Global Health Limited

May 25, 2024

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The General Manager
Dept. of Corporate Services
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400 001

Scrip Code: 543654

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

Symbol: MEDANTA

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 the Earnings Conference Call held on Monday May 20, 2024, hosted by JM Financial, on the Financial Results for the Fourth Quarter and Financial Year ended March 31, 2024.

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
Digitally signed by RAHUL RANJAN
Date: 2024.05.25 12:29:05 +05'30'

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

Encl: a/a

“Global Health Limited – Medanta Q4 FY24 Earnings Conference Call”

May 20, 2024

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. AMEY CHALKE – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Medanta Global Health Q4 and FY24 Earnings Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amey Chalke from JM Financial. Thank you and over to you, sir.

Amey Chalke: Thank you, Zico. Good afternoon and very warm welcome to all the participants on the Global Health Limited 4Q FY24 Earnings Call hosted by JM Financial. Joining with us today from the management side, 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, Investor Relations. Over to you, Naresh, sir.

Dr. Naresh Trehan: Good afternoon to all of you who have joined us for the Medanta Q4 and full year FY24 Earnings Conference Call. I'm pleased to inform you all that for the fifth year in a row, Medanta has been recognized as "India's best private hospital" and also it is one of the only hospitals from India which is in the first 200 hospitals of the world. Now, this is fifth year in a row, so it's really a testimony to our consistent care, quality, and what we call Medanta model of care.

With that, let me just walk you through what is happening as far as our commitment to excellence and the growth of our medical services and also the standards that we are raising continuously. Medanta Gurugram became the first in India to use advanced AI-enabled Penumbra Lightening technology for treating pulmonary embolism. This is a technology which has replaced the acute need for major operation to extract clots from the lungs which used to carry a lot of risk.

But with this device, which is AI-enabled, we can actually suck out the clots and save people's lives and many lives have been saved which otherwise would have had to undergo this risky operation. Further, Medanta piloted the Bharat program helped by a specialized team which is dedicated to raising awareness about reducing the incidence of pulmonary embolism in the Indian scenario and also enhancing the knowledge around the world.

Our doctors also pioneered in using non-invasive mitral valve repair technology which actually come under the heading of structural heart and India now actually has caught up with the rest of the world. Medanta is at the leading edge of all structural heart procedures which include TAVI, and other complicated procedures. All that is happening here and we are the leaders in this part of the world. Also, we have made major strides in robotic surgery. All procedures now are routinely done, robotically and with the least amount of intervention for the patient and increasing the safety.

One of the major things that we have accomplished which is routine now is that the robotic donor surgery for liver transplant. This has actually reduced huge amount of pain and morbidity on the patients who are donating livers for their relatives. So, these are major advances that have taken place in the last year.

Digital innovation is key enabler in bridging the accessibility gap in healthcare services especially in underserved Tier 3 and Tier 4 towns. Last year, we had launched Medanta e-ICU program with setting up command centers at Lucknow to enhance the access to critical care in underserved areas. During the year, Medanta ICU saved lives of many patients including a 16-year-old boy, patient with critical conditions and non-recordable blood pressures admitted to the hospital in Prayagraj. Utilizing Medanta e-ICU, our intensivist team managed to patient until stabilization then swiftly transferred him to Medanta hospital. The patient was successfully treated and discharged in good health. Overall, we continue to focus on delivering higher standard of clinical care and as a result Medanta consistently delivers strong financial performances year-on-year.

Now, I will hand over the call to Mr. Pankaj Sahni, our Group CEO, to walk you through the performance during the year and the quarter. Thank you for your patience and joining the call. Pankaj, over to you please.

Pankaj Sahni: Thank you, Dr. Trehan. Good afternoon and welcome everyone to our Q4 and full year FY24 earnings call. Let me take you through the key highlights and annual performance for the year. After that, I will hand you over to our CFO Mr. Yogesh who will discuss the quarterly performance.

Financial year FY24 was another strong year for Medanta with consistent execution and sustained growth across all revenue and profitability metrics. During the year, Medanta delivered a total consolidated income of INR 33,498 million, a strong growth of 21% year on year. EBITDA was INR 8,737 million compared to INR 6,771 million in FY23, registering a growth of 29% year-on-year.

EBITDA margins have also improved by 154 basis points from 24.5% in FY23 to 26.1% in FY24. Profit after tax for the period was INR 4,781 million, an impressive year on year growth of 47% y-o-y. Our average occupied bed days for the year increased by 14% year-on-year, representing an occupancy of 62% on increased bed capacity. ARPOB increased 5% year on year to INR 61,890 driven by a change in case mix. Inpatient count increased by 15% year on year to 1.6 lakhs.

