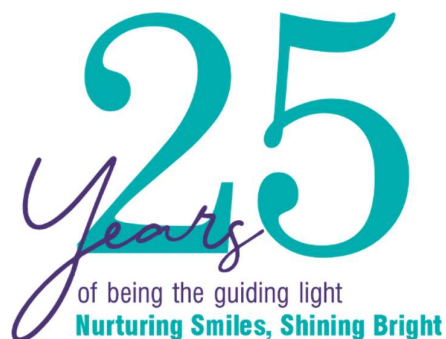


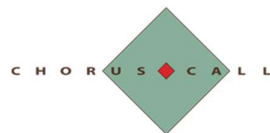


“Rainbow Children's Medicare Limited Q2 FY '26 Earnings Conference Call”

November 14, 2025



IIFL CAPITAL



Call Duration • 1 Hour	
Management Speakers	• Dr. Ramesh Kancharla – Chairman and Managing Director • Mr. Vikas Maheshwari – Group Chief Financial Officer • Mr. Saurabh Bhandari – Head Investor Relations & Group Business Analyst
Participants who asked questions	• Ms. Damayanti Kerai - HSBC • Ms. Kritika - Prospera Financial Solutions • Ms. Banshi Desai - JPMorgan • Mr. Rahul Jeewani - IIFL Capital • Ms. Isha - Individual Investor • Mr. Vishal Manchanda - Systematix • Mr. Anshul Agrawal - Emkay Global • Mr. Dhananjai - Alchemy Capital
Moderator	• Mr. Rahul Jeewani - IIFL Securities Limited

Moderator: Ladies and gentlemen, good day and welcome to the Rainbow Children's Medicare Limited Q2 FY '26 Earnings Conference Call hosted by IIFL 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Rahul Jeewani. Thank you and over to you, sir.

Rahul Jeewani: 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. Vikas Maheshwari, Group CFO and Mr. Saurabh Bhandari, Head of Investor Relations.

Over to you, sir, for your opening comments.

Ramesh Kancharla: Thank you, Rahul.

Good morning, everyone and thank you for joining us for Rainbow Children's Medicare Ltd earnings call for Q2 FY26 and first half of the year.

I would like to start with a few key strategic and operational updates for the quarter.

Operational Performance commentary:

- During the quarter, our operational performance showed some softness, largely influenced by low incidence of seasonal illnesses resulting in lower patient volumes in general Paediatrics and Paediatrics intensive care.
- In addition, early festive season (Ganesh Chaturthi and Dussehra in Q2) compressed the typical peak period for admissions.
- These factors collectively led to lower occupancy levels and a transient impact on financial performance. However, the underlying business fundamentals remain strong — with continued growth in specialty services, disciplined cost management and steady progress in operational efficiency.
- However, these challenges are temporary, and we expect normalization in the upcoming quarters.

Strategic Acquisitions & Expansion:

- I am pleased to inform you that the acquisition of Prashanthi hospital in Warangal and Pratiksha hospital in Guwahati, marking Rainbow strategic entry into the Northeast region.
- Both hospitals have now been fully integrated into the Rainbow network, and initial traction has been encouraging and in line with our expectations.
- Further, we commissioned our new hospital in Rajahmundry in east Godavari district of AP. Having a regional hub in Vishakhapatnam, Rajahmundry and Vijayawada would cover most of the affluent parts of coastal Andhra Pradesh.

- We are now gearing up for the commencement of two new spoke hospitals in Bengaluru — Electronic City and Hennur — further expanding our presence in this key metropolitan city.
- With these additions, RCML will conclude its current high-bed addition phase, having added 780 beds over the past two years through expansions and acquisitions.
- To dwell on the financials for FY26 Q2, revenue registered a growth of 6.5%, amounting to ₹445 Crore, EBITDA increased by 1%, to ₹149 Crore, while there was a de-growth in PAT of 4% registering 76 Cr.
- The overall occupancy rate for the quarter was 52%

Project Updates:

I am pleased to share the Project updates as below:

- The Electronic City (Bengaluru) facility (~90 beds) is fully ready for clinical commencement, pending requisite government approvals.
- The Hennur (Bengaluru) facility (~60 beds) is in its final stages of completion and is expected to commence operations by January 2026, subject to approvals.
- The regional hub hospital at Coimbatore (~130 beds) has entered the development phase and is expected to be ready by the end of FY27.
- In Gurugram (NCR), construction work was progressing rapidly at both Sector 44 (~325 beds) and Sector 56 (~125 beds) but the work has been stalled by the government temporarily because of dangerously high pollution hospitals.
- The regional hub hospital in Pune (~150 beds) is currently in the project design phase while the permissions are awaited.

