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Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Earnings Conference Call Transcript

Dear Sir(s),

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Wednesday, February 05, 2025, for the quarter and nine months ended December 31, 2024 results.

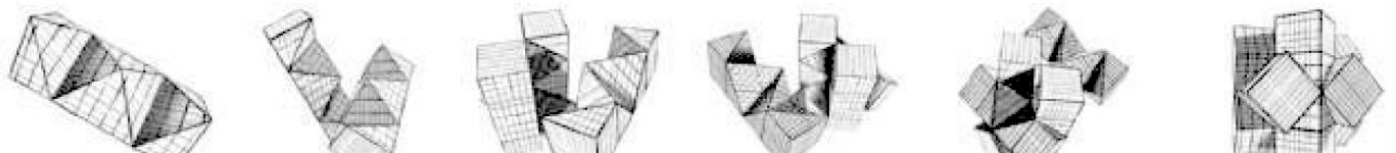
The Transcript is also available at our website: <https://www.medanta.org/investor-relation>

This is for your information and record.

For Global Health Limited

Rahul Ranjan
Company Secretary & Compliance Officer
M. No. A17035

Encl: a/a





**“Global Health Limited - Medanta
Q3 & FY25 Earnings Conference”**

February 05, 2025

**MANAGEMENT: DR. NARESH TREHAN – CHAIRMAN AND MANAGING
DIRECTOR – MEDANTA – GLOBAL HEALTH LIMITED**

**MR. PANKAJ SAHNI – GROUP CHIEF EXECUTIVE
OFFICER AND DIRECTOR – MEDANTA – GLOBAL
HEALTH LIMITED**

**MR. YOGESH KUMAR GUPTA – CHIEF FINANCIAL
OFFICER – MEDANTA – GLOBAL HEALTH LIMITED**

**MR. RAVI GOTHWAL – HEAD INVESTOR RELATIONS –
MEDANTA – GLOBAL HEALTH LIMITED**

MODERATOR: MR. SUMIT GUPTA - CENTRUM BROKING

Moderator: Ladies and gentlemen, good day and welcome to Global Health Limited, also known as Medanta Q3 & FY25 Conference Call hosted by Centrum Broking.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumit Gupta from Centrum Broking. Thank you, and over to you, sir.

Sumit Gupta: Thank you. Good afternoon and a very warm welcome to all the participants on the Global Health Limited Q3 FY25 Earnings Call hosted by Centrum Broking.

Joining us today from the management team, we have Dr. Naresh Trehan – Chairman and Managing Director; Mr. Pankaj Sahni – Group CEO and Director, Mr. Yogesh Kumar Gupta – CFO and Mr. Ravi Gothwal – Head of Investor Relations.

I will now hand over the call to Dr. Trehan for his “Opening Remarks”. Thank you and over to you, doctor.

Dr. Naresh Trehan: Welcome to the Q3 FY25 Earnings Conference Call. I hope all of you had the chance to review the results and presentations that were released yesterday.

I will begin by highlighting some of the key clinical achievements of the quarter, following which I will hand over the call to our group CEO – Mr. Pankaj Sahni, who will provide an overview of our “Financial and Operational Performance” for Q3 and the nine months ended FY25.

Medanta continues to advance its mission of delivering world-class healthcare, with Q3 FY25 marking another quarter of steady progress and growth. Our focus on clinical excellence, operational efficiency and patient-centric care remains at the core of our success.

In Lucknow, we commissioned the Da Vinci Xi robot last quarter and our clinical teams have set a new benchmark for performing 50 robotic surgeries within the first 90 days, showcasing both the rapid adoption of advanced technology and expertise of our surgeons. At Medanta Gurugram, our multi-specialty team successfully performed neuro-intervention on a newborn with Choroidal Vein of Galen Malformation, an extremely rare condition requiring a highly specialized procedure, available at only a few centers globally.

Additionally, our vascular team at the Gurugram effectively managed a complex case of peripheral arterial disease using the Stealth Orbital which is another 360 Atherectomy system, establishing a new standard of care with no metal behind approach. That emphasizing long-term vascular health and minimizing the need for future intervention.

We are proud to share that our four Medanta doctors have been recognized as among the world's top 2% scientists in the prestigious Stanford University Global ranking. A testament to their dedication to advancing medical sciences and delivering exceptional patient care. These recognitions reflect Medanta's continued commitment to setting benchmarks in clinical excellence and expanding access to advanced healthcare.

Furthermore, our board has approved a long-term lease agreement for a newly built 110 bedded hospital in Ranchi, strengthening Medanta's presence in the region and enhancing access to high and tertiary care. Our Noida hospital construction shall be operational within the next 3 to 6 months and then we have 1,500 beds of greenfield capacity coming up at Delhi-Mumbai market in the next three years.

With this, I will now hand over the call to our group CEO – Mr. Pankaj Sahni, to share the financials and operational highlights for the Quarter and overall, 9M FY25 Results. Thank you for your indulgence.

And Pankaj, can I hand it over to you now, please?

Pankaj Sahni:

Thank you, Dr. Trehan. Good afternoon, everyone, and welcome to our Q3 and 9M FY25 Earnings Call.

Let me begin with the financial performance for Q3 FY25:

During the quarter, Medanta delivered a total income of Rs. 9,595 million compared to Rs. 8,545 million same quarter last year, registering a growth of 12%. EBITDA for the quarter was Rs. 2,538 million, an increase of 8% year-on-year with an improved EBITDA margin of 27.5%. Profit after tax for the period was Rs.1,429 million, marking a strong year-on-year growth of 16%. PAT margins for the quarter improved to 14.9% compared to 14.5% in the same quarter last year.

Overall, our growth during the quarter was primarily driven by a combination of factors, including consistent volumes growth and strong contribution from developing hospitals.

Our inpatient volumes during the quarter increased by 13% year-on-year to 44,856, and the outpatient volumes increased by 9% year-on-year. During the quarter, we have added 34 beds and 219 beds were added in the 9M FY25. Our Average Occupied Bed Days for the quarter increased by 10.5% year-on-year, with strong occupancy of approximately 64% on increased bed capacity. Average Revenue Per Occupied Bed for the quarter was Rs. 61,307 compared to Rs. 60,571 in the same quarter last year, a marginal increase of 1.3%, largely due to a change in case mix. During the quarter, revenue from international patients was Rs. 541 million compared to Rs. 473 million in the same quarter last year, an increase of 14%.

