



“Rainbow Children's Medicare Limited Q1 FY '25 Earnings Conference Call”

August 14, 2024



Call Duration	
	• 55 Minutes
Management Speakers	<ul style="list-style-type: none"> • Dr. Ramesh Kancharla – Chairman and Managing Director • Mr. Sanjeev Sukumaran – Group Chief Operating Officer • Mr. Vikas Maheshwari – Group Chief Financial Officer • Mr. Saurabh Bhandari – Head Investor Relations & Group Business Analyst
Participants who asked questions	<ul style="list-style-type: none"> • Mr. Pritesh Chedda, Lucky Investment • Ms. Damayanti Kerai, HSBC Securities and Capital Markets • Mr. Mahesh, Atal Investment Managers • Mr. Harsh, Bandhan AMC • Ms. Bansi Desai, JP Morgan • Mr. Rahul Jeewani, IIFL Securities Limited • Mr. Alankar Garude, Kotak Institutional Equities • Anand Mishra from Philip Capital
Moderator	• Mr. Rahul Jeewani - IIFL Securities Limited

Moderator: Ladies and gentlemen, good day and welcome to Rainbow Children's Medicare Limited, Q1 FY '25 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participants line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jeevani from IIFL Securities Ltd. Thank you and over to you, sir.

Rahul Jeevani: Hi. Good morning, everyone. I welcome you all to the first quarter earnings conference call of Rainbow Hospitals hosted by IIFL Institutional Equities. From Rainbow, we have with us Dr. Ramesh Kancharla, Chairman and Managing Director, Mr. Sanjeev Sukumaran, Group Chief Operating Officer, Mr. Vikas Maheshwari, Group CFO and Mr. Saurabh Bhandari, Head Investor Relations and Group Business Analyst. Over to you, sir, for your opening comments.

Dr. Ramesh Kancharla: Thank you, Rahul. Good morning, everyone. I'm delighted to extend a warm welcome to the earnings call for the first quarter of financial year FY25.

Our quarterly performance reflects our commitment to expanding footprint, operational excellence and our continued investment in technologies that enhance patient care and drive efficiency. This quarter, we have delivered a robust financial and operational performance. We have remained focused on optimizing our processes, ensuring that our services run seamlessly and efficiently to enhance the network effect of our hub-and-spoke model.

- In the last quarter, we marked a significant milestone by commissioning three new hospitals, one each in Hyderabad, Bangalore and Chennai, adding a total of 280 beds. This brings our total capacity to over 2,000 beds, including managed beds in New Delhi.
- We delivered a credible 15% revenue growth in a seasonally weak quarter. We have seen progressive growth across all the operational metrics compared to the previous year. Our outpatient footfalls, inpatient admissions and deliveries are all showing significant improvement. We are optimistic about maintaining and surpassing this growth in the coming quarters.
- Our EBITDA growth has been slightly muted primarily due to the costs associated with our newly opened hospitals. The trajectory of the operations at our new hospitals is as per our expectations and showing growth month on month.
- For the Q1 FY25, our revenue registered a growth of 15%, amounting to INR330.2 crores. Similarly, our EBITDA increased by 7%, reaching to INR93.7 crores, while the PAT was down by 4.2% to INR39.7 crores due to higher depreciation and finance costs.
- Our overall occupancy rate for the quarter was 42.4%, with the matured hospitals achieving 50% occupancy, and the new hospitals, including the recently commissioned hospitals, recording a 27.6% occupancy rate. These figures indicate that we have sufficient headroom for growth in the coming quarters.

- During the quarter, we have launched a pilot project, Adult Vaccination Outreach Program (AVON), with the top five vaccine manufacturing companies to cater to the immunization needs of the families. AVON initiative will cover vaccines including Influenza, HPV, Pneumococcal and Shingles.
- The progress on IVF has been promising and has garnered good traction. We expect to keep up the momentum on the IVF side and grow in the coming quarters.
- Our ongoing investment in technology has achieved tangible results. By leveraging advanced digital tools, we have been able to significantly impact the patient experience, from streamlining the appointments to the faster and more accurate diagnostics. These innovations not only enhance the patient's satisfaction, but also contribute to the operational efficiencies.
- In addition to this enhancing operational capabilities, we have made significant strides in data and cyber security. Recognizing the clinical importance of the safeguarding patient data, we have invested in robust security measures that keep us ahead of potential threats. This proactive approach ensures that our patients' information is secure and reinforces their trust in our services.