Leadership Strengthening

- I am pleased to announce the appointment of Mr. Abrarali Dalal as Group Chief Executive Officer for Rainbow Children's Medicare Ltd, effective January 20, 2026. This appointment marks an important milestone as we fortify the leadership team to drive the next phase of growth and strengthening our business model.

International Business Update

- Though some of the issues regarding the medical visas persists, we have seen progress on the international business front with the monthly revenue now touching ~3 Cr. We see the business returning to normalcy in coming quarters.

Clinical & Operational Highlights:

Clinically, we are continued to see good growth in our Pediatric specialties & quaternary care with improved case mix and revenue contributions. I would like to share one of our remarkable clinical achievements during the quarter.

- A 27-year-old expectant mother with an underlying complex congenital heart disease having only a single ventricle went through a difficult course as a child and had a shunt surgery called Glenn procedure to improve her oxygenation and quality of life. Though the definitive procedure was planned family was never turned up because of decent quality of life. She got married and planned for pregnancy. Unfortunately, she lost 3 pregnancies in her 6th and 7th month of pregnancies.
- She had reached to Rainbow Children's Heart Institute with lot of hope to save the baby from current pregnancy. During evaluation, she was found to have oxygen saturations around 75%. This clearly indicates continuation of pregnancy may result in Intrauterine death of the baby because of poor oxygenation. Scientifically this could have happened to her previous pregnancies resulted in Intrauterine deaths.
- Since there was no option of definitive cardiac surgery to correct the underlying anomaly during pregnancy which obviously carries very high maternal and foetal mortality. Our cardiac and perinatal team had extensive deliberations and finally decided to rescue the mother and baby non-invasively. Therefore, our Pediatric cardiology team had discovered the way to rescue both mother and baby was to place a stent through femoral catheterization from single ventricle through the Atrietic pulmonary wall into pulmonary artery. During this procedure the baby was taken care from any exposure to radiation. Post cardiac stenting the oxygen saturations have come up to 94%. The mother's cardiac assessment post-procedure was extremely satisfactory and foetal viability was very good.
- The perinatal team had taken care of the pregnancy and delivered the full-term healthy baby.
- I was so excited and went down to Rainbow Children's Heart Institute to celebrate this success with the children's cardiac team and perinatal team.

Looking Ahead for second half of FY26

- Ensure the timely commissioning of our 2 spokes in Bangalore
- Focus on strengthening business operations and delivering sustainable growth across its network.
- Strengthening our sales and marketing function across key markets to deliver sustainable and scalable growth

Let me take this opportunity to thank our medical teams and leadership team for their dedication and hard work. We are grateful to our stakeholders for their continued trust in building this incredible healthcare for Children and Perinatal care. With that, I now hand over to our 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 investor's conference. I am pleased to brief you on the financial performance and key developments of Rainbow Hospitals for the second quarter and first half of FY2025-26.

- Our operating revenue for the quarter stood at Rs.444.8 Crores reflecting a growth of 6.5% when compared to the corresponding quarter of the previous financial year. For

H1, our revenue stood at Rs.797.7 Crores reflecting a growth of 6.7% when compared to the H1 of the previous financial year.

- Our EBITDA for second quarter amounted to Rs. 148.8 Crores, marking a 1.2% growth compared to the same period last year. For H1, our EBITDA stood at Rs. 252.5 Crores reflecting a growth of 4.9% when compared to the H1 of the previous financial year.
- The EBITDA margins for the current quarter is 33.5%. While for H1, our EBITDA margins is 31.7%.
- The profit after tax for the quarter is Rs. 75.6 Crores a de-growth 4.3% in comparison to the corresponding quarter of the last financial year. For H1, our PAT stood at Rs.129.4 Crores reflecting a growth of 9% when compared to the H1 of the previous financial year.
- In terms of the operational performance, outpatient volumes witnessed a growth of 5.7% when compared to the corresponding period in last financial year. Deliveries grew by 6.8% compared to corresponding period of last year. Inpatient volumes witnessed a de-growth of 1% when compared to the corresponding period in last financial year due to the reasons outlined by Dr. Ramesh, CMD, earlier.
- Our payor mix continued to remain robust and balanced with 52.8% of the revenue coming from the insurance and the balance 47.2% coming from the cash patients. For H1 the payor mix stands at 47.7% Cash and 52.3% insurance.
- I am pleased to inform that our company's balance sheet remains robust with net cash position of Rs. 555.8 Cr as of September 30th of this year 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 invested Rs. 260.6Cr in capital expenditures towards expanding and enhancing our services at existing / upcoming hospitals and acquisition of Guwahati and Warangal hospitals.

