"Manipal Health Enterprises Limited

Q2 FY27 Earnings Conference Call"

November 13, 2026

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MODERATOR: **MR. DIWAKAR PINGLE – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to Manipal Health Enterprises Q2 FY27 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 star and then zero on your touchtone phone. Please note, this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from Ernst & Young. Thank you, and over to you, sir.

Diwakar Pingle: Thanks, Sagar. Good evening to all the participants in this call. Before we proceed on the call, let me remind you that the discussion may contain forward-looking statements that may involve known and unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance, or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

Please note, while we mailed the results to you, given the outlook issued today, maybe a few of you have still not received it. In case it still doesn't reach your mailbox, please do let us know, and we'll make all attempt to send it out. However, it's also available on the website and in the exchanges also, so you should be able to see the results there.

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 and CEO; Mr. Sameer Agarwal, Group CFO, and Mr. Karthik Rajagopal, COO, and other members of the management. We will start the call with a brief overview about the company and on the quarter gone past, and then conduct the Q&A session.

With that said, let me hand over the call to Dilip Jose. Over to you, Dilip.

Dilip Jose: Thank you, Diwakar. Good evening and welcome to our Quarter 2 Earnings Call. Along with me are my senior colleagues, Sameer Agarwal, our CFO, and Karthik Rajagopal, our Chief Operating Officer. I hope you have had a chance to go through the presentation that outlines the robust performance that we have had in quarter 2.

In fact, quarter 2 is the best ever quarter that we have had so far in our history. Before we take your questions, I would like to take a few minutes just to headline the performance in the quarter as well as H1 to give you more context as we look ahead to the rest of the financial year.

First of all, we are pleased that our growth continued to be driven by volumes, more patients accessing our care during this quarter also, as we believe that's the most sustainable option for growth in the hospital system. Our Q2 revenue of about INR3,400 crores is a growth of over 37% from Q2 of last year. Our quarter 2 EBITDA was INR882 crores, which is an increase of

about 30% over Q2 of FY26. Our EBITDA margin, excluding Sahyadri, was 27%, and at the network level, which includes Sahyadri, it was 26% for the quarter.

As I mentioned earlier, we had a volume-led growth this quarter as well. Inpatient volumes increased by about 35% and outpatient volumes by 27% year-on-year. Average occupancy across the network was 70% during the quarter compared to 65% in the first quarter of this year.

That is, we had 65% occupancy in quarter 1 FY27, which has now grown to 70% in the quarter 2 in the same year. This is despite maintaining an industry-leading length of stay of only 2.8 days. Excluding Sahyadri, our average revenue per occupied bed per day is at about INR77,000 in quarter 2, which is a growth of over 8% versus last year. At a network level, the ARPOB per day is about INR70,600 per day.

While that completes a quick financial highlight of the quarter 2 performance, let me also give you a brief update on our first half. Our revenue of INR6,490 crores is a growth of about 38% over last year. Our network EBITDA stood at INR1,631 crores, up by 28% year-on-year.

Our EBITDA margin, excluding Sahyadri, was 26%, and at the network level, including Sahyadri, it is 25% for the first half. Our PAT is INR639 crores, which is a margin of about 10%. Digital revenue contributed to nearly 23% of our overall revenue in the first half of FY27.

Out-of-hospital care offerings include e-pharmacy process about 34,000 orders across 26 hospitals in four metros. Telehealth solutions completed over 38,000 virtual consultations, and chatbot, including the Manipal AI, our AI-enabled digital health companion, handled about 24,000 interactions during the first half of this year.

Our centers of excellence, that is managing high-acuity care in cardiology, oncology, neurology, gastroenterology, orthopedics, and renal sciences, which we sort of in a short form call CONGO-R, continued to grow robustly, with their revenue contribution was 64.2% in the first half of this year. Oncology, neurology, and orthopedics have led this growth, along with other specialties, growing by about 43%.

We also continued our efforts to further strengthen these specialties with investments. To share a couple of examples, in the recent month, just a few days ago, we installed world's latest Da Vinci 5 robotic surgical system at our hospital in Dwarka in Delhi, introduced a clinically governed two-wheeler fleet of first responder service in Bangalore city, a first ever for private hospital emergency response in the state.

Our hospital in Patiala became the first in the city to introduce advanced robotic-assisted orthopedic surgery. I would also like to highlight some of the outstanding clinical achievements, including the first ever and regional first milestones.

Our Dhakuria Hospital in Kolkata performed first-of-its-kind laser-guided renal artery angioplasty in Eastern India. Our recently launched Greenfield Hospital at Electronic City in Bangalore performed South India's first reported 5-ALA fluorescence-guided surgery for a brain tumor on a 61-year-old patient. Our Goa Hospital performed the state's first covered self-expandable metallic stent procedure to treat critical airway blockage and tracheoesophageal fistula caused by a tumor.

