August 20, 2026

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

Symbol: MAXHEALTH

Listing Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Scrip Code: 543220

Sub.: Transcript of Earnings Call held on August 14, 2026

Ref.: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

Please find enclosed copy of transcript of earnings conference call, organised on August 14, 2026, on financial results of the Company for the quarter ended June 30, 2026.

The said transcript is also available on the website of the Company at www.maxhealthcare.in/financials#earnings-call.

Kindly take the same on record.

Thanking you

Yours truly,
For **Max Healthcare Institute Limited**

Dhiraj Aroraa
Digitally signed by Dhiraj Aroraa
Date: 2026.08.20 22:06:30 +05'30'

Dhiraj Aroraa
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Encl.: As above

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Max Healthcare Institute Limited

Q1 & FY27 Earnings Conference Call

August 14, 2026

Moderator: Ladies and gentlemen, good day and welcome to Max Healthcare Institute Limited Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to Mr. Poojari.

Anoop Poojari: Thank you. Good morning, everyone and thank you for joining us on Max Healthcare's Q1 FY27 earnings conference call. We have with us Mr. Abhay Soi, Chairman and Managing Director; Mr. Yogesh Sareen, Group Director and Chief Financial Officer; and Mr. Keshav Gupta, Group Director, Growth M&A and Business Planning of the company. We will begin the call with opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Abhay to make his opening remarks.

Abhay Soi: Good morning, everyone and thank you for joining us today for Max Healthcare's Q1 FY27 earnings call.

We started the financial year with healthy momentum across the Network, recording year-on-year growth of 16% in revenue and 15% in operating EBITDA.

We continued to execute well on our ongoing capacity expansion plans. At Max Smart, we have currently operationalized 50% capacity of the 400-bed brownfield tower. The remaining 50% beds are expected to be handed over to operations during the course of the current quarter. At Nanavati Max, remaining 50 beds will also be operationalized in this quarter and work on the Phase 2 expansion has commenced.

Coming to our recent acquisitions, the integration of Max Bhubaneswar into the Network is proceeding as planned. The hospital contributed INR 19 crore in revenue and INR 2 crore in EBITDA during the post-acquisition period in Q1 FY27, with an occupancy of 50% and ARPOB of INR 35,000, both of which provide significant

levers for growth. Prior to the acquisition, the hospital generated revenues of INR 154 crore in FY26. Going forward, our focus is on integrating operations, renovating infrastructure, upgrading technology, and enhancing clinical programs to turn around the hospital over the next 12 months.

In relation to the Pune greenfield, we have acquired the SPV and it is now a subsidiary of the company.

To further strengthen our existing Network, the board has approved a capital expenditure of INR 425 crore for a new brownfield tower at Max Vaishali. This will add 202 beds to the hospital's existing capacity of 387 beds. The building plans have been approved and the construction activities have already commenced. The project is expected to be commissioned before FY30.

Alongside our capacity expansion, we continue to strengthen our research and academic ecosystem. We have recently established a standalone Max Research Centre, marking a landmark milestone in our research journey. Over the years, we have built an integrated clinical research ecosystem and have conducted over 750 clinical trials, completed over 2,200 investigator-initiated studies, published nearly 3,500 papers in index journals, secured over 30 competitively funded research projects, generated patents and established capabilities that translate scientific discovery into better patient care.

In recent months, we have also secured several research grants and awards from the prestigious institutes including ICMR Centre for Advanced Research in Precision Diabetes, the ANRF MAHA MedTech Mission, the DBT European Union Dengue Program, and India AI Mission initiatives with the National Cancer Grid, amongst others.

Our research capabilities are complemented by a dedicated education arm, the Max Institute of Medical Education (MIME). This institute trains over 12,000 healthcare professionals annually, spanning across 180 programs and our postgraduate ecosystem has over 600 DNB students across clinical specialties.

Emboldened by the above and the change in recent guidelines of the National Medical Commission, we have decided to embark upon the medical education business and have received in-principle approval from the board for the same. We believe this to be a significant line of business in years to come.

Now, moving on to the Q1 performance highlights:

- Average occupancy for the Network continued to be more than 75% despite a 13% increase in operational bed capacity year-on-year, with most units continuing to operate at near optimal capacity.

- Occupied Bed Days (OBDs) were up by 10% year-on-year and 5% quarter-on-quarter.

- Average Length of Stay (ALOS) reduced by 4% over trailing quarter, reflecting concerted efforts on this front.

- Average Revenue Per Occupied Bed (ARPOB) for the quarter stood at INR 81,900, growing by 5% both year-on-year and quarter-on-quarter.