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

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

Damayanti: Hi, good morning and thank you for the opportunity. My first question is for Dr. Ramesh. So, with the appointment of CEO, how your involvement or how your role will change in the company?

Ramesh Kancharla: Yes. Damayanti, I have been on the front line for a long time, and the time has come for the company to move to a professional management structure. We have expanded significantly across multiple cities, and it is important that, as Chairman, I align with the CEO and the strategic leadership team. Having a professional CEO who independently drives operations and guides the functional heads and Directors is essential for an organization of this scale.

We did an extensive evaluation process and ultimately selected Mr. Abrarali as CEO.

Damayanti: Okay. So, obviously, I think you will be there to, handhold and advise the company as we progress ahead. Thanks for that. My second question is on your new unit, Prashanthi and Pratiksha, both integrated during second quarter, as you mentioned. So, just some color on the revenue contribution which came through these new units and your plan and expectation for scaling up operations in these two units.

Ramesh Kancharla: Yes. These units are still in the early phase. Pratiksha was doing about INR 8–8.5 crores before we took over. After the acquisition, the entire management changed, and all insurance empanelment had to be redone. We have now obtained the required permissions and insurance approvals, so we expect to see an uptick from December onwards.

Warangal had similar issues—being a Tier-2 city, insurance onboarding took time, which temporarily impacted deliveries. Now all insurance partners are on board.

We are happy with both acquisitions; integration has been seamless across doctors, nursing, and staff. Our operating model is now fully implemented, and we are optimistic about their growth.

Damayanti: Sure. So, you are largely done with integrating the entire two units and maybe from March quarter, we will see meaningful pickup in revenues. So, just a point, I think Pratiksha, you mentioned INR8 crores, INR8.5 crores kind of number which came in 2Q or what was that number?

Ramesh Kancharla: It was slightly lower due to the insurance transition. Integration also required migrating SAP, supply chain, HRMS, and HIS. The hospital earlier operated under multiple entities — They were operating on three, four companies each one for pharmacy, operations, etc. — so consolidation was a challenge, but the team has done a great job. It now operates fully like a Rainbow Children's Hospital.

Damayanti: You got it. That's helpful. And my last question is on your international business. Can you remind us, you mentioned there are some issues which should be normalized in coming quarters and then you expect things to pick up?

Ramesh Kancharla: Yes, issues continue primarily with Bangladesh — visas for patients have not been issued. However, African markets have started picking up again. We have reached back to the revenue levels of about 1.5 years ago, ~back to around INR 3 crores per month, which is what we used to do earlier. It is improving month on month and should normalize soon. It's not going to be too long time.

Damayanti: Okay, thank you for your response. I'll get back in the queue. All the best.

Moderator: Thank you. The next question is in the line of Kritika from Prospera Financial Solutions. Please go ahead.

- Kritika:** Yes, congratulations on a strong quarter. I actually want to know like you mentioned earlier, that a payor mix was roughly 52% insurance and 40% cash in Q1. Has that ratio changed meaningfully in Q2 and more importantly, where do you stand on pricing renegotiation with issuers in your key market because with rising specialty payor mix and inflation in chemical inputs, are you confident that the price revision in Hyderabad, Bangalore and Chennai will come through with the timeline you had guided earlier?
- Vikas Maheshwari:** Yes, so the payor mix for the quarter 1 and the quarter 2 is more than the same line. There is not much of the change. This is a very balanced mix which we are driving. The good part is that we don't do any government related schemes businesses since it is a pediatrics. So our payor mix is only cash and insurance.
- As far as the insurance renegotiation is concerned, I think our team has already concluded for the Hyderabad. For the Bangalore cluster is under negotiation and it's happening. So it is a routine business for any healthcare operator for the hospital company because the insurance keeps falling on some multiple timelines of the life cycle.
- So as and when it comes, we keep negotiating and so far we have been very successful in terms of the pricing and hedging against the inflation costs and the type of facility we have built and that type of complex work we do. We have been able to negotiate it properly with the insurance company so far. So we expect that, yes, we will be able to manage that going forward also.
- Kritika:** And my second question is one of Rainbows biggest differentiator is your strength in neonatal and the pediatric intensive care. Could you share whether MICU utilization improved in Q2 relative to Q1 and whether that was a meaningful driver for the ARPOB recovery and do you see that MICU capacity approaching constraints in any of your hubs which may require for the expansion?
- Vikas Maheshwari:** As far as the capacity constraints of the MICU is concerned, I think whatever the facilities we have is very well built keeping in the future requirements. So we have a headroom available in all of most of our hospitals to accommodate these type of patients in our MICU and PICU. So we don't see as of now any constraint on such capacity utilization.
- Ramesh Kancharla:** With our hub-and-spoke model, accommodating patients is not an issue. We always try to adjust on the occupancy basis and then when we do spoke, should we increase the bed capacity or reduce the bed capacity? We always adjust among the units between them. So that optimization is always done
- I think as we move forward in future, what we had an earlier number of beds in ICUs, may be a kind of numbers wise, we probably need to optimize a little bit down because of a number of the units are distributed within Rainbow network itself. Because in the past, we used to think about the hospitals to have a larger unit. Now because of lot of micro market-driven business, we try to optimize number of beds to see that the efficiency is improved.
- Kritika:** Thank you. That was really helpful.

