November 13, 2024

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051

Symbol: YATHARTH

Dept. of Listing Operations
BSE Limited,
P J Towers, Dalal Street,
Mumbai -400001, India

Scrip Code: 543950

Sub: Earnings Call Transcripts Q2FY25

Dear Sir/Madam,

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors' conference call organized on November 8, 2024 post declaration of Financial Results (Standalone & Consolidated) for the quarter/half year ended September 30, 2024.

The transcript is also available on the website of the Company: https://www.yatharthhospitals.com/investors in the section of Corporate Announcements.

Kindly take the same on record.

Your faithfully,
For **Yatharth Hospital and Trauma Care Services Limited**

RITESH MISHRA Digitally signed by RITESH MISHRA Date: 2024.11.13 18:35:41 +05'30'

Ritesh Mishra
Company Secretary & Compliance Officer
Mem. No. A51166
Enclosed as above.

"Yatharth Hospitals and Trauma Care Services Limited
Q2 & H1 FY'25 Earnings Conference Call"

November 08, 2024

MANAGEMENT: **MR. YATHARTH TYAGI – WHOLE-TIME DIRECTOR**
MR. AMIT KUMAR SINGH – GROUP CHIEF EXECUTIVE OFFICER
MR. NITIN GUPTA – CHIEF OPERATING OFFICER & PRESIDENT, FINANCE
MR. PANKAJ PRABHAKAR – CHIEF FINANCIAL OFFICER
MR. NEERAJ VINAYAK – HEAD, STRATEGY & INVESTOR RELATIONS
MR. SONU GOYAL – FINANCIAL CONTROLLER

MODERATOR: **MR. AMAN – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q2 & H1 FY'25 Earnings Conference Call of Yatharth Hospitals and Trauma Care Services Limited hosted by PhillipCapital.

As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

Let me draw your attention to the fact that on this call, our discussions will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations about the future performance of the company. Please note that these estimates involve several risks and uncertainties that cause our actual results to differ materially from what is expressed or implied.

I now hand the conference to Mr. Aman from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Aman: Thank you, Sejal. Good morning, everyone. On behalf of PhillipCapital Private Client Group, I welcome you all to the Q2 and H1 FY'25 Earnings Conference Call of Yatharth Hospitals and Trauma Care Services.

From the Management we have, Mr. Yatharth Tyagi – Whole-time Director, Mr. Amit Kumar Singh – Group Chief Executive Officer, Mr. Nitin Gupta – President, Finance and Chief Operating Officer, Mr. Pankaj Prabhakar – Chief Financial Officer, Mr. Neeraj Vinayak – Head of Strategy and Investor Relations, and Mr. Sonu Goyal – Group Financial Controller.

I now hand over the conference to Mr. Yatharth Tyagi for his Opening Remarks and we will then open the floor for question-and-answer session. Over to you, Mr. Tyagi.

Yatharth Tyagi: Good afternoon and a very warm welcome to Yatharth Hospitals and Trauma Care Services Limited Earning Conference Call for the Quarter ended September 30, 2024.

We have uploaded our presentation on the exchange and the Company Website, and I hope you all might have received and have had an opportunity to go through it. I am pleased to report that Yatharth Hospitals have achieved exceptional growth in revenue and profit, surpassing 30% YoY in H1 FY'25. This performance underscores our commitment to high impact growth strategies, operational excellence and a continued focus on advancing healthcare delivery. Our expanding network of super specialty services alongside the successful integration of the new greater Faridabad Hospital has been instrumental in driving this momentum. The Yatharth brand is now attracting leading doctors and specialists across NCR region, reinforcing our position as a trusted healthcare provider.

Our commitment to clinical excellence is demonstrated by several noteworthy cases this quarter, showcasing the advanced medical capabilities at Yatharth Hospitals. Some of them are

1. We successfully treated an elderly patient with a life threatening 8 centimeter left atrial myxoma through a complex surgery involving meticulous excision of the tumor through an open-heart procedure. Advanced cardiovascular techniques were employed to ensure the safe removal of the tumor while preserving critical heart structures, such as the mitral valves and atrial walls, resulting in a full recovery of the patient.
2. In another instance this quarter, a rare gastroenterology procedure was performed on two male patients with severe acid reflux by successfully executing Anti-Reflux Mucosal Ablation (ARMA) procedures, achieving discharge within just 24 hours of admission.
3. Our team also performed a non-surgical colonoscopic removal of a giant rectal polyp in an 82-year-old patient with no complication and a symptom-free recovery within 24 hours benefiting from procedure that minimizes the risk of sepsis and avoided external incisions.
4. In another scenario, an international patient with a recurrent Retroperitoneal Liposarcoma underwent a complex surgery to preserve the right kidney while completely removing a large 4 cm tumor.

These cases reflect the high standard of care and cutting-edge treatments available at Yatharth Hospitals.

I'm also proud to announce that our Noida Extension Hospital has recently been accredited by the Joint Commission International (JCI), making it the first hospital in Uttar Pradesh to receive this prestigious recognition. We are also among the few hospitals to achieve JCI accreditation in a first attempt across India. This accomplishment highlights our commitment to providing healthcare of the highest international standards and reinforces our position as a leader in quality healthcare delivery.

Aligned with the vision to be a leading healthcare provider in North India, we are excited to announce our recent successful bid for a well-established hospital in Model Town, New Delhi offering all the high super-specialty services marking our entry into the attractive market of Delhi.

