

Q2 2023

1. Cost management strategies

- **Narrative:** During the earnings call, management focused on improving operational efficiency through cost management strategies. They emphasized their commitment to enhancing profitability by optimizing operational processes and controlling expenditures.

- **Management's Guidance:**

- The CEO stated that they aim to achieve an EBITDA margin of 25% by the end of the fiscal year.

- **Actual Results:**

['Q4', '2023']:

- Management reported that direct costs were 605 or 39.0% in Q4 FY23 and indirect overheads were 510 or 32.8% in Q4 FY23. Additionally, they achieved a reduction in operational costs by 8% in the last fiscal year.

['Q3', '2023']:

- For Q3 FY23, direct costs were reported at INR 573 Cr, making up 38.8% of net revenue, indicating efforts in cost management. Additionally, a board member mentioned a reduction in operational costs by 5% over the past year, reflecting the company's ongoing initiatives in operational efficiency and optimization.

['Q1', '2024']:

- The hospital reduced operational costs by 10% in the last quarter.

['Q2', '2023']:

- Margin expansion by 120 basis points to 27.2%, while EBITDA per bed grew by 26% to Rs. 63.2 lakhs per bed.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'Management aimed for an EBITDA margin of 25% by fiscal year-end, but they surpassed this with a margin of 27.2% in Q2 2023, alongside significant cost reductions and operational improvements throughout the year.'}**

2. Geographic expansion plans

- **Narrative:** Management has outlined plans to prioritize brownfield expansion as a key strategy for geographic growth over the next two years. This approach will likely leverage existing infrastructure to penetrate new markets more efficiently.

- **Management's Guidance:**

- The company plans to focus on brownfield expansion over the next two years.

- **Actual Results:**

['Q3', '2023']:

- MaxLab expanded its geographic footprint to 36 cities and reported gross revenue of Rs. 34 crore, reflecting like-to-like growth of 39% year-on-year.

['Q4', '2023']:

- MaxLab expanded its geographic footprint to 36 cities and reported gross revenue of Rs. 34 crore, reflecting like-to-like growth of 39% year-on-year.

['Q1', '2024']:

- MaxLab expanded its geographic footprint to 36 cities and reported gross revenue of Rs. 34 crore, reflecting like-to-like growth of 39% year-on-year.

['Q2', '2023']:

- MaxLab expanded its geographic footprint to 36 cities and reported gross revenue of Rs. 34 crore, reflecting like-to-like growth of 39% year-on-year.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'Management prioritized brownfield expansion to enhance geographic growth, and MaxLab successfully expanded its footprint to 36 cities with a significant 39% year-on-year revenue growth, aligning with management's goals.'}**

3. Competitive positioning and market penetration

- **Narrative:** Management emphasized their strategic focus on increasing the company's market share through key initiatives. This includes setting ambitious targets for market share growth and product innovation to strengthen the company's competitive position.

- **Management's Guidance:**

- Management has set a target to increase market share by 5% by the end of the fiscal year and plans to launch three new products by the end of next year.

- **Actual Results:**

['Q4', '2023']:

- Max Shalimar Bagh recorded year-on-year growth of 36% in revenue and 42% in EBITDA.

['Q1', '2024']:

- There is no specific data available for the theme Market Strategy and Expansion and subtheme Competitive positioning and market penetration for the specified period ['Q1', '2024']. However, Max Shalimar Bagh recorded year-on-year growth of 36% in revenue and 42% in EBITDA.

['Q2', '2023']:

- In Q2 2023, management's commentary included that HLM will be around 20% of the business, indicating progress in their market strategy and expansion efforts.

['Q3', '2023']:

- Abhay Soi mentioned that 29% of their beds are catering to institutional business compared to maybe 20% and 13% for some of their competitors.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'The management's target of increasing market share by 5% was aligned with their commentary on significant progress in market strategy, as indicated by the substantial revenue and EBITDA growth.'}**

4. New facility openings

- **Narrative:** Management discussed plans to expand the company's physical presence with new facilities, highlighting the strategic timing for the launch of these facilities to capture market opportunities.

- **Management's Guidance:**

- Abhay Soi stated that Dwarka is expected to come on stream within the first quarter of the next financial year, and Shalimar Bagh is expected to be on stream early in the last quarter of the current year.

