Manipal Health Enterprises Ltd

FY27 Q1

Ladies and gentlemen, good day, and welcome to Manipal Health Enterprises Limited Q1 FY '27 Earnings Conference Call. 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 "*" then "0" on your touch-tone phone. I now hand the conference over to Mr. Diwakar Pingle from EY. Thank you, and over to you, sir.
Thanks a lot, Danish. Good morning to all participants on the call. It's our pleasure to welcome you to the first earnings call of Manipal Health Enterprises Limited. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. This must be viewed in conjunction with our business risks that could cause future result performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements. Please note that we have mailed the results, and the same is also available in the company's website. In case you do not receive the same, you can write to us, and we'll be happy to send the same over to you. To take us through the results and answer your questions today, we have the top management of Manipal Health Enterprises Limited represented by Mr. Dilip Jose - MD & CEO, Mr. Samir Aggarwal - Group CFO, and Mr. Karthik Rajagopal - COO. We will start the call with a brief overview about the company and on the quarter gone past and then move over to the Q&A session. With that said, it's my pleasure to now hand over the call to Dilip Jose. Over to you, Dilip.
Thank you, Diwakar. Good morning, everybody, and welcome to our inaugural earnings call. As Diwakar said, I'm joined by my senior colleagues, Samir Aggarwal, our CFO; and Karthik Rajagopal, our Chief Operating Officer. I hope you all have had a chance to go through the presentation that we uploaded last evening that outlines the robust performance that we had in in quarter 1. Before we take your questions, I would take just a few minutes to headline the quarter and give you more context as we look ahead to the rest of the financial year. First of all, we are pleased that our growth was driven by volumes, more patients accessing our care during this quarter as well, as we believe that is a sustainable option for growth in care delivery. Our Q1 revenue of 3,091 crores represents a growth of over 38% year-on-year. Our network EBITDA was 749 crores, a growth of over 26% over last year. Excluding a one-off gain that we had in in the first quarter of last year, the growth is over 30%. Our operating margin, excluding Sahyadri, was 25%, and at a network level, that includes Sahyadri hospitals, is at 24.2% for the quarter. As I mentioned earlier, we had a volume-led growth this quarter as well. Our inpatient volumes grew by about 39% and OP volumes by 26% over Q1 of last year. Average occupancy across our network was 65%, a 290 bps increase over Q1 of last year while we maintained an industry-leading ALOS of just 2.7 days. Excluding Sahyadri, our ARPOB is rupees 77,200 per day, a growth of over of about 9% over Q1 of last year. Our digital revenue grew significantly and contributed about 710 crores during the quarter, representing about 23% of our overall revenue. Out of hospital offerings that, you know, a set of initiatives that we started a while ago, if you look at that, our e-pharmacy processed over 15,000 orders across 23 hospitals in 4 metro cities. Our tele-health solutions completed over 17,000 virtual consultations. And our chatbot, including the My, what we call, the Manipal AI-enabled digital health companion, handled over 9,600 interactions during the quarter 1 of FY '27. Our Centers of Excellence, that six centers that we consider as our high-acuity specialties: cardiology, cardiac sciences actually, oncology, neurology, gastroenterology, orthopedics, and renal sciences, continued to be a key growth driver, their revenue contribution rising to about 65% to 65% in Q1 of FY '27. During the this quarter, IP revenues across these specialties grew by 45% 10. So they have really been the growth drivers for us uh for the first quarter. We also continued our efforts to further strengthen these specialties with investments to share just a couple of examples. During this quarter, we installed a linear accelerator and a PET-CT at our hospital in Nashik. Introduced optical coherence tomography at our flagship facility MHB Old Airport

Road in Bangalore as well as two other locations in the same city. We commissioned an AI AI assisted, artificial intelligence assisted neuro biplane cath lab in our Mukundapur facility in Kolkata. We believe that the interventional radiology program that we have just launched in that city would be able to deliver cutting edge clinical outcomes for that region. I also would like to just highlight just a couple of outstanding clinical achievements, including first ever and know regionally first kind of milestones. Our Whitefield hospital in Bangalore performed world's first robotic pancreatic surgery on a 1-month-old infant. Our Vijayawada hospital in Andhra Pradesh performed the state's first emergency living donor liver transplant. And our recently launched two greenfield facilities, Kanakapura in South Bangalore and Yelahanka in in North of the city completed their first robotic renal transplant. And you would recall that both these facilities are in their first year of operations. Let me also give you a brief update on the performance of Sahyadri hospitals. Sahyadri reported revenue of INR 332 crores in quarter 1, a growth of over 13% uh compared to last year. EBITDA for the quarter was 58 crore INR 58 crores, a growth of about 19% year-on-year. Operating