- Network gross revenue stood at INR 2,982 crore compared to INR 2,574 crore in Q1 last year and INR 2,664 crore in previous quarter. This reflects an increase of 16% year-on-year and 12% quarter-on-quarter.

  Due to the discontinuation of select high-value chemotherapy drugs for institutional patients, share of oncology for in-patient revenues dropped to 22% from 26% in Q1 FY26. Excluding oncology, gross revenue grew by 20% and ARPOB grew by 9% year-on-year.

- International patient revenue was INR 247 crore, registering a growth of 18% year-on-year and accounting for 9% of the revenues from hospitals.

- Digital revenue from online marketing activities, web-based appointments and digital lead management was INR 941 crore, accounting for approximately 32% of overall revenue. Website traffic crossed 97 lakh sessions during the quarter, growing by 41% year-on-year.

- Network operating EBITDA stood at INR 704 crore, reflecting a growth of 15% year-on-year and 3% quarter-on-quarter.

- Network operating EBITDA margin was 24.8% for the quarter, compared to 24.9% in Q1 FY26 and 26.8% in trailing quarter. The margin was relatively muted due to the recent commissioning of new brownfield capacities and the acquisition of Kalinga Hospital.

- Annualized EBITDA per bed for the Network stood at INR 71 lakh, versus INR 68 lakhs in Q1 FY26 and INR 73 lakhs in the previous quarter.

- Profit after Tax (PAT) for the Network was INR 357 crore against INR 345 crore in Q1 last year and INR 387 crore in the previous quarter.

- Network generated free cash flows of INR 397 crore during the quarter. INR 386 crore was deployed towards the acquisition of Kalinga Hospital and Yerawada Properties Private Limited and INR 337 crore was invested in on-going capacity expansion projects.

- Net debt for the Network stood at INR 2,384 crore compared to INR 1,908 crore at the end of March 2026, while the net debt-to-EBITDA ratio continued to remain below 1. The increase during the quarter includes INR 153 crore towards Kalinga and the put option liability for the balance stake in Yerawada, which is the Pune project.

- Continuing our effort to support the local communities, we provided free treatment to over 56,000 patients from economically weaker sections of the society worth INR 78 crore at hospital tariff. We also spent around INR 6 crore towards various CSR initiatives during the quarter, which include provision of medical scholarships to underprivileged students, promoting maternal and new born health, vocational skill training and environmental projects such as pond rejuvenation and tree plantations.

- Both our strategic business units continue to deliver steady growth in revenue and profitability:

    i. Max@Home reported revenue of INR 78 crore, reflecting a year-on-year growth of 32%. It offers 16 specialized service lines across 15 cities with over 56% repeat transactions.

    ii. Max Lab reported revenue of INR 58 crore, reflecting a year-on-year growth of 20%. It provides services in over 60 cities and served over 6 lakh patients during the quarter.

- Now, moving on to the status of our expansion projects coming on stream over the next 2 to 3 years:

    i. 100 beds at Max Lucknow: Additional 100 beds in the existing 468-bed facility will be commissioned over the next two quarters.

    ii. 500 beds at Sector 56 Gurgaon: We expect to start phased commissioning of this facility by end of this year.

iii. 250 beds at Bhubaneswar: Renovation of existing facility should be completed within 12 months.

iv. 100 beds at Nagpur: Project work continues to be on track and we expect commissioning by FY28.

v. 400 beds at Zirakpur, Mohali: Project is on schedule and we expect to commission it in FY28.

vi. Onco day care block at Max Dwarka: This is the second phase. Project work is complete and we are awaiting occupancy certificate.

vii. 260 beds at Dwarka: which is the next phase because Dwarka hospital is already running full, will be commissioned by FY30.

viii. 200 beds at Pitampura: Project is on track and we expect commissioning in FY29.

ix. 400 beds at Patparganj: D-wall work has started; we expect commissioning by end of FY29.

x. 271 beds at Nanavati (Phase 2): Project work has started and will be commissioned in FY30.

xi. 450 beds at Pune: We have received IOD, project is expected to be commissioned by FY30.

With this, we open the floor for any questions that you may have. Thank you.

Moderator: Thank you very much. The first question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets (India) Private Limited.

Damayanti Kerai: Hi, good morning and thank you for the opportunity. My first question is, Abhay, if you can share your thought around the recent Parliamentary Standing Committee recommendation for the healthcare sector. Any initial thought on the recommendation which came?

