

August 17, 2022

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
25th Floor,
Phiroze Jeejeebhoy Towers,
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MUMBAI - 400 001
Scrip Code: 543220

Sub: Transcript of the earnings call on financial results of Q1 FY23 of Max Healthcare Institute Limited (“the Company”) held on August 11, 2022

Dear Sir/Ma'am,

We refer to our intimation dated August 11, 2022, w.r.t. uploading of audio recording on the website of the Company, of the earnings call hosted on August 11, 2022 to discuss the financial results of the Company for Q1 FY23.

In this connection, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the said earnings call. The said transcript is also being uploaded on the website of the Company i.e. <https://www.maxhealthcare.in/investors/investor-resources>.

Kindly take this intimation on your record.

Thanking you,

Yours sincerely,
For Max Healthcare Institute Limited



Ruchi Mahajan
SVP – Company Secretary & Compliance Officer

Encl. as above



Max Healthcare Institute Ltd

Q1 FY23 Earnings Conference Call Transcript

August 11, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Max Healthcare's Q1 FY23 Earnings Conference Call. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Suraj Digawalekar from CDR India. Thank you, and over to use, sir.

Suraj Digawalekar: Thank you. Good morning, everyone, and thank you for joining us on Max Healthcare's Q1 FY23 earnings conference call. We have with us today, Mr. Abhay Soi, Chairman and Managing Director, and Mr. Yogesh Sareen, Senior Director and Chief Financial Officer of the company. We will begin the call with the opening remarks from the management, following which, we will have the forum open for interactive question-and-answer session.

Before we begin, I would like to point out that some statements made in today's discussion 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. Thank you, and over to you.

Abhay Soi: Good morning, everyone. It gives me immense pleasure to welcome you to Max Healthcare's earning call for the first quarter of the ensuing financial year. Let me provide you with the key highlights of the quarter's performance before opening up the forum for question and answers.

In continuance of our trend towards the end of the previous quarter, quarter one FY23 was largely a normalized quarter with average occupancies hovering around 74%, while less than 1% of beds were used for COVID patients. It was the highest ever revenue and EBITDA quarter and marked some movement in the direction already articulated earlier. We witnessed consistent performance throughout the quarter, and almost all the operating and financial parameters touched a new high.

Consequently, we registered highest revenue, ARPOB, EBITDA, EBITDA per bed, etc. This was driven by improvement in payor mix, surgical medical mix, annual price revision and normalization of patient footfalls, as we continued to focus on the growth levers set out by us post Omicron wave.

I would like to remind you all, in quarter one last year, we had separately reported a revenue of Rs.136 crore and an EBITDA of Rs.59 crore from COVID-19 vaccination. To that extent, the year-on-year growth numbers are being reported on a like-to-like basis, excluding this non-recurring item.

The key highlights for the quarter one performance were, the average occupancy for the quarter recovered to 74% from 68% in quarter four FY22, which was largely impacted due to Omicron COVID wave in the first half of Q4 FY22. The bed share of

institutional patients, relatively a lower ARPOB channel has been brought down to 30% from 33% in Q4. This has added to growth in ARPOB, as well as EBITDA per bed. This is in line with our guidance and objectives. The ARPOB for this quarter rose to Rs. 66,000 implying a growth of 28% year-on-year and 4% quarter-on-quarter.

Network gross revenue stood at Rs. 1,473 crore of which, Rs.2 crore is contributed by revenue from vaccinations. Gross revenue excluding COVID-19 vaccination grew by 18% year-on-year and 14% quarter-on-quarter.

The Digital channel's share of revenue was the highest ever at 16% in quarter one FY23 as compared to 13% in quarter one FY22, with website traffic growing by 14% quarter-on-quarter to reach 33 lakh sessions. In absolute terms, the Digital revenue stood at Rs.232 crore in quarter one FY23, which is 40% of the Digital revenue of Rs.585 crore clocked in the last financial year, that's the whole year.

Also, our International Medical Tourism revenue reached pre-COVID levels in this quarter despite negligible revenue from Afghanistan, which was one of our key territories till FY20. We continue to expand our geographical presence and expect to have 20 plus offices operating from various countries by the end of this financial year. This coupled with the new Heal in India initiative should augur well for medical tourism to Max Healthcare as well.

We continue to do our bit to provide care to underprivileged. During this quarter, we served 38,500 indigent patients in IPDs and OPDs free of charge. The notional value of this treatment was Rs.49 crore.

Network operating EBITDA excluding COVID-19 vaccination for quarter one FY23 was Rs.370 crore compared to Rs.301 crore in Q1 FY22 and Rs.304 crore in the fourth quarter of FY22, reflecting a growth of more than 23% year-on-year and more than 22% quarter-on-quarter, respectively. EBITDA margin was 26.6% as compared to 24.8% in the fourth quarter FY22, leading to a PAT of Rs.229 crore. EBITDA per bed, most importantly, for the quarter was Rs.62 lakh, showing an improvement of 10% quarter-on-quarter.

