

February 15, 2025

National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, Block G,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051.  
Symbol: RAINBOW

BSE Limited  
Corporate Relationship Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001.  
Scrip Code: 543524

**Sub: Transcript of the Investor call - Financial Results for Q3 & 9M FY25.**

**Ref: Disclosure pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI Listing Regulations").**

Dear Sir/ Madam,

Please find enclosed the Transcript of the Investor call held on February 10, 2025, with regard to Financial Results of the Company for Q3 & 9M FY25.

The said Transcript is also available on the website of the Company and can be accessed through the following link:

[https://d31scedd5hpupb.cloudfront.net/investor\\_files/Analyst\\_Concall\\_Transcript - Q3\\_9M\\_FY\\_25.pdf](https://d31scedd5hpupb.cloudfront.net/investor_files/Analyst_Concall_Transcript_-_Q3_9M_FY_25.pdf)

We request you to kindly take the same on record.

Thanking You,

Yours Faithfully,

For **Rainbow Children's Medicare Limited**

**Shreya Mitra**  
Company Secretary and Compliance Officer

Encl.: As above

## Rainbow Children's Medicare Limited

**Registered Office:** 8-2-120/103/1, Survey No. 403, Road No. 2, Banjara Hills, Hyderabad, Telangana - 500034.

**Corporate Office:** 8-2-19/1/A, Daulet Arcade, Karvy Lane, Road No. 11, Banjara Hills, Hyderabad, Telangana - 500034.

**Hyderabad:** Banjara Hills - 040-22334455 | Secunderabad - 040-42462200 | Kondapur IP - 040-42462400 | Kondapur OP - 040-42462100  
Hyder Nagar - 040-42462300 | L B Nagar - 040-71111333 | Financial District - 040-69313233 | Himayat Nagar - 040-48873000

**Vijayawada:** Currency Nagar - 0866-6669666 | Governorpet - 0866-6650250

**Chennai:** Guindy - 044-40122444 | Sholinganallur - 044-69659000 | Anna Nagar - 044-69289928

**Bengaluru:** Marathahalli - 080-42412345 | Bannerghatta Road - 080-25512345 | Hebbal - 080-35061555 | Sarjapur - 080-62282999

**Delhi:** Malviya Nagar - 011-66888866 | **Visakhapatnam:** Health City - 0891-3501601 | Siripuram - 0891-3501555

**25**  
*Years*  
of being the guiding light  
**Nurturing Smiles, Shining Bright**



**“Rainbow Children's Medicare Limited  
Q3 FY '25 Earnings Conference Call”**

**February 10, 2025**



<b>Call Duration</b>	• <b>1 Hour and 5 Minute</b>
<b>Management Speakers</b>	<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>
<b>Participants who asked questions</b>	<ul style="list-style-type: none"> <li>• Mr. R Sen, MAS Capital</li> <li>• Ms. Damayanti Kerai, HSBC Securities and Capital Markets</li> <li>• Mr. Sumit Gupta, Centrum Broking</li> <li>• Mr. Alankar Garude, Kotak Institutional Equities</li> <li>• Mr. Nitesh Dutt, Burman Capital</li> <li>• Mr. Nathan Subramanian, Individual Investor</li> <li>• Mr. Anshul Agrawal, Emkay Global</li> <li>• Mr. Pritesh Chheda, Lucky Securities</li> <li>• Mr. Deven Kulkarni, Marcellus Investment Managers</li> </ul>
<b>Moderator</b>	• Mr. Rahul Jeewani - IIFL Securities Limited

*No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Rainbow Children's Medicare Limited*

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Rainbow Children Medicare Q3 FY '25.

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.

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

**Rahul Jeewani:**

Yes. Good morning, everyone. I'm Rahul from IIFL Capital. I welcome you all to the third quarter earnings conference call of Rainbow Hospitals. 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.

Wishing you all a very happy new year, and a very warm welcome to our earnings call for the Q3 and the 9 months of the FY '25. I will discuss the company's progress, vision and exciting opportunities ahead.

Before that, I would like to take a couple of minutes to share that we have successfully concluded the silver jubilee celebrations of Rainbow Children's Hospital. Being a young organization with an average age of 32, the events were energetic and electrifying, featuring outstanding performance from employees. It was an immense joy to celebrate this milestone with an entire range of family, and I was deeply touched for the love and strong bonding the team shares with the Rainbow.

We have recognized and honored hundreds of employees for their outstanding contributions. Over the last 25 years, this incredible journey has touched millions of children for their health care needs and saved thousands of lives, hundreds of doctors being trained and creating value for all the stakeholders.

**I would like to take this opportunity to thank all of our medical, paramedical and support teams for their unwavering commitment in delivering exceptional medical care for children and women positioning Rainbow Children's Hospital as the India's leading children's hospital group.**

Now I would like to focus on the results of Q3. Here are the key highlights of the first 9 months of the year:

- We had a strong Q3 performance with our growth across all operating metrics, including our new hospitals launched in Hyderabad, Bangalore and Chennai, 3 quarters ago. These new facilities have now well integrated within our Rainbow hub-and-spoke model.