Abhay Soi: I think the recent committee report speaks about affordability, but one needs to look at another important aspect, which is going to be the need for new hospital beds and viability. I think both need to go hand-in-hand. Once you take that equation into account, I think wise minds will think otherwise perhaps.

Damayanti Kerai: Okay. And are you involved in some of the discussions which could have gone for these recommendations or you think it will be more in the future?

Abhay Soi: I don't think there has been any reach out to hospitals from this committee.

Damayanti Kerai: Okay.

Abhay Soi: I have read it as much as everybody else. It speaks about certain FDI caps and so on. Like I said, I think, it is a sector that we believe requires a lot more capital and you need to have an environment, which is both viable and conducive to investments for hospitals to be built. This is the 176th report by the committee and I think you need to look at it in the balance and I am sure the ministries will look at it in the balance.

Damayanti Kerai: Okay. Thanks. My second question is your plans for turning around the Kalinga Hospital. So, you mentioned around 12 months to set up infra and bring the SOP changes etc. So, once these changes are implemented, what is the headroom to improve in terms of the profitability profile, ARPOB etc., because at this point of time it looks very low compared to the corporate average? So, if you can share your thoughts.

Abhay Soi: Yes, because the occupancy is 50% and ARPOB is INR 35,000, we think there is a significant headroom for growth in both of these. You should be able to effectively have a 50% to 80% enhancement in both of these. And in order to do that, we have a current running hospital, so we have a head start. It makes a marginal amount of profit but we have to renovate it, get the technology and get the clinical programs.

We intend to do all of this over the next year or so. And then of course, alongside we'll be building another 200 to 250 beds here. So, we have been through this route before, whether in Lucknow or in Noida with our past acquisitions. We have done it many times, so it is the same sort of route that we intend to follow.

Damayanti Kerai: Got it. Okay. My last question is on Max Smart where you commissioned 50% of beds and you mentioned 50% will come this quarter and beyond. So, on the commissioned beds, what is the current occupancy and which is the focus segments or focused specialties which are offered in this particular unit?

Abhay Soi: So, you have oncology here and the beds that have been opened are running at 80% occupancy. It is quite full. And to clarify, most of the remaining beds are going to come in this quarter.

We are expecting a good occupancy over here. Like I said, whatever has been opened is already at 80%. But it has been opened in a phased manner through the quarter also. I mean, I am talking about half the beds are open now, a lot of them got opened in the last one month and as they are coming on stream, they are getting occupied.

Damayanti Kerai: Got it. Okay. So, one last question before I get back in the queue. So, in terms of your insurance empanelment or renegotiations etc., anything pending in near-term which are due for renewal or renegotiations etc.?

Yogesh Sareen: Yes, so there are on-going negotiations with GIPSA and some other insurance companies. Also, the insurance companies that we had discussion with last time, are up for renewal in September-October. So, we hope we will get some price increase going forward in the insurance segment.

Damayanti Kerai: September-October is the time, okay, when renewals are due.

Yogesh Sareen: So, last time when we had this stalemate with the insurance companies, we had agreed a 6% automatic price revision and that is what is going to happen. Also, on the CII side, there has been engagement with the IRDAI and with the insurers as well for an automatic increase linked to level of inflation.

Abhay Soi: Yes, at the end of this period, we have an automatic renewal at a price inflation which is already built in, which is a part of the previous negotiation.

Damayanti Kerai: Okay. 6% revision which was earlier agreed upon, that will come into...

Yogesh Sareen: That is right.

Damayanti Kerai: Okay. Great. Thanks.

Moderator: Thank you. Next question is from the line of Neha Manpuria from BofA Securities.

Neha Manpuria: Yes, thanks for taking my question. Abhay, on the Max Smart beds that we have commissioned, given that we have seen such good ramp up in the beds that you mentioned that they are already at 80% occupancy, should not the incremental EBITDA from these beds be very high and therefore start contributing to EBITDA significantly starting from first quarter itself? When should we start seeing that EBITDA improvement from these new beds come through?

Abhay Soi: See, what happens is very standard for any new hospital, brownfield or otherwise, the trajectory is very simple. First, you ramp up occupancy; you ramp up that occupancy using low ARPOB, any ARPOB, whatever is coming your way, but you

focus on revenue while you are bearing the cost of the place. And as you sort of ramp up, you start improving your ARPOBs.

So, you hit break-even with occupancy and once you do that, you start improving your sort of bottom line, everything keeps -- as you kind of distil your payor mix, it starts coming down to the bottom line. And we have been through this in Dwarka, we have been through it in other brownfields that we have opened up. The trajectory is the same. First revenues, and then the profitability starts to flow in.

