



Rainbow Children's Medicare Limited

Q4 & FY22 Results Webcast

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Webcast Duration	<ul style="list-style-type: none"> • 1 hour and 30 minutes
Management Speakers	<ul style="list-style-type: none"> • Dr. Ramesh Kancharla – Chairman and Managing Director • Mr. R. Gowrisankar – Chief Financial Officer • Mr. Saurabh Bhandari – General Manager (Business Analyst)
Participants who asked questions	<ul style="list-style-type: none"> • Vivek Gautam from GS Investments • Rahul Jeewani, IIFL • Pritesh Chheda, Lucky Securities • Ranvir Singh, Sunidhi Securities • Janak Lotwala, Individual Investor • Alankar Garude, Kotak Institutional Equities • Ayush Pansari, Allegro Capital

Siddharth Rangnekar: Welcome to the maiden earnings webcast of Rainbow Children's Medicare Limited to discuss financial performance for fourth quarter and year ended March 31st, 2022. We have with us today Dr. Ramesh Kancharla – Chairman and Managing Director, Mr. R. Gowrisankar – CFO and Mr. Saurabh Bhandari – Business Analyst.

Kindly note that during the question-and-answer session participants seeking to ask the question are requested to click on the audio question button appearing at the bottom of your screen.

Before we begin, I would like to state that some of the statements made on today's call could be forward-looking in nature and may involve certain risks and certainties. A detailed statement in this regard is available on the Q4 and FY22 results presentation that has been sent to you earlier.

I would now like to invite Dr. Ramesh to make his opening comments. Over to you sir.

Dr. Ramesh K.: A very good morning to all the analysts and investors and welcome to Rainbow's the Analyst Call today. I'm Dr. Ramesh Kancharla, the Founding Promoter of Rainbow Children's Hospital Group. I'm here today to present our story. I think it's important to present our story because this is very differentiated healthcare model and what we have been doing last 20 years to build this incredible healthcare model. I would like to take you through to make you understand that the differentiated model of our Children's Health Care for today.

I'm a Pediatrician. I went to UK for 8 years' time. I did my specialty in the City of London in Pediatric, Gastroenterology, liver disease and liver transplantation. I happened to work in one of the world's best children's hospitals called Great Ormond Street Children's Hospital and the King's College Hospital, London. So, that's where I developed a deep understanding of children's healthcare and also how bigger it could be. With that deep understanding and I have come back to Hyderabad and saw an opportunity to do a Children's hospital and along with me a few other colleagues joined me to, kind of, strengthen my shoulders.

The children's hospital is a very differentiated healthcare model because it requires a theme concept. And also, it's a child focus environment and also infrastructure is required. That's all about children's hospitals. But over the last 20 years' time we have matured this concept and built today Rainbow as India's largest Pediatric Healthcare chain with 1,500 beds, 14 hospitals in 6 cities.

Our core offerings are Pediatrics, Neonatal Intensive Care, Pediatric Intensive Care, Pediatric multi-specialty services, Pediatric Quaternary care including organ transplantation. Birthright by Rainbow is an integrated with Obstetrics vertical and within the children's hospitals. It offers a complex and high-risk pregnancy care, normal pregnancy care, multi-disciplinary fetal care and perinatal genetics and fertility care.

In the year 2022 we have seen about 8,40,000 out-patients and a well over 66,000 in-patients. One-sixth of them have been admitted in intensive care services for both newborn and children's intensive care and treated successfully. We have about 640 full time doctors. We deliver about 12,600 babies annually across our hospitals.

One of our standalone fertility centers has been accredited for JCI recently. 6 of our hospitals been NABH accredited and 2 of them are in the process. 3 of our hospitals are EDGE certified hospitals for our ESG initiatives.

The unique operating model consists of a focused child centric health care network which includes the complete suite of Pediatrics and Perinatal services. The children's healthcare requires some multidisciplinary approach. This is how it's been built, 100 years ago first hospital in Paris that recognized the child centric approach is the essence of children's hospitals. Worldwide children's hospitals were built on multidisciplinary approach and we have taken a similar approach and built with our teamwork and working together to have better outcomes for sicker children.

Hub and spoke model has been a very successful for the wider city coverage. It's a most suitable for Pediatric healthcare as well as Obstetrics because when you are in large city it requires a hub and spoke model to deliver the care across the city. The doctor engagement model is very unique for children's hospitals. Most of the doctors are full-time to deliver 24x7 consultant led service. With these deliverables, we were able to kind of deliver best-in-class financials, high on governance and we have strong focus on ESG initiatives.

So, Pediatrics has got a large addressable market. All our hospitals are very child centric and we particularly focus on the environment within the children's hospitals. We have very child friendly doctors and paramedics, and we create concepts for like an out-patient department, for concept designs and there are enough child play areas for out-patients as well as in-patients. Even for in-patients, our wards and other areas are very congenial. These are all very

important factors for children who are ailing from serious illnesses. It helps them in recovery process.

So, what we believed in is that Obstetrics is a very synergistic to Pediatrics and childbirth is always safer in children's hospital because it's a larger network. We have seen these synergies and have built up a very robust Perinatal services within the Rainbow network and integrated within the children's hospital. All our Obstetrics team, majority of them are full-time, exclusively practice at Rainbow and there is a 24x7 coverage with Obstetricians along with the anesthesia to cover intensive care for maternity intensive care services. When you have a such a strong of Pediatric forte of level 3-level 4 Neonatal intensive care services and also of Pediatric multi-specialty program, we can address the problems much better during the pregnancy, at the time of birth, even post-delivery any problems of newborns will get addressed. . The whole system is very synergistic, complimentary and seamless.

On this concept we were able to kind of nurture and also grow in the last 4-5 years about 25% CAGR of our obstetrics. So, there is lot of nativity within the Obstetrician and Pediatrics, so therefore all the babies who are delivered with us comes back into our Pediatric systems. This has been successfully going on. We have established Obstetrics in all the Pediatric hospitals wherever we are, both in hub as well as the spoke. So, what do we offer in the Pediatrics? We offer a complete spectrum of Pediatrics. Right from the primary care to the secondary care like out-patient departments and vaccinations and seasonal illnesses. Our intensive care services are very-very large. Like the 50 beds to newborn intensive care which are level 4 in the hubs, about 12 to 15 bed NICUs in the spokes. We have all the facilities in the hub hospital like any multi-specialty intensive care services for children whatever is required for them, like advanced ventilatory technique and also the neuro critical care facilities and the CRTs and ECMO services, plasmapheresis services, all these things are very-very important to support the Pediatric multi-specialties. For example children coming with Coma, children coming with the liver failure, children coming with multi-organ failures. All of them actually are addressed very effectively and competently in our intensive care networks. We also support organ transplantation services from the intensive care background for children who get transplantations within the Rainbow network. One third of our beds are allocated to intensive care services in the Rainbow network.

