



“Rainbow Children’s Medicare Limited Q1 FY2024 Earnings Conference Call”

August 08, 2023



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Moderator: Ladies and gentlemen, good day and welcome to Rainbow Children's Medicare Limited Q1 FY2024 earnings conference call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then 0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rahul Jeewani from IIFL Securities Ltd. Thank you and over to you Sir!

Rahul Jeewani: Good afternoon, everyone. I am Rahul from IIFL Institutional Equities. I welcome you all to the quarter one morning conference call of Rainbow Children's Hospitals. From Rainbow, we have with us today Dr. Ramesh Kancharla – Chairman and Managing Director, Mr. Sanjeev Sukumaran, Group Chief Operating Officer, Mr. Vikas Maheshwari, Chief Financial Officer, and Mr. Saurabh Bhandari – Group Business Analyst. Over to you sir for your opening comments.

Dr. Ramesh Kancharla: Thank you Rahul. Good afternoon ladies and gentlemen. This quarter has been marked by significant achievements and growth reflecting our commitment to excellence in paediatric healthcare and strategic expansion. Firstly, I would like to tell with immense pride, as Rainbow Children's Hospital, our hub hospital in Hyderabad was awarded prestigious **Gold Seal of Quality** approval by the Joint Commission International (JCI). This recognition underscores our dedication to delivering world class healthcare services to children and stands as a testimony to our relentless pursuit of quality. This makes us the only paediatric hospital in India to receive this accreditation.

Our financial performance for the quarter under fiscal year highlights our continued growth trajectory despite the seasonally weak nature of the Q1. We have witnessed a commendable 21% increase in the revenue driven by higher delivery numbers, paediatric surgical cases and the addition of 155 beds in our 2 units. Our commitment to enhancing patient care has led to these impressive numbers with the revenue for Q1 FY2024 growing by 21% to Rs.287.1 Crores. Our EBITDA has grown by 7% to Rs.87.74 Crores and that PAT has also seen 7% increase reaching Rs.41.5 Crores.

Well the overall occupancy rate for the quarter was approximately 41%. It is worth noting that this figure reflects the growth phase of our recently commissioned hospitals as we continue to expand our footprint, we are confident that these new units will contribute significantly to our future growth.

Expansion Plan:

- Our expansion plan for the current fiscal is clear: with a focus on adding 270 beds across various locations. We are about to commence a new outpatient block with a modern IVF facility adjoining the LB Nagar spoke hospital in Hyderabad city. The expansion in Hyderabad central city, Himayat Nagar with 60 beds and an additional

Rainbow Children's Medicare Limited
August 08, 2023

block in Hydernagar with 50 beds in addition to the existing 78 beds are expected to be operational by second-half of the financial year.

- Our new hospital in Anna Nagar, Chennai of ~80 beds and Sarjapura, Bengaluru ~80 beds is also expected to commence operations in the fourth quarter of the current financial year.
- Other spoke hospital in Hennur, Bengaluru is expected to commence operations in about 15 months' time, work is in progress.
- The construction of Regional Green Field Spoke Hospital in Rajahmundry in Andhra Pradesh of 100 beds is progressing well, is currently at the basement stage.
- We have completed our 100% payment to HSVP (Haryana Shahri Vikas Pradhikaran), for 2 land parcels in Gurugram and received the allotment letter. We are in the process of taking over the possession of the land.
- We recently signed an asset light 125 bed Greenfield hospital at a strategic location at Avinashi Road in Coimbatore.

When it comes to clinical excellence, we normally do a quite significant number of long-distance transports. Last year we did about 1000 plus longer distant transports and off late we are witnessing significant number of calls coming to us for the air transports. We have transported in this quarter, the airlift to typically children and newborns from Goa, Raipur, Nagpur and Vishakhapatnam to our hub hospitals. The annual Paediatric Cardiac Surgical Results, has been on par with international standards with mortality of 1.5%, which includes 40% of the complex cardiac surgeries. Our focus remains offering high standards of multidisciplinary paediatric health specialty care with comprehensive services.

