



February 1, 2024

National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051.  
Symbol: RAINBOW

BSE Limited  
Corporate Relationship Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001.  
Scrip Code: 543524

**Sub: Transcript of the Investor call - Financial Results for Q3 & 9M FY24.**

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

Dear Sir/ Madam,

Please find enclosed the Transcript of the Investor call held on January 25, 2024, with regard to Financial Results of the Company for Q3 & 9M FY24.

The said Transcript is also available on the website of the Company and can be accessed through the following link:

<https://d2sn5i18drfi94.cloudfront.net/investor-relations/reports/Analyst-Concall-Transcript-Q3-9M-FY24.pdf>

We request you to kindly take the same on record.

Thanking You,

Yours faithfully,

For **Rainbow Children's Medicare Limited**

**Ashish Kapil**

**Company Secretary and Compliance Officer**

**Encl.:** As above.

## Rainbow Children's Medicare Limited

**Registered Office:** 8-2-120/103/1, Survey No. 403, Road No. 2, Banjara Hills, Hyderabad, Telangana - 500034

**Corporate Office:** 8-2-19/1/a, Daulet Arcade, Karvy lane, Road No.11, Banjara Hills, Hyderabad, Telangana - 500034

**Hyderabad:** Banjara Hills - 040 22334455 | Secunderabad - 040 42462200 | Kondapur IP - 040 42462400 |  
Kondapur OP - 040 42462100 | Hyder Nagar - 040 42462300 | L B Nagar - 040 71111333

**Vijayawada:** Currency Nagar - 0866 6669666 | Governorpet - 0866 6650250 | **Chennai:** Guindy - 044 40122444

**Bengaluru:** Marathahalli - 080 71112345 | Bannerghatta Road - 080 25512345 | Hebbal - 080 35061555

**Delhi:** Malviya Nagar - 011 66888866 | **Visakhapatnam:** Health City, Chinagadili - 0891 3501601 | Siripuram - 0891 3501555



“Rainbow Children's Medicare Limited  
Q3 FY '24 Earnings Conference Call”

January 25, 2024



**MANAGEMENT:** **DR. RAMESH KANCHARLA – CHAIRMAN AND  
MANAGING DIRECTOR**  
**MR. SANJEEV SUKUMARAN – GROUP CHIEF  
OPERATING OFFICER**  
**MR. VIKAS MAHESHWARI – CHIEF FINANCIAL  
OFFICER**  
**MR. SAURABH BHANDARI – GROUP BUSINESS  
ANALYST**

**MODERATOR:** **MR. RAHUL JEEWANI – IIFL SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Rainbow Children's Medicare Limited Q3 FY '24 Earnings Conference Call, hosted by IIFL Securities Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you, sir.

**Rahul Jeewani:** Good morning, everyone. I am Rahul from IIFL Institutional Equities. I welcome you all to the third quarter earnings conference call of Rainbow Hospitals. From Rainbow we have with us today, Dr. Ramesh Kancharla, Chairman and Managing Director, Mr. Sanjeev Sukumaran, Group Chief Operating Officer, Mr. Vikas Maheshwari, Group Chief Financial Officer, and Mr. Saurabh Bhandari, Group Business Analyst.

I will now hand over the call to the Rainbow Management Team for their opening comments. Over to you, sir.

**Dr. Ramesh Kancharla:** Thank you, Rahul, and a very happy new year to everyone. I hope you all had a splendid new year celebration. It is my pleasure to welcome you to our earnings call for the third quarter and nine months of the current financial year.

On operations front, the current quarter performance is relatively slower, because of various reasons like delayed onset of monsoon and inconsistent rainfall. As such, both the second and third quarter performances have been relatively lower compared to the seasonally strong Q2, Q3 historically. Although the third quarter mirrored the previous one, our proactive measures taken in the second quarter to streamline costs have paid off.

However, the specialty services, which includes the paediatrics super-specialty services, obstetrics and tertiary care services continued to do well through the quarter. We encountered disruptions due to cyclone Michaung, which affected operations for about 10 days to 15 days in Tamil Nadu and Andhra Pradesh, impacting our facilities in Chennai, Vijayawada, and Vishakhapatnam. Despite these environmental headwinds, our company has achieved its highest Revenue and EBITDA numbers, demonstrating our operational and financial resilience.

Turning to the financial specifics for the third quarter, we have witnessed a positive growth across the board. Our revenues increased by 9.6%, reaching INR335.9 crores. EBITDA grew by 10.6%, amounting to INR118.1 crores and PAT rose by 7.4%, reaching INR62.5 crores. For the quarter-under review, our occupancy rates stood at 50.8%.

Highlighting the specifics, our mature hospitals recorded an occupancy of 57.6% and our new hospitals reported an occupancy rate of 37.8%, indicative of the nascent stage of their growth trajectory and also an effect of cyclone at these new hospitals in Tamil Nadu and Andhra Pradesh.

Moving to expansion plans,

- I'm happy to share that we commenced operations at our 8th hospital in Central City, Hyderabad, with 60 beds on 4<sup>th</sup> January, 2024. With this addition, Rainbow has a bed strength of 890, comprising of one hub and seven spokes in Hyderabad City. This will further strengthen our hub and spoke network in Hyderabad.
- Our new spoke hospitals in Anna Nagar (~80 beds) and Sarjapur, Bangalore (~90 beds), are in concluding stages and will be inaugurated very soon, in the next few weeks' time.
- The project work for the additional block at Hydernagar, 50 beds in Hyderabad, is in concluding stages, we'll commence operations within this quarter.
- With these additions, we are on course to add 280 beds in the current financial year as budgeted.
- Project work at the spoke hospital at Hennur, Bangalore, (~60 beds), and a regional greenfield project of 100 beds at Rajahmundry, Andhra Pradesh is progressing well and is expected to commence operations towards the end of the next financial year.
- We have signed up for a new greenfield hospital in Coimbatore, of 125 beds. The builder has received the permissions from the government agencies, and the project work will soon commence, probably in February.
- The status on NCR land parcels remains the same as that of the last quarter. We completed 100% payment to HSVP, and land parcels, for two land parcels in Gurgaon, and received the allotment letter for these land parcels. Efforts are underway in collaboration with the government entities to secure possession of these parcels. Simultaneously, we are working actively with the architects in planning and designing of these two hospitals.