So first, the occupancy will be high, revenue ramp up will be lower relatively and EBITDA ramp up will be lower even more so relatively. Then the second thing that starts happening, your revenue ramp up moves beyond your occupancy ramp up and your EBITDA starts picking up and then your EBITDA ramp up is going to overtake your revenue ramp up as well. So, it is a standard operating book as far as occupancy is concerned. So, over the next couple of quarters, you will see that.

Neha Manpuria: Okay. So, in which case, when do I start seeing the revenue ramp up and EBITDA ramp up? Like you said, couple of quarters, should that start happening let us say by third quarter, fourth quarter or is it a little more phased out in your view?

Abhay Soi: No, by the second or third quarter of operations.

Neha Manpuria: Understood. And my second question is on Max Nanavati. I think you mentioned that the remaining 50 beds would be operational. Could you give us some colour on how the beds that we have commissioned are doing and Phase 2, when do we expect to start that, given that we have just starting activity, so when that should be ready and commissioned?

Abhay Soi: So, the Phase 1, whatever beds we opened up is at about 80% occupancy. We are waiting for the 50-odd beds which are remaining. Soon as they come up, hopefully we will have that occupancy also. It is a little further out on the trajectory compared to Max Smart in the sense that there is already a significant pickup of occupancy happened before revenue and now EBITDA sort of catching up and is going to surpass that soon. So, we are already at that curve and with respect to the second phase, what that means is we need to kind of shut 100-odd beds over there which we have and we have started the work on our second phase. That will take us about 2.5 years.

Neha Manpuria: Okay. So, if I remember correctly, Max Nanavati was lower on the margins because of the beds, the type of patients that we were able to serve and the limitation on capacity. So, the improvement in Max Nanavati should therefore come once the

Phase 2 comes through, meaningful EBITDA improvement, or you start expecting that it to catch up with the corporate average, let's say, with the Phase 1 itself?

Abhay Soi: No, with the Phase 1 itself. We have already seen a ramp up over there, so you will have that. I mean, it is very high ARPOB business, our EBITDA is already sort of ramping up and we will get there.

Neha Manpuria: All right. Thank you so much.

Moderator: Thank you. Next question is from the line of Viraj Shah from PGIM India Mutual Fund.

Viraj Shah: So, I just have one question. If you could explain a bit about the changes proposed in the National Medical Commission with respect to you guys setting up the medical colleges, what is the kind of capital commitment or what are you seeing in this area specifically?

Yogesh Sareen: So, basically, there has been a draft notification to say that now even for-profit companies can open medical colleges. Before that, the regulation was that it is only not-for-profit enterprises which can, get open medical colleges. So, I think with that draft change, which we assume will also become the law, for-profit companies can also open medical colleges.

Now, we have done some back-of-the-envelope calculations and our take is that for a 150-seat medical college, you need around INR 300 crore of spend. This will be generally in the existing hospitals, right? For example, we have a 27-acre campus in Lucknow, so our plan is to start one at Lucknow and then maybe come to the other hospitals where we have vast pieces of land and try to create the infrastructure there.

Viraj Shah: And just from understanding perspective, what would be the kind of margins which one can make via this for-profit medical area?

Abhay Soi: We are seeing ROCEs of more than 25%. I mean, you have been following the recent NEET incident, you are aware that less than 2% of students who qualify for NEET exams find places in medical colleges. I think this is the Government's impetus to increase seats in medical colleges. Previously, for-profit organizations were kind of curtailed from doing so.

Also, there were restrictions on the sort of charges which could be applied, to hospitals attached to medical colleges, as well as the kind of wards required. There were some infrastructure limitations as well that were there in the previous guidelines, and all of that has been removed.

Now, effectively what that means is that if you have a hospital, you are permitted to have a certain number of seats for medical education attached to it. So, the prerequisite for this business becomes to have a hospital because the students have to train in the hospital. The second thing is that at the back end, we are already training DNB students, so we are already teaching MBBS students.

Once you become a doctor, you come and train in, we already have the faculties, we have the curriculums and so on. So, for us, it is very natural, it is almost backward integration for us to get into medical education. We have the campuses in multiple locations in Delhi, Lucknow, Bhubaneswar, and in other places because, we have the lands, and we intend to get into this business. We are seeing a more than 25% to 30% ROCE at present and we intend to do this at scale.

Viraj Shah: Understood. That is great. Thanks a lot.

Moderator: Thank you. Next question is from the line of Bino Pathiparampil from Elara Securities (India) Private Limited.