- Our IVF services have shown good progress and gaining traction, reinforcing the potential as a key growth driver for future. Recently, we have added a new IVF clinic close to Rainbow unit Bannerghatta Road, Bangalore bringing our total number of IVF clinics to 12.
- As highlighted in the last quarter, we have launched Butterfly Essentials, a dedicated retail store, offering a comprehensive range of baby and women care products. So, we have successfully opened Butterfly stores in 15 of our hospitals. This initiative is progressing well with a good footfall with an enhanced patient experience.
- Rainbow opened a state-of-art Child Development Center in the last quarter at Banjara Hills, Hyderabad, setting a new benchmark in a pediatric developmental care. This facility now serves as a central hub, consolidating child development service system all the Rainbow Hospitals in Hyderabad to ensure comprehensive and efficient care for children in one location.
- We are still encountering challenges in our international business, particularly in countries like Bangladesh, Oman, Kenya and Sudan. There has been a significant reduction in the issuance of health care permits for patients seeking medical travel.
- Now delving on to those numbers, for the Q3 FY '25, our revenue has registered growth of 18.5% amounting to INR398 crores. Similarly, our EBITDA increased by 14%, reaching to INR134.3 crores, while PAT registered a growth of 10.2% to INR68.9 crores.
- Our overall occupancy rates for the quarter was 53.2%, with the mature hospitals achieving 60.2% occupancy and the new hospitals, including a newly launched hospital, recording a 39.6% occupancy rate.

**Coming to projects update.**

- We opened new outpatient clinics in the busy residential area of Attapur in Hyderabad. This clinic operates in conjunction with the Banjara Hills facility, ensuring a wider coverage for the hub hospital.
- The regional hub hospital in Rajahmundry, Andhra Pradesh of 100 beds is nearing completion and is expected to commence operations by May '25 of the calendar year.
- The project work at the spoke hospital in Electronic City of 90 beds and the Hennur, Bangalore of 60 beds are progressing well. Both hospitals are expected to commence operations by end of the Q2 FY '26.
- The project work at -- commenced with a regional hub hospital in Coimbatore of 130 beds. The project is running slightly delayed with our operations anticipated to commence in about 24 months' time.
- The company has obtained official building plan approvals for the land parcels in Sector 56 in Gurugram and -- while approval for Sector 44 is probably a few weeks away. Our project team is busy in the tendering process.

In addition to our growth plans, I would like to highlight some key achievements that reflect our -- the commitment to delivering the high-quality pediatric and perinatal care. Over the past 9 months, we have successfully treated a number of children in intensive care services and also at the group level and managed complex pediatric specialty cases.

Here are a couple of notable examples, which I would like to present.

#### **Case 1: World's First fetal balloon aortic valvuloplasty using a pioneering closure device**

- Our cardiac team at Rainbow Children's Heart Institute performed the world's first fetal balloon aortic valvuloplasty using a pioneering closure device.
- I'll expand a little on this case—it's quite interesting. A 35-year-old woman was carrying a 27-week fetus with severe aortic stenosis, left ventricular dysfunction, and reversed flow in the aorta.
- Our multidisciplinary team, including cardiologists led by Dr. Nageswara Rao, fetal medicine specialists, and obstetricians, successfully performed a fetal balloon aortic valvuloplasty on this 27-week, 700-gram baby while still in the womb. **The ground-breaking aspect of this procedure was the use of a closure device to seal the puncture site—making it the first known case globally using this innovative approach.**
- To put it in perspective, the heart of a 700-gram foetus is about the size of a large grape. Normally, we approach the heart by puncturing the ventricle at the bottom and then performing the balloon valvuloplasty. However, in this case, the baby was so small that a conventional small puncture wouldn't allow the balloon to pass through. Therefore, our team decided to use a large bore, creating a wide opening to facilitate the procedure.
- This approach led to massive blood leakage around the heart, which could have been life-threatening. **To prevent this, our team successfully sealed the puncture site using a closure device—an unprecedented feat in fetal cardiology. This is what makes this case truly ground-breaking and the first of its kind in the world.**
- This pioneering success marks a significant milestone in fetal cardiology, expanding the possibilities of in-utero interventions and bringing hope to families worldwide facing severe fetal heart conditions.
- The case gained widespread attention in national media, with coverage in all major national publications. Even Honourable Prime Minister Modi acknowledged this ground-breaking procedure."

#### **Case 2: Successful Keyhole Surgery for a Rare Brain Tumor in a Child**

- The second case is successful keyhole surgery for a rare brain tumor, a 7-year-old child, who was experiencing persistent headaches for 10 months and gradually losing the peripheral parts of the vision along with the 2 seizure episodes.
- The family consulted our pediatric neurology team, the MRI revealed a cystic tumor in the sellar and suprasellar parts of the brain, extending into the frontal lobe. A biopsy confirmed it to be adamantinomatous craniopharyngioma, a rare type of surgically treatable brain tumor.

- The child underwent minimally invasive keyhole surgery and our surgeons managed to excise completely the tumor.
- **Doing a keyhole surgery in this child reduced the complications, ensured a short stay and also provided a better cosmetic outcome.**
- 2 weeks post-surgery, the child was discharged with a complete neurological recovery.

**These cases underscore the critical role of a multidisciplinary team in managing tertiary and quaternary care patients.**

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

**Vikas Maheshwari:**

Thank you, sir. A very good morning to all of you, and thank you for attending this investor conference. I'm pleased to brief you on the financial performance and the key developments of Rainbow Hospitals for the third quarter and the first 9 months of current financial year.

- Our operating revenue for the quarter stood at INR398 crores, reflecting a growth of 18.5% when compared to the corresponding quarter of the previous financial year. For the first 9 months, our revenues stood at INR1,146 crores, reflecting a growth of approximately 20% when compared to the 9 months of the previous financial year.
- Our EBITDA for the third quarter amounted to INR134 crores, marking up 14% growth compared to the same period last year. For the first 9 months, our EBITDA stood at INR375 crores, reflecting a growth of 16% when compared to the 9 months of the previous financial year.
- For the 9 months of the current financial year, EBITDA is slightly impacted by close to INR7 crores due to one-off events related to 25th year anniversary celebrations.
- The EBITDA margin for the current quarter is 33.8%, while for the first 9 months, our EBITDA margin is 32.7%.
- The profit after tax for the quarter is INR69 crores, marking a growth of 10.2% in comparison to the corresponding quarter of the last financial year. For the first 9 months, our PAT stood at INR188 crores, reflecting a growth of 12.2% when compared to the 9 months of the previous financial year.
- In terms of the operational performance, both outpatient and inpatient volumes witnessed a growth of 12% each when compared to the corresponding period in the last financial year. Our payer mix continued to remain robust and balanced with 51.3% of the revenue coming from the insurance and the balance, 48.7% coming from the cash patients.
- For the first 9 months, the payer mix stands at 48% cash and 52% insurance. Furthermore, international business constitutes now approximately 2% of our total business for the third quarter. As highlighted earlier by our Chairman, we are facing some headwinds in the international business, and we are working to mitigate the impact.
- I'm pleased to inform that our company's balance sheet remains very robust with a net cash position of INR667 crores as of December 31 of the last year -- 31st December

of last year and will support our ongoing capital expenditure plan. Given our current cash and anticipated internal accruals in the coming quarters and the 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 INR22 crores in the capital expenditure.