performance also improved significantly. ARPOB grew by 15% to about INR 45,000 a day. Occupancy reached 63%. And we've been able to improve the length of stay, that is reduce the length of stay by about 8% uh compared to last year. And in Q1, we reached 2.8 days of length of stay in the Sahyadri network. Work on integration of uh that set of hospitals to the larger Manipal hospital network continues to progress as planned. Key initiatives including enhancement to clinical programs, talent addition, improved conversion efficiency, phased digital adoption and infrastructure upgrades are already contributing, as we saw in the Q1, to the Q1 performance. As we progress to a full brand integration over the next few months, we have already introduced an element of a network of Manipal hospitals uh into the Sahyadri brand uh already, like I mentioned. In other updates, we commissioned a brownfield capacity addition of 103 beds, along with the newly installed linear accelerator and PET-CT at our Nashik hospital, increasing its overall licensed bed capacity to 307 beds. You'd also be happy to know that we launched our 50th hospital along the promised timelines uh in in uh uh in the July, in the in the last month, in the month of July. And uh it added about 300 beds more to our uh uh licensed capacity. Also, as you would recall, the 50th hospital is in Electronic City in Bangalore. This marks our 13th facility in the city, taking the overall licensed bed capacity in the city of Bangalore to nearly 3,000 beds. In addition, a few days ago, the company announced the transaction to acquire the entire business operations and assets of Kind Hospital in the Whitefield area of Bangalore. As we complete the transaction, post a couple of CPs, the facility will further enhance our reach and capacity in the fast-growing area, micro market of Whitefield. With that uh brief overview, I will now open the session to Q&A.

Thank you so much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. Our first question comes from the line of Damayanti Kerai with HSBC Bank. Please go ahead.

Hi. Uh thank you for the opportunity, and congratulations to the management for a good start. So my first question is on the integration. Just want to understand a bit more in terms of management focus on the areas of segment which will be critical to improve profitability of this unit and closing the gap between and the corporate EBITDA margin. So you mentioned about big efficiency, etcetera, so a bit more on the details and how do you see the turnaround time according to you, how much it will take to bring it on far to the corporate every day? Thank you.

So thank you Damayanti. I will start off and I will request my colleague Karthik to really amplify. As I mentioned in the in the quarter we have seen a significant improvement in the performance of Sahyadri. We have reached EBITDA margins of almost 17.5% in the in the first quarter, which is a significant growth like I probably mentioned earlier. It's been a volume led growth and really driven by clinical enhancement and also operating efficiency. The integration stage, you know, the way we have planned is over an 18 months kind

of a period. I would request Karthik to really look give you the granular feedback on Q1 and his priorities as we look ahead for the subsequent quarters. Karthik, over to you.
Yeah. Hi Damayanti. Hope you're doing well. The entire piece is we follow a certain playbook when it comes to looking at acquisitions, you know, and how we look at the integration. So, the whole process takes about 16 to 18 months. But your question on when it will get to, you know, the the EBITDA for what the network is doing, that obviously is, you know, some time away. But in terms of priorities, what we did with people was we've got the regional structure in place, and that's the entire HR organization that we actually go ahead and do for our rest of the clusters and regions as well. That's the first thing that we put in place. And what we do in the three key metros, Bangalore, Calcutta and Pune right now is to look at the interoperability of clinicians. So, there are about 58 of the clinicians now because we've got nine hospitals in Pune, seven from the Sahyadri network, two from Manipal. So the interoperability is being increased. 58 clinicians now move across, you know, both the brands. From a branding perspective, a full-fledged, you know, repositioning into Manipal. We're just deciding on the dates as to when we could do that. Usually, it's about 14 to 16 months from the day we integrate. But from a logo perspective, as Dilip mentioned, put the Manipal element into the logo as well. Our digital penetration as Dilip has spoken about is about 22%-23% of our revenue. So, that's the start that we've got in, you know, Sahyadri as well. So, we are going pretty bullish on the digital channels. We'll also go ahead and look at the other business development channels in terms of upcountry markets and internal processes like conversion efficiencies, etc. And obviously in terms of infrastructure updates, we are getting, you know, most of the hospitals up to speed with the you know, Manipal systems. So for now, this is what we are looking at. Outside of that we have a lot of emphasis on our service strategy Damayanti. So that's something that we are putting together in Sahyadri as well. So slowly as we start to see the results coming through and over the next few months, this will, you know, move in completely into a you know, Manipal outfit.
