targeting over there? Because it is a very different kind of investment that we have seen other than what we have done before. So, what kind of payback? Because if you see our ROCs have been closer to 25% or so. What kind of ROC you are targeting in this new Greenfield project?

**Dr. Ramesh Kancharla:** I think the payback of such a high capex hospital in the industry works about 7 years to 8 years.

**Arpit Shah:** And that is what you are targeting? Is that something?

**R. Gowrisankar:** Yes, it may take (same 7-8 years) because it is a capex intensive project. So, we may do it in about eight years' time, we should do it. We should achieve it.



**Dr. Ramesh Kancharla:** Yes, seven years to eight years.

**Arpit Shah:** Got it. Any guidance on the revenue and the margin front for FY '24?

**Dr. Ramesh Kancharla:** I do not think any Greenfield project payback period will be five years or so. It is impossible because even multi-specialty, I have been talking to my peer groups and those things. About seven years to eight years is a super performance for the payback for Greenfield projects. More than 200 bed hospitals. The smaller hospitals may be different but larger hospitals will take some time.

**Arpit Shah:** Got it. Any revenue or margin guidance for FY '24?

**Dr. Ramesh Kancharla:** I think as I earlier told you, we have guided being the first year, I was very clear that I needed to give a guidance. We kind of guided markets kind of INR. 350 crores of EBITDA, INR. 1,100 crores of top line which we have executed very well. We have exceeded that. So, for the current financial year. we did put it as a business plan during the IPO time and during the initial investor calls about INR420 crores of EBITDA. So, I think what is important is the top lines are not going to be a big problem because we would achieve it. Growth will be, in the kind of high teens.

We will have to look at, how the margins are going to be because this is the first time, we are going to have almost like 400 plus new beds, or new hospitals, coming into the city. But I am a little optimistic because quite a few numbers of beds are built for the demand's sake rather than kind of a future opportunity. So, let's see how it goes. It's going to be difficult for me to do a quarter-on-quarter guidance because it doesn't work that way. If I give you something I don't want to be wrong. Year-on-year it's a multi-year business honestly. It's a multi-year business and it's a going story. It's a huge opportunity as a children's hospital to build in this country.

When you look at the developed countries to us where we are, we are nowhere. So, Rainbow is one which has been building it. I think an opportunity for me is to build this model strong. It's a multi-year opportunity and people are going to be happy with their returns on a longer-term basis.

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

**Alankar Garude:** Hi, good afternoon, everyone. Sir, would you agree that incidents of viral infections in the paediatric segment was a bit higher than usual in FY '23?

**Dr. Ramesh Kancharla:** Oh, definitely Mr. Alankar. Because what has happened was that children have been almost like a homebound for nearly two years' time. What has happened was when they have come out COVID has never been a big problem for the children. COVID perhaps didn't really bother too much, except few children had some cardiac issues and other problems.

Majority of them have not gone through complications like adults including death and those things. Because the longer periods they have been kept in the houses and routine seasonal illnesses have not occurred to them. So, they have not built immunity sufficiently to deal with the routine viral infections. Normally Adenovirus is a simple, trivial, seasonal infection. So, this comes as a kind of surprise across the globe. We do see an Adenovirus infection every season. In the western world, what they have seen is about five times increase in adenovirus infections leading to admissions, sickness, all those things. I would think that in India, it is much bigger. There is no statistical data on that. It is a much more manifold increase in the Adenovirus infections of which children have been very sick. Actually, some of them requiring intensive care and they presented with the pneumonia. So, which is why you see in the third quarter we really struggled for beds and also how patients have been chock-a-block with not only Adenovirus but with various other virus. Most of them (virus), normally are trivial, but their presentation was very pronounced this year. Because of staying at home for longer periods and they have not acquired the normal immunity what they were supposed to get year-on-year.

**Alankar Garude:** Understood sir. So, in that case what is giving us confidence that we will be able to grow over the 61% occupancy reported in FY '23 in the mature hospitals?