Coming to the Matured and Developing hospital performance update:

During the quarter, revenue from our matured hospitals was Rs. 6,466 million compared to Rs. 5,875 million in the same quarter last year, registering a year-on-year growth of 10%. The EBITDA of mature hospitals stood at Rs. 1,617 million, reflecting a growth of 9% year-on-year with a margin of 25%. Average Occupied Bed Days increased by 6.8%, representing an occupancy of 63%. ARPOB grew by 3.3% to Rs. 67,303 in Q3 FY25 due to a change in case mix.

Developing hospitals which includes Lucknow and Patna continue to show year-on-year growth and sequential growth momentum. The revenue from operations during the quarter was Rs. 3,004 million compared to Rs. 2,742 million in the same quarter last year, registering a growth of 9.5%. EBITDA from these hospitals during the quarter was Rs. 1,015 million compared to Rs. 968 million in Q3 FY24. Average Occupied Bed Days during the quarter increased by 16.8% year-over-year, representing an occupancy of 64% on increased bed capacity. ARPOB for the quarter was Rs. 52,502.

I would like to share some highlights on the Lucknow unit.

We are pleased with the performance of our Lucknow unit over the last few months, marked by a notable increase in patient volumes and revenue growth. Our ongoing efforts to expand market outreach and strengthen engagement with the Lucknow community continue to yield positive results.

In line with our stated objectives of serving all sections of the community in Eastern UP, we obtained empanelment with Ayushman, CGHS, Railways, as well as various corporate and PSU's. We are proud to serve the patients covered by these schemes and are encouraged by the positive response from the community.

Medanta Lucknow continues to be a preferred choice for the highest quality clinical talent. We are continuing our recruitment efforts to enhance our medical teams, to fill in any specialty gaps that remain, as well as deepen our expertise within existing departments. We continue to invest in infrastructure and advanced technologies to support sustained growth. We remain watchful on our growth in Lucknow and continue to obtain feedback from the community and remain committed to optimizing our operations to manage seasonal variations.

Now, with respect to Medanta Patna, Medanta Patna has consistently delivered strong performance across key metrics. During the quarter, we expanded our capacity by adding 28 ICU beds, bringing the total bed additions to 112 in the nine-month period ended December 2024. In parallel, we strengthened our clinical capabilities by onboarding over 20 new doctors during this fiscal year. This combination of experienced clinical teams and enhanced infrastructure coupled with our unwavering commitment to patient-centric care, has driven higher inpatient volumes, increased occupancy, and an improved case mix, particularly in

complex specialties. These factors have collectively supported sustained growth and reinforced Medanta Patna's position as a leading destination for complex medical care in this region.

With respect to various projects, in the last nine months, Medanta has added over 200 beds across matured and developing hospitals. This includes approximately 50 beds in Gurgaon, 112 beds in Patna, and 58 beds in Lucknow. The construction of our 550-bed hospital in Noida is in full swing, and we are expecting to commence business operations within the next six months.

I'm also pleased to report, our board has approved a long-term lease for a newly built 110-bed hospital, strategically located just 1.2 kilometers from our existing facility in Ranchi. This expansion reinforces Medanta's commitment to delivering world-class healthcare in Jharkhand and the Ranchi region. Spanning 1.33 acres with a built-up area of 108,000 sq. ft., this state-of-the-art facility is equipped with advanced operation theaters, high-end medical technology.

Designed to enable the highest level of tertiary medical care, this new hospital will bridge critical gaps in the region's healthcare services. It will expand our medical capabilities, which have been constrained by the existing infrastructure in our existing Ranchi hospital. As we operationalize the new hospital, we will optimize specialties and services across both sites and introduce key missing medical specialties and treatments to enhance patient care.

Overall, we have roughly 1,000 bed additions planned over the next two years, including Noida and the remaining expansion, which is happening in our existing hospitals in Lucknow, Patna and now Ranchi. We also have 3 major Greenfield projects underway, comprising approximately 1,600 beds. These include Mumbai Oshiwara 500+ beds, Pitampura 700+ beds and our South Delhi project in Greater Kailash, which is about 400 beds. These projects are in various stages of approval and construction, and will take 3 to 4 years to commence.

With this, I request the operator to open the line for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to withdraw yourself from the question queue, you are requested to press "*" and "2". Ladies and gentlemen, please wait for a moment while the question queue assembles. We have our first question from the line of Amey Chalke from JM Financials. Please go ahead.

Amey Chalke: Thank you for taking my question and congrats to the management for the good set of numbers. I have first question on the performance which we have shown in developing hospital that the occupancy has gone up to 64% during this quarter. Should we consider this occupancy as a base case going ahead or is it sustainable? Or you expect this occupancy to normalize in coming quarters?

Pankaj Sahni: So, I think that two points, as we may have mentioned in the past, and I mentioned also in the notes, we do continue to add beds in both Lucknow as well as in Patna. In fact, in Patna, we do

anticipate additional beds coming on board in the next couple of months as well. So, occupancy as a percentage may be a little inappropriate to just look at as a single metric just because of the fact that the denominator keeps changing with respect to the bed additions. However, if you look at the actual occupied bed days, you can see that the actual occupied bed days are also increasing. In fact, we have seen an increase of about 16.8% in the occupied bed days or the inpatient volumes, whichever way you want to look at it, more or less they transfer to the same thing. And that has actually gone up from about 48,026 in Q3 FY24 to about 56,089 in Q3 FY25 and even sequentially it is up. So, we do believe that the volumes and the occupied bed days will continue to increase. I guess the absolute percentage is a little bit a function of how the denominator changes. So, my only caution would be don't look at the percentage number in absolute terms. Keep in mind as the bed additions are there, the percentage numbers may vary a little bit. But yeah, we are very bullish on both the units and we actually see a fairly strong demand in terms of our Patna unit as well, which is just now coming into about three years of operations. In fact, we are, kind of really pushing to get additional beds there because the hospital is quite full on both the ICU as well as in the ward.

