Manipal Health Enter

Operator: Ladies and gentlemen, good day and welcome to Manipal Health Enterprises Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Divakar Pingle from Ernst & Young. Thank you, and over to you, sir.

Divakar Pingle – Ernst & Young: Thank you, Sagar. Good evening to all the participants on this call. Before we proceed, 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 other business risks that could cause future results, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

Please note that while we mailed the results to you, given the Outlook issue today, a few of you may still not have received them. In case they still do not reach your mailbox, please let us know and we will make every effort to send them out. However, they are also available on the website and on the exchanges, 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 Ltd., represented by Mr. Dilip Jose, MD and CEO; Mr. Sameer Agarwal, Group CFO; and Mr. Karthik Rajagopal, COO, along with other members of the management. We will start the call with a brief overview of the company and the quarter gone by, 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 – MD & CEO: Thank you, Divakar. Good evening, and welcome to our Q2 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 we have had in Q2. In fact, Q2 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 to headline the performance in the quarter, as well as 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 accessed our care during this quarter, as we believe that is the most sustainable option for growth in the hospital system.

Our Q2 revenue of about rupees 3,400 crore represents growth of over 37% from Q2 of last year. Our Q2 EBITDA was rupees 882 crores, which is an increase of about 30% over Q2 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 volume-led growth this quarter as well. Inpatient volumes increased by about 35% and outpatient volumes by 27% year-on-year.

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Average occupancy across the network was 70% during the quarter, compared to 65% in Q1 of this year. That is, we had 65% occupancy in Q1 FY27, which has now grown to 70% in Q2 of 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 was about 77,000 rupees in Q2, representing growth of over 8% versus last year. At the network level, the ARPOB per day is [trails off]

Dilip Jose - MD & CEO: About 70,600 rupees per day.

While that completes a quick financial highlight of the Q2 performance, let me also give you a brief update on the first half. Our revenue of rupees 6,490 crore represents growth of about 38% over last year. Our network EBITDA stood at rupees 1,631 crores, up by 28% year-on-year. Our EBITDA margin excluding Sahyadri was 26%, and at the network level, including Sahyadri, it was 25% for the first half.

Our PAT was rupees 639 crore, which represents a margin of about 10%. Digital revenue contributed nearly 23% of our overall revenue in the first half of FY27.

Our out-of-hospital care offerings, including e-pharmacy, processed about 34,000 orders across 26 hospitals in 4 metros. Telehealth solutions completed over 38,000 virtual consultations, and the chatbot, including Manipal AI, our AI-enabled digital health companion, handled about 24,000 interactions during the first half of this year.

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

We also continued our efforts to further strengthen these specialties through investments. To share a couple of examples, in the recent month, just a few days ago, we installed the world's latest DV5 robotic surgical system at our hospital in Dwarka, Delhi. We introduced a clinically governed two-wheeler fleet of first-responder services in Bangalore city, the 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 the 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 a tracheoesophageal fistula caused by a tumor.

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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 375 crores in Q2 of FY27. This implies sequential quarter-on-quarter growth of 13%. EBITDA for the quarter was 73 crores, again implying sequential quarter-on-quarter growth of 26%. EBITDA margin was 19.5% for the quarter. This is an improvement of over 200 bps over Q1 of this year.

You might recall that in Q1 of this year, our margin was 17.5%. In Q2, the margin in Sahyadri was 19.5%, in contrast to FY26, when the full-year margin was 15.5%. To recap, we closed FY26 at a 15.5% margin, Q1 at 17.5%, and Q2 at a 19.5% margin.

In H1 FY27, revenue at Sahyadri was 707 crores, up by 18%, and EBITDA was 131 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 digital revenue contributed 11% of Sahyadri's 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 facilities in Bangalore—Kanakapura in the 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, which is just over one year old, and in Yelahanka, which is less than a year old, the EBITDA margin has already reached 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 multispecialty tertiary-care hospital in Gurugram. Phase 1 of the project is planned for 500 beds, with construction expected to be completed in about 3-4 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 multispecialty hospital, further enhancing our reach in the fast-growing area of Whitefield.

Finally, I want to sum up by saying that overall, this quarter was the best ever that we have had as a network. With the growth levers that we 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.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Damyanti Kerai with HSBC. Please go ahead.