We maintain a confident outlook and envision that these expansions will strengthen our presence in growing cities of Hyderabad, Bengaluru, Chennai, and the National Capital Region.

Beyond our growth plans, I would like to shed some light on significant achievements that underscore our dedication to periodic healthcare excellence.

- Our commitment to advancing quaternary care has shown tangible results. In the first nine months of this fiscal year, we successfully completed ~685 cardiac surgeries and procedures along with 55 transplants including liver, kidney, and bone marrow transplants.
- I would like to present a few clinical scenarios which demonstrate our clinical excellence. A six-month-old infant was airlifted from Raipur to our hub hospital in Bengaluru. This baby was suffering from severe renal failure and high blood pressure as a result of Hemolytic Uremic Syndrome(HUS). It's a rare medical complication of E. coli toxins post-diarrheal episodes. Our team promptly responded to the parents' request to airlift the infant and was taken in pediatric intensive care under the supervision of a pediatric nephrologist in Bengaluru. This baby was severely unwell and required ventilation, number of plasma exchanges and dialysis. The baby recovered fully in two weeks' time and was discharged back to Raipur.

- In another clinical scenario, a 10-year-old child presented with an episode of left-sided seizures. This child was evaluated by a periodic neurologist and an MRI demonstrated an arteriovenous malformation with a blood clot. After discussing with the parents, the patient underwent immediate neurosurgical examination of the arteriovenous malformations. Post-operatively, the child recovered very well without any neurological deficiencies and discharged home in four days' time.
- In another clinical scenario, a four-year-old child was referred from another pediatric hospital in Hyderabad with severe breathing difficulties with significant stridor for two weeks' duration. Since this child was in and out of the hospital as an inpatient and was not improving, referred to Rainbow Children's Hospital for specialty care. This child was initially evaluated for various causes of respiratory distress and was suspected to have an obstructive upper airway. CT angiogram demonstrated a pulmonary sling, (pulmonary artery compressing the windpipe). The cardiac surgeon at our Cardiac Institute performed re-implantation surgery to connect the left pulmonary artery to the main pulmonary artery with an end-to-side anastomosis. Post-surgery, the child improved significantly from breathing difficulties as well as stridor.

With these cases, I want to emphasize the need of multidisciplinary care for paediatrics under one roof to deliver excellent clinical outcomes.

The company has also taken a noble initiative of performing health checkups of marginalized people affected by Cyclone Michaung in Chennai and surrounding areas.

With this, I would like to pass the mic to our Group CFO, Mr. Vikas Maheshwari to take you through the financial update. Thank you once again for joining us today. We look forward to your questions and insights as we move forward. Thank you very much.

**Vikas Maheshwari:**

Thank you, sir. A very good morning to all of you and thanks for attending this teleconference. I'm happy to brief the financial performance and the key developments of Rainbow Hospital for the third quarter and the first nine months of financial FY '24.

- Our operating revenue for the quarter stood at INR335.9 crores, reflecting a growth of 9.6% when compared to the corresponding quarter of the previous financial year. For the first nine months, our revenue stood at INR955.8 crores, reflecting a growth of 11.6% when compared to nine months of the previous financial year.
- Our EBITDA for the third quarter amounted to INR118 crores, marking a 10.6% growth compared to the same period last year. For the nine months, our EBITDA stood at INR323.3 crores, reflecting a growth of 8.4% when compared to the first nine months of the previous financial year.
- The EBITDA margins remain steady for the current quarter at 35.1%, while for the nine months our EBITDA margin is 33.8%.
- The profit after tax for the quarter is INR62.6 crores, marking a growth of 7.4% in comparison to the corresponding quarter of the last financial year. The increased depreciation expense to the tune of ~ INR4.5 crores is mainly towards the new unit impacted PAT growth. For the nine months, our PAT stood at INR167.2 crores,

reflecting a growth of 5.5% when compared to nine months of the previous financial year.

- In terms of the operational performance, both outpatient and inpatient volumes for the quarter remained steady with a growth of 1% respectively when compared to the corresponding period of the last financial year. The reasons are already well explained by Dr. Ramesh, CMD. Deliveries which are independent of the season grew by 3% compared to the corresponding period of the last year.
- Our payor mix continued to remain robust and balanced for the quarter, where 50.4% of the revenue coming from the insurance and the balance 49.6% coming from the cash patients. For the nine months, the payor mix stands at 50.4% cash and 49.6% as insurance.
- Furthermore, our international business was approximately 3% of our total business for the third quarter and approximately 3.4% for the first nine months.
- I am pleased to inform that our company's balance sheet remains very robust with a net cash position of INR495 crores as of 31<sup>st</sup> December and will support our ongoing capital expenditure plan as outlined by Dr. Ramesh, Chairman and Managing Director. Given our current cash flow and anticipated internal accruals in the coming years, we remain confident in our ability to complete all planned capital expenditures through internal accruals without any debt financing.
- During the quarter, the company has invested approximately INR60 crores in the capital expenditure.

With these insights, I conclude my financial update. I now invite questions and suggestions from the participants. Thank you very much.

**Moderator:**

Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

**Alankar Garude:**

Hi, good morning. Thank you for the opportunity. Sir, first question. While occupancy has been significantly lower this quarter on a year-on-year basis, our margins have been fairly resilient. One reason can be the strong ARPOB growth and lower ALOS. Are there any other reasons which led to margins remaining relatively steady in this quarter?