Amey Chalke: Just to summarize, it's fine to assume that the occupied bed will continue to increase in coming quarters.

Pankaj Sahni: I mean, I don't want to tell you what assumptions you should take, but of course we are very strong believers in the fact that that will increase.

Amey Chalke: The second question I have, we have on-boarded 49 doctors in 3Q, is it possible to give breakup of this doctor in what all facility units they have been added and is the cost fully baked in during this quarter?

Pankaj Sahni: I don't have that off the top of my head. What I can tell you is that the bulk of the doctors have come in in this particular quarter in Lucknow and in Patna, obviously, because those are still the more growing hospitals. However, if you look over a nine month period, you'll notice that even our Gurgaon facility, which is a 15 year old facility, has added in 50 beds. And I believe, I forget exactly which quarter it was now, but even in a couple of the prior quarters, we have also been hiring in talent.

I can also tell you that our plans for as we move forward, not only in the next quarter, but also in the next full fiscal year, will include hiring in all the units, including our Gurgaon unit. And this is done for 3-4 reasons. The first of course is that in some cases, you have to fill in the gaps like adding in specialties which may be missing. In certain other cases, you are adding very niche or expert capabilities. So, for example, you may be having a particular department, but you may not have a robotic surgeon in that department. So, you may add a robotic surgery capabilities. And then of course you are also adding because we have huge capacity, so we are able to occupy this or there is good talent that is available in the market and we always like to keep our eye on talent. So, what I would say to you is that doctor recruitment and clinical talent additions will continue in all the hospitals. Obviously, the cost of that depends on the kind of talent you're bringing in, the specialty, the nature of the market, etc. But for the most part, if you look at our

manpower cost to revenue ratios, you see that they are doing quite well in terms of the overall cost. I think we are across the industry, we perform quite well on the manpower cost to revenue ratios.

And when you look at Noida, of course, which will come on board in the coming months, there we will definitely see much higher cost of hiring because that will be a new unit so we are bringing all the clinical talent and not only clinical, we will be bringing in all the talent. So, next maybe 6 to 9 months, you will definitely see an increase in hiring in the group and a lot of that will be because of Noida starting.

Amey Chalke: Thank you so much. I will join back.

Moderator: Thank you. We have our next question from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Sir, my first question is on the new hospitals, I mean business. We continue to see a sharp turnaround here. Was there any seasonality factor that pushed up the numbers in this quarter, or is it all due to the various collective measures that you have been taking in the last few months, and it is all organic growth that we witnessed?

Pankaj Sahni: So, you know, the only thing that I would caution before just blanketly using this word seasonality is that it means different things in different cities and it means different things for different natures of hospitals. So, to give an example, we had during Q2, significant amount of patients in some of our units with respect to dengue and some of the seasonal diseases, but that did not necessarily happen in the other units. So, it varies across the board. So, each unit has to be looked at slightly differently and seasonality plays a different role in each unit depending on the nature of the case mix, etc. over there. So, that's just one word of caution in general.

The second thing is that you see the way in which we look at it is that there's a bunch of activities that we had mentioned now on the last couple of earnings calls that we had taken to arrest some of the concerns that had been highlighted specifically in Lucknow and those included as I mentioned outreach to the community, clinical talent, additional growth, investing in infrastructure and technology, etc. All those activities obviously we continue to do in fact, but all those activities actually we started to see taking shape towards the middle half of the calendar last year. And what you're seeing is just simply a reflection of that in the numbers that get reported out on a particular quarter. But it's not like all those activities started only on 1st October and ended on 31st of December. Obviously, they continue over the period of time. So, I don't think that there is only a seasonality impact, we have definitely taken very active measures across the Lucknow unit. At the same time, there is of course seasonality in all the various quarters depending on what you look at. That's with respect to Lucknow.

Now when it comes with respect to Patna. Patna, yes, there are, again, some seasonality factors in the Q2 with dengue and some of those types of things, but I think in Patna, the real thing is capacity enhancement. So, as and when we have been able to add in beds, we have seen that the

volumes have grown and some of that is because we are actually quite fully choked up in Patna. So, a lot of the growth has come from clinical talent, from infrastructure and capacity enhancements.

We are about 470 beds there now, we are adding in another 30-50 beds over the course of the next few months, and then we actually will have the second tower also getting built out. So, that should add in another 180-200 beds hopefully. So, a lot of the growth I would say in Patna is very typical of newer hospital growth, as and when we are providing the capacity and bringing in the talent and technology, we are seeing growth. So, that's a little difference between both the units is how I would look.

Prithvi Raj: That's quite helpful. And my second question, could you give us a number on scheme patients for the Lucknow facility and how will this number evolve going forward?

Pankaj Sahni: So, I don't have off the top of my head the exact number for the scheme patients for Lucknow. What I can tell you is that our overall sales mix has a pretty low percentage, I think just about around 10% of our patients are towards the scheme business. And by far the largest base of scheme is in Gurgaon because we have been doing it for many years. So, I would assume that Lucknow would be even ~4% of the scheme business. I'm told by Yogesh and the team that it's probably around 4%-5%.

Prithvi Raj: And can we expect the event is to move towards 10% kind of number in the next one year?

Pankaj Sahni: I'm sorry, so just one more point before I answer that question, because I think it's a little important, especially in context of what we are seeing in Patna. There is an implicit assumption that the scheme business may not necessarily be a high-realization business. And what we have seen in Patna with our PPP business is that there is actually a pretty healthy realization of that business. I think this idea that all scheme business is low realization business is not necessarily true. I think that it again is different for different types of hospitals. Obviously, we do very high end complex care and it is also different in each specialty.

So, realizations for example for scheme business in certain departments like say Cancer or Cardiac may actually be pretty healthy whereas in some of the more secondary care oriented specialties like ENT or Plastic Surgery may not be that good. So, it really depends on the sales mix of this scheme business with respect to the specialty. And that's an important point.

