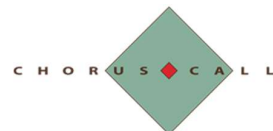


## “Rainbow Children's Medicare Limited Q4 FY '25 Earnings Conference Call”

May 26, 2025



Call Duration • 55 Minutes	
Management Speakers	<ul style="list-style-type: none"> <li>• Dr. Ramesh Kancharla – Chairman and Managing Director</li> <li>• Mr. Vikas Maheshwari – Group Chief Financial Officer</li> <li>• Mr. Saurabh Bhandari – Head Investor Relations &amp; Group Business Analyst</li> </ul>
Participants who asked questions	<ul style="list-style-type: none"> <li>• Mr. Mahesh Atal, Attal Investment Advisors</li> <li>• Mr. Anshul Agrawal, Emkay Global</li> <li>• Ms. Damayanti Kerai, HSBC Securities and Capital Markets</li> <li>• Mr. Alankar Garude, Kotak Institutional Equities</li> <li>• Mr. Rahul Jeewani, IIFL Securities Limited</li> <li>• Mr. Manik from Findoc Investment</li> <li>• Mr. Nitesh Dutt, Burman Capital</li> </ul>
Moderator	<ul style="list-style-type: none"> <li>• Mr. Rahul Jeewani - IIFL Securities Limited</li> </ul>

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Conference Call of Rainbow Children's Medicare Limited 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Rahul Jeewani:**

Good morning, everyone. I welcome you all to the fourth quarter earnings conference call of Rainbow Hospitals hosted by IIFL Capital. From Rainbow, we have with us today, Dr. Ramesh Kancharla, Chairman and Managing Director; Mr. Vikas Maheshwari, Group CFO; and Mr. Saurabh Bhandari, Head Investor Relations and Group Business Analyst.

Over to you, sir, for your opening comments.

**Dr. Ramesh Kancharla:**

Thank you, Rahul. Good morning, everyone. It's a pleasure to speak with you all today as we discuss the performance for the fourth quarter and the financial year 2024–25. It has been a transformative year for Rainbow, marked by key operational milestones and a continued focus on delivering high-quality pediatric and perinatal care.

As I reflect on the fourth quarter and the year gone by, I'm pleased to report that we've made significant progress across several areas. Here are some of the key highlights:

- On the operational front, the performance in Q4 was modest compared to the strong second and third quarters. We witnessed an unusually quiet season. Approximately 35% of our business—including pediatric outpatient department visits, pediatric admissions, and pediatric intensive care—remained subdued during this period. However, certain segments performed strongly, particularly pediatric surgery, pediatric multi-specialty care, and obstetrics. All the new beds added during the last year have been seamlessly integrated into the Rainbow network and are performing well. This is evident from the performance of our new units in both Q4 and the full year.
- I'm pleased to share that we successfully performed our first pediatric liver transplant at our Chennai hub hospital. Additionally, we secured a liver transplant license for our Bengaluru hub—a significant step in building Chennai and Bengaluru into tertiary and quaternary care hubs.
- It gives me immense pride to share that Rainbow has received several prestigious accolades.
  - We were honoured with the '**Great Place to Work**' award for the fifth time, achieving a **90%+ score**. This recognition is a testament to our ongoing efforts to build a culture where our people feel valued, empowered, and inspired.
  - We were also recognized as an '**Amazing Workplace for Excellence**' in **People Practices** and named the '**Best Place to Work for Women**' by The Economic Times.
  - Furthermore, Newsweek recognized **Rainbow as the 'Best Pediatric and Women's Hospital' of the year.**

- Our fertility center in Kondapur, Hyderabad, received **reaccreditation from the Joint Commission International (JCI)**. With this, Rainbow now has three JCI-accredited hospitals and thirteen NABH-accredited hospitals in its network.
- Our IVF services have shown strong progress, reinforcing their potential as a key growth driver.
- Our retail initiative, "Product Financials," offering a range of baby and women's care products, has performed well. We have recently launched a pilot to offer these products online as well.
- We continue to face challenges in our international business, particularly in countries such as Bangladesh, Oman, Kenya, and Sudan, where there has been a significant decline in the issuance of healthcare permits for patients seeking medical travel. For the year, international revenue stood at INR 30.7 crores, compared to INR 44 crores last year.
- We continue to prioritize cost management and actively seek opportunities to optimize expenses. This disciplined approach is especially important as new hospital beds become operational to maintain profitability.
- Now, moving on to the financials: For Q4 FY25, revenue grew by 8.5% to INR 370.1 crores. EBITDA increased by 8.7% to INR 114.7 crores, and PAT grew by 10.7% to INR 56.5 crores.
- Our overall occupancy rate for the quarter was 46.5%. Mature hospitals recorded 52.2% occupancy, while new hospitals posted a 35.6% rate.