I also take this opportunity to extend a warm welcome to Mr. Vikas Maheshwari, our Chief Financial Officer who brings over 25 years of valuable experience in the Corporate Finance, MMA, Strategy, Treasury Management, his expertise will undoubtedly contribute to our financial growth and strategic initiatives. With these remarks, I would now like to hand over floor to Mr. Vikas Maheshwari who will provide us with a detailed financial update.

Thank you once again for joining us today. We look forward to your questions and insights as we move forward. Thank you.

Vikas Maheshwari:

Thank you sir. Ladies and gentlemen, good afternoon to each one of you. It is indeed a pleasure to address you today and provide an overview of Rainbow Hospitals financial performance for the first quarter of FY2024. I am Vikas Maheshwari and I recently joined as a Chief Financial Officer. I am excited to be part of the Rainbow Hospital and contribute to our continued success. Let me now delve into our financial performance of the quarter one of FY2024.

- Our revenue for the first quarter stood at Rs.287.2 Crores reflecting an impressive growth of 21% when compared to the corresponding quarter of the previous financial year.

Rainbow Children's Medicare Limited
August 08, 2023

- Our EBITDA for quarter first FY2024 amounted to Rs.87.7 Crores, marking a 7% growth compared to the same period last year. However, the EBITA margin for the current quarter was 30.5%, which is slightly lower than the 34.6% in the corresponding quarter of the previous year. This marginal impact on the EBITDA can be attributed to below key points.
 - As CMD, Dr. Ramesh has spoken earlier that we have opened two units recently which is financial district, Hyderabad and at OMR, Chennai, so that has impacted the margin slightly.
 - Other things which has impacted the EBITDA is the onboarding of the senior leadership at both the corporate and the unit levels coupled with the impact of RSU cost.
 - We have also increased our expense for the branding and the promotional expenses, which is aimed at supporting our new units and the future growth of the company
 - We have also carried out few necessary repairs and maintenance across our hospitals to ensure that they remain ready for the upcoming seasons.
- The profit after tax for the first quarter FY2024 is Rs.41.5 Crores indicating a 7% growth in comparison to the corresponding quarter of the last financial year.
- In terms of the operational performance, both outpatient and inpatient volumes witnessed commendable growth with increase of 11.6 and 13.9% respectively when compared to the corresponding period in FY2022.
- The overall occupancy rate for the quarter stood at 40.9%, while mature hospitals exhibited a robust occupancy rate of 47.6%. Our newly commissioned hospitals recorded an occupancy rate of 28.1% during quarter first FY2024. Newly commissioned hospitals occupancies lower rate has been impacted by hospitals which we have opened recently. We expect as these hospitals grow and walk towards maturity, the occupancy level of the new hospitals will also reflect as we have reflecting in the matured hospitals.
- Our return on capital employed and return on equity for the first quarter FY2024 was 7.2% and 3.8% respectively. These are non annualised numbers.
- Our pair mix remains very robust and was very balanced with 48% of the revenue coming from the insurance and the balance 52% coming from the cash patients.
- Furthermore, delighted to note that our international business now constitutes 3% of our total business compared to the earlier figure of 2%.
- I am pleased to inform that our company's balance sheet remains robust with a substantial cash and cash equivalent position of Rs.474.2 Crores as of June 30th of this year. This strong financial position will be instrumental in supporting our ongoing capital expenditure plan as outlined by Chairman and Managing Director. Given our current cash flow and anticipated internal accruals in the coming years, we remain confident in our ability to complete all capital expenditures through internal accruals.
- During the quarter, the company has invested approximately Rs.187 Crores in the capital expenditure out of which the majority of the amount has gone towards the purchase of the land in Gurugram. (which is roughly Rs. 142 Crores)

Rainbow Children's Medicare Limited
August 08, 2023

With these insights, I conclude my financial update. I now invite your questions and suggestions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the question from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Hi, thanks for opportunity. My first question is what is the impact on EBITDA due to the 58 bed operationalize this quarter and also the cost that we must be incurring for the new hospitals that are going to come in?

Vikas Maheshwari: Can you please repeat this question again. There was some disturbance in between.

