"Rainbow Children's Medicare Limited

Q2 FY27 Earnings Conference Call"

November 02, 2026

Call Duration	• 1 Hour & 1 Minutes
Management Speakers	• Dr. Ramesh Kancharla – Chairman and Managing Director • Mr. Abrarali Dalal – Group Chief Executive Officer • Mr. Sudarshan Patodia – Group Chief Financial Officer • Mr. Saurabh Bhandari – Head Investor Relations & Group Business Analyst
Participants who asked questions	• Mr. Prithvi Raj – Unifi Capital. • Ms. Damayanti Kerai – HSBC • Mr. Jyothish Vijayan – Moat Financial Services. • Mr. Pavithra Jaivant – Prime Investor • Mr. Alankar Garude – Kotak Institutional Equities • Mr. Rahul Jeewani – IIFL Capital Services • Mr. Bino Pathiparampil – Elara Capital • Mr. Shubh Kalra – Asit C. Mehta Investments • Mr. Tushar Raghatate – Omega Portfolio Advisors
Moderator	• Mr. Rahul Jeewani - IIFL Capital Services

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Moderator: Ladies and gentlemen, good day, and welcome to the Rainbow Children's Medicare Limited Q2 FY27 Earnings Conference Call hosted by IIFL Capital. 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 star then zero on your touchtone phone.

Please note that this conference is being recorded. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jeewani. Thank you. And over to you, sir.

Rahul Jeewani: Yes. Hi. Good morning, everyone. This is Rahul from IIFL Capital. I welcome you all to the second 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. Abrarali Dalal, Group CEO; Mr. Sudarshan Patodia, 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, and thank you for joining us for Rainbow Children's Medicare Limited Earnings Call earnings call for the quarter ended September 30, 2026. We have delivered another quarter of robust growth, with healthy numbers from mature, emerging as well as new hospitals in inpatient volumes, outpatient footfalls as well as deliveries in a seasonally soft quarter because of a lack of monsoon. **So, revenue grew by 23% year-on-year to INR548 crores, while EBITDA and PAT grew by 14% and 11%, respectively**.

- During the quarter, we commenced operations at a newly acquired 70-bed hospital in Nellore and 50-bed brand-new hospital in Guntur. These additions strengthen our presence across coastal Andhra Pradesh, extending our network from Vishakhapatnam to Chennai.
- The government of Andhra Pradesh has allotted 2 acres of land parcel to build a pediatric specialty hospital in Amaravati, the new capital city of Andhra Pradesh. So, we plan to build this hospital in 2 phases, with initial bed capacity of 150.
- Building on the projects, our approach to capacity expansion remains disciplined, with a focus on building the high-quality hospitals with a clear division of spaces for pediatric specialties and obstetrics to have a seamless operation. We have 1,050 beds in pipeline at various stages of construction right now.
- In Indore, we expect to commence clinical operations in Q3 and an adjacent plot, which is to be built for greenfield of 120 beds is to commence clinical operations is expected groundbreaking on Diwali date.
- 100-bed brownfield hospital in Malad, Mumbai is in active construction phase. We're fast tracking it to start clinical operation in Q1 FY28.
- At Coimbatore, 130-bed greenfield hospital is likely to come for internal works in April '27 and is expected to be ready for operations in Q3 FY28. Coming to NCR Gurgaon Hospitals.

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- Sector 56 of 125 beds is near to completion of the shell and is expected to complete its internal work and ready for operations in Q3 FY28 and Sector 44, 325-bed hub hospital to be completed for clinical operations in Q1 FY29.
- Spoke hospital of 100 beds in Seegehalli, Bangalore and 150-bed greenfield hospital in Pune are in early construction phase and likely to be ready in second half of FY29.

As we are going to become the world's largest pediatric specialty hospital group with a pan-India presence, we have initiated the comprehensive clinical governance framework. This initiative is called One Rainbow Model, which includes the protocolization to standardize the care and building a robust multidisciplinary team in an inclusive environment. This will ensure the seamless quality care to deliver high-quality outcomes across the group. The new HIS implementation has gone live successfully in our hub hospital, Hyderabad, with a new generation EMR being used 100% both in OP and IP by all the stakeholders. We expect to complete HIS rollout in 4 months' time.

Coming to some clinical excellence. Rainbow Children's Hospital successfully performed a highly complex living-related liver transplant surgery on a 6-week-old baby weighing 2.9 kilograms at our Banjara Hills Hospital, Hyderabad. This baby was diagnosed with a Gestational Alloimmune Liver Disease; a very rare condition rapidly progressed to liver failure where the baby required an urgent liver transplantation. Baby's mother donated a small segment of the liver, which was carefully reduced to 62 grams, the graft, to suit the baby's size. The procedure was significantly surgically challenging and given the baby's extremely small blood vessels for anastomosis and a limited abdominal space, the post-operative course was equally challenging with the multiple complications of the respiratory and intestinal obstructions. This baby sailed through very successfully and eventually discharged in 5 weeks' time, both mother and baby very healthy with normal liver functions and going very well. **This surgical case highlights the depth of our pre-natal surgical transplant capabilities and the strength of our multidisciplinary teams in delivering care in complex situations.**

As I look forward, I firmly believe that our established clinical model, leadership capability and disciplined capacity expansion will support our long-term growth to create value for all the stakeholders. With that, I would now like to introduce Mr. Sudarshan Patodia, our Group CFO, before Mr. Abrarali Dalal, our CEO, takes and update on operational and financial performance of the quarter. Mr. Sudarshan?