Let me take a moment to give you a brief update on the performance of Sahyadri Hospitals. Sahyadri reported a strong Q2 performance with revenue of INR375 crores in the second quarter of FY27. This implies a sequential quarter-on-quarter growth of 13%. EBITDA for the quarter was INR73 crores, again implying a sequential quarter-on-quarter growth of 26%.

EBITDA margin is at 19.5% for the quarter. It is an improvement of over 200 basis points over Q1 of this year. You might recall in Q1 of this year, our margin was 17.5%. In Q2, the margin in Sahyadri is 19.5%, and it is in contrast to FY26, where the whole year margin was 15.5%.

Just to recap, FY26, we closed at 15.5%, Q1 at 17.5%, and Q2 at 19.5% margin. And in H1 FY27, revenue at Sahyadri was INR707 crores, up by 18%, and EBITDA at INR131 crores, up by 24% over last year. You may recall that we had highlighted digital adoption as one of the key drivers of revenue acceleration, and we are happy to share that the digital revenue contributed to 11% of Sahyadri revenue.

Work on integration of the network continues to progress as planned. In addition, let me also share the progress of our recently launched two greenfield hospital facilities in Bangalore, Kanakapura in south of the city and Yelahanka in North Bangalore.

I am very happy to inform you that our Q2 EBITDA margin at Kanakapura, since its launch just over a year ago, is today at 25%. A 25% EBITDA margin in our South Bangalore Kanakapura Hospital, just over one year old. In Yelahanka, which is less than a year old, has already reached EBITDA margin of 24%.

In other updates, we are very pleased to announce that we have completed the registration of a long-term lease of 3.5 acres of land for the development and operation of a multi-specialty tertiary care hospital in Gurugram. Phase 1 of the project is planned for 500 beds, with construction expected to complete in about three to four years.

You may also recall that in our last earnings call, we had announced the acquisition of the entire business operations and assets of Kinder Hospital in Bangalore. We are pleased to inform you that the transaction has been completed. We will soon commence work to reposition the facility as a neighborhood multi-specialty hospital, further enhancing our reach in the fast-growing area of Whitefield.

Finally, I just want to sum up by saying, overall, this quarter that went by is the best ever that we have had as a network, with the growth levers that we had discussed in the last call holding good. We look forward to the second half of this year with optimism.

With this brief overview, we will now open the session for Q&A. Thank you all.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Your first question comes from the line of Damayanti Kerai with HSBC. Please go ahead.

Damayanti Kerai: Hi. Thank you for the opportunity and congratulations on a great quarter. My first question is on your East India cluster performance. So, where we see revenue going at healthy pace, however, volume seems to have impact of the payer mix change, which you have indicated earlier. Just want to understand, how do you see this volume part coming back on track, and what are your broader expectations for the cluster?

Dilip Jose: So Damayanti, thank you for the question. I will begin, and then I would request my colleague, Karthik, to come in to supplement. Like you know, the reduction in volume is because of the schemes changing over, the Swasthya Sathi scheme getting changed over to the Ayushman Bharat or its equivalent scheme in the state.

We would expect that transition to get concluded fully. Like you know, it has not impacted our progress in revenue. I think this is a transition as the government changed, and we would expect it to get smoothened over. But the performance at the revenue front, Damayanti, like you know, is robust.

In addition, let me also tell you that in the last 10 days or so, we have taken on board a very leading onco team into our hospital operations in Kolkata. They would be based out of the Dhakuria Hospital and you would also be happy to know that we have commissioned that annex building, which was originally the fire-affected building during AMRI time.

We have refurbished it and got permission to restart, so that would be really the base of our onco program in that hospital. So we have robust elements in terms of a very leading doctor team joining us, that additional capacity getting created at Dhakuria. And this volume, anything that we missed in terms of that scheme numbers going down, we are very hopeful that it will come back on the back of this additional program.

So we have no concerns about the eastern region at all. You have seen in the detailed presentation that revenue has grown significantly, margins are good, and we have all the fundamentals in place, and we are quite confident, Damayanti. Karthik, you want to add anything?

Karthik Rajagopal:: No, Dilip. Good evening, Damayanti. Whilst we actually look at the government patients to come back, we continue to focus our efforts on the cash and TPA segment. That effort is on,

and that is where you will actually see that progressive increase in top line. We will continue to go ahead and do that.

Sameer Agarwal: So Damayanti, just to close out on numbers on a H1 basis, even though the volumes in government business has de-grown by 17%, but still overall, we were positive on the volumes, which suggests that the growth has been more than met by cash and TPA, which anyways is the better margin and good payer. So the teams, as Dilip and Karthik said, rightly focused on the cash and TPA. As and when the government schemes are put in place, we will look at that separately. Thank you.

Moderator: Thank you. The next question comes from the line of Aman Goyal with IIFL Capital. Please go ahead.

