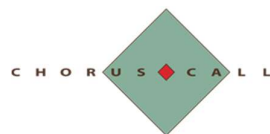


## “Rainbow Children's Medicare Limited Q1 FY '26 Earnings Conference Call”

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IIFL CAPITAL



Call Duration • 58 Minutes	
Management Speakers	<ul style="list-style-type: none"> <li>• Dr. Ramesh Kancharla – Chairman and Managing Director</li> <li>• Mr. Vikas Maheshwari – Group Chief Financial Officer</li> <li>• Mr. Saurabh Bhandari – Head Investor Relations &amp; Group Business Analyst</li> </ul>
Participants who asked questions	<ul style="list-style-type: none"> <li>• Ms. Damayanti Kerai, HSBC Securities and Capital Markets</li> <li>• Mr. Amit Agicha, HG Hawa &amp; Company</li> <li>• Mr. Anshul Agrawal, Emkay Global</li> <li>• Mr. Rahul Jeewani, IIFL Securities Limited</li> <li>• Mr. Naveen Baid, Nuvama Asset Management</li> <li>• Mr. Sumit Gupta, Centrum Broking Limited</li> <li>• Mr. Alankar Garude, Kotak Institutional Equities</li> <li>• Mr. Nitesh Dutt, Burman Capital</li> <li>• Ms. Virti Shah, Systematix Investments</li> <li>• Ms. Aadya Singh, Findoc Investment</li> </ul>
Moderator	<ul style="list-style-type: none"> <li>• Mr. Rahul Jeewani - IIFL Securities Limited</li> </ul>

**Moderator:** Ladies and gentlemen, good day, and welcome to the Rainbow Children's Medicare Q1 FY '26 Earnings Conference Call hosted by IIFL Capital Services 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 this 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 Jeewani from IIFL Capital Services Limited. Thank you, and over to you, sir.

**Rahul Jeewani:** Hi. Good morning, everyone. This is Rahul from IIFL Institutional Equities. I welcome you all to the first quarter earnings conference call of Rainbow Hospitals being hosted by IIFL. From Rainbow, we have with us today, Dr. Ramesh Kancharla, Chairman and Managing Director; Mr. Vikas Maheshwari, Group CFO; and Mr. Saurabh Bhandari, Head of Investor Relations. Over to you, sir, for your opening comments.

**Dr. Ramesh Kancharla:** Thank you, Rahul. So good morning, everyone. Thank you for joining us today. We have entered a new financial year with a continued commitment to our long-term vision to deliver high-quality pediatric and perinatal care across the geographies, we are scalable, effective and deeply specialized network.

Let me start with a few key strategic and operational updates for the quarter.

- Despite Q1 being a seasonally softer, especially in the general pediatric outpatient as well as inpatient volumes, we have delivered a steady financial performance. This growth was supported by strong momentum in the new hospitals and consistent demand for advanced services like pediatric specialty, multi-specialties and quaternary care.
- The revenue registered a growth of 7% amounting to INR353 crores, EBITDA increased by 11% to INR103.6 crores, while PAT registered a growth of 35% to INR53.8 crores.
- The overall occupancy rate for the quarter was 40.2%.
- The newer hospitals added in the last 2 years are contributing in line with our expectations.
- During this quarter, we have achieved a significant milestone by entering Warangal, a Tri-City with a population of 1.1 million with a catchment area of 3 million through the acquisition of 76% majority stake in Prashanthi Hospital Warangal. This is a strategic move as we expand into Tier 2 cities with access to high-quality pediatric care limited. Warangal with now function as I spoke to our Hyderabad hub other strengthening our hub and spoke model in Telangana. We are excited about this opportunity and value it can create -- it can add to a long-term growth.

Let's talk about projects. Our project pipeline is pretty well intact, where we continue to maintain our disciplined execution.

- Our regional hub hospital in Rajahmundry of 100 bed is completed and are waiting for the final permissions to commence operations from government.

- In Bengaluru, the construction continues at this pace at Electronic City of 90 beds and the Hennur with 60 beds, both projects are on track to become operational by the end of the Q2 FY '26.
- At Coimbatore the project work for 130 beds hospital is in progress.
- In the national capital region, the exploration work is progressing quite well at both sectors, Sector 44, which is for 325 beds, on Sector 56 for 125 beds capacity in Gurugram.
- We are in advanced discussions to finalize an asset-light build-to-suit greenfield hospital in Pune with 150 bed capacity.

This calibrated approach reflects our ambition to scale bed capacity responsibly in existing cities as well as new geographies.

While challenges continue to persist international business due to higher tighter regulations in markets like Bangladesh, Oman and Sudan, we're actively monitoring the situation, adapting to our strategies to focus on other countries.

