17th May, 2025

To, **The General Manager,** **Department of Corporate services** **Bombay Stock Exchange Ltd (BSE)** Phiroze Jheejheebhoy Towers, Dalal Street, Mumbai - 400 001. **Scrip Code** - 543308 **ISIN: INE967H01025**	To, **The Manager,** **Listing Department** **National Stock Exchange of India Limited,** Exchange Plaza, 5th Floor, Plot No.C/1, 'G' Block Bandra - Kurla Complex Mumbai - 400 051. **Symbol** - KIMS **ISIN: INE967H01025**

Dear Sir/ Madam,

Sub: **Transcript of earnings conference call with Analyst / Investors.**

In Continuation to our letter dated 10th May 2025, the Company organized a conference call with the Investors/ Analysts on Tuesday, 13th May 2025 at 10:00 AM (IST). A copy of the transcript of the conference call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded to the Company's Website at https://www.kimshospitals.com/investors > Disclosures under Regulation 46 of SEBI (LODR) Regulations, 2015 > Analysts Calls schedule, PPT & Transcripts > Transcripts, Audio & Video Recordings > FY 24-25.

Kindly take the same on record and display the same on the website of your exchange.

Thanking you,
Yours truly

For Krishna Institute of Medical Sciences Limited

BHASKARA RAO BOLLINENI Digitally signed by BHASKARA RAO BOLLINENI Date: 2025.05.17 19:05:13 +05'30'

Dr. Bhaskara Rao Bollineni
Managing Director and Chairman
DIN: 00008985

Krishna Institute of Medical Sciences Limited
D.No.: 1-8-31/1, Minister Road, Secunderabad - 500 003, Telangana, India
Phone: +91 40 4488 5000/4488 5184 | Fax: +91-40-27840980 | kimshospitals.com
CIN: L55101TG1973PLC040558

"Krishna Institute of Medical Sciences Limited

Q4 FY25 Earnings Conference Call"

May 13, 2025

MANAGEMENT: **DR. BHASKAR RAO BOLLINENI – FOUNDER AND MANAGING DIRECTOR – KIMS HOSPITAL**
DR. ABHINAY BOLLINENI – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – KIMS HOSPITAL
MR. SACHIN ASHOK SALVI – CHIEF FINANCIAL OFFICER – KIMS HOSPITAL

MODERATOR: **MR. RAHUL JEEWANI – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the KIMS Hospital Q4 FY '25 Earnings Conference Call hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jeewani from IIFL Capital Services Limited. Thank you, and over to you, sir.

Rahul Jeewani: Yes. Hi. Good morning, everyone. This is Rahul from IIFL Capital. I welcome you all to the fourth quarter earnings conference call of KIMS Hospitals. From KIMS, we have with us today Dr. Bhaskar Rao Bollineni, Founder and Managing Director; Dr. Abhinay Bollineni, Executive Director and CEO; and Mr. Sachin Salvi, CFO. Over to you, sir, for your opening comments.

Bhaskar Rao Bollineni: Good morning, everybody. I extend a hearty welcome to you all. Last 2 weeks, we witnessed a spiraling tensions across the country because of the war situation. War is never an option, but at times, it becomes a compulsion like in this case, wherein India is driven into a war following the Pahalgam massacre by terrorists. Though ceasefire is announced, the situation is still fluid.

We salute our brave soldiers, and it is hope that we will have normalcy soon. We at KIMS have taken necessary steps required in an emergency situation like painting our terraces at all units with Red Cross symbol and beefed up the security measures.

Now I have a pleasure in presenting the financials and operational highlights for the financial year '25, which is yet another year of growth and success. It reflects the trust being reposed in us by our growing number of patients on account of our clinical excellence, patient care and latest equipment and technologies combined with affordability.

The financial highlights for financial year '25, the results are total revenue of INR3,067 crores, a growth of 22% on a year-on-year basis, of which old units contributed INR3,018 crores, a growth of 19% year-on-year basis and the new units contributed INR111 crores.

EBITDA of INR815 crores, a growth of 24.7% on a year-on-year basis, of which old units contributed INR871 crores, a growth of 31% year-on-year and the new units contributed EBITDA loss of INR18 crores and onetime eliminations of INR38 crores. EBITDA margins at 26.6% versus 26% in FY '24, PAT at INR415 crores in FY '25 against INR336 crores in FY '24.

The results for quarter '25 -- quarter 4 financial year '25 are total revenue INR801 crores, a growth of 25.7% year-on-year and 1.4% on quarter-on-quarter basis, of which gold units contributed INR775 crores, a growth of 20.4% year-on-year and a 2.4% growth on quarter-on-quarter and new units contributed INR76 crores.

EBITDA of INR203 crores, a growth of 24.4% on year-on-year and a decline of 1.2% on a quarter-on-quarter basis of which old units contributed INR243 crores, a growth of 46.9% year-on-year and 13.6% quarter-on-quarter and new units contributed EBITDA loss of INR18 crores and onetime eliminations of 25.51%. EBITDA margins at 25.3% versus 25.5% in quarter 4 financial year '24 and 25.9% in quarter 3 FY '25.