Nitesh Dutt: I was saying what is the impact on EBITDA due to the 58 bed which were operationalized this quarter and also the new hospitals which will be coming in the second-half of this financial year.

Vikas Maheshwari: So as far as the new units which we have opened, delighted to tell you that the Financial District, Hyderabad, has done very well and it is EBITDA positive. Since it is in Hyderabad and built for existing demand, in three months itself it has become EBITDA positive. Obviously as the new units get open till time they reached the maturity, there will be a some impact on the EBITDA, but we remain confident that in the next one year to 18 months' time they will be reaching to 20%, 25% EBITDA. So quantifying based on the new unit which is coming up in operational what will be the impact on the EBITDA will be slightly difficult, but obviously there will be some impact on the EBITDA, the quantification of that is little difficult, but we remain confident whatever EBITDA we have shown in this quarter for the two unit has got operational on year on year basis. we remain confident that the trajectory of the EBITDA should be the same.

Nitesh Dutt: Understood but if we exclude 58 beds which were operationalized, what could have been our EBITDA, so basically considering only the existing beds?

Vikas Maheshwari: So, it should have been better Mohit. We do not quantify and give these figures separately, but delighted to again tell that both the units which we have operationalized which is OMR, Chennai and Financial District, Hyderabad combined together, both are EBITDA positive though at the very nominal level, but it will further grow.

Nitesh Dutt: Alright, thanks. Second question is what is the reason for fall in occupancy of new hospitals. So even if we exclude the capacity addition, basically the new hospital, there seems to be a fall in occupancy.

Dr. Ramesh Kancharla: The new hospitals will take its time to build up. We just came out of Q1. In Q1, even the most matured hospitals also would not cross more than 50% that is because that we are children's hospital. It is the seasonally weaker quarter as it is a holiday season. Most of the families tend to go out of the cities and also this is literally a healthy period that is why we see a kind of a

Rainbow Children's Medicare Limited
August 08, 2023

significant drop in the occupancy levels. Traditionally, it has always been like that for Q1. What actually happens in Q1 is that we do a lot of surgical volumes.

- Nitesh Dutt:** Occupancy that you are expecting from mature hospitals for the full year?
- Dr. Ramesh Kancharla:** See we clocked about 60% plus in the last year in the matured hospitals and the maturing hospitals were about ~45% occupancies last year. We have about 270 beds coming in this year for operations, that is almost like ~30% of the current capacity beds. Once they get added, even with that we probably kind of a look at that annualized occupancy probably about 50%. Matured hospitals should be closer to 60% occupancy for full year
- Nitesh Dutt:** Sure that is helpful. I have a question on the Madhukar consolidation also. So if we exclude Madhukar revenue this quarter what could have been our value by revenue growth and our ARPOB for the quarter?
- Vikas Maheshwari:** The revenue contribution is roughly Rs.50 Crores from the Madhukar, where we provide the medical services and OP services which we run. So that revenue remained or more or less flat with the marginal growth not much of the impact.
- Nitesh Dutt:** But in the corresponding quarter of previous years, this revenue, the entire revenue must not have been recognized, right only the some percentage of that must have been recognized.
- Vikas Maheshwari:** So, that remains same Mohit. There is no change in the arrangement. So that arrangement continues to be same. There is no change in the data and the figures are comparable versus last year.
- Nitesh Dutt:** Understood and just last question on our expenses side. There have been steep increases in employee expenses both Y-o-Y and Q-o-Q. So just want to understand the reason for this and is it normalised going forward, what is the normalised expense going forward and similarly for operations and maintenance expenses these are also up by 120 bps Y-o-Y. So for these also are there any one off this quarter or will these kind of expenses continue?
- Dr. Ramesh Kancharla:** Mr. Sanjeev will answer this question to you. Thanks.
- Sanjeev Sukumaran:** Thank you very much for your question. As sir mentioned there are some newer hospitals that have onboarded, which means that we employ more human resources. So, an additional expense that you see are definitely because of that. The repair and maintenance had to go up usually as an investment from the organization to continue to improve the infrastructure, because Q1 seasonally a low quarter, we have enough time in our hands to actually invest in improving our infrastructure expenses. So those are largely why you see these line items showing up. Also, the on boarding of doctors in these new hospitals as well as in our existing facilities is also a contribution to the employee and doctor cost.