- Moderator:** Thank you. The next question is from the line of Banshi Desai from JPMorgan. Please go ahead.
- Banshi Desai:** Yes, hi. Firstly, congratulations on the CEO appointment and we look forward to speaking with him. Sir, my first question is that, if you just step back and look at the last three to four years, while Rainbow has done very well operationally, we have seen seasons impacting our business probably twice in the span of last three to four years.
- I am just trying to understand that, is this impact felt similarly across all your units or is this more pronounced in one region over other? And the second question in continuation to that is that as we look ahead and as we diversify our presence in north and northeast, should that in any way lessen the impact of seasonality that we are feeling?
- Ramesh Kancharla:** Seasonality is similar across southern states — Hyderabad, Bangalore, Andhra Pradesh — they behave like one cluster. Chennai is slightly different as monsoons arrive later.
- The Northeast follows a distinctly different pattern. NCR also behaves differently, with peak season from October–January driven by pollution. So diversification will bring some variation, but the South largely behaves as one unit.
- Banshi Desai:** And sir, I was just saying that we have entered northeast with Prashanthi's acquisition, but do we have plans to scale up our presence there?
- Ramesh Kancharla:** Yes. First, we are building a strong specialty footprint. We already started some very interesting things in the northeast. We have started road transport services — we have done ~14 transports in the last 1.5 months, which never happened earlier in the region. We've gone far off distances to Shillong and all the areas and done the transports of critically sick children.
- We're adding speciality one after the other. We are adding pediatric neurology, nephrology, and respiratory medicine.
- We want to build Guwahati as the hub for the Northeast. We're trying to see that how early, how fast we can do a periodic cardiology, cardiac surgery in our Guwahati hospital
- We want to ensure that the base business is very strong, with a solid reputation. Our aim is to establish this hospital as the center for pediatric services in the Northeast. Once that is achieved, we can explore opportunities in smaller cities such as Silchar and Shillong, which are promising greenfield markets.
- For now, we want to strengthen our position here over the near term before expanding further.
- Banshi Desai:** Thanks for that, sir. And secondly, if you could also update us on how our IVF centers are performing. It's been a year. If you could comment on how they're doing operationally and also in terms of patient volumes?
- Ramesh Kancharla:** Yes. As expected, our IVF growth is coming mostly through our own network and through B2C channels. B2B remains very negligible because obstetricians often see us as competitors, so they

hesitate to refer their infertility patients to Rainbow, given our strong obstetrics network. We had a sales team for this, but it did not work.

What is working for us is, first, the in-house growth, and second, the B2C business. Both have been performing well. Collectively, we are growing quite impressively over last year. On a same-quarter basis, growth is around 40%, although it is on a low base. We would now like to sustain an impressive growth trajectory of about 25% going forward

Bansi Desai: All right. I have questions. I'll join back in the queue.

Ramesh Kancharla: Sure. Thanks. Thank you, Bansi.

Moderator: Thank you. A reminder to all participants, you may press star and one to ask a question. The next question is from the line of Rahul Jeewani from IIFL Capital. Please go ahead.

Rahul Jeewani: Yes. Thanks, sir. Sir, you did talk about seasonality in terms of obviously impacting our performance this quarter. Now, if we look at the IP volume growth between the mature and the new hospitals, it seems that the volume -- the IP volumes in mature hospitals have declined high-single-digit kind of a number between 8%-9% Y-o-Y. So, why is the impact of seasonality more pronounced in the mature hospitals, given that for some of these mature hospitals, we would be doing other services as well, like at the Banjara Hospital?

Ramesh Kancharla: Yes. So, the mature hospitals have a standard, regular base business of about 50% occupancy. We expect them to reach around 60% plus occupancy in Q2 and Q3. If you look back at last year, we were at about 65%–66% occupancy. When we are at around 66%, the additional 10% growth typically comes from seasonal business. So, when we evaluate our occupancies, that 10% uplift is due to seasonality.

And the corresponding revenue increase usually comes in at around 12%–14%. This is why we typically guide that our occupancies go up by about 8% and our revenue grows by around 12% in Q2 and Q3. This pattern occurs in most years, though sometimes it is cyclical. In years with no seasons, we see the impact clearly.