Highlighting the project's status:

- The development of our new regional hub in Rajahmundry (~100 beds), and the spoke hospitals at Hennur, Bangalore (~60 beds) is progressing well. Both are expected to commence operations in Q4 FY25.
- The project work for the regional hub hospital in Coimbatore (~130 beds) has just started and is expected to complete in 24 months' time.
- We have registered the land parcels in Gurugram at sector 44 and 56. For sector 44, we have submitted the drawings to HSVP for building sanction approvals. Further, for the sector 56, we will be submitting the drawings to HSVP in the coming week.

Beyond our growth plans, I would like to highlight some significant achievements that underscore our dedication to pediatric and maternal healthcare excellence.

- A 15-year-old child was being treated elsewhere for a seizure disorder for the last 12 years, with normal neuroimaging and EEG on several occasions by various doctors, including neurologists. When the child finally reached Rainbow, our pediatric neurologist carefully evaluated and discovered the child is having a very low heart rate and also has a partial hearing loss. So, he referred the child to our pediatric cardiologist suspecting a genetic disorder and there may be a heart involvement. The cardiologist performed the ECG and echocardiogram and detected there is a long QT interval on the ECG, which is known to cause bradycardias and arrhythmias. The genetic test confirmed the long QT intervals as part of Jervell and Lange-Nielsen Syndrome, which is a very, very rare condition. And in this particular condition, these children will have a long QT on ECG. They have proved to have bradycardias and sometimes arrhythmias and death. **In this case, the child was being treated, unfortunately, for 12 long years with antiepileptics without diagnosis.** I think the great clinical achievement of our pediatric neurologists and cardiologist was correct diagnosis. The

child was then treated with very simple medicines called beta blockers and mexiletine to treat for long-term basis.

- In another case, a 32-year-old lady with a complex medical history of ischemic heart disease and a stent in place with a chronic renal failure and diabetes was advised not to become pregnant because of her multiple comorbidities. However, the lady accidentally became pregnant and sought our help to continue the pregnancy. Our perinatal team responded very positively and included an adult cardiologist and the renal physician's team and followed up pregnancy very closely and optimized her care time to time and ensured the pregnancy sails as smooth as possible. Eventually, an elective cesarean section was planned and the lady delivered a healthy baby, and mother was so happy with that outcome.

These cases emphasize that importance of a multidisciplinary approach for tertiary and quaternary care patients to achieve better outcomes.

As we celebrate the Silver Jubilee of Rainbow, in providing world-class children's health care in India, I extend my heartfelt gratitude to our doctors, nurses and the entire Rainbow family, along with our valued stakeholders and the young parents who have contributed to this incredible journey.

As we look ahead, we remain committed to maintaining our leadership in the pediatric and perinatal healthcare through continuous innovation, leadership development, operational excellence and an unwavering focus on patient care.

We are confident that our strategic investments will continue to drive our growth and deliver long-term value to our stakeholders.

With this, I will now pass the mic to our group CFO, Mr. Vikas Maheshwari to take you through the financial update. Thank you once again for joining us today. We look forward to your questions and insights as we move forward.

Vikas Maheshwari:

Thank you sir. A very good morning to all of you and thank you for attending this teleconference. I am pleased to brief you on the financial performance and the key developments of the Rainbow Hospitals for the first quarter of FY25.

- Our operating revenue for the quarter stood at INR 330 Crores, reflecting a 15% growth compared to the corresponding quarter of the previous financial year.
- Our EBITDA for the first quarter amounted to INR 93.7 Crores marking a 6.9% growth compared to the same period last year with an EBITDA margin of 28.4%.
- The profit after tax for the quarter is INR39.7 crores, representing a 4.2% decline compared to the corresponding quarter of the last financial year, mainly due to increased depreciation and interest expenses related to our new units.
- In terms of operational performance, outpatient and inpatients growth was very healthy at 12% and 10% respectively for the quarter compared to the last year. Delivery volume also showed an impressive growth of 10% year-on-year growth.

- For the quarter, our non-annualized ROC is at 5.2% and is expected to rise as the new units ramp up their operations.
- Our pay mix continues to be robust and balanced with 52% of the revenue coming from the insurance segment and the remaining 48% from the cash patients.
- Additionally, our international business accounted for 2.9% of our total revenue for the first quarter amounting to INR 9.4 crores.
- Our balance sheet remains strong with a net cash position of INR518 crores as of June 30, 2024 which will support our ongoing capital expenditure plans. Given our current cash flow and anticipated internal accruals in the coming years, we are confident in our ability to complete all planned capital expenditures through internal accruals without acquiring debt financing.
- During the quarter, the company invested roughly INR56.7 crores in ongoing capital expenditures.
- I am happy to share that we successfully conducted our AGM on July 30, 2024, with all the resolutions passed by the shareholders and the company has paid the dividend on the same day.