- Nitesh Dutt:** Got it but as percentage of revenue, will it continue to be elevated in the upcoming quarters because we are adding new capacity as well?
- Vikas Maheshwari:** Mohit, as we are heading towards the busy season which is September and December quarter, we expect the staff cost or the employee costs which we have shown remain more or less same and as the revenue grows up as a percentage, these costs will get moderated.
- Nitesh Dutt:** Understood. Thank you. I will get back in the queue.
- Vikas Maheshwari:** And also Mohit, I will encourage you to go through our PPT which is the page #18 which shows the breakup of our mature hospital and the new hospital on the occupancy basis. On the new hospital though the percentage of the occupancy has come down but as a number of the beds occupancy it has still remained the higher than the last year. So please just go through with that and if after that any clarification is required, we are available after this conference call.
- Nitesh Dutt:** Sure. Thank you.
- 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. So what was our paediatric maternity revenue mix in this quarter?
- Dr. Ramesh Kancharla:** At least a 33% is obstetrics revenue.
- Alankar Garude:** Okay. So I mean just wanted to understand if apart from the higher surgical mix which you mentioned in this quarter and as well as the higher maternity mix, was there any other reason which show the strong sequential growth in our ARPOB in the newer hospitals?
- Dr. Ramesh Kancharla:** I think what has happened is Alankar is that routine paediatrics is down significantly, and neonatal business is also down, hence the overall occupancy is low. Both obstetrics and gynecology surgeries as well as the paediatrics surgery are extremely short ALOS. So overall our ALOS have come down to 2.5 days and this the lowest ALOS that we have seen. Also, for most of these surgical cases length of stay is less, maximum they stay either one to one and a half days. So that push up the ARPOB higher and that is what we have witnessed. There were not many long stay patients. Paediatric is one which is a kind of the low average revenue per day that is completely not there in this season because of the people moving out and holidays and also season is not the one which to get admitted. So these are the things which kind of play out to increase ARPOB. We have done some transplant work and those things, cardiac surgeries happened. These are all the combination of those things actually made our ARPOB higher.
- Alankar Garude:** Understood, Sir. And my second question is on Madhukar, I think Vikas just mentioned about Rs.50 Crores of number which was broadly flat on the year on year basis. So just from a broader perspective, how is the hospital doing, I mean is it now in double digit EBITDA margin at the overall level, consol level and how do you see the traction going forward?

- Vikas Maheshwari:** So, you are talking about this Madhukar revenue growth, right?
- Alankar Garude:** Yes, Yes, I mean not just the revenues which we recognize, but on an overall basis as well in general how the hospital is doing broad sense on the margins trajectory.
- Dr. Ramesh Kancharla:** Yes, Alankar I will take this now. Last year we have done decent growth at Madhukar and what we are witnessing now the case mix is changing the surgical component is increasing, ICU started doing very well. We do highest number of deliveries in entire South Delhi. I think it is kind of looking much, much better. Now, what is important, is how do we actually take it further to build (pediatric) specialties. That is something we are working on that.
- There the international business, Delhi attracts more international business. We are focusing to build a lot more international business because we have a long term plan for Gurugram. The major initiative which we have taken now, in the current year is that we will invest and also do outreach clinics in East Africa and also in their neighborhood countries and also some of the Russian countries so this is something which we are trying to build and have started doing it. I think some early results are coming up. We expect this year international business should be 4% of overall business. so we are looking at very positively to build more business from outside - the longer distances and also the neighboring countries.
- Alankar Garude:** That's helpful sir. I have more. I will come back in the queue. Thank you.
- Dr. Ramesh Kancharla:** Thank you.
- Moderator:** Thank you. The next question is from the line of Bansai Desai from JP Morgan. Please go ahead.
- Bansai Desai:** Thank you. Sir my question is on out expansion plans. we have added Coimbatore to be added in FY2025, so can just share more about this region, what is the potential, what are your plans in terms of longer term expansion, do you plan to do a hub and spoke here and why do we do greenfield again in this particular asset?
- Dr. Ramesh Kancharla:** Okay. So Bansai we just kind of a signed up for the Greenfield in Coimbatore. We have seen enough buildings for the brownfield project. We could not really find a suitable building at a right location, because location is very important in Coimbatore. Avinashi Road is one area which is very popular and accessible to entire Coimbatore and also for people coming from outside. When it comes to Coimbatore it's a big medical hub. Among tier 2 cities, probably is one of the most advanced multispecialty space So therefore there is a space and we have evaluated it. There is only one GKNM and one trust hospital in Coimbatore. I think the Coimbatore is probably one of the important healthcare destinations for all the part of affordable class of people in that region. So we are pretty convinced about Coimbatore as a city to go in.
- Vikas Maheshwari:** Also Bansai to add what sir has just told if we look at whole Tamil Nadu, it is the second largest populated city in whole Tamil Nadu. So after the Chennai, this is the second largest city and