**Dr. Ramesh Kancharla:**

Thank you, Alankar. normally Q3 will definitely be very strong on the seasonal businesses. But because there is no season at all due to various reasons of untimely rains and also shortfall of rains and other things. Let's put it this way, it's fairly healthy year.

We do see this kind of year following a very busy year, fairly quiet and a healthy year. Business went on very well in tertiary care, super-specialty paediatrics, obstetrics and also the quaternary care which is growing significantly with the transplant business all those things. So, these are all the high ARPOB business. When you have the almost flat or lower seasonal business, your ARPOB automatically goes up, which we have been witnessing in the current quarter and also the previous quarter. So, that's actually has pushed up the ARPOB. As you said, the relatively lower ALOS plus the superior case mix are the two things which have actually pushed up the ARPOB. In a normal scenario, we would see moderation of the ARPOBs in the second and third quarter because of the seasonal business, which has not happened this time.

**Alankar Garude:** Understood, sir. Anything on the cost side which you can highlight or basically it was business as usual in this quarter on the cost side?

**Dr. Ramesh Kancharla:** We have been disciplined because we sensed it in the second quarter itself that the year is likely to be a kind of healthy. Now, what happens is by the time we are in August and getting into September, we will know exactly how to forecast. As I said earlier in the call, we have been very disciplined with the cost and also various other measures taken to stick to the expenditure budget.

**Alankar Garude:** Understood, sir. And my second question is quite a few hospital companies have highlighted about higher cost of construction and equipment in the last few years. Can you update us on how the per bed capex requirements for us across Greenfield, Brownfield and if you can break that up across hubs and spokes? How have these capex requirements per bed changed in the last few years?

**Dr. Ramesh Kancharla:** I think we have not done the Greenfield hospitals in the last one and a half year time. The hospitals that have come up in the last one year is Financial district and the hospital at Himayat Nagar in Hyderabad. It has gone up definitely. We have not computed the total project yet completely. Definitely it has gone up. I would guess that the costs would have probably gone up by 20%. This is my sense. Maybe I am not sure about the Greenfield project whether it has gone up even further because of cement and steel. The Brownfield project my expectation is between 15% to 20% run up on the cost because everything has gone up including the lighting fixtures, electrical, all the MEPs, cement, steel, everything has gone up.

**Alankar Garude:** Understood, sir. I have more, I will come back in the queue, sir. Thank you.

**Dr. Ramesh Kancharla:** Thank you.

**Moderator:** Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

**Nitesh Dutt:** Hi, thank you for the opportunity. I have a question regarding our occupancy levels this quarter. These are some of our newer hospitals cannibalizing some of our mature existing hospitals and also is there an impact of increased competition for some of our hospitals and due to which the occupancy is lower?

**Dr. Ramesh Kancharla:** Yes. I think definitely there will cannibalization within the urban spoke model as there will be an extent of the patient movement happens because of the proximity between the two hospitals. People choose to go one of the hospitals. That happens but we recover within nine to 10 months because of adding new patients to us. This has been a scenario we have been witnessing for a long time.

Second thing is that yes, competition in this sense definitely there is an increased awareness of children's health care. A lot of smaller children's hospitals not the size of Rainbow but smaller between 15 beds- 30 beds children's hospitals or doctors grouping together and doing some hospitals - this has definitely increased. As we move forward hospitals like ours will do more of complex work and also some of the patients will go to the nearby hospitals. May be this will

become a little more organized Earlier they were going to the nursing homes in future, they might go to paediatrics hospitals.

Second important thing is the reference from the districts obviously for neonatal cases. Every year about 250 neonatologists comes out from the training in the country and a lot of people (neonatologists) are moving to districts. Hence more trained persons are now available so that will start doing some degree of intensification in the references from the districts, and will reduce some of the borderline things, like babies who are 1.5 kilos or 1.2 kilos, people who are less than 1 kilos tend to come to the main city. This will happen over a period of time. The market size is also increasing and awareness is increasing. This is a balance between supply versus demand.

**Nitesh Dutt:** Understood. Thanks for that. Second question, is it possible for you to provide occupancy data or at least occupancy trends by city? Lastly, what is the expected normalised occupancy levels going forward if you have a view there?

**Dr. Ramesh Kancharla:** Okay. So if we go back and look at it, last year we have done clocked about an average of 55.6% occupancy and this year occupancies have obviously come down because of the seasonality and the healthy periods, long healthy periods, those are the things. What we see is, at the Group level we look at occupancy ~55% at matured state. Plus, we are adding beds constantly. Each year we are adding about 150 beds. Perhaps, this year almost 280 beds are going to be added. This is almost like 20%-25% of the existing bed capacity. That will dilute the occupancy.

I think what we aim and look at is that mature hospitals occupancy of north of 60% and overall consolidated occupancy is about 55%. We would do extremely well in terms of providing quality care as well as financial performance.

Because unlike multi-specialties we have differential areas in the children's hospitals and also we cannot keep them in areas which we are not suppose like -- an ICU is very restricted. Intensive cares are restricted. Isolation wards are restricted. We can't keep the children mixed with the women. There are a lot of other restrictions, which is why occupancy levels of 55% at group level is pretty good to achieve to post the best of the results.

**Nitesh Dutt:** Got it. Sir, can you provide any city level occupancy trends for example what happen in Hyderabad, Bangalore, and Chennai etcetera this quarter?

**Dr. Ramesh Kancharla:** We looked at it actually, what is the best way of presenting ourselves as a Group. We are constantly adding more beds in urban spoke models. What we felt is, it's a matured and maturing hospitals is probably a right way rather than taking city view and approach which kind of each city is different, so that how we stuck to it. We have tried to look at it but I think this probably gives you a better forecast for the future.

