

Q2 2024

1. Cost management strategies

- **Narrative:** Management emphasized their focus on improving operational efficiency through strategic cost management. This includes specific initiatives aimed at reducing operational costs to enhance overall profitability.

- **Management's Guidance:**

- The company aims to reduce operational costs by 8% by the end of the fiscal year. Additionally, there is a target to achieve a 20% increase in EBITDA margin by the end of the next fiscal year.

- **Actual Results:**

['Q3', '2024']:

- The company reduced operational costs by 8% over the past six months.

['Q4', '2024']:

- In Q4 FY24, management reported that the company successfully reduced operational costs by 8%, aligning with the management's guidance. This was supported by a board member's statement confirming the achievement. [280ffb48cb976479702a1bc65730449e]

['Q1', '2025']:

- The company reduced operational costs by 8% over the past year.

['Q2', '2024']:

- The CFO reported that the company achieved a 15% reduction in operational costs last fiscal year.

- **Evaluation:**

- **Expectations Met:** The company successfully reduced operational costs by 8% as planned, aligning with management's guidance for the fiscal year, as confirmed across multiple quarters.

2. Geographic expansion plans

- **Narrative:** Management elaborated on their strategic initiative to expand operations across 21 cities. This expansion is part of a broader effort to increase the company's geographical footprint while ensuring fiscal discipline.

- **Management's Guidance:**

- Management plans to deploy capital strategically for expansion across these cities, focusing on maintaining fiscal discipline and exploring various growth models.

- **Actual Results:**

['Q1', '2025']:

- Alankar Garude stated that they have added two new cities to their network in the past six months.

['Q2', '2024']:

- As of September 2023, Max Lab has 435+ partner-run collection centers and 23 company-owned collection centers.

['Q3', '2024']:

- As of December 2023, Max Lab operates in 41 cities with a partner count of 1,070+.

['Q4', '2024']:

- In Q4 FY24, the organization operates in over 10 cities. Despite the ambitious target of 21 cities, the current reach is significantly less, indicating potential challenges in the expansion strategy. Additionally, Lucknow has the most amount of supply, with at least 20% of Max's doctors in Delhi coming from there.

- **Evaluation:**

- **Expectations Not Met:** Despite management's strategic initiative to expand operations across 21 cities, the actual results indicate that by Q4 FY24, the company operates in over 10 cities, which falls short of the ambitious target, suggesting challenges in the expansion strategy.

3. Competitive positioning and market penetration

- **Narrative:** During the Q2 2024 earnings call, management highlighted their focus on enhancing market penetration through strategic initiatives in the institutional business. They aim to leverage certain rate adjustments to strengthen their competitive positioning.

- **Management's Guidance:**

- Management has set expectations for certain rates in the institutional business to increase in the current quarter, which is anticipated to bolster market penetration efforts.

- **Actual Results:**

['Q4', '2024']:

- In Q4 2024, Abhay Soi mentioned they are the largest player by far in terms of the number of locations and number of beds in Delhi NCR.

['Q1', '2025']:

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

['Q2', '2024']:

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

['Q3', '2024']:

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

- **Evaluation:**

- **Expectations Exceeded:** Management anticipated increased rates to bolster market penetration, and the actual results showed a 15% increase in market share over the year, surpassing the initial expectations for market penetration.

4. New facility openings

- **Narrative:** Management highlighted their strategic plan to expand their healthcare facilities by commissioning new centers, aimed at increasing their geographical presence and enhancing service accessibility.

- **Management's Guidance:**

- Management expects to operationalize the Bangladesh centre shortly, and they anticipate commissioning a new hospital in Dwarka in the fourth quarter of the current year.

- **Actual Results:**

['Q3', '2024']:

- In Q3 FY24, the board mentioned the acquisition of a 550 bed Sahara Hospital in Lucknow.

['Q4', '2024']:

- Acquired 200 bedded Alexis Hospital, Nagpur effective 9th February 2024 & 550 bedded Sahara Hospital, Lucknow effective 7th March 2024 for net consideration of INR 1,388 Cr. Additionally, acquired land parcels with potential to add 1,000 beds in Gurgaon & ~550 beds in Lucknow.

['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.

['Q2', '2024']:

- The board mentioned the acquisition of a 550 bed Sahara Hospital in Lucknow.

- Evaluation:

- **Expectations Met:** Management's guidance to commission a new hospital in Dwarka by Q4 was achieved as the Max Super Speciality Hospital, Dwarka was operationalized on July 2nd, showing good traction, aligning with the stated goals.

5. Revenue diversification and growth drivers

- **Narrative:** Management has outlined its revenue diversification strategy focusing on operational efficiencies and expansion. They emphasized achieving EBITDA breakeven for both new and existing facilities as a pivotal growth driver.

- Management's Guidance:

- Yogesh Sareen stated that EBITDA breakeven for greenfield facilities is expected within the first 12 months. Abhay Soi mentioned that EBITDA breakeven for brownfield expansions is expected within a quarter, possibly in the first quarter.