PAT at INR106 crores in quarter 4 financial year '25 against INR72 crores and INR93 crores in quarter 4 FY '24 and quarter 3 FY '25, respectively. Consolidated EPS for financial year '25 of INR9.6, a growth of 24.0% on a year-on-year basis. The consolidated results for FY '25 are consolidated revenue from operations of INR3,035 crores, a growth of 21.5% on a year-on-year basis.

The consolidated EBITDA pre-Ind AS of INR789 crores, a growth of 24% on year-on-year basis. Consolidated EBITDA pre-Ind AS and excluding other income of INR757 crores, a growth of 22.1% on a year-on-year basis. The consolidated results of Q4 financial year '25 are consolidated revenue from operations of INR797 crores, a growth of 25.7% on year-on-year and 3.2% on a quarter-on-quarter basis.

Consolidated EBITDA pre-Ind AS of INR195 crores, growth of 24.3% on year-on-year and degrowth of 1.5% on a quarter-on-quarter basis. The consolidated EBITDA pre-Ind AS and excluding other income, INR190 crores, a growth of 24% and 5.7% on year-on-year and a quarter-on-quarter basis, respectively.

The consolidated operational highlights for financial year '25 are the average revenue per operating bed grew by 22.7% on a year-on-year basis and average revenue per patient grew by 9.2% on a year-on-year basis. IP and OP volumes grew by 11.6% and 14.1%, respectively, on a year-on-year basis. The other developments are the year was packed with action as we launched a spate of initiatives, expansion and equipment, some of the essential scenario. With the addition of 2 new units in Guntur in Andhra Pradesh and Sangli in Maharashtra, we are expecting a direct addition of INR10 crores for the financial year '26.

You will be very happy to know that during financial year '25, we have opened our hospital at Nashik and Sangli in Maharashtra; Kannur and Kollam in Kerala and Guntur in Andhra Pradesh. The Guntur unit was inaugurated by honorable Chief Minister of Andhra Pradesh, Shri N. Chandrababu Naidu garu who paid a handsome compliments to KIMS for its excellent services of its various units across the state.

In April '25, we have opened our second unit in Vizag called KIMS, Seethammadhara. We have also started a fertility center, a pediatric and a childcare unit under brand name of Cuddles and a specialty center in Vizag. During the year, we opened an exclusive foot care center and also a rehabilitation center in Hyderabad. We did the soft launch of our prestigious Thane, Mumbai unit in April, and it will become full-fledged in the next 5 to 6 months.

We'll also be opening our 2 hospitals in Bangalore in the current year, which are in the final stage of completion. These expansions have widened our reach and heightened the potential. Coming to technology and equipment, KIMS is always in the forefront. I will mention but a few of such latest equipments available with us.

The new AI is launched in non-invasive neurosurgery with the installation of South India first Gamma Knife at KIMS Secunderabad. This offers unparalleled precision, safety and comfort, making it a ground-breaking solution for patients seeking advanced brain care.

Next is Magnetic Resonance Guided focused ultrasound. KIMS Hospital is the first MRI-guided focused ultrasound with the Hero 3.0T MRI Neuro Care Center in India, aided by expertise to treat essential tremors and Parkinson's patients with tremors. This response to this unique therapy is quite good.

A lot more patients all over the India has come and utilized this facility. Again, KIMS is the first and only hospital in India to introduce TULSA-PRO, a revolutionary technology transforming prostate cancer and benign prostate cancer treatment. TULSA procedure is incision-free, radiation-free and provides quick recovery and minimal side effects.

We also have other equipments like MR-Linacs, Mako Robotic Systems for the knee replacements and extra. The point is all these are the latest products available only at a few centers in our country, and it has been always for our endeavor to make best of health care available and accessible. In the light of above facts, I term the year of '25 and '26 as years of expansion, equipment and excellency.

KIMS Kurnool recently completed 50 renal transplants and the occasion was celebrated in a fitting manner since this is quite an achievement in small town in background this year. The Pediatric and Nephrology and Urology Summit was held at KIMS Secunderabad, attracting nearly 300 delegates from across the country. KIMS made a strong presence in the International Abdominal Wall Reconstruction Conference at Chennai with 5 original research papers presented by KIMS.

KIMS has been playing active role in creating awareness in breast cancer. Recently, our Director, KIMS Ushalakshmi Center for Breast Diseases, Dr. Raghuram created 2 Guinness World records. He achieved the in-person Guinness World Record title Largest Breast Cancer Awareness lesson, where 5,000 members physically participated. It also won the award for most views of the Breast Cancer lesson on YouTube in 24 hours. Finally, I would like to sum up saying that the year gone by proved to be fulfilling and rewarding. The same tempo will continue, and we will try to reach greater heights.

The road ahead is optimistic, and we'll reap full benefits by our dedicated services and expertise. Investors are our growth engines while patients are the very purpose of our growth, and they are our good, well ambassadors. Having begun my report about war situation, I would like to conclude on a note of beauty.

Presently, Hyderabad is hosting a 72nd Miss World Festival. A galaxy of beauty queens have descended on Hyderabad for this glittering extravaganza. I'm sure event adds further beauty to the beautiful city of Hyderabad. Thank you for your trust and investment in KIMS.

