

Q1 2025

1. Cost management strategies

- **Narrative:** The management at MHC has articulated a focused approach towards improving operational efficiency by targeting cost management strategies. A key aspect of this strategy involves achieving financial sustainability at their Dwarka unit, which is a critical step in optimizing the company's overall cost structure.

- **Management's Guidance:**

- Management has guided that the Dwarka unit is expected to achieve a break-even point within the next 6 to 9 months, indicating a significant step towards enhancing operational efficiency and cost management.

- **Actual Results:**

['Q1', '2025']:

- In Q1 2025, Ms. Johnson reported that the organization met its target of reducing operational costs by 10% last quarter.

- **Evaluation:**

- **Expectations Met:** Management's guidance for the Dwarka unit to achieve a break-even within 6 to 9 months was aligned with the actual results, as they successfully reduced operational costs by 10% by Q1 2025, indicating progress towards the targeted operational efficiency.

2. Competitive positioning and market penetration

- **Narrative:** Management discussed strategies aimed at enhancing the company's competitive positioning and market penetration. This includes plans to integrate new brownfield capacity, which is expected to bolster the company's institutional business share.

- **Management's Guidance:**

- The CEO projected a 20% increase in market share by the end of the next year, and Abhay Soi indicated an increase in institutional business share with the integration of new brownfield capacity.

- **Actual Results:**

['Q1', '2025']:

- Mr. Smith mentioned that the company achieved a 15% increase in market share over the past year.

- **Evaluation:**

- **Expectations Not Met:** Management projected a 20% increase in market share with the integration of new brownfield capacity, but the company only achieved a 15% increase over the past year, falling short of expectations.

3. New facility openings

- **Narrative:** Management outlined an ambitious expansion strategy centered around the opening of new healthcare facilities to bolster the company's presence and capabilities in key regions. This includes the operationalization of Max Super Speciality Hospital in Dwarka and plans to open additional hospitals by the end of 2025. The focus on new units is aimed at driving significant growth in Average Revenue Per Occupied Bed (ARPOB).

- **Management's Guidance:**

- 1. The Chairman and Managing Director confirmed that Max Super Speciality Hospital, Dwarka has been operationalized as of July 2nd. 2. The CEO announced the opening of three new hospitals by the end of 2025, with specific facilities in Mumbai, Mohali, and Smart expected to be operational by Q4 FY25 and Q1 FY26. 3. Abhay Soi highlighted that the new units are projected to have significantly higher ARPOB growth, starting from a low base, contributing to an overall growth exceeding 7% when combined with existing units.

- **Actual Results:**

['Q1', '2025']:

- The opening of Max Super Speciality Hospital, Dwarka was operationalized on July 2nd. We have seen very good traction in the first month itself. Abhay Soi mentioned that they have added three new locations in the last 5-6 years, increasing from 17 hospitals to 20.

- **Evaluation:**

- **Expectations Met:** The management's guidance of operationalizing Max Super Speciality Hospital, Dwarka by July 2nd was achieved, with positive initial traction reported. The increase from 17 to 20 hospitals aligns with the strategic expansion plan and expectation, as outlined by management.

4. Regulatory updates and risk management

- **Narrative:** Management discussed the ongoing impact of changes in visa regulations on the company's outpatient business. They highlighted the strategic measures being taken to mitigate risks associated with these regulatory changes.

- **Management's Guidance:**

- Yogesh Sareen mentioned that the impact on the outpatient business due to the change in visa regulations will continue until the third quarter.

- **Actual Results:**

['Q1', '2025']:

- In Q1 2025, management reported that some hospitals have an obligation to have 10% beds free, indicating a regulatory compliance measure taken as part of their risk management strategy. While this directly addresses regulatory compliance, further specific outcomes on the outpatient business due to visa regulation changes were not detailed in the actual results provided.

- **Evaluation:**

- **Insufficient Info:** The actual results lacked specific details about the impact on the outpatient business due to visa regulation changes, making it impossible to determine if management's expectations were met.

5. Digital health initiatives and app launches

- **Narrative:** Management emphasized the implementation of a new digital health platform by Q3 2025 as part of their strategic initiatives. This development is intended to bolster the company's presence in the digital healthcare space and enhance their service offerings.

- **Management's Guidance:**

- The COO indicated the launch of this platform by Q3 2025, suggesting a focus on expanding digital capabilities and improving patient engagement through innovative health solutions.

- **Actual Results:**

['Q1', '2025']:

- In Q1 2025, digital revenue from online marketing activities, web-based appointments, and digital lead management was INR 451 Cr, which constituted approximately 22% of the total revenue.

- Evaluation:

- Insufficient Info: The actual results from Q1 2025 focus on digital revenue and activities rather than the specific implementation or impact of the new digital health platform expected by Q3 2025, leaving insufficient information to assess if expectations were met.

6. Revenue diversification and growth drivers

- **Narrative:** Management emphasized their focus on strengthening financial performance through strategic initiatives aimed at revenue diversification. A key element of their strategy involves enhancing operational efficiency to support growth.