With these insights, I conclude my financial update. I will now invite questions and suggestions from the participants. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pritesh Chedda from Lucky Investment. Please go ahead, sir.

Pritesh Chedda: Sir on the existing hospitals what was the revenue growth and the margin profile on a Y-o-Y basis? If you could share that because I was looking at the presentation, you've given all the other data points except the like-to-like comparison?

Vikas Maheshwari: On the matured units the revenue growth has been healthy. It has been at around 7% to 8% growth year-on-year basis and we expect this growth to go further up as we enter into the season. Typically, the quarter first remains very muted. Still, we could show growth of 7.3% year-on-year basis and as we enter into the season which is September and December, you'll see more healthy growth in the double digits going forward.

Pritesh Chedda: But when we are comparing on a Y-o-Y basis which is a like-to-like quarter, why shouldn't the growth be, why is the growth single digit?

Vikas Maheshwari: Your point is correct. We have working on this. The last quarter has been quite hot due to unprecedented heat waves and people have taken leaves and have been travelling due to the (national general) elections (& state election in Andhra Pradesh). There may be other reasons as well, where we have seen this slightly less growth in terms of revenue growth.

Pritesh Chedda: And at the 7% growth what is the margin profile there? Is there any erosion in margin?

Vikas Maheshwari: We are not seeing any margin erosion. In fact, in the matured hospitals they operate on the operating leverage. So any incremental revenue growth will always improve the EBITDA or EBITDA margins.

- Pritesh Chedda:** But at 7% growth, will the margin be a similar number only, is that the fair question?
- Vikas Maheshwari:** It should be the same. It's not changed. It has slightly improved only. We are not seeing any sign of EBITDA margin impact on a year-on-year basis.
- Pritesh Chedda:** And my second question is that on the newer hospitals, usually what is the trajectory of occupancy that year 1, year 2, year 3 usually you budget at while making these investments. And at what level of occupancy usually these hospitals breakeven?
- Dr. Ramesh Kancharla:** It depends on where these hospitals are. Usually in Hyderabad, we expect it to breakeven within the first year itself.
- Pritesh Chedda:** And at what occupancy, sir?
- Dr. Ramesh Kancharla:** Usually about 35% occupancy we break even. And at a place like Bangalore, it will take about 12 to 15 months time. Chennai might take about 15 to 18 months time. That's how we look at it. Based on the maturity of the hub and spoke model, we tend to clock that way.
- Pritesh Chedda:** So your prime market Hyderabad has year 1 of breakeven and everywhere else is less than 2 years basically, anywhere between 1.5, 2. And at the same hover of 35% or less?
- Dr. Ramesh Kancharla:** I think more or less 35% occupancy.
- Pritesh Chedda:** Okay, done. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Hi, good morning and thank you for the opportunity. My first question is on costs related to new units. So just want to understand whether the first quarter numbers reflect most of the costs which you have incurred or you expect to incur on an ongoing basis for the new units or do you have a plan to add on more doctors, more people, etc there? So some color on that will be helpful?
- Vikas Maheshwari:** Damayanti, I think the quarter first whatever the cost structure we have seen for our new units, (which we started), I think more or less settles there. Obviously, we started these units at the fag-end of the March quarter. The doctors have started joining April, May and June. You will see some incremental cost might come for the new units, but more or less I think 90%-95% the cost is settled there. As we grow these units and new clinical teams join, there may be some impact but not major. So what you are seeing is more or less settled there.
- Damayanti Kerai:** Understood. So in terms of margin, we understand your September and December quarter very healthy, but on an annual basis, how should we think about improvement or change from the FY24 level?
- Dr. Ramesh Kancharla:** I think, Damayanti just to anticipate that, our growth (Revenue) probably for this year will be kind of late teens. When you do a late teens revenue growth, I think overall, most of the operating metrics and financial metrics will be pretty healthy.

Damayanti Kerai: Understood. And my next question is on the Hyderabad market, your competitors are getting more aggressive in mother and child care segment. So what are your thoughts on the competitive scenario and have you seen any impact in terms of a loss of clinical talent, etc?

Dr. Ramesh Kancharla: Rainbow is very large and has strong forte. I mean, I don't think we will not be kind of impacted directly through the loss of clinical talent because the brand drives the business here and not individuals. Second important thing is, of course, when a lot of doctors, hospitals have started coming in the similar space, certainly some competition will come.