Cash generated from operations after interest tax and replacement CapEx was Rs.237 crore versus Rs.179 crore in the fourth quarter of FY22. Further, net debt reduced to a low of Rs.217 crore at the end of June '22, from Rs.441 crore at the end of the previous quarter. However, the present net debt includes a put option liability of Rs.141 crore. So, the actual net debt after that is less than Rs.100 crore.

Coming to the strategic business units, Max Lab, which is a non-captive pathology vertical reported gross revenue of Rs.26 crore. It added 90 channel partners during the first quarter of FY23, taking the overall active clients to 850 plus, spread across 32 cities. On a like-to-like basis, the revenue excluding COVID-19 related tests grew by 50% year-on-year and 24% quarter-on-quarter. We continue to invest in this business and expanded the team to more than 700 people working across functions.

Max@Home, our Home Healthcare vertical reported gross revenue of Rs.32 crore, a growth of 10% over fourth quarter levels, fourth quarter last year, and representing a growth of 18% year-on-year. The 650 plus strong team at Max@Home also manages a network of 62 medical outposts across corporates, of which 13 medical rooms were added in the first quarter of FY23.

Going forward, we continue to employ the following growth levers. One, International Medical Tourism growth from both existing and new geographies. Two, improvement in payor mix. Three, fast tracking brownfield expansion.100 additional beds will be operational in this year at Max Shalimar Bagh, while additional 300 beds in Dwarka would be in early first half FY24. With large capacity addition in FY25, we are poised

for growth in the foreseeable future. And finally, inorganic expansion in both hospital and perhaps, if we get some good opportunities in the diagnostic space as well.

We also made considerable progress on the digital front and are in the final stage of rolling out a proprietary app, which will not only help us engage with more patients and widen our range, reach, but also serve our customers better and provide improved experience.

On this note, I would like to open up the forum for question and answers. Thank you.

- Moderator:** The first question is from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** My question is, how much price hikes you've taken for the hospital services and also as you can elaborate how price hikes flow across different payor groups in terms of change?
- Abhay Soi:** So, essentially, we have, normally a price impact of about 2%, 2.5% at best year-on-year at the end of this thing, okay? What it impacts is, essentially, the international patients, by that extent, it will impact your cash paying patients. Insurance are typically two- or three-year contracts. So, every couple of years, it's sort of retriggers. And then you come to the institutional business, which doesn't get impacted by it.
- Damayanti Kerai:** Okay. So this 2% to 2.5% kind of increment which you have taken for the current year, it's already visible for the cash and international patients and insurances, as you said, when contracts are renewed and the institution business it takes longer?
- Abhay Soi:** Yes. So, what we are retriggering right now is when the new contracts come, we'll be on the new. So, we got plethora of contracts, and all of them don't start at the same time. So if they are two-year contracts, you can pretty much evenly sort of spread them over two years or three years. You will have some impact of that. Whichever contracts are coming off, are coming on stream or coming up for renewal, they will renew at new prices.
- Damayanti Kerai:** Okay. So, does it mean the patient was paying cash, they have to bear the costs? Like higher costs compared to someone who is covered by insurance on an immediate basis?
- Abhay Soi:** That's right.
- Damayanti Kerai:** Okay. And in general, like what kind of impact we have seen on healthcare demand due to inflation? So, like price hikes have gone up. So, any impact on the demand?
- Abhay Soi:** You have seen the occupancy, right? From 68% we moved up to 74% quarter-on-quarter.
- Damayanti Kerai:** So, we'll say it's immune to price changes, because it's essential services?
- Abhay Soi:** I think it is a very marginal price change, isn't it? I mean it is not a very large price change.
- Damayanti Kerai:** No, in general, like 2% to 2.5% price hike for this year, but say, the inflation goes up meaningfully across the industry, then should we assume any tapering on the demand part?
- Abhay Soi:** The inflation in the industry doesn't impact the consumer. Does it? The price hike as a result of the inflation impacts the consumer. That's right? So, if the price hike is 2% to 2.5%, that is what is impacting the consumer. Now, if tomorrow, inflation is significantly, well, whatever the inflation has been, you've seen, has gotten absorbed,

and you've seen the margin sort of expand in spite of the 2% to 2.5% increase in price. So, you're better off in terms of margins. That's one.

Secondly, and more importantly, if tomorrow, there is a further, let's say, there is a push up because of inflation and you have to reprice it, then perhaps in October, you look and relook at pricing and say, look, if I have to pass on the inflation, I have to improve the price or increase the price. Your question would become relevant at that stage.

Damayanti Kerai: Okay. And this kind of price revision, you do once in a year or?

Abhay Soi: Once in a year, typically, but we always have the option of relooking at it on October 1. I mean, you can even do it every quarter, you can do it mid-year, anytime you want. But the fact is disruptive. So, I mean, if we have to look at it, we'll look at it at that stage, after six months. I mean every two months, three months, you can't keep changing your schedule of charges.

Damayanti Kerai: And on the International part, you mentioned, its broadly back to the pre-COVID level, and then you're stepping up your presence in the target market to get more footfalls. So which key markets were you looking to?