**Dr. Ramesh Kancharla:** Yes of course.

**Alankar Garude:** So just wanted to understand the reason sir. So, on that relatively elevated base of higher footfalls in FY '23 due to acute infections, viral infection. What is giving us that confidence sir that we will continue to grow occupancies in the mature hospitals?

**Dr. Ramesh Kancharla:** Now at 61% let me be honest with you that we struggled for the beds. We really struggled for the beds. What annoys me is that now when patients come, I won't be able to give a bed and that's not good because in a children's hospital it's a very emotional state. If somebody needs an admission, I'm not able to accommodate them, it is not right actually. So therefore, this is business one has to accept it. if I can clock up occupancies of 65% in a steady state in a mature hospital, I would do the revenues or EBITDA as much as other

hospitals because I don't have a government business. I don't have people sitting in the hospitals for longer periods our ALOS are low.

The moment the child gets better, the moment someone delivers, they are ready to go home the moment they recover. So, this is a different business model and we do need to build a capacity for the opportunity and also to have a greater number of patients treated. This is how I look at a children's hospital. So please don't ever compare children's hospital occupancies with adult hospitals.

**Alankar Garude:**

Okay. So, the second question is if you look at our experience of lease versus Greenfield till now except Vizag all our hospitals have been leased. Now given the upcoming Greenfield one in Gurgaon. Can you take us through your experience in Vizag over the past three years, four years and how would you compare it to your expansion across the other leased facilities?

**Dr. Ramesh Kancharla:**

Vizag is a small city. I'm not looking at Gurgaon, as a Gurgaon city of 50,00,000-60,00,000 population or 30,00,000 population or whatever it is. I'm looking at Gurgaon as a kind of a Hub, medical Hub for the northern India and also for international. This is how I'm trying to position this hospital for children's healthcare. So, if we look at the number of beds in Gurgaon is huge already. And there are going to be many more beds, many more thousands of beds are going to come into Gurgaon because in the landscape of NCR, if you look at it, Gurgaon is probably a place for healthcare destination. That's what every healthcare leader thinks about it.

There's Max and Apollo, Medanta and Fortis who thinks about it. So, I think I completely agree to that because it's the proximity of Gurgaon to many northern Indian states. And still, unlike southern India, even today the NCR hospitals are focused to offer tertiary care and advanced care for North. People don't come from Bangalore to Hyderabad, Hyderabad to Chennai for any treatment because they're well developed. But people come from all over the northern states, capital cities or rest of the cities come to Delhi only, for all advanced treatment. So therefore, we need to look at the Delhi opportunity, NCR opportunity as a northern India opportunity of six or seven states plus international.

So, this is how, I conceptualized this thought process to say that if we are going to be, we need to be there in a place where the largest healthcare Hub is: Gurgaon. So therefore, we need to be there to kind of define children's healthcare.

- Alankar Garude:** Would it be fair to assume that despite this Gurgaon announcement, we would continue to actively scout for facilities in Delhi city and Noida?
- Dr. Ramesh Kancharla:** I think of Delhi proper; I probably won't be kind of looking at any Greenfield, it's very unlikely. And Noida, of course, it won't be as big as this one. Noida would probably require about 100-125 bed children's hospital. And this will be the Hub hospital for the entire Delhi NCR.
- Alankar Garude:** Fair enough, sir. And sir, sorry, just one last question with your permission. Is there any change in seasonality patterns, over the years? We have data only for the last three years, but if you look at the drop in quarter 4 margins for the previous two fiscal versus FY'23, clearly, fourth quarter FY'23 has been bit of an outlier and you explain the reason for the same. But just, from a longer trend standpoint, wanted to understand, have you seen over the years any change in seasonality across quarters for our business?
- Dr. Ramesh Kancharla:** I think right from 2002, we have been seeing it. We have seen the variations of seasonality's, particularly, when we had our Dengue outbreaks in the 2002 to 2007, 2009. And we have seen seasonality getting tweaked. Again, we have seen swine-flu going up to the summer and the seasonality got shifted. So, it all depends on that, the nature and rains and various other factors, which actually influences that, the abnormal pattern of the viruses and also the infections prevailing in the community.
- Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.
- Prashant Kutty:** Yes, thank you for the opportunity and congrats on a good set of numbers. So first question is about the occupancy part of it. While you highlighted that, on the matured beds, you typically would be doing about 60%-65%. Please correct me, if I'm wrong, but even in a relatively, let's say a muted quarter, which typically Q4 is, we still have managed to deliver very good occupancy numbers. You highlighted that, there would be some one-off because viral infections are high and all. But incrementally, can you actually assume 65% to 67%, being a norm for the matured hospitals?
- Dr. Ramesh Kancharla:** So, you would like to know the 67%, for the matured hospitals, without being in the seasons, right?
- Prashant Kutty:** Yes, exactly, without being in the season?