Sudarshan Patodia: Yes. Thank you, sir. Good morning, everyone, and thank you for joining us today. In my close to 2 decades of experience, I have worked in the FMCG, retail and health care industries. I have led finance and strategy roles, driving core finance, business and strategic finance and capital markets focused on long-term value creation for all stakeholders.

I'm excited to be a part of the Rainbow team, which is India's leading pediatric and perinatal health care chain. Rainbow has now embarked upon a rapid scale-up journey by enhancing its pan-India presence and tapping multiple levers of growth anchored on clinical excellence. I look forward to working with the Rainbow team to further strengthen its market standing and deliver

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desired organizational outcomes. Thank you once again. I would now like to hand over the mic to Mr. Abrar for an update on the quarter.

Abrarali Dalal: Thank you, Sudarshan. Good morning, everyone. Firstly, I want to congratulate the entire staff of Rainbow, both clinical and non-clinical, for their unwavering support in delivering a revenue growth of 23% year-on-year during the quarter ended FY September 2027, which comes on the back of 2 solid performances in the last 2 trailing quarters. Team Rainbow is all set to end FY27 on a very high note.

Over the last 3 quarters, we have been focusing on and driving the following broad levers that we have been talking about building during our earlier calls: people, technology, best-in-class clinical outcomes and growth initiatives like onboarding new clinical talent, focusing on community connect and digitization.

We have augmented our organization structure, keeping in mind the growth we are driving. We have created structures to manage our facilities in hyperlocal and zonal structures to increase the speed of execution. Our managerial bandwidth at the corporate office is complete, with the onboarding of the new CFO.

Once again, keeping in mind our journey to 5,000-plus beds from the current 2,600-odd, we are transforming to a new HIS, which has already been rolled out in our flagship hospital at Banjara Hills, Hyderabad, and we have upgraded to SAP S/4HANA. This is to ensure we are in tune with the latest technology and building a tech architecture that is scalable and able to serve us as we increase our capacity multifold.

Over the last 2 quarters, we have had many doctors join our growth journey. Many are in discussions with us. This reinforces the might of Rainbow's medical infrastructure, ethical clinical processes and the sheer strength of the brand, which attracts top consultants to associate with us.

We have strengthened our outreach to the community by increasing hyperlocal activities, including the introduction of a loyalty card called Shield, which not only draws new patients by offering certain perks, but also offers Rainbow an opportunity to capture the lifetime value of the patient's journey, starting from the first OPD appointment right up to the delivery and subsequently to the vaccination and in-treatment that the child might require going further.

Digital initiatives are playing an increasingly important role in our patient engagement strategy. We are expanding our digital presence across the spectrum of our services, supported by focused marketing initiatives and social media outreach. Our new CRM software further strengthened our patient conversion mechanisms in the hospitals, driving higher outpatient and inpatient volume as is evident from our reported numbers.

We are gearing up to launch a new website and a new patient app in the next few months to corroborate with the rolling out of our new HIS. This new website and the new app will provide the most advanced and best-in-class experience to the users.

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The whole idea is to provide a more integrated patient journey, right from booking an appointment to having reports and diagnosis at a click of a button. Owing to all the initiatives mentioned, our mature hospitals have driven occupancies north of 50%, and robust revenue and EBITDA growth despite experiencing a soft monsoon and lesser seasonal diseases. Our new hospitals at Rajahmundry, AP, and Mahadevapura at Bengaluru have progressed well. Both have achieved operational breakeven. HRBR in Electronic City, the other new hospitals at Bengaluru are fast nearing the breakeven milestone.

All these hospitals are now fully integrated into the Rainbow operating model. The commencement of operations at Nellore and Guntur adds to a growing network in Andhra Pradesh. At the same time, we remain focused on the execution of our upcoming projects in Mumbai, Coimbatore, Indore, Gurugram, Pune and Seegehalli in Bangalore. As we expand, our focus is on ensuring the new facilities are integrated effectively into the Rainbow operating model, supported by established clinical protocols, operating systems and management processes. Our priorities for the coming quarters remain clear.

We will continue to drive patient volumes, improve conversion, strengthen capacity utilization and accelerate the operational maturity of our new hospitals. We remain focused on delivering sustainable growth through strong execution.

Thank you. Let me now brief you on the financial performance and the key developments of Rainbow Hospitals for the second quarter and the first half of FY26-'27.

- Our operating revenue for the quarter stood at INR548 crores, reflecting a growth of 23.2% compared to the corresponding quarter of the previous financial year. For H1, our revenue stood at INR1,018 crores, reflecting a growth of 27.6% compared to H1 of the previous financial year.
- Our EBITDA for the second quarter amounted to INR170 crores, marking a growth of 14.2% compared to the last year same period. For H1, our EBITDA stood at INR304.6 crores, reflecting a growth of 20.6% compared to H1 of the previous financial year.
- The EBITDA margin for the current quarter stood at 31%, while for H1, the EBITDA margin was 29.9%.
- Profit after tax for the quarter stood at INR83.9 crores, reflecting a growth of 10.9% compared to the corresponding quarter of the previous financial year. For H1, our PAT stood at INR146.4 crores, reflecting a growth of 13.1% compared to H1 of the previous financial year.
- In terms of operational performance, patient consultations witnessed a growth of 19% compared to the quarter -- compared to the corresponding period last year. Deliveries grew by 20%, while inpatient discharges registered a growth of 15%.
- For H1, outpatient consultations, deliveries and inpatient discharges grew by 21%, 22% and 21%, respectively, compared to the corresponding period of the previous financial year. Our payer mix continued to remain robust and balanced, with 63.3% of the revenue coming from cash patients and 36.7% from insurance during Q2 FY27. For H1 FY27, the payer mix stood at 64.2% cash and 35.8% insurance.