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

**Moderator:** Thank you very much. The first question is from the line of R Sen from MAS Capital. Please go ahead.

**R Sen:** Happy to see a good set of numbers that you've kind of reported. So just wanted to understand, we spoke about the largest pediatric training program. If you can just share some light about the opportunity size? And what kind of market do we see this kind of turning out to be?

**Dr. Ramesh Kancharla:** Yes. We have a total of about 200 DNB seats across the group for training. This is full-scale training for Pediatrics, and it is competitively selected through the NEET examination. Rainbow, being a premium institute, fills its seats in the first tranche itself, well within the top few thousand rankings.

We also offer extensive super-specialty training in neonatology, pediatric intensive care, pediatric hepatology, hemato-oncology, and cardiology. Additionally, we have a neurology program. Today, we have large training centres dedicated to training professionals."

**R Sen:** Okay. Okay. Sure. Sir, just drawing parallel with some of the other hospital chains, not in the pediatric region, I mean, space, but especially in the eye space, I see, there's a ultra-asset-light model that they have kind of used, especially for penetration into Tier 2 cities. Now the question was, is there a school of thought with the management to kind of explore this model to enter Tier 2 cities with the ultra-asset-light model, which acts as a catchment area and feeds into the Tier 1 branches that we have?

**Dr. Ramesh Kancharla:** For a Rainbow operating model, ultralight may not be suitable, whether we go to the main cities, spoke hospitals, or even districts. That's because we are a complete healthcare model, not a part of a segmental healthcare model. Especially in children's healthcare, and when combined with maternity, we require space for both women and children, along with emergency services, an outpatient department, surgical procedures, intensive care, and birthing facilities.

Since it is a large setup, no matter how much we try to compromise, 50 beds is the minimum. Around 35,000 to 40,000 square feet is the lowest space requirement. That is what we always consider. Going ultra-small means actually compromising some of our offerings to patients. As an emergency hospital, this would make it difficult for us to operate, satisfy people, and gain traction.

- R Sen:** Got it. Got it. Sir, if I may just ask one last question. This is at a macro level, 1,935 beds as on 2025. Can you share your aspirations till 2030, where do we see how many beds and at a long-term goal?
- Dr. Ramesh Kancharla:** We have a trajectory, which has already been discussed, of about 1,000 beds in the next 3.5 years, Sen. About 400 beds are planned for the NCR, with two hospitals already planned in Gurgaon. The remaining 600 beds will be in regional spokes as well as spoke hospitals in the south. Additionally, some regional spokes in new geographies, such as Rajahmundry and Coimbatore, are also planned.
- Moderator:** The next question is from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** Sir, my first question is on your Gurugram site. So can you update us like what are the pending approvals? And as you said, like some work has already started, but -- when are you expecting to start the construction work and now like what should be the time line for completion for the Gurugram site?
- Dr. Ramesh Kancharla:** We are almost there. The permissions for one of the sites have been granted, and we have heard that the other site's permission is expected in about a couple of weeks. We are actively engaged with our projects team, which is busy with the tendering process—floating tenders and inviting participants for the base building construction. We are quite active now and will likely start site construction in about 4 to 6 weeks.
- Damayanti Kerai:** 4 to 6 weeks?
- Dr. Ramesh Kancharla:** Yes.
- Damayanti Kerai:** And you mentioned approval for Sector 44 is a few weeks away. What about the other site?
- Dr. Ramesh Kancharla:** Other one is already there. We have received the permission for the Sector 56.
- Damayanti Kerai:** Okay, okay. So very broadly, say, you start on the construction, etcetera, in another 4 to 6 weeks. So reasonably, we should be looking at FY '28 as the launch time line for this Gurugram facility?
- Dr. Ramesh Kancharla:** Yes. We are also taking steps to speed up construction, including using more steel structures and similar approaches. We are exploring various ways to accelerate the process of constructing the base building. Once the base building is completed within a year, we can set a more aggressive pace to complete the project. We expect to start in about 2.5 years from now.
- Damayanti Kerai:** Okay. That's helpful. My second question is your international business. So right now, it's small, like, 2% of your total business. But what are your aspirations here and especially in light of what we heard about this Heal in India program for promoting medical tourism. So I just want to hear your thoughts on this -- this part of the business.
- Dr. Ramesh Kancharla:** We started our international business post-COVID, and it was going pretty well. We had budgeted about 4% of the top line to come from international business this year (FY25). Last year, we clocked about INR 44 crores and were quite ambitious about its growth.



Unfortunately, geopolitical situations have impacted key regions. Bangladesh and some areas like Oman have faced challenges, and Somalia—our largest contributor—along with Sudan, is experiencing serious internal problems. As a result, there has been a significant reduction in the healthcare business across these regions.

I'm not sure about other groups, but we have seen almost a 40% decline in this business compared to last year.

**Damayanti Kerai:** So you said -- you earlier budgeted for 4% of revenue from this segment, but due to macro uncertainties, there has been some 40% reduction from your initial anticipation. So where should we end for FY '25 in terms of contribution?