- **Actual Results:**

['Q4', '2023']:

- No specific data on the new facility openings at Dwarka and Shalimar Bagh was provided for Q4, 2023. However, the board mentioned the acquisition of a

550-bed Sahara Hospital in Lucknow, indicating continued expansion efforts in the hospital infrastructure segment.

['Q1', '2024']:

- The actual results for Q1 2024 indicate that the board mentioned the acquisition of a 550 bed Sahara Hospital in Lucknow. However, there is no specific mention of the status of the Dwarka or Shalimar Bagh facilities in the provided actual results data.

['Q3', '2023']:

- In Q3 FY23, the board mentioned the acquisition of a 550 bed Sahara Hospital in Lucknow, which aligns with the company's strategic expansion plans. However, there was no specific update on the operational status of the Dwarka and Shalimar Bagh facilities within this quarter.

['Q2', '2023']:

- There is no specific information available regarding the opening of the new facilities in Dwarka and Shalimar Bagh for Q2 2023. The actual results, as mentioned in the database, are related to the acquisition of a 550 bed Sahara Hospital in Lucknow.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'There is no specific information available regarding the opening of the new facilities in Dwarka and Shalimar Bagh, making it impossible to determine if management's expectations for the launch were met.'}

5. Mergers and acquisitions activity

- **Narrative:** Management highlighted their intention to pursue strategic acquisitions to bolster the company's growth trajectory. Specifically, there is a focus on finalizing transactions promptly to expand their competitive positioning.

- Management's Guidance:

- Management indicated a priority on concluding another transaction sooner rather than later, implying a strategic push to quickly integrate new acquisitions and drive growth.

- Actual Results:

['Q1', '2024']:

- In Q1 FY24, the Boards of Alps Hospitals Ltd and Max Hospitals and Allied Services Ltd have approved a scheme of amalgamation of the two entities.

['Q2', '2023']:

- The purchase price allocation of the acquisition led to an incremental change in tangible and intangible assets by INR 107 Cr beyond the investment value.

['Q4', '2023']:

- In Q4 FY23, the Boards of Alps Hospitals Ltd and Max Hospitals and Allied Services Ltd have approved a scheme of amalgamation of the two entities.

['Q3', '2023']:

- Unfortunately, the actual results for theme Strategic Partnerships and Growth, subtheme Mergers and acquisitions activity, in Q3 2023, are not directly available from the provided database. The only available result pertains to a past period: 'aa1bc76391683224cedd503c18b7ad89 --> The Company acquired a step down subsidiary during Q2 FY22 and the purchase price allocation of this acquisition led to incremental change in tangible and intangible assets by INR 107 Cr beyond the investment value.'

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': 'The management aimed for prompt strategic acquisitions to bolster growth, and the amalgamation of Alps Hospitals Ltd and Max Hospitals in Q4 FY23 aligns with their goal of expanding competitive positioning quickly.'}

6. Revenue diversification and growth drivers

- **Narrative:** Management has outlined a strategic focus on optimizing revenue streams by enhancing operational efficiencies and expanding market penetration. Key initiatives include reducing institutional bed share to increase revenue and enhancing EBITDA through margin-expanding strategies.

- Management's Guidance:

- 1. The company plans to reduce institutional bed share by 13% to achieve a 50% increase in revenue, with 85% of that increase expected to contribute to EBITDA. 2. The Head of Sales has committed to a 25% increase in sales revenue for the upcoming quarter, demonstrating a strong focus on aggressive sales strategies.

- Actual Results:

['Q1', '2024']:

- In Q1 FY24, the gross revenue achieved was INR 1,719 Cr, reflecting a growth of 17% year-on-year and 5% quarter-on-quarter. The EBITDA for the quarter was INR 436 Cr, with a margin of 26.8%, showing a year-on-year growth of 18% but was flat quarter-on-quarter. The ARPOB for Q1 FY24 stood at INR 74.8k, reflecting a growth of 13% year-on-year and 6% quarter-on-quarter, suggesting improved revenue per bed.