This year, our base business is strong, and our EBITDA is still robust, but occupancies are down by about 8% and revenue is down by around 10%–12%. If seasonality had been present, we would likely have delivered 16%–17% growth. That's the clear explanation.

Mature hospitals are more affected because, during non-seasonal periods, fewer patients come to the larger, more popular hospitals. The second important factor is Pediatric Intensive Care. During seasons, a significant number of children become sick due to pneumonia and related illnesses, and some of them require intensive care. These two segments – general pediatrics and pediatric intensive care – work hand-in-hand during seasonal illness periods. The absence of this seasonal load is what resulted in an 8%–9% dip in overall occupancy.

In contrast, the new units operate on a low base, at around 40%–42% occupancy, so the impact of seasonality is minimal for them. In mature units, where regular fixed business is around 50%–54%, the variation is much more visible.

Rahul Jeewani:

So this 8%-10% point occupancy contribution and 12%-14% revenue contribution from the seasonal business, you seem to indicate that's the contribution at the mature hospital level for 2Q and 3Q generally.

Ramesh Kancharla:

Yes, exactly.

Rahul Jeewani:

And sir, with respect to let's say the IVF revenue, so can you talk about in terms of some of the levers which could help us to reduce the impact of this seasonality in the overall business? So obviously, North East expansion would help. Can IVF scale up also help us in reducing the impact of this seasonality? So what is our IVF revenue contribution right now? And where do you see that number settling over the next, let's say, three to five year period?

Ramesh Kancharla:

I think we are at about 3.2% of the total topline this year. It will go up, but I am not sure how much it will increase as a percentage. Overall, we expect to do around INR40 crores plus in the current year, which reflects almost 50% year-on-year growth over the last three years. This growth is driven by our specialty and super-specialty services, as well as some of the advanced specialized services we offer, including rare disease treatments. These areas will continue to expand as we mature more hospitals.

Rahul Jeewani:

Sure, sir. Sure, sure. And sir, the next question I have is, as you indicated that now most of our expansion plans would get completed by FY26. And the next round of expansions would come online in FY29 only. So now as some of these newer hospitals scale up over the next two year period, can we see a margin expansion playing out for Rainbow over the next two years as some of these newer capacities scale up?

Ramesh Kancharla:

No, certainly that I think what's more important for us is to drive our operations. And also, as I told you in the last earnings call that now we have a leadership in the sales and marketing, and we're doing very well. And also, now the CEO joining, I think, is strengthening the overall leaderships.

And also, what we have is the next couple of years' time is a very pure play of driving the growth and driving the revenue growth. We'll have to see that. We always guide about, 25% is our base EBITDA, pre and early EBITDA. We'll stick to that. We'll continue to drive more top-line growth.

Rahul Jeewani:

Sure, sir. And any comments in terms of what kind of a top-line growth are you looking at from a next two year perspective?

Ramesh Kancharla:

I think, moving forward, we should be able to deliver around 20% growth. That is what we are aiming for over the next two years. We have completed all the expansions and added plenty of beds in the growth areas. As long as we stabilize our mature units at around 8%–10% growth,

and the rest of the units grow at about 25%, we should be able to achieve a consolidated growth rate of 20%.

Rahul Jeewani: Sure, sir. So, this 20% growth includes the contribution from M&A or you are talking about the organic growth for the business?

Ramesh Kancharla: Including M&A. They are integrated now. So, they are part of the business now.

Rahul Jeewani: Sure, sir. Last question before I join back the queue. We continue to generate very healthy cash. Right now, also, we have around INR560 crore of net cash on board. So, with the Guwahati and the Warangal acquisitions being done, are you looking at more M&A or would you slow down, let's say, from a two year perspective, scale up these newer assets and then only evaluate fresh M&A? So, any color there would be helpful, sir.

Ramesh Kancharla: Surely, if there are appropriate M&A opportunities, we would be interested. If such opportunities arise, we would certainly evaluate them. We have cash on the balance sheet and strong execution capabilities. What we look for are M&As where we can add scale, integrate the assets into our operating model, and further expand that scale. We would consider such opportunities.

Rahul Jeewani: Sure, sir. I will join back the queue.

Moderator: The next question is supplied of Isha, an individual investor. Please go ahead.

Isha: Hi, good morning. So, I am fairly new in analysing the hospital industry. So, sir, my first question is, how is the company able to maintain such high gross margins of 86%-87% when the industry average is around 73%-74%? How are you able to maintain such high gross margins? And my second question is...

Vikas Maheshwari: Yes.

Isha: Yes, sir. You can go ahead.