During FY24, we incurred capex of INR 3,035 million, out of which INR 995 million was incurred towards Noida Hospital. In line with our growth strategy, we added 126 new beds. Of these, 98 beds were added in Lucknow in the last week of March 2024 and 28 beds were added in Patna hospital. Additionally, four new operating theatres were made operational in Patna hospital to meet the increasing demand for surgical procedures and critical care.

In FY24, we added over 150 senior clinicians across all our units, further enhancing our medical expertise and ensuring the delivery of superior healthcare services to our patients. We have also launched comprehensive oncology care services with the operationalization of the most advanced radiation oncology machine known as the Varian Edge at both Lucknow and Patna.

Our patients will benefit from complete comprehensive cancer care under one roof in both of these units.

Medanta Labs created a network of 8 new labs and over 120 collection centres set up since its launch in January 2023. Also, from a balance sheet perspective, we closed the year with a net cash surplus of INR 7,720 million, providing us with a strong financial foundation to support our future growth initiatives and support our growth trajectory.

Our developing hospitals, which includes Lucknow and Patna, registered a strong revenue growth of INR 9,948, which is a 34% year-on-year growth. The overall revenue share from these hospitals increased from 27% of our consolidated revenue in FY2023 to 30% in FY2024.

The EBITDA contribution from these hospitals rose 32% in FY23 to 37% in FY24, reaching INR 3,208 million, a robust growth of 49% year-on-year. The occupied bed days at our developing units increased by 31% year-on-year, with an improved occupancy rate of 61% on an increased bed capacity, reflecting strong growth driven primarily by increased patient volumes. This growth clearly indicates the successful ramp up of operations and the increasing trust and preference of patients in our quality healthcare services in these regions.

Now coming to our mature hospitals, our mature hospitals have also contributed significantly to the overall growth. Mature hospitals have registered a year-on-year growth of 18%, amounting to INR 23,829 million. EBITDA grew by 29% year-over-year reaching INR 6,002 million. This growth is driven by consistent efforts of strengthening the core through clinical talent additions in our existing units.

During FY24, revenue from international patients increased by 24% year-on-year to INR 1,935 million which contributes approximately 6% of our overall revenue. Our in-house outpatient pharmacy business continues to register strong growth with revenue increasing by 32% from INR 850 million in FY23 to INR 1,120 million in FY24.

Now let's take a closer look at the performance trends over the past several years from FY20 to FY24 which is important to illustrate the consistent strong profitable growth Medanta has been delivering and this growth is backed on strong fundamentals across the network. Our total income has had a compounded annual growth rate (CAGR) of 22% while EBITDA has grown by 40% CAGR from FY20 to FY24.

This robust growth is a clear indication of our successful strategy and our ability to scale operations effectively driven in large part by volume growth across all units indicating strong demand for our high-quality comprehensive healthcare services. During the period, our EBITDA has grown at a CAGR of 40% with EBITDA margins improving from 15.1% to 26.1%. This underscores our portfolio strength and focus on operational efficiency and ability to drive profitability while scaling our operations.

A quick update on our upcoming projects: The construction of our Noida Hospital, a state-of-the-art facility designed for optimal patient care is progressing well. As at 31st of March 2024, 95% of the superstructure is complete and the MEP work is in progress. As of today, I am proud to tell you that our complete roof has been cast and the finishing work is underway across the hospital. Our hospital is expected to commence operations in the end of Q4 FY25/ Q1FY26. Our asset light hospital partnership in Indore has moved forward with a favourable judgement from the Madhya Pradesh high court and we are awaiting final clearances to proceed further.

Our super-specialty 400-bed hospital in South Delhi in partnership with DLF is progressing. As you would be aware already, a subsidiary company has been formed and regulatory approvals are in process.

Before handing over the call to our CFO Mr. Yogesh to discuss the financial performance for the quarter, I would like to highlight that the Q4FY24 performance was impacted due to a little subdued performance in our Lucknow unit given a seasonally weak quarter. While other units, including our mature hospitals have continued to deliver very strong year-on-year growth and moderate sequential growth. We are very confident in our performance across all of the units and continue to invest heavily in each one of them. Let me now hand over the call to Mr. Yogesh to share with you the performance for the quarter.

Yogesh Gupta: Thank you, Pankaj and good afternoon to everyone. Now I would like to discuss consolidated financial and operational performance for the quarter. During the quarter, Medanta has delivered a total income of INR 8,361 million registering a growth of 14% compared to the same quarter last year. EBITDA for the quarter was INR 2,068 million an increase of 8% year-on-year basis with the EBITDA margin of 24.7%.