Hub-and-spoke model – This is something which we have evolved over a period of time. When we started doing well in Hyderabad city, we saw a lot of requests coming from the end parents about not able to reach in time and also emergencies to address. So, we decided to do the spokes around the fast-growing areas of the city. Over a period of time what we have seen is this model is probably the way forward for children's healthcare to address in large Indian cities. The hubs are typically about 200 to 250 bed hospitals and the spokes about 50 to 75 beds. The hub hospitals will have the large Intensive Care services, Pediatric multi-specialty services and Quaternary care services especially in Hyderabad. We have a transport service from the hub hospital and the high-risk pregnancy unit with the complete spectrum of Obstetrics care. So, whereas the spokes provides emergency services dominantly both from Maternal and Pediatrics and a very large out-patient services, level 2 Pediatric Intensive care and level 3 in NICU care and the complete spectrum of Obstetrics care. Any complexity arises from the spokes will get referred to the hub, from the hubs our specialist doctors like Neurologists and Nephrologists go over to the spokes on a weekly basis to do the outreach clinics.

This whole system is so synergistic and complementary. It has given us a huge brand recognition and also a brand-building for Rainbow. Very similar to the cities hub and spoke, when we look at our presence in south India very dominantly, at Hyderabad we have been in operational more than two decades, in Vijayawada we've been operating for the last 15 years time and Bangalore 6 years time, Chennai 3 years time, Rainbow is almost like household name in the Telugu states and the neighborhoods of Bangalore and Chennai. It gives us an advantage. We already do a transport service, connecting up to 200 kilometers, picking of the babies and children from our hubs. Therefore, we are very familiar with regional district areas of these cities, surrounding these hubs.

We see opportunities to do the regional spokes which are between Hyderabad, Chennai and Bangalore. That would actually add very large network of patients into the Rainbow network for pediatrics, pediatric emergencies, specialties as well as obstetrics patients. That's what we envisage in future to strengthen our network across the Southern cities.

I would like to present our hub hospital in Hyderabad city. How mature it is, this is about 250 bed children's hospital. That we moved into this new facility about 4 years ago, in 2018. And that's because we were running out of space in the previous hub and we were not able to accommodate more services so we have

moved to this brand-new facility. Here we have a complete spectrum of pediatric specialty i.e. 25 specialties as well as the highest level of Obstetric care, maternity ICUs. We have seen about 1,78,000 out-patients last year and 15,000 admissions across all the specialties.

We have matured intensive care services here with level 4 60 beds newborn intensive care, and Pediatric multidisciplinary pediatric intensive care unit with about 30 beds, 7 bedded Maternity intensive care and all the matured pediatric subspecialties. We also undertake organ transplantation in this Center for the Pediatric Liver Transplantation, Renal Transplantation as well as the Bone Marrow Transplantation. From this hub we actually do a transport service going up to 250 kilometers by road, picking up children all over Telangana and some parts of Andhra Pradesh, we go up to kind of nearby district in Nanded, Maharashtra and also northern Karnataka.. We do about 700 transports a year from this hospital and we have a matured academic program here for the DNB pediatrics as well as the fellowship programs.

You can compare this well-matured hospital with the United States hospitals like Cincinnati Children's Hospital or Detroit Children's Hospital. So, both in terms of the ability to kind of do all the services as well as the results. Pediatric Cardiac Institute - This is situated in Hyderabad, very close vicinity to our hub hospital. This used to be our previous hub and we converted this has a Pediatric Heart Institute. We are fortunate to have a very reputed cardiology and cardio thoracic team that joined us about 2 1/2 years ago. With a reputation of Rainbow as well as the doctors, we were able to kind of do a very large number of Pediatric cardiac surgeries and cardiac catheterizations in the last 2.5 years' time. We've seen about 23,000+ cardiac outpatients and performed over 1000 cardiac operations for children and close to 1,000 pediatric cardiac catheterization procedures. .

We also run a very unique program from this center which is called the Fetal Echocardiogram Program. This is to detect the cardiac anomalies in pregnancies. We not only offer this service for our hospitals; we offer this service across Hyderabad city. This hospital achieved EBITDA breakeven in the first year of operation because of good number of patients foot fall and we have invested very minium CAPEX

Doctor engagement model is very unique and also, we take the institution first approach. This is very important for children's hospital. We always keep the institution first approach because we feel that the patient belongs to our

hospital and not to any single doctor and care is delivered by doctors as a team rather than a single doctor.. We have 640 full-time doctors with large number of our senior specialist doctors, very similar to my background. They've been trained pediatricians and they went across developed countries like UK, USA, and Canada, Australia and done with the specialties or intensive care services and came back and joined us.

Why do they join us? Because we were able to build up the hospital very similar to the Western setup. So, people get attracted to come to us. Also, we give a retainer to these doctors first two to three years for them to have a better financial support. Once they start actually building themselves they share professional fees among the team. It's a very competitive compensation what we offer to our doctors, so overall 24% of the revenue goes to the doctors and that's how I ensured being a Doctor Promoter. So, there's opportunities for them to grow and also, both professionally, clinically as well as the academically. We run a large, perhaps the largest pediatric training program in the private sector in the country, At any given time we have a 200 people who are in training for the pediatric residency program as well as the pediatric fellowship programs like intensive care fellowship programs from the National Board of Examinations as well as the Speciality fellowship programs. We are also the examination center for the United Kingdom MRCPCH and regularly they conduct examination with us.

With two decades of pioneering work, I think the doctors who come into our network, start doing very well because of the network effect and the brand image.

As per CRISIL, market for Pediatrics, opportunities are significantly underpenetrated. There is a kind of a positive side of it is that there is a growing middle class and the nuclear families, especially there is a huge nuclearization of the Indian families and also as per the present data people would like to have one child or two children. That's increased the focus on children's wellbeing and also healthcare needs and this population has got higher awareness of health as well as the higher health insurance penetration. This macroeconomic tailwind leading to the large addressable market for the Pediatrics and Obstetrics. In 2020 it's about \$18.5 billion for the overall pediatric and obstetric market and private healthcare market was about \$10.4 billion for Pediatric and Obstetrics which is growing by 2026 to \$36 billion of which a private market is doubling to \$22.3 billion with the Pediatrics segment

growing at 14% and obstetrics segment is growing at 12%. This provides huge opportunity for a well built out model like Rainbow across the 6 cities.

I would like Mr. Gowrisankar our CFO to take you through the financial presentation.

R. Gowrisankar:

Thank you sir. Once again welcome you all. Very good morning. So, couple of slides on the financials and key metrics. We have seen a best year in FY22.

We have about 1,500 capacity beds in FY22 and also we have added about 187 beds in FY 21. Basically, we chose a city and then we just expand vertically and horizontally, so basically we build the hub and then we build specialties in the hub and then we spread across the city through spokes. In FY22 we have seen about 66,082 in-patients which is about 30% growth over FY21. And we have seen about 8,40,000 OP patients, this is again about 35% growth over FY21.