**Dr. Ramesh Kancharla:** Yes. Okay. Well, I see the thing is that, clocking over 60% occupancy is more important. Whether it is 4%, 5% delta is always going to be debatable. The question is that knowing what kind of case mix you have, in the hospital is more important. Sometimes, we had about 55% occupancies. We had done bigger revenues than actually at 65% occupancy. See, sometimes we may have a huge season and your occupancies are very high. But some, when your beds are not occupied with intensive care services, then the revenue is very, very, miniscule. So, it does depend on the case mix and also the sickness. And these are the things, determine the overall revenue generation in a children's hospital.

**Prashant Kutty:** But suffice to say that, when you're talking about, at least you're looking for at least above 60% plus kind of a number for the matured hospitals? Be it any point of time, be it a season or non-season point of time?

**Dr. Ramesh Kancharla:** Yes, matured hospitals will clock 60% plus occupancy.

**Prashant Kutty:** Understood. Got it. So, another point was that, again, the reference point was typically the fourth quarter of a year. It usually used to be slightly more muted compared to the second quarters and the third quarters. This quarter, however, some seems to be a bit of an aberration. You have done really good numbers and both top line as well as an EBITDA front. Should one take this as a more bit of a norm in terms of, from a reference point, or again, are there any one-off elements over here? Because as compared to our Q4 FY'21 or Q4 FY'22, I understand those had some impact of COVID and all, but because this is a quarter, where there was no such thing, is that a far more normalized quarter for us?

**Dr. Ramesh Kancharla:** Yes, well, I wouldn't take any quarter as a reference point. I would take an overall and a year as a reference point. The reason is year-to-year is, I can fairly talk about it because it's going to be impossible in an emergency-based hospital to talk about the consistency of quarter-on-quarter. They can keep shifting to one quarter to another quarter. But overall, in a year, we can kind of envisage to say that this is what, we can do.

As an earlier gentleman asked me a question, that's what, it says. Our growth trajectory will continue to be high teens towards the 18%, 19%. And the revenue, and we will have to kind of foresee, which quarters are going to be higher, which quarter are going to be moderated. It's almost like guessing. I'm sorry, I wouldn't like to do this. I'm a doctor.

**Prashant Kutty:** Sir, I get that point. But the reason for asking this question, typically, if you look at it, overall, the EBITDA numbers look to be far more superior. And obviously, it's a function of the matured hospitals doing well. But again, a point to that, is the newer hospitals, we've

not seen too much of change in the occupancies over there. I understand that those are relatively new and will take their time. But are we seeing acceleration in that happening, where the occupancies could kind of jump up faster over there? I mean, have the paybacks for these Spokes, which you recently added, which you're going to add, have they been kind of coming off?