That's very helpful. So, just a bit on the mix part. So here as well, you will be focusing on your oncology oncology segment?
See Damayanti, in terms of, you know, the CONGO mix is not a big difference in terms of the contribution between Sahyadri and the Manipal network. It'll probably be very close to each other. It's only the complexity of the CONGO cases that, you know, Manipal has an advantage, and that's the exact playbook that we're trying to bring into, you know, Sahyadri as well in terms of moving up the complexity as far as the CONGO mix is concerned and that will definitely positively impact your ARPOB and the other financial parameters as well.
Sure. My second question is on your strategy in the Delhi NCR market for the oncology oncology segment.
So, what we understand uh Manipal has been focusing a lot to build up a very strong uh doctor's team to really uh step up its presence in Oncology Space in Delhi NCR. So, a bit of uh better understanding on this uh segment will also help us. Thank you.
So, Damayanti, this is Dilip here, if I may take that question. Uh I think we we already have a very strong Onco program in Delhi uh over the last several quarters. It's a program that's been uh growing steadily and it has you know, if you also uh look at our presentation and what I've mentioned also during my intro- introductory comments that our Kengo R mix is uh growing at about 45% and and Oncology uh is maybe among the fastest growing in that mix. So, therefore uh you know, it is not only in Delhi, uh around the country, we are looking at uh growing Oncology and uh also if you look at our uh presentation that you know if you look at that uh that's the pie chart which is given in the presentation, you could see that uh you know, uh the the there is a movement in the Oncology percent uh Oncology proportion in that already. You could see that uh from 10. uh 8% uh you know, in in last year it has already grown to 12.2% at a network level. So, Oncology would continue to be a focus not only in Delhi, around the country uh Damayanti. And uh it is also uh uh you know, buttressed by the fact that we have added significant Oncology capacity in Bangalore as well. The three greenfields that we have commissioned in the city in the city of Bangalore in the last 12 uh months, all of them have uh comprehensive uh Oncology facilities and that also would drive up our ability to address the growing need of Oncology

in the country.
Uh thank you. Uh I am really sorry, uh but do you may uh please leave me in the queue if I have a more question. Thank you.
Our next question comes from the line of Neha Manpuria with Bank of America Securities. Please go ahead.
Yeah. Thanks for taking my question. Uh my first question is on the ex-Sahyadri margins. Uh you know, if you could give us a little bit color on how we should think about these margins in terms of which market probably or which cluster do you think you see uh scope for margin improvement. Uh and if I were to take a little bit let's say, 18 to 24 months, uh is this a steady-state margin that we should assume what we've seen in FY '26 and or how much scope for improvement there is? Thank you.