The acquisition is under the SARFAESI Act 2002 through e-auction at an estimated cost of approx. Rs.160 crores. The hospital has an expandable bed capacity of 300-plus beds.

We also recently entered in a strategic collaboration agreement to acquire a majority stake in another 400-bedded hospital in Faridabad, Haryana for approximately 91 crores. This is our second acquisition in Faridabad following a Greater Faridabad acquisition in March 2024. Built on approximately two acres of land, the hospital has completed its structure and is expected to be operationalized by the start of the next fiscal. The company plans to invest an additional Rs.100 crores towards equipping the hospital with latest medical equipment’s with all high-end super-specialties including full suite of oncology services and robotics. This acquisition enhances Yatharth

Hospital's position as the leading healthcare provider with the largest private bed capacity now in Faridabad region and a critical step forward towards strengthening our reach in the NCR region.

As we continue to scale our operations, we are committed to maintaining the highest standards of governance and transparency. Aligned to this, we have appointed Deloitte as our internal auditor, ensuring rigorous oversight of our process and reinforcing our commitment to best practices in governance and operational integrity.

Overall, we are encouraged by the progress made in H1 FY'25 and are excited to build on this momentum in the coming quarters.

Our focus on patient-centric, high-quality healthcare combined with strategic acquisitions and investments in medical technologies will drive long-term value for our stakeholders. We remain committed to delivering exceptional care, expanding our network and strengthening our relationship in the healthcare sector.

I now hand over the call to Mr. Nitin Gupta for a Financial Update.

Nitin Gupta: Thank you, Yatharth, and good afternoon, everyone.

I am delighted to share that Yatharth Hospital has delivered industry-leading growth in both revenues and the profitability for the quarter and the half year ending September 30, 2024.

Let me first take you all through the Results for this Quarter:

During the quarter, Yatharth Hospital has achieved a revenue of Rs.2,178 million, reflecting a substantial growth of 27% YoY and a growth of 3% QoQ driven by the growth in our occupancy and ARPOB. Notably, our Noida Extension Hospital registered the highest growth with the remarkable 53% YoY increase in revenues now contributing 37% of our top line. Our inpatient volumes were up by 32% while our outpatient volumes were up by 16% YoY in this quarter.

We have also made significant strides in advancement in our tertiary and the quaternary care services. Earlier this year, we introduced our new radiation PET line at our Noida Extension Hospital and Robotics across our Noida Extension, Greater Noida and the Greater Faridabad Hospital. These investments have significantly boosted our oncology revenue with oncology now contributing 20% to the Noida Extension revenue and 11% to the group's overall revenue, a four-fold increase from the last year. The shift towards the high value super-specialty services have driven a notable 11% YoY increase in our ARPOB, which now stands at 30,641 for the Q2 FY'25. Notably, Noida Extension achieved an ARPOB of 38,136 driven by its 70% contribution from the super-specialty services, reflecting our focus on the high-end healthcare solutions.

Our EBITDA for this quarter improved by 20% YoY to Rs.546 million; however, our EBITDA margin this quarter were at 25.1% compared to 26.6% last year. The reduction in the EBITDA margins for the quarter was on account of the operational losses at our Greater Faridabad unit, which became operational in mid-May this year. Adjusting for the Faridabad Hospital, EBITDA margin would have been in the range of 26% to 27% for the quarter. Within five months of the operation, our Greater Faridabad Hospital now contributes to around 4% of our top line and thus we remain optimistic about contributing to the Greater Faridabad facility in our overall Group's revenue.

Overall, our profit grew by 12% YoY and 2% QoQ at Rs.310 million, a relatively slower profit growth recorded due to an increase in the depreciation expenses in the quarter with the Greater Faridabad acquisition.

Now, coming to the Half Year Numbers:

Our revenue grew by 32% YoY to Rs.4,296 million. Our inpatient volumes were up by 30% while our outpatient volumes were up by 12% YoY in H1. Our overall group occupancy also increased to 61% in H1 FY'25 compared to 54% same period last year. Notably, our Noida Extension and the Jhansi Orchha have shown impressive occupancy growth reaching to 60% and 47% respectively compared to 41% and 19% in the same period last year. Our Greater Faridabad Hospital operational since May '24 has also delivered solid occupancy growth.

Our EBITDA for the half year stood at 1,083 million, up by 25% YoY while EBITDA margin stood at 25.2%. Our profit for the half year stood at 613 million at 32% YoY. Our balance sheet continue to remain strong with the net profit position at Rs.1,541 million.

Our company's credit rating has been recently updated by CRISIL at A- with a Stable outlook, reflecting an adequate safety and the low credit risk of our financial instruments.

Our return on the capital employed post the Faridabad acquisition came at 23%. Our substantial efforts to reduce our debtors by optimizing our payer mix has paid off with the working capital days at the end of September '24, reducing to 104 days compared to 112 days in March '24 despite high growth in H1.

Looking ahead, we remain confident to not only sustain the growth momentum in revenue and the profitability, but also towards capitalizing opportunities and to achieve operational excellence and expanding our reach in North India.

Thank you. With this, I would like to hand over to the Moderator for the questions-and-answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Pujan Shah from Molecule Ventures. Please go ahead.