Moderator: Thank you sir. The first question comes from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Congrats on good set of numbers for the management. I have first question on the Telangana cluster. So the cluster has helped us to deliver a better margin this quarter despite losses in the newer units. So there is a good 200 bps jump Q-on-Q in the Telangana cluster, while the occupied beds are largely the same. Is there any specific reason for this jump? And should we assume 32% margin for the cluster being a new normal?

Abhinay Bollineni: Yes. So this is -- the margin expansion is on account of revenue growth and revenue growth, there have been some initiatives across all the 4 hospitals. We've onboarded a lot of new doctors for Kondapur given that the new hospital is going to get commissioned in the next 12 months.

We onboarded a new liver transplant team in Secunderabad because of which there has been significant growth. So I think Telangana will continue to grow at similar growth rates for the next few years, given that there is additional capacity in Sunshine and the new Kondapur hospital is going to come. The margin will sustain and further expand.

Amey Chalke: So basically, the volumes from the highest ARPOB specialty have increased. That's the reason why the margins have increased?

Abhinay Bollineni: Correct.

Amey Chalke: Sure. The second question I have is on performance of the Nashik unit during the quarter. Is it as per our expectation? And what losses we have booked during the quarter?

Abhinay Bollineni: We had indicated for the full financial year, for a full 12-month period, Nashik will be around INR15 crores of losses. I think we are on track for that. There has been slightly delayed ramp-up on account of insurance empanelment, which we are expected to complete in the next 2 months. Once those insurance empanelment happens, we are pretty confident we should break even within 3 months after the empanelment.

And there has been slight delay on account of negotiating and getting those a good price. But otherwise, doctor traction is very promising. Most of the doctors have joined, but it's just that we have only cash business happening today in Nashik. In full capacity, a city like Nashik will have 30% cash, 30% insurance and 40% corporate, public sector companies. Today, we don't have insurance empanelment and we don't have public sector in spite of the ramp-up has been quite healthy.

Amey Chalke: Sure. And sir last question I have is on the Thane unit. If you can update on the enrollment of doctors for the unit? And is there any notable hiring you would like to mention?

Abhinay Bollineni: So Thane hiring, most of the doctors have been completed. We will have close to 50 full-time doctors joining us from the 1st of June till the end of July. There are different time lines in which they are joining. Some of doctors have already started. We have started the soft launch of the hospital.

There is an OP of almost 60, 70, and we are hoping that this week, it will pick up to almost 100 OPD per day. There has been very good traction among the doctor community in Thane. And we are planning to commence IPD services from end of this week -- sorry, end of this month and full-fledged services from the beginning of next month.

But it will take us a good 1, 2 months before all doctors fully onboard and we get full insurance empanelment. Up until then, a lot of the business will be driven by cash as a payer.

Amey Chalke: Sure. And considering that 3 units, including Thane are getting commissioned during next year, and there is a slight delay in commissioning like 1 or 2 months. So we increase the losses to be booked next year to be higher on account of these 3 units?

Abhinay Bollineni: I think we should be able to stick to what we had earlier guided. Both Thane and Nashik, we are seeing very good traction. We don't see the losses to extend beyond what we had indicated.

Moderator: The next question comes from the line of Nikhil Mathur from HDFC Mutual Funds.

Nikhil Mathur: I have 2 questions. My first question is on your O&M projects. So I believe that Guntur 150 beds, Sangli 350-odd beds and Splendid in Hyderabad, 150-odd beds. They are yet to be part of your cluster financials yet, right?

Abhinay Bollineni: So Guntur and Sangli in Q4 have accounted for very insignificant income, and that's why it's not reflecting. But between both the assets, Guntur and Sangli, if you look at the month of April, we have done close to INR14 crores of revenue in the month of April. A good part is Guntur broke even in the first 3 months of operations and Sangli will also break even in the next 1 or 2 months. Kompally is yet to get commissioned, which is Splendid, which will get commissioned towards Q3 of this financial year.

Nikhil Mathur: But how will you report this? I mean, would you add the full bed count to your cluster operating bed number? Or you are just taking in the revenues here. So how is the accounting split into clusters for these projects?

Sachin Salvi: So as far as accounting is concerned, the income, the 9%, which we are getting on -- as an operations and management fees, we'll be reporting as other operating income.

Nikhil Mathur: Okay. So they won't be part of the cluster financials bed count and all?

Sachin Ashok Salvi: They will not be.

Nikhil Mathur: Okay. Understood. And my second question is that there is a reasonable reduction in lease payments in FY '25 versus FY '25. I'm just looking at your cash flow statement. It has gone up from INR55 crores to INR40 crores. So anything to read here?

Sachin Ashok Salvi: Nothing as such. So some of the lease adjustments, which we are accounted for were readjusted. That is the only thing. There is nothing to read in between. Nothing has been terminated as such.

Nikhil Mathur: Okay. So any guidance for FY '26 on this?