Vikas Maheshwari: With respect to gross margin, there is a difference between our specialties and the multi-specialty hospitals that are mostly listed. In the pediatrics and maternity space, we are the only company of scale. In our industry, the cost of consumables typically ranges between 12%-14%, depending on the mix of services being provided. That is why our gross margins are higher.

Saurabh Bhandari: See, most adult hospitals are surgically driven, whereas we are a medical hospital. In a medical hospital, the cost of implants and related items is much lower. Hence, you see higher gross margins.

Isha: Okay, sure. So, sir, my second question is, what capex do we expect to incur in H2 FY26? And what prediction should we make for the hub and spoke models bed? What capex curve bed should we project going forward?

Vikas Maheshwari: I think the projects that are still pending are Hennur and Electronic City in Bangalore, where work is ongoing. These involve the remaining payments, along with the Gurugram project,

which is also progressing. For the second half, we expect to spend close to INR100 crores. And for our Pune and Coimbatore projects over the next three years, you should budget roughly around INR600 crores.

Isha: And so, my third question is, how do we see competition affecting the occupancy rates and especially the hub region?

Ramesh Kancharla: So, competition will always be there, and the market is also expanding. It is a question of how we navigate and continue to grow. In Hyderabad, competition has existed for the last 15–18 years, and it will continue to remain. That is the reality. We simply have to work around it, play to our strengths, expand into more micro-markets, and remain a dominant player. I think that is the only way forward.

Isha: Okay. Thank you, sir. Thank you for taking my questions and all the best for your future endeavors. Thank you.

Moderator: Thank you. The next question is from the line of Vishal from Systematix. Please go ahead.

Vishal: Thanks for the opportunity and good morning, everyone. I heard that you talked about expanding in Pune. Can you kind of give some color as to what size of a hospital you would, you're looking there and any competitive, are there any large pediatric hospitals already there in Pune?

Ramesh Kancharla: You see, in Pune, we are looking at a 150-bed children's hospital with perinatal services, with a much stronger focus on Pediatrics. This will be located on the Bangalore Highway, closer to Baner. When you look at the landscape in Pune, it is becoming similar to Hyderabad and Bangalore today. There are many mom-and-pop setups that are doing well because there are a large number of deliveries and a significant child population in Pune. There are also fairly strong catchment areas feeding into Pune.

This is the competitive landscape. The hospitals doing significant pediatric work are largely Trust-run institutions and medical colleges. There is not much in terms of standalone comprehensive pediatric facilities. For example, Deenanath Mangeshkar has a fairly large department, and a couple of medical colleges also have sizeable pediatric departments.

There are some smaller pediatric units — about 50 to 60 beds — doing a certain degree of ICU work and related services, but they are not comprehensive children's hospitals. There is both a need and a demand for such a facility. Ultimately, it depends on the kind of professionals you bring in and how you drive clinical outcomes.

Vishal: Understood, sir. Probably this would be the first pediatric hospital that would have the most broadest suite of services for pediatrics.

Ramesh Kancharla: Exactly, that's exactly.

Vishal: And with respect to your existing business, if you could share what percentage of our business is generated from high-end services like transplant, oncology?

Ramesh Kancharla: We provide tertiary and quaternary care as an integrated offering — it is very difficult to separate the two in a children's hospital setting. Collectively, these services, including transplants, contribute approximately 40% of our overall business.

Vishal: Okay, and is this part of the business growing faster than the rest of the business?

Ramesh Kancharla: In a hub-and-spoke model, the case mix naturally gets diluted because spokes typically do not handle high-end tertiary or quaternary care. As a result, the overall mix tends to stay in similar proportions.

For example, as we continue adding more spokes, we have seen obstetrics grow from about 20–25% earlier to nearly 30% now. The dynamics keep evolving, and such shifts are expected when you operate a broad hub-and-spoke network.

Vishal: Okay, and like within our large hub hospitals, Hyderabad, Bangalore, Chennai, would large part of the high-end care be delivered from Hyderabad and while Chennai and Bangalore are yet to catch up?

Ramesh Kancharla: Yes, it doesn't catch up quickly. It actually takes a long time to build high-end pediatric services. First, you need the right expertise; second, you need awareness; and third, you need strong outcomes. All of these take their own time to develop.

It took us many years in Hyderabad. We have now started doing transplants — bone marrow transplants, and liver transplants in both Chennai and Bangalore. But reaching a mature scale and depth in these services will still take time.

Vishal: Okay, okay. And just one final one on international patients. So two things, one is getting international patients in pediatric care, is that more difficult than probably a general hospital? And second, what is the current state like, do we have a minor contribution coming from the international patients?