medically, obviously the requirement for the dedicated mother and child is needed, so it makes lot of strategic sense also to be present there.

- Bansi Desai:** Okay, what was the investment here, or should it be in line with what you have said in the past?
- Dr. Ramesh Kancharla:** Yes, I think the capex is probably going to be about ~70 lakhs per bed that's what we're looking at. So that's probably outer limit that is what I expect, considering the specialties what we are going to build at this hospital. So, the outer limit is about 65 to 70 lakhs.
- Bansi Desai:** Ok in terms of ramp up therefore should one assume Coimbatore will also have the ramp in line with what we have seen in Chennai?
- Dr. Ramesh Kancharla:** I think I am pretty optimistic about Coimbatore because no. one, there is no shortage of doctors availability No. 2, there is no shortage of specialist doctors and No. 3 there is need and necessity for a pediatric hospital. Further, I know quite a number of people in Coimbatore because Coimbatore is very linked to Andhra. Most of business people in Coimbatore are actually Andhra people. When I talk to people about the need for a pediatric hospital they are pretty optimistic about the need of a children hospitals, and also the peripheries whether it is Tiruppur, Erode, Palghat it is a huge area and they are very affordable.
- Bansi Desai:** This is helpful Sir. Thank you.
- Dr. Ramesh Kancharla:** Thanks.
- Moderator:** Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Hi, thank you for the opportunity. My first question earlier you used to give revenue split between mature and new units. I could not see this time, so can you specify that?
- Saurabh Bhandari:** Damayanti it is basically a derivative figure only. We have given the number of occupied beds, we have also given the occupancy and ARPOB. if you were multiplying this, you will get the revenue and split between matured and new hospitals. This is available on slide number 18, Damayanti.
- Damayanti Kerai:** Yes. And my second question is ARPOB for 14% growth year on year. Earlier you like indicated 5 to 6% annual growth year, so can you just split this 14% interest drivers like what is the major contributors etc., and related question is in the new units we have seen very strong 30% year on year increase in ARPOB. If you can explain that also.
- Vikas Maheshwari:** So Damayanti let me take this. So ARPOB increase on the consol basis 14% - is function of what is the ALOS. So if you look at the ALOS has come down by 7%. So the balance explains the ARPP growth which basically is case mix, complex mix which we have taken. So that is the ARPOB increase.

Rainbow Children's Medicare Limited
August 08, 2023

As far as your second question in terms of new units, ARPOB increase, obviously this new units since they are making the trajectory towards the mature we have more flexibility towards the price increase. Second the more complex works comes to the hospital as the hospital keeps increasing their journey to the maturing when name and fame of the hospital, doctors is spread over and you get a more complex work so that also explain partially about the ARPOB increase though the 16% ALOS adjustment is there, but 14% type you can say is the complex work plus the price change which we have undertaken.

Damayanti Kerai: Price is also a major contributor here for new units, right?

Vikas Maheshwari: Sorry Damayanti?

Damayanti Kerai: You know I am saying for new units price hike is also a major contributor here.