Sachin Ashok Salvi: It will sustain. It will remain the same because most of the contracts which we are doing are in the similar line. The Kerala cluster, we are doing it at a business combination. So that would be adding. But as I said, Kannur and Kollam we have already accounted. So nothing new is coming as of now in the books.

Moderator: The next question comes from the line of Damayanti Kerai from HSBC Bank.

Damayanti Kerai: This is Damayanti. My first question is on your new unit performance. I just missed the number. If you can detail us the performance of each new unit in terms of revenue and EBITDA, that will be helpful. And how you're looking at the ramp-up for those new units, Nashik, Kollam or maybe in QNRI.

Abhinay Bollineni: So Queen's NRI is run rating currently at around INR85 crores revenue with very little EBITDA contribution. By the end of the year, we are expecting it to close to at least INR11 crores, INR12 crores of revenue per month. So if you annualize that, it will be around INR150 crores. As far as Kollam, we've already -- Kannur, we've already broken even. But because the drag from Kollam, there is a drag in the overall cluster.

But I think given how Kannur has performed, we are pretty confident that Kollam also in the next 2 quarters will become EBITDA positive and the cluster will turn to be more above

As far as Nashik is concerned, we are currently -- each month, we should be doing around INR8 crores of revenue from both the units, INR5 crores from the KIMS-Manavata unit, INR5 crores to INR6 crores of -- there will still be a drag of INR1.5 crores, INR2 crores in the month of May. But once the insurance empanelment gets completed in the next 2 months, we should then see a much faster ramp up.

Damayanti Kerai: Okay. So all these new units, maybe next 3 -- like 2 quarters down the line, they should be EBITDA positive and then profitability should pick up from there onwards.

Abhinay Bollineni: Nashik, Kerala both will turn EBITDA positive in 2 quarters.

Damayanti Kerai: Okay. And for the quarter, did you mention INR18 crores of total loss from the new units, right?

Abhinay Bollineni: Right. Yes.

Damayanti Kerai: Okay. My second question is on Telangana cluster ARPOB. So you mentioned you have like new transplant unit, et cetera, which has helped your margins notably during the quarter. Then my question is, how do you see ARPOB going for this cluster, given we are already at, say, like one of the best in industry there, and you have capability on transplant. But if you can bit elaborate on what kind of capability you have on the transplant side and what kind of volumes you expect to continue on that segment specifically?

Abhinay Bollineni: So I think we have a pretty mature transplant program, both in the heart, lung and liver and kidney side, but we are still adding more hospitals like in Kondapur, we will start a new transplant program, so that will add some incremental volumes. But there is a lot of work to be done on the broad specialties still Telangana cluster.

We're still at 50% occupancy, and we're adding more bed capacity at Kondapur. So this will continue to provide a healthy growth rate, both in the revenue and EBITDA side. There is ample growth for us still in Sunshine, which has grown pretty well, but I think there is more opportunity for growth there.

Damayanti Kerai: So you can sustain similar growth trajectory for the cluster given you have added -- you have beds to be ramped up and then you have capability on the specialty side?

Abhinay Bollineni: With 20% kind of a growth, we should be able to sustain in Telangana cluster, given there's new bed capacity, existing and additional new hospital.

Damayanti Kerai: Okay. And my last question is, if you can update us on how your mother and child care offering is scaling up across hospitals. I remember a few quarters back, you had a lot of focus on this segment.

Abhinay Bollineni: Mother and child is doing well. So for us, it is like any other -- one other specialty is our hospital. We are expecting across the group, it will contribute 10% of the group's revenue when we retrofit it in most hospitals. Currently also, it is around 10%. It can further expand. We have commissioned -- we have currently 8 Cuddles among all our hospitals. They will be for bed capacity addition in few of us [inaudible 0:25:35].

Moderator: The next question comes from the line of Abdulkader Puranwala from ICICI Securities.

Abdulkader Puranwala: Sir, my first question is with regards to your O&M beds. So by FY '27, when we complete majority of our bed addition program, what percentage of your overall bed capacity would be towards O&M?

Abhinay Bollineni: I think between the 3 hospitals, we'll have close to 1,200 beds coming from -- sorry, 1,000 beds coming from O&M. 250 beds in Kompally, 200 beds in Guntur, i.e., 450; and 350 beds in Sangli -- 800 beds, sorry.

Abdulkader Puranwala: Okay. Understood. And sir, next is on the Telangana cluster. So if you look at occupancy, which you now report on the operational bed, it's close to 50%, and you're already clocking over 30% kind of an EBITDA margin. So for this particular cluster, where should we see the occupancy moving in the next 2, 3 years kind of a time frame and a sustainable EBITDA margin level for the next 3 years' perspective, if you could share?

Abhinay Bollineni: I think we -- as the revenue grows, we will -- the EBITDA margin will continue to expand, given we're adding close to 500 incremental beds in Telangana cluster through O&M and new Kondapur hospital. Occupancy, we're hoping that over the next 4, 5 years, we'll get to a healthier occupancy. Our occupancy, we're at 50%, we should get to probably 65%, 75%.

Moderator: The next question comes from the line of Aman Goyal from Axis Securities.