#### **Project Updates:**

- Our 100-bed regional hospital in Rajahmundry, Andhra Pradesh, is in the final stages and is expected to commence operations by the end of Q1 FY26.
- Two new spoke hospitals in Bengaluru—Electronic City (90 beds) and Hennur (60 beds)—are expected to begin operations by the end of Q2 FY26.
- The 130-bed regional hub hospital in Coimbatore has commenced project work and is expected to take 20–24 months to complete.
- We performed Bhoomi Puja (groundbreaking ceremonies) at both our land parcels in Sector 44 and 56, Gurugram, in late April. Project work is progressing well at both sites.

#### **Patient Care Highlights:**

Let me share a couple of powerful patient stories that highlight our commitment to pediatric and perinatal care.

- A couple from Myanmar, after several failed fertility treatments back home, travelled to our Chennai facility. They conceived through IVF, but the mother experienced premature delivery, giving birth to a 472-gram baby with barely any signs of life. Thanks to our neonatology team's 24/7 dedication and advanced care infrastructure, the baby, despite multiple challenges—extremely low birth weight, respiratory issues, infections, gut problems—has made a remarkable recovery. Now at six months, the child is thriving with healthy development milestones.

- In another case, a 5-year-old presented repeatedly with symptoms of intestinal obstruction. Initial tests showed no clear issues, but further evaluation revealed severe constipation and a non-functioning colon—diagnosed as a rare intestinal motility disorder. Additionally, the child had unusually high blood pressure. A PET scan revealed a mediastinal mass, later diagnosed as undifferentiated neuroblastoma. The mass was removed, and the child began chemotherapy. Our oncology team is optimistic about a positive outcome. These cases underscore the importance of a multidisciplinary approach in managing complex cases and improving outcomes.

With that, I'll now hand over to our Group CFO, Mr. Vikas Maheshwari, for the financial update.

**Vikas Maheshwari:**

Yes. Thank you, sir. A very good morning to all of you, and thanks for attending this investors conference call. I'm pleased to brief you on the financial performance and key developments of Rainbow Children's for the fourth quarter and for the full year FY '24-'25.

- Our operating revenue for the quarter stood at INR370.1 crores, reflecting a growth of 8.5% when compared to the corresponding quarter of the previous financial year. For the full year, our revenue stood at INR1,515.9 crores, reflecting a growth of 16.9% when compared to the previous financial year.
- Our EBITDA for the quarter stood at INR114.7 crores, marking an 8.7% growth compared to the same period last year. For full year, our EBITDA stood at INR489.9 crores, reflecting a growth of 14.2% when compared to the previous financial year.
- Our EBITDA margin for the current quarter is 31%, while for the full year, our EBITDA margin is 32.3%.
- The profit after tax for the quarter is INR56.5 crores, marking a growth of 10.7% in comparison to the corresponding quarter of the last financial year. For the full year, our PAT stood at INR244 crores, reflecting a growth of 11.9% when compared to the previous financial year.
- The main highlight for the year is that our cash generation from the operation for the full year remains very, very robust. Cash generation from the operations was INR481.2 crores versus EBITDA of INR489.8 crores, resulting in 90% conversion into the cash generation from the operations.
- In terms of operational performance, outpatient and inpatient volumes witnessed a growth of 3% and 4%, respectively, when compared to the corresponding quarter in the last financial year. Deliveries grew by 6% compared to the corresponding period of last year. For the full year, outpatient, inpatient and delivery volume witnessed a robust growth of 12% and 10%, respectively, when compared to the last financial year.
- Our payor mix continued to remain robust and balanced with 52.9% of the revenue coming from the insurance and the balance 47.1% coming from the cash patients. For full year, the payer mix stands at 48% cash and 52% insurance.
- I'm pleased to inform that our company's balance sheet remains very robust with cash positions of close to INR700 crores as of March 31, 2025, and will support our ongoing capital expenditure plan.

- Given our current cash and anticipated internal accruals in the coming years, we remain confident in our ability to complete all planned capital expenditures through internal accruals without any debt financing.
- During the quarter, the company has invested approximately INR43.7 crores in the capital expenditure. For the full year, the capex is INR145.7 crores.