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Damyanti Kerai – HSBC: Hi, thank you for the opportunity, and congratulations on a great quarter. My first question is on your East India cluster performance. We see revenue growing at a healthy pace; however, volume seems to have been impacted by the payer-mix change that you indicated earlier. I just want to understand how you see this volume component coming back on track and what your broader expectations are for the cluster.

Management: [pause] Damyanti, thank you for the question. I will begin, and then I would request my colleague Karthik to come in and supplement.

The drop in volume is because of the schemes changing over—the Swasthya Sathi scheme changing over to Ayushman Bharat or its equivalent scheme in the state. We would expect that transition to be fully concluded. It has not impacted our progress in revenue. I think this was a transition as the government changed, and we would expect it to become smoother over time.

The performance on the revenue front, Damyanti, 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 oncology team in our hospital operations in Kolkata. They will be based out of the Dhakuria hospital, and you would also be happy to know that we have commissioned the annex building that was originally the fire-affected building during the AMRI period. We have refurbished it and obtained permission to restart it. [pause]

That would be the base of our oncology program in that hospital. We have robust elements in terms of a very leading doctor team joining us and additional capacity being created at Dhakuria. For any volume that we missed because of the decline in the scheme numbers, we are very hopeful that it will come back on the back of these additional programs. We have no concerns about the eastern region at all.

Management: You have seen in the detailed presentation that revenue has grown significantly, margins are good, and we have all the fundamentals in place. We are quite confident. [trails off] Karthik, would you like to add?

Karthik: No. Good evening, Mr. Raman. While we look at government patients returning, we continue to focus our efforts on the cash and TPA segments, so that effort is ongoing. That is where you will see a progressive increase in the top line. We will continue to move ahead and do that.

Management: To close out on the numbers on an H1 basis, even though volumes in the government business declined by 17%, overall volumes were still positive. This suggests that the growth has been more than met by cash and TPA, which is the better-margin segment and has good payers. As Dilip and Karthik correctly said, the teams are focused on cash and TPA. As and when the government schemes are put in place, we will look at that separately.

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

Aman Goyal – IIFL Capital: Thank you for the opportunity. My first question is on the oncology business, which has grown 51% year-on-year. Can you help us understand what the onco-drug exposure is in this oncology revenue?

Dilip: Sorry, what exposure in oncology revenue?

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Aman Goyal – IIFL Capital: The drug capping, the oncology-drug capping. What could be the impact in the next half?

Dilip: Aman, as you have seen in our presentation that we uploaded, oncology revenue for the network is about 12% currently, and chemotherapy is a fraction of that. Within that, the drugs that are controlled are again a fraction. We do not expect anything adverse to happen from this drug-price capping. I do not think this will have an impact at our scale or on any of the programs that we have in oncology. It is not something that we are concerned about at all, Aman.

Management: It is not a significant amount. It is a very small amount, which will be mitigated through other means. As Dilip rightly said, this is a part of the business that is quite small for Manipal, so it is not a significant impact for us.

Aman Goyal – IIFL Capital: Okay, understood. My second question is on Electronic City. How much is the drag from this hospital? Can you share the revenue and EBITDA loss from this unit? And, as a qualitative question, since Sahyadri has been an asset for almost one year, what hits and misses have you experienced so far with this asset?

Management: We will take the Sahyadri question first. I would request Karthik to come in, and after that Sameer, our CFO, will talk about Electronic City. Karthik, over to you.

Karthik: Good evening, Aman. If you recall, when we spoke last time as well, as you start to wear an operator's hat, Sahyadri was full of opportunity, and we did have a repeatable playbook that we have been using right from our Columbia Asia acquisition. We did not have any significant misses, and you can see that in the results as well.

There were procurement synergies, and we also looked at revenue enhancement through a collection of digital revenue. Much of healthcare decision-making has now moved to the worldwide web, and it was very much under-leveraged in Sahyadri. From about 1% of digital contribution to overall revenues, we have moved that up to 11%.

Online profiles have been created for 300 doctors. We have taken the neighborhood approach quite seriously, and that is where we had fairly good success in our home markets of Kolkata and Bangalore, where we have very vibrant micro-markets and neighborhoods.

We have had some good clinician hiring recently. From November 1, a very senior liver-transplant team has joined us, with a whole contingent of 42 clinicians. We expect the transplant and hepatobiliary space to move up significantly.