- Actual Results:

['Q4', '2024']:

- In Q4 FY24, the company reported that the new hospitals added INR 42 crore in revenue and INR 3 crore in EBITDA. Overall, network gross revenue stood at INR 1,890 crore, registering a growth of 15% year-on-year and 6% quarter-on-quarter. Network operating EBITDA was INR 503 crore, a growth of 15% year-on-year and 7% quarter-on-quarter. The overall EBITDA for the year was INR 1,907 crore.

['Q1', '2025']:

- In Q1 FY25, the company reported that Lucknow and Nagpur hospitals contributed INR 99 Cr to the revenue and INR 18 Cr to the operating EBITDA, reflecting a year-on-year growth of 21% and 64% respectively. The network operating EBITDA was INR 499 Cr, reflecting a growth of 14% year-on-year and a marginal decline of 1% quarter-on-quarter, suggesting that the company is on track with its strategy of achieving EBITDA breakeven and growth in new and existing facilities.

['Q2', '2024']:

- Operating EBITDA for Q2 FY24 was INR 497 Cr compared to INR 410 Cr in Q2 FY23 and INR 436 Cr in Q1 FY24, reflecting a growth of +21% YoY and +14% QoQ. EBITDA margin for the quarter was 28.7% versus 27.7% in Q2 FY23 and 26.8% in Q1 FY24. Pre-tax ROCE for Q2 FY24 stood at 38.3% versus 33.4% in Q2 FY23 and 35.6% in Q1 FY24. Max Healthcare's Q2 performance marked the 12th consecutive quarter of year-on-year growth.

['Q3', '2024']:

- In Q3 FY24, the actual results indicated a strong performance with an Operating EBITDA margin standing at 27.9% for the quarter. The narrative of revenue diversification through operational efficiencies was reflected in the quarterly results, with the network gross revenue reported as INR 1,779 crore compared to INR 1,559 crore in Q3 last year, showing a year-on-year growth of 14% and a quarter-on-quarter decline of 3%. The focus on growth drivers contributed to an EBITDA margin that was in line with expectations, demonstrating the effectiveness of their strategic initiatives. The average revenue per occupied bed (ARPOB) improved to INR 76,800, reflecting a 15% year-on-year growth and a 3% quarter-on-quarter growth. These metrics underscore the company's ability to enhance operational efficiencies as planned.

- Evaluation:

- **Expectations Met:** The company's strategy of achieving EBITDA breakeven for both new and existing facilities was met, as evidenced by the reported growth in revenue and EBITDA in subsequent quarters, aligning with management's guidance on breakeven timelines.

6. Capital expenditure and cash flow analysis

- **Narrative:** Management discussed the strategic deployment of capital aimed at enhancing operational profitability. The focus is on investing INR 5,000 crore with the expectation of significant improvements in the company's EBITDA, aligning with their growth objectives.

- Management's Guidance:

- Abhay Soi stated that deploying INR 5,000 crore could increase EBITDA by 15%.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, management achieved strong free cash flows from operations of INR ~258 Cr, and reported a net cash surplus of INR 66 Cr as at end of June 30, 2024. However, specific EBITDA figures related to the INR 5,000 crore investment were not explicitly detailed in the available data.

['Q2', '2024']:

- Cash generated from operations was INR 436 Cr versus INR 287 Cr in Q2 FY23. Further, INR 90 Cr was deployed towards ongoing capacity expansion projects. Net Cash at the end of Sep'23 stood at INR 1,303 Cr compared to Net Cash of INR 42 Cr as on Sep'22 and Net Cash of INR 957 Cr at the end of Jun'23. The return on capital employed (ROCE) for Q2 FY24 was approximately 38%.

['Q3', '2024']:

- In Q3 FY24, the actual results showed that cash generated from operations was INR 226 Cr compared to INR 332 Cr in Q3 FY23, indicating a decrease in operational cash flow. The pre-tax ROCE for Q3 FY24 stood at 33.9%, down from 34.2% in Q3 FY23 and 38.3% in Q2 FY24. Net cash at the end of Dec'23 was INR 1,295 Cr compared to INR 372 Cr (Dec'22 end) and INR 1,303 Cr (Sep'23 end), showing an improvement in cash reserves despite a drop in cash flow from operations.

['Q4', '2024']:

- During the fiscal year, the company generated Rs. 1,336 crore of free cash flows from operations.

- Evaluation:

- **Insufficient Info:** While the management anticipated a 15% increase in EBITDA with the INR 5,000 crore investment, the actual results did not explicitly detail EBITDA improvements linked to this investment, preventing a clear assessment of whether expectations were met.

7. Bed capacity additions

- **Narrative:** The management of MHC has outlined a robust plan for expanding their hospital bed capacity significantly over the next few years. Key initiatives

include increasing bed capacity by 20% over the next two years, with strategic additions at multiple locations. This expansion is part of a broader goal to double the company's capacity in the coming three to four years, demonstrating a strong commitment to scaling up their infrastructure to meet growing healthcare demands.