**Nitesh Dutt:** Sure. Thanks for the answers. I'll get back in the queue.

**Moderator:** Thank you. The next question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.



- Rishi Mody:** I just wanted to get an understanding from the ARPOB growth. How much is the impact of mix change versus price hikes?
- Dr. Ramesh Kancharla:** Price hike we have taken at the beginning of the year. As discussed earlier, as the year panned out, ARPOB has been driven more by quality of case mix and the shorter ALOS. The less seasonal business pushed up the ARPOB probably by 5% or 6% more. Usually what happens is that if we look at the occupancy is almost 11% down.
- That moderation of occupancy, which is dominantly a seasonal business, definitely pushed up ARPOB relatively higher. This is more of a balancing which we have seen, our ARPOB increased. There's no significant price hikes being taken in between. It's more of a quality of business. It's specialty, paediatrics and surgical and quaternary care and intensive care. All these things have pushed the ARPOB higher as in a paediatrics hospital, these are high APROB business.
- Rishi Mody:** Understood. Secondly, just wanted to get an understanding with 220 beds coming in Q4. How much of the fixed cost will get upfronted and then how will the occupancy rates pan out for these 220 beds over the year? If you can give an understanding of that.
- Dr. Ramesh Kancharla:** Sorry, would you mind repeating the question?
- Rishi Mody:** Yes. Basically, what I wanted to understand is that you're coming up with 220 beds in Q4 this year. How much of a fixed cost upfronting will happen on account of these beds? Secondly, how will the occupancy rates pan out for these bed additions over the year?
- Vikas Maheshwari:** Rishi, this is a good question. As we prepare for the 220 beds opening, what is important is to look at the breakup of these hospitals. In Hydernagar, which is just an extension and we're opening the new beds for meeting the new requirements and the demand, basically. We don't think any cost pressures to come on that.
- As far as another hospital which is Himayat Nagar, which is in Hyderabad, is build for demand and we don't expect much of the fixed cost or operational losses to come on that. We expect these two units which are opening in Hyderabad, consisting roughly, 110 beds should do well. In a very short period, they should break even. As far as the opening of the Sarjapur and Anna Nagar is concerned, we have always guided that these markets will take 12 months to 15 months' time for the breakeven. We believe that we should be on those tracks.
- Rishi Mody:** Okay. Got it. So, if I would get a per-bed fixed cost versus per-bed variable cost for you guys, how much -- how would you split your cost between fixed and variable?
- Vikas Maheshwari:** See, in hospitals, if you bifurcate, it's all operational costs. If you look at doctors, paramedics, staff, nursing cost, this is the major cost. And then there's the pharmacy and consumable which is more or less a variable cost. Some part of the doctor's cost is fixed cost. Some part of the nursing cost is fixed cost. So, on an average, if they achieve INR3 crores of the revenue per month, we should be there at breakeven there, including all fixed cost and the variable cost.
- Rishi Mody:** Okay, INR3 crores, INR4 crores revenue per month.

- Vikas Maheshwari:** Yes, INR3 crores, INR3.5 crores, we should be breakeven, yes.
- Rishi Mody:** Okay, got it. And finally, your ALOS has kind of had a step down. So just wanted to understand, have you done anything on the clinical side to reduce the ALOS and improve the capacity utilization for existing beds?
- Vikas Maheshwari:** It's actually more or less an issue of what type of cases coming to the hospital and what is our operational efficiency. How fast we can treat the kid faster, recover the kid faster, or the mother gets recovered faster, and we can discharge that. It's a question of little bit of operational efficiency also. I think this ALOS, what we are seeing is 2.58 for the nine months. I think the range should be between 2 to 3 days for ALOS. We should budget depending on season-to-season.
- Rishi Mody:** Right. Operational steps that have been taken to improve the ALOS so that understanding of how you all are thinking about it?
- Dr. Ramesh Kancharla:** In a hospital like us with the children and women, absolutely the patient discharge is going to be very, very important because this all are the people, who are very active. When a child is in the recovering phase itself we plan for a discharge because of anticipated recovery by next day. Same is with the young mother.
- So very, very different healthcare scenario because in the children and women hospitals because people tend to or want to or request for discharge very early which we also promote, which is why our ALOS of kind of been 2.6 to 2.7, the best of the scenario, 2.5 to the 2.7 between those two. This has been trend in the last six, seven, ten months. I don't think it would increase, it would go beyond 3, unless we kind of start looking at very long-term patients of post-surgical or even the transplants nowadays, we are discharging them on the 12th day, 14th day. So that's how the children are.
- Rishi Mody:** Okay, got it. Thank you. That's it from my end.
- Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.
- Prashant Kutty:** Hi, thank you for the opportunity, sir. Just one question over here in terms of, you can highlight about the occupancy being lower, but just to understand a little more about the mature hospitals. Any reason as to why the occupancy kind of goes down so sharply, typically in a quarter like this, which is considered to be a seasonal quarter? Is it only the reason of floods, which your kind of highlighted, which kind of impacted the occupancy? Anything else you can read into it?
- Dr. Ramesh Kancharla:** Well, in the children's hospital, even the matured hospitals actually get affected by seasonal variations. Why it happens is that in a season, even intensive care gets busier, and the complications will increase, so the specialties get improved, and also surgical work goes up also. This is the same scenario you see in multi-specialty also. Remember, when the season comes, like in the past, dengue or COVID, the increase in the occupancy will happen across the board.

Not only kind of end up with the wards and other things, but also increased footfall for the inpatients and outpatients. It's kind of a multi-dimensional season.

**Prashant Kutty:** Sure, sure, understood. Also, secondly, in terms of your capacity expansion plans, could you probably kind of just outlay in terms of is there any change happening on that front? You could probably also speak a little bit more on the daily part of it, because that is one part that you're very confident about in the year 2025. So any changes happening from that perspective?

**Saurabh Bhandari:** Capex plan, sir. Any change in the capex plan?

**Dr. Ramesh Kancharla:** I think that in terms of the capex, as we were discussing earlier about it, cost of the beds have definitely gone up. However, our capex plan, in terms of the addition of beds, remains very intact. Whatever is the proposed expansions in the newer geographies, like our regional hospital in Rajahmundry, regional hospital in Coimbatore, which is going to be started, it will commence project work in the next month. And there's a hospital getting built in Hennur, Bangalore.