Clinically, we are very encouraged to see continued growth in the pediatric specialties, quaternary care, including organ transplantation. These services continue to be strong drivers of case mix enhancement and the revenue contribution.

We are also pleased to see the steady ramp-up in our newer hospitals, confirming both the scalability of our model and the operational capability of our teams on the ground.

I would like to take a moment to highlight 2 remarkable achievements that underscore the strength and the expertise within the Rainbow Group.

- And inspiring patient outcome from our Bengaluru Bone Marrow Transplant Unit, a 15-year-old girl from Iraq with a sickle beta-thalassemia, a complex and debilitating conditions since infancy was going through a miserable complications like sickle cell crisis, a vascular necrosis of the hip joints and multiple transfusions. She underwent a life-saving bone marrow transplantation with the donor being the sibling. Despite facing a rare serious post-transplant complications because of the blood group incompatibility, our team managed these complications with exceptional skill and care, resulting in a successful outcome that truly reflects our multidisciplinary approach.
- **In another breakthrough milestone, Dr. Nageswara Rao Koneti, Director of our pediatric heart institute was granted U.S. FDA patent for discovering the innovative multifunctional cardiac device named KONAR-MF Occluder. This device is used to close the ventricular septal defects in the bottom of the chambers of heart and several other cardiac conditions like aortopulmonary windows and the patent ductus arteriosus and other fistula within the heart. So far, it's been used successfully in about 18,000 patients across 90 countries.**

These achievements clearly demonstrate that our clinical capabilities and the dedication of our teams, reinforcing our position at the forefront of pediatric and prenatal health care in India.

Looking ahead, our priorities are very clear,

- Ensuring the timely commissioning of the project of Rajahmundry and also 2 spoke hospitals in Bengaluru in this year,
- Deepening clinical capabilities by strengthening our strength of excellences.
- Strengthening our sales and marketing function by bringing in experienced leaders and expanding the teams across key markets to deliver sustainable and scalable growth
- To support the future growth through inorganic acquisitions as well as greenfield and brownfield opportunities.

I want to take this opportunity to thank our medical teams and leadership teams for their dedication and the hard work. We are grateful to our stakeholders for their continued trust in building this much needed health care for women and children. And I'm confident of creating a significant value for our shareholders.

With that, I now hand over to Group CFO, Mr. Vikas Maheshwari to take you through the financial details for the quarter.

**Vikas Maheshwari:**

Thank you, sir. A very good morning to all of you and thank you for attending this investors conference call. I'm pleased to brief you on financial performance and key developments of Rainbow Hospitals for the first quarter, FY '25, '26.

- Our operating revenue for the quarter stood at INR353 crores, reflecting a growth of 7% when compared to a corresponding quarter of the previous financial year.
- Our EBITDA for the quarter stood at INR103.6 crores marking an 11% growth compared to the same period last year.
- The EBITDA margin for the current quarter is 29.4%, which is an improvement of close to 1% from Q1 FY '25 due to effective cost discipline.
- The profit after tax for the quarter is INR53.8 crores, marking a growth of 35% in comparison to corresponding quarter of the last financial year.
- I'm happy to share that Prashanthi Hospital, Warangal has been seamlessly integrated with Rainbow Hospitals - all systems, including our IT, which is HIS, SAP and HRMS have been integrated to the Rainbow network.
- In terms of operational performance, outpatient volumes for the quarter witnessed a growth of 6%, while inpatient and the deliveries de-grew by 1% and 2%, respectively, when compared to corresponding period of last year.
- For the quarter, our payer mix continued to remain steady and balanced with close to 52% of the revenue coming from the insurance and the balance, 48% coming from the cash patients.
- I am pleased to inform that our company balance sheet remains robust with net cash position of INR735 crores as of 30th June 2025 and will support our ongoing capital expenditure plan. Given our current cash and anticipated internal accruals in the coming years, we remain confident in our ability to complete all planned capital expenditures through internal accruals without any debt financing.

- During the quarter, the company has invested approximately INR41.5 crores in the capital expenditure.
- I am happy to share that we successfully concluded the AGM on 5th of July 2025 and the dividend to all the eligible shareholders has been credited on the same day. With these insights, I conclude my financial update.

I now invite questions and suggestions from the participants. Thank you very much.

**Moderator:** Thank you very much. The first question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:** Sir, can you talk a bit more about the newer market where you're planning to enter? So, Pune and Warangal, which you mentioned. So just in terms of the market opportunities, whether we should look at this newer market more similar to what you see in the Hyderabad market? Or these will be more like Chennai or Bengaluru market? So, a bit more colour on that would be helpful.