**Dr. Ramesh Kancharla:** Oh, definitely. See, what happens is in our business. For example, in Hyderabad. So, Hyderabad is kind of a matured market for us. I'm doing more and more beds in Hyderabad for demand. So, I wouldn't have any problems. For me, if I started a hospital in Hyderabad, I wouldn't worry about cash burn. It will definitely not burn the cash So when I do a hospital in geographies such as Hyderabad, with a newer or still we're building our reputation like Chennai and those things, it may take a year, when taken Spoke to third Spoke, it'll get better. Fourth to fifth Spoke, it'll get even better. So that is overall reputation of your hospital or brand or how strong are your clinical outcomes. These all things are going to matter.

So, today we are sitting in Hyderabad. I know, your concerns. We're almost getting closer to 1,000 beds in Hyderabad by end of the year, almost 940 -950 beds. So, I never imagined that we're going to do so many beds, but I continue to do it because there's a need and there's demand. So, we've gone to Bangalore. Yes, we're going to get to 500 beds and still opportunity is there. So, there's a lot of beds are there to build a business in those things in Bangalore. So, Chennai, we clocked very well in the Hub hospital, second years, third years with an extremely well. That's why, we have added kind of one more Spoke and with one more Spoke is going to come this year.

So, it all depends on how we have placed ourselves to do business. What is the reputation of the hospital? What are the medical doctors whom we have? These are all the determining factors, the hospital to do well and then the payback period will reduce significantly. So, Brownfield price, naturally, you take much less for that period than Greenfield Project. So, this is how, I look at our business. So, when we have kind of such a strong business in South, obviously, Delhi, when I'm going there, places like Gurgaon, where everyone is bullish about, being a healthcare Hub or healthcare capital, definitely, I need to be there because as a pioneer in children's healthcare.

**Prashant Kutty:** Which means that, in the next year or so, even the newer hospitals or in the next two years, should see an increase or should see an acceleration in the occupancy numbers?

- Dr. Ramesh Kancharla:** Yes, that's what I expect to do.
- Prashant Kutty:** Sure, definitely. And one last point sir, in terms of margins, it's been a very good year in terms of margins as well. You did highlight that, you're putting up almost about 400 beds odd between the one, which already added 150 beds and then another 250 beds, in the next year. Given, what you Spoke about in the occupancy front, should one assume that margins really shouldn't correct much compared to, what you would have earlier thought?
- Dr. Ramesh Kancharla:** When you have so many beds been added, there will be some degree of margin pressure will be there.
- Prashant Kutty:** Sure, fair point, But I'm just asking, earlier you were probably working from a 30%, 31% kind of a number You already clocked in about 34%, so I'm just asking from that perspective?
- Dr. Ramesh Kancharla:** Yes, I'm sure there will be some moderation.
- R. Gowrisankar:** We always say the pre-INDAS of 25% because whenever we expanded earlier also, we have seen that not clocking at that rate. So, the last two years, the bed addition was less that's why it has gone to that 34%, 35% So we are saying that it will be 30% post-INDAS. It's doable considering that you have a bucket of good number of matured hospital and then you are adding new addition so 30% is doable.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.
- Dhavan Shah:** Yes, thanks for the opportunity, sir. So my question is related to the cost of medical consumables I look at, the Y-o-Y business, it's been down by around 20-odd% and what is the other cost is more or less up by 25% so just wanted to understand your thoughts on this part because I think the inpatient volume growth was roughly 25 odd % so how should we calculate these two heads if you can help on this thing?
- R. Gowrisankar:** The consumable is always about 14%, 15% actually. So last year, we have done COVID vaccination, which is a less margin business compared to hospital business so that year was about 20%, now it has come to normal because of normalcy in hospital business. So, you can take, going forward in normal circumstances it will be, about 14%, 15%.
- Dhavan Shah:** Okay. And what about the other cost?