Aman Goyal: Yeah, thank you for the opportunity. So my first question is on the oncology business, which has grown 51% on year-on-year basis. Can you help us, what is the onco drug exposure in this onco revenue?

Dilip Jose: Sorry, what exposure in the onco revenue?

Aman Goyal: The drug capping, the onco drug capping, what could be the impact in the next half?

Dilip Jose: See, Aman, that like you have seen in our presentation that we had uploaded, that onco revenue for the network is about 12% currently, and the chemotherapy is a fraction of that. And within that, the drugs which are controlled is again a subtraction. So we don't expect anything adverse to happen from this drug price capping. I think this is not an impact in our scale or for any of the programs that we have in oncology. So, it's not something that we are concerned about at all, Aman.

Aman Goyal: Okay. And second one is...

Sameer Agarwal: It's not a significant amount. It's a very small amount which will get mitigated through other means. So since that what Dilip Jose rightly says is that this drug is a part of that part of the business which is pretty small for Manipal, so it is not a significant impact for us.

Aman Goyal: Okay, sir. Got it. Second one on the Electronic City, how much is the drag from this hospital? Can you share the revenue and the EBITDA loss from this unit? Second one on a qualitative aspect, since Sahyadri is almost, we have this asset for one year, what are the hit and miss you have experienced so far with this asset?

Dilip Jose: So we would take the Sahyadri question first. I would request Karthik to come in, and after that, Sameer Agarwal, our CFO, would talk about Electronic City. Karthik, over to you.

Karthik Rajagopal: Good evening, Aman. If you recall, as you know, when we had spoken last time as well, as you start to go ahead and where an operator is at, Sahyadri was full of opportunity. And we did

have a repeatable playbook that we've been using right from our Columbia Asia acquisition. So, we didn't have any significant misses, and you can see that in the results as well.

Procurement synergies, plus we really looked at revenue enhancement through a collection of digital revenue. Much of healthcare decision-making has now moved to the World Wide Web, and it was very much under-leveraged in Sahyadri, so from about a percent of digital contribution to overall revenues, we've moved that up to 11%.

Doctor profiles, 300 doctor profiles have been created online. We've taken the neighborhood recipe quite seriously. That's where we had fairly good successes in our home markets of Kolkata and Bangalore, where we have very, very vibrant micro-markets and a very vibrant neighborhood as well. We've had some good clinician hiring recently.

From the 1st of November, we had a very senior liver transplant team joining us with the whole contingent of 42 clinicians. So we expect the transplant in the hepatobiliary space to move up significantly. So it was definitely not something of a miss.

We continue to go ahead and look at creating value out of this asset, and that's the way this whole thing has been. Significantly around projects also, we are trying to go ahead and look at the real estate spaces getting ramped up to Manipal standards wherever we're going to be there.

Dilip Jose: Aman, before Sameer comes in on your question on Electronic City, we would recall what I mentioned earlier. FY26, the Sahyadri network had margins of 15.5%. In the Q1 of this year, it became 17.5%. Q2, it is now at 19.5%, so it's a result of what Karthik talked about, that it's a multi-pronged approach, complexity of work, high-end programs, clinicians adding, procurement benefits, digital revenue ramping up, operating efficiencies. This is what we had talked in the first quarter call also.

This is the trajectory that we see, and quarter 1 to quarter 2, when the EBITDA margins have improved 200 basis points, I think this is where the confidence that Karthik alluded to comes from, that we are already seeing the results of the approach that we have for the asset. Sameer, over to you on the Electronic City question.

Sameer Agarwal: Electronic City, quarter 2 has seen an EBITDA loss of INR13 crores, but I think it's ramping up quite well. Maybe if you want more color, Karthik can throw. We started this facility towards the end of July, maybe the first week of August. So already, whatever revenue we did in July, we more than doubled it in September.

So I think October also is going pretty well. So as the clinicians settle down in Electronic City, we see a good trajectory on Electronic City towards its financial year end, but to answer your question directly, there was a INR13 crores loss as far as quarter 2 results are concerned.

Karthik Rajagopal: And what was...

Dilip Jose: If I can just interject for a minute. The onco team, which is again a very senior onco team, will be joining us later in the month. The rest of the clinical team is in place at Electronic City. So once the onco team comes in, we will build traction there as well.

Moderator: Sorry to interrupt. Aman sir, we request you to return to the queue for the follow-up questions, please. Thank you. The next question comes from the line of Karan Vora with Goldman Sachs. Please go ahead.

Karan Vora: Yeah. So my first question is with respect to bed addition plans in H2 and FY28. Can you just walk us through what kind of bed additions are we likely to see in the next six months and then in the next year?

Dilip Jose: Okay. Yeah, Parag, would you call it out?

Parag Agarwal: For H2, we are expecting almost 440-500 beds, which includes one greenfield and brownfield. In FY28, there is a brownfield, around 100 beds will be added in that. So overall in H2 plus next year, around 550 beds.

