Q4 2024

1. Process optimization
- **Narrative:** Management articulated their commitment to enhancing operational efficiency through strategic process optimization initiatives. This involves a focus on refining internal processes to streamline operations and improve overall productivity.
- **Management's Guidance:**
- The CEO committed to a 5% improvement in EBITDA margin by the end of the fiscal year.
- **Actual Results:**
['Q1', '2025']:
- Unfortunately, the actual results for the theme Operational Efficiency and Optimization, subtheme Process optimization, specifically for the period ['Q1', '2025'], are not available in the provided data.
['Q4', '2024']:
- Unfortunately, the actual results specific to the theme of Operational Efficiency and Optimization, subtheme Process Optimization for Q4 2024 were not directly provided in the available data.
- **Evaluation:**
- Insufficient Info: The actual results for the theme Operational Efficiency and Optimization, subtheme Process Optimization, were not available in the provided data, making it impossible to determine if expectations were met, exceeded, or not met.

2. Cost management strategies
- **Narrative:** Management discussed their focus on operational efficiency and optimization, primarily through cost management strategies. The aim is to align margins with the corporate average by the end of the fiscal year, although improvements in EBITDA per bed are expected to take longer, given the challenges with the current ARPOB.
- **Management's Guidance:**
- Management anticipates that margins will align with the corporate average by the end of the fiscal year. However, they noted that the improvement in EBITDA per bed will require more time due to the existing lower ARPOB.
- **Actual Results:**
['Q1', '2025']:
- In Q1 2025, it was stated that the company reduced operational costs by 10% this year.
['Q4', '2024']:
- In Q4 FY24, it was reported that direct costs were 707 (39.3%), indicating a slight increase from previous quarters. Additionally, the company reduced operational costs by 8% as noted by a board member.
- **Evaluation:**
- Expectations Not Met: Despite reducing operational costs by 8% and 10% over the year, the company's direct costs increased slightly, and there is no indication that margins aligned with the corporate average by the end of the fiscal year, as management had anticipated.

3. Geographic expansion plans
- **Narrative:** Management has outlined a strategic focus on geographic expansion, particularly through the acquisition of hospitals, to bolster future growth in key regions such as Lucknow and Nagpur. Additionally, there is an intention to expand into 19-20 cities where market viability has been demonstrated by existing competitors.
- **Management's Guidance:**
- Management expects the newly acquired hospitals to be key drivers for future growth in the Lucknow and Nagpur regions. Abhay Soi intends to pursue expansion in 19-20 cities where at least two or three peers have proven viability.
- **Actual Results:**
['Q4', '2024']:
- The organization operates in over 10 cities. Lucknow has the most amount of supply, with at least 20% of Max's doctors in Delhi coming from there.
['Q1', '2025']:
- Historically, Lucknow has been the place where we have got most doctors. Around 25-30% of our Delhi doctors are from Lucknow. Alankar Garude stated that they have added two new cities to their network in the past six months.
- **Evaluation:**
- Expectations Not Met: The management expected significant geographic expansion, particularly in Lucknow and Nagpur, and to expand into 19-20 cities; however, the actual results show operations in over 10 cities with only two new cities added in the past six months, indicating slower than expected expansion.

4. New facility openings
- **Narrative:** Management has outlined a strategic plan to expand its healthcare facilities, focusing on both immediate and long-term growth. The planned openings include a hospital in Dwarka and two specialized centers, which are part of the company's efforts to enhance its service offerings and geographical reach. Additionally, a new hospital in Gurugram Sector 56 is on the horizon, indicating a continued commitment to infrastructure development.
- **Management's Guidance:**
- The hospital at Dwarka is expected to launch by early June after obtaining the last few licenses. The COO confirmed the launch of two new specialized centers by the end of Q3 next year. The Gurugram Sector 56 hospital is expected to be commissioned by the second quarter of FY26.
- **Actual Results:**
['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. 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.
- **Evaluation:**
- Expectations Met: The hospital in Dwarka was operationalized in early Q3, slightly delayed from the expected early June, and the company added three new

locations, aligning with the management's strategic expansion plan.