Aman Goyal: Good morning, sir Congratulations for a great set of numbers. Sir, my question is related to -- if you see on a sequential basis, there is a flattish on IP volumes and OP volumes, but there is a great ARPOB growth of almost 8%. Could you throw some light on this? Is it a specialty mix or improvement in payer mix?

Abhinay Bollineni: It's a function of both. I think we have mentioned in the past that GIPSA, we had a price renewal that happened in the Telangana cluster. That is one. And a lot of the incremental business that came in from cash and insurance as of the year.

Aman Goyal: Okay. And could you please give the outlook for the ARPOB growth for -- especially for Telangana and Andhra Pradesh cluster for next 2 years?

Abhinay Bollineni: Like I said, we continue to grow at 10%, 15% both in Telangana and Andhra. It will be a mix of both volume and revenue growth -- sorry, 15%, 20% both in Telangana and Andhra from revenue and EBITDA perspective. It will be a mix of both revenue growth -- ARPOB growth and volume growth.

Moderator: The next question comes from the line of Rahul Jeewani from IIFL Capital Services.

Rahul Jeewani: Sir, just a clarification. The new units, you said had an INR18 crores EBITDA loss. That, I think, is the number for the full year and not the quarter.

Abhinay Bollineni: It's almost -- yes for the full year, it is INR18.31 crores. For the quarter, it is INR17.89 crores. Majority of it is in quarter.

Rahul Jeewani: Okay. Sure, Dr. Abhinay. And Dr. Abhinay, how do you look at this drag from the new units going into FY '26 So obviously, Thane and the 2 Bangalore hospitals would increase the drag here. So do you think that this INR18 crores kind of a loss which we booked this year can inch up to a INR40 crores, INR50 crores kind of a number going into '26? And then if you can also comment on the trajectory of these new hospitals by FY '27?

Abhinay Bollineni: So all the -- both Thane and Bangalore should be operational in Q1 -- by end of Q1. So Thane will be June 1 and Bangalore should be July 1 -- one on July 1, one on August 1. I think 12 months from when they commission, we're pretty confident all 3 hospitals will be EBITDA neutral, if not EBITDA positive.

But there will be a drag for the 9 months in FY '26. So it will continue. I think this INR18 crores drag will expand a little further given the size of the 3 new hospitals that are getting commissioned. But by end of Q1 next financial year, FY '26, I think we should be done with all the negative EBITDA.

Rahul Jeewani: Okay. So you mean [inaudible 0:31:20]?

Abhinay Bollineni: Yes. 12 months of commissioning these hospitals, we should be EBITDA positive in most of these.

Rahul Jeewani: Sure, Dr. Abhinay. And you highlighted that the doctor -- you have, let's say, are in the process of onboarding 50 new doctors at Thane. Can you also comment in terms of what are your preparations for the 2 Bangalore hospitals for decommissioning expected ahead?

Abhinay Bollineni: Very similar, Rahul. I think we have good traction for both the hospitals in Bangalore. Most of the specialists have been identified and most of the specialties have been identified. From -- after we commission, which is on July 1 and August 1 tentatively, within 2, 3 months, most of the doctors should get onboarded. And a similar number of 40, 50 doctors we will have in the first 2 months after the soft launch.

Rahul Jeewani: For each of the Bangalore hospitals?

Abhinay Bollineni: Right.

Rahul Jeewani: Yes. Sure, sir. And Sachin, can you please comment on the debt number at the end of the year? And given that large part of capacity expansion, let's say, is coming to an end, how do you look at the debt and debt-to-EBITDA going forward?

Sachin Ashok Salvi: So the debt position as on 31st March '25, net debt of INR1,805 crores. As I said, most of our capex on Bangalore and Thane, we have already incurred. And these being large units, I think in the coming year, that is in the financial year '25-'26, we'll be adding another INR300 crores, INR400 crores not beyond that. So at the most, this INR1,800 crores is anticipated to reach to about some INR2,100-odd crores at the end of this financial -- the current financial year. Yes.

Rahul Jeewani: Sure. And in terms of capex spend, how do you expect the capex to be over the next 2- to 3-year period?

Sachin Ashok Salvi: So as far as the capex is concerned, again, as Bangalore and Thane is almost done, most of the capex, which is coming in the coming years will be towards maintenance capex and the newer units, newer expansion, which we have done and which we have already announced like Srikakulam, Ongole or Anantapur. And additionally, in Kondapur, we are building a new hospital. So the medical equipment spending, which we will be doing in Kondapur, that will be a newer capex. So at the most, the total capex spend in the next 2 financial year would be to the tune of -- totally it will be to the tune of about some INR600 crores, INR700 crores.

Abhinay Bollineni: Rahul, just to add to what Sachin said, I think we'll continue to maintain the net debt to EBITDA at 1:2. We are very cognizant maybe 1 or 2 quarters, it will grow higher. But overall, we'll try to maintain that number. As the net debt tapers down, we have identified more projects. We will continue to add more capacity for long-term growth.

Rahul Jeewani: Okay. And Dr. Abhinay, apart from Bangalore and Thane, so where are you then thinking about capacity expansion going forward, let's say, once the current round of capacity expansion is done with?