Karan Vora: Okay, so looks like not many beds in next year. This phase of cycle likely to end in this year.

Sameer Agarwal: Yeah, but this does not include. What Parag has said is about what was planned. I think so Kinder is an addition. Kinder will take about a year or two.

Parag Agarwal: Yeah, end of Q2.

Sameer Agarwal: It will come up end of Q2. That will actually give us 100 more beds. That is over and above the 550 beds that Parag talks about. Rest, I think so the major addition will start coming from FY29 onwards.

Dilip Jose: When Mumbai comes on stream.

Sameer Agarwal: Mumbai comes on stream.

Karan Vora: Okay, got it. Kinder, sorry, you mentioned end of Q2 is like which year the 100 beds are going to come? Next year. Okay, got it.

Sameer Agarwal: FY28.

Karan Vora: Got it. And just a quick clarification here. Have we added any beds to the Sahyadri cluster in this quarter?

Sameer Agarwal: We did add, but Parag, this quarter?

Parag Agarwal: In Q2, we'll...

Sameer Agarwal: Hadapsar will -- sorry, we will add around 50 beds of Hadapsar, but it will be in quarter 3.

Sameer Agarwal: Quarter 3, we will add around 50 beds in Hadapsar, but rest, some of the beds, like Nashik, was added last year itself. The Nashik Lenad block had come up, it got added in March. Hadapsar will come up in Q3 this financial year.

Dilip Jose: To answer your question, in Q2, there were no additional beds in Sahyadri, Karan.

Karan Vora: Okay, got it. My second question again is with respect to Sahyadri. How are the insurance renegotiations taking place? Have we gotten through the kind of pricing we would have wanted, or what is the status there?

Karthik Rajagopal: Yeah, Karan, they continue to go in and align with the contractual inflation that they normally look at. We do not see any headwinds there, Karan. So it is expected to actually go on track as per expectation.

Karan Vora: Okay. So my understanding was, or maybe I could be wrong, but our contracts with Sahyadri would have been inferior to what Manipal as a brand could command, right? So is there any renegotiation that way, like repricing of insurance contracts, is something

Sameer Agarwal: I will just give you a legal and entity answer, and then Karthik will give you more on the ground because he is negotiating it. Currently, the entity remains Sahyadri Hospitals Private Limited, so the entity name remains the same. The owners have changed. Just because of change of owners, insurance will not sort of come about and give us better pricing in Pune.

I think so that is a process that will keep happening because we are still in the process of rebranding all the hospitals to Manipal Hospitals and change the legal entity and that will take us some time because we are going through the, actually the insurance, as you rightly said, as well as the government authorities. Post that, in the next cycle, I think so, maybe after we have established ourselves in Pune, in the next cycle of negotiations, maybe we will get that pop-up, but I will let Karthik answer this question specifically.

Karthik Rajagopal: Karan, as Sameer said, I don't think the two can be combined right now. It will be going on. The rate revisions will be on the existing contracts that we have with Sahyadri.

Karan Vora: Got it. And just a quick one...

Moderator: Sorry to interrupt. Karan sir, we request you to return to the queue for follow-up questions, please. Thank you. Your next question comes from the line of Hari with NAV Capital. Please go ahead.

Hari: Hi. Thank you for the opportunity, and congrats on a great set of results. Just wanted to understand, going forward, what's the company's view of expanding its footprint in the Tier 2,

Tier 3 market? And do you see an opportunity to establish, let's say, a fully-fledged tertiary care facility, or would it be more of a primary or secondary care facility?

Dilip Jose: Hari, even today, I think Manipal's got extensive presence in Tier 2, Tier 3 market. If you look at Mysore, Mangalore, Patiala, in Rangapani, Siliguri, and many other places that we are there in Tier 2, Tier 3 geographies. And we have not sort of shut ourself from expanding to those kind of regions in the future.

Now if you were to consider Raipur, I do not know whether you will consider it Tier 1 or Tier 2. Our greenfield in Raipur would be coming on stream in the quarter 4 this year. So we are optimistic about continuing to invest in Tier 2, Tier 3, because there is affordability, there is aspiration for high-end healthcare. I think normally the challenges are about finding the right kind of team to manage, doctors and managers to be available in these locations.

Thankfully, with our network and the size, that is a hurdle that we have not faced. We will, Hari, continue to look at opportunities in Tier 2, Tier 3. In fact, some of the brownfield expansion that we talked about in the last quarter and expansion which are currently going on are in Tier 3, Tier 2 locations. We are quite positive on those.

Hari: Thank you so much. And my second question is, compared to Tier 1 markets, is the payer mix more predominantly government scheme patients in these markets?

Dilip Jose: I will start off, and maybe Karthik could step in. I do not think Tier 2 or Tier 3 implies government schemes. There are many geographies in Tier 2 or Tier 3 where hardly any government scheme exists. So I think it is not a general situation that Tier 2 or Tier 3 means a lot of schemes.