Our occupancy remained at 44.59%, it is the blended occupancy for the year FY22. Our ARPOB is at 45,711 and our ALOS is 2.83. Our model is such that we always have a low ALOS and it helps us to have a better ARPOB and better through-put of patients.

The consolidated revenue for FY22 stood at Rs. 9,738 million, we have grown about 50% over FY21 and our EBITDA is Rs. 3,049 million which is about 32% of the revenue and we have grown about 87% over FY21. Our PAT stood at Rs. 1,387 million which is again 15% of the revenue and we have grown by 250%. Our ROCE as well as ROE are at 23% and 26.3% respectively, which is best in the industry. For the quarter ended March '22, we have grown by 30% over Q4F Y21 and our EBITDA has grown by 49%. It's about Rs. 481 million and our PAT has grown by over 1000% about Rs. 123 million.

Dr. Ramesh K.:

So, the governance wise, the CDC which is a UK-based financial institution, used to be an investor with us for last 9 years' time. We were kind of pretty strong on the governance wise. The Board of Directors currently are along with me, my colleague, Dr. Dinesh Kumar Chirla, who is in the promoter group Whole-Time Director. He has helped me in doctor recruitments as well as manage the concept of teamwork. Mr. Aluri Srinivasa Rao who is ex-Morgan Stanley, who is an Independent Director. Professor Anil Dhawan who is a director of pediatric services at King's College Hospital, who was my colleague when I was in London. So, he helps me a lot to get connected to across other

countries. Mr. Shantanu Mukherjee is ex-SBH MD, Mrs. Sundari Pisupati, Independent Director. She used to work in Sidley Austin and she led Tempus Law Associates. She is on our board. So, two of our committees are audit committee and remuneration committee are 100% independent.

The ESG has been one of the strong focus areas for Rainbow. CDC is on the board has really helped us as well. We've always been kind of a proactive, right in the project stage to implement the ESG schedules, like energy efficiency, minimizing greenhouse gas emissions and the water conservation. So, there's some backup slides. That's what we were able to kind of achieve it in the last 2 years. Three of our hospitals been EDGE certified because of ESG initiatives.

The CSR activities: When you look at the diversity that being a woman and children's hospital, we are a woman dominant organization and we spend our CSR money on skill development and children's initiatives.

So, moving forward what is actually the growth story for Rainbow? This is something more important for all of you and the hub and spoke model has been so successful. In Hyderabad we've got about 700 beds now, probably the next couple of years is going to be 1,000 beds in Hyderabad city, adding two more spokes and it's tracking very well in Bangalore, and we have about one hub and two spokes. They're going to be up two more spokes in next 3 years' time. We want to take a similar approach in Chennai as well as in National Capital Region.

We are to going to expand in the areas where we are already doing very well and where we are already kind of a brand in present. We will be able to kind of expand spoke hospitals and mature hubs fairly quickly. This is what our approach is, scaling up our Pediatric tertiary, quaternary care. Like we want to bring the Bangalore, Chennai and New Delhi to that level of Hyderabad in terms offering the multi-specialties as well as moving towards to offer quaternary care services. This is what is in the plan for next 3 years' time to mature our hub hospitals to the tertiary quaternary cares.

The focus on birth right has done so well. I think this differentiated approach model really helped us actually to grow to address the high-risk pregnancies because we being a children's hospital. Also, we see a lot of patients getting referred for us from the districts as well. We are not only city-based hospital, lot of high risk pregnancies get referred to us. We also want to focus more on

the birthing experience as well as modern offerings going forward in the spokes.

The focus on training has always been our one of our main forte because that's going to give us a strength as a hospital to middle grade cover and also nurturing younger doctors really helps us because they are growing faster in the city so we do recruit significant number of them back into our own system.

Geographic expansion: As I earlier mentioned that regional spokes between the Southern cities like Hyderabad, Bangalore and Chennai and we are going to expand the regional spokes in Andhra Pradesh and Tamil Nadu to connect these cities to have a better network effect.

We are also exploring the north east. Why do we explore north east, north east is something which is kind of a place very localized and not much of Pediatric care facilities. So, there are lot of children coming across the country to right up to Chennai and Bangalore and New Delhi for the children's surgeries and speciality treatments. What we believe is that have a kind of center growing over a period of time as a children's multi-specialty hospital in Northeast. That will act as a kind of a gateway for us to kind of get patients for cardiac and a bone marrow transplants as well as quaternary care patients. That's something which are envisaging. I think one of the multi-specialty hospitals has taken this view. They have been very successful with that.

Digital Health Care: We have actually one of the first hospitals, about 6 years ago we have started our HIS and SAP and then HR platforms, we hosted on the Cloud through the data center. Our HIS now I think what we have experienced in the pandemic time is that lot of consultations have come outside our networks including the Indian neighborhood countries for the pediatric specialty consultations. We are at the moment work in progress for developing the state-of-the-art digital apps for the Rainbow Children's Application and also patient apps with AI powered chatbots to have better engagement and the experience. We are in the process of ramping our HIS system to offer bedside EMR and also exploring virtual ICU management for future.

Mergers & Acquisitions: We are open about it and if there is any scalable and also philosophically aligned healthcare models are available, we are open to look at them. So, children's healthcare is generally very organic in nature. If there is something available which is where we can add scale as well as implement our philosophy, we'll be happy look at M&As.

To conclude that it's a (+20) years of team work and with the great deliverables we are medically respected across the country and as well as we have demonstrated that financial viabilities of children's hospital in India. I think there is a huge opportunity for children's healthcare but it's an organic model and entry barriers are high but the, having built in six cities I think for us expanding it to further in each city is not going to be much difficult for us but it takes a lot to treat the little ones. It's a very wonderful journey, what we have in building the Children's Health Care and what we're able to contribute to the country. Thank you very much.

Saurabh Bhandari: We're done with the presentation and we are open to take questions.

Dr. Ramesh K.: Thank you very much for all the analysts and investors for attending this webcast and thank you for your attention and also if there are any questions or anything, please reach us out to, it's given to you, our CFO email ID and also telephone numbers. And FY23 we expect going to be be a normal year and I mean we have done well in FY22 but it's a very bouncy pitch. The current year seems to kind of looking fairly straightforward and we can kind of fire all the cylinders and expect to do well this year so this will be a more predictable year. That's what we are envisaging. So, thank you very much. We are open to questions.

Moderator: Thank you. Ladies and gentleman, we will now begin the question-and-answer session. We take the first question from the line of Vivek Gautam from GS Investment.

