

Q2 2023

1. Capacity Expansion and Operational Efficiency

- **Narrative:** Management highlights significant investments in capacity expansion, focusing on both brownfield (adding beds to existing facilities) and greenfield (building new facilities) projects. Specific projects mentioned include the addition of 100 beds at Shalimar Bagh and 300 beds at Dwarka. These expansions are expected to improve operational efficiency and increase revenue. There's also commentary about targeting a higher capacity utilization rate post-expansion.

- **Management's Guidance:**

- Construction at Shalimar Bagh (100 beds) is on track for commissioning in the last quarter of FY23. Construction at Dwarka (300 beds) is on track for commissioning in the first half of FY24. Post-expansion, capacity utilization is expected to increase from 85% to 93%. Further bed additions are planned, with approximately 1500 new beds commissioned in FY25 and a higher number in FY26. A reduction in institutional bed share by 13% is anticipated, leading to at least a 50% increase in revenue from that segment, with 85% flowing to EBITDA. The goal is to cut operational costs by 10% in the coming quarter.

- **Actual Results:**

['Q4', '2023']:

- No specific actual results for capacity expansion in Q4 FY23 are provided in the data.

['Q1', '2024']:

- No specific actual results for capacity expansion are directly provided in the Q1 FY24 data. However, the Q1 FY24 data mentions a reduction in bed share excluding Max Shalimar Bagh, where 122 beds were added, from 30.1% in Q1 FY23 to 27.4% in Q1 FY24. Further information on the completion status of the Dwarka project or overall capacity utilization is unavailable in the provided Q1 FY24 data.

['Q2', '2023']:

- The provided data does not contain specific information confirming the completion timelines for Shalimar Bagh and Dwarka expansions or the exact realized capacity utilization rate increase in Q2 FY23. However, the occupancy rate for Q2 FY23 was 78%, showing improvement. A reduction in institutional bed share to 28% from 37% the previous year aligns with the guidance. There's a 17% YoY and 6% QoQ growth in gross revenue, excluding Covid-19 vaccination. Further, EBITDA per bed grew by 17% YoY and 4% QoQ. Information on the 10% operational cost reduction target is not directly confirmed in the provided data.

['Q3', '2023']:

- No actual results for Q2 2023 are provided in the supplied data.

- **Evaluation:**

- {'evaluation': 'Partially Met expectations', 'evaluation_reason': 'While the reduction in institutional bed share and revenue growth align with the guidance, the data lacks specifics on capacity expansion completion, utilization rate increase, and operational cost reduction, preventing a complete assessment.'}

2. Financial Performance and Margin Improvement

- **Narrative:** Management provides updates on revenue growth (65% YoY and 21% QoQ, excluding Covid-19 related tests), outpatient consult projections, and EBITDA margin improvements. There's discussion of targets for future margin improvements and the impact of capacity expansion on profitability.

- **Management's Guidance:**

- Revenue growth of 15% is targeted for fiscal year 2023. Operating margin is projected to fall below 15% within four to five quarters. Outpatient consults are projected to reach 1,120,000 in H1 FY23, a 16.1% increase from H1 FY22. Significant investments (Rs. 640 crore) are planned, possibly concentrated in the first quarter of the next fiscal year.

- **Actual Results:**

['Q4', '2023']:

- In Q4 FY23, gross revenue was INR 1,637 Cr (+26% YoY and +5% QoQ). PAT was INR 320 Cr (+85% YoY and +19% QoQ). Operating EBITDA was INR 437 Cr (+44% YoY and +4% QoQ). The 15% revenue growth guidance for FY23 is not directly comparable to the Q4 results alone and requires full-year data for assessment. Similarly, operating margin data for Q4 FY23 is needed to assess the guidance on operating margin falling below 15% within four to five quarters.

['Q1', '2024']:

- Q1 FY24 data shows gross revenue of INR 1,719 Cr, compared to INR 1,473 Cr in Q1 FY23 and INR 1,637 Cr in Q4 FY23. This represents a growth of +17% YoY and +5% QoQ. The operating margin in Q1 FY24 was 26.8%. Information on outpatient consults for H1 FY23 is not available in the provided Q1 FY24 data.

['Q2', '2023']:

- Actual revenue growth in Q2 FY23 exceeded the 15% annual target, showing 17% YoY and 6% QoQ growth excluding Covid-19 vaccination. The operating margin information is not explicitly stated for Q2 FY23 in the results, but the EBITDA margin improved to 27.7%. Outpatient consults reached 1,120,000 in H1 FY23, meeting the guidance. There is no specific mention of the Rs. 640 crore investment in Q2 FY23 results.

['Q3', '2023']:

- In Q3 FY23, gross revenue (excluding Covid-19 vaccination) was INR 1,559 Cr, reflecting a +13% YoY growth and flat QoQ growth. Outpatient consults in Q3 FY23 were 5.74 lakhs, a +7% increase over Q3 FY22 and slightly higher than Q2 FY23. Profit after tax (PAT) for Q3 FY23 was INR 269 Cr, a +7% YoY increase and +1% QoQ increase. A board member stated revenue growth of 12% in Q3 FY23 and another stated 13% YoY growth. Operating margin in Q3 2023 was 18.2%.

- **Evaluation:**

- {'evaluation': 'Exceeded expectations', 'evaluation_reason': 'Q2 FY23 revenue growth significantly surpassed the annual target, and the outpatient consult projection was met, exceeding expectations in these areas. The lack of explicit operating margin data prevents a complete assessment.'}

3. Return on Capital Employed (ROCE)

- **Narrative:** Management emphasizes the importance of maintaining and improving ROCE, mentioning that all future initiatives must be accretive to ROCE in the long run. Bed additions are explicitly described as ROCE-accretive.

- **Management's Guidance:**

- The current ROCE is 33%, and future actions must be accretive to this figure in the long term. Bed additions are expected to be ROCE accretive.

- **Actual Results:**

['Q4', '2023']:

- In Q4 FY23, pre-tax ROCE stood at 36%. Note that this is pre-tax ROCE and the management's guidance mentions a 33% current ROCE which may be after-tax. Further clarification is needed to fully assess the performance against the guidance.

['Q1', '2024']:

- Q1 FY24 data shows pre-tax ROCE at 34.6%, compared to 29.9% in Q1 FY23 and 35.6% in Q4 FY23. This shows an improvement YoY.

['Q2', '2023']:

- The provided data shows a pre-tax ROCE of 33% in Q2 FY23, matching the management's stated current ROCE. There is no information in the provided data to assess whether the bed additions were, in fact, ROCE-accretive during this period.

['Q3', '2023']:

- In Q3 FY23, pre-tax ROCE was 34.2%, compared to 32.2% in Q3 FY22 and 33.4% in Q2 FY23. Another source mentions pre-tax ROCE increased from 31% to 32%, and a board member stated approximately 32% ROCE for the 9 months ended December 2022.

- Evaluation:

- {'evaluation': 'Met expectations', 'evaluation_reason': "The pre-tax ROCE aligned with the management's stated current ROCE, meeting expectations in this aspect. However, the impact of bed additions on ROCE remains unclear."}