Our profit after tax for the period was INR 1,273 million registering a growth of 26% year-over-year. During the quarter, 98 beds were added at Lucknow in the last week of March 2024. Occupied bed days have increased by 9.5% year-over-year representing an occupancy of 59% on increased bed capacity. ARPOB grew by 4% to 63,063 in Q4 FY24. Inpatient counts increased by 10% year-over-year and outpatient counts increased by 11% year-over-year.

During the quarter, international patient revenue increased by 30% to INR 477 million driven by increased volume in international patient admission.

Now coming to the developing hospitals: In terms of developing hospitals that is Lucknow and Patna total income increased from INR 2,025 million to INR 2,265 million compared to the same period last year a growth of 12% year-over-year. EBITDA of the developing hospital was INR 622 million with EBITDA margin of 27.5%. Average occupied bed days increased by 10% year-over-year representing an occupancy of 53% on increased bed capacity. ARPOB grew by 3% year-on-year to INR 57,696.

Now coming to the matured hospitals, total income of INR 6,112 million growth of 15% year-over-year. EBITDA of INR 1,548 million growth of 18% year-over-year. EBITDA margins were 25.3% compared to 24.7% in the same period last year. Average occupied bed days increased by 9% representing an occupancy of 63%. ARPOB grew by 4% to INR 65,746.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Till the time the queue assembles I will ask the first two questions. Basically the lower margin for this quarter, is it solely led by the lower occupancy in Lucknow or developing hospital or you want to call out any cost related items which could have led to the lower margin during this quarter?

Pankaj Sahni: So, let me quickly address that. There is no significant change at all in any of the cost structures across any of the units in terms of things like the cost-to-revenue ratios and some of the other traditional metrics that get evaluated. You are of course aware that we have a fixed cost model when it comes to much of our employee costs and so as you very rightly pointed out, if the volumes or the total top line changes there is a potential impact on the bottom line.

But there has been no fundamental change in our cost structure. That being said, when we look at our individual units as well as the mature and developing units which we do report out we do believe that the EBITDA levels on a percentage basis are still very strong and in many cases, exceptionally high.

Amey Chalke: Sure. So, as we see the occupancy recovering in coming quarters we could see the margins coming up?

Pankaj Sahni: Obviously, as the occupancies grow the margins will rise. Once again as I mentioned because of our fixed cost model the occupancy growth has maybe even a disproportionate impact on margin growth. So, yes, you are right and we are very confident with our Lucknow asset as you may be alluding to. If you notice we have already invested in additional approximately 100 beds.

We are also building another ward of about 50 beds which will come on board in the first quarter of this year. So we remain fully invested. We have full clinical teams there. We do expect and we do see recovery coming up there and as I mentioned many times we do not look at this business month on month or quarter on quarter. We have a slightly longer horizon. I understand we have to report out statutorily quarter numbers, but that is not how we run the business. So, yes, we are very confident and remain so.

Amey Chalke: Sure. And second question I have related to the Insurance price revision, which is expected this year. Some of the hospitals have said that it could be in the range of 15% to 20% which comes maybe once in 3 - 4 years. So, how are we placed with respect to that, how much impact we expect to have on our business on account of that?

Pankaj Sahni: Every insurance company that we interact with we have negotiations and interactions with them on the various rates and tariffs that are there. You are right that we have over the course of the last 12 months or so been undergoing negotiations with many of the providers of insurance and we have been successfully able to close many of those insurance negotiations for price revisions or bringing the prices up to 2023 and 2024 rates and that has been ongoing over the course of the last several months.

That being said, it is important to point out and if you actually look at the growth not only last year, but frankly speaking for the last several years. Medanta has always tried to drive the growth more oriented around volumes than tariff. We have not been very aggressive with tariff hikes even this year we have taken a tariff hike only in Gurgaon, no other unit and that also has a fairly negligible impact on the absolute revenue growth.

So, a lot of the growth is driven by extremely strong fundamentals on volume. So, yes, we will negotiate with each of the providers. I am not able to tell you, of course, what each of the negotiations leads to, but there will be some positive movement on tariff, but important for you to understand that much of the growth fundamentally is volume linked not tariff. Tariff over FY23 and FY24 has had a very negligible impact on the absolute revenue growth.

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

Moderator: Thank you. The next question is from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

Dhara Patwa: Thank you for the opportunity. Sir, my question was regarding Noida Hospital. So, it is expected to get operationalized somewhere in Q4 FY25or Q1 FY26. So, what will be the operating cost we might incur in FY26?

Pankaj Sahni: We do not give future projections of operating costs or any financials for that matter, but if you look at the historical facts across hospitals that have been operational. Obviously in normal course it takes a couple of years for these facilities to get ramped up. I may refer you back to our history and show you that Medanta both in Patna as well as in Lucknow in recent times has been able to achieve breakeven in a very short period of time.