The only thing that we have seen on this business is the length of stay tends to be a little bit longer and that may affect ARPOB as opposed to ARPP because of length of stay. And the fact that to the extent that the scheme business is a traded business that may be reflected in the debtors on the balance sheet as opposed to the realizations in the P&L. So, I think these are the two, three things that we said. In fact, last couple of months we worked quite actively to reduce the length of stay of our scheme business, especially in Patna, and we have had some good success in that. But other than that, just one word of caution so that you don't assume everything is lower.

Tariffs are lower, but realization is not always the case. Sorry, you had another question I interrupted you.

Prithvi Raj: Yes, understood. So, my final question is on the international piece. Medanta didn't focus actively on international patients in the last couple of years. And it's almost at 6% of your volumes. So, do we see any further improvement there or the focus continues to be on the domestic patients?

Pankaj Sahni: I don't think it's necessarily correct that we don't focus on international business. We do very much focus on international business. I think that the reality is that given the physical locations of our hospitals, international business is really restricted only to our Gurgaon facility. We don't really get international business in Lucknow, Patna, etc. We do expect that when Noida comes on board, that will also become a potential facility for international business, and we will, of course, be focusing on that. If you look at the international business are specifically only for Gurgaon, I think it would be significantly higher than 6% of the topline, maybe closer to 10% which seems to be more or less in line with the industry. So, I don't think that's not that we don't focus on it. I think that it's a question of the nature of where our facilities are and where international patients come. 6% is what you're looking at is basis, the overall group revenue, not the individual unit revenue. So, that's one.

The second thing is that I did mention in the call, we have actually seen growth of international business about 14% when you look at year-on-year over the quarter. So, we do see growth in international business. One of the challenges I think on international business, not just for us, but for the industry, is that Bangladesh was always one of the leading countries sending patients for international medical care to India. That of course, given the challenges that we see and what's happening in Bangladesh has taken a little bit of a hit over the course of the last several months, maybe half a year or nine months. And to the extent that we do assume that that will eventually stabilize, we should see that also coming back. The good part for Medanta specifically is that we are seeing a lot of flow coming in now from countries that weren't always necessarily that popular for sending patients to India, countries from Africa, countries from CIS countries. So, historically the biggest drainage has been from countries like Bangladesh, Afghanistan and Iraq. Obviously, Afghanistan is closed, Bangladesh is under a little bit of turmoil right now. So, we are seeing this pick up in other countries, which is good news not only for us but for the country and for the industry as a whole.

Prithvi Raj: Thank you, that's all from my side and congrats for the phenomenal turnaround of Lucknow business.

Pankaj Sahni: Thank you.

Moderator: Thank you. We have our next question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Yes, thanks for the opportunity and congrats for the good set of numbers. So, while there has been interestingly good pick up in terms of say occupancy or even in terms of revenue and profitability for developing hospitals. The ARPOB is sort of witnessing bit of downtrend probably due to high patient flow from Patna. So, where do you think this ARPOB will settle maybe in FY26 as the proportion of Patna continues to increase further? That's my first question.

Pankaj Sahni: So if you look at ARPOB for the developing hospitals, you are right, it is, I would say a little bit down from same quarter last year about 2% down hovering in the 53,000 - 52,000 range. This is to some extent linked to the PPP business in Patna and may also be a little bit linked to the scheme business which, if you look last year we didn't really have Ayushman, CGHS etc. One of the bigger things is really less around ARPOB and more around length of stay. So, if you look at some of the challenges which we have with the length of stay for some of the scheme patients, it tends to be significantly higher than cash patients. And that actually, because of the basic math, ends up being a little dilutive towards ARPOB. Although we may not have seen actually a reduction in average realization per patient So, our average realization per patient actually continues to grow. And that is not so affected with the scheme business. It's really around managing the ALOS which then drives up or down the ARPOB. So, that's one important point to note.

That being said, we see that the PPP business still is not at the 25%, which we had said, would be kind of the as per our agreement in Patna, it's still significantly lower than that. I think it's somewhere around 15% to 17% if I'm not mistaken. But that may grow depending on whether the government sense. And we may also see some increases in the scheme business in Lucknow as we continue to add in the scheme business there, which we had always said that we would start this financial year. We are not, frankly speaking, overly concerned about the ARPOB as long as the realizations are healthy from an ARPB point of view. So, as we continue to work on the ALOS reduction, ARPOBs will grow.

And then the other thing that I just wanted to mention is that we have been now operational in Lucknow for five years. We have not taken a single tariff increase in Lucknow. This January, we would have been operational in Patna for three years. We have not taken a single tariff increase in Patna. So, a lot of our insurance contracts, a lot of our cash patients, a lot of our other corporate contracts are still running on five year old tariffs in case of Lucknow and three year old tariffs in case of Patna. So, we do have these opportunities available with us, but like we have always maintained, we try to drive as much growth as possible through volume. But we will of course keep in mind how the market dynamics play out to look at what we should be doing on tariffs and realizations.

Tushar Manudhane: Got you, sir. So, secondly on Noida, it seems there's a bit of delay in terms of commencement of operation. Any particular reason you would like to call out?

Pankaj Sahni: No, I don't think there's any delay. If you look at the hospital, we started construction in September 2022. So, we hope to be live by the summer of this calendar year 2025. So, if you really take it, it's less than 3 years, which is pretty fast time for construction. We were hopeful

to get it operational by March. Looks like that may be a little bit more towards the June, July time frame. But I don't think there's a very significant delay. Broadly we are on track. Obviously we all want it done faster so that we can ensure that we are able to serve the patients as soon as possible. Very strong demand for the patient community there as well as very positive feedback from the clinician community to join us there. So, we are quite excited about Noida, come along quite well. Of course, the sooner it opens the better it is for everybody.

Tushar Manudhane:

Got it. And thirdly, just on Ranchi, where we already have our existing hospital, if you just share in terms of the industry perspective at Ranchi, which sort of gave you this or compelled you to get into tie up for another hospital at Ranchi?