**Dr. Ramesh Kancharla:** Yes, we now have a very clear approach to expansion strategy. While we continue to add beds in our established markets like Hyderabad, Bengaluru, Chennai, and Andhra Pradesh, we are also exploring newer geographies.

One such region is NCR. Though we already manage a hospital in South Delhi, the rest of NCR is still a new geography where we have now commenced work. Another region is the Northeast. And most recently, we have started evaluating Pune.

When we look at pediatric markets and identify cities where a children's hospital could do well, we focus on places with strong IT and knowledge-based job ecosystems. These create a good population segment for our model. So, NCR and Pune — along with Hyderabad and Bengaluru — are cities where we see good opportunity to build a full-fledged pediatric and perinatal model.

**Damayanti Kerai:** Okay. So, Pune, you said you are in advanced discussion. When will this discussion likely result in concluding the project?

**Dr. Ramesh Kancharla:** Yes, we've agreed on commercials and other aspects before signing. I think the legal work is almost concluded, and we should be going ahead with the signing in a couple of weeks.

**Damayanti Kerai:** Okay. So, this year, it's most likely you'll see the Pune project to go ahead?

**Dr. Ramesh Kancharla:** Yes. It would take about 2.5 years' time to commence the operations.

**Damayanti Kerai:** My next question is on your -- the newer hospitals where you mentioned pickup is broadly in line with expectations. So just specifically on Sarjapur and Anna Nagar, if you can share whether these are nearing cost breakeven or it will take some more time?

**Dr. Ramesh Kancharla:** Sarjapur has breakeven, and Anna Nagar is close to it. It will probably take another 6 months. During the current season, we should reach breakeven.

- Damayanti Kerai:** Okay. And my last question is, in the previous call, I guess you mentioned ARPP will be the better metric to look at the operational performance, but you haven't shared it. Maybe if you can share that on a regular basis in your presentation, that will be helpful. Well, you mentioned ARPOB might not be the right metric to really look at your business. But for this quarter, if you can just -- if you can just share how things have moved in terms of ARPP metrics?
- Vikas Maheshwari:** Damayanti, this is Vikas Maheshwari. Actually, ARPP is a derivative — if you multiply ARPOB by ALOS, you'll arrive at the number. But yes, it's a good suggestion, and we will start publishing ARPP going forward.
- On a year-on-year basis, ARPP has increased by roughly 3%. As we've shared earlier, ARPP is on an upward trend — we've seen 6% to 7% growth over a period of time. We remain on that trajectory, though there could be fluctuations of a quarter or two.
- Damayanti Kerai:** So broadly 6% to 7% growth is a normal range, maybe the 3% number which you mentioned for 1Q, is because this is a seasonally low quarter?
- Vikas Maheshwari:** Yes, we can attribute this to that.
- Moderator:** The next question is from the line of Amit Agicha from HG Hawa.
- Amit Agicha:** My question is only connected to doctor engagement, could you elaborate on the retention strategy for full-time doctors, especially in Tier 2 cities? And what percentage of your doctors are on retainer model versus revenue share, like the basic category, with such a high training output? Like are you able to absorb trained doctors into your system effectively?
- Dr. Ramesh Kancharla:** Yes. One of the key aspects for us is our doctor engagement model. We broadly look at two different categories of doctors. In the pediatric space, you typically don't find too many generalist doctors — we focus on those with the right qualifications and specialized skill sets. We invest in them from the start. For the first 2 to 3 years, they are usually on a retainer model. Once they start performing well, they transition to a variable fee structure. This is how we've been operating across all geographies.
- The model has been quite stable and successful. Once doctors settle down and begin earning well through the variable fee, they tend to stay. One of the key reasons for strong doctor stickiness to our model is that Rainbow functions as a medical institution — it's not just about individual performance but about service delivery as a team. Doctors here require strong support from the hospital infrastructure and from their colleagues. It's not a solo practice — it's a collaborative system. That's why the retention is strong, and the engagement model works well. It's a truly institutional model.
- Amit Agicha:** Any percentagewise, can you give like retainer model as a revenue share?
- Dr. Ramesh Kancharla:** Sorry? So, the majority of doctors are in various stages — that's why I mentioned it's difficult to give a fixed percentage. As the hospital matures, we gradually transition doctors to the revenue share model. This keeps them engaged and allows them to grow both clinically and financially.

For example, most of the doctors in Hyderabad are already on the revenue share model. In Bangalore too, a significant portion have moved to this model. Chennai is still largely on the retainer model since it's in the early phase of operations. So that's how the progression works.

**Moderator:** The next question is from the line of Anshul Agrawal from Emkay.

**Anshul Agrawal:** My first question is on the mature hospitals. Any comment on why volume growth has been -- volumes have been muted for this portfolio?