However, I do not think it would be fair for me to assume that that will happen on a consistent basis going forward. So, you should assume that, yes, there would be some ramp up which will come in the first year of operations. Obviously, there will be some amount of scale up, some amount of initial costs that get incurred, but that being said, as I mentioned before as well, we remain very confident on the Noida region.

There is a lot of excitement already both with the clinical community that would like to join us as well as we understand with the patient community from that area. So, to the extent that we operationalize this, we do plan in our internal activities for some amount of EBITDA losses in the first few years, but hopefully, we will be able to scale these also as soon as possible.

Dhara Patwa: Just from the modelling perspective will that be fine to assume that whatever cost we have in FY24 below the gross margin divided by your operational beds in Noida, your total operational beds and whatever cost we get will that be fair to assume that Noida Hospital will have a similar level of cost as we have in Medanta currently?

Pankaj Sahni: I think it will be a little difficult for me to assist you. with your modelling over this call. However, what I may suggest, if you have detailed questions, maybe I can refer you to our Investor Relations team. And to the extent allowable and possible, we'll be able to guide you on the specifics. But I don't think we'll be able to give you formulas of what to project in your model just on this call, given the queue of questions.

Dhara Patwa: So, next question was on Lucknow as a region. So, even other competitors are looking out to expand in Lucknow. And they're adding up a good, you know, 500 beds - 1000 beds kind going forward. So, how do you see this competition going forward? Or do you think that the market has enough potential for every player to grow further?

Pankaj Sahni: My belief and our belief in Medanta is that not only Lucknow, but pretty much every region in the country has a huge underserved demand. Therefore, I firmly believe that if you take all the capacity that people are claiming to put up over the next few years, and maybe even more, there is still plenty of opportunities for healthcare providers just because there's such an acute shortage, and even more so an acute shortage of the high quality healthcare that Medanta is known to provide. So, I'm not concerned about additional capacity enhancement in Lucknow or any other region.

In fact, Medanta has always been a trendsetter. You know, similar questions, maybe a couple of years ago, people used to ask, why are you going to Lucknow? Or why are you going to Patna? And very clearly, we have seen the success and very clearly that success has been followed by others. So, they always say that, imitation is the best form of flattery. So, to that extent, I guess we can feel flattered on our performance.

I also wanted to point out that as of yet, there is no additional capacity expansion. So, all that is happening in many of the places is that the ownership of one entity is changing hands from one party to another, that doesn't actually translate into additional capacity. In our particular case, we have not seen any impact of any changes on any of the ownerships or any additional impact of competition so far.

Moderator: Thank you. The next question is from the line of Rishabh Tiwari from Elagro Capital. Please go ahead.

Rishabh Tiwari: Hi, I have two questions. I'm not sure if these were answered earlier in the call. First one is why do we see a decline in the margin in this quarter? Is this related to seasonality purely or there were some other factors that this can be attributed to?

Pankaj Sahni: Yes. So, we had actually addressed this earlier in the call, as I mentioned, and I had detailed out that there has been a bit of a volume drip in our Lucknow unit in the fourth quarter. And that has resulted in what you see as a sequential margin decline from Q3 FY24 to Q4 FY24. That being said, we believe that the margins which are actually reflected on a full year basis as well as on a quarter basis for our Lucknow as well as all our units actually are still exceptionally high. And we continue to have very strong confidence in the performance across all these units.

Rishabh Tiwari: Okay. My second question is regarding our upcoming unit with the partnership at DLF. We recently came across a news article about a couple of litigations regarding the land for the same. So, do we see any problems or how does the management view the partnership and the plan?

Pankaj Sahni: So, to the best of our knowledge and our partner's knowledge, there is actually no litigation that is currently being filed by anybody. Therefore, maybe we should be cautious on what we read in the media. It's not always accurate information. We are 100% committed to our partnership with the DLF group, as I believe they are with us. And we are 100% committed to the construction and building of this hospital after all due statutory approvals and processes are in place. So, there is absolutely no change in anything with respect to this particular hospital site or this partnership.

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

Tushar Manudhane: Sir, just on capex, if you could share for this year, FY25 and FY26, which projects and what quantum of capex will be incurring? I guess because Noida is largely done, DLF might take some time. So, if you could share some thoughts on capex first?

Pankaj Sahni: Yes. So, let me hand that over to Yogesh. He can share with you some of the thoughts on it and then I can give you a bit of the qualitative flavor.