- R. Gowrisankar:** Other cost it ranges about, 7% to 8%. It will not be more than that actually. See again, what is there now because of that the professional fee is grouped separately. So obviously it's about 6%, 7% and then including the bed addition everything and it gives us an opportunity for a better operating leverage also it can come down if you don't add it will come down. Otherwise, it stands there.
- Dhavan Shah:** No, but if even the professional fee to the doctor is already excluded in the financial statement. But still if I do the math of 7%, 8% on the INR. 1,174 crores, it comes to around INR. 82 crores odd. So, it's more than that around INR. 200 crores is the other cost for the year.
- R. Gowrisankar:** No, doctor its 22%. You got clarification or still you want to know?
- Dhavan Shah:** No. So basically, as you mentioned that the other cost should be 7% to 8% of sales excluding the professional fee. So, professional fee line item is already apart from other expenditure. So, if I do the math other cost comes to around 17% odd for the FY'23 as against the 7% to 8% you are highlighting. So, is there anything I'm missing over here?
- R. Gowrisankar:** No, you are not missing anything actually. It's about, I think, INR. 202 crores. Yes, it's about 17%. I think, yes, that's right only.
- Dhavan Shah:** So how should we assume? Because I think the other cost for the year has been increased so any fixed cost into this part?
- R. Gowrisankar:** We have added two more hospitals in this financial year late in the last quarter and there is an increase in marketing expenses as well and increase in no. of repair and maintenance. So that's where you will see compared to FY '22 to FY '23 on a full year basis, there is an increase actually.
- Dhavan Shah:** Okay. So, on yearly basis, I think the advertisement and the repair maintenance cost should be how much?
- R. Gowrisankar:** On an average, we spend about between 2% to 3% on the marketing and business promotion expenses on the top line.
- Dhavan Shah:** And the repair and maintenance cost?
- R. Gowrisankar:** So that will be about 2.5%.



- Dhavan Shah:** Okay. And the second question is about the break-even timing. So would like to understand about the new hospital that we are adding roughly 400 beds odd in the next two years to three years. So, what is the normal break-even timing for new ones? And any EBITDA per bed number for the mature versus the new hospital that you can give? And how do you see the mix going forward in the next two years to three years? Because right now around 70% of the overall bed is from the mature one and given that we are adding 400 beds, 500 beds, so how do you see the overall mix going forward?
- Dr. Ramesh Kancharla:** I think it will become 50%-50% because we are adding a significant number of beds this year. So, it will kind of become 50%: 50% mature and new hospital beds. I need to see that how many are going joining a mature group also, some of the hospitals may join. So because of the bed additions and those things, the maturing hospitals will little bit change to last two years, because of the COVID year, we have not expanded much. And last year, 150 beds were added. So therefore, we don't see much of in the maturing beds. I think this year will change significantly to the maturing hospitals number.
- Saurabh Bhandari:** Only one hospital. Only Madhukar Rainbow Children's Hospital will move.
- Dr. Ramesh Kancharla:** Only one hospital. So, there will be more on the new hospital's growth. In terms of, you asked other thing is about break-even points and those things. Hyderabad, we do kind of break-even in the first year itself. It's not a problem for us. In the Chennai and Bangalore will take one and half year, 12 months to 18 months' time. The break-even depends on the location, size of the hospital and those things. That's how we look at it, our break-evens.
- Dhavan Shah:** And the EBITDA per bed for a mature versus new hospital?
- Saurabh Bhandari:** No, we don't calculate the EBITDA per bed level.
- Moderator:** Thank you. The next question is from the line of Aditya Khandelwal from SIMPL. Please go ahead.
- Aditya Khandelwal:** Yes, hi sir. Thanks for the opportunity. Sir, in your matured assets, if we look at the occupancy in the Hyderabad cluster, we were at around 65% based on the DRHP. But for Bangalore or Chennai, we were at around 50%. So just wanted to know has the occupancy ratio for Bangalore and Chennai improved?
- Dr. Ramesh Kancharla:** They have improved overall, and we don't do actually the city-wise cluster, we look at the matured and the maturing hospitals. So, hospital to hospital, we don't really do it city to city, it becomes too complex for us to do. Therefore, they have definitely increased

otherwise we wouldn't have clocked about 67% occupancy. (in Q4 FY24 for matured hospitals)

**Aditya Khandelwal:** Right. And in our matured hospitals, you said our occupancy is around 60% to 65%. So just wanted to understand if the future revenue growth for the company would come only from setting up new centres, or there is scope for growth to come from matured centres as well?