But I mean with our credibility in Hyderabad city, we may not be impacted on the long-term basis. It's (competition) not something new to us. We have been seeing this competition almost more than a decade now.

Damayanti Kerai: Sure. And my last question is, you mentioned your IVF program is picking up momentum. So if you can just update us on like how do you plan to take it up and very broadly like over the next two to three years, how do you want to grow this business? And how critical this is for your existing offerings?

Dr. Ramesh Kancharla: Okay. Well, we had three in the past, one in Bangalore, Vijayawada and Hyderabad. Now we've got to about 11 total. Now I think all of them are commissioned, all the embryology services have started, the doctors have been recruited, the business plan is laid out. And I think whatever the early footfalls that we are seeing are pretty impressive and are pretty organic. What we are seeing is what we expected of Rainbow - to drive the organic footfalls, which is happening. And they are quite impressive numbers.

And as I think, we'll have to see that how this number is going to translate to the cycles. And it will take probably at least a couple of quarters for us to have a better comprehension on that.

Damayanti Kerai: So how much you have invested so far?

Vikas Maheshwari: The investment is not too much because we have expanded into our own hospitals only. It is the equipment and the furniture, fixtures, that's all. That is not very significant. It's very small, minimal.

Dr. Ramesh Kancharla: They're not standalone. They're all within the existing hospital, either new hospitals or existing hospitals. We have included them under the birthright perinatal services.

Damayanti Kerai: Okay. Thank you. I'll get back in the queue.

Moderator: Thank you very much. The next question is from the line of Mr. Mahesh from Atal Investment Managers. Please go ahead.

Mahesh: Sir, just wanted to know the new hospitals that we have just added, like I could see that last few quarters we are still at that occupancy levels of 27%, 28% there. So what are we doing? I mean, the ARPOB in the new hospitals is somewhere around 52,000 something. Is it because of high cost that these hospitals are not showing the occupancy of these areas? I mean, it is going as per your plan. How exactly do you see this new hospitals? Because the earlier guy, you told that

35% it will be a breakeven. So we are still at 27% For the new hospitals. So when do you see this break-even levels reaching if you can please throw some light?

Dr. Ramesh Kancharla: Mahesh, I've earlier already stated about the timelines of the breakeven. We are in children's healthcare space and also the maternal services. These are organic businesses. These are not aggregation businesses like multi-specialties, like a lot of sales driven, those things. These services will take its own time because we do recruit doctors on a full-time basis. I mean, medical teams have to settle and people have to recognize, and then it starts growing organically.

Why we say, we probably are doing the first year breakeven in Hyderabad, because of the redistribution of the patients and also the huge brand reputation. You say there is a Rainbow, then people automatically go there. To an extent, that also happens in Bangalore. In Chennai the traction will take a little longer time.

This is how we work. Generally, the acquisition of the practices is much less in pediatrics and is more of an organic drive. The timelines what we see, we're quite happy with our timelines of about 12 months to 18 months' time for the spoke hospitals to breakeven at 35% occupancy.

And one other thing is that we will take at least ~6 months to get all the insurances sorted out (when we start a hospital). So that's again, they're (Insurance Companies / TPAs) are not going to give you the insurance approval as soon as you start the hospital. It's always challenging. So, we are still waiting for some more permissions, some more insurance tie-ups. They'll all happen in 6 to 9 months' time. These are all the things which actually takes its own time to settle.

Mahesh: All right. So just for my General knowledge, just wanted to know what do we do to attract this polyclinic that you have in the Hyderabad region, but the spread of polyclinics is huge. I mean, the clinics where they don't have this beds and all, but they are doing it on a very lower scale. How do you - how are you reaching out to those people? And I mean, in terms of working from their site, how do you see that thing coping up in the future? Because I see Hyderabad is, I mean, currently in Hyderabad there are a lot of polyclinics operating. So how do you see that particular thing?

Dr. Ramesh Kancharla: I mean, you see, the polyclinics for children's healthcare we can do that since we are already there at most locations with seven hospitals in Hyderabad. And we are envisaging to do one more. We are very close to most of the geographies (within Hyderabad). In addition, recently we are contemplating to do one more polyclinic in Attapur area.

I think the polyclinics are important, but at the same time they have to be driven by our own doctors. We can't recruit doctors who are non-aligned to do polyclinics that convert patients to you. This is our experience when we look at the other hospitals, multi-specialty hospitals when they run the polyclinics. Whatever we do, it has to be in our control. It has to be within the network.

Mahesh: I was asking more about the polyclinics which are not in the Rainbow's umbrella. Polyclinics which are operating independently, how you are reaching out to them? How do you are getting referrals from their side?