It was definitely not something we missed. We continue to create value out of this asset, and that is how this whole process has been. Significantly, around projects as well, we are trying to get the real-estate spaces ramped up to Manipal standards wherever we are going to be present.

Management: Aman, before Sameer comes in on your question on Electronic City, you may recall what I mentioned earlier: in FY26, the Sahyadri network had margins of 15.5%. In Q1 of this year, they became 17.5%, and in Q2 they are now at 19.5%.

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This is a result of what Karthik talked about: a multipronged approach involving complexity of work, high-end programs, clinicians being added, procurement benefits, digital revenue ramping up, and operating efficiencies. This is what we had discussed in the first-quarter call as well. This is the trajectory that we see.

From Q1 to Q2, when EBITDA margins improved by 200 bps, I think this is where the confidence that Karthik alluded to comes from. We are already seeing the results of the approach that we have for that asset. Sameer, over to you on the Electronic City question.

Sameer – CFO: Electronic City saw an EBITDA loss of 13 crores in Q2, but it is ramping up quite well. If you want more color, Karthik can provide it. We started this facility toward the end of July, or perhaps the first week of August, and we had already more than doubled whatever revenue we did in July by September.

October is also growing quite well. As the clinicians settle down in Electronic City, we see a good trajectory for Electronic City toward the end of the financial year. To answer your question directly, there was a loss of 13 crores as far as the Q2 results are concerned.

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

Operator: Sorry to interrupt. Aman, we request you to return to the queue for the follow-up questions, please. Thank you. Participants, you may press star and then one to ask a question. Our next question comes from the line of Karan Vora with Goldman Sachs. Please go ahead.

Karan Vora – Goldman Sachs: Thank you for taking my question. I hope I am audible. My first question is with respect to bed-addition plans in H2 and FY28. Can you walk us through what kind of bed additions we are likely to see in the next 6 months and then in the next year?

Management: Okay. Parag, would you call it out?

Parag: [pause] For H2, we are expecting almost 440-500 beds, which includes one greenfield and one brownfield facility. In FY28, there is a brownfield facility where around 100 beds will be added. Overall, in H2 plus next year, there will be around 550 beds.

Karan Vora – Goldman Sachs: It looks like there will not be many beds next year. Is the side-cycle phase of this cycle likely to end this year?

Sameer – CFO: This does not include what Parag has said was planned. I think Kinder is an addition. Kinder will take about a year to come up. In Q2 [inaudible] it will come up at the end of Q2, and that will actually give us 100 more beds, over and above the 550 beds that Parag mentioned.

The remaining major addition will start coming from FY29 onwards, when Mumbai comes on stream.

Karan Vora – Goldman Sachs: Understood. Regarding Kinder, you mentioned the end of Q2. In which year will the 100 beds come? Next year?

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Sameer – CFO: Next year, FY28.

Karan Vora – Goldman Sachs: Understood. Just a quick clarification: have we added any beds to the Sahyadri cluster in this quarter?

Karthik: We did add beds, but Parag, this quarter?

Parag: In Q2, at Hadapsar, we will add around 50 beds, but it will be in Q3. In Q3, we will add around 50 beds at Hadapsar. The remaining beds, such as those at Nashik, were added last year itself. The Nashik LINAC block came up and was added in March. Hadapsar will come up in Q3 of this financial year. To answer your question, there were no additional beds in Sahyadri in Q2, Karan.

Karan Vora – Goldman Sachs: Okay, understood. My second question again relates to Sahyadri. How are the insurance renegotiations [trails off]

Karan Vora – Goldman Sachs: [continuing] taking place? Have we achieved the kind of pricing we would have wanted, or what is the status there?

Sameer: Karthik, do you want to—

Karthik: Yes, Karan. They continue to proceed in line with the contractual inflation that they normally consider, so we do not see any headwinds there, Karan. It is expected to proceed on track as per the expansion.

Karan Vora – Goldman Sachs: Understood. My understanding was, or perhaps I could be wrong, that our contracts with Sahyadri would have been inferior to what Manipal as a brand could command. Is there any renegotiation on that front, such as repricing of insurance contracts?

Sameer: I will first give you a legal and entity-level answer, and then Karthik will provide more detail from the ground because he is currently negotiating.