**Dr. Ramesh Kancharla:** Yes, Anshul. We observed this trend in the last quarter as well — both Q4 and Q1 have been quite muted, seasonally speaking, in the current year. We haven't gone into deep analysis yet, but from what we've seen, there aren't any specific reasons driving this. It's just generally been a very healthy period. The patients who are coming in are mostly visiting for vaccinations, specialty care, or nutritional advice.

There hasn't been any significant disease activity over the last 5 to 6 months. That's what we've observed. When you look at pediatric volumes, they're the key contributor to our occupancies — and those have been soft, leading to a plateau or even some degrowth in occupancy compared to last year.

But this seems to be more of an external factor — we don't believe it's due to cannibalism, competition, or any internal issues. We're pretty confident that we'll come back when once thing start settling up and operating side, absolutely, we're on top of the things.

**Anshul Agrawal:** Sure. A follow-up on this, sir. So, our surgical mix would have actually deteriorated in the current quarter. And so what would explain the jump in ARPOB or ARPPs, given that surgical mix would have actually reduced?

**Vikas Maheshwari:** Anshul, let me add here before Dr. Kancharla steps in. For mature hospitals, overall revenue grew by 2%. What came down was the seasonal, lower-value footfall — typically a large number of pediatric walk-ins, which were softer this quarter. However, our critical care segment remained strong and steady. Since the low-ticket pediatric cases reduced, the higher-quality, higher-value segments continued performing well — and that's what's driving the ARPOB and ARPP improvement.

So yes, while the icing on the cake — the seasonal pediatric volumes — were missing, the core high-value business remained intact, which explains the growth in ARPOB.

**Dr. Ramesh Kancharla:** No, Anshul — I wouldn't say the surgical mix deteriorated. In fact, our surgical mix has been quite healthy over the last 4 to 5 months. The volume of surgeries has been good. That's also why you see a lower ALOS, as most pediatric surgeries today are minimally invasive.

There are two or three key contributors here: pediatric specialties, quaternary care, and pediatric surgeries — all of which reduce ALOS and enhance ARPOB. So, in the absence of the seasonal, lower-value business, these factors drove a 13% increase in ARPOB.

**Anshul Agrawal:** So there has been no price hikes in the insurance compartment or cash tariff at all, this is purely pediatric...

**Dr. Ramesh Kancharla:** For this year, not yet. We are expecting these revisions to close — at least for Hyderabad, Bangalore, and Chennai — probably sometime in the next couple of months.

**Anshul Agrawal:** And any update on the IVF business vertical? How is it faring, have you added IVF vertical in any newer hospitals?

**Dr. Ramesh Kancharla:** No, it's the same — we have 12 centers currently, most of them within our main hospitals. Growth has been quite impressive. We are on track to perform around 2,000 cycles by the end of the year. Revenue has grown by 50% year-on-year, which is very encouraging.

**Anshul Agrawal:** Just one last question. We'll be maintaining our mid-teens revenue guidance for the next couple of years? Or we'll see any upward plans for this, given the fact that they're adding hospital beds aggressively?

**Dr. Ramesh Kancharla:** Yes, we're adding beds now — with the recent acquisition and around 250 beds already in the pipeline expected to come into operations over the next 2 to 3 months. So, between those 250 beds and an additional 100 from recent acquisition (Warangal), we're looking at roughly 350 beds getting added this year, not counting any further additions from possible acquisitions.

There are enough number of beds that are going to add this year. For the guidance, we continue to anticipate revenue growth in the late teens to around 20%. With three quarters still to go, we remain quite positive.

**Moderator:** The next question is from the line of Rahul Jeewani from IIFL Capital Services Limited.

**Rahul Jeewani:** Sir, on this Pune greenfield hospital, which we have, let's say, focused on now, what led to you deciding Pune as a market within the West India market? So can you talk about in terms of the market potential within Pune and are you choosing Pune for your West India foray?

**Dr. Ramesh Kancharla:** Pune, geographically, is a natural westward extension of our Hyderabad cluster. It has a strong catchment area. Additionally, we already see patients coming in from regions like Solapur and Parbhani districts. So, it effectively becomes an extension of the Deccan Plateau.

Pune is also a young people's city, with a significant presence of IT and ITES sectors, and high insurance penetration. While there is competition on the maternity side, the large population base and strong maternity demand naturally create a need for advanced pediatric capabilities — which aligns well with our strengths.



We see Pune as a strong long-term addition to the Rainbow network. It also offers the potential to develop a hub-and-spoke model, given the city's size and ongoing expansion.