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- I'm pleased to inform you that the company's balance sheet remains robust with cash equivalents, fixed deposits and mutual fund investments aggregating to INR542.8 crores as of September 30, 2026. This provides us with adequate financial flexibility to support our ongoing expansion and capital expenditures.
- During the quarter, the company incurred a capital expenditure of INR81.9 crores towards development expansion of its hospital network and enhancement of existing facilities.

With that, I would like to now throw open the house for questions. Thank you.

Moderator: Thank you. The first question is from the line of Prithvi Raj from Unifi Capital.

Prithvi Raj: Yes. I have a question on your margins. Given that from now on every year, you will keep adding more number of new beds and that too in the new cities, it might take more time for you to reach breakeven. So, how should we look at console margin profile going forward? Will there be a pressure every year because you keep adding new beds? Or do you think you can maintain a stable margin?

Dr. Ramesh Kancharla: I think it is important to look at our bed capacity across different stages of maturity. We have a mature hospital portfolio and an emerging hospital portfolio, comprising hospitals that are progressively moving towards maturity. Of course, newly added beds will take some time to reach break-even. However, the hospitals in the emerging category, along with our mature hospitals, will continue to generate EBITDA and support the overall profitability of the business.

We have been following this approach over the last two years without experiencing any significant margin pressure. We have always indicated that the margin impact from new capacity additions could be around 0.5% in a particular quarter, but we do not expect it to be materially higher than that. This reflects the discipline with which we have been executing our capacity expansion programme, and we expect this approach to continue.

Over the last two years, we have demonstrated that despite significant capacity additions, we have been able to deliver EBITDA margins of around 30% post-Ind AS and approximately 25% pre-Ind AS, without any significant margin pressure..

Prithvi Raj: Okay. Got it. And on the payer mix, historically, you have maintained certain payer profile. But given that you will be entering new cities, should we expect a change in the payer profile? Or do you think you will continue only cash plus insurance?

Dr. Ramesh Kancharla: I think in major cities such as Hyderabad, Bengaluru, Pune and Mumbai, insurance penetration is quite significant. This should support the insurance component of our payer mix. In Tier 2 cities, where insurance penetration may be relatively lower, the overall mix will be different. On a blended basis, we expect the payer mix to be approximately 60:40.

Prithvi Raj: Sir, my question is more from a government scheme patient. At any stage will we consider or you would like to stick to only cash plus insurance?

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Dr. Ramesh Kancharla: We do not have a significant presence in government-sponsored schemes. For your information, government business accounts for less than 1% of our overall business. When I refer to our payer mix, I am referring to cash patients and private insurance.

Even in Tier 2 cities, what we have observed recently is that private insurance penetration has increased significantly. For example, in locations such as Vijayawada and Rajahmundry, we are already witnessing private insurance penetration of around 30%–35%.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: I have 2 questions on your 2Q performance. First, you reported ARPOB growth of 15%. Again, I think very strong number. However, what we are looking at, I think the broader industry level, companies are moving from reporting ARPOB to metrics like ARPP. So according to you, which metrics should be the better representation of performance? And this 15% growth which you reported in 2Q, what kind of headroom you see ahead? That's my first question.

Dr. Ramesh Kancharla: ARPOB has been quite strong this year. I think ARPOB is primarily driven by the case mix. If you look at our overall business, there are three key factors contributing to this growth: significant growth in our obstetrics business, the additional revenue contribution of around 5% from fertility, and an improved case mix. In addition, we have seen a significant reduction in ALOS. These factors have contributed to the healthy growth in ARPOB.

Normally, we indicate an ARPOB growth expectation of around 7%–8%. However, there can be periods when we witness higher growth due to a favourable case mix, increased contribution from obstetrics and the addition of fertility revenue.

Also, it is important to note that children's and women's hospitals have a significant outpatient component as well.

As regards ARPP, it primarily reflects the year-on-year growth in revenue from inpatients. ARPP growth can sometimes remain relatively stable, depending on insurance negotiations, which can take up to a year to reflect in the numbers. If we look at ARPP growth over an average period of three years, it would be around 6%–7%

Damayanti Kerai: So, broadly in the similar range is what we foresee for ARPOB, right, either of them, it is somewhere 6% to 8%?

Dr. Ramesh Kancharla: Yes.

Damayanti Kerai: And sir, in your presentation, we see more details, and thank you for that. So for the mature hospitals, we still see occupancy of 15 -- sorry, 54%. So because of your nature of business or mix, et cetera, what kind of maximum occupancy you think is possible in your mature hospitals?