Bino Pathiparampil: Hi. Good morning. Just couple of quick questions. One, you have taken this Board approval for additional tower of 200 beds in Vaishali. If I look at your earlier presentations, there were already 200 beds scheduled for FY29 in Vaishali. Is it the same or is it a fresh tower?

Abhay Soi: It is the same one.

Bino Pathiparampil: Same, okay. Second, you made this acquisition in Bhubaneswar, Kalinga. After that, we have seen some litigations started immediately after that with the previous promoter. So, could you briefly describe what this is about?

Keshav Gupta: They were not the promoters; these are the minority shareholders of 39% equity. This is a group that sits outside India. They have their own issues; they have liquidation proceedings going on against themselves and their parent setup in UAE market. Their shares as per our legal counsels are not transactable. Their request or suggestion is to buy their shares also as part of the transaction, which we are okay to, and they have gone to the court that we should buy their shares. And our counter is that your shares are as of now untouchable, please get us a court order to buy them. That is the discussion going on. There is no issue on the promoters' side. We have bought the shares from the promoters and we have the full control of the company.

Bino Pathiparampil: Understood. Thank you very much.

Moderator: Thank you. Next question is from the line of Karan Vora from Goldman Sachs.

Karan Vora: Thank you for taking my question. So, the first one is with respect to the educational institution. So, we have highlighted in the past that, you know, doctors or availability of doctors is not an issue, but is getting into medical education coming from the fact that, you know, maybe 5 years or 7 years down the line when all the large chains would have expanded meaningfully, we might see a shortage of doctors and is that a response to that so that in the future we do not face such an issue?

And also, this whole thing will be a part of the consol listco, right? The whole medical college setup. That is the first question.

Abhay Soi: Absolutely, it is all going to be a part of the list co. There are no leakages over there and 100% of the economic interest is going to be sitting here.

With respect to supply of doctors, this is a little too far out for that. What happens is that you get a good stream of resident doctors, DNB doctors to start with. I mean, obviously there is no bond which makes them sort of continue with us at a later stage if they get better opportunities somewhere else.

For us, growth is an imperative, because if you do not grow tomorrow, you do not give opportunities of career growth to your clinicians as well as management, then you are going to have a problem, people will move out. So, I think, all those things are bound to happen. But it gives you a good base of quality resident doctors and DNBs who come to your fold.

Karan Vora: Okay. Got it. The second question is with respect to CGHS benefits. So, are we on track to that INR 140 crore number for this year and how much have we realized in Q1?

Yogesh Sareen: So, we are on track in the sense that the number is flowing ever since. So, there was some left out part which was the super specialty rates, that has also started to flow from June onwards.

Karan Vora: Got it. So, are we like 140 divided by 4 kind of a run rate?

Yogesh Sareen: From June onwards, yes.

Karan Vora: Okay. Got it. And the last thing is maybe one request. So, like till last quarter we used to give the regional disclosure, so that used to be really helpful to, you know, understand what is happening in different states for us. So, maybe if we can reinstate

that from the next quarter, it would be helpful. That is just a request. And also, if possible, to share for this quarter as well.

Abhay Soi: The reason that we sort of pulled it out is because of say, if I give East, then it is Bhubaneswar. There is only one hospital that we have over there.

Keshav Gupta: There was too much tactical information at the hospital level, particularly because some states currently have only one setup as of now and given that it is competition sensitive data. Maybe we can give some part of it as 'Others'.

Karan Vora: Thank you.

Abhay Soi: We want to avoid giving solo hospital data.

Karan Vora: Sure. That is fine. Yeah. Maybe 'Others' is a good idea.

Moderator: Thank you. Next question is from the line of Vivek Agrawal from Citigroup.

Vivek Agrawal: Yeah. Thanks for the opportunity. In IP revenue growth actually, if we look at non-onco business has done well, but onco business continues to remain under pressure and some kind of challenges. So, just want to understand when are you expecting the growth of onco segment back to earlier level or maybe let's say the industry peers? Thank you. And second part is that why we are seeing significant issues only in Max while the peers are reporting healthy numbers, especially in onco? Thank you.

Yogesh Sareen: So, one is that oncology will start to normalize from Q3 onwards. Since mid of Q3 FY26 is when we took this action of not supplying / using the ORC drugs for the institutional patients, after the new MOU was signed in October 2025. So, that means Q4 onwards it will be fully normalized and Q3 it will start to normalize. Secondly, the fact is that our franchise from oncology was the largest and we had 25% plus revenues coming from oncology. So, to that extent the impact was also higher for us. Also, we had the highest amount of institutional business and the largest share in terms of CGHS because of our presence in Delhi. So, that is the reason you see more impact here in Max.