**Rahul Jeewani:** Sure, sir. And sir, what kind of capex would we be incurring for this 150-bed greenfield hospital?

**Dr. Ramesh Kancharla:** This is going to be a greenfield hospital, and the base building will be handed over to us. Based on our current understanding with them, the cost is expected to be well under INR 1 crore per bed. While we're still finalizing the exact numbers, I would expect it to be somewhere around INR 80 lakhs per bed.

**Rahul Jeewani:** Okay. So largely in line with what we have done for our asset-light hospitals previously?

**Dr. Ramesh Kancharla:** Absolutely, yes.

**Rahul Jeewani:** Sure, sir. And sir, second question on while the IP volumes were impacted because of seasonality, what we see is that the delivery volumes were also muted this quarter. So, a 2% Y-o-Y decline. So, what led to, let's say, this muted or sluggishness in terms of the delivery volumes?

**Dr. Ramesh Kancharla:** Well, we're not entirely sure. We've been closely looking at the data from multiple angles. Sometimes, delivery volumes are influenced by earlier wedding patterns, which can create cyclical trends — that could be one factor here.

When we look at peer groups, especially in Hyderabad, the two major players in deliveries are Rainbow and Fernandez. Even Fernandez has shown slightly muted growth — about 2–3% down in the last quarter. A similar trend is visible in Bangalore and Chennai as well.

So, overall, it seems like there's a general dip in deliveries across regions, not just specific to Rainbow. We don't see any strong or structural reasons behind this — it appears to be more of a temporary, cyclical phenomenon rather than anything concerning.

**Rahul Jeewani:** And this, let's say, what this muted growth in delivery, was it across clusters or was specific to certain clusters?

**Dr. Ramesh Kancharla:** No, we've actually seen this trend more in our larger hub hospitals, where there's naturally more competition. The micro-market hospitals, which we've developed over the last 2–3 years, are doing fairly well — the growth opportunities for these new hospitals remain strong. So, the slowdown is mostly visible in areas where our hospitals are in highly competitive zones. In such areas, everyone takes a bit of the share, and even then, the overall delivery numbers aren't very high for anyone.

That said, we've been present in these high-density areas across the three cities for quite some time, but we haven't seen this kind of dip before. We're exploring the issue more deeply to understand it better and identify ways to rebuild delivery volumes. Possibly, we need to step up our marketing and outreach efforts, especially to connect more with the younger population. We also need to reinforce our positioning around natural birthing and related services. It's time to re-energize and recommit ourselves to get back on track with double-digit growth.

- Rahul Jeewani:** Sure, sir. And sir, on the inorganic opportunity, Northeast is what you are evaluating and let's say, with the entry into the Pune market, would you be evaluating inorganic opportunities in other, let's say, Tier 2, Tier 3 markets in Maharashtra as well?
- Dr. Ramesh Kancharla:** Well, I think if there are any suitable opportunities that align with our approach, we will certainly consider them. By 'suitable,' I mean hospitals that are built with quality infrastructure, hold necessary accreditations, and have a long-term vision where we can build scale and embed our philosophy. In such cases, we would definitely be open to exploring them.
- Rahul Jeewani:** And sir, can you update us on the opportunity which you were evaluating in Northeast?
- Dr. Ramesh Kancharla:** Yes, we'll probably come back to you very soon with more details on that. It's still a bit premature at this stage...
- Rahul Jeewani:** Okay. Sure, sir. And sir, just one request from me here, given that our business is slightly seasonal in nature and you talked about the fact that the general pediatrics business is what was impacted and tertiary and quaternary care where you continue to see healthy growth. So, if you can, going forward, split the business in terms of these different segmental, so that will help us to better track the operating metrics in terms of how some of these dynamics are playing. So yes, I would request if you can share that data going forward?
- Dr. Ramesh Kancharla:** Rahul, the challenge is that children's healthcare is inherently a very medicalized and team-based model. A child may be admitted under one department but receive interventions or support from multiple specialties. It's rarely linear. It's very difficult to kind of segmentalize the departmental wise in those things.
- The child usually presents as a sick patient, and only after evaluation do we determine the underlying condition and assign them to the appropriate specialty or intensive care team. So, segmenting the pediatric business in a clean departmental format is quite complex and may not meaningfully reflect the clinical reality. But we'll certainly think about it and see what's feasible
- Rahul Jeewani:** If not that way, maybe the split of the business between seasonal and non-seasonal, obviously, there also you would have to take your judgment. But yes, even that will be helpful.
- Moderator:** The next question is from the line of Naveen Baid from Nuvama Asset Management.
- Naveen Baid:** I'm not sure if this has been answered before. But if I look at your mature hospitals despite poor inpatient volume, what kind of explains the sharp rise in ARPOB, especially in the mature hospitals? Just a mix as Rahul was referring to.
- Dr. Ramesh Kancharla:** Yes, what typically happens in Q4 and especially in Q1 is that it's generally a holiday season. Many people travel abroad, and cities like Bangalore and Hyderabad — especially in the IT zones — see a 40% to 50% drop in population during this period.
- However, what remains consistent is pediatric surgeries — particularly specialized ones such as pediatric urology, neurosurgery, and ENT procedures. These are often scheduled during the

summer because it's the preferred time for parents to have their children undergo planned surgeries.