**Dr. Ramesh Kancharla:** I think by the end of this year, we are expecting to close at around INR 34 crores. Last year, we did about INR 44 crores. We are waiting for things to open up. Our international journey is still in a very early phase, which is why it remains a building story.

Once things open up, we are also actively exploring opportunities in other countries, such as the Philippines, Mauritius, Uganda, and Zimbabwe. Since this is still an early-phase building story, we aim to establish a closer connection with doctors in African nations and neighboring Indian countries. This will help strengthen our relationships and build a better referral system (for medical tourism).

**Damayanti Kerai:** Okay, sir. And my last question is, in this quarter, the staff costs, we have seen around 8% sequential decline. I understand there is a bit of seasonality related factor as well. But in your staff costs, like what percentage will be variable in nature and which can just be adjusted according to the top line performance?

**Vikas Maheshwari:** Damayanti, that's a good question and a good observation. If you go back to Quarter 1, our staff cost was around INR 49 crores. In Quarter 2, which is seasonally very strong, we had additional nurses, paramedic staff, and contractual workers for cleaning, etc. So the costs slightly went up, along with some OT payments, as nurses had to work harder on patient handling, etc.

I believe this is now normalized and has returned to its usual level. This should be the expected cost at the current bed capacity at which we are operating."

**Damayanti Kerai:** Around INR49 crores, INR50 crores kind of staff cost...

**Vikas Maheshwari:** INR 50 crores is what it should be. In the quarter 4, obviously, there will be some slight adjustment on the gratuity, etcetera, but will not impact much of the things. (HR cost)

**Moderator:** Next question is from the line of Sumit Gupta: from Centrum Broking.

**Sumit Gupta:** Sir, just now -- so on the capex part, like now that this Delhi-NCR project, Gurgaon hospital has now moved to FY '28. So I just want to understand on the overall capacity plans for the next 2, 3 years. You said, the same INR550 crores that you guided for?

**Vikas Maheshwari:**

We have already listed out our capex plan in our presentation. So, in FY '25-26, we are coming with 250 of the beds, and these are all asset-light, means these are leased assets. And similarly, on FY '26-27 is 130 beds. So roughly 380 beds to 400 beds, which will come in next 2 years. Since these are on the leased assets, roughly INR60 - 65 lakh per bed, you should assume on that as a capex.

As far as Gurugram hospitals are concerned, we have already spent around close to INR180 - 190 crores on the land acquisitions and related registration and permissions, etcetera. Now you should budget another INR400 crores in the next 3 years' time, starting from FY '25-26 to FY '27-28. But most of this capex will happen post 1 year because right now, once we have the approval, the ground breaking and then foundations, etcetera, will not take much of the cost. So most of the costs will come after 1 year. So that is what is the trajectory. The exact trajectory of Gurgaon, once we start the project, we will come to know. But that is the more or the less INR400 cores in the next 3 years for the Gurgaon.

**Sumit Gupta:**

Understood, sir. And sir, lastly, on the -- like how the overall new centers, which were opened in the last 2 to 3 quarters, they are trending in terms of occupancy and profitability. Like what has been the trend that you're seeing?

**Vikas Maheshwari:**

For the past nine months, if you look at it—since we opened our units around March last year, about nine months ago—our new hospitals have an occupancy rate of around 37%. I think that is a good level. On a blended basis, including some units that were opened two years ago and so on, the overall occupancy level is strong.

The new units are performing well and are on the expected trajectory. We have already provided guidance on breakeven timelines: for Hyderabad, we expect to breakeven in 12 months, for Bangalore in 15 months, and for Chennai in about 18 months. These projections remain on track with no changes

**Moderator:**

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

**Alankar Garude:**

Sir, at the beginning of the fiscal, you had alluded to focusing more on volume growth in FY '25, especially with all the new hospitals, which became operational in 2024. Now given that we are seeing decent volume growth across both these newer centers as well as the existing centers, how should we look at ARPOB growth in FY '26?

**Vikas Maheshwari:**

Okay, Alankar, this is a good question. See, we have been guiding on this for at least the last 2 to 3 quarters. ARPOB is a somewhat complex subject because it has two key variables: **Seasonality and ALOS.**

If ALOS increases, ARPOB gets suppressed, even though occupancy goes up. That's why we are guiding and requesting all analysts and investors to focus on our ARPP growth instead. ARPP growth has been consistently between 5% to 8%, depending on the quarter.

We expect this trajectory to continue for two reasons. First, as new centres mature, we gain some pricing power. Second, mature centres start handling more complex cases and clinically challenging work, where ARPP is naturally higher.

So, when looking at ARPP, you should consider a growth range of around 5% to 9%, as this reflects real growth. It also eliminates one major variable—ALOS. In our case, ALOS has increased by 12%, which has impacted ARPOB. If not for this, ARPOB would have been higher.

**Alankar Garude:**

Actually, that was my other question. I mean, ALOS, both in new and existing, has increased meaningfully in 9 months. So let us know the reasons, at least for the matured hospitals, what is the reason for the sharp increase?

**Vikas Maheshwari:**

Due to operational issues and the fact that the insurance business accounts for 50% of our revenue, there are times when insurance approvals come in late, causing delays of 4 to 5 hours. Most of these delays are related to operational efficiency.

Additionally, more complex cases lead to patients staying longer in the hospital.

So, it's a combination of both factors. However, when it comes to operational delays, those are areas where we can definitely improve.

**Alankar Garude:**

So how should we look at ALOS then going forward? Should it come back to the 2.6, 2.7 number?

**Vikas Maheshwari:**

A 9-month median is a good average to consider. Right now, it stands at 2.8 to 2.9 days, and the 9-month average should be a reliable benchmark. We expect to improve from here, but that should be the average to consider.