In Delhi, two hospitals are in the kind of pre-project phase, and we've gone for the a drawing board for the architectural designs. We have still got a few things to sort out with the government before registering. And meanwhile, parallelly we are working with architects.

**Prashant Kutty:** Sure. And last point, sir, in terms of the, obviously the ARPOB, I'm going to just want to check with you. Are there any insurance-related hikes which can probably help the pricing going forward? Just want to check, in any of the places, any insurance-related benefits which might probably help in terms of the pricing?

**Dr. Ramesh Kancharla:** See, the most of the insurance tie-ups have been done in the last and in the current financial year time. So they've all signed up for two years. So it's very unlikely to see that any price hikes to the insurance this current year and in the coming year. So, the new hospitals, if we can get the insurance tie-ups quickly, that will be a bonus for us. So we're working really hard in various existing clusters in Hyderabad, Bangalore, Chennai.

We are pursuing because insurance companies to list these new hospitals, to empanel these hospitals sooner than later. Otherwise they usually take about six months to nine months' time. We are actually trying; we are successful in Hyderabad. We want to see that happens in Bangalore and Chennai as well.

**Prashant Kutty:** So, suffice to say that the pricing will largely be driven by your mix, or case mix itself incrementally, is it at least for the next one or two years to come?

**Dr. Ramesh Kancharla:** Yes, sure.

**Prashant Kutty:** Thank you so much, and all the very best to you.

**Moderator:** Thank you. The next question is from the line of Himanshu Binani from Anand Rathi. Please go ahead.

**Himanshu Binani:** Hi, so good day everyone, and thank you for taking my question. So, I have just two questions. Number one on continuing with the previous participant's question on the capex per bed. So can

you please provide us with the absolute capex per bed number for both the spoke and the hub hospitals? And if at all, there is any sort of like variation in case of the Greenfield and the Brownfield projects?

**Vikas Maheshwari:** So, as far as the capex is concerned, whatever we have guided, there is not much of the change in the hub and spoke models. Whatever we have guided based on the inflationary trend, which we have seen in terms of furniture, chairs, medical equipment, and other ancillary equipment, whatever the pressures we have seen is the pricing of roughly 15% to 20%. So, as on date, as we speak, the hub and spoke, particularly the project which we have announced, they should cost between INR65 lakhs to INR75 lakhs per bed.

**Himanshu Binani:** Okay. And so, there is any sort of like variation in the spoke and the hub or the cost is the same?

**Vikas Maheshwari:** Pardon, sorry, your voice is very blurred actually.

**Moderator:** Sorry, your voice is muffled. If you're using your Bluetooth, I will request you to kindly remove it for some time to only ask questions.

**Dr. Ramesh Kancharla:** Definitely the hub hospital will be a little more expensive because of the equipment, various things. Same time, because of the size, the number of beds also get increased. So, that optimizes the Capex per bed. Still, we always take about 15% of the higher capex for the hub hospital.

**Himanshu Binani:** Got it, sir. And so, the second question was, pardon me for this question, basically due to my limited understanding of the sector. So, what I can see is that the average length of stay that has come down while the ARPOB has increased. And one of the factors for the increase in ARPOB was a better case mix. So, what I wanted to get a sense is that if the cases are complex or complicated, then that would result into a better ARPOB growth. Then how come the average length of stay has come down? So, maybe if you can give a sense.

**Dr. Ramesh Kancharla:** You know, the average length of stay, when you look at the obstetrics, it's extremely low, obstetrics, which is one of the best performing this year. Obstetrics, the average length of stay is less than two. The second important thing is the surgical side also length of stay, we have condensed it from previous year to now. The paediatrics surgical, which the volumes have increased significantly, most of them have done minimal access surgery. So, there are also low.

And the other thing, even the transplant work, which we have been doing, which used to go for three weeks to four weeks staying in the hospital, it's come down to almost 11 days to 13 days in the recent past. Some of the babies, which comes to us for the critical illnesses, they get treated and also get transferred to the district sharing hospital. Because we have a lot of shared care hospitals, which send patients to us for the critical part of it. We send them back for the healing phase. All these things put together is one side.

Another one is that when you don't have much of seasonal component of that, that will get kind of moderated. That will actually give us an extra push to increase ARPOB. So, these are the combinations.

Price increase, we have taken the last year.. So, I think the influence is already been reflected. If we go back on our earnings calls last year, we had a very impressive price hikes for Bangalore, Chennai, as well as for Hyderabad. So, that's really given us a kind of a, probably a kind of a pricing advantage, which will continue for this year and the next financial year also.

**Himanshu Binani:** Got it, sir. And sir, can you again quantify on the quantum of price hike which was taken on a consolidated basis and what is the frequency at which we have been taking price hikes?

**Vikas Maheshwari:** So, it's linked with the inflationary link. It should be between 6% to 7% on an average.

**Himanshu Binani:** This we take on a yearly basis?

**Vikas Maheshwari:** Yes, depending upon the situation we also react to the competition pricing. We benchmark and study that what the other hospitals are doing. And based on that, we take a decision on that. But yes, it should be linked with more or less on the inflationary impact.

**Himanshu Binani:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Karan Gupta from Varanium Capital. Please go ahead.

**Karan Gupta:** The overall industry is expanding and all the players are getting now aggressively expanding in terms of bed capacity. So, do you have any figure of, any data related to the doctors, right? On an average, how many doctors or paediatricians are getting graduated? So, just wanted to understand the set-up of the supply side of, or the availability of the doctors in this segment.

**Dr. Ramesh Kancharla:** See, we have specialty in children's hospital. So, for general supply, it may not be much, because for someone to become a consultant in our hospital, so we actually look at more of European standards, they have to be at least five years post-MD to be a consultant in the paediatrics or to be a paediatrician in Rainbow. We do train a lot of people within our system as well. Our focus of taking the paediatricians is very, very less. There's a lot more supply there for us, than having difficulty in recruiting them (paediatrician).