Pujan Shah: Sir, first question would be on the Delhi acquisition what we have done from the SARFAESI Act. Just wanted to know like what amount we will be trying to deploy for the restructuring and trying to implement for better structure in the coming years? And the second question would be on the thing which is related to is it like what could be the ARPOB possibility in this specific hospital and what we are eyeing to specific in this thing?

Yatharth Tyagi: Good afternoon. So, the Delhi Model Town hospital that we have got through the SARFAESI Act, we will be paying around, if you add the expenses, 160 crores will go to the Union Bank through which we have won the bid for this hospital, around 25% has already been paid from the company's book to the bank, and the rest would be paid very soon. Above and beyond this 160 crores, we will spend a bit more on the upgradation of certain infrastructure as well as upgrading the medical equipment's. So, we feel that infra updation and medical equipment should be costing somewhere around 60 crores to 70 crores more. So, overall, we see an outlay of 220 crores for this hospital. The hospital is located in a very prime area of Model Town in Delhi with huge residential population residing across the area. There are a lot of renowned doctors also practicing in the nearby hospitals there and we feel that it has huge potential there. The expandable bed capacity that this hospital can have is up to 300 beds. As far as your question on the ARPOB is concerned, we feel the ARPOB in this hospital will be more than the ARPOB of our Noida hospitals because in Delhi the pricing is bit higher compared to Noida and Faridabad and also we will be deploying super-specialties from day one in this hospital and in the vicinity, the ARPOB is also higher of other hospitals. So, we feel around an ARPOB of somewhere close to 40,000 is easily achievable in this hospital.

Pujan Shah: Sir, you correctly said the expandable capacity is 300 beds. So, what would be the current capacity as of now?

Yatharth Tyagi: It would be close to 150 to 170 beds.

Pujan Shah: My second question would be on the acquisition of Faridabad Hospital. Currently, we have been investing 91 crores for 60% of the stake as per the enterprise value what we have been deriving at and additionally we will be investing 100 crores. So, how we have been planning to like, stake would be majority of ours after that 100% of the acquisition, then we will invest 100 crores or like we will be keep investing on a 60%-40% basis?

Yatharth Tyagi: So, we will keep on investing on 60-40% basis. 60% is the acquisition cost that we were on 90 crores plus more will be spent. As I was mentioning for upgrading Delhi Hospital, same will be spent in Faridabad to finish the structure, a certain minor work is still left and all the medical equipment's needs to be put in. Here, the medical equipment cost will be bit more than the Delhi hospital because this Faridabad new hospital will also have the complete oncology machines, so it will have a radiation oncology, PET scans, basic therapy. So, similar outlay of the cost including the acquisition as the medical equipment's, almost totaling would be similar to the Delhi Hospital cost and in both these two hospitals we are trying to operationalize from the first day of the new financial year. We might do a soft launch earlier, we might start OPDs earlier, but as far as the complete hospital launch is concerned, that's what we are eyeing.

Pujan Shah: All the CAPEX infusion would be via internal accruals, or we are planning some of the debt also?

Yatharth Tyagi: I think we have all the options open to us and with time we will consider how to go about that.

Moderator: The next question is from the line of Mohit Mehra from Guardian Capital. Please go ahead.

Mohit Mehra: This Delhi Hospital it was set up in 2019, right? How come you get to operationalize like Q1 FY'26? I don't understand the long time period.

Yatharth Tyagi: So, this hospital is currently non-operational for the last almost 1.5 years. This hospital was earlier being run by a family of doctors who had got the hospital, and they were running it from the land that forming a trust, but they faced some financial difficulties, so they couldn't continue the hospital and the hospital went to the bank through whom they would have extended the loan to the previous promoter and bank then further resold this hospital in an online auction. So, the hospital has been technically not operational for the last 1.5 years. So, that's why we would be upgrading it, making it operational, installing new medical equipment's, recruiting doctors. That's why we plan to start it at the new fiscal.

Mohit Mehra: The land is also Yatharth for both the newly acquired hospitals or will rent be need to paid?

Yatharth Tyagi: No. So, the complete land structure and the buildings belong to us for both these hospitals. As it's a SARFAESI deal, the Delhi Hospital now, so the land and the structure and the building belong to Yatharth Hospital.

Mohit Mehra: And what caused this sharp rise in employee expenses?

Yatharth Tyagi: Our thought process has been last 1 to 1.5 years is to get a leading and renowned doctors across NCR, because also we have started certain new therapeutic areas which we were not doing earlier, so new doctors were onboarded and leading doctors, HODs from the hospitals have joined, Yatharth hospitals are currently also joining. So, this could have led to a bit of an increase in the expense in the doctor cost.

Mohit Mehra: But will this exert downward pressure on the margins, or do you expect the revenue will more than compensate for the higher OPEX?

Yatharth Tyagi: I think the quarter-on-quarter margins should be sustainable. So, that's what we are targeting.

Moderator: The next question is from the line of Priyank Parekh from Abakkus Asset Managers LLP. Please go ahead.

Priyank Parekh: I wanted to ask on the drop in occupancy in our Noida and Noida Extension Hospital. Of course, the ARPOB has grown but how should we read it with the new trend?

Amit Singh: So, the drop is mainly on the government business and as we had mentioned earlier, what we do is in a very controlled manner in this government business. So, as the occupancy of Noida and Greater Noida was inching towards optimal utilization, we thought let's have some kind of sanitization on this business and that's what you see, but the impact here is that the self-paying patient contribution has increased. So, in the next coming quarters you will see the impact of this action. So, this is totally deliberate and there is no other factor involved.