Yogesh Gupta: Noida capex is still undergoing, we have just completed the superstructure. Rest of the capex on Noida is yet to be done. We have already given guidance that the overall capex over next two to three years will be in the range of INR 1,000 crores to INR 1,200 crores. If you need any unit wise breakup, maybe we can take this information to you later on.

Tushar Manudhane: Got it, sir. And secondly, sir, given that directionally now that almost 98 beds already added in Lucknow, another 47 beds to be added in Q1, FY25. So, directionally, we will have some increase in operational cost or the current fourth quarter number already reflects the additional cost on because of these beds?

Pankaj Sahni: So, Tushar, let me answer that in two parts. I think the question which you are getting to, which is fundamentally this capacity expansion does not require significant cost increases because of the fact that we already have the teams in place to be able to service the patients in these wards. So, there are three new floors which we have built out, which are all in the ward category, not the ICU category.

Therefore, no very significant increase in manpower or any fundamental operating structure is required for the purposes of this incremental bed capacity. So, that is, I think, the main part of your question. However, just to give you some more clarity, we do continue to invest in senior clinical talent in Lucknow. And that is not really linked to these particular beds, but that is in general. So, we are currently hiring as we speak. We intend to continue to hire clinical talent over the course of the full year. And we remain committed to driving not only senior clinical talent, but also new and innovative clinical talent. So, things like robotic expertise, things like minimally invasive surgery expertise. So, we will be adding in clinical talent in also niche areas based on our philosophy and strategy which we have adopted across the group. So, the cost which may come may not be linked to the beds per se, but linked to the already stated strategy.

Tushar Manudhane: Understood. So, but despite that, directionally, the profitability should be improving because this number of beds will clearly then have an operating leverage. Is that the right way to understand?

Pankaj Sahni: Yes. So, you are right. As we add beds because of our model and our system, operating leverage kicks in. Obviously, you know, depending on which metric you're looking at, whether it's occupancy or other things, things may, you know, move around because we are still not in that situation like in, say, Gurgaon, where you are fully stable, it's still a growing unit, still adding in capacity.

But otherwise, like I said earlier, we are very confident in how we continue to move on investing in this unit. And, you know, over some period of time, like I said, we don't look at it over quarter-on-quarter, over some period of time, this will stabilize towards being a more mature unit and you will see probably then, this the typical mature unit kind of profile from the financials of this unit as well.

Tushar Manudhane: Got you, sir. And now that Indore project, if you could just share in terms of timeline for, let's say, the commercialization or the start of construction and all?

Pankaj Sahni: So, in Indore, we have or rather our partners have received a positive judgment from the High Court. We are just waiting for all the final I's to be dotted and T's to be crossed on all the legal aspects, including, if anything, what may happen in any of the potential litigations that may crop up. And once that is done, we will then enter into a definitive agreement, which, of course, we will obviously inform to everybody and then move rapidly on construction. Our partner remains committed and we remain committed. So, as soon as possible, we would like to move forward.

Tushar Manudhane: Got you, sir. And just lastly, on the matured hospital side, we haven't added bed in FY24, I guess. So, but then any scope of adding bed there for, let's say, in FY25 - FY26 or will we be having Lucknow, Noida and Indore to be the key bed driver for next two years and then subsequently DLF project?

Pankaj Sahni: So, in our Gurgaon unit, I may have mentioned this earlier as well. We had one floor, which was our chemo daycare ward, which had actually been under renovation. So, those beds were actually out of commission and out of service. So, while you may not see them on our bed addition, they are now almost, I would say, about 75% in operation. Still, some more renovation is going on in the remaining 25%. So, that bed count is back up to complete full strength.

And we actually have in the first quarter of FY25 added in one additional floor, which is our mother and child obstetrics and gynaecology floor. And that got operationalized just a couple of weeks ago. So, it is not reflected in the FY24 numbers, but you will see that in Q1 FY25. So, a new floor for the service, which we added in last year.

Moderator: Thank you. The next question is from the line of Ankit Shah from Canara Robeco AMC. Please go ahead.

Ankit Shah: Hi, thanks for the opportunity. So, my question pertains to the Lucknow hospital. If I heard correctly, you mentioned that there was a Y-o-Y decline in occupied bed days. So, can you confirm that and also explain if there's any slowdown in demand or any particular reason for this Y-o-Y decline?

Pankaj Sahni: So, yes, I can confirm that there has been a slight decline in the year-on-year occupied bed days. There are a couple of reasons for this. One, of course, is that we've seen some amount of volume decline because of various aspects of the increase and very severe winter that we had this year in that part of the region.