Dr. Ramesh Kancharla: Of course we have a sales teams they will coordinate with them. You have a lot of doctors' networks who refer patients to us and the patient reference happens only when there's complexity and when they require them to send to Rainbow Hospital for a particular intensive care or speciality. I mean there's a huge connection with our referring doctors across Hyderabad, Telangana and Andhra Pradesh.

Mahesh: All right. My last question would be on this Haryana thing, sir. I mean, it's been like taking us a very long time because it's almost more than a year that we kind of, I mean, we went ahead with that project and it's taking a long time. Can you please throw some light on what exactly is happening on ground there and why it's taking so much time? Is it because of bureaucracy or some change of government or something like that I mean, what exactly

Dr. Ramesh Kancharla: I think, it's just a phase of government nothing else, actually. We know the CEO and despite knowing the CEO of HSVP, it still takes that much time because this how the systems work. Also, for Haryana, it has got two offices, one is in Gurugram and other is in Panchkula. Between these two offices it takes its own time. And, yeah, finally, We have got the permissions, we got land registered which is more important. Now, we have applied for the permissions. Hopefully, that won't take much longer. There're some more clearances that needs to be done. Then post that, the land and drawings would be ours, post that it'll be our project's team, how aggressively we're going to do that. Once you have all the permissions on board, I think it shouldn't take more than two years, plus or minus a few months.

Mahesh: Okay. So, 26, 27 as we reported in your presentation that's when we are going to get back?

Dr. Ramesh Kancharla: Yes maybe six months. We have to give some additional time.

Mahesh: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Harsh Bhatia from Bandhan AMC. Please go ahead.

Harsh Bhatia: Thank you. So, just one clarification. Apologies if this is repetitive, but on this ARPOB move on a year-on-year basis, I understand the ALOS has also moved up, which is why there could be a case of ARPOB moving down. But this has been the case for both the new hospitals as well as the old hospitals. So, if you could help us understand like what exactly is happening across both the units.

Dr. Ramesh Kancharla: Yes. See, even I was wondering of the dynamics of this actually. I was trying to look at it. What I could actually look into and conclude is that on ARPOB guidance, whatever we have given during the last three, four earnings calls, our ARPOB guidance has always been 55,000 to 60,000. This is probably the right ARPOB for our business.

And sometimes it (the ARPOB) goes up because of the change in the case mix. When you have the season, we do a lot of pediatric business, then ARPOBs tend to go down. However at the same time you clock higher revenues and better profitability also.

Now in the current quarter, when you look at the ARPOBs today it is slightly lower and the ALOS is slightly higher when compared on year-to-year basis, that's because of the change of the business (case-mix).

If you look at ALOS, it has increased by only 4 hours and that could be because of a little change in the case mix than anything else. Last year dominantly, the business was obstetrics and lots of pediatric surgeries that took the lead (in Q1FY24). Therefore ARPOBs are higher and ALOS have gone lower (in Q1FY24).

If you go back and see the last four quarters, our ALOS was about 2.65 to 2.7 days. Somewhere around that is usually the ALOS. I'm not very sure if ALOS of less than 2.5 days could be there. It may happen occasionally, but not on a regular basis. Our ALOS will probably stand somewhere between 2.6 to 2.8 days. This is actually a proper business (case-mix) resulting in higher ALOS. This is how I look at it.

Vikas Maheshwari: Mahesh, if I can add, since that has explained about the ARPOB and ALOS. If you just multiply this, you will get the average revenue per patient, right, irrespective of their ALOS, etc. If you see that, that has gone up. That shows that we are getting the high-end complex cases at our hospital.

And that has gone up on year-on-year basis by 6% and quarter-on-quarter basis also. So, I think 1,07,000 is ARPP, which has gone up by 7%, which is a healthy sign. ALOS is the factor which depends on, critical cases, which you get, whether you are getting quaternary care, more cases or tertiary care.

Based on that, the ALOS keeps changing. But being an industry, we feel that what is more important is the ARPOB, what type of cases we are getting. So, we are happy with the ARPP growth of 6%, 7%, which we have seen in our case, both year-on-year and quarter-on-quarter.

Harsh Bhatia: Okay, so simply it is just about the cases, overall case mix becoming more-and-more complex to a certain extent.

Vikas Maheshwari: Correct. So, the more complex cases, the patients tend to stay, longer period at the hospital. So, that may impact the ARPOB. But what is more important is ARPP. Obviously, ARPOB is very important because it is the key matrix, how we drive our occupancy and then revenue. But that is also one of the key matrix (ARPP), which we should look at.