As a result, we see a significant uptick in surgical volumes during this time. It's a combination of the holiday season and it being a relatively healthy period with lower infection risks — making it ideal for elective procedures. This includes not just pediatric surgeries but also cardiac procedures, transplants, and other elective surgeries that people tend to schedule during this quieter, safer season.

So, while Q1 may reflect lower overall volumes, the business we do is of higher quality — with a richer case mix. That's why ARPOBs are typically higher during this period

**Naveen Baid:** Just one more question. So, you have 800 bed addition kind of a pipeline over the next 3 years. How much of that is going to be on the asset-light model?

**Dr. Ramesh Kancharla:** Other than 450 beds, which are going to be in Gurgaon, rest are for all asset-light, at least 50% (of the total bed addition) are asset light.

**Moderator:** The next question is from the line of Sumit Gupta from Centrum.

**Sumit Gupta:** Just wanted to know is there any EBITDA drag due to the new facilities this quarter?

**Dr. Ramesh Kancharla:** Sorry, your voice was not very clear.

**Sumit Gupta:** Yes. So, was there any EBITDA drag due to the new facilities in this quarter?

**Vikas Maheshwari:** No, Sumit — we haven't opened any new facilities in the last 12 months. The three facilities we did open were in Q1 of FY '25, prior to this period. So, the drag from those new openings has surely come down, and that's also contributing positively now

**Sumit Gupta:** And with respect to the IVF, like it contributes around 3%.

**Vikas Maheshwari:** It has gone up to 3.2% type.

**Sumit Gupta:** And just one clarity on ARPP, average revenue per patient. So, you were referring 3% for -- on Q-on-Q basis?

**Vikas Maheshwari:** Year-on-year basis.

**Sumit Gupta:** So just want to get clarification. So, like with respect to my calculation, it is coming around 9% basically with -- so just want to understand.

**Vikas Maheshwari:** The slight variation is due to rounding off, particularly with the ALOS figure, which may have been rounded. In terms of year-on-year growth, IP ARPP increased by 3%, and OP ARPP grew by around 8%. So, the overall ARPP impact for the full year should be in the range of 3% to 3.5%.

- Sumit Gupta:** Okay. So, for, let's say, FY '26 year-end FY '27, how much ALOS should we expect? Around 2.65, so nearly this level or what?
- Vikas Maheshwari:** Yes. We have a very stable ALOS of 2.6 to 2.8 days. I think in this range, it should be. The ALOS prediction is a very difficult job, Sumit.
- Sumit Gupta:** Right. Yes. I understand that, like what can be the like minimum ALOS which you are like building on or...
- Vikas Maheshwari:** The 2.6 to 2.8 days, that should be the right range that you can take.
- Moderator:** The next question is from the line of Alankar Garude from Kotak Institutional Equities.
- Alankar Garude:** Sir, can you help us understand the seasonality patterns seen by Rainbow over a slightly longer time frame, say, over the past 10, 15 years, and particularly Hyderabad? The reason for the question is you've seen a fair amount of ups and downs over the past few years. For instance, FY '23 was a strong season, then '24 was a bit slow. First half CY '25, again has been a bit weak on the pediatric side, so the question is prior to FY '23, were we seeing similar kind of fluctuations across alternate years?
- Dr. Ramesh Kancharla:** We do observe these stretches of 1 to 1.5 years that are relatively healthy — what we could call low-incidence seasons. Looking back over my 20 years of experience, we've seen this at least twice before. Typically, once every 5 to 6 years, there's a noticeable slump in pediatric admissions, which eventually corrects itself and picks up again.
- However, it's important to recognize that pediatric healthcare is undergoing significant change. Unlike earlier, we no longer see diarrhoea cases spiking in the summer, and respiratory infections have reduced thanks to better flu vaccine coverage, improved hygiene, and nutrition. The profile of pediatric illnesses is evolving.
- At Rainbow, we're not running mom-and-pop pediatric setups — our intent is to build depth and strength in pediatrics. We want to focus on addressing critical care needs, building specialty-led capabilities, and managing more complex disease patterns, rather than depending solely on seasonal patient inflows.
- The challenge with pediatric care is that when the season does peak — say for 4 to 5 months — if you don't have the bed capacity to meet that demand, you're in a tough spot. This is an emotional healthcare model, especially when children are involved, so it's essential to maintain capacity that can handle demand when it arises.
- Of course, the flip side is: what do you do with that capacity during the off-season? That's where our strategic shift comes in — we aim to strengthen our pediatric specialties further so that our services remain relevant and impactful year-round, beyond just seasonal needs.
- The broader narrative is that pediatric healthcare in India is evolving. It's no longer what it was 20 years ago — not even what it was a decade ago. That said, seasonal fluctuations still play a

role. It's too early to draw firm conclusions from just six months of downturn, but we're watching it closely.