Pankaj Sahni:

Sure. So, we have a hospital in Ranchi, it's approximately 200 bed. The infrastructure of this hospital is very old. And in fact, what we realized was that over the last couple of months, almost maybe a year, we found that there has been a very strong demand for certain services in Ranchi. We have struggled a little bit with the existing infrastructure in terms of scaling up, especially scaling up some of the kind of work which we do, like we wanted to add another 20 - 30 ICU beds, we wanted to add the capabilities of more advanced procedural work. Currently in Ranchi, we don't do any cancer work. So, we don't have space actually to put up a medical oncology unit. We don't really have surgical oncology. Our dialysis is running full in all the shifts. So, we were actually quite constrained in the physical infrastructure of the facility. And also given the age of the actual infrastructure, quite a bit of renovation needs to be done. Now in a running hospital, which is quite busy, doing some of these changes is hard.

We were fortunate to be able to find an existing hospital, fully-baked, I think we had some pictures in the investor deck as well, state-of-the-art operation theaters, which can do all the complex work we do, state-of-the-art Cath lab, MRI, etc. So, all of this is ready-made for us, so we thought that it's a great opportunity to kind of create a little bit more of a campus connection and scale up from 200 beds to maybe, hopefully, 300-350, even if possible. And what this allows us to do is gives us some time to actually take shutdown of couple of floors, renovate the old building, and then revitalize that as well. I think the biggest thing is that we will be able to start Oncology, which we have not been able to offer to the people of Ranchi so far.

And given that it was so close to the existing hospital, I don't want to use the word hub and spoke because that also may be too far. I think it's really two sites, same campus kind of feeling. And we have had a very phenomenal response in the last couple of years post COVID in Ranchi. And these are the kind of places which need the kind of quality of care that we can give. So, I think it fits very nicely with the idea of expanding in beyond 200 to make it around the 300-350 bed campus across two locations that are frankly speaking very close. So, we will be able to get all the operating entities. It will be run by the same team, etc. So, it made complete sense for us to do, and we were lucky to get a very nice ready-made facility, which we hope to operationalize very soon.

Tushar Manudhane:

Got you, sir. Just one last on this, so how much investment you would be requiring on this and the kind of sort of rent or revenue share you would have with the existing partner?

- Pankaj Sahni:** So, it's a straight rental agreement, there is no revenue share. Obviously, we are lucky that we believe that we have got it at fairly good commercial terms. It's a 15-year lease extendable for two more additional periods of 15 years, so that makes it a 45-year lease. What we have decided to do, just because we believe that we may be better suited to manage it, we have decided to buy over the existing equipment from the landlord that had already been put in there so that we can kind of integrate that with our own balance sheet and our own management system. So, we will be spending somewhere around maybe Rs. 20 crores to Rs. 30 crores to buy over all this equipment. And then we have kept a buffer for maybe another Rs. 20 crores of additional equipment investment etc. that we may want to do as and when we get move forward. So, I would say overall, the complete investment should be under Rs. 50 crores.
- Tushar Manudhane:** Thanks, sir. Thanks a lot for this.
- Moderator:** Thank you. We have our next question from the line of Nancy Yadav from Allegro Capital Advisors. Please go ahead.
- Nancy Yadav:** Hi, thank you so much for the opportunity and congratulations to the management for a great set of numbers. Most of my questions are cleared. I just wanted to get two numbers. Sir, could you firstly tell me the net debt or cash position of the company currently?
- Yogesh Kumar Gupta:** Overall cash position of the company is Rs. 1,085 crores. And the gross debt at Rs. 321.
- Nancy Yadav:** Okay sure. And also sir, could you help me out with the IndAS 116 adjustment number?
- Yogesh Kumar Gupta:** I think it's not very different from the last year. I don't have the number right now ready with me. You can get that from the last year financials.
- Nancy Yadav:** Okay, sure. Thank you, sir.
- Moderator:** Thank you. We have our next question from the line of Madhav from Fidelity. Please go ahead.
- Madhav:** Yes, good evening. A couple of questions. The first one was last year in quarter three, Lucknow had obviously seen very strong seasonality related to Dengue cases, if I remember correctly. Could you give some qualitative sense in terms of whether that intensity of those cases this year was similar, higher or lower? Just to get a sense in terms of how that played out?
- Pankaj Sahni:** Yes, so as we mentioned many times, obviously disease doesn't follow the neat quarterly reporting that our financial community forces us to get into. So, actually, Dengue typically starts depending on the, or it's not only Dengue, right? Dengue, Chickenguinea, sometimes it's some of the other seasonal diseases with respect to the summer like Gastroenterology, etc. These typically start sometime in the summer depending on as and when how the rain's hit and what the environment is and they continue on. So, that could be sometimes July, sometimes August, sometimes September. And that continues on depending on how that season goes away and we get the winter season coming, whether it is October-November and frankly speaking, it's also affected basis when Diwali and some of the other festivals are.

I think in last year, the impact of dengue in Lucknow was significantly higher than what we saw this last nine months. But the impact is typically not Q3. It is spread out over Q2 and Q3. So, I think that a little bit lower impact this time around compared to last year. But I just want to caution you. You should not only look at Q2 and Q3. But maybe if you combine Q2 - Q3 that would be more appropriate to look at.

Madhav:

For developing hospitals in terms of seasonality, last year Q4 occupied bed days had come a bit versus Q3. So, giving you the seasonality plays out differently for our different facilities. Is usually Q4 for developing the two key facilities? Is it usually a softer seasonality versus Q3? Or how should we look at it?

Pankaj Sahni:

We mentioned this, I think, last year. And if you look at Lucknow, of course, Patna was a little different story last year because it was really growing from 200 beds to 400 beds. So, I don't think Patna is in a stable enough state to make a fair assessment. But Lucknow, a little bit more stable, although we did grow from about 430 beds to about 700 beds in Lucknow as well. Last couple of years, we have seen Q4 being a little bit softer than Q3 in Lucknow. In fact, in the case of January - February - March 2024, significantly softer, but I don't think all of that was seasonality. Some of that we clearly now know was some of the challenges that we had in the unit. But even if I go back to January - February - March 2023, we did see that as a little bit softer than the previous two quarters.