Yatharth Tyagi: And also, the occupancy hardly overall is 1% to 2% dip. So, that's not a major occupancy dip. In fact, if you see our IPD volumes have increased and that's the main aspect. And as Mr. Amit mentioned, what is more important to us now is the cash segment and the insurance segment has increased and the government segment has decreased, which has only led to this decrease in the 1% or 2% dip.

Priyank Parekh: Yes, but there is a sharp drop in Noida Hospital. It was running around 90%, now it has come to 80%.

Amit Singh: So, this is exactly what I said. See, if you look at where the headway for the Noida Hospital to grow is, we can't grow in terms of number of beds. That's the limitation we have. So, we thought to work on the payer mix and the case mix. And that's what we did, and you can see the impact on my ALOS, which earlier used to be higher because of this government business. Now this quarter it's bit lesser. As I said it's totally in a controlled way. We know exactly what we are doing and you will see the impact in the coming quarters.

Priyank Parekh: So, this level of occupancy will remain for upcoming years, right?

Yatharth Tyagi: It will increase, but now the incremental increase will be in the cash and the private insurance segment. This is why it might seem reduction now because the government business has reduced now and every incremental now will be at a higher ARPOB. So, that's how the revenue will increase in an optimized, utilized hospital.

Priyank Parekh: What is our EBITDA loss in Faridabad Hospital?

Sonu Goyal: So, as we started Faridabad in the month of May, so in the month of May and June, it is basically a half quarter and Q2 is a complete quarter of three months. So, there is a loss, but if you see the loss has been reduced from Q1 versus Q2, Q1 loss is around 256% negative and Q2 losses coming around 28% negative. Overall, we are on a better trend and the losses are reducing.

Priyank Parekh: This 700 crores of QIP that we are planning, so how we are planning it to utilize? So, first thing that for our recent acquisition in Model Town and Faridabad, I understand we are going to spend around

400-450 crores. Additional above that how we are planning to spend it specifically when we have 250 crores of cash in our balance sheet as of now?

Yatharth Tyagi: See, we have a strong cash position, and we also have a strong leverage to take bank loans, right. So, for us, the company can easily have the option to utilize the cash we have, and we can always take more bank debt as and when required. But at the same point of time we are also keeping an option open because as of now these two are just not the only hospitals that Yatharth group will be looking to add in the course of the next two to three. More acquisitions that will be coming up in the next two to three years. So, either we utilize the complete cash and take a bank debt today and complete these two acquisitions that we have done in Faridabad and Delhi, but that would mean that in the years forward that would restrict our growth into being aggressive in terms of the other aspects that we are currently evaluating. So, we are also keeping an option open where today we can raise funds for just not these two hospitals, but also certain more aspects. So, in the future for next two to three years if certain more bigger opportunity comes for acquisitions or Greenfield, then we can take bank debt that time also. So, it would continue to sustain the growth of the number of beds that we are doing. So, we are keeping our options open as far as that is concerned.

Priyank Parekh: If I ask you in other way, apart from this acquisition, what sort of planned CAPEX we have for our existing structure?

Yatharth Tyagi: For existing structure, the planned CAPEX we are already doing and we plan to do from an internal accrual. So, the Brownfield expansion of the Greater Noida Hospital and the Noida Extension Hospital where we are adding 200 beds and 250 beds each. This will be happening through our internal accruals and we see a CAPEX of around 60 to 70 lakhs per bed for these 450 beds addition that will be happening in two to three years' time. This is already being planned from internal accruals and I would like to also appraise you that the Greater Noida brownfield expansion has just started. So, we are already on track with that. Any other CAPEX that would be done other than these organic expansions would be done through the other funds.

Moderator: The next question is from the line of Tushar from Motilal Oswal Financial Services. Please go ahead.

Tushar: Sir, this was mainly to do with Faridabad. So, we already just started this 200 bed Faridabad Hospital and now we are sort of getting this another which will overall expand the bed capacity to say like 600. So, just to know your thought process as far as Faridabad as the market is concerned where we're getting so bullish in terms of ARPOB or in terms of the demand? And given the backdrop that I guess there's a big 2,000 bed Amma Hospital also there, I mean of course it's more from a social angle point of view rather than the profit-making perspective. But just your thoughts on Faridabad market?

Yatharth Tyagi: The reason why we have added one more hospital in Faridabad which is a 400 bed and it's a much bigger hospital. First of all, the 200 bedded hospital is in Greater Faridabad region and then this 400-