The entity remains Sahyadri Hospitals Private Limited. The entity name remains the same, although the owners have changed. Simply because of a change in ownership, insurance providers will not offer us better pricing in Pune.

However, this is a process that will continue because we are still in the process of rebranding all the hospitals to Manipal Hospitals and changing the legal entity. That will take us some time because we are going through the insurance process, as you correctly said, as well as the government authorities.

After that, in the next cycle, perhaps after we have established ourselves in Pune, in the next cycle of negotiations, we may get that benefit. But I will let Karthik answer this question specifically.

Karthik: Karan, as Sameer said, I do not think the two can be combined right now. The rate revisions will be based on the existing contracts that we have with Sahyadri.

Karan Vora – Goldman Sachs: Understood, understood. Just one quick point—

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Operator: Sorry to interrupt, Karan. 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 Edelweiss Capital. Please go ahead.

Hari – Edelweiss Capital: Hi, thank you for the opportunity, and congratulations on a great set of results. I wanted to understand the company's view of expanding its footprint in Tier 2 and Tier 3 markets going forward. Do you see an opportunity to establish a fully fledged tertiary-care facility, or would it be more of a primary- or secondary-care facility?

Sameer: Hari, even today, I think Manipal has an extensive presence in Tier 2 and Tier 3 markets. If you look at Mysore, Mangalore, Patiala, Rangapani, Siliguri, and many other places, we are present in Tier 2 and Tier 3 geographies.

We have not shut ourselves off from expanding into those regions in the future. If you were to consider Raipur, I do not know whether you would consider it Tier 1 or Tier 2. Our greenfield facility in Raipur will come on stream in Q4 this year.

We are optimistic about continuing to invest in Tier 2 and Tier 3 markets because there is affordability and an aspiration for high-end healthcare. Normally, the challenges involve finding the right kind of team and having doctors and managers available in these locations. Thankfully, with our network and our size, that is a hurdle we have not faced.

We will continue to look at opportunities in Tier 2 and Tier 3 markets. In fact, some of the brownfield expansion that we discussed in the last quarter, as well as expansion currently underway, is in Tier 2 and Tier 3 locations. We are quite positive on those markets.

Hari – Edelweiss Capital: Thank you. My second question is: compared with Tier 1 markets, is the payer mix more predominantly government-scheme patients in these markets?

Sameer: I will start, and perhaps Karthik can step in. I do not think Tier 2 or Tier 3 implies government schemes. There are many Tier 2 or Tier 3 geographies where hardly any government schemes exist.

I do not think it is a general situation that Tier 2 or Tier 3 means a large number of schemes. There would be examples, such as Mysore and some of our other Tier 2 locations, including Patiala. We do have a significant cash and TPA presence.

Hari, in our view, Tier 2 or Tier 3 is not a reflection of either paying capacity or whether the market is predominantly government- or subsidized-scheme based.

Hari – Edelweiss Capital: Thank you very much.

Operator: Thank you. Before we take the next question, a reminder to all participants: you may press star and then one to ask a question. The next question comes from the line of Suchita Sharma with Global Equity Research. Please go ahead.

Suchita Sharma – Global Equity Research: Good evening, sir, and thank you for the opportunity. I have a few questions. First, on capacity utilization: given the significant capacity, what is the phased

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timeline to operationalize the remaining census beds over the next 4–6 quarters, and which cluster will see the fastest ramp-up?

Sameer: Suchita, give us a moment. [pause] Suchita, first of all, I do not know if you are aware of the total licensed beds versus our operational beds. The gap consists of the management beds that we handle for our institute, MAHE, which is Manipal. Almost 3,800 beds fall into that category.

As far as the balance is concerned, the only beds that are not operationalized are some of the beds in the new greenfields that we have launched, namely Kanakapura, which Dilip discussed. But that does not really matter. As occupancy starts increasing, we will bring those beds into operation.

We follow a very modular and efficient model to ensure that expenditure on those hospitals remains controlled. That is the reason we have been able to achieve 23–24% EBITDA margins in these hospitals.

There is no concern. We had 70.7% occupancy in Q2. As Dilip explained in his opening remarks, from 65% occupancy in Q1, we went up to 70.7% occupancy without adding any capex toward building that capacity. We are fully loaded as far as capacity is concerned.