Harsh Bhatia: Just in terms of this volume growth, the double-digit volume growth that we have delivered, again, my understanding might be very limited and might be inaccurate in a certain way. But would we continue to see this double-digit volume growth going for the next few quarters on a year-on-year basis? Because FY '24 was also the year where we saw first quarter doing a double-digit growth on a year-on-year basis.

But then the volume growth was very mixed picture for the next 9 months of FY '24. So, would that be the case this year as well, or would we expect to see FY '25 remaining quarters to be a double-digit volume growth?

Dr. Ramesh Kancharla: This year largely, many things remain very positive. There is nothing major. All the elections have been over and the monsoons are right on time. Things are going on right on track. I think the overall, even the first quarter itself, we sensed that there is a positive trajectory for the year. So, I would expect this year to be a kind of a late-teens growth for Rainbow.

Harsh Bhatia: Sure, and you would continue to feel that would entirely flow through at the bottom line as well, given the incremental cost that we have seen in the first quarter?

Dr. Ramesh Kancharla: Yes. Let's see how the case-mix is and what kind of pathology we see and how we're going to deal with that. The revenue is a derivative. It depends on how and what we are going to do in the next 9 months' time as a hospital, that results in revenue generation. And I'm sure when you do about late-teens growth, you will definitely do an impressive show on the financial side.

Harsh Bhatia: Sure. Thank you.

Moderator: Thank you very much. The next question is from the line of Banshi Desai from JP Morgan. Please go ahead.

Banshi Desai: Hi. Thanks for the opportunity. So, just philosophically checking, is demand in this industry sensitive to pricing? So, I assume that probably for our newer units, we would have competitive pricing and probably that also could have had some bearing on our ARPOB. So, maybe just your thoughts on these.

Dr. Ramesh Kancharla: You're absolutely right, Banshi. I think there are two-three things which plays up in the newer units. One is that you want to be attractive for the patients. Generally, in a new hospital, people see how expensive it is. First thing is you don't want to get that in major name. So, you will definitely price it attractively in the beginning.

Second important thing is, you may not have the insurance to solve those things. So, that some of the patients may not come into the hospital because there's no cash left, which will take about 6 - 9 months' time to settle down and all the insurances tie-ups to come in. So, these factors certainly will play in. You're absolutely right.

Banshi Desai: Okay. That's helpful, sir. And from a longer term perspective, when we think about expansion, besides whatever you have shared, where do you think you have opportunities, if you think from slightly longer term perspective? Would it be these existing cities, locations, or you think there is promise, probably newer markets, newer cities? And if at all, you want to call out where you probably see that opportunity for us?

Dr. Ramesh Kancharla: Yes, Banshi. One, we have absolute clarity about what Rainbow's plan is for the next 3, 4 years' time. So, what we have done in Hyderabad, I think we're going to be closer to 1,000 beds. And definitely, we are in the business with the expansion in Bangalore to becoming the largest player in Bangalore. We are already there. And Chennai is the same way, and also regional spokes in Andhra Pradesh and Tamil Nadu. This will continue. I think this is where the Rainbow is a household name. This is where the demand continues to be there. This is where the patronage of the brand is very significant. We'll continue to play our dominance in the south, within the cities, and also connecting regional spokes. That will continue to expand.

And while we do that, and also we are exploring other opportunities. Of course, Delhi is up, NCR is a larger play. And also, the opportunities we're looking at seriously are acquisitions, which we are quite optimistic about. If something comes which is philosophically aligned to us, we'll definitely go for it. This is how we look at it.

There is a constant research going on what are the new cities? How do we enter? One thing we are very sure of, we are not going to do about 50 beds or 100 beds into one large city and going around putting dots in multiple places. I don't think that's efficient way. If we get into the city, we will address the city needs of children's health care in a larger, on a long term basis. And also we do hub and spoke model to include the larger part of the city into our network. This is our game plan.

Bansi Desai: Thank you. So that's very clear. And just one clarification, on the cost side, for this quarter, the other expenses have declined sequentially. So anything to read there, I see, increase in professional fees, and you highlighted that's probably because of the newer units coming in. But why would have other expenses decline? And should we see this as a sustainable trend?

Vikas Maheshwari: So there is a, accounting standard, this ECL provisions, which keeps coming. Based on that the other expenditure, which is the one part there gets a little bit adjusted. I think, whatever the numbers we have shown, should be stand there right now, because it's a clean quarter, there is no ECL impact, etc., in this quarter.