**Dr. Ramesh Kancharla:** No, these come from both, because matured hospitals will continue to grow in terms of the occupancy, price mix, case mix, definitely, they will continue to grow what our experience is that we continue to grow in the matured hospitals also in terms of revenue.

**Aditya Khandelwal:** Okay. And as per my calculation, our inpatient volume for our new centres which was in the range of 3,800 to 3,900 in the last two quarters, has increased to 4,300 to 4,400 this quarter. So, has this increase majorly come from our new centres open in Chennai and Hyderabad or our existing centres have also seen an increase?

**Dr. Ramesh Kancharla:** No, across all the new centres. Because of the viral epidemic it is global actually, it's not about city to city, we have seen across the country and across the globe we have seen these viral infections in children.

**Aditya Khandelwal:** Right. Okay. And our inpatient realization, increase will primarily come from two factors, inflation, and patient mix. We just wanted to understand what kind of increase can we expect from both these factors going forward?

**R. Gowrisankar:** The price increase, we are saying on an average, our ARPOB will increase by about 7% to 8% year-on-year. So, you can take about, so put together 7% to 8%. This includes the case mix and inflation.

**Moderator:** Thank you. The next question is from the line of Aneesh Deora from Nomura. Please go ahead.

**Aneesh Deora:** Yes, thanks. So for the Gurgaon facility, it's a completely, it's a newer geography than South India, where you're currently dominant. So, do you foresee any change in the doctor engagement model that you would have for the Gurgaon facility? So, in South India, you have the doctor at a full-time basis, 24x7 availability kind of a thing. So do you think, that would be possible in the Gurgaon region or are you looking at any other doctor engagement model for that geography?

- Dr. Ramesh Kancharla:** Children's hospitals, if you want to drive across the world, it is an institutional model. What I've told are the fundamentals. So, you may actually have a different engagement model, but it has to be a full-time commitment doctor. So that is a gold standard for children's hospitals. We would work towards that. Maybe price points may be different from doctor's payment expectations. But the children's hospital demands full-time doctors to deliver quality clinical results.
- Aneesh Deora:** Understood. So probably you are indicating that the doctor's payments in the Gurgaon region could be higher than what the average would be, in South India currently?
- Dr. Ramesh Kancharla:** Yes, your price points will be higher. Your doctor's costs will be higher. We need to be kind of clear on that.
- Moderator:** Thank you. The next question is from the line of Kartik Narayan from SCP India Advisors. Please go ahead.
- Kartik Narayan:** Firstly, congratulations not just on the numbers, but also the clinical results. It's fantastic. Most of my questions were answered. I have a couple of follow-ons. One is with respect to the 48% growth that you've seen this quarter. If you had to break that down into price increase and volume increase, how much of that came from prices, either through insurance or cash price increases, and how much from volume, that would be helpful.
- Dr. Ramesh Kancharla:** I've done the calculations. I've definitely, it is a more of the volume driven as well as the kind of the case mix. First, I can broadly tell you that, we've done a lot of intensive care work and a lot of sick children. So, more of volume and also the case mix than price.
- Kartik Narayan:** Understood. And if I were to look at the full year, you mentioned earlier that, it's better to look at the full year, the 20% year-on-year growth. Would you say it's similar? Is it mostly related to volume versus price?
- Dr. Ramesh Kancharla:** Yes, we have always delivered. In the pre-IPO, the last 10 years' time, we've delivered it. I hope to do that. So, yes, of course, we have done it. Still, we've always been saying there's a high teen to 20. So, the growth, I don't think that there will be any problem for that.
- Saurabh Bhandari:** Just to add, if you look at except COVID, our ARPOB has increased on an annual basis by 4%. If you break down the 20% growth, 4% has come from tariff and case mix and the rest has come from volume mix.