Operationalizing those beds will depend on volumes in the specific markets. When we do it will depend on how the volumes ramp up. Q2 saw a very good ramp-up of volumes across all departments, and occupancy went up to 70.7% without us turning away any patients.

Management: In addition to what Sameer said, Suchita, you might recall that when we discussed the 70.7% occupancy in Q2 in our first earnings call, we said that we see approximately 80% occupancy as something we could reach at an aggregate level. Even today, we have hospitals operating at those levels and above.

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

We have a good payer mix. This is something we have discussed in previous calls as well. Our government business is around 13–14%, which also helps in faster turnaround of beds.

We are clearly comfortable, and as and when the right amount of volume and quality revenue comes in, we are fully invested to take it forward. Up to 80%, we do not need to invest in any capex to fill those hospitals, as Dilip said.

Suchita Sharma – Global Equity Research: Understood. My second question is on Sahyadri Hospitals. While occupancy improved nicely to 67%, ARPOB decreased by 2% sequentially, from 45,000 to 44,100. What factors are causing this?

Sameer: Q2 in Sahyadri saw a little higher medical business. I think the medical business came in slightly higher because of the febrile pattern that showed itself across the country and in Pune. There was no specific reason for ARPOB coming down. It was simply because ALOS went up a little, and ARPOB came down slightly because of the medical cases. Karthik, would you like to provide any information?

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Karthik: Yes, it is very similar. Q2 does see febrile cases most of the time, except for last year, which was an exception. Therefore, each time that comes in, even if you look at the {? case mix ?}, it has come down by 1% because medical admissions are higher during that quarter.

Suchita Sharma – Global Equity Research: Okay. Additionally, could you sh- [cut off]

Operator: Suchita, we request you to return to the queue for follow-up questions, please. Thank you. Your next question comes from the line of Neha Manpuri with Bank of America. Please go ahead.

Neha Manpuri – Bank of America: Thank you for taking my question. I hope I am audible.

Neha Manpuri – Bank of America: Okay, thank you very much. Now that we have seen a very good improvement in Sahyadri margins in the first half, you are already at 18.5%, and I think, as you mentioned, you have seen {? 18% ?} to 19.5% for FY26. When do we see the next inflection in margin? Should that happen after the rebranding, probably in FY27 or FY28?

I am trying to understand whether, given the step change we have seen, we should assume a more gradual improvement from here, or whether there is another trigger that would drive another step-up in margins for Sahyadri.

Dilip: Neha, you would recall that we addressed this question in the last call as well. While we do not want to give a specific number for the next quarter or next year, you would recall that at an overall level, we said we expect Sahyadri to reach, say, 23-24% margin over a 4-5-year period from the point of acquisition. This was the overall guidance that we had given.

You have seen that this was a 4-5-year framework, and in one year the margin has moved from 15.5% to 19.5%. The way it would progress further, as Karthik explained earlier, is through teams joining, higher-end clinical programs starting, and the opportunity in insurance pricing that one of the earlier callers asked us about.

These are the elements that will build the margin bit by bit. We are comfortable with the overall scenario that we gave last time: a 23-24% margin over a 4-5-year period from the point of acquisition. We remain happy to say that we stand by that guidance.

Everything required is falling into place, Neha. That is the optimism we have. There is investment in capacity and capacity creation, investment in medical technology, doctors joining us, and operating efficiencies. Karthik earlier talked about digital revenue now growing to 11% and conversion efficiencies taking place.

This, along with the increasing complexity of work and ARPOB, is what will get us to that margin. We stand by that overall guidance.

Management: To add to what Dilip is saying, Neha, there is no shortcut that we want to take. We are working on this asset so that the profitability is sustainable.

In this process, there could be a quarter where the ramp-up happens quickly, and there could be further investments in the business in subsequent quarters. We want to ensure that once

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profitability is achieved, it becomes a building block toward 23-24%, even if that means hiring talent.

Meeting short-term targets is important, but ensuring that the long-term projection remains stable is also important. The teams are completely focused on that.

Neha Manpuri – Bank of America: Understood. That is very helpful. My second question is on the Karnataka cluster. Of the 340 beds that we have added year-on-year, how many are from Kanakapura versus Yelahanka? I am wondering where, as you mentioned, we have reached 24-25% margins in these facilities. What are the operational beds in these facilities?