Vivek Gautam: I wish CDC got a very good exit from the IPO at a very good price unfortunately most of the retail investors and even the HNIs who invested with the new allotment norms of (+10) lakhs application are sitting on big loss. I wish the lead managers could have been considerate enough to leave something on the table for the large number of investors invested for the first time and sitting on loss. By when we can hope to recoup at least the IPO price, number one. Number two how scalable is this business model and hospital scalability is the concern many are having and because of which the growth factor in hospital is sort of less and our CAPEX utilization over last many years has not crossed 50% overall. Delhi side also the operation I think we are still in loss. By when we can hope for turnaround.

Dr. Ramesh K.: Mr. Gautam thank you very much. I empathize with the people who have not able to make something. See the valuation and those things been actually

BRLM have come back to us and also after discussing with the investors, on the anchor investors which was probably are not entirely my decision and the intent was not anything negative. So, we hope to contribute, create wealth for the investors in future. In terms of this the scalability of this model yes, it is highly scalable but what it requires is the patience. But children's healthcare cannot be aggregated. You build a hospital, get 10 doctors and start building it up. That's not going to happen because it is a, we deal with the digitally native patients, number one. Number two they know where they are going, why they are going. Second is that the in terms of need and necessity of Children's Health Care is huge. For example, in Hyderabad city that we are about 700 beds in currently now and I think our estimates be about we require 1,000 beds in next couple of years' time. We are continuing to grow. It is tracking well in Bangalore. So, currently we are in Hyderabad, Bangalore, Chennai and New Delhi. So, we plan to expand about the next for 5 years' time about 1,000 beds. The most of these beds are going to be almost 75% of the beds are going to be in this network to building the spokes and strengthening the hubs. We are not going to do anything challenging. If we look back our past for the last 5-6 years' time we have gone to Bangalore, Chennai and New Delhi. So, we continue to maintain our profitability all along our expansions. Moving forward that the way we kind of going to expand and the spokes, typically the spokes would not take a long time to a break even. So, I'm sure it's going to be a much more comfortable ride for Rainbow, the next 3-years' time, adding more spokes.

Vivek Gautam: Utilization level, bed utilization can you please tell how much it expects to go up to?

Dr. Ramesh K.: In terms of utilization, we as a children's hospital and also perinatal services, we are dominantly dependent on the private insurance and the cash. Very less government programs we do, which is why we breakeven at the lower occupancies, our occupancies about in a steady state in the normal year was about 56% in 2020. We expect to go, cross over 50% this year in a blended occupancy. One of the things is that we kind our occupancy levels, we have very differentiated areas. For example, almost 20% of our beds are newborn intensive care beds. We can't accommodate any other patients in that. We will aim with the pediatric intensive care, so in a mature state like in Hyderabad where we can we reach up to 70%-72% of occupancies. So, when we do about 55% of occupancies we do extremely very high revenue as well as profitability. That's how trajectory we are looking at it.

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- Moderator:** We take the next question from the line of Rahul Jeewani from IIFL.
- Rahul Jeewani:** You indicated that FY23 will largely be a normal year for the business. But if we look at our IP and OP volumes in FY22 those are still trending below pre-COVID levels. What kind of a normalization or bounce back are you expecting both on the IP and OP volumes side in this year and FY23?
- Dr. Ramesh K.:** Normally before pandemic we were growing about 20% year-on-year both OPDs and IPDs. The FY2021 was complete pandemic year and 2022 is complete, but continued to see the pandemic haunting. But it is a kind of with periods of recovery. It was not a completely normal year. So, what happened with the pediatric health care across the country, across the world, pediatric health care has taken a huge hit because COVID is not a disease for children. Although some children had some complications of a post-COVID but it's not very significant. So, therefore, because the children were not vaccinated, no schools throughout the year, so all these factors were actually depressed the pediatric business. What we have done is more of a complexity work in the last 1-year time, we've done lots of intensive care work, lots of obstetrics work, high risk pregnancies. We have done a quaternary care work like transplant work we have done. Those are the ones which are actually been yielded better revenues for us. Coming to the '23 normal year I think we would expect to grow what we used to traditionally grow and I'm sure we would kind of a clock much bigger outpatient footfalls this year and also our admissions are going to go, we will probably have a little bit of more uptick than what it used to be in the past.
- Rahul Jeewani:** On the ARPOB side if we see, you said that over the past 1-year period, we have done some sort of a higher complex or high-end work which has aided our business and then last year we would have also benefited on the vaccination side. What is our normalized ARPOB for FY22 excluding the vaccination business and what kind of an ARPOB growth are you expecting over the next 2-to-3-year period?
- Dr. Ramesh K.:** That's correct Mr. Jeewani. See we done vaccination so the ARPOB for us in the 2020 is about Rs. 40,000, last year is about Rs. 46,000. What is sustainable ARPOB for us is about Rs. 43,000 to Rs. 44,000, this is sustainable. That Rs. 2,000 additional ARPOB was because of COVID vaccinations. It has come and is sitting on the OPD revenue. So, which is why you see what is sustainable for us is Rs. 43,000 to Rs. 44,000 is sustainable ARPOB for our business.

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- R. Gowrisankar:** So, to add to that Rahul we are growing at about around 7% to 8% year-on-year actually. There is a, it's because of the case mix as well as the price growth actually, average price growth.
- Rahul Jeewani:** So, on this Rs. 43,000-44,000 kind of a base ARPOB, would you expect a similar 7% to 8% increase in FY23 as well?
- R. Gowrisankar:** Yes, it will.
- Rahul Jeewani:** Sure, and just last question from my end before I join back the queue. You talked about your expansion plans of adding 1,000 beds over the next 5-year period. But if you can also talk about in terms of what kind of an incremental capacity you are looking to add over the next 3-year period, which markets will it be and what kind of a CAPEX will you incur for adding these incremental capacities?
- Dr. Ramesh K.:** Next 3 year's we are going to add about 500 beds and CAPEX for the beds for us is about, we fit asset light model the either Greenfield asset light model or asset heavy which is you own the land and build yourself. Asset light model it's about for hub hospital costs about Rs. 60 lakh per bed, where the land and building belongs to the developers and we do the interiors and medical CAPEX and those things and run it. We engaged them with 20 plus-10 years of a long-term registered lease. That's how we are looking at it. Spokes would cost about Rs. 50 lakhs per bed.
- R. Gowrisankar:** To add to that Rahul we are expanding in the existing location. Basically, next 3 years we are going to add about 500 beds. So, in Hyderabad, Chennai, Bangalore and Delhi so these are all the locations and mostly they'll be like spokes only.
- Rahul Jeewani:** So, all these incremental 500 beds over the next 3-year period will all come in our existing markets only?
- Dr. Ramesh K.:** Yes, which is why we are pretty confident about, we know all the local factors for example Hyderabad, we wouldn't take any time to breakeven. Bangalore, 12 to 18 months will be break even, Chennai we have done extremely well in Chennai, we have very bullish on Chennai market. So, NCR we are going to the areas where there's more of young population, so I think we are pretty well-poised in that way about our expansions over next 3 years and also 5 years of expansions.