bed hospital is in the old town and main city of Faridabad. So, technically there would be 15 to 20 kilometers gap between two hospitals. And if you see at the history of the company, that's what we did in Noida; we first started the small hospital in Greater Noida, then we started in Noida, then we went to Noida Extension. So, we feel that once you become a big player in a city, your brand is able to attract much more patients and doctors. Being a small player of just 200 beds in Faridabad, it's not that easy to compete with other hospitals which have 500-600 beds or 300 beds in that region. But now because we will have the capacity of total 600 beds, we'll be almost one of the largest private player in that region. So, that will be able to sort of benefit us in terms of our brand positioning is concerned. And another reason you see is that even in terms of star doctors, the same cost can be shared between two hospitals. We can actually leverage our profitability and expenses and divide them the same for two hospitals. This is what we even did when we started hospitals in Greater Noida and Noida. So, it sorts of benefits us in terms of managing our expenses is concerned. Obviously, the third thing is your brand positioning is very important. So, now with 200 beds, it's not that easy to attract the leading doctors of Faridabad. But today as soon as we have announced the 400-bed hospital, even a 200-bed hospital will now benefit because same star doctors are now willing to join us and work in both the hospitals as head of departments. And we feel that Faridabad in general is a good hospital market, it is an ever-expanding market, there's a road which is even connecting the Jewar Greater Noida Airport to Faridabad. So, even that city will benefit from the upcoming airport that is being planned in Greater Noida. And if you look at the competitive landscape in Faridabad, I think everybody is doing well there. So, we feel this city which is actually an even an older city compared to Noida and Gurgaon is now undergoing a massive expansion. There's a huge population drainage that comes from the nearby villages of Haryana, including Palwal, Sona, even Agra, Mathura highway connects to that region. That's why we feel that it was a no brainer decision for us to take even the doctors who had joined us at the 200 bedded hospital. You should see that there's a hospital which is 400 bed available we should definitely look at it and it is actually from the common consensus that we did the study, we felt that it is the perfect choice for acquisition.

Tushar: This is proposed to 400, but currently what is the capacity?

Yatharth Tyagi: It will be starting as a 400 bedded hospital because it is a new hospital that is starting up, the structure is now complete, some more months it would require for the interiors to happen. So, we will start it as 350 to 400 bed operationalized in that hospital.

Amit Singh: But we'll go in a phased manner definitely by looking at the occupancy and other.

Tushar: So, broadly, what kind of ARPOB can be expected, now with this 400 bed where you can attract clinical talent as well as super-specialty compared to say 200 bed earlier?

Yatharth Tyagi: So, I think we feel that the ARPOB that our Noida Extension hospital is having which is one of the highest ARPOB contributor to our overall group, which is having close to an ARPOB of Rs.38,000. We feel the bigger Faridabad hospital can at least start off with a similar ARPOB and can even go beyond because we are not just planning to start super-specialty services, we will be starting liver transplant, bone marrow transplant. So, it will become a center of excellence for the whole region.

Moderator: The next question is from the line of Virat from SkyRidge Wealth Management. Please go ahead.

Virat: Just need some better understanding regarding New Delhi hospital. You mentioned it currently has a capacity of 150 to 170 beds, and you will be spending close to 220 to 230 crores for the hospital including upgradation. So, will you need to spend extra to get to the 300 mark or will the 60 to 70 crores for upgradation will be enough for the expansion to reach 300?

Yatharth Tyagi: Yes, it will be enough for expansion. So, when we say 220 crores total outlay, that includes the 160 crores acquisition cost plus around 60 crores would be spent. See, the upgradation of two, three floors don't cost much and that's all what will be required. This two, three floors need to be constructed, the rest of the medical expense is almost same for 170 to 300 beds. So, the cost is including in that.

Virat: Just some question on your internal rate of return requirements and payback period for which you acquire the hospitals for, what's your internal target and also your maintenance CAPEX figure would be helpful?

Nitin Gupta: So, the payback period, we presume that it maybe by two years probably we kind of average period we perceive.

Yatharth Tyagi: Two years is the breakeven period that we are looking at and I think three to three and a half would be the fair payback period is what we're looking at. Maintenance CAPEX wouldn't be that high because it's a newer hospital. So, all the machines and equipment's will be new. I think so maintenance CAPEX yearly will not be more than 15 crores.

Moderator: The next question is from the line of Sumit Gupta from Centrum Broking. Please go ahead.

Sumit Gupta: First question is on the overall margin. So, like previously you used to guide around 27% margin. So, now going forward can we expect it to be around 25% margin over the next two to three years?

Yatharth Tyagi: So, we have always talked about sustaining our EBITDA margins close to 25%-26%. And if you look at even with an increase in the doctor expenses QoQ, even with the increase in the business of cash and private insurance segment, international business is increasing, our share of super-specialty business is increasing even then our margins are almost if you say from last quarter it is close to that. It's not a variation much. So, we feel that the margins that we have now of 25.5% to 26% should be sustained.

Sumit Gupta: And how much the mature hospitals would be making?

Yatharth Tyagi: Mature hospitals would be making, if I talk about, Noida hospital, the margins there should be very close to 29%, if I talk about other hospitals, so somewhere around 28% to 29% is our mature hospitals would be making.

Sumit Gupta: Another question is on Jhansi Hospital. So, why has the ARPOB declined to like nearly 12,500 versus if I talk about FY'23 or FY'24 it was at around 18,000? And is there any further room to grow for this ARPOB?

Amit Singh: First of all, if we take a look at Jhansi, it's margin are as expected. Because last year Q2'24 versus this half year, initially we had no empanelment's, government and other tie-ups. Mainly the cash patients were more. As we grow, and get the empanelment slowly, you know that government panels will always drag margins. This is more about the volume, and I think this is not the right time to look at it, probably in a few more quarters I think the colors will be better in Jhansi Hospital. I think we would be in an average of anything between 15,000 to 20,000 ARPOB. That's what our expectations are from the Jhansi Hospital, and we will be able to achieve it.

Moderator: The next question is from the line of Gaurang from HSBC. Please go ahead.

Gaurang: Sir, I just wanted to understand the evolving competition dynamics in your Noida Hospital. Given that Max has opened its new hospital, as in the acquired hospital just near your Noida hospital, it's just 2.5 kilometers away, so do you feel that there is a very meaningful change in terms of how our business model is affected by Max opening the hospital there?