Karthik: [pause] I think we added approximately 150 beds each in Kanakapura and Yelahanka.

Dilip: 150 each were added, but occupancy has not reached 150 in both these places, correct?

Karthik: Around 100, yes. We have about 100 occupied beds in each location. We have added 150 beds in each, and as we said earlier, we have already reached 24-25% EBITDA margins in both locations.

Neha Manpuri – Bank of America: Understood. That is very helpful. Thank you very much.

Management: Thank you, Neha.

Dilip: Thank you, Neha.

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

Kunal Randeria – Axis Capital: Hi, good evening, and thank you for the opportunity. You have around 80% of your payer mix coming from cash and private insurance, and I also heard your comments about reducing the government share in East India. Is this something that is happening only in that region or across your network? Secondly, how do you see the cash-and-insurance mix? Will it remain at 80%, or do you expect it to gradually move upward?

Management: [pause] Kunal, thank you for your question. As far as the 80% is concerned, we are fairly comfortable in that range. I do not think it is going to change dramatically.

As far as the East is concerned, it is always the endeavor of the business to look at the right payer. It is not about refusing treatment to any patient; we are very clear on that. Once the hospital is empaneled, Manipal does not refuse patient treatment.

However, the focus of the teams, the sales and marketing teams, and the digital teams is to ensure that cash and TPA patients are attracted to the hospital. For that, we continue to add clinical teams. As we did in the East, as Karthik explained, a large oncology team has recently joined. We have spent a significant amount of money in Dhakuria, and a beautiful facility has been developed from a building that was completely burnt.

That is the mix. At an overall level, I do not expect the mix to change significantly. Bangalore has no government mix in the capacity that is coming in, so the improvement will be visible because

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Kanakapura, Yelahanka, and Electronic City are ramping up. All the revenues coming from these markets are purely cash and TPA.

If there is a ramp-up somewhere in the North, the mix will include government business. It is not that we are going to move to a cash mix in the North.

In the East, the Swasthya Sathi scheme has declined because of the new government taking over. However, if the scheme returns tomorrow, we may see a slight increase in government business again.

So, first, we continue to focus on the right mix, and secondly, there is an issue with the Swasthya Sathi scheme, because of which it has declined. Dilip, Karthik, would you like to take this?

Karthik: [pause] Kunal, I think it is specific to that market, given the change in government. That will come back once the entire process is settled.

From our overall operational-efficiency perspective, we continue to focus on cash and TPA and on the desirable payer mix so that we can create value. At some point, this government mix will start to return to the East as well. This is just a temporary phenomenon.

Management: But this quarter, I do not know, Karthik, AMRI, TPA—

Karthik: Okay.

Management: Okay, Kunal.

Kunal Randeria – Axis Capital: That is helpful. Just one more question: are your brownfield projections—

Operator: Kunal, we request you to return to the queue.

Kunal Randeria – Axis Capital: Sure, sure. Thank you.

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

Alankar Garude – Kotak Institutional Equities: Hi, good evening, everyone. First, how would you compare and contrast your approach in the three relatively newer brownfield facilities in Bangalore versus the two upcoming ones in newer markets such as Raipur and Mumbai? Would it be a similar staggered, modular approach? This question is especially relevant for Mumbai, given that it is a much larger hospital.

Management: [pause] Karthik, would you like to—

Karthik: Alankar, when you look at Bangalore as a market, we are fairly intensively present here. The strategies that we follow in terms of interoperability of clinicians and some of those processes may not happen in markets where we currently have only one hospital.

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Both Mumbai and Raipur will therefore be somewhat different from our highly densified market like Bangalore. We will approach Mumbai with the understanding that it will be an individual hospital. Our marketing, clinician strategy, clinical-recruitment strategy, and so on will be somewhat different from the way we approach a market like Bangalore. The same applies to Raipur.

We have been quite clear that it may not break even at the same breakneck speed as we achieved in Bangalore. It may take slightly longer. Again, there is short-term pressure, but the long-term building of the institution is very important, including implementing the Manipal processes and our approach to treating patients and delivering care.

Mumbai is a new market. Doctor practices and doctor costs are very different, and hence it will take time to break even when it comes up. Bangalore and Mumbai, being different markets, will have different approaches to bringing in patients.