So, whether this is a clear trend in Lucknow that Q4 is softer or not, I think still we need to wait it out and see because it's been a couple of years where we have been adding in beds and then I think this will get a greater sense. What I can tell you is that it little bit depends also on how the winter season plays out. Is it very cold? One thing that my assumption is, and again it's still an assumption which we are still testing, is that I think that the quarter four plays out a little differently in places like maybe Delhi, Bombay, Bangalore than it does in places like Lucknow, Patna, and some of the other tier-2 cities. But I think this we will figure out over time, and we will also see the performance of various players who have now ventured into some of these places, maybe following us into these kind of cities. And we will see whether that makes sense. I know many people don't report out unit by unit numbers. But my hypothesis is that the metros may perform a little bit differently with the sales mix as compared to some of the other areas. And depending on the demographics, the disease patterns in those cities, you may find some changes. Today, you don't really see too much seasonal diseases in places like Delhi, Bombay, Bangalore. It's a lot more the non-communicable diseases. So, I think it depends on the city to city and how the medical disease pattern changes over time as those cities develop.

Madhav:

So, if I can ask one last question, the Noida facility, which starts in six months, would you be able to hazard a guess in terms of what could be the EBITDA break-even timeline for the facility, given it's a greenfield one? I know it's early days, but any sort of broad sense in terms of how year one, year two could play out, that would be interesting? Thank you.

Pankaj Sahni:

You may have noticed on some of my previous calls or statements, I tried to make it a point never to hazard a guess, and especially never to hazard a guess on what the EBITDA will be. I

think our focus has always been, let's try to deliver the best quality of care that we can and let the numbers speak for themselves from that point of view. So, I don't have any guidance for you, I'm sorry, on what the EBITDA would be in Noida. What I can only tell you is that we do intend to look at operationalizing and running our Noida facility with the same dedication and focus towards delivering exceptionally high quality and high-end tertiary care.

Now this means two, three things. The first thing that it means is that obviously we will be looking at very highly capable and highly talented clinicians, bringing in a workforce that allows us to do that. Obviously that workforce has a cost. Like with any new facility, there is a certain time that it takes to get ramped up. If you look at our history in Patna and Lucknow and even frankly, if you go back many years in Gurgaon, we have been very, very fortunate that we have been able to obtain break even or even profitability on an EBITDA basis in a very short period of time. But I don't think that that is a reasonable thing for any management to plan for EBITDA break even in six months or one year or even 18 months. So, our models continue to assume that it takes a couple of years to breakeven in any facility. And if we can do better than that, then that's great. But I don't want to take a chance to guess that yes, we will be able to break even in X months or Y months.

Madhav: Thank you.

Moderator: Thank you. A reminder to all participants, you may press "*" and "1" to ask a question. The next question is from the line of Bansi Desai from J.P. Morgan. Please go ahead.

Bansi Desai: Thanks for taking my question. My first question is on Gurgaon facility. So, we have seen a decent improvement in occupancy here year-over-year for last couple of years. We have added 50 beds here. How should we think about optimal occupancy for this particular unit? I understand our infrastructure layout for Gurgaon Hospital and for that matter, all our hospitals is quite different compared to peers. So, how should we think about optimal occupancy levels? Will it be difficult for us to reach 70%-75% occupancy levels or do you think that's achievable with our specialties or exposure to specialties that we have?

Pankaj Sahni: Let me answer that question in two, three ways. First, if you look at, and I will step back from the occupancy percentage number just for a minute. If you look at our overall inpatient volumes over the course of the last four years or so, you see that we have been able to get a CAGR of double digit growth, I think somewhere around 10% plus volume growth just on inpatient volumes in our Gurgaon facility over the last four years. Now, I also may have mentioned in some of the earlier calls that we didn't even take tariff increases. So, a lot of the revenue growth which you've seen up until maybe the last couple of quarters was fully driven by volume and then some amount of sales mix and realization improvements. And it's only really last year that we took some tariff increases. So, you're seeing some amount of the revenue growth driven by tariff, but still a lot of it coming from volume growth. So, we do intend to continue to drive the growth as much as possible through volume additions.

Now, the reason that I say that occupancy is not necessarily a standalone metric is, I forget now whether it was Q2 or whether it was Q1, in the last nine months we have operationalized a 60-bed Chemotherapy ward in our Gurgaon facility. And that actually took our existing census beds, which were night stay beds, and we shut them down and renovated them and we converted them to daycare. So, what happens with daycare is that there's no patient at night, so the occupancy statistics look different because you don't consider them at midnight occupancy. So, we won't actually be overly worried about what the percentage number is as long as the volumes continue to grow.

In fact, there's a lot of demand to reduce length of stay to move more and more work to daycare, to look at the network of clinics. As you're aware, we operationalize the clinic, another clinic in our Gurgaon area. We may be looking at more of that. So, we will look at various means to use the infrastructure and talent we have to deliver care, not only occupancy percentage. We will continue to ensure that we are doing the cohorting and the quality and the specialty management that we would like to try to do without compromising on that to the extent that we can grow the occupancy, grate. But frankly for us, it's much more around volumes, absolute volumes than percentage.

Bansi Desai:

Got it. So, the reason I asked is that in the last 2-3 years, if I see, our average length of stay has remained pretty much the same. So, what probably has allowed us, so to that extent, the inpatient volume growth is probably reflected in the occupancy increase, except for the fact that you mentioned that, you know, some of the chemotherapy beds etc. are not included in our occupancy numbers?

Pankaj Sahni:

No, so unfortunately not that straightforward at the macro level. You have to dig down by specialties. So, I will give you an example. If you look at our sales mix across specialties, you'll find that Oncology business is growing. A lot of Oncology business tends to be potentially shorter space than say some of the other specialties. So, you will find some changes across specialties in how that plays out. So, daycare having some amounts of preferences. At the same time, you may find that a lot of the work which we are doing, say in Cardiac or in some of the other specialties, are actually quite complex and the length of stay there is sometimes even increasing. So, when you get into this, you have to actually look at length of stay, specialty by specialty.