- Management's Guidance:

- Mr. Abhay Soi (Chairman and Managing Director) plans to increase hospital bed capacity by 20% over the next two years. Work on the 350 beds at Max Smart at Saket Complex is expected to start by December 2023. The management expects to operationalize 300 beds at Dwarka. Approximately 1,000 out of 2,600 additional beds will not have EWS obligations. Expectation to achieve 40% incremental margins within 40 days of opening new beds. In the next three to four years, around 2,600 beds are expected to be added, increasing overall capacity. Plans to double capacity over the next three to four years. The facility will start with 164 beds and expand as more beds are required. 300 beds should come in by the end of FY24, with an additional 819 beds by the end of FY25.

- Actual Results:

['Q1', '2025']:

- Max Healthcare currently has a capacity of approximately 4,300 beds. Abhay Soi mentioned that last year, they had 3,400 beds and added 200 beds, moving to 3,600 beds. They have opened 94 beds at this point in time, with 94 beds operationalized so far.

['Q2', '2024']:

- **Narrative:** The management of MHC has outlined a robust plan for expanding their hospital bed capacity significantly over the next few years. Key initiatives include increasing bed capacity by 20% over the next two years, with strategic additions at multiple locations. This expansion is part of a broader goal to double the company's capacity in the coming three to four years, demonstrating a strong commitment to scaling up their infrastructure to meet growing healthcare demands.

- **Management's Guidance:** Mr. Abhay Soi (Chairman and Managing Director) plans to increase hospital bed capacity by 20% over the next two years. Work on the 350 beds at Max Smart at Saket Complex is expected to start by December 2023. The management expects to operationalize 300 beds at Dwarka. Approximately 1,000 out of 2,600 additional beds will not have EWS obligations. Expectation to achieve 40% incremental margins within 40 days of opening new beds. In the next three to four years, around 2,600 beds are expected to be added, increasing overall capacity. Plans to double capacity over the next three to four years. The facility will start with 164 beds and expand as more beds are required. 300 beds should come in by the end of FY24, with an additional 819 beds by the end of FY25.

- Actual Results:

- Average Inpatient Occupied Beds increased by 3% from Q2 FY23 to Q2 FY24.

- Max Shalimar Bagh reported a YoY Revenue & EBITDA growth of +41% & +48% respectively with an average occupancy of 78% on expanded bed capacity of 402 Beds.

- Max Healthcare had a current capacity of approximately 3,530 beds.

- The company has 320 beds in East Block and 201 in West Block.

- ~2,600 beds addition via brownfield expansion - ROCE accretive.

- Out of around 2,600 additional beds, approximately 1,000 beds will not have EWS obligations.

- Expansion, overall institutional bed share stood at 25.4% during the second quarter.

- Abhay Soi mentioned that there are approximately 2,600 beds currently available, with around 1,000 beds not having any EWS obligations.

- Abhay Soi mentioned that the occupancy rate for overall, new and old beds combined was 78%.

- Abhay Soi confirmed that the older capacities would have been closer to 82%-83%.

- The current bed capacity has been growing in terms of EBITDA.

- Abhay Soi mentioned that they will do about 164 beds.

['Q4', '2024']:

- The current capacity is approximately 4,000 beds, indicating progress towards the expansion goal. Max Super Specialty Hospital Lucknow has operationalized approximately 250 out of its 550 bed capacity. Abhay Soi mentioned the addition of two new capacities with approximately 500 beds in total, which are already generating profits and free cash flows. 122 beds were added in the Shalimar Bagh hospital. There is an ongoing plan for a 2,600 beds addition via brownfield expansion.

['Q3', '2024']:

- Max Healthcare reported a current capacity of approximately 3,550 beds. The number of operational beds at the recently acquired Lucknow hospital is currently 250. Abhay Soi mentioned their current capacity is about 3,500 beds.

- Evaluation:

- **Expectations Not Met: The management aimed for a 20% increase in hospital bed capacity over two years, but only 200 additional beds were added, falling short of the targeted expansion within the planned timeframe.**

8. New hospital and facility developments

- **Narrative:** Management discussed plans to commission a new hospital facility, highlighting its significance in expanding the company's healthcare infrastructure and service capacity.

- Management's Guidance:

- The management expects to commission the hospital in the latter half of Q4, subject to receipt of OC by the developer.

- Actual Results:

['Q3', '2024']:

- Abhay Soi mentioned that they have the wherewithal to add 304 hospitals in a space of one to two years.

['Q4', '2024']:

- Rs. 441 crore has been deployed towards ongoing expansion projects. New Units reported average occupancy of 61%.

['Q1', '2025']:

- Management launched a 303 bedded hospital in Dwarka under O & M arrangement.

['Q2', '2024']:

- INR 128 crore was deployed towards ongoing expansion projects.

- Evaluation:

- **Expectations Met:** The management expected to commission the new hospital in the latter half of Q4, and by Q1 2025, they successfully launched a 303-bedded hospital, aligning with their stated goals and timelines.