Abhinay Bollineni: So I think Andhra, we are looking at more bed capacity addition. We're looking at same thing in Vijayawada. We're looking at one more facility in Vizag to consolidate the market. So that is in Andhra. In Hyderabad, we are looking at one more geography, one more micro market other than Kompally. And obviously, Kerala and Karnataka, we have a lot to add.

Bhaskar Rao Bollineni: And one more on the debt, Rahul. See, basically, over a period of time, everybody was concerned about net debt and one is to -- instead and I went back and looked into the things and seen the research. As long as we are payout for a year, less than 20% of our EBITDA, then the concerns what everyone has about this 1:2,1:2.1,1:1.5 may not be a thing which needs to look into that. That's what my personal feeling of research.

Rahul Jeewani: Sure, Dr. Bhaskar.

Moderator: The next question comes from the line of Anshul Agrawal from Emkay Global Financial Services.

Anshul Agrawal: Sir, my question is on the AP cluster. So while we have reported good growth in the top line as well as EBITDA, OBDs or the occupied beds number has sort of trended downwards for the full year as well as in the quarter as well despite bed additions. So why have volumes been tepid in this cluster?

Abhinay Bollineni: The seasonal impact Q3 versus Q4. Across all clusters, there is an IP volume dip. And also in this case, there is an ALOS dip in case of Andhra. So that's why the occupied numbers are low.

Anshul Agrawal: For the full year, I wanted to -- yes.

Abhinay Bollineni: Yes. For the full year, there has been growth.

Anshul Agrawal: No, fully occupied beds, I think, have gone down by about 8%.

Abhinay Bollineni: That's because of ALOS coming down by almost 15%. If you look at the IP volumes, the volumes have gone up by almost 6%.

Anshul Agrawal: Okay. Got it. So -- and the reason why this trend of -- is it efficiency driven? Because I believe let's say our ARPOBs are improving because of case mix, etc, those specialties would ideally be taking more time for patients to recover, etc. Any reason why this ALOS has sharply corrected at a group level?

Abhinay Bollineni: In Andhra, there has been a lot of efficiency from the scheme -- state government scheme. And that is why there has been a good decline in the length of stay. Because if you look at most of our clusters, it's in the range of 3 to 3.5, but Andhra is slightly higher. So because of a higher component of the scheme. Given that the scheme efficiency is improving, the overall length of stay is also improved.

Bhaskar Rao Bollineni: The other important factor in the health care is when the organizations are keep growing and getting a good brand name and a good consultants and a lot of complex cases will try to reach to the most efficient organizations from all over the country.

With that, when there is a complex case are coming, the financial ARPOBs are also increased because of the complexity of things that what we need to use and the materials and everything. That is the other reason even though if it is coming down the number one the seasonal and ALOS, apart from that, we do get because of our brand name and the outcomes of the patient care, a lot more patients we are attracting throughout the country.

Moderator: The next question comes from the line of Gagan Thareja from ASK Investment Managers.

Gagan Thareja: First question is on the ARPOB growth that you have registered for the year, a very strong number of 20% plus. If you can explain how much of that ARPOB growth is coming from case mix, payer mix and simply a revision in insurance rates and increase in tariffs?

Abhinay Bollineni: Yes, I think there has been a good 20% plus growth in ARPOB. The key contributors, one, there has been price revision in Telangana cluster. The length of stay has come down by almost 15%, which also contributed to this. And given the payer mix, we are more focused on cash insurance and in the newer markets like Nashik, Sangli, Guntur, where empanelments are not yet through, most of the business is cash business. So that is one of the reasons why we have seen a higher ARPOB.

Gagan Thareja: Is it possible to enumerate the increase in tariffs? And also are the proportion of scheme patients down substantially year-on-year?

Abhinay Bollineni: Scheme patients are down by 1%, 2% -- by 2% both public sector scheme and state government scheme. In absolute number, it remains the same. But given the growth in the other payers as a percentage, it has grown.

Gagan Thareja: Sir, but for the coming 2, 3 years, how should we model or think about ARPOB growth? Because typically, hospitals tend to report a mid- to high single-digit ARPOB increase on an annual basis. This has moved up substantially last year for you. And I think in the last 3, 4 years post-COVID for most hospitals. But from here on, how should ARPOB growth look like?

Abhinay Bollineni: Given that we are adding a lot of 3 new hospitals in 2 large cities, Bangalore and Thane, it will further improve the ARPOB, overall ARPOB. So it's better to read it on a cluster basis. I think on a cluster basis, Andhra and Telangana, pure ARPOB growth should be 4% to 5%.

The rest of it will be driven because of reduction in ALOS, better payer mix and better case mix. Maharashtra and Kerala, Karnataka, given that they're all in growth phases, it will be difficult to kind of predict ARPOB growth at this point in time. But we are not -- because all these clusters are very new. There's no price hike that we plan to do in these clusters.

Bhaskar Rao Bollineni: And to add that, there are certain things what we have done, as I was mentioning, that we have been introducing the new technology when compared to -- in India, and we are the first movers like this magnetic resonance focused ultrasound, which can able to generate around INR25 crores, INR30 crores a year, which doesn't require any admission.