Abhay Soi: That's not what I said. I said we are back to pre-COVID levels, okay, in spite of one of our key markets, which is Afghanistan giving us negligible business. That was a key market because of travel restrictions from Afghanistan. So, when Afghanistan normalizes, that would improve it even further. We are already back to pre-COVID levels, because we made efforts in other markets as well. Right.

Damayanti Kerai: And finally, like in terms of contribution from international business, how much that can go up in next two to three years?

Abhay Soi: You know, sky's the limit. I think the Government is now really focused on this. You will probably hear on Independence Day, as a part of the Independence Day speech, at least what I'm reading in the press is, the Heal in India is going to get a big push which is India becoming a destination for healthcare tourism, and that is what the Government of India and the Prime Minister himself is going to include in his speech. So, that should all augur very well. Sky's the limit. If you are asking me for precise things, we don't give forward-looking guidance in terms of specific numbers like that. But look, I think you have a huge comparative advantage in India. With the right push and the right encouragement from the Government, literally sky's the limit as far as that.

Moderator: The next question is from the line of Nikhil Mathur from HDFC Mutual Fund.

Nikhil Mathur: My question is on the new beds and the associated costs that will have to be incurred for new beds expansion that the company is undertaking. In FY22, the company had indirect overheads of Rs.1,700 crore odd, which was associated to 3,200 capacity beds, roughly Rs.54 lakh or Rs.53 lakh was cost of bed, is the indirect overhead that I'm able to calculate on a ballpark in FY22. With 100, 300 and 1,200 beds likely to be added next three years, we are looking at bed buildup of 1,570. So, when I look at the cost buildup for the new beds, should I multiply the 1,570 beds with the indirect overhead you have on the existing capacity bed or it could be lower? If you can give some sense, what kind of possible that should be associated with the new beds that are coming on stream?

Abhay Soi: See, likely the brownfield, if you see out of the 3,000 beds, 80% of the new capacity is brownfield, right. In a brownfield, you already have your management cost, as well as your senior clinician costs being incurred by the existing hospitals. So, I mean, I would look at it little differently rather than looking at the cost and start dividing it and say okay, look, my EBITDA per bed is Rs.62 lakh today, right. Now this Rs.62 lakh,

what is it going to be three years down the line? And more I mean, with the payor mix distillation, any inflation increases in price and so on and so forth?

But that is what is going to be attributable to the old capacity. The new capacity which comes up, okay, will have some operating leverage in it simply because, like I said, you are not going to have a lot of the costs that have already been incurred within the Rs,62 lakh per bed. So that number for the additional beds should be higher theoretically. So, you would need EBITDA per bed and multiply it by the occupancy in both installed beds. That's how we will look at it. I don't see any major fixed costs coming on brownfields.

Nikhil Mathur: So, before these beds comes on stage, whatever, EBITDA per bed the company kind of stabilizes and in the next to two or three quarters, while the new beds will come on stage, there should not be any major dilution in EBITDA per bed. Would that be a fair assessment?

Abhay Soi: Correct. That's correct, which we've guided into also in brownfields, typically your breakeven is the first quarter or whatever. And we've seen that in Vaishali Hospital, we came up with 100 odd beds. I mean, there was no sort of --- I mean these are required. These hospitals are operating 80% occupancy. You put another 100 beds that get taken up very quickly. We don't see any abatement in EBITDA in absolute terms.

Nikhil Mathur: Got it. And two near-term bed addition in Shalimar Bagh and in Dwarka, in the last two investor presentations, the timeline has remained same. So, can you highlight some milestones which would have achieved in both these facilities just to give some comfort that these bed additions are on or on track?

Abhay Soi: See, Dwarka is in finishing stage and as far as Shalimar Bagh is concerned, it is reaching finishing stage. I mean, if you are going to open up one capacity in the current year, you can, you've already got a --- current year means that obviously, you're looking at the next six to nine months, okay. And then the new capacity in perhaps three to four months after that, you have to be pretty close to finishing. And that's what on the ground reality is. I'm not giving visibility something three years later. I mean, if you see something is coming up in six months or nine months, right, I mean, then obviously the structure, this thing, everything is ready, you're doing fit-outs and stuff like that.

Nikhil Mathur: And third question is on the international patient? Can you tell me the number of beds which are occupied by international patients in this particular quarter? And then what this number of beds can look like, let's say in 12 months?

Abhay Soi: First question, I think about 6% but Yogesh will just sort of lean in on this. But secondly, like I said, I'm not giving any guidance on where it can be. The sky's the limit, like I said, So that number can keep moving up.

Yogesh Sareen: Yes. 4.5% to 5% of the beds were occupied by international patients this quarter.

Nikhil Mathur: So, the revenue mix and the bed count mix is the same. So, my understanding might be wrong, but I thought that international patients come in with a much higher ARPOB, right.

Abhay Soi: Right.

Yogesh Sareen: Yes. That is right. That is why you see that the overall revenue share is 8% and the and the bed share is 4.5% to 5%, right. That signifies that.