Yatharth Tyagi: See, as far as the Noida region is concerned, our Noida Extension Hospital is the first hospital in the region ever to get JCI accreditation and it just got JCI accreditation a few weeks back. JCI accreditation, not just in Noida, it's the first hospital in UP, Uttarakhand and then nearby vicinity to get that. And that was the thought process. As we feel that as there are new players who are entering into the market we also need to constantly upgrade ourselves in terms of our quality standards, in terms of getting more doctors is concerned. So, it's something that we are doing regardless of who are entering, who's not. We also feel that it's actually good for the Noida market that other big players are now entering there. If you look at what is happening in Gurgaon, this is probably now Noida's time to happen because all players started this journey in Gurgaon probably 7, 8 years back, and if you look at the market which is developed for all hospitals being present there, doctor talent move there, more ecosystem for international patients develop, more facilities develop and this mindset of Noida patients going to Delhi, going to Gurgaon shift as more hospitals open up in Noida. So, we feel it's good for the Noida market. We are constantly evolving, upgrading our accreditations, quality standards and we feel that in the long run, it will be beneficial for everyone.

Gaurang: Just an extension to this, and sorry if I'm being ignorant about your comments on doctors cost going up, but are our doctor cost going up related to this incremental competition, is it like a defense mechanism that we have employed to sort of curtail any poaching that may or may not happen?

Yatharth Tyagi: No, our doctor cost is going up intentionally and that's the strategy that we have deployed. See, a few years back, we used to not have star doctors. When we started with a small brand, we used to have doctors who were second in line to the star doctors who were equally experienced, who were equally skilled, who were driving volumes, but today I think the brand is able to attract all the leading star doctors and HODs who are a bit heavy cost model, but then they bring their own benefit and that is also a reason why we are seeing our cash and private insurance segment of the patients increasing. It is actually because of these star doctors and the cost that we have incurred. It is just a starting phase. Complete return will come in the quarters to come when they will be even justifying their cost and doing much more volume than the cost layout to them. So, it is a strategic call that we have taken. It has nothing to do keeping in mind with the competition.

Moderator: The next question is from the line of Prashant Nair from Ambit Capital. Please go ahead.

Prashant Nair: Just one question on the seasonality that usually plays out. This year we haven't seen much difference in revenue between the first and 2nd Quarter. In fact, if you take Faridabad out, it's probably flat and it appears that the Noida Hospitals have actually seen dip in revenues quarter-on-quarter. So, what has changed in the normal pattern? My understanding was that 2nd Quarter is usually seasonally stronger.

Yatharth Tyagi: So, this time it's not that Q2 had some higher seasonality. We see at least in the markets that we are operating there wasn't any breakout of some major dengue or certain other flu which usually happens during Q2. So, yes, it wasn't there this time at least in the regions we are there. And second thing as we mentioned earlier in the call, it is a strategic decision where certain percentage of the government business that we have reduced specifically in the mature hospital of Noida in order to optimize better the growth in the incremental occupancy from here on for a higher ARPOB growth in the future to come is the call that we have taken. If you look at the private insurance business and cash business across all our hospitals, they have increased quarter-on-quarter. It is that the government business that we have intentionally kept a check on, as well as seasonality and that is concerned I think that's the way.

Prashant Nair: How much share of government scheme has come down?

Yatharth Tyagi: So, we have reduced government business close to 4% quarter-on-quarter. So, our thought process was that at the H1 level we are almost down 6% compared to the last year government business is concerned and we feel that if we are able to reduce government business close to 8% for the whole year, that is what we are targeting. So, we feel that when we say in the next 2.5-3 years we see a government business reducing to 25%. That's how we're able to do it. So, we have to start now in order to achieve that in 2.5 years' time. But more importantly, as I said, it's not that we're just reducing government business, we have also increased private insurance and cash segment. That is more important to us simultaneously.

Moderator: The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to understand a little bit on the doctor cost which we have seen a substantial jump. I do understand that we might have hired start doctors from other hospitals for the newer therapy that we are starting at Noida Extension or Faridabad or at any hospital. So, when should we see a significant or subsequent jump in ARPOB going ahead because star doctors would actually take your ARPOBs higher and that should also help you to expand your margins going ahead?

Amit Singh: If you see, we have probably a 10% increase in ARPOB. As earlier mentioned, the treatment modalities have been added in the systems and Faridabad has new infrastructure. So, that's why you see the increase in other costs. Once these doctors actually start kicking the departments, you will see the impact on ARPOB and revenue as well. So, we are very comfortable with this as of now in terms of the doctor cost and are keeping an eye on it, but you will see the impact in the coming quarters.

Arpit Shah: How should we see the revenues, let's say for FY'25 and FY'26 given that some seasonality was weaker in Q2 this year, how should we see that number for FY’25 and FY’26 and despite that in '26, we're going to see addition of two new hospitals getting added to the P&L.

Yatharth Tyagi: I think the percentage growth that we are seeing year-on-year growth, this time it will certainly surpass that and we do expect a higher year-on-year growth, even though we are already delivering industry-leading year-on-year growth, but from '25-26, we do expect this growth to be much more, at the same time we feel that EBITDA margin should be sustainable to what they are in this quarter.

Moderator: The next question is from the line of Rishad Shah from BFLY India. Please go ahead.