Rahul Jeewani: Sure, sir and on this breakeven which you spoke about so we have seen that our breakeven at least in Hyderabad, Bangalore and Chennai market has been good in the past as well but for Delhi previously it took us some time to achieve breakeven in that territory. Now with this incremental capacity would that come up in the Delhi market, what kind of a breakeven time period are you looking at? And have you done any strategic changes in the Delhi market to improve our operations there?

Dr. Ramesh K.: I think you're right that Delhi definitely it is completely a new city for us and also that our doctor engagement model was a very-very new to Delhi. So, we took some time to convince doctors to engage in our model, number one. Number two is that but by the time we entered in third year that Delhi we were hit by COVID and also government, local Delhi Government made this as a children's hospital for COVID. Whether COVID was there or it's not much in children so that's why we were kind of took an extra year for breakeven. Then 2022 we had a breakeven Delhi. So, it took a year extra. I think that's quite understandable because of the pandemic. So, moving forward in Delhi that we have done our diligence and we know the geographies which probably going to be much easier for us to maneuver because where there is a lot of young population especially Gurgaon and Noida or the ones which are actually working on those areas.

Moderator: The next question is from the line of Mr. Pritesh Chheda from Lucky Securities.

Pritesh Chheda: I cannot listen to you very clearly but I'll just try and ask the question. So, on the utilization side among the investors community there is this confusion whether theoretically and practically can your hospital's reach +70% or 70% utilization. If you could comment there? And let's say a matured hospital in Hyderabad with 700 beds that you have, you keep on mentioning that, that city is more matured for us. So, what kind of utilizations have you reached in Hyderabad and can that be looked at for other facilities? That's my question one. My question two is it would be helpful if you could give us the pre-Ind-AS margins for your hospitals or for your business in FY22. I think the reported which you mentioned is 31% but what would be the pre-Ind-AS?

Dr. Ramesh K.: So, the first question utilization so yes, Hyderabad we reached about a 70% of occupancy. That's probably a maximum we could reach. I'll tell you a couple of important things why our model has this kind of occupancy level as opposed to multi-specialty hospitals. Number one multi-specialty hospital has got a lot of government business varying to each group, 15% to 20% or 25%

government business. So, government business almost literally very, very small, negligible, number one. Number 2 is that we have some degree of seasonality in the Children's Hospital. Like the first quarter, it's always an examination time, in the March time. So, the first quarter is always --

Pritesh Chheda: Sorry, which quarter is lower?

Dr. Ramesh K.: First quarter, Q1 is going to be holidays time and the Q4 is going to be exam time. So, these are the quarters generally out pediatric business tends to be lower. So, this is true for anywhere Children's hospitals. So, our Q2, Q3 will be the busiest kind of quarters for us. So, the number 1 is that the seasonal variation. Number 2 is that we don't do government business. And number 3 is that we have very differential areas within the hospital, like the newborn intensive care services which has got secluded areas where you cannot squeeze in any other patient because children have got multiple areas, newborn, children intensive care services, and you've got mother's areas also. So, there are differentiated areas, therefore we cannot kind of accommodate. For example, our newborn intensive care beds are about 18% of the total beds, so where we cannot admit either women or child. Pediatric intensive care services....

Pritesh Chheda: Sir, can I intervene here?

Dr. Ramesh K.: Yes, please.

Pritesh Chheda: Sir, what you're mentioning is also true for Hyderabad, right? It's not that it's not untrue for Hyderabad, it is true for Hyderabad, it is true everywhere as a pediatric business, right?

Dr. Ramesh K.: Yes. Which is why in Hyderabad, we reached about 68% to close to 70% occupancy in the normal year '2020.

Pritesh Chheda: So, my question is simple, sir. Your business irrespective of whatever constraint in the form of no government business and beds being largely meant for children or adults, can it theoretically and practically reach the 68%, 70% occupancy when the hospital or the region matures just like Hyderabad?

Dr. Ramesh K.: Sure. We can get up to 68% to 70% occupancy in the mature state.

Pritesh Chheda: Despite the quarterly cyclicity?

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- R. Gowrisankar:** Yes, Mr. Pritesh.
- Pritesh Chheda:** Despite whatever constraints you have mentioned, right?
- R. Gowrisankar:** Yes. The one thing is that we have been adding beds year-on-year, so that's why you are seeing that at 56% in FY20. So, if you see Hyderabad mature hospital, it is reaching about 70% of blended occupancy, including the season or non-season put together. So, that is on occupancy. And second you asked for pre-IndAS margin. So, pre-IndAS margin is about 26% actually.
- Pritesh Chheda:** Sorry sir, we missed your number, 26?
- R. Gowrisankar:** 26% is the margin.
- Pritesh Chheda:** And sir, there is a 20% price rise which insurance companies have taken in quarter 4. When will this play out in your numbers?
- R. Gowrisankar:** It's already effective from 1st first of April.
- Pritesh Chheda:** It is effective from 1st of April?
- R. Gowrisankar:** Yes.
- Pritesh Chheda:** So, on 50% of business, there is 20% price rise, right?
- Saurabh Bhandari:** No. So, I'll just tell you. So, basically, it's on the insurance which is on the inpatient revenue. So, when you look at the total revenue that we do, about 30% of our revenue is outpatient, where the insurance price hike will not be applicable. So, on the 70% of the business, the insurance price hike is applicable. Now, if we were to break it further, the price hike that we have got of 20% plus is in our New Delhi, Bangalore and Chennai market. And in the Hyderabad market, it is slightly lower than that. So, blended we are likely to get –
- Pritesh Chheda:** No, sir. Now I have missed the other part, you said 70% of the business is inpatient revenue. And on that 70% of the business, there will be a price increase on account of insurance, right? Whatever the insurance component is.
- Saurabh Bhandari:** Right.
- Pritesh Chheda:** Sir, how much would be that half of the 70%?