So, Neha, uh thank you for that question. Uh the ex-Sahyadri margin, uh like we have uh covered in our presentation, is about 25% for Q1, and uh that remains robust. And, you know, you could see actually uh there is uh a marginal dip uh over last year uh Q1. And uh the reason is uh the greenfields which are come, you know, which like I mentioned earlier, greenfields which are up in Bangalore, they are still ramping up. Although ahead of our plan greenfields are ramping up, that brings down uh our, you know, composite margin uh a tad. Uh, but barring that, if you look at our portfolio of hospitals, that uh uh I'm uh this is with reference to your second question as to, you know, where how do you see the margin expanding. So, if you look at our portfolio of uh hospitals, apart from that uh network of Sahyadri, you know, which is at a combined margin of about 17%, 17.5 1/2% in Q1, uh the a large number of our hospitals are in excess of uh the the uh the portfolio margin that we have, which is 24%. So, as these greenfields drift up, you know, the greenfields in Bangalore currently are at uh the two older ones, you know, older ones meaning, you know, six or seven months old, they are already broken even and they are at about 13% margin in Q1. Uh as these trend up uh you know, uh like over the next year a year, year and 1/2 to where they ought to get to, you know, that will pull up the the the composite margin, portfolio margin. As Sahyadri's, uh you know, like Karthik mentioned earlier, as those initiatives take shape and, you know, uh over the next few quarters, we expect to push up Sahyadri's uh closer to where the portfolio is. We have had a volume-led growth, Neha, like I mentioned earlier in Q1, and uh complexity-led growth in Q1. If these things really uh you know, we think these are the sustainable trends. This is what will drive up uh uh the potential to grow the margins further. We don't want to indicate a specific number where we will get to, but, you know, when we look at our portfolio, like I mentioned, we have hospitals at 30% margin, in excess of 30% margin, you know, several hospitals greater than 35 30 32% margin. So,
we would work to towards pushing up our portfolio entire network to you know further improving to those levels. I'm not guiding with your time line or a number, but this is directionally how we see that you know we can we can progress. Sameer you want to commit same as of 4 Sameer, if you want to. Yeah, Dilip
Nehar, I think Dilip has covered to have this quickly go the numbers. There is some one-off in fact, actually last year same quarter we had a reversal of 15 crores that give us benefit last year that was a one-off. It was a contract which was pre acquisition in Medica, which the management team actually negotiated and we got a benefit. So, if you remove that it is almost 0.6% because of that and some of the doctor cost as Dilip explained because of the Greenfield, as the Greenfield ramp up we will see the operating and doctor leverage come through in the balance part of the year.
Okay, that's very helpful and just to clarify we do not have any more green field coming in. I think till the time we commissioned Mumbai in 29 that would be right, right? Based on the disclosure that we made.
No Neha you know after Q1 you know like a machine are 50th hospital came up in the Electronic City in Bangalore which was in the month of July, so that would be in Q2 of this fiscal. You know we don't we have Raipur which would be coming on stream towards the end of this year or you know last quarter of this fiscal. That would be our next large next Greenfield in our pipeline. Subsequent to that would be Juhu like you mentioned in between Raipur and Juhu, we would also get the skinner you know we mentioned earlier in the introduction that you know we added 100 beds through a acquisition in Whitefield in Bangalore. We are

reconfiguring that hospital, it is a it's a women and children kind of a facility. We are really reconfiguring to add to our profile in that region in that part of the market, that would also come into play additional 100 beds between Raipur and Mumbai, so that's the line of sight that we have at this point Neha.
Thank you Neha. If you have more question, you will please rejoin the queue. Ladies and gentlemen, in order to ensure that the management will be able to address all the questions from the participant. We request you to kindly limit your question to two questions only per participant. If you have a follow-up question, please rejoin the queue. Our next question comes from the line of Aman Goyal with IIFL Capital Services Limited. Please go ahead. Aman, you may please proceed ahead with the question. Aman, your voice is very low. Aman, would you like to rejoin the queue? As there is no response from Aman, we will move forward to the next participant. Our next question comes from the line of Bansi Desai with J.P. Morgan. Please go ahead.
Hi, thanks for the opportunity. So firstly, on Sahyadri, you know, historically, when you know, Manipal has acquired assets, we've seen that you know, we've invested into those assets in the initial years, and then you know we are likely to do the same with Sahyadri as we integrate the asset and as we invest into specialties in everything. How should we then you know think about the medium term to longer term build out here? Any aspirations on growth, margins, if you could provide?
So Bansi, thank you for the question. Like I mentioned in the introduction that you know Sahyadri is already grown by 13, 14, 13% plus in revenue year-on-year. And I think 19 or 20% in EBITDA. You know this is like you know early in our journey with Sahyadri just a few months, 6 or 7 months into our fold. And we've been able to move up on this trajectory. And also Bansi, as you recall what Karthik talked about, you know this has happened through the initial efforts of you know the doctored profitability that you know conversion efficiencies, and also trying to really focus on the comdo mix, and of course, the service standards that we are trying to introduce. Now all these would cascade into more efficiencies and you know more more benefits to the bottom line as we progress. Now, like you mentioned, there is expansion happening in almost all locations of Sahyadri. Deccan Gymkhana is undergoing an expansion, an entire tower is getting added. Hadapsar
this adding bed? Yes, like you also know that we are started a Greenfield in in Wakad, in north Pune. And like I mentioned earlier, Nasik has already added on to capacity, 100 plus beds, oncology, Linac, and the PET-CT have come. We are introducing onco capabilities at Ahilyanagar also. So, I think like you also pointed out, Bansi, we are investing in capital in advanced technology, like indeed we have done in all the other acquisitions in the past.