**Dr. Ramesh Kancharla:**

Yes, traditionally, Alankar, our ALOS ranges between 2.6 to 2.8 days. Depending on seasonality—if the seasonal demand is higher and more on the optimistic side—ALOS tends to come down. However, with greater complexity, more specialty cases, and increased NICU admissions, ALOS shifts slightly higher. This is a dynamic that continues to fluctuate.

Typically, in Q2 and Q3, ALOS is lower. But this quarter, seasonal demand was not as high, which led to a slight increase. I will definitely review whether any other factors contributed to this rise in ALOS.

That said, for a mature pediatric hospital, ALOS generally settles around 2.7 to 2.8 days, which is what I would expect.

**Alankar Garude:**

Got it, sir. And one last question. You had spoken about evaluating certain M&A opportunities in the past. Can you update us on the progress on that front?

**Dr. Ramesh Kancharla:**

Alankar, we continue to explore these opportunities and will keep working on them. Once they reach a certain stage of conclusion, we will be sure to update you.

**Moderator:**

The next question is from the line of Nitesh Dutt from Burman Capital.

**Nitesh Dutt:**

My question is related to the new hospitals that we added in Q4 of last year and Q1 this year. I think we have added close to 230 new operational beds. So what was the EBITDA drag because of these new beds this quarter?

**Vikas Maheshwari:** Yes, that's a good question. The EBITDA drag is in the high single digits, close to INR 8-9 crores for the three hospitals combined over the first nine months.

**Nitesh Dutt:** Understood. Got it. Second question, the delays in 3 hospitals that you mentioned. Just wanted to understand the reasons for the delays. Gurgaon one, I think, you mentioned due to approvals. But for the remaining ones? And also any chances of further delay? Or do you think the stated time lines -- by those time lines, the hospitals should become active?

**Dr. Ramesh Kancharla:** I think there's just a slight delay of a couple of months in Rajahmundry—not a significant one, just a slower pace. Since it's a Tier 2 city, challenges are always expected, mainly because our teams, including project teams and vendors, are based in larger cities.

In Chennai and Coimbatore, there was a redesign of plans due to changes in government rules and regulations related to offsets and other factors. As a result, we had to resubmit the plans and go through a re-approval process. Since Coimbatore's approvals are handled in Chennai, this caused some degree of delay.

Otherwise, everything is ready for construction, and execution is already underway. Now, we are looking to accelerate the pace of work.

**Nitesh Dutt:** Understood. Great. One more question. Can you just give some sort of outlook for FY '26, both on occupancies and ARPOB?

**Dr. Ramesh Kancharla:** I think it is a bit early to kind of look at it, still we are in the current financial year. So probably we'll discuss in the next earnings call.

**Moderator:** The next question is from the line of Nathan Subramanian an Individual Investor.

**Nathan Subramanian:** First of all, wishes for your excellent performance. Okay. I just want to know -- I am a new investor. I just want to know how do you differentiate a new hospital and mature hospital? And that means how many months after you consider a new hospital as a mature hospital? And my second question is, what are the likely growth drivers?

**Vikas Maheshwari:** Okay. We classify matured and new hospitals based on the tenure from the start of operations. A new hospital is categorized as one that has been operational for less than 60 months (5 years), while a matured hospital is one that has been in operation for more than 5 years. This is how we differentiate them.

There are three key growth drivers:

- Our matured hospitals continue to expand by adding doctors and new specialties, contributing to growth.
- Our new hospitals (operational for less than 5 years) grow at a faster pace compared to matured hospitals, adding another source of growth.
- The third growth driver comes from the new hospitals we are adding. In FY '25-'26, we will be adding three hospitals, increasing our capacity by approximately 12.5% to

13%, or close to 250 beds in the next financial year. This expansion will also drive growth in the coming quarters and years.

- Moderator:** The next question is from the line of Anshul Agrawal from Emkay Global.
- Anshul Agrawal:** Great. Sir, any reason that you would want to call out for the different gross margins in the current quarter? I believe this quarter would have lower surgical mix.
- Vikas Maheshwari:** Yes, Anshul. If you compare it with the second quarter, the mix in the third quarter will be slightly better. The second quarter is seasonally strong, with a higher volume of low-ticket, routine cases due to seasonal factors. In contrast, the third quarter sees a better mix of surgical and clinical cases compared to the second quarter.
- Anshul Agrawal:** No, I was trying to look at it, sir, on a Y-o-Y basis as well, we've seen a gross margin decline of almost 80 bps. And I thought considering that there are more medical cases in this, there should not be any reason for gross margins to sort of dip.
- Vikas Maheshwari:** On a year-on-year basis, Anshul, what has happened is that in the last quarter (March), we added three facilities, which have contributed to the drag in the P&L. This is one factor.
- The second factor, as I mentioned in our opening remarks, is a one-off expense of close to INR 7 crores, which we incurred for our 25th anniversary celebrations.
- If you exclude these two factors, we are essentially at the same EBITDA margins as before.
- Anshul Agrawal:** Got it. Got it. My second question, sir, is on EBITDA margins going ahead. And now I believe we'll about start to see breakeven on certain new facilities that we added in Q4. And at the same time, these new facilities should also start coming up in Coimbatore, et cetera. So would our margins sort of remain stable? Or do you see that -- do you feel that it will dip for probably about 2, 3 quarters in FY '26 as well?
- Vikas Maheshwari:** As a business, in the hospital sector, whenever a new hospital opens, there will always be some drag. The key question is how much the drag is and how much capacity is being added, right?
- If you look at last March, we opened three hospitals, meaning the drag from these hospitals has been reflected from April to December. Despite this, our EBITDA margin has remained at 32%-33%, and for the nine months, it stands at 32.7%.
- Going forward, with the three new hospitals we are adding, there will naturally be some drag. However, our effort is to keep the range within plus/minus 1% of our current level. As the newly opened hospitals progress, they will start contributing to EBITDA—albeit on the lower side—but they will move from negative to positive. Meanwhile, the new hospitals will have some initial drag.
- Overall, we expect to balance this within a plus/minus 1% range, maintaining a strong margin of around 32.7%, which we believe is a good level to sustain.