Vivek Agrawal: Perfect. And second question is related to your payor mix. We have seen that again institutional share has come down this year. So, going forward, how we should look at the share of institutional revenues? Is it going to go back, let's say earlier level 22% or so or is it going to come down meaningfully even from here on?

Abhay Soi: No, it is coming down.

Yogesh Sareen: Yeah. So, it is a result of a concerted effort.

Vivek Agrawal: Understood. Thank you.

Moderator: Thank you. Next question is from the line of Abdulkader Puranwala from ICICI Securities Limited.

Abdulkader Puranwala: Hi. And thank you for the opportunity. So, first is a follow-up on, you know, the CGHS question. So, with the reimbursements now other hospitals are also talking about, you know, that not being profitable. Have you guys along with, you know, other hospitals started to approach the Government and the CGHS guys to roll this back to the previous levels?

Abhay Soi: I think, the institutional business has never been profitable. It contributes to fixed costs. I mean, if you are going to continuously only rely on this business, then you will have a continuing issue in any case. And a little bit of up-down keeps happening, there is lumpiness on payments, etc., but this is a to and fro.

It is part of the business, right? I mean, we are not particularly concerned about that. What the issue is that on an overall basis, it is not a profitable business, it is a loss-making business, but it contributes to fixed costs.

Abdulkader Puranwala: Understood. Got it. And, you know, there were certain media articles highlighting that the insurance companies have been now trying to dictate the terms at which patients, you know, get admitted and the kind of care should be offered. So, with our interactions with insurance companies, you know, are they kind of pressing little harder on this aspect and if at all, you know, especially in the seasons of fever and flu which might happen in this quarter, has there been any kind of an occupancy impact which you have seen so far?

Abhay Soi: So, firstly, we are not seeing any occupancy impact, but more importantly you have to understand what the role of a hospital is. A hospital does not admit a patient, a doctor admits a patient. I mean, this is a matter between the insurance companies and clinicians. Now, if a doctor says admit the patient, we admit the patient. If he says admission not required, we cannot admit the patient.

There is a protocol eventually, I mean, we are only providing the logistics, infrastructure and services for it. Once the patient is admitted, the call to admit or not to admit the patient lies solely with the doctors. And eventually if the insurance companies are able to kind of standardize that in some manner with the doctors, so be it. I mean, eventually the IMA, the medical council has to agree.

Abdulkader Puranwala: Got it. And so, between say just on a bookkeeping question, between quarter one of this year versus last year, would it be fair to assume that, you know, the overheads of the new hospitals along with the onco drugs getting discontinued may have say up to INR 100 crore to INR 150 crore kind of an impact on your EBITDA?

Abhay Soi: No. We have not really looked at it in that fashion, but what happens is, let's say if you are opening a 400-bed hospital, you are going to staff that hospital and when you open the first 20 beds, obviously, the 20 beds are not absorbing it. But it is a brownfield, maybe the first 50 beds or 100 beds absorbs it and then as you sort of go further, all of it drops to the bottom line.

Of course, your break-even for a brownfield is much lower than a greenfield, but your cost will sort of move up in line with that. But it is a matter of a quarter here or a quarter there. You cannot look at it as cost going up. I mean, if you do not have the cost going up going forward in the next quarter or so, you are not going to have the revenues coming through either.

Abdulkader Puranwala: Sure, sir. Got it.

Abhay Soi: I mean, if I have to open a hospital tomorrow, I have to staff it today. So, I am carrying that cost. So, this is not extra cost. This will yield and you will see it yielding now.

Abdulkader Puranwala: Sure. Understood. Thank you.

Moderator: Thank you. Next question is from the line of Ashutosh Kumar Jha from Balyasny Asset Management.

Ashutosh Kumar Jha: Hi. So, I just had a question around the bookkeeping of free cash flow. The EBITDA seems to have grown by 15%, however your free cash flow, operating free cash flow seems to have grown by 3%. A similar trend is observable at the EPS level. Can you just explain what is the bridge between the two that is causing this?

Yogesh Sareen: Basically, there has been a movement in the accounts receivable (AR). There is a lumpiness in the collections when it comes to CGHS and other PSUs. DSO is up from 87 days to 95 days. So, in a way there is a build-up of AR of around INR 250 crore in this quarter compared to Q4 last year. So, that has in a way eaten into the into the free cash flow conversion because this absorbs the working capital changes also.

And also, you would have seen that the effective tax rate (ETR) has gone up a bit. So, tax outflows have also gone up compared to last quarter. So, that is the reason

why you find cash flows to be lower. We generally like it to be in the range of 62% to 65%, but this time it is around 56% and it is mainly because of the AR.