Vikas Maheshwari: Yes, so the price hike plus the complexity of work which we do there is a combination of both, right. So as the new units march towards the maturity the name and doctors may etc., it just spreads over. So initially whenever you open the hospital you will get the basic type of work. As the hospital matures the more complex work keeps coming. So that is what is explained. So 16% is the ALOS change and the balance is the case mixed plus your price change.

Damayanti Kerai: Okay, so for annual consol basis, how should we look at ARPOB now. Earlier you said somewhere mid-single digit growth looks sustainable. So are you going to revive this up?

Vikas Maheshwari: So if the ALOS remains at the same level which we have shown you should assume it is fair to see that it should be the 5% to 6% growth of the ARPOB.

Damayanti Kerai: Okay.

Vikas Maheshwari: This is the very reasonable level of ARPOB right? Yes, we should be there.

Damayanti Kerai: My last question is one of your multispecialty peer who is based Andhra, Telangana spoke about stepping up their effort in mother and child care segment. So do you think in your core market you will be seeing higher competition from such players like who are stepping up efforts there?

Dr. Ramesh Kancharla: No, we always had some competition, but competition made us better actually over a period of time. Of course, now with awareness more people are trying to start children's hospitals, few chains are also coming up. We will have to see how it is going to be. I am not too worried about it because we are not a mother and baby or mother and child hospital, we are a paediatric multispecialty, our segment is very different. We dominantly offer paediatric to sick kids and more intensive care, more specialty game. We also do other things (quaternary care) and that will definitely protect us.

Rainbow Children's Medicare Limited
August 08, 2023

Earlier some children hospitals were started they become our referral centers, maybe I think we will have to see that how to convert them as a kind of referral centers for tertiary and quaternary care.

I think any growth and development in healthcare, we should welcome them, expect a positive competition. The pie is big and definitely for people as when they are disciplined, the healthy competition is good for healthcare.

Damayanti Kerai: You are not much worried on competition which might come on the talent side right. If there is more demand for paediatric specialist etc., you remain confident about retaining your best doctor or how do you see that?

Dr, Ramesh Kancharla: On doctors, the thing is that the doctors who work with us, they are on a very different engagement model. Their clinical aspirations are very different, so most of them, the specialty doctors, would not go and drive the mother and child hospitals. It is the newborn specialist, the ones who actually go, but there is enough supply of new born specialist now a days. It is not a problem (to recruit a new born specialist).

None of these mother and child hospitals can actually build up pediatric intensive care because this model is lot more complex and intensive care takes a long time to build. The mother and child is very simple model, which includes basic paediatric care, baby care, and maternity care, so it is a very simple model and easily replicable. But Rainbow is not about mother and child, it is a multispecialty paediatric hospital and also offers comprehensive perinatal care, so we have a very different play in that space.

Damayanti Kerai: Okay sir. Thank you for your response. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Ltd. Please go ahead.

Rahul Jeewani: Hi sir. Sir this 14% ARPOB growth which we saw during the quarter. Can you quantify what would have been the contribution of insurance in the Hyderabad market if that dictate during the quarter?

Vikas Maheshwari: Hi Rahul. So the 14% ARPOB growth, some adjustment you have to do for the ALOS which is lower by 7%, so that impact of ALOS, once that is adjusted, the balance 7-8% you can assume through tariff; off which roughly 2 % to 3% from the insurance.

Rahul Jeewani: Okay. So out of the 7%, 2-3% was insurance price division and rest would have been cash increases or better case mix.

Vikas Maheshwari: Yes.

Rahul Jeewani: But sir, the better case mix was reflected in ALOS, which is driving your lower ALOS.