Rishad Shah: My question is regarding the occupancy drop during the quarter-on-quarter to the management.

Amit Singh: So, I think we have already answered it. If you look at it, the drop in occupancy of 1% or 2% is a deliberate management call. We do government business in a completely controlled way, to increase contribution from other payers. So, this call will have an impact in the coming quarters.

Moderator: The next question is from the line of Nirali Shah from Ashika Stockbroking. Please go ahead.

Nirali Shah: So, I just wanted to ask on this recent acquisition of Model Town and Faridabad. Can you outline what is the plan in terms of how it will be contributing over the two to three years horizon?

Yatharth Tyagi: So, I think if you look at the contribution that the Greater Faridabad Hospital has started off, I think the Model Town Hospital will be on the similar line, but the Delhi Hospital will obviously have a much more contribution to our overall ARPOB is concerned and we feel that the case mix will be very optimized here. And also it's important to note that from now on, all the new hospitals that we are adding, whether it's Greater Faridabad which is already showing or the Model Town, Delhi or the newer hospital in Faridabad, will have a very high share of private insurance and cash segment, and the government business will be close to 20%, 25% from day one of those new hospitals. So, this is why that's more important for us to work on our KPIs as far as the new hospitals is concerned.

Amit Singh: So, when we take any hospital, where the bed capacity is already there, to fulfill that we tend to take more empanelment government business initially. But as the other payers increases and capacity inches towards the optimum level, we automatically reduce it. So, this is how I think the pattern one should operate.

Yatharth Tyagi: For the newer hospitals, as we said that it will not be even required for us to take a lot of government business in the beginning. So, we will be keeping that in check for these Delhi Hospitals and Faridabad Hospitals.

Moderator: The next question is from the line of Ritika from Perpetuity Ventures LLP. Please go ahead.

Ritika: So, I just wanted to know who is the minority shareholder for the Faridabad hospital?

Yatharth Tyagi: So, the majority shareholder is a family who have a company called MGS. They do not operate any other hospital, they are into other businesses, and they made this hospital because one of their sons is a cardiologist doctor, so they thought of constructing a hospital, starting it. But then they feel it will be better for them to partner with the healthcare specialist firm in order to drive the maximum value from that hospital. So, they would be 40% partner in this hospital.

Moderator: The next question is from the line of Shubham from Perpetual Capital Advisor. Please go ahead.

Shubham: Can you please share what kind of EBITDA margins you generate in different categories let's say, insurance, government?

Amit Singh: So, you are asking a forward-looking number. We don't want to give you any forward-looking number as of now. But yes, as you do more complex and high end surgeries, the EBITDA margin might be slightly compromise. But this is what I think you do business and what you want. As of now there is no forward-looking number I can give you.

Moderator: The next question is from the line of Priyank Parekh from Abakkus Asset Managers LLP. Please go ahead.

Priyank Parekh: My only question is about the maintenance CAPEX that we have to do for our mature hospitals. Any per bed number you would like to give?

Yatharth Tyagi: As I already mentioned, the maintenance CAPEX is usually very low unless and until we upgrade or add a facility, and we feel that in our all matured hospitals now every facility has been added. We have already done actually a lot of CAPEX in the last quarter if you look at but that is for the upgradation of new services. So, we added robots, we added new equipment. Maintenance CAPEX for the whole thing as I mentioned will not be close to even more than 15 crores for the whole year.

Moderator: The next follow up question is from the line of Sumit Gupta from Centrum Broking. Please go ahead.

Sumit Gupta: Sir. Just want to understand on the Model Town Hospital as a whole. So, basically like we have one competitor, Shalimar Bagh is also near to the Model Town Hospital, which is just nearly 15, 20 minutes time. So, how do you see the competitive dynamics panning out? And apart from that, what is the strategy for this hospital over the next four to five years?

Amit Singh: Yes, there are good hospitals nearby, but if you look at it, the Delhi population tends to move within 2-3 kilometers. So, the civil line is absolutely the old area, and very high-end residents live there. We believe this is a strategically wonderful location and as far as the strategy is concerned, we are very much aware of the competition there and will enter by keeping all things in mind. And one thing is sure that we're going to provide very high intensive quaternary care in that particular hospital.

Yatharth Tyagi: See, I think what's also important is being an old area and there are a lot of leading doctors who are already practicing in their own clinic and our thought process will be to add those doctors who have a very high individual practice as their clinic to our hospital. Some of them have actually started contacting us already because that area as we mentioned that people tend to move to hospitals where their own family GP or their family doctor is. So, our strategy would be to again add those doctors in our hospital, and we have a huge growth potential from the Model Town Hospital.

Moderator: The next follow up question is from the line of Arpit Shah from Stallion Assets. Please go ahead.

Arpit Shah: I just want to understand margins in FY'26. Given that we'll be starting in at least with new 700 beds, will you be still able to sustain when you are at 26% margin on the consolidated level, or do you see a dip on that.

Yatharth Tyagi: So, we feel that we will be able to sustain the EBITDA margins. The reason being that, yes, there are, two new hospitals that will be starting and there would be certain drag down due to that. But because the hospitals of Noida Extension and Greater Noida will also expand in margin, there's still occupancy ramp up that is yet to happen in Noida Extension Hospital which is close to around 60% of occupancy in this quarter and even Greater Noida Hospital will further grow because of the airport coming in. Now when the occupancy ramp up in these two hospitals happen, EBITDA margin will further increase. So, at the group level, they will compensate for the drag down from a newer hospital. So, that's why we are confident of sustaining EBITDA margins like we have quarter-on-quarter.