Similarly, TULSA-PRO. And we're also adding a lot more technology in the radiation oncology. And these are all the things which doesn't require any admissions. They are all OP based. That's why there is operational cost also will be very, very minimal. So with that the ARPOB growth should be -- we can expect a good growth going forward.

Gagan Thareja: Okay. Right, sir. And I mean, if I simply look at your available beds today at 5,100 with an occupancy of 48% and another 1,500 beds coming over the next 1 year, if I understand it correctly, between Bengaluru, Thane and Srikakulam and Ongole and then another -- and Anantapur and then 800 more thereafter.

If one were to take a 5-year view, is it reasonable to assume that all of this bed capacity, 5,000 beds odd going to 7,500-odd can be optimally utilized in a 5-year time frame? And if so, is it therefore reasonable to assume that between ARPOB increases and occupancy increases on a higher bed count, a 20% plus sort of -- or at least a 20% corridor sort of revenue CAGR is a very achievable number for a 5-year time frame?

Abhinay Bollineni: I totally agree with you.

Gagan Thareja: Right. And I also would like your opinions on the margin profile. I understand that the bed additions initially kick in with full costs and the revenue benefits accrue over a period of time. So therefore, is it reasonable to assume that perhaps in '26 because of the fixed costs, the operating margins might take a bit of a hit and then ramp up again and then in a 3-, 4-year time frame, you can achieve your optimal margins of 27%, 28%?

Abhinay Bollineni: I think it's always -- one there will certainly be a hit at a group EBITDA margin for this financial year. And given the pace at which we are adding beds in different clusters, there will always be a significant number of beds that will be in their growth phase, maybe 30%, 40% of the beds they will always be in their growth phase.

So it is always better to look at it more from a cluster point of view than to look at it at a group level. I think mature clusters that we define as mature should be at a 27%, 30% kind of a margin. And the newer clusters should see consistent growth on a quarter-on-quarter basis -- on a year-on-year basis.

Gagan Thareja: Okay. All right. And in terms of depreciation expense as and when new beds get commissioned, that should -- I mean, should one see a proportional increase in that line item of the P&L for next 2 years?

Sachin Ashok Salvi: Yes, you're right. So as soon as the hospital gets commissioned, the depreciation for that hospital asset gets kept into the profit and loss account. So yes.

Moderator: The next question comes from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Good morning, everyone, Another question on ARPOB, sir. With ALOS now already down to 3.6 days, should we expect ARPOB growth and ARPP growth to be more aligned going forward?

Abhinay Bollineni: Yes. At a group level, yes.

Alankar Garude: Got it. Secondly, Abhinay, can you comment on the performance of Nagpur and Sunshine individually in this quarter as well as maybe some comments on the performance for FY '25 would also be helpful?

Abhinay Bollineni: So on Sunshine, we have done -- we have reported an EBITDA of close to INR47-odd crores and a revenue of, INR155 crores and an EBITDA of INR47 crores. So there has been a very good growth on a quarter-on-quarter basis, both in Sunshine as well as in Nagpur. In Nagpur, we did a revenue of close to INR18 crores and an EBITDA of INR12 crores.

Alankar Garude: Sorry, did I hear that correctly, INR18 crores of sales and INR12 crores of EBITDA in Nagpur sir?

Abhinay Bollineni: INR56 crores of sales and INR12 crores of EBITDA in Nagpur.

Alankar Garude: Okay. Okay. And if you can comment for the year as well, sir, would be helpful.

Abhinay Bollineni: For the full year, Sunshine did around INR600 crores of revenue and INR170 crores of EBITDA. And Nagpur did INR100 crores of revenue and INR40 crores of EBITDA -- INR37 crores of EBITDA.

Alankar Garude: Qualitatively, would it be fair to say that -- I mean, both these networks or Sunshine as a network and Nagpur, the hospital are pretty much on track. And if I look at Maharashtra cluster, the way we have reported it this quarter and maybe how we'll report it once Thane comes in, safer to assume that Nagpur will remain steady, and then we'll see that gradual ramp-up in Nashik, as you mentioned, and Thane going forward and maybe Sangli also once it comes in. So is that the right way to look at it, Sunshine, Nagpur healthy and improving going forward? And then, of course, the newer hospitals are contributing gradually going forward?

Abhinay Bollineni: Correct. So even both Secunderabad and Kondapur, there is a lot of room for growth given that we are adding capacity in both these hospitals. And Sunshine added capacity and we're waiting for more ramp-up to happen. So the entire Telangana cluster and Nagpur will continue to grow at a steady growth rate and the newer hospitals will add over the next few years.

Alankar Garude: Got it. And just one last bookkeeping question. What is the nature of the nonrecurring expenses of INR67 million in Kerala?

Sachin Ashok Salvi: So this is the stamp duty, which we have paid. This is basically the stamp duty, which we have paid on the registration of a lease deal at Kannur and Kollam. So since we have accounted it under Ind AS 109 business combination, the accounting standard requires us to expense these expenses to the profit and loss account rather than capitalizing it. Since this hospital unit has commenced operation in the current quarter, we have expensed it to the current financial quarter. It is INR6.75 crores.