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- Saurabh Bhandari:** Yes. So, half of the 70% business which is 35% of the overall business, on that the insurance price would be applicable. Now, if you look at the 20% that you have asked in the question, we have got that in our Bangalore, New Delhi and Chennai market. However, in the Hyderabad market, it will be slightly lower than that. So, our blended increase in the insurance would not be exactly 20% but will be slightly lower than that.
- Pritesh Chheda:** 20% price increase is across the country, right? Now whether you are at a lower base in Hyderabad and a higher base in Chennai, but 20% is 20%, right? That's how we have to view it?
- Saurabh Bhandari:** No. So, you have to view it, see each micro market have the separate nodal insurance companies.
- Pritesh Chheda:** But have they given the 20% price rise for us? Have they given 20% price rise for a certain city or they have given 20% everywhere?
- R. Gowrisankar:** The contract is for each and every location actually. So, basically the 20% has come for Chennai, Bangalore and Delhi market. So, the Hyderabad market is not 20%.
- Saurabh Bhandari:** It is lower than that.
- Pritesh Chheda:** It's lower. That's clear, sir. Sir, one suggestion. We are not used to this format of whatever Chorus Call has implemented in terms of web. Sir, I was on the web, questions cannot go through, then they call me on the phone. So, it's always better to have either/or. So, it's always better to have a tele call or a Zoom format of meeting or whatever. It's just a suggestion, sir. This was very inconvenient.
- Dr. Ramesh K.:** Sure. Mr. Chheda, we will take that point.
- R. Gowrisankar:** Point well taken.
- Pritesh Chheda:** And you guys are also not audible. So, please, yes.
- Moderator:** We take the next question from Ranvir Singh Sunidhi Securities. Please go ahead.
- Ranvir Singh:** So, my question relates to that on EBITDA front, now because in certain part of business, the insurance price has also been raised. And because we have

a seasonality in Q1 and Q2, you said has been weaker. So, just to understand, how in FY23 or '24, our EBITDA pre-Ind AS would look like?

Dr. Ramesh K.: I think we expect it to be more even, a better year because more of normalcy. So, what we were kind of growing before the pre-pandemic was year-on-year about 20%, both in terms of numbers as well as the top line, and EBITDA. So, I think that's what our business has been. So, moving forward '23 is I think, it's difficult to give a kind of guidance very accurately, but we expect to do well.

Ranvir Singh: So, at least indicatively, because there's a lot of moving parts, price, cost, size also has increased. So, whether the level we achieved in FY22, that also included some vaccination related upside. So, on that level, we'll be looking positive or negative from here?

Dr. Ramesh K.: We will definitely be positive because what we have business wise is more predictable here in terms of numbers and in terms of all the kind of the business drivers, it's all very positive for FY23. So, I don't see anything major negative factors to do business unless something else comes as a major event.

Ranvir Singh: Did I hear correctly, you said that ARPOB would increase by 7% to 8% going forward?

Dr. Ramesh K.: Around 7%, 6% to 7% increase is normally year-on-year because of the pricing as well as the case mix.

Ranvir Singh: And the growth we are talking about, it is for base business or we are including the bed we would be likely adding in FY23?

Dr. Ramesh K.: So, the current year unlikely to be any major bed additions, if some projects which are in the pipeline may come, may come in the last quarter into business, but otherwise the beds will remain to be a constant till the last quarter. So, therefore, it may come in the last quarter maybe a month or so, but unless the projects get done earlier.

Ranvir Singh: Sir, 500 bed addition maybe after couple of years that we should assume?

R. Gowrisankar: This 500 bed we are adding in next 3 years actually. So, this year, we are expecting about 150 beds in Hyderabad and Chennai to happen. And next year again, we will have Chennai, Bangalore and then Delhi also. So, like in 3 years, it is spread out.

Ranvir Singh: And on M&A strategy, we have good amount of cash there. So, what kind of target you would be looking at? So, it would be like a geographical diversification we are looking at? At the existing location, we'll be adding more units? So, if you could give some light on it.

Dr. Ramesh K.: Mr. Ranvir, we just got up an IPO done a month ago. First thing what we have done in the last few weeks is to see that is our 500 beds expansion in the next years' time. So, by and large actually, we are very clear about these beds, when are they going to get added, all those things. Now, you're right, absolutely we have cash on the balance sheet and we are going to generate more cash. So, if an opportunity comes around for us, especially in the geographies where we are not there. So, that would be kind of a route we might kind of take it. So, I would want to give a kind some time to understand we have been building our business very organically. Whatever the acquisitions, we look at it, definitely they have to be beneficial to one is concept and rest of the alignment. Number two is where we can add the scale and also take that as a kind of an anchor and build it around in the new cities. This is something which is kind of a thought process which we are going to brainstorm in the next 6 months, 9 months' time.

Moderator: We take the next question from the line of Janak Lotwala, an individual investor. Please go ahead.

Janak Lotwala: First of all, let me thank the management of Rainbow for taking us through the business model and allowing me to take my question. I have couple of queries, okay, from the learning perspective. My first question is, in one of the slides, sir, you mentioned that the blended industry growth rate is projected to be around 14% CAGR by 2026. So, if we look at Rainbow in this scheme of things, what is the growth that we're targeting in say, next 3 to 5 years, one? And around it, the second sub-question to this is the EBITDA margins that we see are moving around from 19% to say, 38% and subsequently in the 20s now. So, what is a normal EBITDA margin to be considered for our business going forward? Any broad pointers on that. This is my first question. And I had one more query but I'll take that after this.

Dr. Ramesh K.: So, industry is growing. If you look at geographically, the West is growing about 6%, 7%, in the western countries, developed countries. The countries like us, which is a rapidly growing country, both economically in every aspect, over 14% for pediatrics, 12% for obstetrics. So, the Rainbow has been growing 20% for the last 8, 9 years time. So, that's what we have seen the growth. So, I

would expect it to continue the growth in the similar fashion and I'm optimistic about it. So, in terms of your next question about EBITDA margin, I think of what's been sustainable EBITDA margin for Rainbow is, if you look at the pre-IndAS about 24%, 25% sustainable margin. Even at a growing stage when you're adding beds also, that's what we have been kind of in the past the last few years' time, because a large proportion of our beds, which are the Hyderabad, the Vijayawada and Bangalore is also coming into the mature state, and Chennai is also doing very well. So, these are all going to be kind of a majority. The dominant kind of hemisphere is going to be a mature side of it. So, therefore, that if we add spokes in these areas is not going to kind of depress the EBITDA much. So, we are kind of pretty fairly confident about achieving 24%, 25% of EBITDA moving forward in future.

Janak Lotwala:

And my next query is around the CAPEX plans that we have. So, I believe there were some CAPEX plans laid out in the RHP. So, can you help us throw some light on what exactly are the timelines and the CAPEX that we are looking at, one? And second, for this CAPEX, we have some cash and cash equivalents of Rs. 180 crore. So, what is the capital allocation? Will this CAPEX be funded through the internal accruals or will it be through debt means? How is this going to shape up?

Dr. Ramesh K.:

We have the cash on the balance sheet and also we have got net-net proceeds also which is through the IPO proceedings. So, the next 2 years' time, what we're going to utilize is what we've been kind of said in the DRHP and RHP. From the net proceeds is going to be a next 500 beds are going to be done. Second important thing is that we are as earlier question was saying that we have opportunities to explore how to spend this money and also that we are envisaging that in NCR area to do some of the hospitals. So, we are open about doing some of the Greenfield hospitals to kind of wherever there is the CAPEX bed is going to be a kind of not significantly varying when we take the Greenfield hospital. So, essentially what we look at it is that, whether the cost per bed, whether it is our own hospital or versus rental hospital, we are working on that, wherever there is real estate cost is low, we probably would like to do some of these hospitals to get them into the pool, our own hospitals.