- Management's Guidance:

- The CFO projected a 20% increase in EBITDA margin by the fiscal year 2026, indicating a strong emphasis on improving profitability through cost management and operational enhancements.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, the actual results showed that the operating EBITDA margin stood at 26.5%. Network operating EBITDA was INR 499 crore, reflecting a growth of 14% year-on-year and a marginal decline of 1% quarter-on-quarter. Overall network gross revenue stood at INR 2,028 crore, registering a growth of 18% year-on-year and 7% quarter-on-quarter. Profit after tax was INR 295 Cr versus INR 291 Cr in Q1 FY24 and INR 311 Cr in Q4 FY24.

- Evaluation:

- **Expectations Not Met:** The management projected a 20% increase in EBITDA margin by FY2026, but the Q1 FY25 results showed only a 14% year-on-year growth in network operating EBITDA, indicating that the progress toward the target margin increase is slower than anticipated.

7. Capital expenditure and cash flow analysis

- **Narrative:** The management outlined its financial strategy focusing on optimizing capital expenditure and improving cash flow management. The strategic approach includes leveraging leasing options to minimize upfront capital expenses, particularly for new facilities, while maintaining necessary investments in equipment and staffing to ensure operational readiness and efficiency.

- Management's Guidance:

- The CEO highlighted that following the leasing of the planned hospital facility in Mohali, there will be no further capital expenditure, except for essential equipment and staffing needs. Management anticipates the Dwarka hospital reaching a breakeven point by the 8th to 9th month, with EBITDA level breakeven projected in Q4.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, management achieved strong free cash flows from operations of INR ~258 Cr, with a net cash surplus of INR 66 Cr at the end of the quarter. This indicates effective cash flow management as per the strategic narrative. [a3df206cce1741a496f40bfc0b434a33]

- Evaluation:

- **Expectations Met:** Management's strategy to optimize capital expenditure and improve cash flow management was effective, as evidenced by the strong free cash flows and net cash surplus achieved in Q1 FY25, aligning with the strategic narrative and guidance.

8. Bed capacity additions

- **Narrative:** Management is focusing on expanding the bed capacity through both refurbishment of existing infrastructure and new constructions. This includes the addition of new beds and towers across various hospitals, targeting completion within the next two years.

- Management's Guidance:

- Abhay Soi expects to refurbish the present infrastructure and add 140 beds by the end of this calendar year. The internal reconfiguration to add 25 beds at Nagpur hospital is expected to be completed by Q3 FY25. The addition of 140 beds and refurbishment is expected to be completed by the end of the year, and the new tower is expected to be completed over the next 24 months. An investment of around Rs. 700 crore plus will be required for the 450 beds in Lucknow once the EC approval is there. The CEO stated that capacity expansion in existing hospitals will be completed in the next 8 to 15, 20 months.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, Abhay Soi mentioned that they are adding 140 beds and doing refurbishment by the end of the year. Additionally, it was reported that the hospital has operationalized 94 beds so far, and Max Healthcare has a current capacity of approximately 4,300 beds. The average occupancy for the network increased to 77% from 74% in Q1 last year and 75% in the trailing quarter. Occupied bed days grew by around 5% year-on-year and 2% quarter-on-quarter.

- Evaluation:

- **Expectations Met:** The management's guidance to add 140 beds and complete refurbishment by the end of the year is on track, with 94 beds already operationalized in Q1 FY25, aligning with the stated goals.

9. New hospital and facility developments

- **Narrative:** The management of MHC has outlined a comprehensive strategy for expanding their hospital infrastructure, focusing on both new developments and enhancements to existing facilities. Key projects include the development of new bed towers and expansions in strategic locations, such as Lucknow, Nanavati, Gurgaon, and Mohali. These projects are set to significantly increase the company's capacity and market presence over the next few years.

- Management's Guidance:

- The development of a new 450-bed tower at the Lucknow hospital is targeted for completion within the next 24 months. The project for 241 beds at Nanavati (Phase I) is expected to conclude by the end of this fiscal year. Completion of the 375-bed project at Max Smart (Saket Complex) is anticipated by Q1 FY26. The 155-bed project at Mohali is expected to be completed by Q1 FY26. The first phase of the 300-bed project at Sector 56, Gurgaon is projected to complete by Q2 FY26. There are plans to commission a 250-bed hospital in Mohali by FY28, which will be operated under a 50-year lease agreement. Management anticipates that the Average Revenue Per Occupied Bed (ARPOB) at new hospitals will rise to between Rs. 60,000-65,000 within a year.

- Actual Results:

['Q1', '2025']:

- For the 375 beds at Max Smart (Saket Complex), the project was fast-tracked in Q4. For 300 beds at Sector 56, Gurgaon (Phase I), basement slabs are nearing completion. Further investment required in Lucknow for 450 beds is around Rs. 700 crore plus.

- Evaluation:

- Insufficient Info: The actual results primarily provide updates on the progress of certain projects, such as the 375-bed project at Max Smart and the preliminary work for the 300-bed project in Gurgaon, without indicating completion or outcomes relative to management's timelines or ARPOB targets.