Even in adult and multispecialty hospitals, you've likely observed how seasonal factors have significantly influenced volumes and growth over the past 4 to 5 years. So, this isn't unique to pediatrics. Over the next 3 to 4 years, we'll need to reflect deeply, understand the trends, and reposition our business model for a more sustainable and future-ready growth path.

**Alankar Garude:** So maybe a couple of follow-ups here. The first one is pharma companies have been commenting about seeing some pickup in the season over the past few weeks? Are we also seeing some increase in the disease burden over the past few weeks?

**Dr. Ramesh Kancharla:** Yes, there has definitely been some increase, and we're also seeing a shift in seasonal patterns. Unlike in the past, a few days of rain no longer trigger the start of the season. Now, it takes a more significant change in the environment to lead to illness — factors like viral breeding and other infections play a bigger role.

Of course, during the monsoon, we do see a rise in illnesses. But people have also become more resilient compared to before. They no longer rush to the hospital for a simple runny nose or a one-day fever. Many now know how to manage mild symptoms at home with basic medication.

**Alankar Garude:** And secondly, sir, broadly from 1/3 currently coming -- of our revenue is coming from critical care or beds being allocated for critical care. Very broadly, say, 8, 10 years back, what would that number have been?

**Dr. Ramesh Kancharla:** I think the ratios and proportions tend to vary season to season. Broadly, they've remained consistent, though it's hard to put an exact number or percentage on the variations. We've seen exceptional seasons in the past — for example, during severe swine flu outbreaks or prolonged dengue seasons that we have seen 7 - 8 years ago, when our intensive care units were consistently full across the board.

Barring such extraordinary circumstances, the intensive care season typically lasts around 4 to 6 months. During the rest of the year, our ICU beds are occupied by cases involving rare disorders or complex specialty conditions like liver failure, renal failure, multiple organ dysfunction, and similar issues.

That said, we've experienced a relatively stable and healthy period over the past year. Even last year's peak season wasn't as intense compared to the two post-COVID years, which were exceptional — with a surge in illnesses, admissions, and demand for intensive care services. That intensity has now subsided. I believe we're seeing a healthier trend overall, and yes, we probably all deserve a better experience and healthier lifestyle — something that has become more evident over the last year

**Alankar Garude:** And one final question on Tamil Nadu, can the margins of the mature hospitals in Tamil Nadu reach, say, the margin levels of the mature hospitals in Bangalore over the next 2 to 3 years?

- Dr. Ramesh Kancharla:** I'm sure it will reach Bangalore-level performance in about 3 to 4 years — it will scale up to that level over time, yes
- Moderator:** Our next follow-up question is from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** Just wanted some clarity on Warangal unit. So, it's not part of 1Q numbers, right? It will be reflecting from 2Q onwards?
- Vikas Maheshwari:** Yes, that's correct, Damayanti, so we have closed the transition on 2<sup>nd</sup> of July. So, it will reflect from this quarter. (September quarter)
- Damayanti Kerai:** Okay. And can you also tell like what is the maturity profile, whether it will be part of the mature hospital cluster or new hospitals? And of the 100 beds how many are operations currently?
- Vikas Maheshwari:** Damayanti is a new hospital and will be categorized under our new hospitals segment. There's still a lot of setup and development work required which hasn't been done yet. Currently, the hospital is operating with an occupancy of around 30 to 35 beds. As we continue to add doctors and build out clinical facilities, we expect occupancy to grow gradually over time.
- Damayanti Kerai:** Okay. So, say, like over the next few years, it has potential to move up to the corporate level occupancy like 50% or so or it could be better?
- Vikas Maheshwari:** I think we should keep it at the corporate average.
- Moderator:** The next question is from the line of Nitesh Dutt from Burman Capital.
- Nitesh Dutt:** I had a question on other income. This quarter, it has increased by 33% quarter-on-quarter. Is there a one-off component because basis the INR735 crores of cash, if I calculate basis, the cash yield, it should have been slightly lower.
- Vikas Maheshwari:** No. The treasury income was slightly better because of the debt funds where we have taken the positioning of interest rates coming down, probably that got captured and you are seeing this MTM gain on that. But yes, going forward, I think that type of performance may not be there.
- Nitesh Dutt:** Understood. And so, second question is on the matured hospital occupancy. There's been quite a fall of 11% Y-o-Y. How do you see it? Given that in the past, we have cited weather patterns, rainfall, et cetera, as reasons for the fluctuation. So was it one of the reasons or does higher competitive intensity or some degree of cannibalization were also the factors for the reduced occupancy Y-o-Y?
- Vikas Maheshwari:** We've already discussed the occupancy for our mature hospitals. The primary reason for the dip is the delayed onset of the pediatric season. Apart from that, our tertiary and quaternary care business continues to perform strongly. So, while occupancy has declined slightly, revenue from mature units still grew by 2%. This reflects the resilience of our quaternary and tertiary care-focused business model
- Moderator:** Our next question is from the line of Virti Shah from Systematix.