R. Gowrisankar:

Mr. Janak, basically we are adding about 500 beds in next 3 years, that is what we have stated in the prospectus and offer documents. And we are going to get about Rs. 170 crore for expansion and we are going to use the proceeds for repaying our existing debt of Rs. 40 crore and we have about Rs. 200 crore available on the balance sheet and this expansion of 500 beds requires about

Rs. 300 crore. So, this year also we will generate because there is a cash surplus, we will generate operating cash flow. So, this cash is enough for this 500-bed expansion and we don't need to go for borrowing anything additionally for this.

Janak Lotwala: So, sir, one sub query to this. When you said Greenfield expansion, so I had 2 queries. So, when we say Greenfield, so what is the typical breakeven time that we look at for Rainbow, one? And second, you have envisaged that you'll be expanding into the northeastern markets, okay? So, again, the same query over there. What kind of breakeven can we expect when we look at expanding into newer territories where we have little presence?

Dr. Ramesh K.: I think it's very difficult to predict. I think like any other hospital, any Greenfield or newer city expansions, whether it is Greenfield or Brownfield, it will definitely take us 3 years. Three years is something what we envisage. So, depending on the local conditions and other factors, it might take longer also. But if you do 3 years of breakeven, I think we see that it's done well.

Janak Lotwala: So, for the Northeastern markets where do we look at starting the Greenfield? So, any particular timing or....

Dr. Ramesh K.: It's in early phase. We are actually doing a diligence and we'll take a call soon, probably in the next 6 months' time. And this is not going to be a very huge hospital right in the beginning, it's going to be kind of hospital which is first going to take 100 beds and have the scope for expanding in future. So, it's a newer market. So, therefore, we are cautious about how to go about it in terms of CAPEX, in terms of timelines and periods and those things. So, definitely we are positive about it, northeast. But the time is there for more specifics.

Moderator: We take the next question from the line of Alankar Garude from Kotak Institutional Equities. Go ahead, sir.

Alankar Garude: Sir, my first question is on COVID vaccine contribution in FY22. Can you help us with the sales and EBITDA contribution in the year gone by?

R. Gowrisankar: So, in FY22, we have done about Rs. 96 crore of vaccination revenue and we have done about Rs. 25 crore of EBITDA. So, this has come mostly to first 2 quarters actually. So, third quarter, it was going on and fourth quarter, it's almost negligible.

Alankar Garude: So, sir, then the question is, if I look at this ARPOB which you've reported, Rs. 45,711 in FY22. So, that includes this contribution, right, the COVID contribution?

R. Gowrisankar: Yes, you are right.

Alankar Garude: So, in that context, when we talk about a 6% to 7% ARPOB increase, we should subtract the COVID vaccination revenues from this reported ARPOB and then look at that 6%, 7% growth going forward.

R. Gowrisankar: Yes, Alankar. It's about Rs. 43,000 in a normalized ARPOB we should take and then from there, we are taking about a 6% to 7% hike actually for the future.

Alankar Garude: Sir, my second question is on margins. Now, on one hand, we have these newly open centers, relatively newly open centers in Delhi and Chennai, especially Delhi, which are I would assume operating at much lower EBITDA margins as compared to our flagship hospitals in Hyderabad. And then we are also looking to add about 500 beds, almost 33% capacity in the next 3 years. So, how should we look at the interplay between these 2 when it comes to margins over the next 2 to 3 years?

Dr. Ramesh K.: So, what happens is actually, when you look at Chennai, we've done extremely well. The second year, we were EBITDA positive. Third year we had done about 26% EBITDA in Chennai. That is actually an excellent performance in Chennai, what we are able to do in Chennai. Moving forward, of course, we always look at blended occupancy and a blended EBITDA, that's been our way of looking at it always. Since we are adding these beds, most of the beds for example, if you look at the landscape what we are adding, we are doing at 2 centers in Hyderabad, 160 beds is going to be added in Hyderabad. There's going to be 140 beds in Chennai City.. And then we're looking at Delhi, exploring the opportunities, still not finalized anything yet. So, these cities, whatever the last center, what we have done in Bangalore, that was breakeven in 14 months' time. So, in Hyderabad, if we do a center, probably we don't need any time to breakeven because it's we are doing for demand, so which makes us to go very confident about the next 3 years horizon that we are not doing outside the state. And also, when we do the spokes, when you do hub and spoke, quite a bit of optimization also comes because in terms of the manager cost, other costs and those things. So, we don't see kind of major challenges in breakeven of the spokes. So, when you go to definitely new city and whether it's a Greenfield or Brownfield, depending on the size of the hospital, it would

definitely take 3 years' time. So, that's what our experience so far will be. One additional point for Children's healthcare is that we have always grown very organic, because what is our model is we are hospital-based pediatrics and we focus a lot more on caring for sicker children, building intensive care services and then start building up specialty services. It is a process which cannot be kind of formulated. Unlike multi specialties, do you get teams to come and join you to do the business from the third month, fourth month? No, it's not there. You don't have that good teams established who have got business. Number 2 is that we can't bring the pediatricians who are general pediatricians and make their hospital grow because they are more of office practice pediatricians. Therefore, it's a very, very organic matter, it takes time, it cannot be really pushed. That's in a way for Rainbow huge advantage, having matured and built to this level. And also which is one of the reasons that we have to be very carefully curate when we go into the newer cities. So, currently, we are in advantaged position because we have cash on the balance sheet, we have had net proceeds, money is there. When we go into kind of some acquisition, aligned acquisition comes in that we can build newer city. But however, that there is a scope of 1,000 beds for us to do in existing network, where we can build much more stronger and larger like Hyderabad is probably kind of makes more sense for organization to move forward.

Alankar Garude: So, sir, if I were to just summarize what you said, so given that most of our expansion is happening, at least for the near term is happening in our existing cities, we can definitely expect some kind of margin expansion over say the next 2 to 3 years versus the 24%, 25% pre-IndAS levels, which you mentioned earlier in the call. Is that a fair assumption?

Dr. Ramesh K.: Yes. I think so.

R. Gowrisankar: Yes, actually. So, most of the units already are mature and mature units contribute a better margin, and then our expansion also since it is on the existing locations, so definitely, it will not be margin dilutive.

Alankar Garude: And one final request. So, we haven't really shared any cluster wise details in our presentation or the press release. It would be really helpful if you could share those as well going forward because given that there's such a big difference in the profiles across some of our cities, it would be really helpful to analyze and forecast going forward.