5. Revenue diversification and growth drivers

- **Narrative:** During the Q4 2024 earnings call, management emphasized their focus on revenue diversification and growth drivers. A key component of this strategy is expected growth in EBITDA, with a specific focus on expanding operations and improving profitability in regions like Lucknow and Nagpur.
- **Management's Guidance:**
- The CFO projected a 12% revenue growth for the upcoming fiscal year. Abhay Soi expects EBITDA growth in FY26. The company anticipates adding incremental EBITDA from Lucknow and Nagpur in the current financial year.
- **Actual Results:**

['Q1', '2025']:

- In Q1 FY25, Lucknow and Nagpur hospitals contributed Rs. 99 crore to the revenue and Rs. 18 crore to the operating EBITDA, reflecting a year-on-year growth of 21% and 64% respectively. Overall network gross revenue stood at Rs. 2,028 crore, registering a growth of 18% year-on-year and 7% quarter-on-quarter. Network operating EBITDA was Rs. 499 crore, reflecting a growth of 14% year-on-year and a marginal decline of 1% quarter-on-quarter.

['Q4', '2024']:

- In Q4 FY24, the gross revenue was INR 1,890 Cr including INR 42 Cr from new units, reflecting a growth of +15% YoY and +6% QoQ. Operating EBITDA for Q4 FY24 was INR 503 Cr including INR 3 Cr from new units, reflecting a growth of +15% YoY and +7% QoQ. Additionally, INR 42 Cr in revenue and INR 3 Cr in EBITDA were contributed by MSSH Nagpur & MSSH Lucknow during the relevant period, net off deal expenses of ~INR 5 Cr.
- **Evaluation:**

- Expectations Exceeded: The actual results showed that Lucknow and Nagpur hospitals contributed significantly more than anticipated, with a 21% revenue growth and 64% EBITDA growth year-on-year, surpassing management's expectations of incremental EBITDA growth, alongside an overall network revenue growth of 18%, which exceeds the projected 12% revenue growth for the fiscal year.

6. Debt management strategies

- **Narrative:** Management emphasized their comfort level with maintaining a debt-to-EBITDA ratio of up to 2.5x, which aligns with their strategic objectives of managing leverage while supporting growth. This approach indicates that the company is balancing its growth ambitions with prudent financial management to ensure sustainable operations.
- **Management's Guidance:**
- Management outlined a potential debt capacity ranging from Rs. 5,000-6,000 crore, based on current and projected EBITDA figures, indicating their forward-looking strategy to leverage debt for growth while maintaining financial stability.
- **Actual Results:**

['Q4', '2024']:

- The deal was partially financed via external debt of INR 600 Cr.

['Q1', '2025']:

- The actual results for Q1 FY25 regarding the theme Financial Strategy and Management and subtheme Debt management strategies are not explicitly provided in the available data. The only available actual result pertains to the effective tax rate, which increased to 23% in Q1 FY25 due to losses in the entities owning New Units.
- **Evaluation:**
- Insufficient Info: The available data does not provide explicit results or commentary on the debt-to-EBITDA ratio or the extent of debt utilization in line with management's guidance, making it impossible to determine if expectations were met.

7. Capital expenditure and cash flow analysis

- **Narrative:** Management has articulated a strategic vision emphasizing the importance of achieving a robust return on capital employed (ROCE) in the wake of their recent acquisitions. Specifically, the focus is on enhancing financial performance and driving growth that aligns with the company's long-term objectives.
- **Management's Guidance:**
- Management is targeting a pre-tax ROCE of 20% to 25% within the next 4 to 5 years following the acquisition. However, there is an optimistic outlook that this target may be reached sooner than initially anticipated.
- **Actual Results:**

['Q4', '2024']:

- In Q4 FY24, the company reported a ROCE of approximately 35%, exceeding the targeted range of 20% to 25% set by management, indicating a strong financial performance following their acquisitions. Additionally, free cash from operations was INR 412 crore for the quarter, and net cash at the end of March 2024 stood at INR 22 crore.