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

**Moderator:**

The first question is from the line of Mahesh Atal from Attal Investment Advisors.

**Mahesh Atal:**

My first question is more on how many beds are going to mature in the FY '26 out of our new hospitals? How much would be shifted to our mature hospital space? And how much new would be added to the new hospitals? That is what my first question would be.

**Saurabh Bhandari:**

There are two hospitals, which would move from the new hospital category to mature hospital, one is the Children's Heart Institute and the second is the Rosewalk Hospital. And the number of beds, which will basically move is 100 beds of Rainbow Children's Heart Institute and 24 beds of Rosewalk. So total 124 capacity beds will move from new to mature category.

**Mahesh Atal:**

And how many new would be added to the new?

**Dr. Ramesh Kancharla:**

~250 beds are going to be added to the new beds. ~150 beds in Bangalore across the 2 spokes and ~100 beds at regional spoke in Rajahmundry, totalling to 250 that are going to add to the network.

**Mahesh Atal:**

Okay. Fair enough. My second question would be more on -- we could see that you are -- I mean, I'm not -- I'm trying to understand this. We have actually our new hospitals has come up, the new beds have come up, but our -- one is that ARPOB is down in the new hospital space and -- but the occupancy is quite good.

So, what is that we are doing? We are like trying to focus more on occupancy levels right now, so that -- what is the strategy for the new hospitals going in FY '26? How do we increase the ARPOB to the mature hospital thing?

**Dr. Ramesh Kancharla:**

The ARPOB comes over a period. Whenever there's a new hospital, a new geography, or a micro market, one factor is that insurance will take some time. Also, the tariff is usually set a little more attractively to draw more patients to your hospital. This is a very common practice for every hospital. As the hospital's occupancy picks up and institutions are all onboarded, then in the second or third year, the pricing power increases. This is very natural for most new hospitals across the industry

**Mahesh Atal:**

All right. Is there any change in the insurance rate that you have taken?

**Dr. Ramesh Kancharla:**

I think there's a renewal cycle that typically happens once every two years. Sometimes, it can take longer. So, periodically, as they come in at various stages, each year another cluster comes up for renewal. We negotiate and handle it accordingly. Nowadays, what we've been doing is

managing this at the group level — for example, as a Bangalore cluster, Hyderabad cluster, and Chennai cluster. Chennai was done last year. Bangalore is due now, and Hyderabad is also going to be done now.

**Mahesh Atal:**

Any guidance you'd like to give on the broader margins for the FY '26?

**Dr. Ramesh Kancharla:**

See, as we are a growing franchise — like last year, if you recall — what we've always guided is a premise EBITDA of around 25% (Pre INDAS), which is based on our operations and our ability to drive growth. Whenever a significant number of beds are added, there may be around half a percent to 1% EBITDA margin pressure.

But that's temporary. If you look at last year, we were exactly in line with our guidance — with expected growth in the high teens and around 25% pre-Ind AS EBITDA. The margin pressure was roughly 1%, which is exactly how it played out after adding 270-280 beds. We saw about a 0.9% margin impact compared to the previous year.

**Vikas Maheshwari:**

Just to add to what Dr. Ramesh mentioned — as he has also highlighted in previous calls — whenever we add new beds, there will be some pressure on margins. However, we have threshold limits in place, and we always anticipate that our pre-Ind AS EBITDA margin will be higher than 25% (Pre INDAS). We're happy to share that for FY '25, despite adding 280 beds last year, our EBITDA margin was shaved off by only 0.9%. It stands at 26.6% pre-Ind AS and 32.3% post-Ind AS.

As we enter this year and continue adding beds, there will understandably be some cost pressure from the new units. However, some of this may be offset by the performance of recently opened units. As our CMD Dr. Ramesh has guided, it is safe to assume a minimum EBITDA margin of 25%. And, as we've done this year with 26.6%, we will aim to exceed that (threshold of 25%).

**Mahesh Atal:**

Do you foresee any competition coming in your main scope, I mean, main Hyderabad market?

**Dr. Ramesh Kancharla:**

Well, there's always been a competition for the last 15 years' time. And city is growing and also population is growing, the more new hospitals are coming up. That's a natural history.

**Mahesh Atal:**

Sorry to interrupt you, sir, any inorganic thing that you are looking at in Hyderabad?