So, therefore, when Karthik talks about a play book that we are trying to follow in Sahyadri, it is actually right, because these are the things which have worked for us in really turning around the past acquisitions, and that's the confidence that we have in Sahyadri. And we are really happy to see even in a in a short time, we've been able to improve our pop, significantly drive up volumes, add up to complexities of of the work that we have, and continues to really drive on operating efficiencies. And that's the way we look at, and you know, Karthik, you want to talk about the next year, year and a half, how do you see the trajectory? We are not guiding on particular number, but you could you could talk about how you see efficiencies improve.
Uh so, uh Bansi, for a start, the amplification for the brand will come in once it's completely re-christened into Manipal so that the uh you know, nine units can then function as one. And uh, you know, pretty much it's going to be the same in terms of the concentration on the uh non-GoR. Obviously, uh uh digital is yet to mature uh, you know, completely. We've also, as I told you, I mean, you know, the internal conversion efficiencies, and the rest of the stuff that uh Deepak Dilip was talking about in terms of uh, you know, the out-of-hospital care and you know, the revenue opportunities, etc. All that will start folding into uh, you know, uh the brand in terms of uh what we're actually going to go ahead and look at in terms of the future. So, it'll be a combination of operational efficiencies, more clinical talent uh uh you know, coming in uh more initiative uh in terms of out-of-hospital, etc., plus in terms of business development, both in terms of upcountry markets as well as, you know, the Pune

market. And a full integration of all the uh nine units is what is actually going to go ahead and uh lead us in terms of, you know, the next uh possible 16-18 months.
And, and Bansi, to top up, you know, you could already see uh, I mentioned the length of stay improvement in Sahyadri. I think 8% improvement already coming down to 2.8 has come through operating efficiencies, right? I think, you know, that's a benefit. That's what Karthik are talking about. You know, it is, it is a multi-faceted approach, you know, a lot of initial efforts would be on operating efficiency. As we, as we scale up capacity and, you know, investments happen. But, if you just look at the ARPOB improvement, the volume growth in patients and the length of stay which has already come down despite the complexity of work increasing, I think this is the playbook that uh, that we have in mind. And that is what will drive up uh, the margin profile in those uh, hospitals, Bansi.
Yeah, thanks. Appreciate the color there. Um, my my second question is on the expansion plan. So, you know, fiscal '27, you've laid out uh plan to add, you know, about 1,000 beds. Um, and I'm assuming, you know, all of this will come in a staggered manner and even within that, the commissioning of beds would happen in a phased manner. So, if you could highlight, um, you know, what kind of number of beds should we assume uh for commissioning in '27 and what could spill over to '28?
Karthik?
Yeah. So, uh Bansi, the near uh 300 bed uh addition in terms of our Electronic City facility which came up in Q2, that will uh, you know, happen and we're expecting uh Raipur uh to get uh a commission in uh, you know, uh the uh Q4 of uh FY uh 27. And uh, Nasik uh is already added in in terms of the 103 beds. So, these are the uh uh, you know, three large parts that will actually go ahead and come in. And as far as uh the Kinder uh uh, you know, buyout is concerned uh, Bansi, we want to do what we do best which is uh look at multi-specialty where uh, you know, the women care uh brand will actually be tucked in as a a part of uh the hospital. So, we're trying to go ahead and look at that as well. It's It's obviously uh, you know, an 8 to 9-month uh process. So, that also might uh uh, you know, be possible if we were to accelerate to come in in uh, you know, FY uh '27. So, these are the three major uh uh, you know, initiatives in terms of bed capacity additions for uh FY '27, and Ahilyanagar in FY '28 could add about close to 80 beds.
So, uh Bansi, Sameer here. So, we are on track to whatever we have committed in terms of addition. Uh In fact, what Karthik said about Kinder could be over and above to what we are actually committed in terms of
So we are on track uh and various points of time during the year uh these beds will get added.
Thank you. Our next question comes from the line of Shyam Srinivasan with Goldman Sachs. Please go ahead.