**Virti Shah:** My question is, was the ARPOB improvement this quarter a one-off thing, or we can expect this to sustain for full year?

**Vikas Maheshwari:** As we mentioned in response to earlier questions, the correct way to assess performance is through ARPP, as ALOS is one of the factors that slightly affects ARPOB — along with case mix. In this quarter, the low-ticket pediatric business was slightly muted, which is why overall inpatient numbers and occupancy appear lower.

However, the tertiary and quaternary care segments remained strong, which supported a robust ARPOB. When we look at the overall ARPP — which includes both IP and OP income — it grew by approximately 4.5%. So, ARPP is the right metric to focus on

**Moderator:** Next follow-up question is from the line of Rahul Jeewani from IIFL Capital Services Limited.

**Rahul Jeewani:** Sir, can you also talk about the competitive intensity across your core markets of the Hyderabad, Bangalore and Chennai, you pointed that the delivery volumes were muted in some of the larger hub hospitals because of some higher competitive intensity. So just in terms of how you are looking at the competitive scenario across your key markets?

**Dr. Ramesh Kancharla:** Yes. I mean, birthing is always a competitive market, especially in cities like Bangalore where the intensity is very high. Hyderabad has also become quite competitive over the last 4 to 6 years. Despite this, we've managed to do well in a challenging landscape. However, the plateauing of deliveries isn't necessarily due to competition alone.

We follow a full-time doctor engagement model and focus on clinical excellence, natural births, and other quality parameters. Some of the VC (visiting consultants) deliveries, which tend to be more price-sensitive, may shift to other hospitals due to competition. But as an organization, we are not dependent on VC deliveries. Our focus is on consistent, high-quality deliveries, and that's where our strength lies.

That said, I believe we need to bring a greater degree of inclusivity and sharpen our marketing strategies to regain some lost ground. I see strong potential for a comeback.

In Hyderabad, over the past 15 to 18 years, two large organizations — including us — have consistently done high volumes. We've never viewed each other as direct competitors; both have their unique strengths and have coexisted respectfully. While many boutique centres have emerged, most haven't made a significant impact. Some VC deliveries may temporarily shift to these smaller centres, but the reputation that the two leading institutions enjoy remains very strong.

We do, however, need to reposition ourselves slightly. When I look at the other large player in our space, they've also seen some degree of degrowth. So, we're asking our business analysts to dig deeper — for example, to look at the number of weddings last year and other indicators. Perhaps uncertain socio-economic conditions, job instability, or other factors are causing people to delay family planning.

It's important to understand these broader dynamics. We haven't seen anyone in the market significantly grow either, based on the data we've reviewed. So, we're not overly concerned at this point. We'll reassess toward the end of the year and see where we stand in terms of growth. For now, this seems to be one of those quarters where we've seen some degrowth.

**Rahul Jeewani:** Sure, sir. So whatever competition is there is on the birthing market. On your core, let's say, tertiary and quaternary care business, you don't see much of a competitive threat there.

**Dr. Ramesh Kancharla:** No.

**Rahul Jeewani:** And sir, just a clarification. What is the VC delivery?

**Dr. Ramesh Kancharla:** Visiting consultants.

**Moderator:** Our next question is from the line of Aadya Singh from Findoc.

**Aadya Singh:** Sir, question to you is about the upcoming hospitals in Gurugram, when do you expect them to turn operation? What's the status there?

**Dr. Ramesh Kancharla:** **We are targeting around September 2027 (in the calendar year 2027)** — that's the timeline we've set for ourselves. I believe our project is on track, and I also receive regular updates from my project teams. They indicate that completion could be expected by June or July, and operations may begin around September or October. That's the guidance I've received from the project team

**Moderator:** Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

**Vikas Maheshwari:** Thank you to everyone who joined the call and for the insightful questions — much appreciated. We look forward to having you all join us for our second quarter results. Thank you once again

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

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