**Dr. Ramesh Kancharla:**

In Hyderabad, no, very unlikely because we don't need to do inorganic in Hyderabad because if something opportunity is there, we also will do it. That's probably more efficient than going for inorganic.

**Moderator:**

The next question is from the line of Anshul Agrawal from Emkay Global.

**Anshul Agrawal:**

Sir, first question is on the mature portfolio. Any comment on this performance, sir? Have occupancy been weak in a certain cluster? Or is it across cluster?

**Vikas Maheshwari:** Yes, occupancy at our mature hospitals — the ones we've listed — has been slightly muted. As mentioned in the opening remarks, pediatric volumes were a bit soft in the March quarter. On the other hand, segments like mother care performed well.

Anshul, as we've consistently guided, if you look at our 3-year or 5-year CAGR, it has been very robust — around 16%. And when you look at a 3- or 5-year horizon, that translates to 12 or 20 quarters. Naturally, in that period, there may be one, two, or even three quarters where performance is somewhat subdued or below market expectations. But that's where we, as a management team, catch up — and over the long term, the trend has remained strong. So, while this quarter may appear slightly subdued, it's not a cause for concern, nor does it signal any issue with our long-term growth trajectory. It's more of a one-off. As we look at how the June quarter is shaping up, we expect things to stabilize and return to our long-term growth path of 15–16%.

This year is going to be very busy. Over the next six months — as outlined in our presentation — we're adding significant capacity, including 250 beds, starting with Rajahmundry, Hennur, and Electronic City hospitals. This will further strengthen the foundation for growth in the coming quarters.

**Anshul Agrawal:** Noted, sir. Sir, just a follow-up on this. So, are we saying our mature portfolio should also clock, say, around about mid-teens growth going forward, this is just a one-off kind of quarter?

**Dr. Ramesh Kancharla:** I think for mature hospitals, typically, when you factor in pricing power and other efficiencies, a growth of around 8% to 10% is considered excellent. That's what we usually see.

Take, for example, a place like Hyderabad — 8% to 10% growth is fantastic, and we deliver excellent results at those levels. These hospitals are fairly mature, and most of them are clocking around 70% occupancy.

There's still room to grow, and mature clusters generally have better pricing power. So, it's a combination of factors we need to look at — pricing, occupancy, and even case mix evolution, which tends to happen in mature hospitals. All of these contribute to their performance.

**Anshul Agrawal:** My second question is, sir, out of the new units that you have commissioned in Q4 last year, could you quantify the drag in margins from these new units in FY '25? And the ones in Hyderabad broken even?

**Vikas Maheshwari:** Yes, Anshul. The Hyderabad unit has broken even, in line with our usual timeline of 12 months. For Bangalore and Chennai, the trajectory is similar — we usually target break-even within 15 to 18 months depending on the cluster.

As for the margin drag, the total impact from the three new hospitals — one each in Hyderabad, Bangalore, and Chennai — was around ₹12 to ₹13 crores for the full year.

**Anshul Agrawal:** From all the 4 new hospitals, right?

- Vikas Maheshwari:** Yes, correct — the ₹12 to ₹13 crore drag was from the three hospitals that opened last year, one each in Hyderabad, Bangalore, and Chennai.
- Anshul Agrawal:** Got it. And sir, any guidance on the Gurgaon project commissioning timeline? I heard your comments in your opening remarks, but any definitive guideline of whether it should open by FY '28 end?
- Dr. Ramesh Kancharla:** Yes, originally, we guided for a calendar year 2027 launch — likely in the second half — give or take 2 to 3 months. We've now taken some additional steps to accelerate the project by adopting a hybrid construction approach using steel column structures. This should help us speed up structural work significantly. Once the structure is completed, we typically need another 12 to 14 months to finish the rest.
- So overall, we're targeting completion in around 26 to 28 months from now. That's the current estimate from our project team — barring any unforeseen headwinds.
- Anshul Agrawal:** All right. Very clear. Just one last question, if I can squeeze that in. So, for the next 3 years, sir, what would be our capex plan, sir? Would it be on par with what we had guided last quarter, around INR650-odd crores in the next 3 years?
- Dr. Ramesh Kancharla:** Yes, it remains the same. There's no change to the guidance or the timelines at this point.
- Moderator:** The next question is from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** Just wanted to understand for the upcoming units at Rajahmundry and 2 units in Bengaluru, have you started doctor recruitment, etcetera?
- Dr. Ramesh Kancharla:** Yes, we have. For Rajahmundry, doctor recruitment is almost complete. For Bengaluru, we are currently in the process — it's well underway..
- Damayanti Kerai:** Okay. So, for all the 3 units, it's underway. And Rajahmundry, as you mentioned, is broadly completed?
- Dr. Ramesh Kancharla:** Yes, that's correct. Recruitment for Rajahmundry is nearly closed. Across the network, we've recruited over 70 doctors in the last year, spanning various specialties, surgical areas, and subspecialties.
- Damayanti Kerai:** Okay. But 70 new additions were across the network, not specific to...
- Dr. Ramesh Kancharla:** Yes — they were across our Hyderabad, Bangalore, Chennai, and Delhi clusters.
- Damayanti Kerai:** Okay. That's helpful. And my second question is on your 2 recent initiatives. If you can update us on the Child Development Centre and the IVF business, how these 2 units are picking up? And where do you see these scaling up in next, say, 3 years or so?
- Dr. Ramesh Kancharla:** Sure. The Child Development Centre is a service that naturally takes time to scale. We're working on building a care model based on standard operating protocols (SOPs), with a focus