Yeah. Uh good morning and thank you for taking my question. Just going back to the ex-Sahyadri margins, like the four margins, uh there has been a dip uh like I think what Dilip was saying as well. So, um, you know, if you were to able to give us us some quantification of the greenfield losses. Is it like 1%age point of revenue or something like that, so that then we can back out what uh, the like-for-like nature of margins were?
So, Shyam uh uh uh you know if if if you could look at uh the last year versus this year ex-Sahyadri margin uh last year Q1 was 26.5%, this year Q1 is 25%. That's a dip of 1.5%. And Sameer already talked about a one-off gain that we had in Q1 of last year, that material cost benefit that we had uh you know uh relating to a pre-acquisition uh you know contract in Medica, that if you knock it off uh the difference, that is 0.6% like Sameer explained earlier, the difference is uh 0.9% uh between last year and this year. And uh greenfield uh there are two two elements you know the greenfield doctor cost, uh you know uh we have uh in in both uh Kanakapura and uh Yelahanka, the two greenfield in Bangalore which were operational in Q1. Uh while they are in the early parts of their life, they are fully staffed with all the doctors. So the doctor cost element of that uh is about 0.5% for the network. That's the impact that we have. The other difference would be Shyam, that in Q1 some of the collection, particularly the scheme patient collection has been a little slow uh like the whole sector has been talking about. So So that's the That's only the two two

variables that we have. So we don't we don't see uh you know these as a challenge like you know, these are uh you know, greenfields as they ramp up the doctor cost fall into place and collection is something that uh you know, which will also as the year progresses see see it come through the cycle. So therefore the dip between last year to this year, Shyam, is not something which uh we are really concerned about. It is not a dip in terms of any operational issues. It is not a dip which is uh to our mind a uh sustainable kind of a a situation, these are two one-offs. So that's the way we look at uh last year to this year.
Helpful. Uh thank you for that, and my second question is just on overall growth, I'm not asking for Sahyadri or any of that vertical. How should we look at say, or if you want to call out uh you know, just the standalone growth? Um is there some guidance that you are offering uh in terms of the path forward? Because 23% again I'm talking core growth here for the quarter, uh appeared strong, right? So is are there elements of it which is uh one-off in nature or seasonality related in Q1? Or you think how should we look at the path forward on a on a standalone basis?
No, so, Shyam, the core growth is strong, you know, that's a point that we we made in the in the beginning, you know, you are absolutely right in calling it out. It is a strong growth and it has come through a volume-led uh uh uh kind of a uh a progress. So, uh we don't we don't really uh you know, if you look at the underlying features of that, you know, the volume growth of course I mentioned both IP and OP and uh the high-acuity specialty is growing, that, you know, we pointed out, the oncology growing and therefore ARPOB improving along with that. Greenfield would ramp up you know that uh now as we get into Q2, we are talking about three greenfields, you know, including the Electronic City one in in Bangalore. So, these you know, in our mind, uh the Q1 trends are not one-off trends, you know, these are fairly secular kind of uh uh kind of a uh uh you know tailwinds that we see for Manipal. So, we don't we don't see these are one-offs. While we are not guiding you to a specific core uh you know network growth, what we are saying is that, you know, these are the tailwinds which should sustain in the context of Manipal. And uh so that's the way we would look at it uh Shyam. Unless, Sameer, you have anything to add here.
Uh no no no, Dilip. I think so, you uh captured it well. Uh and this is the investment that we had made in the organization almost 3-4 years ago uh about the greenfields and uh the greenfields uh have ramped up uh well uh in the last 6-7 months and uh those are adding to the organic growth that we are getting in the city. Uh so, 23% growth which Dilip pointed out ex-Sahyadri uh seems quite robust at this point in time uh Shyam.
And, and also, Shyam, that you know at the
The concept uh you know overloading with information. Let me say when you look at the two green fields that we had and had in Bangalore in Q1 uh the South Bangalore Kanakapura one and the North Bangalore, Yelahanka one now the Kanakpura one, Yelahanka hospital broke even in the second month of operations. Now these are the benefits uh you know these are the ahead of our own expectations. And uh you know, though in our uh in our home market when we add capacity, uh, you know, like we are now doing in in Pune, like I think it's explained earlier the capacity addition coming in our home market of Pune. I think that would add to the, the, the the speed at which, uh, you know, we can, we can grow. I think these green fields like Sameer said, uh, are accelerating. And then in Q1, we have 13% EBITDA margin from the uh you know, from the Greenfield. Yeah. Way ahead of any plans that we had. So, I think that's the, that's the confidence that we have that you know, without guiding you to a specific number. These are the headwinds that we have at the Manipal network as we head out into the subsequent three quarters of the fiscal.