Dr. Ramesh Kancharla: We believe that the maximum occupancy level we can achieve is around 60%. If you look at our mature hospitals currently, there has been some seasonal softness. This has also affected the

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occupancy levels, particularly due to the delayed monsoon. We have practically not witnessed the usual seasonal business.

I would also like to reiterate that despite the absence of much seasonal benefit, we have been able to deliver healthy numbers this quarter. This demonstrates that we are gradually moving away from our dependence on seasonality. Seasonality will always provide an additional benefit to healthcare institutions, particularly to our business, through higher occupancy and revenue, which gives us further comfort.

However, over the last three quarters, we have not witnessed much of the usual seasonal business. The performance has largely been driven by the underlying paediatric and maternal care business.

Damayanti Kerai: Okay. And my last question is, sir, now you have plan to enter many more cities, newer cities as a part of your expansion. So, just wanted to understand your thought on any kind of execution risk you see by entering into newer markets and that to in, I think, similar time, say, another like 4 to 5 years from now. So, I just want to understand your thoughts on entering so many multiple markets over the next few years and any execution risk you might foresee here?

Dr. Ramesh Kancharla: Yes, Damayanti. We have built a strong projects team, with a Project Director leading the teams. We also ensure that adequate time is allocated for each project based on the budgets and execution requirements.

There could be some delays, but I would not expect them to exceed two quarters. In most cases, we have been able to deliver projects within a window of plus or minus one quarter of the planned timeline. Only in exceptional circumstances could we face more significant delays.

For example, the Chennai project experienced some delays due to re-approvals and related requirements. We had earlier communicated a delay of approximately six months for Chennai. However, the project is now back on track. It is important that we keep you updated on project timelines as we progress. Overall, I would not expect significant delays in our expansion timelines.

Damayanti Kerai: And this capex will be funded through -- mostly through your funds, right? Maybe there is not much reliance on borrowings, et cetera.

Dr. Ramesh Kancharla: I think we have a very healthy balance sheet. With the existing network of more than 1,000 beds, we should be able to generate sufficient cash flows. The cash generated by the business, together with the existing cash balance on our balance sheet, should be adequate to fund our expansion plans. That is how we are looking at financing these investments.

Moderator: The next question is from the line of Jyothish Vijayan from Moat Financial Services.

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Jyothish Vijayan: Sir, this is Jyothish from Moat Financial Services. And my first question is on your marketing spend. Right now, how much is your marketing spend as a percentage of revenue? And what channels you opt for the marketing and how it's growing moving forward?

Abrarali Dalal: Our marketing expense is currently a little over 2% of revenue. We have significantly increased our focus on marketing this year and are exploring various channels, as I mentioned in my earlier remarks. One of our key initiatives is to strengthen our engagement with the community through various initiatives. We have introduced loyalty cards and are also looking at expanding our engagement with corporates and private organizations. Another important initiative is digitization. If you look at Rainbow over the last three quarters, we have seen a substantial increase in the digital footprint of our patients. More and more patients are discovering Rainbow through digital channels, visiting our website and using our apps. Through these initiatives, we are building a stronger patient acquisition funnel, supported by robust conversion at our hospitals.

Overall, our marketing strategy is a combination of above-the-line marketing, digitisation and deeper community engagement. We will continue to strengthen these initiatives going forward.

Jyothish Vijayan: Okay. Got it. And as a group, your targeted occupancy will be 60%, right?

Dr. Ramesh Kancharla: Mature.

Abrarali Dalal: Yes, for the mature hospitals, that will be the number.

Jyothish Vijayan: 60%. So, you have 7 hospitals in the emerging cluster and you have 5 new hospitals also. When will the group -- when will, as a group, when -- do you have any time period target to get the occupancy to 60%? Do you have any kind of target by FY28 or FY29 like that?

Abrarali Dalal: It is very difficult to predict a specific timeline. I think we are doing all the right things from an operational perspective to drive occupancy and increase patient volumes. Our throughput levels are quite high, and our ALOS metrics are also very strong. We continue to focus on recruiting and onboarding new doctors, strengthening our community engagement and improving our patient acquisition initiatives. We have also revamped our call centre and continue to strengthen our technology capabilities.

I believe all the necessary initiatives are in place to drive occupancy. While I would not like to commit to a specific timeline, we are confident that we will be able to progressively improve occupancy levels and achieve our target in due course.

Jyothish Vijayan: Got it. I have one more question. So when you look at the specialty mix, you are -- right now, the IVF is nearly 5% compared to 3% in the last quarter FY26. So, do you have any plans to increase the percentage to double digit? Or do you have any kind of plan to increase IVF mix?

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Abrarali Dalal: See, IVF is largely an in-house business for us. As our obstetrics OPDs continue to grow, we will continue to drive more patients into our IVF services. Therefore, as our obstetrics business expands, we expect the IVF business to grow alongside it.

We also have two to three standalone centres that we commenced operations some time ago. However, our primary strategy remains focused on converting in-house obstetrics OPD consultations into IVF patients. Accordingly, we expect IVF to continue growing in proportion to the expansion of our obstetrics OPDs.

Moderator: The next question is from the line of Shubh Kalra from Asit C. Mehta Investments.

Shubh Kalra: So, my question pertains to the ramp-up of your fertility business and its potential contribution to the company's overall profitability. So, could you please kindly share an update on the progress of the IV business so far, particularly in terms of scale-up and its operating performance? And further, if you could also share the current EBITDA margin separately for each of the 3 business verticals, which is the pediatric care, women and child care and fertility IVF?