Ashutosh Kumar Jha: Understood, sir. And do we expect this to normalize in the coming years?

Yogesh Sareen: Yes. I mean, it should. CGHS has a new portal now and the new portal was not processing bills. Now, we have started to see collections from the new portal and we do think that this should come down going forward.

Ashutosh Kumar Jha: Thank you, sir. That was all from my side.

Moderator: Thank you. Next question is from the line of Sidharth Negandhi from Chanakya Wealth Creation.

Sidharth Negandhi: Hi. Thanks for the opportunity. Just two questions. How are you looking at the viability of your expansion plans in light of the Parliamentary Committee's report? Does that sort of bring anything back to the table, does that require you to reassess any of those? And on the college business, do you also expect to start postgraduate colleges given that, you know, onco specialty is really a big source of revenue for you? And how are you planning to fund this and when can we see this sort of start commercial operations? Yeah. Those were my questions.

Abhay Soi: I think you will see starting of commercial operations of medical colleges over the next few years. We would obviously be open to doing any meaningful acquisition if it is available to kick-start our process sooner than that as well. We intend to fund it entirely through internal accruals. Yes, we intend to start PG courses, so no doubt on that front. And what was the other question?

Sidharth Nigandhi: The Parliamentary Committee report on viability.

Abhay Soi: The Parliamentary Committee report does not put any thoughts or reassessment of expansion plans. My belief is that, eventually, you have to believe any sort of policy will be rational. We are efficient providers of healthcare. If there is going to be any sort of risk-free return available and it is going to be a viable proposition for anybody to set up hospitals, we believe we will have superior returns relative to that.

And therefore if, tomorrow God forbids you have such a situation, hopefully it will become an opportunity for consolidation for us. So, we are focused on providing best of healthcare and being the most efficient. Eventually, any policy has to cater to the mean, not to the outliers. And I believe as far as efficiency is concerned; we are outliers.

Sidharth Nigandhi: Got it. And just one more thing on the direct costs. Are most of the direct costs increases, while that is a very marginal one, are most of those because of the increase in crude and hence the possible increase in your consumable prices or are is this not given you any significant impact on the direct costs?

Yogesh Sareen: No, there is not much of an impact. I mean, we have seen some impact in the indirect costs, but not much on the direct cost side.

Abhay Soi: It has contributed historically to some delays in materials, when you are importing furniture for hospitals from overseas and so on, but a lot of that delays are behind us.

Keshav Gupta It is coming from the point that our revenue has grown by 15% and direct cost has grown by 16%. That 1% is because of the clinician costs really.

Sidharth Nigandhi: Okay. So, no impact on account of all the crude prices and therefore the consumable price increases etcetera, that is not really happening much.

Abhay Soi: That is right. And the good part about increase in clinician costs is that over a period of time as your revenues ramp up, they kind of normalize.

Sidharth Nigandhi: Sure, sure. Thank you so much. This is helpful.

Moderator: Thank you. Next question is from the line of Ankur, individual investor.

Ankur: Hello. So, my question is with regards to the opportunity in the market, right? You previously alluded there is a long runway to growth over the next few decades, right? And we also see in the market there is a huge supply-demand gap for private hospital beds and the consumer preference as well is, you know, towards private hospitals.

Given that context, right, what is your view if we look at let's say two decades from now, 15-20 years, do you think the top two, three, four hospital chains in India, they can each be a size of 100,000 beds? Is that something which is viable according to you?

Abhay Soi: In how many years?

Ankur: In 20 years, two decades.

Abhay Soi: No. I do not think that will be the case because what that would mean is you have at least for the top three players, you will be building about 300,000 beds. The total number of beds in India right now are 100,000.

It means building 300,000 beds over two decades. My belief is that, that kind of execution capabilities, that kind of capital which is required, is going to be a big challenge. I do not see any player becoming 10x in two decades.

Ankur: So that would imply we will always have this demand-supply gap between, you know, what the consumer wants and the availability, right?

Abhay Soi: Yes, the largest hospital chain is 10-11,000 beds. For them to be 100,000 beds, they need to be 10x their size. That means I need to be 20 times my size. Okay, I do not see building 20x my size. So, you need all the FDI, you need all the investments, you need it to be viable for the next person who is setting up a hospital - he is buying land, he is doing construction cost at that point of time and so on, right.

Ankur: So, your growth rate, right, you have been like doubling your capacity of your -- you are on a trend of doubling capacity every four, five years. So at least do you foresee this continuing for next 15-20 years, that trend continuing?