**Anshul Agrawal:** Got it. Just one last question, sir. Sir, once the Gurgaon facility comes online or in the runup to that, I believe our return profile would sort of get hit because of the asset-heavy nature of this facility. Any insights around how do we see this? Do we intend to get back to our 30% plus ROCE profile for, say, 1 or 2 years of this Gurgaon facility commencing? Any thoughts around this, sir?

**Vikas Maheshwari:** Any large capacity addition, by nature and arithmetically, will impact ROCE. The key question is the extent of that impact.

To give some perspective—while the exact numbers can be worked out—right now, we have ~2000 beds. By the time the Gurgaon facility starts, we should have around 2,500 - 2,600 beds, considering the additions we have planned and potential acquisition opportunities that may be integrated with us. This means we will be 25% to 30% larger than our current base. These additions will be EBITDA-generating and contribute to returns on the capital we have invested, which will help offset some of the ROCE impact from Gurgaon.

However, as Gurgaon begins operations, there will naturally be some drag on ROCE. This is inherent in the nature of the business—we must continue investing capital for future growth while driving efficiencies to ensure Gurgaon matures early and starts contributing positively. That remains our focus.

**Moderator:** The next question is from the line of Pritesh from Lucky Securities.

**Pritesh:** I have 2 questions. So one on the mature hospitals at 60% Occupancy Rate in 9 months, what is the further room in this occupancy ratio?

**Dr. Ramesh Kancharla:** Yes, we can actually reach occupancy levels of up to 68% to 70% in our mature sites, and there is still room for further growth in these hospitals. Within the mature hospital segment, some facilities are currently operating at around 50% to 55% occupancy, while others have already reached 68% to 70%. This indicates that there is still potential for growth within the mature hospitals, along with significant headroom in our newer hospitals.

**Pritesh:** Okay. And wasn't that versus a typical multi-specialty tertiary hospital, our children's hospital - in your earlier calls, you had always mentioned children's hospital have lower occupancy. So am I confusing something here or there is some revision in this OR number?

**Dr. Ramesh Kancharla:** No, sir, let's not confuse ourselves by comparing with multi-specialty hospitals, as they operate differently. A multi-specialty hospital primarily deals with wear-and-tear problems over a lifetime, whereas a children's hospital is a medical facility focused on treating pediatric patients requiring hospitalization, admissions, and acute care. While some cases involve chronic illnesses, the proportion is inverse compared to a multi-specialty hospital.

As a result, children's hospitals experience seasonal variations and different patient dynamics. Additionally, we do not have a fixed government business consistently occupying our beds. Instead, our revenue mix is approximately 50% insurance-based and 50% out-of-pocket payments.

- Pritesh:** Yes. So, sir, then by that logic, versus 70% occupancy of multi-specialty adult hospital, shouldn't the children's hospital be a lower occupancy?
- Dr. Ramesh Kancharla:** Yes, definitely, our occupancy levels are relatively lower. Even within our matured hospital segment, we maintain over 60% occupancy, but it's unlikely that we will exceed 70%. This is due to a combination of factors, including the varied nature of pediatric bed utilization and seasonality, as well as the absence of fixed government business.
- Given these dynamics, a blended occupancy of around 60% is sufficient for us to deliver strong results. While we always aim to improve occupancy levels, children's hospitals naturally operate at lower occupancy rates compared to adult hospitals. This is why direct comparisons with multi-specialty or adult hospitals aren't appropriate—they function in entirely different domain.
- Pritesh:** So is the -- so then that number is still 70 or the number is not -- will be less than 70 for mature?
- Dr. Ramesh Kancharla:** Sir, it's important to note that we are the first dedicated children's hospital in the country operating at this level—it's a continuous learning journey. If you ask me about the maximum occupancy we can realistically achieve, I'd say around 65% to 68%. Beyond that, it becomes challenging due to the inherent factors of pediatric care, including seasonal variations and specialized bed utilizations.
- Pritesh:** Okay. And my second question is on the Gurugram capex. So you mentioned that INR180 crores is spent on land plus INR1 crores per bed incremental. That's how it is?
- Vikas Maheshwari:** Yes, that's correct. Another INR 400 crore. (it was inadvertently mentioned as 200 Cr)
- Pritesh:** So, then it becomes INR180 crores, even INR200 crores. So then your capex is -- it's INR145 lakhs per bed, right?
- Vikas Maheshwari:** Yes, close to INR 1.5 crores per bed. That's correct.
- Pritesh:** So then the ROCE in this hospital will be less than 20%. So any observation there, the ROCE profile will be really different here?
- Vikas Maheshwari:** This facility will be slightly different as it is a heavy-asset model and a large-scale project. When evaluating ROCE, we should take a long-term perspective on its impact. This will be a state-of-the-art hospital designed to serve the entire country, particularly North India and international patients.
- If we compare it to other multi-specialty hospitals being developed in the region, the cost structure is similar, ranging from INR 1.5 crores to INR 1.75 crores per bed. However, since we own the land and building, it is a more capital-intensive project. That said, from day one, it will operate as a full-fledged super-specialty hospital, equipped with all necessary medical infrastructure and staffed by top-tier specialists
- Dr. Ramesh Kancharla:** Our upcoming hospitals will be more aligned with a multi-specialty model, as we are positioning them as pediatric multi-specialty hospital of the highest standards in the country. This greenfield

project is being built for future of the country. The cost per bed, including medical equipment, will be on par with leading multi-specialty hospitals of today.