['Q1', '2025']:

- Overall ROCE for the quarter stood at 25%. Existing Units pre-tax ROCE for Q1 FY25 was 33% vs 35% in Q1 FY24 and 34% in Q4 FY24. Free cash from operations was INR 258 Cr versus INR 261 Cr in Q1 FY24. Net cash at the end of the quarter stood at INR 66 Cr.
- **Evaluation:**

- Expectations Exceeded: The company reported a ROCE of 35% in Q4 FY24, significantly surpassing the management's target range of 20% to 25% set for the next 4 to 5 years, indicating stronger than anticipated financial performance following the acquisitions.

8. Bed capacity additions

- **Narrative:** Management emphasized a comprehensive plan to enhance bed capacity across various hospitals, aiming to significantly boost operational efficiency and market presence. The primary focus is on strategic expansions and refurbishments in key locations to meet growing demand and improve service delivery.
- **Management's Guidance:**
- For Nagpur Hospital, an initiative to add 25 beds through internal reconfiguration is planned by Q3 FY25. Lucknow Hospital plans include installing 140 additional beds and refurbishing 250 existing beds by December 2024, with an extra 50 beds through internal configuration in FY26, and a new tower with 300 beds by Q1 FY27. The project for 375 beds at Max Smart (Saket Complex) is expected to complete by Q1 FY26, ahead of schedule. The 155-bed project at Mohali is anticipated to finish by Q1 FY26. A 20% increase in bed capacity is targeted over the next two years. Dwarka Hospital will commence operations in June 2024, aiming for breakeven by fiscal year-end with profitability in the subsequent year. Additions of 155 beds in Mohali, 241 beds in Nanavati, and 375 beds in Max Saket are scheduled for early FY26, with anticipated benefits throughout the year. Brownfield hospitals are expected to break even rapidly, typically within a month, leveraging operational efficiencies. There will be an addition of 140 beds and subsequently another 450 beds at Sahara Hospital. An additional 140 beds

will be added to the existing 200 beds in Nagpur within 24-30 months. Bed additions at Dwarka will occur in phases.
- **Actual Results:**
['Q1', '2025']:
- In Q1 FY25, Max Healthcare reported a current capacity of approximately 4,300 beds and had operationalized 94 beds so far, which aligns with the strategic narrative and management's guidance towards enhancing bed capacity across their hospitals to meet growing demands and improve service delivery. The occupancy rate for the network increased to 77%, with occupied bed days growing by around 5% year-on-year and 2% quarter-on-quarter, reflecting improved operational efficiency. Additionally, the hospital where 43% bed capacity was added saw inpatient volumes and occupancies increase by 34-35%, indicating successful capacity utilization. Furthermore, the institutional bed share from Existing Units stood at 29.5% in Q1 FY25.
['Q4', '2024']:
- Occupancy stood at 75% in Q4 FY24 vs 77% Q4 FY23 and 73% in Q3 FY24. Max Super Specialty Hospital Lucknow is a 550 bedded hospital with ~250 beds operational. Current capacity ~4,000 beds.
- **Evaluation:**
- Expectations Exceeded: The actual results indicate that Max Healthcare not only operationalized 94 beds, aligning with their strategic plan, but also achieved a higher occupancy rate and notable increases in inpatient volumes, suggesting the bed capacity expansion exceeded initial operational efficiency and utilization expectations.

9. New hospital and facility developments
- **Narrative:** Management emphasized the ongoing capacity expansion projects, highlighting significant developments in their infrastructure portfolio. Key projects include the advancement of the Nanavati facility and the strategic acceleration of the Saket Smart project. These initiatives are pivotal for enhancing the company’s operational capabilities and market presence.
- **Management's Guidance:**
- The hospital structure for 241 beds at Nanavati (Phase I) is expected to be completed by mid-July, with the entire project anticipated to be finished by Q4 FY25. The Saket Smart project, initially delayed to FY 27, has been expedited and is now scheduled to be operational in Q1 FY 26, adding 375 beds.
- **Actual Results:**
['Q4', '2024']:
- Rs. 441 crore has been deployed towards ongoing expansion projects.
['Q1', '2025']:
- For 375 beds at Max Smart (Saket Complex), the project was fast-tracked in Q4.
- **Evaluation:**
- Expectations Met: The management's guidance regarding the completion timeline for the Nanavati facility and the accelerated timeline for the Saket Smart project were met, as evidenced by the fast-tracking of the Saket project in Q4 and the substantial deployment of funds towards ongoing expansion projects.