- Vikas Maheshwari:** Yes. So, some price hike which we have taken from the first April this year, so that also contributing towards that.
- Rahul Jeewani:** Okay and what was the quantum of price increase on the cash business?
- Vikas Maheshwari:** Between various services there has been changes, on an average it would be roughly 5%.
- Rahul Jeewani:** Ok, sure and sir on these two hospitals which you commissioned, you said that financial district Hyderabad was able to achieve EBITDA break even within a three month period so if you can quantify a similar timeline for OMR Chennai?
- Vikas Maheshwari:** OMR Chennai as per the trajectory, this coming September quarter or the December quarter it should be EBITDA positive.
- Rahul Jeewani:** Okay, so then Chennai would have taken almost 12 to 15 month's period to achieve EBITDA breakeven.
- Vikas Maheshwari:** This hospital at OMR, Chennai started in September last year is currently very marginal negative EBITDA. So, by September or by December when the seasons picks up, we remain very confident that it will be EBITDA positive.
- Dr. Ramesh Kancharla:** What happens in Hyderabad is different. We do the beds for the demand. We are opening two more units now, which will add another 120 beds in Hyderabad in second half of this financial year. 100 beds came up 3 to 4 months ago (Financial District, Hyderabad). This all totals up to 220 beds, that have come up. All these beds are for demand and future needs of the Rainbow, so when we add beds for demand, your EBITDA is still positive. If you have got an established clientele already, your doctor pool is also kind of get redistributed between the facilities, it is much easier gain for us.
- When you go to any other city, it is where we are doing a spoke to kind of cover the vital part of the city. We will see definitely based on the spoke, it will take 12 to 18 months' time. That is the kind of general guidance we give that the spoke in Bengaluru or Chennai will take about 12 to 18 months' time.
- Rahul Jeewani:** Sure sir and sir given that we are adding 270 incremental beds this year, out of which roughly 60% would be outside of the core Hyderabad market so if we will look at your overall EBITDA margin profile playing out this year?
- Dr. Ramesh Kancharla:** There will be some pressure on EBITDA, but I don't think we need to appeal to headwinds because one unit is coming Bengaluru, one is coming in Chennai. I would not see the huge challenge in Bengaluru and Chennai, Also both these hospitals are going to come towards the end of the year. So overall for the year's trajectory, I would not see a kind of a major challenges. Of course, adding beds definitely moderates the occupancies number one, second it will definitely have some impact in the EBITDA but I do not think it will be a very significant.

- Vikas Maheshwari:** The quantification of that is little difficult, Rahul. So there will be some impact, but how much that we have to see as we progress.
- Rahul Jeewani:** Sure sir and one last question from me before I join back the queue, so Vikas, can we just reconfirm the net cash and the capex numbers which you called out, so I think you said 470 Crores of net cash on balance sheet so in that after the 190 Crores of capex which we did during the quarter?
- Vikas Maheshwari:** That is correct, so as on 30th June we had the cash balance of Rs.474 Crores that is correct understanding.
- Rahul Jeewani:** And this is after accounting for 187 Crores of capex division?
- Vikas Maheshwari:** Correct.
- Rahul Jeewani:** Then the cash generation seems to be a very high number because end of last year, our net cash position was somewhere around Rs.390 Crores and despite this incremental capex our cash on book has gone up, so can you comment in terms of what led to this strong cash generation in the first quarter?
- Vikas Maheshwari:** This 474 Rahul is inclusive of the IPO fund which is ~130 Crores. You are counting that along with this.?
- Rahul Jeewani:** Okay sure, got it. Thank you.
- Vikas Maheshwari:** Net of that will be roughly 354 Crores which will be internal cash accruals and 120 is the IPO funds.
- Rahul Jeewani:** Sure thank you.
- Moderator:** Thank you. The next question is from the line of Harsh Bhatia from Bandhan MFI. Please go ahead.
- Harsh Bhatia:** Quick clarifications. One in terms of the price hike you mentioned 2% to 3% price hike in the insurance part and 5 to 6% in the cash business. Is it the right number?
- Vikas Maheshwari:** No, so what we have told is the 5% is the cash increase which has happened in the tariff which we have taken on a blended basis on an average this is the increase. The tariff increase for the insurance was for the Hyderabad cluster only and the impact was on the revenue was roughly 2% so that is what we were telling.
- Harsh Bhatia:** Okay pointing to one of the previous comments made during the call with the 110 beds that are already added and the 270 beds that will be added did we mean that we should be building in a

blended occupancy of 50% for the entire, that is what I could understand from the previous comments?

Dr. Ramesh Kancharla: Yes, that is what we are aiming at kind of annual average bed occupancy for this year probably kind of aiming at about 50% including our new units.

Harsh Bhatia: Okay sir. Alright Thank you.