- Moderator:** The next question is from the line of Praveen Sahay from Edelweiss Wealth Management.
- Praveen Sahay:** My first question is just I'm repeating the earlier question that's related to the EBITDA per bed. As you said that down the line three years, with the new capacity coming in place, you trying to manage this EBITDA per bed from there or is there some deterioration we can see?
- Abhay Soi:** So, like I said, look 80% of the capacity is coming in the form of brownfields, right. What is a brownfield? You have existing hospital which is operating, let's say at 80%, 85% occupancy. You are waiting in the ER for a couple of days for beds, okay, the hospitals run out of space. Okay. Where do you go from there? You put up another building adjacent or right next to it. Now, okay, so you incur the CapEx of the building, okay. Now, your CEO, your management, your clinicians etc., already, all your sort of fixed, the fixed indirect cost has already been incurred by the existing hospital.
- So, let's say in the new building, I want to open which is 100 beds, but I only have demand for 20 beds. I'll only open 20 beds over there. I will put nurses etc. of 20 beds. Although my building is ready. My fixed cost, this thing is already there. So, also, the higher operating leverage. So, I don't see your EBITDA margins, or EBITDA per bed going down, because it should be accretive theoretically.
- Praveen Sahay:** And as you are in this year in the coming year, coming capacity in the Shalimar Bagh and Dwarka, so, with this, any change in the clinical mix also we can say, because?
- Abhay Soi:** No, this has nothing to do with the clinical mix.
- Praveen Sahay:** Shalimar Bagh and Dwarka has some different, on the company level, it's a different clinical mix. So, is there any impact you are expected to see in the next two years in your clinical mix on the overall company level?
- Abhay Soi:** Where do you see from a company level; it is a different clinical mix? Dwarka and Shalimar Bagh?
- Praveen Sahay:** It is similar, you're saying?
- Abhay Soi:** No, no, I'm asking you. I don't think the specific hospital clinical mix is something that we have ever guided to.
- Praveen Sahay:** Okay, so now the next question is related to the payor mix, and which you had guided earlier for Institution business to go down to 15%? So, what's the timeline for that where you want it?
- Abhay Soi:** Over the next year and a half. I mean, do keep in mind, this was 37%, previous quarter. It was brought down to 34%, 33%. Now it is down to sub 30%. And hopefully, that will be the trajectory, right. So, the next year and a half, this should be down to 15% or below.
- Praveen Sahay:** And last question on the occupancy side. The current occupancy level, you are seeing this as a normal 75%, 76%, is a normal rate, which you will run on?
- Abhay Soi:** I mean pre-covid level, we used to be 71%, 72%. Okay. I mean, obviously, as the disease burden goes up. We've also operated and you've seen 80%, 81%, 82%. On a sustainable basis, I've said in the past, we can go up to 77%, 76%, 77% across the network, at the network level. And these have been the occupancies Yes, so I mean, there could be a couple of percentage points sort of over a period of time, but that's about it. So, it's marginal. So, the real value will come from the distilling the payor mix.

- Praveen Sahay:** Okay. And in the inorganic, are you also looking in the hospital business, any opportunity?
- Abhay Soi:** Will we are mostly looking at opportunities only in the hospital business to be honest.
- Praveen Sahay:** Not in diagnostics?
- Abhay Soi:** Well, not actively at present.
- Moderator:** The next question is from the line of Andrey Purushottam from Cogito. Please go ahead.
- Andrey Purushottam:** Just a little bit more light on your margin drivers. Specifically, if you were to look at a two or three-year term horizon, how do you see your international tourism shaping up in terms of percentage of revenue from 7.3% or so? And also, in terms of, I believe your CGHS proportion to revenue is already low as compared to other hospitals. Would you be seeing this coming down to zero in the near future and seeing it substituted by higher margin payors? And what other elements of the mix can you know, add further color to, which would give us an idea as to how your margin would expand in a two or three-year horizon?
- Abhay Soi:** So first, I think your presumption is incorrect. Compared to our peer group, our institutional business CGHS is the highest. More than twice of Apollo and maybe more than 50%, 70% of Fortis.
- Secondly, we are not giving any guidance on margin like we have resisted from doing that in the past. Again, like in the previous one also I said, also said international business, I'm not going to give you. I can tell you what the opportunity set is, which is a great this thing. I've been a big proponent of international medical tourism. And really, I think the big flip we're going to get now is because the Government of India, okay, is putting its weight behind it. And we are reading about Heal in India initiative, okay, again, which the Prime Minister may take up on his Independence Day speech, which is a big, big thing. When the Prime Minister takes it up, the rest of the ministries and organizations will follow. So, I see a huge opportunity emanating from that. I've always been a proponent that we have a big comparative advantage, I think it's being recognized at present.
- A little difficult for me to answer what percentage of their businesses because like I said, even if I have an internal assessment, it's something that we've resisted from giving forward-looking guidance on margins as well as this. What we have said is that the levers and you can perhaps make that out, okay, for our margin improvements going forward, besides medical tourism is going to be a key is distilling the payor mix, that means reducing the institutional business which we are from 30% odd, looking to bring down below 15% over the next year and a half. This business yields us 45% to 50% lower revenues, okay. And once this business is replaced by, as we are seeing, is trending also, by a non-institutional business, it will generate 45% to 50% more revenues and 85% of that comes straight to our EBITDA. So that can have a major impact on both, ARPOB, as well as EBITDA per bed.
- Andrey Purushottam:** So, this reduction in the share of Institutional business, what impact will it have on occupancy rates? And would you be able to keep the same occupancy rates that you're at right now? From what you said earlier in the call, you operate, let's say, on an average of maybe 77%, 78% in the span of sustainable occupancy rates, right? So, how do you see the trade-off between that and...
- Abhay Soi:** There is no trade-off. I think you're looking at the wrong equation. Okay. See, today we do this business not because we want to --- not because we have to, because we want to. Rather than keeping a bed idle, we'd rather do institutional business,