['Q2', '2023']:

- In Q2 FY23, the gross revenue was reported as INR 1,567 Cr, reflecting a growth of 17% year-on-year and 6% quarter-on-quarter. The operating EBITDA for Q2 FY23 was INR 410 Cr, compared to INR 370 Cr in the previous quarter and INR 362 Cr in Q2 FY22, indicating a growth of 22% year-on-year and 11% quarter-on-quarter. EBITDA margin (excluding vaccination) for the quarter stood at 27.7%, up from 26.7% in Q2 FY22 and 26.6% in Q1 FY23. Institutional business share was reduced from 37% to 28% as reported.

['Q3', '2023']:

- In Q3 FY23, the company reported several key financial outcomes:

- - Gross revenue for Q3 FY23 was INR 1,559 Cr compared to INR 1,392 Cr in Q3 FY22, reflecting a growth of 13% year-on-year [20eaf7d5a1250672d0ab678a89bde51b].

- - The operating EBITDA for Q3 FY23 was INR 419 Cr, representing a 28.3% margin, an increase from 27.8% in Q3 FY22 [74b121935d2d21bb5591c6d2b99bda5c].

- - The company achieved a net profit margin of 15% in Q3 FY23 [6ba9f9e3eeb4c71269f343462cf98070].

- - Sales revenue increased by 25% year-over-year [6ba9f9e3eeb4c71269f343462cf98070].

['Q4', '2023']:

- In Q4 FY23, the company reported a gross revenue of INR 1,637 Cr, reflecting a growth of +26% YoY and +5% QoQ. The Operating EBITDA for Q4 FY23 was INR 437 Cr, showing a growth of +44% YoY, with an EBITDA margin improvement to 28.2%. The share of revenue for Q4 FY23 was 17.5% for Self Pay, 9.1% for TPA & corporates, 37.8% for International, and 35.6% for Institutional, indicating a reduction in institutional bed share. Additionally, ARPOB for Q4 FY23 stood at INR 70.7k, an increase of 11% YoY and 6% QoQ.

- Evaluation:

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'The management had aimed for a 50% revenue increase through a 13% reduction in institutional bed share and a 25% increase in sales revenue. However, the actual quarterly revenue growth ranged from 13% to 26% year-on-year and

5% to 6% quarter-on-quarter, falling short of the targeted 50% increase.} }

7. Capital expenditure and cash flow analysis

- **Narrative:** The management discussed their strategic financial approach towards capital expenditure, highlighting a planned reduction and targeted investments in specific projects. They emphasized optimizing capital allocation while ensuring essential projects receive necessary funding.

- Management's Guidance:

- The CFO mentioned that capital expenditures are expected to be around INR 300 crores for the next fiscal year. The CFO stated that capital expenditures will be reduced by 20% over the next two quarters. The company plans to incur a CapEx of approximately Rs. 150 crore for the Shalimar Bagh project, including the equipment. The company is expecting a CapEx of around Rs. 170 crore for the Dwarka project, including the LINAC.

- Actual Results:

[Q3, '2023']:

- The actual results for capital expenditure in Q3 FY23 are not specifically detailed in the provided dataset. However, some financial indicators are available: Cash generated from operations was INR 332 Cr, and the pre-tax ROCE for Q3 FY23 stood at 34.2%, showing a focus on optimizing capital and generating strong cash flows, which aligns with the management's strategic financial approach.

[Q1, '2024']:

- Yogesh Sareen stated that on an overall basis, CAPEX is probably at 12-13% spent, and this quarter alone Rs. 70 crore was spent.

[Q4, '2023']:

- Yogesh Sareen mentioned the overall number for network cash flow will be Rs. 419 crores, with Rs. 211 crore for routine CAPEX and Rs. 208 crore for capacity expansion.

[Q2, '2023']:

- For Q2 2023, the actual capital expenditures reported were as follows:

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- The CapEx incurred for the Dwarka project was approximately Rs. 130 crore, which is slightly below the management's guidance of Rs. 170 crore for the project, including the LINAC.

- The narrative and management guidance also mentioned a target reduction in capital expenditures by 20% over the next two quarters, but specific quarterly reduction figures were not available in the actual results provided.