So it would be helpful in understanding the relative profitability of these businesses. As the fertility business scales up and its contribution to the overall revenue mix increases, how should we assess its potential impact on the company's consolidated EBITDA margins over the medium term?

Abrarali Dalal: As I mentioned earlier, we will continue to scale up our IVF business through the growth of our obstetric OPDs, as these are the primary source of patient acquisition. When a patient visits an obstetrician, it is largely the obstetrician who determines whether fertility-related advice or treatment is required. If you look at the growth of our existing IVF business, it has largely been in line with the growth in our obstetrics OPDs. We also have two to three standalone centres where we are deploying various strategies to drive business growth. Our IVF business will continue to grow through two channels. First, it will grow in line with the expansion of our obstetrics OPDs. Second, as our newer fertility centres become established and our marketing initiatives, which are largely digital-led, start delivering results, we expect further growth from these centres. This is how we see the IVF business evolving. It will continue to increase its contribution to the overall revenue mix and profitability of the company.

As regards the relative profitability of the three specialties, I do not think it would be appropriate to disclose or quantify their individual margins on this call. However, I believe I have addressed your first question regarding how we intend to scale up the IVF business..

Moderator: The next question is from the line of from Pavithra Jaivant from PrimeInvestor.in.

Pavithra Jaivant: This is with regards to the recent oncology drug price caps that are coming into force. I wanted to understand if and what sort of impact this would have on Rainbow?

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Abrarali Dalal: Okay. Let me break down our cost structure. Pharmacy costs currently account for around 14% of Rainbow's net revenue, of which approximately 7% relates to vaccinations, which are not subject to these drug price caps.

Of the remaining 7%, less than 0.5% relates to oncology drugs and other medicines that could potentially come under the purview of price caps. Therefore, as we mentioned earlier, the impact of these price caps on Rainbow would be very insignificant**.**

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

Rahul Jeewani: Sir, In terms of, let's say, the profitability profile between the various clusters, now while emerging hospitals are, let's say, at a lower occupancy profile than mature hospitals, we see that their EBITDA margins are broadly in line with the mature hospitals. So if you can comment in terms of what is helping us drive, let's say, fairly strong margins within the emerging cluster? And then a related question for that would be, with the ramp-up in, let's say, the new hospitals, what kind of an EBITDA margin trajectory you see for the new hospitals over the next 2-year period?

Obviously, with, let's say, incremental capacity coming online, there would always be new hospitals which will get added to the new cluster. But as of now, whatever new hospitals are you operating, when do you hit -- when do you expect those new hospitals to, let's say, reach a steady-state EBITDA margin profile of between 20%, 25%?

Dr. Ramesh Kancharla: Rahul, I think this classification is primarily intended to provide better clarity to analysts. We have clearly defined mature hospitals as those that have been operational for more than five years. The next category comprises emerging hospitals, followed by new hospitals. The emerging hospital category is particularly important because these are the hospitals that will increasingly contribute meaningfully to our EBITDA. As we continue to add beds and expand our network, hospitals move into the emerging category after their initial years of operations.

The EBITDA performance of our emerging hospitals is already quite healthy, and that is how we look at this category. For new hospitals, the timeline depends on the location and the way we develop them. For example, when we establish a new hospital within an existing cluster like Hyderabad, it is almost a given that it will generate positive EBITDA in the first year itself. In Bengaluru, it typically takes around 12–15 months, while in Chennai, it takes approximately 15–18 months. In other markets as well, we expect most of our hospitals to achieve EBITDA break-even within two years, including those in new geographies. Therefore, we need to look at all three categories separately.

Mature hospitals indicate the contribution from our established network, emerging hospitals demonstrate how effectively the next set of hospitals is ramping up and contributing to revenue and EBITDA, while the new hospital category reflects the initial investment and operating phase. This is where we see the strength of our business. As demonstrated in our presentation, the emerging hospital category is performing very well. If you look at the new hospital category, while the revenue numbers are encouraging, the EBITDA margin is around negative 16%. These

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hospitals have largely commenced operations over the last six to eight months, and the operating losses are naturally reflected in this category.

The performance will depend on how many hospitals we commission and the geographies in which we establish them. For instance, if we had commissioned a couple of hospitals in an established market like Hyderabad, the performance of this category could have been even better.

I think this classification provides much greater clarity, both internally and to analysts, on how each category of hospitals is progressing. We have another approximately 2,300 beds expected to be added over the next three years. This classification will help us understand the business better rather than looking at it merely through geographical clusters. The ageing of hospitals is a very important factor in our business, particularly in children's healthcare

Rahul Jeewani: Sure, sir. So sir, you obviously referred to the fact that most of your hospitals would tend to achieve breakeven within a 2-year time frame depending on the markets where you are commissioning those hospitals. Would you have the same expectation for the Delhi NCR hub hospital as well? That how much time do you think that the Delhi NCR hub hospital would take for you to achieve EBITDA breakeven? And what kind of an EBITDA loss we should factor in our numbers essentially from the 2 Delhi NCR hospitals in FY29 and FY '30?