right? It's not as if you stop the institutional business, make the bed idle, okay, and then hope you're going to get business. Because if that was the case, then we would never start doing this business. The way to do it is okay, that today we have non-institutional business which is our preferred channel right, which has a certain rate of growth now, I won't even go down to all the aspirational things that international business, etc., etc. that we are doing. Forget all of that. See, that business has been growing at a particular rate. Now, we've already hit an overall ceiling almost as far as the occupancy is concerned, like you rightly alluded that we already at 74%, 75%. So, where do you go from here? Maybe a couple of percentage points.

But the preferred channel is growing, requires more beds, 200 or more beds per year. Where do you get them from? I have to displace my institutional business. Each hospital of ours has about 200 contracts with various public sector undertakings, so on and so forth. And these are hospital level contracts which are for a period of six to nine months and then you have a notice period of one month both sides, if you want to discontinue. So, you keep switching off one after the other on a particular hospital wherever you have no bed for preferred channels effectively. Case in point was Gurgaon facility. We used to do 20% business from the institutions. Okay. Now it's down to zero. But our EBITDA per bed over there Rs.90 lakh plus compared to Rs.60 lakh for the rest of the thing, because of that. So, I hope I've been able to sort of answer your question in some manner. So it's not either, or, I mean, we only, once we have the demand we move away. So, you don't ever see a reduction in occupancy because you are moving from institutional

Andrey Purushottam: Okay. And one last clarification. A lower ALOS is good for you commercially? Lower the average length of stay, the better it is commercially for you?

Abhay Soi: That's right. That's a key indicator for all hospitals. For any hospital, you make money in the surgeries of the procedure. Most profitable thing is the daycare. Okay. The longer a patient stays in a hospital, it is a loss making. Every day a patient stays in a hospital, that is loss making. Most people believe that hospitals are holding them back and making money. That is the other way round. The hospital want you out.

Andrey Purushottam: Because all the expenditure really becomes upfronted right on the first day itself?

Abhay Soi: That's right. That's right. So, your returns on daycare etc., if the room charge is separate it's Rs.4,000, Rs.5,000 a room, with the nurses, with this, with that, etc. etc., you can imagine.

Moderator: The next question is from the line of Dheeresh Pathak from White Oak.

Dheeresh Pathak: So in your presentation you have a slide, which says that CapEx for the quarter was Rs.13 crore only, and there was another slide, which says that the total Capex for the year is supposed to be some Rs.600 crore plus. So why was this quarter low?

Yogesh Sareen: Yes. I think we haven't really made the payment to the contractors, because there were already advances issued in last quarter. We will be making some payments in this quarter. That's also just cash outflow stuff, right. It doesn't have anything to do with the work which is happening at the site.

Dheeresh Pathak: Okay. So, work at the Saket site and the Nanavati site, how are they progressing?

Abhay Soi: So Nanavati site, the piling work is on more or less, more than 70% of the piling has been done, the D-wall has been done. We will start --- demolition has been done. the digging is going to start now. Most of all, almost all the approvals are in place. As far as the Saket is concerned, I think retaining wall has been done. Recently, we have to transplant trees, there was an order that you can't transplant trees in Delhi. Now the order has come that you can transplant trees, re-transplant those trees. So,

we're doing that and I think we're going to start working. I mean work has already started; I think constructions will start.

Dheeresh Pathak: Okay.

Abhay Soi: There is a process that you have to make a retaining wall, you have to make a D-wall, you have to do piling. You have to do foundation.

Dheeresh Pathak: Yes. More than that, I wanted that all the approvals that were, like the tree issue and all those Government approvals are in place, right?

Abhay Soi: Right.

Dheeresh Pathak: So, it is now in our control. Then the second question was on the Max Labs. So I'm just trying to understand that there's a gross revenue of Rs.40 crore, and then there is a net of Rs.25 crore. The balance is payment to the collection center as well as to the Max Hospital Lab, but that only represents payment to the collection center and payment to the lab gets charged later in the cost line item.

Yogesh Sareen: No. So, we recognize the revenue on a net basis in our financial. This is GMV, right. So, don't compare with the GMV. GMV is basically what is the franchise charging or the center charging to the patient? And also, we have some HLM's, right. There they charge a fee to the manage third party hospital labs also. Obviously, we get 60% of the revenue and 40% is the markup that the hospital is charging the patient. So, the 40% is not coming in the revenue line. We consider only 25% in the revenue line.