Now is there an opportunity for Medanta to increase a couple of basis points of occupancy percentage? Of course there is. Do I say that the hospital is full? No, it's not. But I think that we still keep this kind of cohorting and the kind of way in which we fill up the beds as largely sacrosanct as long as you're not compromising on that. Yes, I think that there's opportunities to increase the occupancy percentage. But again, we do that through volume driving, right? If a patient can go home and not stay at night, that's a good thing. So, we don't optimize for occupancy percentage and keep the patient in the hospital just because that looks good on numbers. We'd much rather drive volumes. And if the occupancy grows, it grows. But higher volumes with lower length of stay is always better.

Bansi Desai: Got it, this is helpful. And just extending previous participant question on seasonality, especially in Lucknow, you mentioned probably trends are like, you'll monitor those trends. Just, if you could comment on how January has played out for you, is it any different from past years in your opinion?

Pankaj Sahni: So, you are asking me things that will get me into trouble with the regulator if I give you data beyond 31st of December. What I can tell you is that there is definitely a very visible and very strong growth and positive momentum that we have seen in Lucknow and continue to see in Lucknow, vis-à-vis where we were, let's say maybe 9 to 12 months ago. And I think that a lot of that is, a lot of the efforts that have been put in by the team. And we see that in the response from the community, in the clinical work which we are doing, in the kind of complex work which we are doing, like I think Dr. Trehan also mentioned, amongst really, really fast growth in our robotic program in Lucknow. So, all indications are in the positive way.

But this is a business which you can't be looking at it only quarter-to-quarter. And you have to keep as we learned, rightly so, you have to be connected to the community, and you have to keep continuing to serve the community. So, when I say that we keep a close trend and watch on all of these things, I think that we should not assume that work is over by any means, lots more to be done. And it's also important to understand we are currently a 750 bed hospital in Lucknow. It is still not complete. Our aspiration is to go to about 950 – 1,000 beds. We still look at adding in additional clinical talent, still some investment to be done in new medical equipment and medical technology, some of that already underway, you will hear about it in coming months. And we will continue to scale up our beds. We will continue to add in a complete new floor of outpatient clinics as well. So, Lucknow Hospital is not complete. It's very big, but it's still not complete. So, lots to be done there.

Moderator: Thank you. We have our next question from the line of Aman Goyal from Axis Securities. Please go ahead.

Aman Goyal: My question is related to margin difference between mature hospitals and developing hospitals. So, as we look at in last quarter developing hospital reported margin somewhere around 30%, now 33%, where our mature hospital reporting margin at 25%. So, what is the key difference between 700 - 800 basis points between these two hospitals over the longer term, like the next two years, where we could see the developing hospital could report a margin on average basis?

Pankaj Sahni: So, as I mentioned earlier, I try to avoid giving predictions on what the margin would be. I think that's never a healthy thing to do. But what I can tell you is that our complete corporate costs, our complete overhead costs are currently booked in our Gurgaon facility. So, what you see reported out may not be reflective of the true operating margins of an individual unit. Our developed hospitals comprise Indore, Ranchi, and Gurgaon. And our developing hospitals is Patna and Lucknow. So, there is some amount of averaging out across the ecosystem. But I think one major point which you look at is that what you see as the matured hospital margin is sometimes wrongly assumed to be the Gurgaon unit margin. That's not necessarily the case

because of the fact that certain costs are booked here that may not be actually completely Gurgaon-centric.

Aman Goyal: Sir, another question is, Max has also entered in Noida with Jaypee acquisition. Could you see any competitive landscape on that part?

Pankaj Sahni: See, I think that if you reflect back on what is happening in Indian healthcare since the COVID pandemic went away, is that the broad perception of actual competitive intensity depending on which way you look at it, is increasing across the board because there has been far more focus on healthcare, there has been far more investment in healthcare and there has been a lot of excitement with the Private Equity and the capital markets around healthcare. So a lot more capital flows into this industry. So, definitely we do see increased amount of infrastructure additions, we see increased amount of hospitals opening up. And our belief as Medanta is that this is always a good thing, we still have a very long way to go with respect to the absolute amount of beds that we have to serve our population and to serve the population in need and that's able to afford.

If you look back now several years, there was nothing in Gurgaon when Medanta opened. And now people reference Medanta as a medical hub. So, what ends up happening, and the same story is in Lucknow, we started in Lucknow 2 years ago, people asked us that have you gone crazy? Why are you in Lucknow? And everybody seems to be chasing us into that market. We do believe that we are trendsetters in this place, in this way. We go where the need is the most. If people follow us into that market, it's very good. It elevates the quality of care for the community. It elevates the accessibility of talent. It creates a draw for both patients as well as doctors in terms of creating these so-called medical hubs.

So, our belief is actually slightly contrary to what you're saying. The more people that come to a particular market and create an ecosystem of healthcare, the better it ends up being for everybody, for the patients, for the doctors, for the accessibility of talent in terms of nurses, doctors, as well as frankly speaking, for the hospitals that kind of do well. Now, along with this one word of caution, is that in the last 15 years in Gurgaon we have seen many hospitals open and close, and some have been sold more than once over. So, it's not that easy to run a hospital, it's easy to build a hospital, just requires some capital. But running a hospital is a hard business, and running it with the right values and the right qualities is even harder. So, we welcome the increase in beds across the system. I don't see any concern whatsoever. And if that adds to the quality of care of the community and expands the base, it's good for everyone.

Aman Goyal: Thank you, sir.

Moderator: Thank you. We have our next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, thank you for the opportunity. So, first question, you had earlier spoken about starting construction in one half of the land parcel at the South Delhi Hospital due to certain legal issues.

Now with the soil testing started, should we assume that all the legal issues as well as the pollution-related stoppages have been resolved?

Pankaj Sahni:

So, on the parcel which we talked about, yes, no legal issues as far as building out. On the pollution, it keeps starting and stopping. So, we have started and stopped at least six, seven times already. I'm given to understand right now there is no pollution related stoppages, but it depends on how the government changes that. I am hopeful now that here the worst of the air pollution is behind us in the Delhi area. So, we should be able to continue on that. So, I think if the question is that, is the construction moving ahead? Yes, it is. Are there pollution or other related stoppages that may come? That is hard for me to tell. But from our side, the intention is very clear that we will build this out and that is actually what is happening.