**Pritesh:** So how is it different from your Hyderabad cluster, where you have the large hospitals there? So you must be having a multi-specialty hospital even in Hyderabad cluster, right?

**Dr. Ramesh Kancharla:** That's true, sir. That's the...

**Pritesh:** So how different is it by a capex, let's say, you have a Banjara Hills hub, how different it will be from that hub?

**Dr. Ramesh Kancharla:** So we have spent about INR75 lakhs, INR80 lakhs per bed Banjara Hills about 7 years ago. Today, we...

**Pritesh:** Including land building or excluding?

**Dr. Ramesh Kancharla:** Excluding base building and land.

In Gurugram, the land and the building are our own, and we're going to spend the capex on top of it. Over the past seven years, cost escalations have risen by nearly 30% to 40%. Factoring in these increases, the projected cost per bed stands at approximately INR 1.5 crores, aligning with current industry benchmark.

**Pritesh:** Okay. So excluding land building, Banjara was INR65 lakh. Today, that same INR65 lakh is about INR1 crores per bed for a hub. And over and above that, in Gurugram, you have the land and building also coming in. That's how we should interpret it?

**Dr. Ramesh Kancharla:** Yes.

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

**Sumit Gupta:** Sir, 2 questions. First is on the ARPOB. So how do you plan to increase or optimize the ARPOB over the near and the medium term? And secondly, on the Gurgaon facility, like once the Gurgaon facility gets opened, I hope I expect that international patient mix will change for the better. So how will we expect that to improve the overall case mix as well as an improvement of overall ARPOB?

**Dr. Ramesh Kancharla:** Yes, it's a pretty long shot when it comes to Gurgaon. Obviously, this will be in a different class of hospitals, with a better price point and the ability to treat more complex cases. We will definitely position it very differently. Closer to its launch, we can discuss how ARPOBs and revenues will play out, but it's too early to talk about that now.

Overall, as mentioned earlier in the call by Mr. Vikas, ARPOB is influenced by many variables. That's why we focus more on ARPP for internal purposes. Over the last 8 to 9 quarters, our ARPP has been growing at about 6% to 7%, which is how we track progress.



ARPOB can fluctuate significantly due to ALOS and seasonality—two key factors that keep changing in pediatric healthcare, particularly in Q2 and Q3. Additionally, business mix variations make it difficult to anticipate a consistent pattern over 360 days.

So while we monitor ARPOB, we primarily look at ARPP. As long as ARPP is growing, we know revenue generation is strong, pricing is effective, and overall business quality is improving

**Sumit Gupta:**

So sir, just on the ARPP point only, so like your insurance has been consistently around 52% -- hovering around nearly 52%. So how -- like regarding the price hike, what kind of -- what is the time frequency in which you take price hike to improve the ARPP? And what are the overall drivers driving that?

**Dr. Ramesh Kancharla:**

The two key drivers of ARPP are price hikes and case mix, provided there is consistency in the patient set. If these factors remain stable, ALOS will not see much variation.

Pricing adjustments are made across the board to account for inflation, and every hospital continuously strives to enhance quality year after year. Additionally, hospitals focus on handling more complex cases, further contributing to business growth and improved ARPP.

**Sumit Gupta:**

So, what is the magnitude of the price hike that you have taken over the last 2 to 3 years?

**Vikas Maheshwari:**

The price hike needs to be considered on a blended basis across two fronts. On the cash side, last year, we did not implement a price hike; we only made corrections where competition was higher and adjusted accordingly. This year, we plan to introduce some price hikes, and the working is currently in progress. We are also benchmarking against competition. By March, once we finalize our budgets, we will make a decision and communicate the price adjustments.

As for insurance, they typically set prices based on a two-year cycle, though in some cases, adjustments can take three years or even longer. On average, we anticipate a 12% to 15% adjustment, which translates to approximately a 4% to 5% price hike from insurance.

For cash pricing, we need to carefully balance competitiveness and affordability while ensuring that we do not overburden our patients. As a healthcare provider, we must remain accessible while also accounting for cost inflation. Our goal is to strike a balance that protects our EBITDA margins while maintaining fair pricing.

**Sumit Gupta:**

Understood. And sir, lastly, so in the 9 months FY '25, so just -- so your ARPOB growth has been like -- there's been a decline of 6%. So what was the major reason? Like did you take any price hike or was it not taken and subsequently, there was an inferior case mix. So what really happened in that?

**Vikas Maheshwari:**

What has fallen 6%, sorry, I could not understand.

**Sumit Gupta:**

ARPOB, 6% Y-o-Y growth.

**Vikas Maheshwari:**

If you adjust the ALOS, you will not get it because ALOS has gone up, right? Ex of ALOS, our ARPOB would have gone up. Or if you look at ARPP, it has gone by 7%, 8%, basically.