Bansi Desai: Okay, thanks a lot.

Vikas Maheshwari: If you look at the quarter 3, and the quarter 2, the number is in the same range, but the quarter 4 got slightly impacted because of the ECL. I think the numbers which we are showing for the quarter first is a clean quarter. That is the number which we should see. Is it clear, Bansi?

Bansi Desai: Yes, understood. Thanks.

Moderator: Thank you very much. The next question is from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead, sir.

Rahul Jeewani: Yes. Sir, you indicated in terms of the break-even timelines for new hospitals in Hyderabad being within 12 months, and for other hospitals being 18 months to 24 months. So can you please also talk about the timelines for break-even for these four new hospitals, which we commissioned in fourth quarter of last year?

Because one of those was a brownfield expansion at Hydernagar. And I'm assuming that the brownfield hospital would achieve EBITDA break-even faster than some of your other newer hospitals.

Dr. Ramesh Kancharla: That is actually, Rahul, is an additional block which we built adjacent to the Hydernagar hospital. Earlier it used to be about 85, 80 plus beds. Now that's become 110-120 beds. It's a new block. Actually, we have dedicated this block to the perinatal services because we do a large number of deliveries in that hospital.

We just made it completely the woman's block. So these are additional beds which we have done for the demand. That unit does very well anyway and it deserved that expansion. We have done it. We are very happy with that. The doctors are happy. Businesses also is actually going to be very well.

And the next one is that we have done in Himayat Nagar in Hyderabad city, which is actually the central part of Hyderabad city, the competitive area of Hyderabad city. I think it was commissioned about 5 months ago. It's tracking pretty well. And it's all a new team completely, and they're doing well. It's going well. It is within the first year itself that we'll break even.

In Bangalore, Sarjapura, I think it's also going very well. It will take probably ~12 to 15 months to break even. I think we're quite happy with the way it's going.

Chennai (Anna Nagar) is a large facility, a new area with a very new set of doctors. It will take ~15-18 months' time for break even because it's a little high cost unit and we have put in a lot of money into that. It is one of the areas where it is difficult to get a land or building or anything, which is called Anna Nagar area. We managed to get it and do a hospital, and it will take a long term. That's a great area to be in.

Rahul Jeevani: Sure, sir. So then potentially the Hydernagar, Himayat Nagar and the Sarjapura Hospital should achieve EBITDA break even by end of this year. And Chennai, you are possibly targeting break even in first half of next year.

Dr. Ramesh Kancharla: Yes, exactly. Possible next year's season, we should be fine.

Rahul Jeevani: Sure, sir. And given that this year, obviously, with the drag from these four new units, which would impact our margins this year, by end of this year, we would again be commissioning, let's say 160 incremental beds across Rajahmundry and Hennur.

So next year, do you think that given that this year already, we would have seen the impact of these new hospital's FY '26 should see a margin improvement for us despite incremental capacity addition in fourth quarter of FY '25?

Dr. Ramesh Kancharla: You're right, Rahul. That's what actually our strategy is.

Rahul Jeevani: Sure. That's it from my side. Thank you.

Vikas Maheshwari: Rahul, to add one more point it shows the resilience of our business model. We have opened three new hospitals and one extension. Still we have been able to deliver a very healthy EBITDA margin.

And the trajectory of the break-even, as CMD sir has explained, I think is well poised for the next leg of the growth. And by the year end, once these hospitals get opened, I think two and a half of our hospitals including this extension which we did, I think they will be doing very well. So I think we are well poised for the next leg of growth in terms of both margins and the revenue growth and EBITDA.

Rahul Jeevani: Sure, sir. Thank you.