Ramesh Kancharla: See, it's a long shot, but we are working on it. We began developing our international business, and it was progressing well until the recent geopolitical developments. Because of these issues, we have seen a decline in international business from Africa, Bangladesh, and a few other regions.

However, we remain optimistic. As we move forward, international business — even in pediatrics — will become a significant component for us. That is my belief. We will need to invest more in building strong networks with doctors in these markets. For example, engaging with pediatricians, pediatric cardiologists, and other relevant specialists internationally will help us deepen relationships and drive more business.

Vishal: Got it, sir. But any sense on how large this can become, 10% of the top line, maybe next five years or so?

- Ramesh Kancharla:** I won't put a specific number, but I think we should aim for at least 10%.
- Vishal:** Okay, thank you very much. Yes, thank you.
- Moderator:** Thank you. The next question is from the line of Anshul Agrawal from Emkay Global. Please go ahead.
- Anshul Agrawal:** Great, sir. First, a clarification. I think I mentioned, sir, saying that the top line that we're aiming or targeting is at about 20%. Now, considering that H1 was at 7%, is that any indication around H2 being stronger than the usual H2 versus H1 kind of growth?
- Vikas Maheshwari:** So, Anshul, let me take this question. What sir mentioned is that the 20% CAGR growth is over a period of time. The basis is twofold. First, the capacity addition we have undertaken—which is substantial—represents around a 47% increase from a low base, with nearly 780 beds added. This includes all capacity expansion and the super-specialty enhancements in our hub hospitals at Bangalore and Chennai, as well as the ramp-up of the two acquisitions we have completed, Guwahati and Warangal. Therefore, over the next two and a half to three years, you should expect revenue growth of roughly 20% CAGR. That's the first point.
- Second, how the second half will pan out is difficult to predict. But our approach is not to focus on quarter-on-quarter variations, but instead on the longer trajectory. So far, if you look at the last three- to five-year CAGR, it has been roughly 16%–17%. With the significant bed capacity additions now behind us, we are optimistic that we should be able to deliver around 20% growth CAGR over the next two and a half to three years.
- Anshul Agrawal:** All right. So, growth could be back-ended is what you are suggesting on back of expanded capacity.
- Vikas Maheshwari:** Yes, acquisition integration.
- Anshul Agrawal:** Got it. Sort of a follow-up on this only. So, our depreciation number has not increased on an H1-H basis. Would this also sort of grow in line considering that they have added almost 800 beds in the last two years?
- Vikas Maheshwari:** So, the commercialization of the Rajahmundry unit and the two hospitals in Bangalore, which will happen in the December quarter, will lead to some uptick in depreciation. In our case, depreciation also includes a portion related to Ind AS accounting for leases, which gets split between finance cost and depreciation.
- But as a percentage, you should expect a similar trend overall, except for one or two quarters where the opening of these three facilities will create a slight bump. Otherwise, it should remain in the same range.
- Anshul Agrawal:** Got it. Third question I had was, any update on the break-even of the Bangalore and the Chennai hospitals that will be opened in 2024, the Anna Nagar and the Sarjapur hospitals? Are we closer to break-even in Bangalore?

- Ramesh Kancharla:** The Sarjapur hospital reached break-even in about 15 months. Anna Nagar took around 18 months, exactly as guided. Over the last few months, it has achieved cash break-even. Overall, the facilities are performing in line with the timelines we had indicated.
- Anshul Agrawal:** Got it. So, despite seasonality impact in the current quarter, the ramp-up on these hospitals has been in line with what we have guided?
- Vikas Maheshwari:** Yes.
- Moderator:** Got it. That's it from me. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Dhananjai from Alchemy. Please go ahead.
- Vikas Maheshwari:** Dhananjai, we are not able to hear you at all. Dhananjai?
- Moderator:** As there is no response, I take the next question from the line of Rahul Jeewani from IIFL Capital. Please go ahead.
- Rahul Jeewani:** Yes, sir. Just a few clarifications. You indicated a capex of INR 100 crores in the second half, but I missed the number you mentioned for Pune, Coimbatore, and Delhi NCR combined. Did you say INR 600 crores?
- Vikas Maheshwari:** So, including Coimbatore, Pune, and Gurgaon, we should be doing capex of roughly close to INR 600 crores, Rahul.
- Rahul Jeewani:** Sure, sir. And are you including the initial capex—let's say, what you would have already incurred for the two NCR hospitals—or is this the incremental capex over the next two to three years?
- Vikas Maheshwari:** Rahul, let us talk about Gurgaon. We are adding roughly close to 450 beds, and here the land and building are owned by the company, and we are constructing the entire facility. So it will cost close to INR 1.5 billion plus for the construction of the whole facility. The capex is large.
- For that, we have already spent close to INR 180 crores on the land and roughly INR 20–30 crores on other work that has already been carried out.
- The balance construction, which is progressing over the next two and a half to three years, will account for the remaining spend. So, out of the amount I mentioned, the maximum pertains to the Gurgaon project.
- Rahul Jeewani:** Sure, sir. So INR 600 crores over FY '27 to '29?
- Vikas Maheshwari:** Yes, over three years.
- Rahul Jeewani:** Sure, sir. And with respect to breakeven for the spoke hospitals—your spoke hospitals in Bangalore and Chennai achieve breakeven within 12–18 months. Can you similarly talk about the timelines for some of the regional hospitals you are setting up in the Telangana market? How