There would be examples in Mysore, for example, in some of the other locations also, Patiala for that matter. We do have significant cash and TPA presence. So Hari, Tier 2 in our mind, Tier 2 or Tier 3, is not a reflection of either the paying capacity or it being predominantly government or subsidized schemes.

Moderator: Thank you. The next question comes from the line of Suchita Sharma with Global Concealment Research . Please go ahead.

Suchita Sharma: Good evening, sir, and thank you for the opportunity. I have some quick questions. First on capacity utilization. Given the significant headroom between your current operational beds, occupancy levels, and total bed capacity, what is the phase timeline to operation live, basically the remaining census bed over the next four to six quarters, and which cluster will see the fastest ramp-up?

Sameer Agarwal: Suchita, first and for all, I do not know if you're aware, the total licensed beds versus our operational beds, the gap is the management beds that we handle for our institute, for MAHE, which is Manipal. So they are almost 3,800 beds actually go in that. As far as the balance is

concerned, the only beds that are not operationalized are some of the beds in our new greenfields that we have launched, that is Kanakapura that Dilip talked about.

That really doesn't matter. These are fully invested in capex. As and when the occupancy will start increasing, we will bring those beds into action. We follow a very modular, efficient model to ensure that the expenditure on those hospitals remain. That is the reason we have been able to touch 23%, 24% EBITDA margins in these hospitals.

So there is not a concern. We had a 70.7% occupancy in Q2. So from a 65% occupancy, Dilip explained in his opening remarks, from a 65% occupancy in Q1, we went up to 70.7% occupancy without adding any capex towards building that capacity. So we are fully loaded in as far as the capacity is concerned.

Operationalizing those beds will depend upon volumes in the specific market. When we will do it depends upon how the volume will ramp up. Quarter 2 saw a very good ramp-up of volumes across all the departments, and it went up to 70.7% without us turning back any patients.

Dilip Jose: Yeah. Suchita, in addition to what Sameer said, the 70.7% occupancy that we had in quarter 2, you might recall we talking in our first earnings call that we see that about 80% kind of an occupancy is something that at an aggregate level that we would get to. Even today, we have hospitals which are operating at those levels and above.

So like you rightly pointed out, we have significant headroom to expand the volume. The fact that our length of stay is 2.8, the lowest, is also a helpful factor, Suchita, to really ensure that our beds turn over quickly, and with the same number of beds, we are able to treat a larger number of patients.

Sameer Agarwal: And we have a good payer mix. I think this is something that we have discussed in the previous calls also. Our government business is around 13%-14%, which also helps in faster turnaround of beds as well. So we are fairly comfortable, and as and when the right amount of volumes and the quality revenue comes up, we are fully invested in it to take it ahead. So up to 80%, we don't need to, as Dilip said, to invest in any capex to be able to fill those hospitals in.

Suchita Sharma: Okay, understood. And second one, Sahyadri Hospitals. While occupancy improved nicely to 67%, ARPOB declined by 2% sequentially, so that is from INR45,000-INR44,100. What are the factors that is causing this?

Sameer Agarwal: These are actually quarter 2 in Sahyadri saw a little bit higher medical business. The medical business came in slightly higher because of the febrile nature that showed itself across the country actually, and as well as in Pune. There was no specific reason for ARPOB coming down. It's just because the ALOS went up a little bit. The ARPOB has actually come down a bit because of medical cases. Karthik, you would want to give any input?

Karthik Rajagopal: Yes, it's very similar. Q2 does see febrile most of the time, except for last year, which was missed. Therefore, each time that comes in, even if you really look at the CONGO-R mix also, it's come down by 1% because the medical admissions are more during that quarter.

Moderator: Suchita ma'am, may we request you to return to the queue for follow-up questions, please? Thank you.

Suchita Sharma: Okay, thank you.

Moderator: Your next question comes from the line of Neha Manpuria with Bank of America. Please go ahead.

Neha Manpuria: Okay, thank you so much. Now that we have seen a very good improvement in Sahyadri margins in the first half year at 18.5%, and I think, like you mentioned, you are 15%, 15.5% for FY26. When do you think we see the next inflection in margins?

Should that happen post the rebranding, so probably around '28? Just trying to understand the step change that we have seen from here. Should we assume a more gradual improvement, or is there another trigger that would drive a step up in margins for Sahyadri?

Dilip Jose: So Neha, you would recall that we had addressed this question in the last call too. While we do not want to give a specific number for the next quarter of next year, you would recall that at an overall level, we said we expect Sahyadri to get to, say, 23%, 24% margin over a four to five-year period from the point of acquisition, is what the overall guidance that we had given. Neha, you have seen in that was a four to five-year frame that we gave. In one year, it has moved from 15.5%-19.5%.