Thank you. Our next question comes from the line of Aman Goyal with IIFL Capital Services. Please go ahead.
Yeah, thank you. Thank you for the opportunity. Sir, my first question is ALOS. So, we have our industry leading ALOS. So, I just want to know uh, how we have built this ALOS despite we have the largest hospital chain with high base and and wherever peers are lagging somewhere between 3.5 to 4 days. So, can you throw some qualitative aspect? What is the medical or clinical excellence we have done over the past few years?
I, I, I only wanted to say, Aman, welcome back. We missed you at the first round. Uh, you know uh glad to have you back on the line and I'll request

Karthik to answer the question on ALOS.
Aman, uh, actually uh, you know, this this entire ALOS a bit started about a few years back when we had actually been there at about 4.2, 4.3. What we did was at the first step to weed out inefficiencies because they felt that much of uh 4.3 didn't have a uh, you know, a clinical connect. They probably had an administrative disconnect and some inefficiencies there. So, we worked on uh, you know, administrative inefficiencies to actually start to go ahead and look at it. So, that was one reason why very very clearly we started to uh look at a trend down as far as the uh you know ALOS is concerned. Reasons two and three uh would be that from a uh institutional mix of government players where we got 14% uh, there again, you know, the ALOS tend to be a little higher, though are uh you know, international patient uh growth has actually been, you know, very good in the first quarter of about 65% over uh you know uh last year, it will continues to be about 3% of our uh you know, overall revenue. So, these are the three things, and you know, within uh the ALOS the main uh you know, emphasis was on actually going ahead and uh reducing the discharge turnaround time. So be it with cash patients, be it with insurance, etcetera. We worked uh significantly, put on a lot of internal operating processes in place, you know, like plant discharges, etcetera, to ensure that uh you know, uh we do uh you know, discharge the patients on time, because, you know, one it turns over the bed uh faster. Second, we don't want anybody to actually go ahead and spend uh, you know, uh uh more time uh in the hospital as a patient because that's not good for them. They can recuperate much better at uh, you know, home as well. So, this is how we actually got it down.
Thank you, that was really helpful. Sir, second one on on this uh, so so what is the optimal leverage we will consider in future post the IPO proceed? I mean we will repay the debt, so what level we are actually comfortable going ahead and what is the capex guidance for next two three years if you uh, help me with this?
Aman, Sameer Sameer, our CFO would respond to that.
Yeah. Hi, Aman. Uh, so uh, as uh Dileep was pointing out uh about the Greenfield that we are going to launch uh, Mumbai is going to come up uh, we had uh you know in the next four three four years, as we add uh 3,000 beds, we will spend around 4,000 crore of capex. Uh, as far as uh, the leverage is concerned, we are currently, the net debt to EBITDA is around 2.8 times. Uh, once we repay this debt which we will do it in quarter two uh, since the trigger has already been initiated post receiving the IPO fund, our net debt to EBITDA will go down to 0.9 uh at quarter one level. So, we are fairly comfortable. I think so we will uh continue to use uh debt judiciously
Uh as we look at opportunities uh to uh keep growing, uh I think so uh a leverage of uh Industry averages currently around 1.5 to 2. We're fairly comfortable operating at that level. But in case if you have to go higher, it will be only due to an opportunity which uh cannot be missed. Otherwise, we're fairly comfortable operating at 1.5 to 2 leverage uh amount. As far as the CAPEX for the current year is concerned, I think for current year, we will end up spending almost 2,000 crores of CAPEX uh because of the Greenfield and brown fields that are coming up. Uh you will also be happy to note that we have spent quite a lot of money in quarter one itself. Almost 900 crores has been spent in quarter one. So, we're trying to frontend a lot of CAPEX so that we get the benefit and leverage of that for the entire financial year uh.
Thank you. Our next question comes from the line of Bala Murali Krishna with Oman Investment Advisors. Please go ahead.
Uh Mr. Krishna, you may please proceed ahead with the question.