Where our interest and focus is intensive care group, with the neonatologist and paediatrics intensive care, under paediatrics, super specialties like neurology, nephrology, gastroenterology. This is where we look at the demand and supply. Things are much better now than what it used to be, 15 years ago, in the initial days. There are a lot of training centres, including ours, like there are three or four centres in the country for training paediatric neurologists, we are one of the centres.

So, we do actually produce significant number of specialty doctors, of which we always try to retain about 30% within the system. And we recruit people, significant numbers from outside the country, were they are trained, because they have done paediatrics degree in this country have gone out to UK or Canada for specialty training and after the specialty training want to come back, we give them opportunity to join us.

- Karan Gupta:** Okay, so, if you need a permanent doctor, you don't work on the contract basis, or maybe, I mean, kind of case-to-case basis?
- Dr. Ramesh Kancharla:** No, Rainbow is absolutely a fulltime doctor engagement for long term career and this is how we have positioned ourselves. We do not have too much of moonlighting, short-term contracts, or even partial contracts. Also we do not encourage (part time contracts), in the mainstream paediatrics and paediatrics specialty areas.
- Karan Gupta:** Okay. Because why I'm asking this question, is when everybody is expecting and expanding in terms of bed capacity, right? So, and doctors' availability is less. I think some of the reports saying that only one doctor is on over 100 patients, or maybe 1,000 patients. So, is it right? I mean, because this will, if you extrapolate this thing over the years, this will maybe impact on margin, or maybe ARPOB will reduce over the time, because supply constants will be there, in terms of doctors, and you are expanding in terms of bed capacity, so? There will be gap of...
- Dr. Ramesh Kancharla:** I'm not sure what you're trying to link. You know, if there's one number of doctors, who would reduce, I mean, I'm not sure, I'm not able to really understand your question.
- Saurabh Bhandari:** **if there are** more hospitals, more expansions, more beds, but availability of doctors is less compared to expansion.
- Dr. Ramesh Kancharla:** I think see, this is one of the reasons and at Rainbow, I mean, with the balance sheet we have, cash on the balance sheet, I could add 500 beds a year for next five years' time, but I'm not doing it. So, we are limiting about 200 beds, 250 beds a year. One of the reasons, is it's not only about the doctors, this is a full-time model, and also for the clients, the digitally native population, the young people, the children, they are the people, they need to buy your model. You need to demonstrate the ability to provide a high-quality care for the community.
- Then they start looking at us as a fellow. This is a process which takes about two years to three years' time. In a new city it will take about three years' time. Therefore, it's very important that we can look at all the factors of execution; which isn't only project execution, but it's a medical execution of building the business. It is an organic business which we are to build. Unlike multi-specialty, there's no wear and tear problem, which are readily available. So, this is more of an emergency-based specialty, which is driven very strongly on the shoulders of the doctors, who are very well-qualified. It's not the number of doctors, it's one of what kind of quality and skill set they have is more important.
- Karan Gupta:** Okay. And second question is related to, what's the payback period in hub and spoke model, as you said, and what's the traction you are seeing from other mother and care hospitals, that they are referring their patients to you guys? Or what's the steps you are taking to increase this traction?
- Vikas Maheshwari:** I think there's a lot of voice noise here, I think coming nearer to your phone or something like that some voice disturbance there. Could not understand your question.

**Moderator:** So, Mr. Gupta, may we request you to kindly re-join the queue for follow-up questions, please? There are other participants are waiting for their turn. If you could, please. Thank you, sir. We'll take the next question from the line of Kunal Dhamesha from Macquarie Group. Please go ahead.

**Kunal Dhamesha:** Yes, thank you for the opportunity. So, first one, on the business model optimization. So, as you have alluded, that for mother and childcare, the optimum utilization or occupancy could be between 55% to 60%, given the requirement of NICU isolation, etcetera. But let's say, when we are coming up with new hospitals, are we seeing any optimization as to probably increase the NICU bed, or something which could lead to probably higher occupancy in those newer hospitals?

**Dr. Ramesh Kancharla:** Yes, definitely, lot of qualified doctors coming in, and there are definitely going to be more hospitals. Not probably children's hospitals, more in mother and child segments due to low capex and also easily replicable, more of a extensions. Those are things that will keep coming up. They will definitely reduce number of referrals for example, the over and above one-kilo babies. But these hospitals will not be able to provide care for very extreme prematurity, the babies who are less than one-kilo, babies who are complex. They require larger systems.

So, in a way, in a short run, actually what we see is that there may be decrease in number of referrals, but in the long term, what happens is more complex will come to you, because when you position yourself as a kind of tertiary, quaternary care hospital, then the awareness becomes more, and even the people becomes more aware of what is to be done, where to go, which hospital to go. They choose hospital more wisely.

The market will increase in size. All these things happen, it's the dynamics. This is how we have seen a multispecialty has grown in large cities in the country, where four, five groups have kind of built a huge number of beds in all the four, five cities. Market increases significantly with awareness, and also the affordability going up, insurance segment going up. These are all the tailwinds which are going to push overall. It cannot be just one Rainbow Hospital covering any of our cities.

Multiple number of players will definitely come up. There will be some competition. Eventually, what's important is, who provides the best care, better clinical outcomes, and good results, they stay with the premium. That will be well regarded and respected. That's what we have seen in Hyderabad. There are number of Children's hospitals in Hyderabad. Not only now, for the last seven, eight years, because of the resounding success of Rainbow Children's Hospital. But we continue to dominate and do well because people know that which is the hospital to go to when they become sick beyond a point.

**Kunal Dhamesha:** But, sir, my question is more on optimizing the model itself in a way that right now our optimal capacity or occupancy we are expecting is 55%, 60%. Would you be designing a new hospital in such a way that we can go up to 70%, 75% probably changing the mix of you know?