Dheeresh Pathak: Yes, that is understood. So, my question was that of the 40% and the 25%, the difference is 15%. This 15% includes both right? The payment to the collection center, which is third party and payment to our hospital labs?

Abhay Soi: No.

Dheeresh Pathak: 15% is only payment to collection center, payment 40% of the net revenue which is payment to the lab, that will be as an expense line item.

Yogesh Sareen: So, when you send the sample to the hospital lab, the hospital lab will charge you a cost, which is something, that comes in the cost line, not in the revenue line. So, if you pickup Rs.100 worth of sample from the market, which is charged to the patient, you probably give 25% discount to the franchise and 75% is what you charge the patient. That is your revenue line. INR100 is GMV. Then you send the sample to the hospital, the hospital charges you for testing the sample, that comes is your Cost line.

Dheeresh Pathak: Right. So, based on what we're showing here, it seems the customer is paying INR100, we are getting only one-third, right? 40% is going to the collection center and 25% or so is going to the lab?

Yogesh Sareen: No. I think you are confused. So what I am telling you is, 40 is getting charged to the patient, 25 is coming revenue in our books, right. We are collecting 25 and on that collection we are getting the sample tested in the hospital lab, there is a transfer pricing mechanism there. So, then they pay part of the money to hospital for testing the samples,. So, 25 is the what we collect. So, 40 to 25 is what, the money which is paid to be third party hospital as well as third party franchise.

Moderator: The next question is from the line of Harith Ahamed from Spark Capital.

Harith Ahamed: My first question is on one of your closest peers who announced foray into Gurgaon, which is Apollo hospitals, and they've acquired a 650-bed hospital there. We also have a significant presence in the region. And then we've announced a 1,000 bed

expansion as well. Firstly, any thoughts on the incremental competitive intensity in this important micro market? And secondly, if you could give an update on the status of the two projects that you have announced?

Abhay Soi: So, I think first and foremost, this particular target what they have acquired has been available in the market for six years. Okay. And it's been available, and there's a reason that they were the only bidders right now or the only people through a bilateral this thing. We have passed it on numerous times in the past, and we've passed it on off again. I mean, that's the extent I'd like to sort of go through. for not doing that. And Yes, so I mean, I don't see any threat or real challenge coming from that.

When you say significant in Delhi, you have to keep in mind I mean, today, Max hospitals is equal to the size of perhaps Apollo, Medanta, Fortis and maybe somebody else put together.

Harith Ahamed: Maxlab Currently the net revenues are tracking at a quarterly run rate of around Rs.25 crore. So, is there an aspirational revenue targets that we've set for this business, let's say from the next three years from the current Rs.100 crore annualized level. And then do we plan to explore any other adjacencies such as pharmacy, retail or primary care clinics to further leverage the brand?

Abhay Soi: No, we're not looking at doing anything to leverage the brand which is unviable. Primary clinics, etc., are not the most viable this thing. We've been in that and we rolled it back I think we've seen it with some of the other competitors also. They've done that, even paused on it or whatever else it is. As far as Max Lab is concerned, it's a business, we have aspirations. We had a three-year, five-year plan and so on. Of course, tactically we have to keep changing, and the outlook will keep changing, depending on what others are doing and what market is, right now. Market is disruptive in terms of discounts, etc. We don't participate in that, because, you know, our sort of client base is very different. So yes, we continue to build this business out. And we've seen, although on a small base, good growth, both quarter-on-quarter, year-on-year. So, 50%, year-on-year growth and a 24%, quarter-on-quarter growth in non-COVID business in Max Lab is very, very healthy.

And Yes, so we continue to invest in growth of this business. It has multiple benefits for us. A brand reach. B, it's an important part of our offering to be able to do home pickups for our patients, etc. , and to reach out to more and more people. So, yes, I think we will continue to build this business in...slightly challenging time right now because of more of what is happening in the marketplace. But these things are known to settle. At some point of time, the discounting and there will be some shakedown in the industry and hopefully, we will get back to building this business to what our previous aspirations were.

As in before, I don't we avoid or desist from giving any forward-looking statements. So, I don't want to make a statement on what I want to see in three years.

Coming to Max@Home, I think that's a very, very interesting business. Okay, it's again something which is about Rs.30 odd crore in this quarter but it's been healthy 10% growth over last quarter and 18% growth year-on-year. It's business of the future in my belief. We've been doing it for many years. We've got more than --- it's a profitable business, most importantly. Perhaps the only profitable Home care business in the country. We've got more than 650 people doing this business. So, we are foreseeing great opportunities here as well. But again, I want to desist from giving you two-year or three-year statement.

Harith Ahamed: Yes. Is there a standalone profitability for this business that you can share, like you shared for Max Labs?

Abhay Soi: It has mid-teens sort of EBITDA margin.

Moderator: The next question is from the line of Ashwin Agarwal from Akash Ganga Investments Private Limited.