We've also seen some amount of challenges with respect to how this particular quarter performs vis-a-vis some of the other units which traditionally have a stronger and more robust Q4. So, if you look at across the years, in Lucknow, we do see actually the fourth quarter performing a little bit weaker than, say, even the third quarter. Of course, in the first nine months and even leading up to that, we had very robust performance in Lucknow.

And so, this may be a reflection of increased performance in the past, which you are seeing as a dip. That being said, like I've mentioned, we are very confident on the trajectory of this unit and we do see that we continue to invest, we continue to have the demand there, we continue to have the clinical teams there. So, no very big concerns on our part.

But also important for you to understand that this is not something that we look at just one quarter on one quarter. So, if I give you an example, in Lucknow last year, we saw that Q2 actually had a very high growth, which is also unexpected to some extent because the nature of the disease profile or the nature of the patients, etc., that came in. So, I think in our particular case, we look at it over a slightly longer time frame.

Ankit Shah: Right. Got it. And the new beds which are being added in Lucknow, any timelines you're looking at for these beds to come to overall hospital level occupancy and margins? Any expectation on that?

Pankaj Sahni: So, that's not really how we actually look at the way in which we practically operate any of our units. So, I don't know if I may have mentioned this in the past, but we operate what we call a cohorting model, where we try to group all the patients of a particular specialty or a particular type of disease profile in a similar manner. And that allows for us to have highly trained nurses, better quality of care, etcetera. So, we don't look at it to say that, okay, will one particular floor have occupancy of X or occupancy of Y. We actually look at it much more at the unit as a whole and see, are we able to provide the right clinical infrastructure in combination of wards and ICUs to be able to, and of course, the procedure rooms like OTs and cath labs, to be able to deliver that kind of care. And so, we typically group these by that categorization.

So, you will find, for example, in our more mature unit like Gurgaon, we will have dedicated floors for cardiac surgery, dedicated floors for orthopaedics, and so on and so forth. And we then provide those floors to our clinicians and to our clinical teams. And, you know, those get filled in over the time and this is how we actually run the show. So, it is a slightly different way of operating from what your question implies. And we believe that this is the right way to ensure high quality of care delivery.

Ankit Shah: Got it. And similarly, some of the brownfield bed addition, any costs that is yet to come, you know, P&L related to new specialties being added, which is still not there in the numbers yet. Anything you want to highlight on that?

Pankaj Sahni: So, I mentioned before, I think it's important for you to understand that the new specialty addition is not linked to beds in, frankly speaking, any of the units, with the exception that last year, we added our mother and child services in and we have created a dedicated ward for that, which came on board in FY25 in our Gurgaon unit. Other than that, specialty additions are not necessarily linked to bed additions. So, bed additions is a larger growth strategy and specialty additions is also a larger growth strategy and they don't have a one to one correlation.

So, we will be adding in specialties and there may be costs associated with those specialties. And we will also be adding in doctors in the existing specialties. This is largely in both Lucknow and Patna, where we are still very much in growth phase in those units.

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

Madhav: Hi, good afternoon. Just one question from my side was on the timeline for the unit with the DLF. So, could you give us some sense of the timeline there? Thank you.

Pankaj Sahni: So, unfortunately, we can't give you too many specifics on that because, as you are aware, the first step is to ensure that we get all the appropriate approvals related to construction. Once we do that, I would say, it would take somewhere between three to four years to get all the construction up and running and get the hospital operationalized. So, I would assume at least three to four years in that time frame is what we can expect.

Madhav: And what are the nature of the approvals which are pending for this unit? And three to four years is the construction timeline or you're saying the timeline including the approvals which are expected?

Pankaj Sahni: Well, it depends. I mean, you know, any building and especially hospitals have a standard list of approvals which are required everything from pollution to fire to the sanctioned approvals for actually executing the construction activity. And these are fairly standard for, you know, all construction projects.

Obviously, with elections going on, that has its own set of challenges in getting, you know, approvals through various authorities and agencies. But that's a fairly standard process. Three to four years maybe with approvals or once we get the approvals, we'll, of course, be in a position to communicate to you that the construction activities have started and so on and so forth.

But all the activities are moving forward. So, during this financial year, we have incorporated the company to actually move forward on this. We have partially capitalized that company also. We are moving forward with all the things that can be done in terms of agreements which are not government related. So, those activities are on. We will, of course, try to expedite it as much as possible. That is in everybody's interest, especially the patients of that region.

Madhav: Wonderful. Thank you so much.

Moderator: Thank you. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, sir. Thank you for the opportunity. So, first question, would it be fair to say that the sharp 36% sequential drop in EBITDA for the developing hospitals is only because of Lucknow and Patna would have actually been sluggish or maybe would have grown a bit in terms of EBITDA in this quarter?

Pankaj Sahni: Yes, fair to say.