Alankar Garude:

Understood. And similarly, Pankaj, if you can talk about the timelines for the Indore hospital as well?

Pankaj Sahni:

Indore, as I mentioned in the, I think, I don't know which one it was the last or even before that, we have had some challenges with respect to the legal issues there. That is on hold, it is status quo because the matter is subjudice. I mentioned in the last call that we are exploring other options, those are actually already underway as well. So, I don't actually have complete clarity on what will happen in Indore. It is definitely a delayed project which is not great for anyone involved but we also don't want to do anything which is not appropriate.

So, Indore we are exploring all options. We haven't yet pulled the plug on the deal that we have because we feel might as well keep it open if it's possible to get done. We remain committed to Indore and seeing what we can do there, but yes, this particular site, unfortunate that it's gone into a little bit of a delay and potentially, I don't know whether it will come out of this delay or not, or we will have to look at an alternative. But that's what we are looking at.

Alankar Garude:

Understood. So, basically Pankaj, the broader question is, how should we look at the timelines for these 1,950 beds planned to be added post FY27? So, should we assume Mumbai and Pitampura would be more towards end of FY28 and possibly South Delhi being after FY28? Very broad timelines?

Pankaj Sahni:

So, the three hospitals, which is your Delhi, your South Delhi, Pitampura and Mumbai, are all broadly on the same time frame in terms of the construction activity, the drawings, the digging of the sites, etc. So, they all more or less will move simultaneously from our point of view. Now obviously, construction has its own challenges. So, maybe one of them gets built faster than the other. But I would say that broadly speaking, see, it takes around three years or so. I mean, we hope to get Noida done before that. But it normally takes about 3 to 4 years to build up any hospital. Now, which one will come six months before the other, that I'm not in a position to tell you today. But I would assume safely that these hospitals are about three years or so up.

Alankar Garude:

Got it. That's it from my side. Thank you.

Moderator: Thank you. We have our next question from the line of Anshul Agarwal from Emkay Global. Please go ahead.

Anshul Agarwal: Thank you for the opportunity. So, my question is on Lucknow facility, given the good ramp up that we are seeing here. Would we be sort of opening new beds here in the next six months itself? Would we be reaching peak capacity in the next six months in Lucknow?

Pankaj Sahni: I don't think we will be reaching peak capacity in the next six months. Peak capacity will be somewhere around 950 to 1,000 beds. We are currently at about 750 beds. We do hope to add in beds over the next six months that you're talking about. Whether it will be exactly six months, whether it will be nine months, whether it will be 50 beds or 100 beds, that I'm not sure. But the two considerations that go into this. One of the considerations as we start to get towards the closure of the absolute capacity is whether or not we want to keep any beds in the back pocket for potential future options for new specialties. And the example that I will give you, if you're not familiar with it is our last floor in Gurgaon got completed in April of last year, I believe, which is almost 14 years after the hospital started. Now, if we did not have that floor, we would not have been able to start mother and child services in Gurgaon.

So, sometimes you do keep one or two things in your back pocket, this is the specialty and how things are planning out. But I think that the broader point around the fact that will you continue to build out and finish up the hospital and build out the beds, the answer is yes. We will keep as much flexibility as possible to allow us to plan for future specialties and new kinds of services that we may like to have. Like we don't have a dedicated pediatrics program in Lucknow, right? Now that is something that we may decide to add in today. If that comes in, then it may change the basic construct and layout. But other than that, I don't think there's any desire to delay any build up.

Anshul Agarwal: Great, that answers. The second question I had was for Yogesh sir, probably if you could just help me out with the CAPEX guidance for the next couple of years.

Yogesh Kumar Gupta: If you see the slide 25 of our investor presentation, we have already given that guidance. So, total CAPEX for the next 3 to 4 years is somewhere around Rs. 3,000 crores. And the breakup by project has been given there.

Anshul Agarwal: That's it from my end. Thank you so much.

Moderator: We have our next question from the line of Anubhav Sahu from Macro Research. Please go ahead.

Anubhav Sahu: Coming again on the Lucknow thing, I think it's a pretty good quarter for us. And I can see you have indicated for 200 beds addition for in a 6 to 9 months, with the flexibility you just talked about. At this point, from a strategy perspective, are you looking for something else other than the unit which you have in Lucknow, whether for this city or maybe in the nearby city like Kanpur?

Pankaj Sahni: Let me just clarify the question. Is your question, are you looking at a second site in Lucknow or looking at Kanpur? Is that the question?

Anubhav Sahu: Exactly.

Pankaj Sahni: So, I don't know whether we would be looking at a second full hospital site right now in Lucknow. We will definitely be looking at how to increase our coverage in Lucknow, whether that is through hospital or whether that is through alternative means. We have in the past talked about the fact that there are many ways to kind of cover the community, not all of them translate to building a hospital, especially not possibly a thousand bed hospital. But we will look at increasing the coverage of care that we can provide in the Lucknow city area specifically.

As far as Kanpur goes, or for that matter, even some of the other bigger or well-known cities in the eastern part of UP, which could include Varanasi, Allahabad, Gorakhpur, etc. I've mentioned before, these are definitely on the radar for us. All cities, including Kanpur, Varanasi, Ayodhya, Allahabad, Gorakhpur, all these cities are of interest to us, given just such a huge demand of health care and an absence of high quality care in these areas.

At this point in time, there is nothing definitive that I can tell you that, yes, we will be opening in this particular city. But all the cities are in play and we have a very strong commitment to the state of UP and in general, to that part of the country. And we will be looking at opportunities to ensure that we are able to deliver our services in all of these various places.

Moderator: Thank you, sir. That was the last question for today, and I now hand the conference over to the management for closing comments.

Pankaj Sahni: So, thank you all for taking the time and for joining us today for our Q3 FY2025 earnings and results call. Thank you for your insightful questions and for joining us today. If you have any other questions or if you have any other specific information and questions remain unanswered, please feel free to reach out to our investor relations team. And we look forward to speaking with you and seeing you all soon. Thank you very much.

Notes:

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