Dr. Ramesh Kancharla: I think it is too early to comment on this. We will probably provide more specific guidance around six months or three months before the hospitals commence operations, as we have ambitious plans in terms of recruitment and how we intend to drive these hospitals. Having said that, our objective would clearly be to drive these hospitals to EBITDA break-even within two years.

Rahul Jeewani: Okay. Sure, sir. And sir, with some of the sales and marketing investments which we are doing this year, what we see is that there is an acceleration in our top line growth trajectory. So this quarter as well, we delivered a healthy 23% kind of a top line growth. And in the past, we have guided about a 20% revenue CAGR for the business.

So let's say, with these incremental sales and marketing investments and the capacity pipeline which we have, do you think that potentially our growth could be higher than 20%, which you have indicated in the past going forward?

Abrarali Dalal: Rahul, we are working very hard on all these growth initiatives. Having said that, we remain optimistic about the growth outlook, but our stated expectation continues to be high-teens growth. At the same time, we remain optimistic about the possibility of delivering higher top-line growth.

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

Alankar Garude: Sir, for the mature hospitals as occupancy range up, can margins theoretically go up further?

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Abrarali Dalal: We are already operating at best-in-class margin levels in our mature hospitals. However, we will continue to drive revenue growth, improve operational efficiencies and increase occupancy levels. We remain optimistic of maintaining similar margins, with the possibility of some further improvement

Alankar Garude: And would there be a significant dispersion in margins across these 14 mature hospitals?

Abrarali Dalal: Yes, there would be some variation, depending on the city we operate in, the occupancy levels achieved and the strength of our brand in those markets. Margins are closely linked to revenue performance. Therefore, some variability will remain, but we do not expect the differences to be too significant or the range of variation to be very wide

Alankar Garude: Got it. Got it. The second question is now without the seasonal benefit; volumes have picked up quite well across IPD as well as OPD. You have been speaking about the growth initiatives. Can you help assess -- can you help us assess where are you in this journey? And have you more or less bridged the gap versus multi-specialty hospitals when it comes to marketing, the digital initiatives, basically the overall growth initiatives that you have been outlining?

Abrarali Dalal: We have a very clear roadmap and a structured plan for these growth initiatives, which we have outlined for ourselves over the next 1.5 to 2 years. If you ask where we are currently in this journey, I would say we are around 50%–60% of the way there. With the rollout of our new HIS, these initiatives will be further strengthened.

Having said that, I would not directly compare our business with multi-specialty hospitals, as the business models are very different. Our business is more awareness- and conversion-led, and that is what we are working towards. We expect things to improve further over time

Alankar Garude: Got it. Yes. I think a few quarters back, Abrar sir, you had mentioned the gap is around 35% -- or you were 35%, 40% of where the multi-specialty hospitals are. Right now, you're saying it's around 50%, 60%. Should we expect you to bridge the gap completely, even though there is a difference in the model?

Abrarali Dalal: Again, if you look at it qualitatively in terms of our capabilities relative to multi-specialty hospitals, as I said, we are making progress and will continue to improve. It is a very dynamic and constantly evolving market. Marketing tools and the channels available for marketing keep changing.

As we move forward, we will continue to work towards reducing this gap. I think the volume growth we are witnessing clearly indicates that we are moving in the right direction. We will continue with these initiatives and see how things evolve

Alankar Garude: Got it, sir. And one final question. As you expand into newer cities, how will you ensure the hub-and-spoke model remains intact without experiencing any material delays in establishing the hub-and-spoke network?

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Dr. Ramesh Kancharla: I think what we have been able to execute very effectively so far in Hyderabad and Bengaluru is the hub-and-spoke model, where we now have six hospitals, with the seventh one under development. We have clearly seen the benefits of creating synergies and leveraging the hub-and-spoke network. We are now also expanding across Andhra Pradesh. It is a geographically large state, with a significant distance between its key cities. We have a presence extending from Visakhapatnam to Chennai, with hospitals located at intervals of approximately 200 kilometres. This network effect will always work positively for a hospital group. Complex cases and other patients requiring specialised care will naturally get referred to our hospitals within the network.

In Delhi NCR, we currently have two hospitals. Once we establish our hub hospital there, we have quite an ambitious plan to develop a network of spoke hospitals across NCR and other parts of North India. Our expansion strategy in the North will evolve significantly over the next three to five years. We are quite ambitious about this opportunity, and we believe that ambition is well placed

Alankar Garude: Sir, just to understand this clearly, now when we are expanding in Hyderabad and Bangalore and Chennai, I mean around Hyderabad or around Bangalore, Chennai, relatively, it was 3 cities wherein and you are expanding the network out there. But when we talk about the current expansion plans, be it Mumbai or Indore, you have spoken about projects under discussion being in Lucknow, Jaipur, Bhubaneswar, Chandigarh, etcetera.

Essentially, you'll have to establish that network across multiple cities. So that's why that question as to would there be a delay in establishing the network because you can't possibly expand and have so many new hospitals coming in across so many different locations?

Dr. Ramesh Kancharla: Yes. It's about 3 to 5 years journey, this one. So I think our focus is significantly changing north. North is what we believe is an opportunity and also very underserved. And also these cities definitely need children's hospitals.

I think that's been witnessed and seen by the multi-specialty in the birthing centers, everywhere. We will take multiple parameters, whether it is the birth rate, whether it is the affordability index going up and also the number of players doing the pediatrics in this domain is significant. So that's why we see north is a big opportunity for us. And I'm sure someone like Rainbow with almost close to 3 decades of experience, we can play out very well in north. Yes, we do need to have a significant managerial teams.