Alankar Garude: So, sir, then if we have to break down the reasons for this decline, you mentioned three reasons. One is severe winter. Then the second reason was Lucknow has always been a bit weak in the fourth quarter. And the third reason is we had talked about, I mean, in the third quarter, some benefit of dengue. So, that had led to some inflated numbers in the third quarter. Would that be a fair assumption, sir? I mean, any other reason for the sequential drop apart from these things?

Pankaj Sahni: Your reasons are broadly in line with our analysis as well. We have seen no talent attrition at all as on date. We have seen no significant increased activity in terms of the market or the competitive intensity or any kind of behaviour like that. In fact, nothing much has changed. So, I think that, you know, as with all units, things grow through different kinds of cycles.

We look at this a little bit more broadly. One of the things that, you know, we have found is that we do have some amount of constraint in our doctors' capacity. They're already very busy in OPDs and very busy with their operations, etcetera., which is why I was mentioning that we continue to look at adding talent in the existing specialties. But broadly, I think your assumptions are correct.

Alankar Garude: Understood, sir. And maybe one final on that particular line is any particular reason why seasonality is adverse in the fourth quarter in Lucknow compared to any of our other facilities?

Pankaj Sahni: I don't know if that's the right way to look at it. Maybe the better way to look at it is to say that, you know, some of these areas are a little bit more prone to what we call the seasonal or the communicable disease profile. And so, that's why you see, if I look back at, let's say, all of our units, you see a far greater amount of patients for diseases like dengue, etcetera., in Lucknow and Patna than maybe Gurgaon. I'm not a public health expert, so I don't know for sure, but it is possible that in some of these units you actually see a higher amount of patients coming in for some of the diseases which have a little bit of a more seasonal like dengue, etc., and that may have spiked during the Q2, Q3 time frame. We did definitely see a greater number of patients as a percentage in Lucknow and even Patna for dengue as an example than we did in Gurgaon last year. Now, whether that is because of some particular reasons on how the demographics or how the ability to manage these diseases in those territories or whether this will change over time, I'm not sure, but this could be one of the reasons.

I think also, to be fair, you still have to give it a little amount of time because with our hospital coming up in Lucknow, it was really the first hospital of its kind in that entire area, and you also have to give some amount of time for not only the hospital to stabilize, but also for those communities to understand the kind of care that gets delivered across all the range of super specialties. So, this is, in our opinion, a natural progression of the region with more and more hospitals coming up in the state of UP.

It will also bring an increased awareness of the kind of healthcare that can be delivered, and that will be good for everybody because it also provides greater access and greater availability of complicated services for the people of that region.

Alankar Garude: Fair enough, sir. That's helpful. And maybe one final question, with your permission. Any thoughts on the payer mix in Lucknow and Patna as of FY24 end, and how do you see the payer mix changing in both these facilities over the next couple of years?

Pankaj Sahni: So, let me answer that in two parts. Actually three. First, let's take our Patna facility, which, as you may be aware, is a PPP project with the government of Bihar. We have last year, which is the financial year 2024, started to see the inflow of patients from the PPP part of the business. Still pretty negligible as far as the overall 25% occupancy, which is part of the contract.

So, still not the complete flow, which we would like to see, but that has started. I think approximately 500 patients have been discharged successfully under the PPP scheme in the Patna unit over the course of FY24, and we really only started to see that flow coming in around middle towards end of Q3 of last year.

We do hope that scales up and we are able to provide those patients with the kind of care that we are known for. So, you may see some payor mix increase there as depending on how that scales. As far as Lucknow, FY24, no real change in payer mix for the full year. However, we have applied now as part of our stated strategy for availing the Ayushman scheme in cardiac sciences in our Lucknow unit.

And we believe that this is something which is important for us to do, to be able to serve a larger community as well. And this is in line with our doing the Ayushman work in cardiac in Gurgaon as well. And as we get our capacity up to speed in Patna, we will evaluate what payer mix and what programs we need to take in there beyond the PPP of the government.

Alankar Garude: Understood, sir. That's helpful. Thank you and all the best.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Thanks for taking my question. Two questions. One is, from a seasonality perspective, is it fair to assume that you also go through a cycle of Q1 increments which bring some pressure and margins for the business and some of the other hospitals typically allude to that for Q1? What I would observe in other hospitals is typically from Q4 to Q1, there is a margin dip which comes in on that account. Is there a trend that we should expect in our seasonality profile also?

Pankaj Sahni: Let me answer that this way. Yes, like every other organization, we also have given employee increments with effect from the 1st of April and that will of course play out over not only Q1 but the full year. That being said, if you look at our historical performance, I don't know whether there is any very significant difference in, cost to revenue ratios or margin profiles historically and we have given increments every year. So, I would assume that whatever would be the natural flow through of this increment cost in the P&L will continue in the way it has in the past. I don't see anything fundamentally different.