Abhay Soi: Absolutely. So, I mean, if that you are looking at from 5,000 beds, I will get to 10,000, 10 to 20K, 20 to 40K at best, right? Anyways, I mean, I am just crystal ball gazing. We have no specific plans as such, we are looking at increasing capacity as much as we can and investing in whatever cash flows we have in the sector.

Ankur: Okay. And in terms of your ARPOB growth, right, we have seen 7% to 8% which is like you said a couple of percentage points above the rate of inflation. Again, that trend you see for going forward the next 10-15 years, that trend continuing?

Abhay Soi: Look, hospital growth, top line ARPOB growth will always be superior to inflation because whatever real growth happens in terms of novel treatments, technology, etc. that is a part of ARPOB. So ARPOB is not only inflation. I mean, if inflation continues, hopefully innovations will continue in the sector in years to come, like it has for the past century. So, then you should have the same outcome.

Moderator: Thank you. Ankur, I will request to come back for a follow-up question. Next question is from the line of Saurabh Kapadia from Sundaram Mutual Fund.

Saurabh Kapadia: Yeah, thanks for the opportunity. Just one question on the institutional patient bed share which has now come off this quarter versus previous quarter. But how we should look at this number given upcoming bed additions, capacity additions that we are doing?

Abhay Soi: We added capacity, and yet you have seen it come down. So, I think, trend-wise that should continue. Unless we acquire significant capacities, then that is a different ball

game, but as far as this present infrastructure is concerned, I think this trend of reduction perhaps will continue.

Saurabh Kapadia: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Hi, thank you for the opportunity. Sir, we have seen a sharp sequential increase in operating expenses even if we adjust for Bhubaneswar. While you will be adding incremental beds at Nanavati and Smart, would it be fair to say that we will not see any material increase in opex till Gurugram comes up?

Abhay Soi: That is right. So rather than Max Bhubaneswar, the large increase in indirect cost is due to the new capacities, which have been operationalised at Mohali, Nanavati and Smart. I mean, that along with Bhubaneswar has caused the big increase in indirect costs. And yes, I think you will not see any significant increase and you will see increase in revenue and therefore you will see a higher amount of EBITDA flow through. I mean, if that is what your point was.

Alankar Garude: Yeah, yeah, that was the point. And similarly, Abhay, if you can comment on net debt as well. Would it be fair to say that net debt has peaked out at current levels?

Abhay Soi: It is still lower than one in terms of net debt-to-EBITDA. And if we can get to 2.5x by doing acquisitions or whatever else, we would be happy to go to 2.5x net debt-to-EBITDA.

Alankar Garude: Yeah, but barring any acquisitions, it should come down from current levels. Would that be fair to say?

Yogesh Sareen: Yeas. I mean, we have an ongoing capex plan, so we are spending money at Shaheed Path, INR 425 crore approval, etc. So, I would say whatever cash we generate, we will obviously consume that and maybe we will also take some loan to finance the projects, so this net debt will marginally go up if you asking at the end of the year.

Abhay Soi: It really depends on what kind of cash flows we are throwing out. I mean, at present, I mean, if you look at three to four years down the line, effectively you should have funded your capex and paid down the debt.

Alankar Garude: Fair enough. The second question was, can you provide some colour on how the three acquisitions have been doing? It is been almost two and a half years -- two,

two and a half years now for Lucknow, Noida, and Nagpur. Any qualitative insights there would be helpful.

Abhay Soi: First and foremost is the fact that we are expanding these capacities, because what we acquired, if you recall, were operating at low occupancy levels. So, you have seen very high ramp up in occupancy, obviously very high ramp up in revenues and profitability, and now we are moving towards capacity expansion in all three. And that brownfield capacity expansion leads straight to the bottom line. So, I think qualitatively, all three have been successful from that standpoint. I mean, it has been to our playbook honestly.

Alankar Garude: Okay, okay, got it. And one final one, can you update us on the status of Shaheed Path as well as Thane?

Keshav Gupta: For Thane, the regulatory approvals are coming in. We have got stage one approval for the overall master plan for the site and we have to submit specific building plan drawings now. For Shaheed Path, we have prepared their drawings, we are discussing with the authorities and we will submit them after we have the broad clearance on the concept. For both projects after the approval, which is another six months from now, after that they will take about 30 to 36 months for delivery.

Alankar Garude: Got it. That is helpful. That's it from my side. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to the management for closing comments.

Abhay Soi: Thank you everyone for joining us today. We appreciate your time and look forward to interacting with you again next quarter. Appreciated. Thank you.