And the capex outlays, we are pretty clear about it, how to go about it. And once the Gurgaon hospital starts, and meanwhile, all these things, we'll put them in the framework, start working on it.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: Just a follow-up on the previous question regarding the drug margin caping. When you say 14% is the pharmacy cost, do you mean to say that 14% of your revenue comes from pharmacy?

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Abrarali Dalal: 14% of our net revenue represents the pharmacy cost.

Bino Pathiparampil: Sorry, cost as in 14% of your net revenue?

Abrarali Dalal: The pharmacy cost is 14% of the net revenue. Yes.

Bino Pathiparampil: Yes. Pharmacy is 14% of revenue. Okay. And just want to understand, right now, the price -- the margin cap is only on oncology. But if at all it gets extended to all medicines, the margin cap, would that have a very serious impact on this 14%?

Abrarali Dalal: No, it would not. As I mentioned earlier, around 7% relates to vaccinations, which could potentially increase. Of the remaining 7%, many of the drugs being discussed for price caps are already covered under the existing regulations. The overall exposure to the drugs under consideration is less than around 0.5% of our net revenue. Therefore, even if these caps are implemented, the impact would be insignificant. These caps are likely to cover high-end antibiotics, oncology drugs and similar categories, as you rightly mentioned. In the context of our business, the exposure is very limited.

Dr. Ramesh Kancharla: Let me provide a little more clinical perspective on this. The drug costs associated with obstetrics and gynecology, for instance, are very minimal. The major drug-related costs are in IVF and oncology. Most of the antibiotics that we currently use are already covered under DPCO regulations.

We have undertaken a detailed assessment of the potential impact. I believe the overall exposure being discussed is very insignificant. There could be some impact from certain oncology drugs, if they are included in the list, and to some extent from IVF drugs. Otherwise, we are fairly well insulated from these changes. I have not calculated the exact impact on EBITDA margins, but I am fairly confident that any compression would be much less than 0.5%.

Bino Pathiparampil: Understood. And what do you say vaccinations will not get impacted? Is that also outside of drugs, price or margin controls?

Dr. Ramesh Kancharla: So most of the vaccinations are actually international brands, and I'm not sure how it's going to work because there are too many varieties of vaccinations are there. So vaccination is a patient's choice. And patients do come and ask because this is a -- we being a private children's hospital and most of the times, parents do come and ask for, I want GSKs, I want Sanofi, I want Merck.

I want -- then obviously, it's a choice for the vaccine. It is not something that an emergency or disease. These are more of a kind of a lifestyle. People want to have a choice to get what we want to do. So very unlikely to be.

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

Rahul Jeewani: So sir, beyond, let's say, the disclosed projects in the pipeline, the presentation talks about a ballpark around 1,100 beds getting commissioned across these new cities. Now what would be our approach in terms of expansion in these new cities? So would you look for M&A assets to

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enter some of these new cities or our approach would be to largely expand organically within these new markets?

Dr. Ramesh Kancharla: Some of these projects will be organic, and there are also a few opportunities in the market that could potentially work out for us.

Rahul Jeewani: Okay. And sir, in terms of M&A opportunity, what kind of valuation multiples you are seeing for some of these assets? So if you can comment on that as well?

Dr. Ramesh Kancharla: I think, in the acquisitions we have undertaken so far, the maximum valuation we have paid has been around 11 times EV/EBITDA.

Abrarali Dalal: Yes, Rahul. On the M&A front, given that we are a paediatric hospital chain, there are very few like-for-like acquisition opportunities available in the market. We would not be looking at acquiring adult hospitals and subsequently converting or integrating them into our model, as that would not be a viable approach. Therefore, the scope for inorganic expansion is relatively limited..

Rahul Jeewani: Okay. So sir, do you have any number in mind in terms of, let's say, out of these 1,100 beds across these new cities, what proportion could come through from M&A?

Abrarali Dalal: It is very difficult to say at this point, Rahul. Although we are in discussions on several opportunities, it would be premature to indicate any specific number at this stage

Rahul Jeewani: Sure, sir. Sure, sure. And sir, just in terms of, let's say, some guidance around margins. Now obviously, this year, our margins are slightly under pressure because of these incremental sales and marketing spends which we have done. So if you can comment in terms of where do you see your overall margins landing up for FY27? And then how do you see that playing out over the next 2-year period with the incremental capacity, which we -- which is going to come online for us?

Abrarali Dalal: Rahul, as Dr. Ramesh mentioned earlier, we will continue to maintain a threshold of around 25%–26% pre-Ind AS EBITDA margin, even as we expand our network. Currently, our margins are quite healthy, and we expect them to remain robust. If you look at the performance across our three business verticals, the overall mix is also holding up well.

As the new hospitals move into the profitable stage or their operating losses reduce, our margins should broadly remain stable and may improve slightly. That is how we look at the margin trajectory

Rahul Jeewani: Sure, sir. And let's say, there is ballpark 25%, 26% margin, do you think that those margins can sustain with the Delhi NCR expansion as well? Let's say, for the first year when Delhi NCR would have some losses -- so because obviously, we would see some expansion on our base business profitability. So with Delhi NCR, is it possible to sustain these 25%, 26% margins?