on quality. It's also a very price-sensitive service since it involves long-term care rather than acute interventions.

We're taking a cautious, phased approach — figuring out how to effectively address the community's needs related to developmental delays and behavioral issues. One key challenge is the limited availability of trained developmental pediatricians. We currently have two, and we're looking to add two more.

It's going to take some time before this becomes a significant revenue contributor, but the focus right now is on building a high-quality, sustainable service. In about six months, I should be able to provide more concrete projections for the CDC.

**Damayanti Kerai:** Okay. And on the IVF business?

**Vikas Maheshwari:** Yes, Damayanti — the IVF business has performed very well. It's now operational in 12-13 of our hospitals, and it's growing rapidly. Given the low base, we've seen strong year-on-year growth — close to 70%.

In terms of contribution to overall revenue, it's still relatively modest — around 2.9% — but the trajectory is clearly upward.

**Damayanti Kerai:** Okay. So right now, like under 3% of your total revenue, but it's growing obviously much faster?

**Vikas Maheshwari:** Correct.

**Damayanti Kerai:** Okay. And my last question is on your ARPOB trajectory. So earlier, we talked about like somewhere in high single-digit growth. So, will that continue?

**Vikas Maheshwari:** Yes, that trend continues. As we've also mentioned in earlier investor calls and meetings, when it comes to ARPOB (Average Revenue Per Occupied Bed), one component that affects it is ALOS (Average Length of Stay), which can vary for operational or clinical reasons.

We suggest that a better metric to track is ARPP — the Average Revenue Per Patient. On a year-on-year basis, IP ARPP (Inpatient ARPP) has consistently grown. For the full year, ARPP grew by 5.6%. While full-year ARPOB was down 3.4%, the ARPP increase shows strong underlying revenue efficiency. So, ARPP is a more stable and relevant indicator, especially since ALOS is often outside our control. It's more of operational driven and case driven.

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

**Alankar Garude:** Sir, you mentioned 2.9% contribution from fertility in FY '25. Similarly, can you comment on the broad sales split between paediatrics and maternity and fertility for the quarter?

**Vikas Maheshwari:** Sure, Alankar. Broadly, the mix hasn't changed much. Approximately 30% of our business comes from mother care — which includes maternity and fertility — while the remaining 70% is paediatrics.