Yeah. Yeah, good morning. So, first of all congratulations on good listing, and also I would like to appreciate uh to reduce the uh average length of stay and also focusing on the volume growth rather than uh mmm improving the uh RPOS uh uh like other listed players who are always focusing on increasing the ALOS and uh RPOS. And secondly, on the uh margin front of the uh Kinder uh acquisition which you are planning uh with the uh what is the uh approximate uh margin uh EBITDA margin in the in this acquisition?
So Bala, if I could take that, you know, thank you for the comment on the length of stay and the volume growth, like I've mentioned earlier, we believe uh uh, you know, as you agreed uh that you know, that's the sustainable way for our hospital to grow that uh serve more patients and uh not really look at the price

led growth. So that's been the Manipal philosophy and uh I'm glad that you've caught that. Kinder uh you know, we uh like Karthik also mentioned Bala, it is currently uh uh a women and children uh kind of hospital. Uh our our intent is to really uh modify that asset, you know, slightly rework on it to convert it to the multi-speciality, so we are really not looking at the current uh uh revenue or EBITDA profile. I think last current revenue of around 22 crores or something. Yeah, yeah, 3 to 4 crores a month. Yeah, and yeah, 3 to 4 crores a month was the current run rate. We're not really looking to build uh, you know, organically on that at all Bala. The reason that we've acquired this asset is Whitefield uh in Bangalore is a high-growth area. We already have two large hospitals there, which is uh really performing at a at a very high level. For us, this adding this 100 beds gave us a good capacity addition in a high growth uh high-growth geography, and that's the reason for uh for our acquisition. It is really not to build on women and children uh, you know, capability that uh that Kinder had Kinder has. Uh, I think we will uh, over the next 6-7 months, remodel that hospital to multi-speciality, and then we would really take it to its potential, you know, what 100 beds can do for us in that uh that Whitefield area. So, it is not at all about current revenue or current uh margin profile of Kinder. It is frankly uh irrelevant for our purposes. It is about what the opportunity offers us in that geography to create a third location, and really be the leader in that part of Bangalore.
And this comes with uh land and building included, so there is no rental. So as we remodel this hospital, there'll not be any leakage in terms of rent. Uh so this facility has been bought with the existing building and the land which has uh which will get transferred to us once the necessary CPs are fulfilled.
Yes, that's great sir. Hmm, so on the uh specialization front, so infertility is uh one thing, uh there are some uh uh diseases like super specialty infertility there are some specialized clinic, so in standalone clinic sir. So what is that contribution in our business uh in this one? And do we have any views uh to um uh into this uh if it is available already in our business and uh what would be your uh projections or whether you want to grow that kind of business?
So again Bala, like I said uh, we we are not uh looking at uh uh Kinder uh specialties, you know, to add to uh the the base that we have, you know. Uh actually, uh what what we plan to do is, shut down that hospital for a few months, you know, really to remodel. So it is, you know, currently you're right, you know, they do infertility,
and uh they they have uh of Delhi work. We have in facility of work happening in our Whitefield Hospital already. So we have that infertility capability already existing in that geography. So that is not something that we need to retain as Kindle like I mentioned earlier we will uh temporarily closed down at hospital for a few months for a new version. And after that take mentioned earlier post-renovation. It would be a multi-speciality uh in our uh can be for facility really that's an extension that in our or two other hospitals in that area Whitefield and Varthur both are multi-speciality quaternary care facilities. This would be in many respects an extension of that capability that capacity. So once again, we are not looking at what Kinder did in the past. Frankly, like I mentioned earlier, not relevant for us because those capabilities we already can accommodate in our existing other hospitals in Whitefield. This is really about adding significant capacity in a fast growing micro-market in in Bangalore. And we believe this was a very attractive transaction that we could we could uh enter into. Like Sameer said, after CPs are completed, we expect in the next 60 days that transfer to fully take place and then take a remodelling that happened. And I hope uh that makes it clear.
Thank you. Next question comes from the line of Alankar Garude with Kotak Institutional Equities. Please go ahead.
Hi, good morning, everyone. So firstly, can you comment on the performance of AMRI and Medica in this quarter? And how soon do you expect margins in these two acquired entities to reach the network margins?
Sorry uh what did you ask Alankar?
AMRI and Medica performance for this.
Alankar, just give us a second to pull out the number. So the other what was the