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Dr. Ramesh Kancharla: See, Rahul, the way I would look at this is from the perspective of growth and the expansion of our balance sheet, along with the corresponding increase in revenues. That is the trajectory we are pursuing. If you look at other multi-specialty hospital chains, they face a similar situation, don't they? There could be some margin pressure for a few quarters or even a year, perhaps in the range of 0.5% to 1%. However, this is manageable, particularly when you are already operating at a pre-Ind AS EBITDA margin of around 25%.

For us, the ambition is to grow the network and build a larger footprint. Therefore, a 0.5%–1% compression in EBITDA margins is not a negative in the larger context of our expansion plans. The Delhi hospitals are our own hospitals, and we have an ambitious plan to ramp them up. We also intend to commence operations in phases so that we do not incur excessive initial operating losses. These are some of the operational measures we are putting in place to minimize the initial cash burn.

Meanwhile, our entire southern network will be moving towards maturity. By the time the Delhi hospitals come on stream and the existing hospitals reach a more mature stage, the southern network should start contributing meaningfully to profitability. This is the backdrop to our guidance that we will continue to deliver pre-Ind AS EBITDA margins of around 25%.

There could be some margin pressure, perhaps around 0.5%, when a significant number of beds are added over a few quarters. That's the reality, that's the truth of the story. I have been tracking other hospital chains as well, and they face a similar situation. Perhaps we are in a relatively better position than many others in terms of managing this margin pressure

Rahul Jeewani: Yes, yes, obviously, sir. That, as you rightly pointed out, that despite, let's say, this 50% capacity addition for us for past 2 years, our margins have held pretty steady. So yes, my question was just from Delhi NCR because it's a large hospital and a new market. So yes.

Moderator: The next question is from the line of Shubh Kalra from Asit C Mehta Investments.

Shubh Kalra: So just a follow-up on my previous question. So without getting into specific segment level margin, would it be possible to indicate whether the EBITDA margins of each of the 3 verticals are higher or lower than the current consolidated EBITDA margin of around 31% post-Ind AS? See, the objective is to understand whether the increasing contribution of the IVF business is likely to be margin accretive or margin dilutive or similar for the company as it scales on a consolidated level.

Saurabh Bhandari: Are the EBITDA margins of pediatrics, obstetrics and IVF separately, and whether they are higher or lower than the company's overall EBITDA margin?

Shubh Kalra: Specialty-wise.

Saurabh Bhandari: Specialty-wise EBITDA margins.

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Dr. Ramesh Kancharla: No, we have not looked at specialty-wise margins so far. I think paediatrics and obstetrics go hand in hand in terms of their margin profiles. IVF is still a relatively small business for us, although it has grown well and now contributes around 5% of our revenue. We will need to start looking at it separately as we move forward. At present, it is not significant enough for us to report as a separate line item

Moderator: The next question is from the line of Tushar Raghatate from Omega Portfolio Advisors.

Tushar Raghatate: Sir, just want to know the competition, like Kids Clinic. We have the hospital in common with them for the Hyderabad, Bangalore, Chennai Delhi. And in the upcoming pipeline also, they already have hospital in Pune, Mumbai and Gurugram. I just wanted to know, though we are better in terms of the margin profile and the ROE, ROCE, I just want to know the pressure in terms of the competition from the Cloudnine chain.

Dr. Ramesh Kancharla: See, they have been around for the last 20-plus years, almost 25 years, and have been operating in some of our competitive markets as well. However, we are a much larger player. We are not a mom-and-pop operation focused only on obstetrics. We are a full-fledged, institutionally driven organization, with a strong base of full-time doctors and a much broader clinical footprint. We have never really viewed them as a significant competitor, much like Cradle, which has been present in Apollo and in Hyderabad for a long time but has not had any material impact on us. Similarly, Motherhood entered the market and has since existed, and there have also been several local chains. We continue to grow our obstetrics business as well. If there is any degree of competition, it is largely in the obstetrics segment. Our children's healthcare business, however, is much larger and does not face the same level of competition. Overall, we do not see any significant competitive pressure

Tushar Raghatate: Fair enough, sir. I just wanted to know whenever you start a new hospital, in how many years do we see that turning into a matured one?

Dr. Ramesh Kancharla: Maturity depends on the geography. In some locations, a hospital can reach maturity in three to four years, while in others, it may take a little longer, perhaps four, five or even six years. It depends on the micro-market and the underlying demand. For instance, some spoke hospitals in certain micro-markets perform exceptionally well and reach company-level EBITDA margins by the third or fourth year, while others may take another couple of years.

It is quite variable from city to city and also from one micro-market to another. In Hyderabad, for instance, irrespective of whether we set up a small, medium or large hospital, we would typically break even within the first year. In Bengaluru, it takes around 15 months, while in Chennai, it is approximately 15 to 18 months. This has been our experience with the hospitals we have established so far.

That is why I have been saying that, as we expand into Delhi, whether it is a large or a smaller hospital, we should be able to achieve operating break-even within two years

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

Abrarali Dalal: Thank you for joining the conference call and giving your views and asking thoughtful questions. If you have any questions, you can reach out to Investor Relations team of the Rainbow Hospitals. Thank you. Thank you very much.

Dr. Ramesh Kancharla: Thank you.

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

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