So I think the way it would go further, like Karthik explained earlier, teams joining, higher-end clinical programs starting, and I think one of the callers earlier asked us about the opportunity in insurance pricing and also these are the elements which would get it there. We are comfortable with that overall scenario that we gave last time, that 23%-24% margin in over a four-to five-year period from our point of acquisition. That is where we are still quite happy about in saying that we stand by that guidance.

And everything which is required is falling in place, Neha. I think that is the optimism that we have. There is investment in capacity creation, investment in medical technology, doctors joining us, operating efficiencies. Karthik earlier talked about digital revenue now growing to 11%, and conversion efficiencies happening. This is, and complexity of work and ARPOB increase. This is what will get us to that margin, so we stand by that overall guidance.

Neha Manpuria: I get that, sir, but because we have seen such a sharp improvement fairly early on. I am just wondering if this 23%-24% in four, five years seems more conservative, given the drivers that we have. So just trying to understand if there is a possibility that we probably see this earlier

than what you were previously expecting, given the trend that we have seen and the tailwinds that we have?

Dilip Jose: So Neha, we could be pleasantly surprised, but as a team, we do not want to over-project a number. We could be pleasantly surprised. Like you said, in a year itself, we have made this move, but to be fair, there are low-hanging fruits available early on, like procurement, price efficiency that we can roll in, and all that but you are right, when we look at the longer period of four to five years, whether we can go beyond 23%, 24%, no. I would only say the rest of the Manipal, like you have seen in the presentation, is at 27% margin.

The ex-Sahyadri Manipal is 27% margin, and on similar clinical programs, and maybe even smaller kind of locations, so that is a background that we keep in our minds as a management team. And Sahyadri, there is no reason why Sahyadri could not reach there, but we do not want to commit to that at this point. We are comfortable with our projection of 23%, 24% in four to five years, but we could be pleasantly surprised, you know.

Sameer Agarwal: And just to add to what Dilip is saying, Neha, there is no shortcut that we want to do. We actually work on this asset so that the profitability is sustainable. In this process, there could be a quarter where the ramp-up happens fast. There could be further investments in the business that we will do in the further quarter.

So, we want to ensure that the profitability, once achieved, becomes a building block into that 23%, 24%, even if it means hiring talent. So, meeting short-term targets is important, but to ensure that the long-term projection remains stable, the teams are totally focused on that.

Neha Manpuria: Understood. That's very helpful. My second question is on the Karnataka cluster. The 340 beds that we have added year on year, how much of this is Kanakapura versus Yeshwanthpur in Bangalore? Just wondering where, you mentioned going to 24%, 25% margin in these. So what's the operational bed in these facilities?

Dilip Jose: I think we added 100 beds each roughly in Kanakapura and Yelahanka.

Sameer Agarwal: 150 each.

Dilip Jose: 150 each in both these places. 150 each while we added, but I think the occupancy has not reached 150, right, in both these places.

Sameer Agarwal: Around 100. Yeah, 100.

Dilip Jose: So we have added about 100 occupancy, 100 each in both the places. We have added 150 each beds. Like we said earlier, we have already reached 24%-25% EBITDA margin in both these places.

Moderator: Thank you. The next question comes from the line of Kunal Randeria with Axis Capital. Please go ahead.

Kunal Randeria: Hi, good evening, and thank you for the opportunity. Last year, you had around 80% of your payer mix coming from cash and private insurance. And I also heard your comments now that East India, you are kind of reducing the government scheme. Is it something that is kind of happening only in that region or across your network? And secondly, how do you kind of see this cash insurance? Will it be stable at 80%, or do you expect it to kind of slowly move upwards?

Sameer Agarwal: So Kunal, thanks for your question. As far as the 80% is concerned, we are fairly comfortable in that range. I do not think so it is going to dramatically change. As far as East is concerned, one is, it is always the endeavor of the business to look at the right payer, and it is not to refuse any patient treatment, so we are very clear on that.

Once the hospital is empaneled, Manipal does not refuse patient treatment, right? But the focus of the teams, the focus of the sales marketing teams, and the digital teams is to ensure that the cash and TPA patients are attracted towards the hospital, for which we keep on adding clinical teams, as we did it in East, what Karthik explained. A big onco team has recently moved in.

We have spent a significant amount of money in Dhakuria, and it is a beautiful facility that has come up of a building that was totally burned. So that is the mix. Now, whether the mix at an overall level, the mix will not significantly change, in my view. So, Bangalore, whatever capacity comes in Bangalore does not have the government mix, so that improvement will be shown because of Kanakapura ramping up, Yelahanka ramping up, and now Electronic City ramping up.

All the revenues that come in these markets are actually purely cash and TPA only. Any ramp-up that happens somewhere in North, you will have the mix. It is not that we are going to go to a cash mix in North.