Ashwin Agarwal: Congratulations to the Max team, and Abhay, in last three years, you have built a fantastic franchise. I think Max stacks well in all the operational parameters compared to the peer group. I had one question, one of the co-promoters, KKR as we know for their own internal reasons is selling their stake. If there is a potential stake sale of the entire, would you be looking out for financial investors or what is the strategy on that front?

Abhay Soi: I think it's a private equity fund. Private equity funds are known to churn their portfolios and sell, because they have a particular holding period in mind. Their holding period for this investment was seven years. They have only done three years but doesn't mean --- but yet they are seeing great returns because of the performance of the company. And they have sold on about 20% odd percent in the last six, eight months. So, the flip side is a large amount of stock which is coming to the market, yet you do have to keep in mind that the trading in our stock is not very large. It is basically because whatever has been sold also has gone into a lot of the long hands. And these long hands don't sort of trade in the stocks. So, your trading volumes of two lakh, three lakh shares, two lakh, three lakh shares or whatever.

So, I'm not that sort of worried about you know, further stock coming into the market in the future. As a private equity fund, it's a matter of time rather than is not a question of if, it's a question of when. But yet, they've been very clear in stating and we put it out in the news item, as well as well as the part of a release to the stock exchanges that they are not in conversations with any strategic buyers or conglomerate etc. So, what that basically leaves it is, sale in the marketplace only.

Ashwin Agarwal: Okay. But in future whenever that term or their holding period, maybe next one, two, three years, would you in consultation with them, look at placing this large stock among two, three long-term investors rather than it coming to the market?

Abhay Soi: Even right now, the 20% which is sold has been gone to long-term investors only. I mean, if you actually see I mean, right, now, if you look at the stock between KKR and me, we are 50% of the company. The balance 50% which is about INR18,000 crore of stock is out there in the market, which is about 48 crore shares. Yet the trading in shares is about two lakh or three lakh a day.

Ashwin Agarwal: So, you're not disturbed with having 23% stake and the other co-promoter selling off whenever they need to?

Abhay Soi: No. I don't have any concerns on that. I think there are immense examples of companies where the promoters have shareholding in this range. I mean, be it players like Cipla, be it players like UPL, be it players like, a lot of the Tata Group companies and other companies as well. So, I think, yes, I'm not concerned about shareholding and our balance shareholding going out in the marketplace.

Moderator: The next question is from the line of Prakash Agarwal from Axis Capital.

Prakash Agarwal: Just one question on the growth. So, we had a fantastic ARPOB growth, occupancy, increased substantially and business seems to be normalizing now. Now, the question is, the growth and the margin, EBITDA growth, both are mid-single digit So, so you mentioned in your opening remarks, whatever the levers, but when do we see these levers playing out? Is it from next year onwards and this year would be still this mid-single digit? Or how do we see the business shaping out over the nine months period given that there are a lot of initiatives which are at play?

Abhay Soi: I think where it's going to shape out and what the margin is going to be, something for you to work out. I can essentially tell you what the levers are. And you can see what the historic. The main levers will be International, will be the payor mix. There'll be other smaller sort of this thing.

Do keep in mind two things. Quarter one typically is not the strongest quarter because you have price increases, etc. in the first quarter, okay, yet, we don't have a bad quarter in the first quarter this year. That's one. Second is the payor mix. Like I said, from 33%, in one quarter, it came down to 30%. Over the next six quarters, we are expecting it to below 15%. That means 15% of your beds will be able to generate about 45% or 50% more revenue, and 85% of that will go down to your EBITDA. This is on top of what your regular growth should be. So, if you do the math, we'll come to some sort of you know, that for you to analyze. I am going do desist this from giving any forward looking. And we haven't given in the past also guidance, as far as I know.

Prakash Agarwal: I understand. I'm not asking for, you know, the percentage or I'm saying when do you see this happening? I mean, this because we are sitting on a decent page, given the strong execution we have done over the last two years, just trying to understand when does it start playing out double-digit growth? Or with the addition of new beds, then only we start seeing that or it can happen?

Abhay Soi: You are talking about double-digit growth as far as?

Prakash Agarwal: Top line and EBITDA is concerned.

Abhay Soi: I have not guided you to double digit growth at top line or something. This is something that you're working out. That's one, okay. You're already seeing some sort of growth, which is, I think, quarter-on-quarter has been the double digits, you already seen the 33%, come down to 30%. So, your growth right now is embedded with some payor mixture as well. Okay, and when we are guiding it down to 15%, then, you know, your only question can be it is going to be bunched up in the last quarter of on the sixth quarter? Or is it going to happen sequentially? Or, you know, how is it going to sort of play out? That's why, you know, we can't do it on a quarter-on-quarter, month-on-month basis.

And I refuse to give that sort of guidance. Now, if you want to draw a linear line, you're welcome to between, you know, where we are today, to from 30% beds being going towards institutional payor mix to 15% in sixth quarter.