- Alankar Garude:** Sir, but you mentioned about mother care doing well in this quarter. So just trying to understand from a fiscal standpoint and specifically for the fourth quarter standpoint, what was the contribution of paediatrics for us?
- Vikas Maheshwari:** Yes, for Q4, the mother care business — including fertility — contributed around 32%. However, on a full-year basis, it averages back to the 30:70 split, so the quarterly deviation is just a few percentage points.
- Alankar Garude:** Okay. So basically, a few percentage points here and there?
- Vikas Maheshwari:** Yes. Plus/minus here because both the facilities are growing, right?
- Alankar Garude:** Got it. Sir, the question then is, I mean, if we assume that over the next 3, 5 years, the share of fertility and maternity inches up further, should we expect the seasonality in the business coming from paediatrics to gradually reduce over the years?
- Vikas Maheshwari:** In theory, yes, it should. However, we are equally focused on scaling up our paediatrics business. For instance, we're expanding super-specialty programs such as transplants in hubs like Bangalore and Chennai. These initiatives will help elevate the value of our paediatrics portfolio.
- Dr. Ramesh Kancharla:** Alankar, I'm sitting here. paediatrics remains our core strength and strategic priority. That doesn't imply we're deprioritizing obstetrics, but rather that our primary focus and expertise lie in paediatric healthcare. We see ourselves as the leading organisation committed to solving paediatric health challenges in India.
- Obstetrics, for us, is an integral part of that continuum — particularly the perinatal aspect, which directly aligns with paediatric outcomes. That's why we don't focus extensively on expanding into general gynaecology. Our interest lies more in perinatal care, which is critical for both maternal and newborn health.
- That said, we do maintain gynaecology capabilities to meet the broader surgical and clinical needs of our network patients. However, our identity is very clear: we are a multispecialty children's hospital, with a dedicated focus on perinatal services as an extension of paediatrics.
- Unlike others, we have absolute clarity in our positioning — both in what we stand for today and where we are headed in the future.
- Alankar Garude:** Got it, sir. The second question is we saw a 3% decline in ARPOB in FY '25. How should we look at ARPOB growth in FY '26? And maybe a second one related to fertility itself. Does fertility have a positive impact on ARPOB?
- Vikas Maheshwari:** Fertility does have a positive impact, but given its current scale, the overall contribution to ARPOB is still limited. As we've explained earlier, ARPOB can fluctuate due to several factors — particularly ALOS (Average Length of Stay), which is influenced by case mix and clinical complexity and is not always in our control.

That's why we recommend focusing on ARPP — Average Revenue Per Patient — as the more reliable metric. For FY25, ARPOB declined 3.4%, but ARPP grew by 5.6%. This increase in ARPP came despite a 7.7% rise in ALOS, which naturally affects ARPOB. So, ARPP is a clearer reflection of underlying growth.

**Alankar Garude:** Understood, sir. So broadly, a 5%, 6% number on ARPP should be something which we can pencil in?

**Vikas Maheshwari:** Yes, that's a reasonable assumption. And if ALOS stabilizes or comes down, we may see ARPOB improve accordingly as well.

**Alankar Garude:** Got it. And one final thing, sir, one request from our end. Now that we have 19 hospitals and a sizable number in -- across Hyderabad, Bangalore, Chennai, we have a couple in AP. There's Rajahmundry also coming up. Can we please start sharing cluster-wise details? It would be really helpful if we can get some of those details to understand the numbers better, sir.

**Dr. Ramesh Kancharla:** Alankar, we understand the need and appreciate the suggestion. However, we want to be thoughtful about how we present that data. At the end of the day what matters for us is to see annual growth rate / CAGR of 4-5 important metrics. Each cluster is at a different stage — Hyderabad is mature, Bangalore is evolving nicely, and Chennai is relatively new. Comparing them directly may not provide meaningful insights and could lead to misinterpretation.

That said, we are evaluating ways to present this in a useful and consistent format. Give us some time — perhaps about a year. As you know, we're possibly the only hospital group in India truly operating on a hub-and-spoke model, especially in an urban context. So, it's a bit complex, but we'll try to structure this in a way that adds value without creating confusion. Let me work on this and come back to you on this, okay? Otherwise, I will lose my hair completely.

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

**Rahul Jeewani:** Sir, of the four new hospitals, which we have opened since fourth quarter of fiscal '24, you said that the Hyderabad hospitals have achieved breakeven. So, can you also talk about the Chennai and the Bangalore hospitals, which were opened up in, let's say, last year?

**Dr. Ramesh Kancharla:** Yes, the Bangalore hospital is performing well and is not very far from breakeven. Chennai, on the other hand, will take a bit longer. It's a slightly higher-capex hospital, and building a medical team in Chennai typically takes time. Overall, we expect that, when looked at collectively, these new hospitals should achieve a neutral or slightly positive EBITDA this year.

**Rahul Jeewani:** Okay. So, sir, this INR12 crores, INR13 crores EBITDA loss which you had from these hospitals in FY '25, that will, let's say, at a combined level will be neutral going into '26?

**Dr. Ramesh Kancharla:** Yes. Exactly.

**Rahul Jeewani:** Sure, sir. And sir, while you pointed out that the margins would, let's say, moderate by 50 to 100 basis points depending on the capacity expansion. But given that in FY '26 and FY '25, we already had this base of INR12 crores, INR13 crores hitting the EBITDA, which would, let's

say, get to a neutral position this year. So, FY '26, is there a possibility that FY '26 margins would broadly be similar to FY '25 margins?