In East today, Swasthya Sathi as a scheme has come down because of the new government taking up, but tomorrow if the scheme comes back up, maybe we will see a slight jump in the government business again. So one is we keep focusing in on, and then secondly, there is an issue as far as the Swasthya Sathi scheme is concerned, for which it has come down. Karthik, you want to take?

Karthik Rajagopal: Yeah, Kunal, I think it is specific to that market given the government change. So I think that will come back once the whole process is set. But from our entire operational efficiency parameter, we continue to concentrate on the cash and TPA and the desirable payer mix so that we would be able to go ahead and create value. But in some time, this government mix will start to actually go ahead and come back to East as well. This is just a temporary phenomenon.

Kunal Randeria: That is helpful. Just one more. Are your greenfield projects...

Moderator: Kunal sir, we request you to rejoin the queue for more questions.

Kunal Randeria: Sure. Okay, fine.

Moderator: Thank you. Your next question comes from the line of Alankar Garude with Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, good evening everyone. Sir, firstly, how would you compare and contrast your approach in the three relatively newer greenfield facilities in Bangalore versus the two upcoming ones in newer markets like Raipur and Mumbai? Would it be a similar staggered modular approach? Especially this question is on Mumbai, given it is a much bigger hospital.

Karthik Rajagopal: Alankar, obviously when you really look at Bangalore as a market, we are fairly intensified here, so the strategy that we kind of follow in terms of interoperability of clinicians and some of those processes may not happen in markets where we have only one hospital right now. Both Mumbai and Raipur will be a little different from our highly densified market like Bangalore.

We will approach Mumbai with the lens of the fact that it is going to be an individual hospital. From our marketing to the rest of the clinical recruitment strategy, etcetera, would be a little different from the way we are actually looking at a market like Bangalore. Ditto for Raipur as well.

Sameer Agarwal: Alankar, we have been saying that it may not breakeven at the same breakneck speed as what we have done in Bangalore. It may take slightly longer. Again, there is a short-term pressure, but again, the long-term building of the institution is very important of putting the Manipal processes and the way we treat our patients and the care policy.

Mumbai is a new market. The doctor practices, doctor costs are very different, and hence it will take its time to breakeven whenever it comes up. So Mumbai being a different market will have a different focus on how do we get the patients in, etcetera. So not the same as Bangalore. Bangalore, we have 14, 15 hospitals, so we get the benefit of the brand as far as Bangalore is concerned. We will have to build one in Mumbai.

Alankar Garude: Does it mean that it will be relatively more staggered approach in these two markets versus Bangalore?

Dilip Jose: So Alankar, first of all, the capacity profiles are different for Raipur and Mumbai. In Raipur, we have 350 beds in Phase 1, and we have the ability to go to 500 beds plus. In Mumbai, Juhu, we have 602 beds, which would be the capacity there. In any of this large box model, you typically do not commission more than 1/3 of the beds to begin with and also, that is a model that we would follow, that it does not mean any specialties would be found short in day one.

We will have every specialty that we would want to offer. But in terms of bed capacity available, that we would start with maybe about 1/3 of the capacity. As those capacities begin to get filled, we will commission more floors. That is the only difference in a large box format that we have in Raipur and Juhu.

In Bangalore, to your question on contrast, the three hospitals, Yelahanka, Kanakapura, and Electronic City, are all identical in terms of size and scale, about 200 plus, around 200, 215 beds. So, we do not need more than two phases of commissioning. Like Karthik said earlier, 150 beds in Phase 1, and we can roll up the remaining 60 beds in Phase 2. In Mumbai and Raipur, we may have to do it in maybe one extra phase. That is the difference.

Alankar Garude: Got it. That is helpful.

Karthik Rajagopal: Yeah, if you really look at Mumbai does not have a micro-market kind of a strategy. So our footprint in terms of looking at business funnels as a market will be much larger, whilst we will follow a more focused neighborhood strategy in a densified market. That, again, both for Raipur as well as Mumbai, will be a little different from the approach that we take in our home markets.

Alankar Garude: Sure. And just the second one, quick clarification. Finance costs have increased sequentially despite debt coming down. What is driving that?

Sameer Agarwal: So the finance costs, actually the debt has got repaid only on 15th September, Alankar. It was only in the last you will have got the benefit of only in the last 15 days. The real benefit of the interest cost coming down will start coming from Q3, because the debt was carried almost up to the full quarter.

Moderator: Thank you. Your next follow-up question comes from the line of Karan Vora with Goldman Sachs. Please go ahead.

Karan Vora: Yeah, thank you for taking my question. So if I look at the EBITDA trajectory or the kind of EBITDA we have delivered in H1, is it fair to assume that H2 EBITDA should also be around or slightly higher than H1, which then puts us probably higher than what we were initially anticipating for this year, the absolute EBITDA number? And will that also pose an upside risk to our FY28 EBITDA guidance? Just any sense on the EBITDA guidance will be helpful. Thank you.