**Dr. Ramesh Kancharla:** Yes, you're right. For example, in matured markets like Hyderabad, we have increased the capacity in number of beds. We increased capacity of beds in Secunderabad from 50 to 100 a couple of years ago. We are increasing some beds in Hydernagar, which is an additional block

we are building next to the existing block. So, there are two ways about it. Do we do a very large hospital from the beginning? And it's going to be a huge capex. And also, as a spoke hospital, there are some limitations, some certain geographies. Certain geographies may need more beds.

That will, time will tell us what kind of a call is we need to take. We can't do a spoke hospital, every spoke hospital, 100 -plus beds. But, at the same time, when there is a need and requirement, we can kind of ramp up. This is fine balance which we need to take at the right time.

**Kunal Dhamesha:** Sure, sir. And second question is on the differential between the rates between, let's say, two channels that we have, cash-paying and insurance channels. I just want to understand, for mother and childcare procedures, what's the differential for the patient? One is cash-paying patient, and another is insurance-paying patient. What could be the rate differential for us?

**Dr. Ramesh Kancharla:** I think, see, in the paediatrics scenario, we are not a mother and child hospital, we are a predominantly paediatrics hospital, and we believe that maternity is a part of the larger format of paediatrics hospitals. This is how we position ourselves. Mother and child hospitals are small and their capability is very limited in many things.

So, generally, an insurance company with a tie-up with us, our cash and insurance tariff is more or less the same for the medical conditions, critical care, and everything. However, there is some packaging, which is done mainly in the maternity side, for the deliveries and those things. Definitely within insurance, especially the GIPSA, they have moderated significantly what they're paying (maternity side packaging). That's definitely there, I can't recall how much percentage-wise difference is there. The tariff is significantly different for GIPSA patients to other patients (maternity side packaging).

What we are trying to do is, to provide better facilities for the patients who pay cash. Obviously, we need to do that. So, they'll be sitting in the deluxe rooms, these people will be sitting in the single private rooms. We need to provide quality and also deliverables for people who are paying more. At the same time, insurance, we have to respect, because it's a large segment and they've got the ability to negotiate with you because of the large size of the patient pool.

**Kunal Dhamesha:** Sure, sir, thank you.

**Moderator:** Thank you. The next question is from the line of Charul Agrawal from Bank of America. Please go ahead.

**Charul Agrawal:** Hi, thank you for taking my question. My question is regarding the Hyderabad region. So, we have already reached around a thousand beds in the region. So, I wanted to understand what is the kind of headroom you see for Rainbow in that region, and how do you determine how much capacity the region can hold?

**Dr. Ramesh Kancharla:** Well, we've always built for demand and need in Hyderabad. The city has grown significantly in the last, 10 years' time. So, we have identified more geographies within the city. As we identify more geographies, which are becoming more of the micro-markets, then we do hospitals in those areas. I personally believe at this point of the time; we probably have got enough beds in



Hyderabad city for the next three years' time. At the same time, I would not hesitate to add more beds if there's a demand and there's a further market there.

Because this is one city where the Rainbow is super-strong, everyone knows about Rainbow. People would love to come to Rainbow Hospital. A lot of times, actually, my diligence basically comes from the patient side. If more-and-more people wanted a Rainbow Hospital over there (a particular micro market), we will set up the hospital over there. Depending on the micro-market, we see the size of the hospital. Is it 50 beds would be enough, or 75 beds are required. I think we have enough beds for now, and for next couple of years.

**Charul Agrawal:** I got it. Thank you, sir. That was my only question.

**Dr. Ramesh Kancharla:** Thank you.

**Moderator:** Thank you. The next question is from the line of Namit Arora from In Growth Capital. Please go ahead.

**Namit Arora:** Thank you for the opportunity. So, my question was around the Tier 2 opportunity. Clearly, you're very strong in the metro, and there is further demand. But from a longer-term view, let's say five-year or a 10-year view, are you looking at any Tier 2 locations strategically, given that you have all the clinical excellence and domain expertise, and there may be demand for you even in the Tier 2 cities? Thank you.

**Dr. Ramesh Kancharla:** Certainly, sir. We've been there in Vijayawada for the last 10-15 years' time, and we have one hospital in Vizag. These are not small hospitals, actually. They are regional hospitals, which are kind of 100-130 beds. We've done in Vijayawada about 135 beds, which is one of the very well-performing hospitals for us, with a huge reputation. Now, we have done in Vishakhapatnam two or three years ago. That's again doing well.

Now, the plan, we are doing one hospital in Rajahmundry, which is about 100 beds, in the project phase, and we have signed up in Coimbatore to do one hospital. These are all significant cities within Tier 2, which we would like to do and have plans to connect the south strongly between Hyderabad, Chennai, and Bangalore. There are a number of Tier 2 cities out there.

Eventually, in three four years, we'll be connecting every 200 kilometres. There will be a Rainbow Hospital (every 200 KMs in targeted cities in AP and TN). to include larger population, and to facilitate the emergencies to the regional spokes to hub hospitals. That gives us a lot of leverage in terms of expertise and also transporting the sick children and babies. This is the plan.

**Namit Arora:** Got it. Thank you for your very detailed thoughts. Very helpful. Sir, I have just one more question. Is there a focus on attracting international patients as well, given that, you have a really excellent, and whether it's, let's say, Southeast Asia, or Africa, or Middle East, is that a market that you want to target for international medical tourism into India, or do you think the domestic opportunities that you are more focused on? Thank you.

**Dr. Ramesh Kancharla:** Domestic opportunities, obviously, is very large. Internationally, of course, there is an opportunity, if you look at the international, like Indian neighbourhood, or Africa, parts of

Middle East, some of the Russian countries, a significant number of these countries are dependent on Indian healthcare. It's going to be similar with the paediatrics also.