- Evaluation:

- {**'evaluation': 'Expectations Not Met', 'evaluation_reason': 'The capital expenditure for the Dwarka project was approximately Rs. 130 crore, which is below the management guidance of Rs. 170 crore, and the planned 20% reduction in capital expenditures over the next two quarters was not specifically detailed in the actual results, indicating that the expectations were not fully met.'**}

8. Bed capacity additions

- **Narrative:** The management has articulated a robust strategy to enhance bed capacity significantly over the coming years. They are making substantial investments aimed at expanding bed capacity, with specific projects underway in key locations such as Shalimar Bagh and Dwarka. The focus is on meeting ambitious timelines for completion, with a clear plan to commission a large number of beds by FY '25. This expansion is expected to proceed without any margin dilution, and there is an expectation of operational accretion from the onset.

- Management's Guidance:

- The management team mentioned making significant investments to expand bed capacity in the next three to four years. They expect the construction of 100 beds at Shalimar Bagh to be commissioned in the last quarter of FY '23, and 300 beds at Dwarka to be commissioned in the first half of FY '24. Additionally, they indicated that 400 new beds will be added at Shalimar Bagh and Dwarka over the next 9 to 12 months, with no dilution in margin and an expectation of accretion from day one. Abhay Soi confirmed that there is no deferment in the bed addition planned for FY '25, specifically the 1170 beds. The management plans to commission roughly 1,500 new beds in FY '25.

- Actual Results:

[Q3, '2023']:

- In Q3 FY23, the company reported that operational beds in Delhi were 962. Max Healthcare's current capacity is 3,400+ beds. The company added 500 new beds in the past year.

[Q1, '2024']:

- Max Shalimar Bagh reported a year-on-year revenue and EBITDA growth of 37% and 43% respectively, with an average occupancy of 77% after the addition of 122 beds in the last four months, taking overall capacity to 402 beds. The company has added 44 beds to its capacity through internal reconfiguration during this quarter. Abhay Soi mentioned that they added 144 beds, 80 ICU beds, and 10 OTs during the reporting period.

[Q4, '2023']:

- In Q4 FY23, the board reported that they operationalized a 92-bed oncology block at Max Shalimar Bagh from 1st March. Additionally, Abhay Soi mentioned that they have added 100 more beds, which is about 3% more capacity that has been added.

[Q2, '2023']:

- Harith Ahmed mentioned that roughly 1,500 new beds are getting commissioned in FY '25. The occupancy run rate is now touching 78%, with Saket and marquee ones being higher at 85% plus. A board member stated the hospital in Shalimar Bagh is currently operating at 90% plus occupancy.

- Evaluation:

- {**'evaluation': 'Expectations Met', 'evaluation_reason': 'The management's guidance on bed capacity expansion was largely met, with the commissioning of beds at Shalimar Bagh and Dwarka proceeding as planned, including the addition of 500 new beds in the past year, aligning with their stated timelines and operational expectations.'**}

9. New hospital and facility developments

- **Narrative:** Management has focused on significant infrastructure development, emphasizing new hospital and facility projects. These projects are aligned with the company's strategy to enhance its capacity and market reach, reflecting a commitment to long-term growth and market presence.

- Management's Guidance:

- Abhay Soi stated that the building project is expected to be online in the next two years. Significant investments will be complete in the second half of the current year and potentially bunch up in the first quarter of the next financial year. The CEO mentioned that the big swing in margins at Nanavati hospital will come when the new capacity comes in.

- Actual Results:

[Q1, '2024']:

- For the theme of Capacity Expansion and Infrastructure, and subtheme New hospital and facility developments, the actual results reported for Q1 2024 include:
- For 300 beds at Sector 56 Gurgaon in Phase I – 50% of site excavation is complete.
- For 350 beds at Max Smart in Phase I – The final forest approval has now been received.
- The oncology block at Max Shalimar Bagh, commissioned in March, has contributed to the hospital's average occupancy of 77% in Q1.

['Q4', '2023']:

The board member stated that 300 beds at Dwarka have medical equipment ordered and various construction activities are underway. The board member noted that the foundation and column work for 329 beds at Nanavati have already begun. The board member reported that the D-wall work for 300 beds at Sector 56 Gurgaon in Phase-I is complete and excavation is underway.

['Q3', '2023']:

Abhay Soi mentioned that 80%-85% of the total rollout is towards Brownfields.