**Dr. Ramesh Kancharla:** I think so, yes — that's very much achievable. See, when we provide guidance, I don't want to go completely haywire. We try to remain conservative and realistic. If you look at our past commentary, we've always aimed for a pre-Ind AS EBITDA margin of over 25%. That's the internal benchmark we've set.

Of course, we always aspire to reach 26% or even 26.5% pre-Ind AS, and often, we've been successful in doing so. So that remains our ambition going forward as well. Now, with a larger number of beds in the maturing stage, strong operational focus, and a solid sales and marketing push — including the addition of 60–70 doctors this year — plus three more hospitals opening, we believe that if we can achieve high teens to 20% growth, all other issues will take care of themselves. There won't be any underperforming numbers.

**Rahul Jeewani:** Sure, sir. And sir, since you pointed out that, obviously, our business has some seasonality, can you also talk about, let's say, that how are we looking at the growth of the business from a next 3-year perspective before the 2 Delhi hospitals get commissioned?

**Dr. Ramesh Kancharla:** So, let's look at this broadly, Seasonality will always play a role in our business. We are primarily a medical hospital — around 75–80% of our work is medical, and only about 20% is surgical. We are not a wear-and-tear hospital; we are emergency-driven and community-based hospital. seasons always play out either positively or negatively.

Children's hospitals globally evolve in this manner. However, we are building long-term resilience by adding more specialties — paediatric super-specialties, intensive care, and eventually quaternary care. That's the long-term play.

As we mature, we may start to resemble a multispecialty hospital in some respects, but we will never become a typical multispecialty hospital where procedures (like cardiac or whether it's orthopaedics or urology, neurosurgery and those things) dominate. Instead, our business mix — including ICU, newborn, or other pediatric treatments — can vary significantly year-on-year, which impacts ARPOB (Average Revenue Per Occupied Bed). Which is why your ARPOB also keeps changing with us because based on the tickets, the same ICU ticketing can be low in 1-year, higher next year. So newborn ticketing can be low in 1-year, high next year. So, there will be a kind of -- when you look at the CAGR of 3 years or 5 years, I can assure you that we are growing as much as any other hospital or better than other peers.

That's why we advise analysts and investors to look at our performance over a longer term, like 3- to 5-year CAGRs, instead of quarter-to-quarter numbers. Over the last 3 years, our CAGR is about 16%, and the same over 5 years. There will be a few standout or weaker quarters, but overall, things balance out.

**Rahul Jeewani:** Sure, sir. So, a mid-teens kind of a revenue CAGR is what we should expect going forward as well?

**Dr. Ramesh Kancharla:** I would expect it to be late teens to 20%.

- Rahul Jeewani:** Okay. Sure, sir. And sir, obviously, our cash generation has been very good, and we have INR700 crores of cash lying on the books. We were also evaluating inorganic opportunities in some of the markets. So, can you update us in terms of how some of those M&A discussions have been ongoing?
- Dr. Ramesh Kancharla:** Yes, we're actively working on M&A opportunities. We hope to update you soon, but it's a bit premature to discuss details right now..
- Rahul Jeewani:** Okay, sir. Okay. And sir, one last question from my end. Within your core Hyderabad market, some of your peers have also announced stand-alone dedicated paediatric hospitals. So, some of your peers are now putting up dedicated blocks within their multispecialty hospitals for paediatrics. So how do you see the competitive intensity, let's say, in your 2 core markets of Hyderabad and Bangalore. And do you face any challenges in terms of onboarding doctor talent for, let's say, the spokes which you are adding in these markets?
- Dr. Ramesh Kancharla:** We'll have to wait and watch how those new entrants perform. Some large multispecialty players have tried this in Hyderabad before, and they haven't been very successful. And see, basically, it's not something any rights of proprietary or anything. There's no proprietary advantage here — anyone can try it. But unless someone has the patience, commitment, and deep understanding required to build a children's hospital, it's going to be very difficult to succeed.
- You've asked about our cash reserves — yes, we have ₹700 crore, and theoretically, we could build 1,000 beds. But would we? No. It's not feasible to build and operationalize 1,000 pediatric beds efficiently. If I were a multispecialty player, building 500 beds might make sense. But pediatric hospitals are different — they're deeply rooted in communities and are heavily emergency-driven. You can't scale them the same way as multispecialty hospitals
- Rahul Jeewani:** Sure, sir. So -- and just a follow-up to that. So, in the core Hyderabad market, what is the potential to add more beds, let's say, over the next 3-year period? So, in the past, you have indicated that Bangalore market could potentially mirror the number of beds which we have in Hyderabad over a period of time. But within Hyderabad, let's say, do you see opportunities to further add capacities over the next 3-year period? Or are we sufficiently covered in Hyderabad?
- Dr. Ramesh Kancharla:** There's still a scope to add more beds in Hyderabad. We're exploring some opportunities and will look to expand capacity further in the city
- Moderator:** The next question is from the line of Manik from Findoc Investment.
- Manik:** Sir, I'm pretty new to this company. So, can you please help me with the OPD revenue and volume for FY '25?
- Vikas Maheshwari:** Sure. When we talk about OPD revenue — which includes consultations, lab and radiology services, plus pharmacy — around 30% of our total revenue comes from the OPD segment. In terms of OPD volumes, the number of outpatient visits was approximately 14.26 lakh for the full year. Does that answer your question??