- Sumit Gupta:** So we should look at you saying ARPP and then adjust through ALOS?
- Vikas Maheshwari:** Yes, We are disclosing ARPOB and ALOS. If you multiply, you will get the ARPP. Consistently, we have seen year-on-year basis, seasonal adjustments leaving up on. So you have to see the year-on-year basis. We have seen the ARPP growing actually.
- Moderator:** The next question is from the line of Deven from Marcellus Investment Managers.
- Deven:** Sir, what's the extent of price correction that we have taken? You just referred to it while answering the previous question.
- Vikas Maheshwari:** Last year, for cash patients, we did not implement a broad price hike. Instead, we selectively adjusted prices where we benchmarked ourselves against the competition. The net impact of these adjustments was minimal, likely around 1% to 2%.
- For insurance, some clusters come up for renewal each year. As mentioned earlier, when we revise prices for a particular cluster or hospital, the price hike typically falls in the range of 12% to 15%, and these adjustments usually remain in place for two to three years. On a blended basis, this results in an overall price increase of approximately 4% to 5%.
- This year, as we finalize our budget, we will review pricing strategies in consultation with management, considering industry trends and competitive benchmarks. Additionally, we will factor in expected cost inflation, particularly since manpower costs—including doctors, paramedical staff, and corporate staff—constitute around 40% of our expenses. Based on these evaluations, we will make appropriate pricing decisions to maintain financial sustainability while ensuring affordability for our patients.
- Deven:** Got it. And this 1% to 2% price correction that you have taken, in which cities or which cohort of hospitals have you done it?
- Dr. Ramesh Kancharla:** It is across. Once we take, we take across clusters, sometimes some were higher, some were lower. So that way.
- Deven:** Okay. So like this is, let's say, even in Hyderabad, Bangalore, which are your, let's say, core or old markets as well as new markets across the board, you have taken a price correction?
- Dr. Ramesh Kancharla:** Correct.
- Deven:** And it's mainly OPD or IPD or both?
- Dr. Ramesh Kancharla:** Both, across all.
- Deven:** Okay. Got it. And my second question, sir, while answering an earlier question, you said that the mature hospital can do around 65%, 68% occupancy. I remember that when we used to discuss this a year ago, you used to say that a mature hospital can do 60% occupancy at peak. Now today, that number seems to have gone up to 65%, 68%. So has anything changed in the last 1 year that we have increased the occupancy cap earlier we used to expect 60% and now 65%?

**Dr. Ramesh Kancharla:** The overall trajectory shows that as more hospitals mature and some enter their second decade of operations, occupancy rates naturally increase. However, while some hospitals can reach up to 68% occupancy, it is unlikely to exceed that level.

For instance, in Hyderabad, I have a few hospitals consistently operating at high occupancy levels, often facing bed shortages. That's why I mentioned 68% as the potential upper limit. However, at a group level, achieving a consistent 60% occupancy is unlikely, as new hospitals are continuously being added to the mature category. As a result, blended occupancy will likely stabilize around 60%, possibly reaching 62% or 63%.

It's also important to recognize that pediatric healthcare operates differently from adult hospitals. Parents prefer to minimize their child's hospital stay, even by a few hours, whereas in adult hospitals, patients are often more willing to stay longer. This is a key reason we don't compare ourselves to adult hospitals.

We are still in an evolving phase, continuously setting new benchmarks. To answer your question, while individual hospitals may reach 68% occupancy, achieving that across the group on an annual or quarterly basis would be extremely challenging. However, from a results perspective, if matured hospitals maintain occupancy above 60% and blended occupancy is around 55%, we are delivering strong performance. If we reach 60% blended occupancy, that would be exceptional.

Ultimately, in pediatric healthcare, hospital stays are naturally shorter, and the focus is on delivering results efficiently rather than maximizing occupancy beyond what is necessary

**Deven:** Understood. Understood. And finally, sir, when I'm looking at your mature hospitals performance for Q3, it seems like the IP volume growth is 0%. In Q2, this number was 8% positive. So that's like slowdown from 8% to 0. Any reasons behind it?

**Dr. Ramesh Kancharla:** In our matured sites, you must have noticed that occupancy has increased overall. However, on a sequential basis, it has come down—from 68.6% in the second quarter to 60% in the third quarter. This is expected, as the second quarter is seasonally strong, with a higher influx of patients. Given this seasonal trend, maintaining a similar trajectory in the third quarter indicates that we have done a good job.

**Deven:** No. So I'm actually looking at year-on-year. So let's say, the occupancy has increased from last year. So last year, it was -- no, just Q3 to Q3. So then last year, it was 56.5% occupancy, and this year, it's 60%, but at the same time, ALOS has gone up from 2.6 to 2.9. So net-net, inpatient volume seems to be flattish.

**Dr. Ramesh Kancharla:** That's true.

**Deven:** Yes. So -- so the exact number, if you look at Q2, that number had grown at around 8% Y-o-Y, and Q3 is low percent growth. So what has happened that the growth has come off?

**Vikas Maheshwari:** At any given point in time, there is a continuous transition from non-matured hospitals to matured hospitals. So, the trajectory you are observing is a moving one. However, if you

compare on a like-to-like basis, we have seen inpatient (IP) number growth of approximately 9%.

**Deven:** Okay. Okay. Yes. Okay. Good. So...

**Vikas Maheshwari:** There is a continuous movement of beds, which impacts the way the data is perceived. However, if you look at the growth of matured hospitals on a stand-alone basis, it is approximately 9%. The data might seem a bit confusing because we are comparing both moving data and static data from the last quarter, which creates a difference in interpretation.

**Moderator:** The next question is from the line of Nitesh Dutt from Burman Capital.

**Nitesh Dutt:** Just a quick clarification. The INR7 crores onetime impact that you mentioned, was it for Q3 of this year or was it during previous quarters?

**Vikas Maheshwari:** Quarter 2 and quarter 3 is evenly distributed, you can say, almost evenly. INR3.5 crores roughly in this quarter and last quarter is the similar amount. Total INR7 crores in 2 quarters.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Vikas Maheshwari:** Yes. Thank you. We appreciate your participation in today's conference call and the insightful questions. Your support plays a vital role in our strategic progress, and we truly value the time each of you has taken to understand our business in the future plans. For the further information, if any, please reach out to Mr. Saurabh Bhandari, Head, Investor Relationship at [investorrelations@rainbowhospitals.in](mailto:investorrelations@rainbowhospitals.in).

With this, I close the conference. Thank you for participation. Thank you.

**Vikas Maheshwari:** 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.

---

**Note:**

- *This is a transcript and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.*
  - *Please also note that this document has been edited without changing much of the content, for enhancing the clarity of the discussion.*
  - *No unpublished price sensitive information was shared/discussed on the call.*
  - *No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Rainbow Children's Medicare Limited*
-