much time would Rajahmundry and Coimbatore, once commissioned, take to achieve breakeven?

Ramesh Kancharla: Yes, sure. Rajahmundry would achieve breakeven in about 15–18 months, because brand visibility in Rajahmundry is very high. Across coastal Andhra Pradesh, every household knows Rainbow Hospital; it has a huge reputation.

Rajahmundry was started about a month and a half ago, and traction is already pretty good. Rajahmundry integrates very quickly. The network across Rajahmundry, Visakhapatnam, and Vijayawada covers a vast stretch from Srikakulam right up to Bengal—one of the most potential areas of Andhra Pradesh. Nellore district will be covered by the Chennai hospital.

So, we are present across the entire Andhra Pradesh coast till Chennai. Warangal is an acquisition, so we need to build more pediatric business there.

For the two Bangalore hospitals—Electronic City and Hennur—Electronic City might take a little longer, around 15 months. Hennur would break even in about one year.

Rahul Jeewani: Sure, sir. And with respect to these regional hospitals in Tier 2 markets, can you talk about how your pricing varies between Tier 1 and Tier 2 markets?

Ramesh Kancharla: In Tier 2 markets, for example, Vijayawada is a matured hospital with almost 15 years of operations. Pricing there is about 75%–80% of Hyderabad levels.

In Vizag and Rajahmundry, pricing would be about 65%–70% of Hyderabad levels. These markets are more cash-oriented, with less insurance business, so you drive more occupancy with popular pricing for some time, then it stabilizes after 3–5 years as reputation builds further.

Rahul Jeewani: Sure, sir. So pricing in these Tier 2 markets could be 25%–30% lower than Tier 1?

Vikas Maheshwari: Around 30%–35%, Rahul.

Rahul Jeewani: But at steady state, these hospitals should make margins similar to Tier 1 hospitals, given that cost structures are also lower?

Ramesh Kancharla: That's true. For example, Vijayawada has margins similar to Hyderabad. Vizag may be 4%–5% lower because of the market's characteristics—more public-sector and district populations that are price sensitive. But Rajahmundry is quite good; it is an affluent part of Andhra Pradesh.

Rahul Jeewani: Sure, sir. And my last question is on the Delhi hospital—the Madhukar Trust Hospital. Can you talk about the ramp-up at Madhukar in terms of EBITDA margins? And what is the outstanding receivable from the Madhukar Trust in terms of the loan we have extended?

Ramesh Kancharla: Yes. This year we are encouraged to see that it is finally doing double-digit EBITDA. Over the last four to five months, it has consistently delivered double-digit EBITDA. We expect the business to grow well over the next couple of years. However, EBITDA margins in this hospital

will not be very high—best case 15%–16%—because of the free beds. In a children's hospital, when sick patients occupy ICUs and free beds, it dilutes revenue significantly.

That is why it is a lower-EBITDA hospital.

Rahul Jeewani: Sure. Vikas, the outstanding receivable from the Madhukar Trust?

Vikas Maheshwari: The principal outstanding remains the same, Rahul—around INR 23–24 crores, plus other items mentioned in our financials. Last year, we restructured their repayment schedule, offering a moratorium and revised timelines. As of now, the status is the same as on 31st March.

Rahul Jeewani: Sure, sir. And we were also supposed to convert the Rosewalk Hospital from a premium birthing centre to a regular birthing centre. Has that been completed?

Ramesh Kancharla: Yes, it has been done. It is doing well—much better now. Though it is difficult to erase the perception of luxury from people's minds, it is tracking well.

Rahul Jeewani: Sure, sir. That's it from my side. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Vikas Maheshwari: Thank you for joining today's conference call and for your thoughtful and thought-provoking questions. It is always a pleasure to speak with all of you and take all the questions to clarify. Your continued support is instrumental to our strategic journey. If there are any other further questions, please do connect with Mr. Saurabh Bhandari, who heads our investors relationship, at the email which is given in our press release. Thank you very much.

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

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