- Manik:** Yes, that answers my question. And how are we envisaging the growth in this segment? Is it somewhere linked to the number of beds that we have? Or how will it be shaped going forward?
- Vikas Maheshwari:** As far as OP revenue you are saying?
- Manik:** Yes, yes.
- Vikas Maheshwari:** Or overall revenue?
- Manik:** For OP revenue.
- Vikas Maheshwari:** Got it. So, OPD revenue generally grows in proportion to our overall revenue. If you look at historical trends over the last few years, the contribution from OPD has remained fairly stable — around 30%, give or take 1%. So, going forward, OPD revenue growth will largely mirror overall revenue growth, and its share should continue to hover around that 30% mark, plus or minus 1%.
- Moderator:** The next question is from the line of Nitesh Dutt from Burman Capital.
- Nitesh Dutt:** Just one reconfirmation. An earlier participant had asked about Gurgaon timelines. I missed your response. Is it as per the schedule that you previously highlighted or any delays?
- Dr. Ramesh Kancharla:** Yes, as mentioned earlier, we are sticking to the previously guided timeline — which is the latter part of calendar year 2027, around October or November. That's what we had shared earlier, and that continues to be the plan. Unless something unexpected happens on the sales or execution side, we're on track.
- Nitesh Dutt:** Is it for both the hospitals, October, November of '27?
- Dr. Ramesh Kancharla:** Yes. There may be a couple of months' variation here and there, but nothing significant. These are structured projects, and our project teams and all other stakeholders are aligned and working in sync.
- Moderator:** The next question is from the line of Rahul Jeewani from IIFL Capital.
- Rahul Jeewani:** Yes. Sir, just a clarification, this IVF revenue, which you called out as 2.9% of the revenue, was it for the quarter or for the full year?
- Dr. Ramesh Kancharla:** Full year.
- Vikas Maheshwari:** Actually, Rahul, for the full year, it was 2.6%. For Q4, it was 2.9%.
- Rahul Jeewani:** Okay. Sure, sir. And when you are talking about this, sir -- so this is of the overall company revenue or the IPD revenue?
- Vikas Maheshwari:** Overall revenue, Rahul.
- Rahul Jeewani:** Okay. Sure, sir. So, sir, the IVF business is scaling up pretty well given that, let's say, we started this business 1.5 years or 2 years back. And now this business has surpassed the international

revenues, which we are doing. So, what are your further plans in terms of trying to grow the IVF portfolio? So, is IVF now available across all your 19 hospitals or there are still some hospitals where we don't offer IVF services?

**Dr. Ramesh Kancharla:** We plan to integrate IVF wherever there's a viable opportunity within our existing facilities. Currently, IVF services are available in around 12 hospitals. We may be kind of adding some more, but it's not on my top of head at the moment

One important point — we do not intend to set up many stand-alone IVF centres outside our campuses. We've made a conscious decision to keep IVF services within our ecosystem. That way, we can ensure complete clinical oversight, which is crucial, especially considering the strong ethical framework required in this field.

Given that we are primarily a children's hospital with significant maternity services, we prefer organic growth and a B2C model. We're not exploring B2B in this segment, as it's typically not viable — obstetricians rarely refer patients to other obstetric hospitals

**Moderator:** 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 questions. Your continued support is instrumental in our strategic journey, and we sincerely appreciate the time you all have invested in engaging with our business and the future directions. For any further information or clarification, you may please reach out to Mr. Saurabh Bhandari, Head Investor relations at the e-mail ID being given in the presentation. Thank you very much.

**Management:** Thank you all.

**Dr. Ramesh Kancharla:** Thank you very much. Thank you.

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

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