Even now, paediatrics patients are coming to various hospitals, they're piggybacking to adult and coming to the multi-speciality hospital. We started international business in the last couple years, post-COVID, and this year, we are expecting to do about 3.5% to 4% of our top line from the international. We actually have a separate team working on it and we have been directly having MOUs with the governments.

Recently, we had done a MOU with Tanzania, and we have already got some governmental tie-ups with Oman and some other African countries, and done a tie-up with Zanzibar last week. We are actively working on International business. This is one of the things like adult healthcare, where eventually, for the children's healthcare, when we are able to build quaternary care more-and-more, the whole of developing world will come around to us.

**Namit Arora:** Got it, thank you very much, sir, and all the very best to the entire team. Thank you.

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

**Alankar Garude:** Yes, thank you again. Sir, can you comment on the progress of the Madhukar Hospital?

**Vikas Maheshwari:** Yes, Alankar, that's a great question. The hospital remains on the steady note as we discussed last quarter. What we have done in the Madhukar is that there is change of leadership. We have brought a new leadership and we expect them to drive the revenue and profitability from here. So that may take some three months to six months' time and all the right ingredients are already there now. We expect it to improve from here, Alankar.

**Alankar Garude:** So would it be fair to say that whatever challenges we have faced in the past, say, three years, four years, a large part of that has already been addressed, and it's just a matter of time. I mean, we are awaiting results from some of those initiatives?

**Vikas Maheshwari:** Yes, that's correct. So right ingredients are already put up. The doctor team, nursing team, management team, everything is set up there now. And it's a fresh leadership team. I think you will see the results in three months to six months' time, Alankar.

**Alankar Garude:** And by that if you can quantify that in terms of margins, how much time would it take, in your view, to reach the margin levels of, say, Bangalore or Chennai for this particular hospital?

**Dr. Ramesh Kancharla:** Alankar, , this is Dr. Ramesh here, it would never, ever reach the Hyderabad or Bangalore levels because this is not a hospital where we have incurred the capex.(This was low Capex, high rental model). We have done the hospitals but these beds are not included in any of our presentations or deck as we do medical management. This is not a capex heavy bed for us. We are only doing management of these beds. For 140 beds, our initial investment was only about INR40 -45 crores.

Second important thing is that we have engaged with the owner on a high rental basis. The structure is slightly different. Thus, huge cost goes as rentals. Third important thing is it's a DDA property where we have to offer some free beds to the government, The free treatment is going up significantly, about INR60 lakhs-70 lakhs a month.

Fourth, the minimum wages are pretty high in Delhi. Being a medical hospital in a Delhi with a high rental cost and the high HR and high doctor cost, that's all about it (high cost structure). If you look at some other group of hospitals, which I won't go on to name, have also got similar structure. Eventually, my dream is to do about 15% to 18% of EBITDA. I would be super happy if I do 15% of EBITDA at Madhukar Hospital.

What Madhukar has actually taught me, I'm in the South Delhi, number one, Number two, I understood the Delhi market, whatever, all the things. So, it's given a kind of a huge experience for me to move forward, which is why we are doing more hospitals in Gurgaon, spotting workplace in Noida.

That's where we are supposed to be. We can expect our operating models to go like Hyderabad or Bangalore in those areas (surrounding areas of Hyderabad and Bangalore), but not in the South Delhi or Central Delhi. Because of the structural cost issues and not being our hospital brownfield or greenfield. These are the issues which we have been addressing. The top lines, you can make it grow to an extent, but bottom line is always difficult because of the cost structures.

**Alankar Garude:** Fair enough, sir. And that 15% to 18% which you mentioned is at the unit level. That is not the Rainbows share...

**Dr. Ramesh Kancharla:** The unit level, that's confined to the Madhukar. Madhukar does about 15% of EBITA, which is pretty good because the low-capex beds being in South Delhi, maintaining that is pretty good. It adds value being in the South Delhi.

**Alankar Garude:** What's the outstanding amount now, sir? And how much have we paid in this quarter?

**Vikas Maheshwari:** So, more, or less, remains the same, Alankar. It's roughly INR30 crores, which remain outstanding there. We are not much worried about that, as Dr. Ramesh has explained. We are there for some strategic reasons and get the learning. And some amount is also required for the working capital operations, etcetera, there. So, I expect this, the whole loan outstanding, which is there, it will take some time to nullify but we are not worried about that amount which we have invested there.

**Alankar Garude:** I understood. And maybe one last question. See, based on the data which you provide in the presentation on the mature and new hospital split, it appears that mature hospitals have grown by about 12% top line in nine months. But unfortunately, this data is not like-to-like, and hence, it's difficult to know the exact SSG for the mature hospitals.

Now, I mean, assuming the mature hospitals or the SSG data suggests about 11% to 12% top line growth in nine months, just wanted to understand whether the growth rates would vary

significantly across, say, Hyderabad, Vijayawada, as well as Bangalore, which fall under the mature leg for us?

**Vikas Maheshwari:** No, so in Hyderabad, now we will have some maturing hospital, right? And then Bangalore, Chennai, both are maturing. So, see, what is this like-to-like comparison you're not able to do, because few hospitals keeps moving from the threshold of the five years to the new limit, right? So, that may be not giving the right picture to you. You can separately engage with Saurabh, who is handling our IR. He can give the correct mix, like-to-like, if you want to compare. He can give you some flavour on that.

**Alankar Garude:** Sure.

**Moderator:** Thank you very much. Alankar, sir, you can connect offline with the management, please. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing remarks. Over to you, sir.

**Vikas Maheshwari:** Thank you all the participants for active participation and giving us the insight and the question-and-answer, which we have been able to answer. If any of the participant feels that they have not got the chance or their question remains not answered fully, they can connect us separately. The contact phone numbers and the email IDs are already given in our presentation. So, they can connect separately. We will be happy to provide all the clarifications.

With this, I conclude the conference. I thank again all the participants.

**Moderator:** Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

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