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- Dr. Ramesh K.:** We have not done that kind of granularity so far. We'll try to work on that now, how to kind of dissect these things and how to present it for a better understanding for us as well as you.
- Alankar Garude:** Maybe even just the operating metrics would be helpful. Financials I can understand, but maybe if you could share the operating metrics, key operating metrics of each of the clusters, it would be really helpful.
- R. Gowrisankar:** Sure. So, next time onwards we'll have that part.
- Moderator:** We take the next question from Amit Bhatt from MIT Engineers. Please go ahead. While we check the connectivity for Mr. Amit, we'll move on to the next question. We take the next question from the line of Ranvir Singh from Sunidhi Securities. Please go ahead, sir.
- Ranvir Singh:** On ARPOB side, the normalized ARPOB has been Rs. 43,000 as you mentioned and 7% hike is, that means the reported number would be flattish in FY23, right, on ARPOB side? Just to clarify.
- Dr. Ramesh K.:** I think the before year ARPOB was about Rs. 40,000 in FY21 and if you take the COVID vaccine off, it will be Rs. 43,000. So, it's about 6% growth is there. I think what kind of Gowri was mentioning earlier is about 6% to 7% growth is something which we expect because of the case mix and pricing and various other aspects, pricing corrections, those things. So, that's not much where are, actually it's more like an inflation coverage.
- Ranvir Singh:** And you mentioned Rs. 96 crore from vaccination. And that was mostly in which quarter? That was in quarter 3?
- R. Gowrisankar:** Actually, we have done mostly in Q1, Q2 and Q3 it is less actually. Q4 it is almost very negligible. So, in first 3 quarters, we have done it.
- Ranvir Singh:** So, even if we reduce this vaccination revenue and EBITDA of Rs. 25 crore, yet, we had a very good amount of 31.9% kind of EBITDA margin. So, what actually drove and then why we are expecting that to be lower in subsequent quarters.
- R. Gowrisankar:** No, we are not expecting lower ARPOB. So, I'm saying that whatever we take it for projection actually considering the inflation, we take about 7%. Actually, we end up with a better ARPOB because of the case mix and price hike.

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- Dr. Ramesh K.:** That's definitely expected, 6% to 7% is kind of we can expect to grow. So, it may be more, but that's what is expected to grow, base case.
- Ranvir Singh:** And in case one has to look at the risk side of it, what kind of risk do you see to projection either in EBITDA or in revenue projection? What may go wrong?
- Dr. Ramesh K.:** I think the biggest risk for this one is what has happened with the pandemic. So, the pandemic really has hit the pediatric business. Whatever the kind of bounce back we have got in the last year, it was not an even business, it is kind of a month-on-month variability, so much of unpredictability. So, those kinds of events definitely will distort it. Otherwise, it's kind of pretty smooth. But having said that, that certain events, which definitely kind of makes you to do a kind of a better business something like we have seen in the past for children's healthcare. There was a couple of years we had a swine flu outbreaks where we had to do really lots of intensive care. We had dengue epidemics in the early part of 2000s till 2010. So, those things positively work on it, but anything like serious events like pandemic where there is a lockdown or connections are lost between the districts and the cities and those are the ones which are going to affect us badly.
- Moderator:** We take the next question from the line of Ayush Pansari from Allegro Capital. Please go ahead.
- Ayush Pansari:** Sorry, I joined the call a little late. Sorry, if this has been answered. But what is the IndAS-116 impact on FY22 financials?
- R. Gowrisankar:** So, we have a clear 31% margin we have given. So, it's about 25% pre-IndAS margin, post-IndAS 31%, the 6% is a difference. Actually, about Rs. 60 crore for the lease rental and which has now taken us Rs. 51 crore as a lease liability payment. So, if you take about overall, if you remove that IndAS impact, we will have about Rs. 20 crore plus in our PAT margin.
- Dr. Ramesh K.:** In addition.
- R. Gowrisankar:** Yes.
- Ayush Pansari:** That is Rs. 20 crore, right?
- R. Gowrisankar:** Yes.

Moderator: We take the next question from the line of Janak Lotwala, an individual investor. Please go ahead.

Janak Lotwala: Sir, just wanted to understand from you in FY 22, is it fair to say that there was some element of pent-up demand post the COVID? And will it continue as well if it was there in FY23?

Dr. Ramesh K.: So, definitely, there was some pent-up demand in some quarters. So, what has happened in '22 was there were periods of normalcy, which is kind of second, third quarters, we had fairly good periods. So, lots of our pediatric surgical volumes have come, gynecological surgical volumes have come. So, a lot of work being done during those times and we've done quite a bit of transplants at that time. Again, then in last quarter in January to February, 6 weeks about we had Omicron wave. Again, it's kind of if you look at our Q4 numbers, definitely our outpatients and also pediatric business has taken a big hit because of the Omicron wave. Though it is not very long, it is short lived. Again, March we recovered. So, Omicron has hit us for just a period of 5 to 6 weeks' time. And we've come back to kind of to the normal. So, now what we are seeing in the current year is that probably kind of more towards normalcy. We haven't said that it has taken a long time to come back to normalcy because especially for the pediatric side is because people continued to do the work from home under hybrid model. So, therefore, most of our hospitals are in the cities, especially the Bangalore and Hyderabad, they are all IT cities. So, a lot of people have not come back into the cities, which is why we have continued to see the lower outpatients. Now they are picking up now. Last one month time you see that, things are really getting back to normal because the schools are going to be started and everything is going to be started.

Janak Lotwala: So, sir, do you see this pent-up demand spilling over to FY23 as well in Q1 and Q2?

Dr. Ramesh K.: I'll tell you; pent up demand won't come in children's healthcare much. The reasons why is it is not something like adult cardiac care or renal care or other things where people can wait for long term diseases. Children's majority of them are short term illnesses or serious or critical illnesses. So, they don't kind of wait for such a longer time. So, pent up demand will be there for some surgical conditions and some other specialty conditions, but that is not a significant, that is negligible. For us to have a normal year is doing straightforward, regular business is more important rather than pent up business.

Janak Lotwala: Just sir, one last request. If you can going forward, just help us with transcripts of the con call that we have, it really helps because some of the con calls we might not be able to attend. But a quick glance really helps in when as an investor. Just as a request, if you can help.

R. Gowrisankar: Noted.

Moderator: As there are no further questions, I will now hand over to the management for the closing comments.

Dr. Ramesh K.: Thank you very much for each and every one, all the analysts and the investors for taking time out to attend the webcast of Rainbow. Rainbow is a new kid on the street. So, it has different characteristics and features. Sure, what we are doing is the most essential for the country. Going forward, we are committed to build this healthcare model. Going forward kind of the years, I think what we are already in FY23, I think I hope to kind of come back to you with more good news. Going forward with normalcy business is going to kind of expected to do well. So, if you have any questions, please do come back to us. I think CFO number and email ID is there. Please do get in touch with us. We hope to kind of get connected, be proactive and also share because what's important is that while investing and also having profitability and let's build something as a great healthcare model in this country for future. Thank you very much each and every one.

R. Gowrisankar: Thank you.

Saurabh Bhandari: Thank you.

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