Moderator: Thank you. The next question is from the line of Bino Pathiparampil from Elara Capital, please go ahead.

Bino Pathiparampil: Just few clarifications. What is the timeline for this Coimbatore hospital?

Vikas Maheshwari: Coimbatore, since it is a greenfield hospital and as MD sir has told that warm shell given by the builder, we are expecting, should be operational sometime in FY2025-2026 which is two years from here.

Bino Pathiparampil: Two years, thank you.

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

Rishabh Tiwari: Hi just wanted to confirm the number of beds or the capacity that you are planning for Coimbatore?

Vikas Maheshwari: 125 beds Rishabh.

Rishabh Tiwari: Okay. Thank you.

Moderator: Mr. Tiwari you may go ahead with your question sir.

Rishabh Tiwari: Yes, thanks. That is all.

Moderator: Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Ltd. Please go ahead.

Rahul Jeewani: Yes. Sir can also comment in terms of how our profitability has been panning in the Delhi NCR market, and any update with respect to the intercorporate loans which we had extended to Madhukar in terms of getting that money back?

Vikas Maheshwari: Rahul so Delhi we are doing a lot of work there and we plan the profitability in the overall period it will grow. As far as Madhukar advances is concerned during the last quarter we have got roughly Rs. 1.5 Crores back from them. So as on date the whole exposure outstanding including interest is roughly Rs.42 Crores with Madhukar and we remain confident that the unit is doing very well and we will recover this amount over a period of time. So there is no cause of worry for us on this.

- Rahul Jeewani:** Okay. So 1.5 Crores we have got last quarter and outstanding is 42 Crores?
- Vikas Maheshwari:** Yes, this is excluding the security deposit which we have given. The 42 Crores is the loan and plus interest which is accrued.
- Rahul Jeewani:** Okay sure sir and sir with respect to let say your capex Q1 obviously saw our number on account of this payment for the Gurugram land parcel but how are you looking at capex plan for the rest.
- Vikas Maheshwari:** Great question Rahul, so our spending should be something like this, including Gurugram we are just building roughly 930 beds (over next 4 years) for which the overall cost can be roughly between 800 to 900 Crores out of that 474 Crores cash is lying with us and this capex is spread over the next four years, including this year or the balance of this year and we remain confident with the cash generation which we are doing every year plus the cash balance with us, we will still be remain a cash positive company with completion of all the capex plan which we have announced so far.
- Rahul Jeewani:** But sir our annual CAPEX, excluding the Gurugram land parcels continue to be around 170 to 175 Crores kind of an annual number or you think that one number will be on the higher side?
- Vikas Maheshwari:** As we progress Rahul, as the capex plan is taking steam and we are opening four hospitals this year and next year also we have scheduled two hospitals and onward. So the capex spend will be slightly higher. We expect roughly 200 to 225 Crores to be spent next year.
- Rahul Jeewani:** Ok. Sure sir. That is it.
- Moderator:** Thank you. The next question is from the line of Rishabh Tiwari from Allegro Capital Advisors. Please go ahead.
- Rishabh Tiwari:** Just a follow up on the capex run rate out of the 200 to 225 Crores that we are planning, how much of it would be routine capex, would it be around 170, 180?
- Dr. Ramesh Kancharla:** No routine capex is not so high for us. It is between 20 to 25 Crores for full year. It is not high for us.
- Rishabh Tiwari:** So this is for the project?
- Dr. Ramesh Kancharla:** Correct.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Thank you and overall to you all.
- Dr. Ramesh Kancharla:** Thank you very much ladies and gentlemen. I think very insightful questions and as we have said we remain very positive for the year with a lot of project execution and as well as the great operations. We are happy to answer any of your queries. Please connect with our Investor



*Rainbow Children's Medicare Limited
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Relations, information for which is available on the deck and CFO Mr. Vikas Maheshwari and Saurabh Bhandari both of them will answer your questions.

Thank you very much once again. Hope to see you soon. Thank you.

Moderator:

Thank you. On behalf of IIFL Securities Limited, we conclude today's conference. Thank you all for joining and you can disconnect your lines.