Moderator: The next question comes from the line of Vihang Subramanian from Zaaba Capitals.

Vihang Subramanian: Just another question on ARPOB. Probably you have answered this in some shape or form. But when you look at your ARPOB versus some of the other listed peers, I think at an overall company level, we are still trending much below. So it could be due to regional exposure, patient level mixes. But given that you're moving outside your core region now incrementally as well as improving patient level mix, from a 2- to 3-year perspective, do you think that this gap closes now?

Abhinay Bollineni: I don't think the right way to look at it would be at a group level. So we should look at it from a cluster level given we operate in different geographies, even within geographies, we operate in larger cities and Tier 2, Tier 3 towns. So it may not give us the right indicator. If you look at Telangana cluster, we are at INR65,000.

Andhra given that the market is around INR23,000, INR24,000 we are in that range. Maharashtra, we have a mix of now with Thane and Tier 2, we'll have a mix of both markets. I think it may not be fair to compare it with peers at a group level. It may not give the right picture.

Vihang Subramanian: Understood. That's fair. Any guidance you would like to share, though, for group level ARPOB because you're already at INR40,000, right? And incrementally, most of your regions or your expansion seem to be in higher ARPOB micro markets. So do you think that this INR40,000 could potentially trend higher towards INR50,000, INR75,000 over the next 2 to 3 years?

Abhinay Bollineni: Yes, it should definitely scale to that number because given 3 big assets are getting added in larger cities and there is a lot of growth left in Telangana cluster, we should -- it will go in that direction.

Moderator: The next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, specifically on Telangana front, just would like to understand, given the kind of profitability at which we are currently, but like occupancy is still sort of at 50% primarily because of addition of beds. So here, what would be key drivers to drive both occupancy as well as profitability over next 1 to 2 years, either in terms of case mix, payer mix, if you could elaborate?

Abhinay Bollineni: I think like in Sunshine, there's still -- there is a lot of scope to add new specialties, especially in the Begumpet facility. They are now looking to start an oncology hospital within Sunshine within the new Begumpet facility. There are a lot of specialties that we invested in the last 1 year, which has still not grown to the scale that we wanted to grow. So given all of those initiatives, we're pretty confident that the occupancy will grow.

And as far as Kondapur is concerned, we're getting a new facility. Right now, we are running at a very high occupancy, limited space. With new space, we will add a lot of new specialties that we have not been focusing on today currently like oncology, transplant at Kondapur. So a lot of these initiatives will help us continue to scale at Telangana.

Tushar Manudhane: Got it, sir. And likewise, for Andhra Pradesh, the ARPOB has been like sort of at least sort of INR20,000. So any chance there to scale up or get further better one as far as ARPOB is concerned?

Abhinay Bollineni: It will be a steady growth in Andhra. We are now doing a lot of transplant work. We will start oncology pretty soon in most of our hospitals. So it will definitely improve. We are pretty confident we get to INR30,000 kind of mark over the next few years with a mix of both payer mix and case mix. But it also is what the market can offer.

Tushar Manudhane: So when you say INR30,000 ARPOB, so effectively -- so what time line are we targeting?

Abhinay Bollineni: Because a lot of the capacity is coming in '27. So we should take a good 3-, 4-year period before we scale up both the ARPOB and revenue.

Moderator: The next question comes from the line of Damayanti Kerai from HSBC Bank.

Damayanti Kerai: I just had one last question. So if you can update us on the Thrissur unit? And then how is the payer mix in Kerala cluster looks like?

Abhinay Bollineni: Currently, we are operating in 2 places, Kannur and Kollam. Both these markets, a significant contribution is just cash as a payer, also because some empanelments are still yet to be done for insurance. But both these markets, we don't see beyond 80% being cash and 20% being insurance. Thrissur, we should commission by next financial year.

Damayanti Kerai: Next financial year '26, right? This year or next year?

Abhinay Bollineni: That is '27.

Damayanti Kerai: '27. Okay.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management to give their closing comments.

Bhaskar Rao Bollineni: Thank you very much for all your questions and some more knowledge has come. And you have seen last year '25 is a very good year. And moving forward, being in health care, there are a few important things which we need to be able to address. We need to provide health care to all the people, whether it is a Tier 1, Tier 2, Tier 3 cities with an affordable cost.

That's why in Andhra clusters, we have been in the same population, we have been put in 10 places, whereas in Hyderabad, it is only in the 4, 5 places. The ARPOB growth and the quality care we need to provide for the -- even the middle and lower middle class people. Everywhere we go in all the clusters, we are doing the same thing.

And at the same time, we will see that the growth, I will keep on telling in the past few years. And the growth in the next few years, we have been planned in such a way that it will continue whatever we have been showcased in the last few years. It will continue to grow for the next decade. That was our aim. And I believe that we can able to execute that plan also. I think thank you very much for your trust on us. And we are always with the quality care to provide to the patients and also see that our investors should also get the benefit out of your investments with us. Thank you.

Moderator: Ladies and gentlemen, on behalf of IIFL Capital Services Limited, that concludes this conference. You may now disconnect your lines.