- Vikas Maheshwari:** Thanks, Rahul.
- Moderator:** Thank you very much. Now, the next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead, sir.
- Alankar Garude:** Yes. Hi. Good morning, everyone. So first question, we have eight hospitals in Hyderabad now with 110 new beds commencing operations in the past few months alone. You also spoke about possibly adding another hospital in the coming years. So just wanted to understand, how are you thinking about the impact of cannibalization in Hyderabad?
- Dr. Ramesh Kancharla:** Yes, it's interesting. We always see some degree of cannibalization because the patients which are on the border between the two hospitals will settle down to the new hospital. But we have always seen that growth opportunity is much larger.
- This cannibalization would not be really significant because the other hospitals have always been in demand for the beds and those things. So in a way that works better when you have a new hospital network, some degree of adjustments between both the units of the occupancies would help us in the long term to create more beds for that geography.
- Alankar Garude:** Understood, sir. The second question was, any color on the performance of the Madhukar Hospital in this quarter? You had mentioned about a pickup in performance in this scale. So any thoughts on how's the performance been in the first quarter?
- Dr. Ramesh Kancharla:** Madhukar definitely there's an uptick in the performance and overall shape of the Madhukar Hospital and traction seems to be well. Perinatal services are pretty good and the intensive services are picking up. I think the number of footfalls have increased significantly.
- These are all very positive signs and we've been constantly working on the cost structures and we're seeing some tangible results from our operational teams working on the cost side and I think towards the end of the year we'll probably have a much better opportunity to post good EBITDAs for Madhukar as well as Rosewalk.
- Alankar Garude:** So I think FY '24 we were at high single EBITDA margins in Madhukar. So would it be fair to assume maybe a mid-teens kind of a low to mid-teens kind of a number in FY '25 and possibly higher going forward in FY '26?
- Dr. Ramesh Kancharla:** I think what we are looking at Alankar is a double-digit EBITDA. That's what I'm aiming at. I'm not sure where I would end up whether it is early teens or just teens or mid-teens. I'm not very sure at the moment. So definitely I think achieving double-digit EBITDA in that kind of a structure is quite satisfying to be honest with you.
- Alankar Garude:** Understood and maybe a quick follow-up there. What's the outstanding amount from the trust?
- Vikas Maheshwari:** It remains same from the March whatever we have seen. It is same. So as the year progresses we expect that the INR3 crores to INR4 crores to further come down Alankar. So it's more or less same status.

- Alankar Garude:** Okay understood and one final question from my side. When it comes to Gurgaon, construction has not started yet at both the hub as well as the spoke hospitals. Just wanted to get a sense are we seeing any delays in both these hospitals?
- Dr. Ramesh Kancharla:** I'm not saying (delay), I mean we have still said about FY27 right, mid of FY27. I think there may be a four to six months delay because we didn't expect that it will take about a year to get the land parcels registered and now we applied for the permissions. Hopefully this phase of the permissions if we can cut short to two - three months' time then we should be right on the track. Maybe with a three four months leeway.
- We have already boarded the head of the projects and we are actually working on the drawing and various other things. I think we are also trying to see some innovative ways to cut short the timelines in terms of a core construction or in terms of going the hybrid way. There are multiple things that we are exploring and I think from our side we are gearing up to try to bridge some gaps.
- Alankar Garude:** If we assume say you get an approval in the next say couple of months how much time do you think would it need to construct the spoke as well as the hub hospital?
- Dr. Ramesh Kancharla:** Once you start groundbreaking it will probably take about two years' time in the modern way of construction. If you have got everything else finalized and go on the turnkey basis or if you try to work with a great executive team.
- Alankar Garude:** Understood sir. That's it from my side. Thank you and all the best.
- Moderator:** Thank you very much. The next question is from the line of Anand Mishra from Philip. Please go ahead sir.
- Anand Mishra:** Yes. So I had just a couple of questions on your Gurugram expansion. So do we have any broad capex number for the whole project?
- Dr. Ramesh Kancharla:** I think we do have a broadly but once we are at BOQ stages and those things, we'll have a lot more clarity about it.
- Anand Mishra:** Okay and just quickly so I mean on the competitive side right so I think the Gurugram market is fairly competitive given the density of hospitals there. So I mean what is our go-to market strategy there? So are we looking at maybe being a premium player or are we looking at being a mid-market player? If you could give us some color on that.
- Dr. Ramesh Kancharla:** I think our Gurugram flagship hospital is going to be a national hospital for entire North India. That's the positioning that we're going to base on this hospital. The spoke hospital of 100 plus beds is going to be a local Gurugram high-end hospital and these hospitals are actually are going to be very well built and will be very futuristic.
- Anand Mishra:** But is it fair to assume a capex per bed in the range of INR 1.5 crores to INR2 crores? I mean that be on the higher end or something?
- Dr. Ramesh Kancharla:** I think it will be around 1.5 Cr. Yes, for sure.

Anand Mishra: Okay. Great, thanks that answers my question. Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Vikas Maheshwari: Yes. Thanks. We would like to thank you all for joining today's conference call. Your participation and insightful questions are invaluable as we continue to navigate our strategic path forward.

The support and engagement are crucial and we appreciate the time and efforts you have invested in understanding our business and the future plans.

We look forward to our continued partnership and are excited about opportunities ahead. For any queries please reach out to investors@rainbowhospitals.in or Mr. Saurabh Bhandari. Thank you very much.

Moderator: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Vikas Maheshwari: Thank you.

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 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.