Sameer Agarwal: Karan, honestly, that is something that you guys will model. We do not yet give guidance, forward-looking guidance on the numbers. The past trend that we have on H1 and H2 can be used for you to model how the current year will pan out. But we are fairly confident on how H2 will pan out. October has also started well. That is all we can say, Karan, so we should be there.

Moderator: Thank you. We take the last question coming from the line of Dr. Aman Kumar Singh, an Individual Investor. Please go ahead.

Aman Kumar Singh: Good evening, and congratulations for a very good result. I was wanting to ask question on Mumbai facility, which you answered. Now, I have couple of, not question, but little bit of understanding I like to take. Why are operations in South India largely concentrated in Karnataka? Any reason? This is first part.

Another is, like, another question will be on the similar line. So are you also thinking to operate on various different types of healthcare services that we can provide? Maybe improving more on doing diagnostics business, doing more on having a physical store for pharmaceutical distributions, etcetera, and even an e-platform from where the drugs and those things can be, where we can do the business on. This is my first question to you.

Dilip Jose: Sure. So, Dr. Singh, thank you very much. It's very good to have an individual investor on the call to raise some of these points. First of all, why the Karnataka concentration? I think it goes back to where we originated, Dr. Singh. I think we, as a group, started in Bangalore. Or if you stretch it further, the Manipal story originated in Karnataka, in the village of Manipal in Karnataka.

And therefore, early on, all the focus naturally was in Bangalore, Mangalore, Udupi. Then, as a hospital group, you tend to spread around where you are building. Like Karthik earlier used the word densification. In a geography where you are already present, you tend to put in more capacity.

I think our journey out of Karnataka is, while we are 35 years plus as an organization, our journey out of Karnataka is only in the last 10 or 12 years. Therefore, in the last 10 or 12 years, the character of the organization has changed significantly. If you look at our total number of beds, we have significant bed capacity which has come in other parts of the country.

Dr. Singh, you would be happy to know we are the largest private hospital network in the eastern part of India. We are the largest in the western part of India, including nine in Pune. And we have now three hospitals in Delhi, and like we mentioned earlier, we are signed up to build a large capacity hospital in Gurugram.

So we would change the balance, but I think it is not unusual for, if you look at any hospital chains around the country, it is not unusual for you to find the original home market, and therefore a propensity to have higher revenue for it from that. We also have the similar history, but I would only say, sir, that in the last five or seven years, we have dramatically altered our footprint and profile.

To your second question on why we would not want to do other aspects of healthcare, Dr. Aman Singh, we believe we are exceptional in delivering tertiary and quaternary care. Our

outcomes are fantastic. We got a fabulous set of doctors, we got great nurses, and therefore, that is our core strength.

Earlier, Karthik talked about CONGO-R, the six centers of high acuity specialty that we handle. Sameer talked about remaining invested in those areas and adding doctors and clinical capabilities there. So we believe there is so much work to do in those, and that is our core strength, and we should remain focused on it.

So we have consciously stayed away from anything what is so-called adjacencies, whether it is diagnostics or pharmaceutical retail networks and all that, Dr. Singh. So where we are today, that is how we see our near-term future, and that is where Manipal would want to be focused on. Karthik wanted to, he raised his hand.

Karthik Rajagopal: The thing, whilst having said that, we continue to look at out-of-hospital care for our patients. So in terms of initiatives around home care and how digital health can actually come in directly to people's homes, that is what we are trying to go ahead and look at. And our telehealth, as Dilip mentioned in his original speech, it was about 38,000 consultations in H1, of which 32,000 were specialty consultations.

So we are looking at digital to reach homes. We are looking at a very, very active out-of-hospital care in terms of home care, etcetera. That is where we will get very close to the adjacencies, but not the others that you mentioned in terms of physical pharmacies or a diagnostic chain.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, we take that as the last question. I now hand the conference back to Mr. Diwakar Pingle for closing comments.

Diwakar Pingle: Thanks, Amit.

Dilip Jose: Before Diwakar, before you come in and close, I just wanted to, on behalf of all my colleagues here in Bangalore at this call, all my colleagues in Manipal, I just wanted to thank all the participants for joining us. We realize it is a Friday evening, but thank you for joining us on this call. And while we are past Diwali, I hope you all had a great Diwali. Wish you a happy festive season and a great year ahead. So Diwakar, back to you now.

Diwakar Pingle: Yeah, I think, Dilip, you said what I wanted to say, but the only other thing I would like to add is, in case any of the investors and analysts have any further questions that can be answered by the management or the Investor Relations team, please feel free to write to us at investor.relations@manipalhospitals.com.

The team would be most glad to sit with you and answer any further queries that you might have. Thank you so much, and like Dilip said, thanks for joining us on a Friday evening. Have a lovely weekend, all of you. Thanks.

Moderator: Thank you. On behalf of Manipal Health Enterprises, that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines. Thank you.