- Kartik Narayan:** Understood. That's helpful. And one question related to the full year numbers. So, if I look at FY '22 versus FY '23, rather a strong 20% year-on-year growth. But the doctor costs have, the professional fees to doctors was around 34%. So, has there been any change in terms of the way we have engaging with the doctors in the past year?
- Dr. Ramesh Kancharla:** I think because of a lot of new doctors being added to the pool, new doctors and new centers have come because our doctor engagement model is full-time. So, when you start a new center, our doctor costs go significantly higher. What we always see is that doctor costs should be between 22% to 24%. Sometimes, it can go up to 25% also.
- Kartik Narayan:** Understood. So, 25% is perhaps the benchmark that you aspire to maintain.
- Dr. Ramesh Kancharla:** I would get worried, if it is beyond that.
- Kartik Narayan:** Understood. And no, I think that's all I had. Again, congratulations on the results for clinical and financial.
- Dr. Ramesh Kancharla:** Thank you.
- Moderator:** Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.
- Yogesh Tiwari:** Thank you, sir, for taking my question. I had certain questions on the balance sheet. So, last year we had this goodwill of about INR. 30 million, which we do not have now. So, if you can share some details on the same.
- R. Gowrisankar:** On the consol, the goodwill was created long back, when we merged one of our subsidiary way back in 2014 - 2015. So that calls for the writing of goodwill. So, we have taken it and written it off. It's not a very material amount. It's about INR2 crores.
- Yogesh Tiwari:** So, sir, going forward, there will not be, we can assume, there will be no, nothing in terms of goodwill going forward?
- R. Gowrisankar:** No, there is nothing. No intangible declared goodwill in the books.
- Yogesh Tiwari:** Sure, sir. And sir, other thing on the intangible. So, we have some intangible assets jumped from INR. 1 crores to INR. 4 crores. And there are some under development from INR. 1 crores to INR. 2 crores. So, how do we look at this? Like what would be under development and other intangible assets? And the jump in the same?

- R. Gowrisankar:** We are implementing new HIS. So, it's all IT related. Some of the software, what we are implementing. And those are all, we are kind of upgrading our HIS, after seven years, So, that related to that we bought some of the assets actually.
- Yogesh Tiwari:** Sure, sir. So, just for the modeling purpose, would it remain in the same range for FY '24?
- R. Gowrisankar:** So, in FY '24, we may incur another about, INR. 2 -3 crores towards this actually. To complete that entire implementation and the another the new software, whatever we do, the BI tool, all those things. Another INR. 2 -3 crores will be spent on this.
- Yogesh Tiwari:** So, like INR. 2 crores, INR. 3 crores, some more under asset, intangible asset under development, it might include, is correct?
- R. Gowrisankar:** Yes, current FY, you will see the addition of INR. 2 -3 crores.
- Yogesh Tiwari:** Okay. Thank you very much. Sir, just last one question. On the other financial assets, it has increased by about INR. 55 crores to INR. 234 crores. So, if you can share the spike in the other financial assets?
- R. Gowrisankar:** No, it's actually the fixed deposits, what we have. So, it's based on the reclassification we have done. So, as per that, any deposit, which has a maturity of more than 12 months has to go to the other financial asset.
- Moderator:** Thank you. As no further questions, I would now like to hand the conference over to management for closing comments.
- Dr. Ramesh Kancharla:** So, thank you very much to all the analyst community for patiently listening, and we continue to engage. Of course, if there are any questions, you may reach out to our investor relations team. So, thank you very much, CDR and all the analysts and investors. Thank you.
- R Gowrisankar:** Thank you very much.
- Saurabh Bhandari:** Thank you.



**Moderator:** Thank you. Ladies and gentlemen, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

---

*This is a transcript and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy. Please also note that this document has been edited without changing much of the content, for enhancing the clarity of the discussion. No unpublished price sensitive information was shared/discussed on the call.*