Yogesh Sareen: 17% like-to-like basis and EBITDA growth is 23% on like-to-like basis. Right. So, if we take out vaccination related revenues, which we knew is non-recurring, and we reported a number separately, also in quarter one last year. If you take that out, I'm going to compare the then it is 17% plus growth. EBITDA is also 23% growth. So, you are saying, double digit growth. I don't know what do you mean by that?

Prakash Agarwal: I'm talking about reported basis. So there was COVID and the non-COVID was down, now non-COVID is fully up, whereas COVID is down. So, I'm just saying COVID.

Yogesh Sareen: We have taken vaccination out. We have not taken the COVID out. What we have taken out is the vaccination. Vaccination is non-recurring and that it will be reported number separately for these vaccinations. So, I'm not taking the COVID out of taking only the vaccination out, which is actually OPD business and it does not impact us.

Prakash Agarwal: Okay, also I just wanted to understand the Shalimar which is getting added by end of you know this calendar or by fiscal end, how do you see the ramp up I mean, given that, you know, your turnarounds are pretty fast. So, what is the plan here and similarly it can guide for the Dwarka also?

- Abhay Soi:** Like I mentioned our ramp up will be very quick right i mean and will not have any additional Shalimar Bagh brownfields will be very quickly. as far as Dwarka is concerned is not brownfield will be a little longer you know we expect the breakeven within the year but you know it's on a large base so 3,500 beds that you will get another 300 beds coming up. so it should not disturb your numbers too much.
- Prakash Agarwal:** Okay. And lastly if I look at the Devki Devi particularly you know sales have been soft but margin has improved significantly anything happening there you want to call out?
- Abhay Soi:** Not particularly.
- Yogesh Sareen:** Yes, so don't read too much into it because there'll be some payments which we which we people made, which is definitely as to donate some money, etc.
- Prakash Agarwal:** The slide where you have that revenue and EBITDA breakup?
- Yogesh Sareen:** Don't read into too much individual hospital slides.. I'm saying those movements happen from quarter on quarter, because they have to make some donations which they made. I would say, yes, there is improvement overall, in all the hospitals, compared to Q4. As you know that the EBITDA has gone from Rs 304 crore to Rs.370 crore So obviously, you will see that in the underlying hospital also. And, you know, so that's, that's, that's a better step. The point I'm making is that don't read too much into Individual Hospitals. Gross number is more important than the individual hospitals, especially at PHF level, right? Because here, the elements that provide is charged to the P&L and then that will come to the MHIL Side. Right. So that will happen, because of this year, something this will be a temporary phenomenon before the before the agreement revision takes place.
- Prakash Agarwal:** Okay, perfect. And lastly, on the, you know, further growth initiatives, so next five, six years, we all set with a stated plan or bed additions. But you also talked about we'd kind of structure asset like, you know, development, you know, tie up with developers, or you know, ready to move in hospital kind of setups. Is there anything on? You know, we're still looking at it, or our hands are very tied up with this thing? expansion plan?
- Abhay Soi:** Dwarka is just that, isn't it? There is plenty of this thing and I think there's quite a few conversations on that. It is a big focus area for us.
- Moderator:** Next question is from the line of Yash Shah from Investec India.
- Yash Shah:** My question is, given that our revenue or our footfalls from international patients, it is back to pre-COVID levels and Afghanistan is not completely back as compared to FY20. Right. So, I just wanted to understand which country have you seen sudden inflow, like in footfall? And do you think it is sustainable? Or will we be able to sustain from the other from the same country? Yes, so we it is sustainable?
- Abhay Soi:** Yes. So it is sustainable, we have been making efforts to enter into new markets and increasing also our patient flow from existing markets, which is sort of what augmented and absorbed lack of business from Afghanistan. I am going to again desist from giving you specific names of new markets because you know, I don't want to do it in a public forum. Yes, but we do see stickiness about this business in fact more stickiness with this business because this is a result of a lot of direct to fly offices that we are setting up overseas.
- Yash Shah:** And just one small clarification when we say international football this back to pre-COVID levels, we mean absolute revenue terms right?
- Abhay Soi:** Yes, absolute terms.



- Moderator:** The next question is from the line of Amit Dhawani an individual investor.
- Amit Dhawani:** Can you discuss what levers -- are there any low-hanging fruits still there in ARPOB? And I mean if we look at ARPOB as something is there we can guide for certain Q-o-Q growth or do you think there's any seasonality in the ARPOBs? Just wanted to know, what can drive it higher?
- Abhay Soi:** First and the most primarily the low hanging fruit is going to be the payor mix, increasing the non-institutional, which we've been speaking about on this call. And second is the international business.
- As far as the seasonality is concerned, you know, there is a slight seasonality, you're typically the fourth quarter is the best your first quarter in your third quarter typically not the strongest quarters etc. But Yes, so that's where we are.
- Moderator:** I would now like to hand the conference over to the management for closing comments.
- Abhay Soi:** Thank you so much for being on the call. The results are robust as you can see, but don't come as a surprise for us in some manner and you've been a part of the calls in the past you've seen us guide towards normalization and these sorts of results and we are quite certain that this path will continue going forward as well.