['Q2', '2023']:

Rs. 28 crore was deployed towards ongoing capacity expansion projects during Q2.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': 'Management expected significant infrastructure development with projects coming online in the next two years. The actual results show progress in construction activities and contributions to hospital occupancy, aligning with management's guidance.'}

10. Medical tourism recovery

- **Narrative:** Management highlighted the anticipation of improved performance due to increased international patient inflow and the resurgence of insurance-backed business. These factors are expected to drive higher occupancy rates and average revenue per occupied bed (ARPOB) in the coming quarters.

- Management's Guidance:

- Management anticipates that subsequent quarters will see higher occupancy and ARPOB, driven by the return and growth of international and insurance businesses.

- Actual Results:

['Q1', '2024']:

- In Q1 FY24, international patient revenue improved by +62% YoY and reflected ~110% of Pre-Covid normal [4ee13d0197d65bf95c7169afddd9f1bb]. Revenue from International Patients grew by 62% year-on-year and reflected 110% of pre-COVID average, accounting for around 9% of the revenues [74b121935d2d21bb5591c6d2b99bda5c]. Abhay Soi mentioned that the contribution of international patients during this quarter in revenue was 9% [7f319c397b267e90dfe6c25dbdabb1f4].

['Q2', '2023']:

- 40% of all medical tourists come to Delhi NCR.

['Q4', '2023']:

- International patient revenue improved by +62% YoY and reflected ~110% of Pre-Covid normal. Naman Bhansali mentioned the contribution of international patients as 8.5%. Revenue from International Patients grew by 62% year-on-year and reflected 110% of pre-COVID average, accounting for around 9% of the revenues. The share of international patients in the NCR hospitals or Delhi hospitals ranges from 4% to 18%. The average share of international patients in NCR hospitals is probably 11% to 12%. The current international contribution is at 8.5%. Payor mix for international patients is nearly 9%. Abhay Soi mentioned that the contribution of international patients during this quarter in revenue was 9%.

['Q3', '2023']:

- International patient revenue improved by +62% YoY and reflected ~110% of Pre-Covid normal. Naman Bhansali mentioned the contribution of international patients as 8.5%. Revenue from International Patients grew by 62% year-on-year and reflected 110% of pre-COVID average, accounting for around 9% of the revenues. The share of international patients in the NCR hospitals or Delhi hospitals ranges from 4% to 18%. The average share of international patients in NCR hospitals is probably 11% to 12%. The current international contribution is at 8.5%. Payor mix for international patients is nearly 9%. Abhay Soi mentioned that the contribution of international patients during this quarter in revenue was 9%.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': 'The management's guidance anticipated increased international patient inflow, leading to higher occupancy and ARPOB. The actual results showed a 62% year-on-year increase in international patient revenue, reaching 110% of pre-COVID levels, which aligned with the expected performance improvement.'}

11. Infrastructure upgrades and management

- **Narrative:** Management has articulated a clear strategy towards significantly enhancing production capabilities. This involves meticulous planning and execution to ensure that the company can meet increasing demand and maintain its competitive position in the healthcare sector.

- Management's Guidance:

- The Chief Operating Officer (COO) has projected an increase in production capacity by 30% over the next 18 months.

- Actual Results:

['Q1', '2024']:

- For 300 beds at Dwarka – The majority of the MEP and interior work are complete.

['Q4', '2023']:

- In Q4 FY23, the company reported the storage of approximately 22,000 bio samples in their private bio bank, indicating progress in infrastructure management and upgrades, although specific production capacity expansion metrics were not detailed.

['Q3', '2023']:

- In Q3 2023, management reported progress in the capacity expansion initiative, specifically highlighting the storage of approximately 22,000 bio samples in their private bio bank as part of infrastructure upgrades. This indicates ongoing efforts to bolster production capabilities, although specific metrics on production capacity increase were not detailed.

['Q2', '2023']:

- There is no specific data available in the provided actual results for the theme Capacity Expansion and Infrastructure, subtheme Infrastructure upgrades and management for ['Q2', '2023'].

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results lack specific metrics on the projected 30% increase in production capacity, making it difficult to determine if the expectations set by the COO were met, exceeded, or not met.'}