Nitin Agarwal: Secondly, in a couple of times during the call, you mentioned that some of our hospitals do have exceptionally higher EBITDA margins. So, how should we, should one interpret, this sort of classification? Is it, does it suggest that maybe some of these margins are a little on the higher side and they have a chance to get, as hospitals mature to get even more rationalized or how should one think about it?

Pankaj Sahni: So, I think the real answer to that is, it depends from whose perspective you are looking at things. We as an organization have always tried to be a little bit financially conservative. If you go back in history from even pre-listing to today, you see that or pre-COVID to today, you see that what was maybe a 15% to 18% EBITDA margin at some of the top performing units suddenly jumped to, 22%, 23% numbers and then, hospitals started reporting, 25% and even upwards.

I think at some point, we have to understand that this particular industry is not an industry where you can be talking about 30% - 40% EBITDA margins on a sustainable basis. So, we firmly believe that a rational and reasonable margin profile where we deliver more sustainable growth over a longer period of time is the correct approach.

And when I look at some of the margins that we have right now, I feel that, they are doing really well, especially in the historical context. Now, whether they will go up or they will go down, I guess time will tell. Maybe you guys are more, savvy at that part. But I do not think under any stretch of imagination that our industry currently is seeing anything less than really exceptional high-end margin profiles. And that is true for many players in the industry.

Nitin Agarwal: Thank you. Sir, lastly, when we look through the next 12 months, barring the Noida hospital comes up towards the end of the year, what are the other major capacities that will get commissioned as we go through the next 12 months?

Pankaj Sahni: So, next 12 months, I mentioned that we already have a one ward which we have activated in our Gurgaon facility. It is approximately 40 - 50 beds of mother and child that is currently already operational as of today. Patients already there, surgeries being performed, etc. The second thing that is underway is we have one more floor which should come on board in the next few weeks in our Lucknow facility that will again add another approximately 50 beds.

In addition to that, over the course of this quarter itself, we hope to add in at least two more ICUs in our Patna facility that is almost 60 beds. As well as our dialysis extension, our dialysis is actually doing, almost chock-a-block already. So, we had to expand it very quickly in Patna. And we have also started, along with the radiation oncology which we started last year, we are building out a chemotherapy daycare ward in Patna.

And all of that capacity, we hope, will come on board in this quarter or maybe towards the early part of Q2, but most of it should come on board this quarter itself. These are projects which are already underway and very near to conclusion, interior fit-outs, etc. Activity is already underway. In addition to that, we may see some additional bed fit-outs for some of the unfinished floors in our Patna unit which may happen over the course of these 12 months.

And then, as you mentioned, Noida. Beyond that, I don't think that we are able to definitively tell you that there will be any specific capacity enhancement in FY25. Obviously, the other projects that are on board and a few more sticks in the fire may have a slightly longer time frame than the next 12 months.

Moderator: The next question is from the line of Vishnu, who is an Investor. Please go ahead.

Vishnu: Sir, there is an MCD department in the hospital panel. Will you include it in this? There is a larger employee in this?

Pankaj Sahni: No, Mr. Vishnu, I could not understand your question. Please ask again.

Vishnu: I would like to know that there is a good number of employees in the MCD department. For example, the Delhi Government Employee Health Scheme and your CDHS. Is there anyone who can include them in the panel of Medanta Group?

Pankaj Sahni: Look, the focus of Medanta is always to serve all our patients. Now, I will not be able to tell you that there is a contract of MCD or NDMC or BMC or any other agency. We have a lot of contracts of all kinds. But I will be able to say that all the patients who come to Medanta, we try to treat them with the highest quality.

Moderator: That was the last question for today. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Pankaj Sahni: Thank you. Just, to quickly wrap up, I know we are already over time. Thank you to everybody for joining in and for all of your questions. In line with the very positive trends that we see, not only in Medanta, but also across the industry, we believe that we continue to maintain our strong trajectory of growth and continue to focus on the stated strategy with consistent and deliberate focus.

Beyond the numbers that have been the focus of the conversation today, we believe that our impact resonates in the lives we touch and the communities we serve. And we continue to hold that as the number one priority for our organization. Looking ahead, we are well positioned to continue this momentum into the next year.

We continue to leverage on our strengths and believe that we will deliver sustainable growth that you all can be proud of and continue to focus our journey on transforming Indian Health

Care. Please feel free to reach out to our investor relations team in case you have any questions that remain unanswered. Thank you very much for joining and all the best.

Notes:

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