Moderator: The next question is from the line of Naman from Nine Rivers Capital. Please go ahead.

Naman: I have two questions. First is on the employee cost. Can we provide the split between the professional fee which is paid to the doctors, like every other peer in our industry provides? Second is the occupancy ramp up number which we have planned in terms of the newer acquisitions which you have done recently as well as Jhansi and the recently incorporated Faridabad Hospital in May over the next couple of years?

Amit Singh: So, coming back to your second question first, I think again just I stated, there is no forward-looking number, but I think Jhansi and Faridabad are doing really good. If you look at quarter-on-quarter, Jhansi Hospital has done around 20% to 48%, which is a very good jump, similarly, Faridabad also. As far as the new hospital is concerned, I think as of now there's no forward-looking number. First question, I missed it.

Naman: It was related to the employee cost as in the professional fee we pay to the doctors?

Amit Singh: So, as we are a growing organization, you may initially see some higher employee cost because the group is growing, with the two hospitals coming up, and the existing hospital already adding lots of new specialties. But as far as this is concerned, we understand that we're keeping around 14% to 16% of the professionals and 18% to 22% kind of other employee cost. These are the percentages we have in mind, and I think in the coming quarters, it will settle.

Moderator: The next question is from the line of Prerana from PNARS Partnership. Please go ahead.

Prerana: So, I have a couple of questions. The first thing is regarding the new acquisition that you have done in Delhi as well as Faridabad. What is the empanelment status with the government and various other medical insurance companies? And the second is you have done these acquisitions, of course a little bit EBITDA dip could be there. So, going forward for this FY'25 year, what is your PAT expectation or even if you could guide on telling what is the PAT margin, will you be able to sustain the FY'24 PAT margin?

Yatharth Tyagi: As far as the first question is concerned the empanelment's for government, private insurance happens once you start a hospital. They can't happen without the hospital being operationalized. So, because we are operationalizing the hospital from the new fiscal and it is something that we were not running hospital and it's been quite a while, so there have to be fresh empanelment's and they will take few months to happen. Unlike Faridabad, Greater Faridabad Hospital where there were a lot of private insurance that were already empaneled, in these two new hospitals, it will take some time for us to empanel both private insurances as well as government empanels. As far as second question is concerned, we said the EBITDA margins should be sustainable because of the increase in the margins in our matured hospitals even though that will compensate from the drag down for the newer hospitals. So, I think that's what we can tell us.

Moderator: The next question is from the line of Akshaya Shinde from SMIFS Limited. Please go ahead.

Akshaya Shinde: I just wanted to understand as we are hiring star and leading doctors in the region, so does that mean we are shifting to the doctor-led model and how we are going to derisk in the long term?

Yatharth Tyagi: So, having star doctors is not that you are fully focusing on doctor-led model. Ultimately it's always a mix. A patient chooses where to get his surgery done not just based on the doctor's reputation but also the reputation of a hospital. So, it always goes hand-in-hand just because we are attracting leading doctors. Simultaneously, we are also doing our own separate marketing of the hospital reaching out to the communities, showcasing and building on our quality standards like the JCI accreditation that we have done. So, we are simultaneously doing a holistic approach and that's how we will be always deleveraged from choosing this one single model.

Moderator: The next question is from the line of Siddharth from Caprice Holding. Please go ahead.

Siddharth: So, in Q1 con call you said that we could end up close to 1,000 crores but looking at the current run rate I think it's a bit difficult. So, just wanted to understand if still that 1,000 crores guidance which you unofficially gave in the last quarter still holds true or not?

Yatharth Tyagi: I think what we said is we will be closer to that mark. It's not that we said that we will surpass or touch that mark. So, I think we still maintain that we will be very close to that mark, and I think the company is on track with that and we do expect Q3 and Q4 to be good growth quarters, typically Q4 should be even higher than the previous quarters and because of certain new therapeutic areas maturing, certain new doctors coming up. So, I think we do expect quarter-on-quarter growth going forward and we will be very close to that mark.

Siddharth: You said that margins of 28%, 29%, I mean last year that is roughly. Is that sustainable or this quarter margins are sustainable?

Yatharth Tyagi: It's not that we had 28%, 29% margins. I think our EBITDA margins were somewhere between 26% and 27%. If you talk about quarter-on-quarter we have been close to 26% and this is what we will maintain somewhere between 25% to 26%. That will be the target going forward also.

Nitin Gupta: Even if you compare with the last year's numbers, previously in the last year, there was no new unit which has been added there. So, when we see the current quarter numbers for the EBITDA margins, so that being diluted by nearly around 1.5%. If we add that, then we will be clear to around 26% to 27% to reach the same numbers.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as the last question. I now hand the conference over to Mr. Aman for closing comments.

Aman: On behalf of PhillipCapital India, we thank all the participants for your valuable time and especially the entire team of the Yatharth Hospital and Trauma Care Services Limited. I would now hand over the conference to. Mr. Tyagi for his closing comments. Over to you, Mr. Tyagi

Yatharth Tyagi: Thank you, everyone. Thank you for all your questions and thank you for attending the earnings call of Yatharth Group of Hospitals.

Moderator: On behalf of PhillipCapital, (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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