It will not be the same as Bangalore. We have 14-15 hospitals in Bangalore, so we get the benefit of the brand there. We will have to build the brand in Mumbai.

Alankar Garude – Kotak Institutional Equities: Does that mean it will be a relatively more staggered approach in these two markets compared with Bangalore?

Management: [pause] First of all, Alankar, the capacity profiles are different for Raipur and Mumbai. In Raipur, we have 350 beds in Phase 1 and the ability to go to 500 beds or more. In Mumbai Juhu, we have 602 beds, which will be the capacity there.

In any large-box model, you typically do not commission more than one-third of the beds to begin with. That is the model we would follow. It does not mean that any specialties would be missing on day one. We will have every specialty that we want to offer, but in terms of available bed capacity, we would start with perhaps one-third of the capacity. As those capacities begin to fill, we will commission more floors.

That is the only difference in the large-box format that we have in Raipur and Juhu.

In Bangalore, by contrast, the three hospitals—Yelahanka, Kanakapura, and Electronic City—are identical in terms of size and scale. Each has about 215 beds. We do not need more than two phases of commissioning. As Karthik said earlier, we can commission 150 beds in Phase 1 and roll up the remaining 60 beds in Phase 2.

In Mumbai and Raipur, we may have to do this in one additional phase. That is the difference.

If you look at Mumbai, it does not have a micro-market strategy. Our footprint in terms of looking at business funnels as a market will be much larger, while we will follow a more focused neighborhood strategy in a densified market. That will again be somewhat different for both Raipur and Mumbai from the approach we take in our core markets.

Alankar Garude – Kotak Institutional Equities: Sure. My second question is a quick clarification. Finance costs have increased sequentially despite debt coming down. What is driving that?

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Management: [pause] The debt was repaid only on September 15, Alankar. Therefore, we received the benefit only for the last 15 days. The real benefit of the interest cost coming down will start from Q3 because the debt was carried for almost the full quarter.

Alankar Garude – Kotak Institutional Equities: Thank you.

Operator: The next follow-up question comes from the line of Karan Vora with Goldman Sachs. Please go ahead.

Karan Vora – Goldman Sachs: Thank you for taking my question. If I look at the EBITDA trajectory, or the EBITDA we delivered in H1, is it fair to assume that H2 EBITDA should also be around the same as, or slightly higher than, H1? That would put us probably above what we were initially anticipating for this year in terms of absolute EBITDA. Would that also pose an upside risk to our FY28 EBITDA guidance? Any sense on the EBITDA guidance would be helpful. Thank you.

Management: [long pause] Karan, honestly, that is something you will model. We do not yet provide forward-looking guidance on the numbers. The past trend we have seen in H1 and H2 can be used by you to model how the current year will pan out.

We are fairly confident about how H2 will pan out. October has also started well. That is all we can say, Karan. We should be there.

Karan Vora – Goldman Sachs: Understood. Thank you.

Operator: Thank you. We will take the last question from the line of Dr. Amit Kumar Singh, an individual investor. Please go ahead.

Dr. Amit Kumar Singh: Good evening, and congratulations on a very good result. I wanted to ask a question about the Mumbai facility, which you have already answered. Now I would like to understand a couple of points.

Why are operations in South India largely concentrated in Karnataka? Is there any particular reason? That is the first part.

The other question is on a similar line. Are you also considering operating different types of healthcare services that we can provide? For example, expanding further into diagnostics, establishing physical stores for pharmaceutical distribution, and even an e-platform through which we could sell drugs and other products? This is my first question to you.

Management: [long pause] Dr. Singh, thank you very much. It is very good to have an individual investor on the call raising some of these points.

First of all, regarding the concentration in Karnataka, I think it goes back to where we originated. As a group, we started in Bangalore. If you stretch it further, the Manipal story originated in Karnataka, in the village of Manipal in Karnataka.

Therefore, early on, the focus naturally was on Bangalore, Mangalore, Udupi, and then, as a hospital group, you tend to expand around the areas where you are building. As Karthik mentioned earlier regarding densification in a geography where you are already present, you tend to add more

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capacity.

Our journey beyond Karnataka, while we have been an organization for more than 35 years, has taken place primarily over the last 10-12 years. Therefore, in the last 10-12 years, the character of the organization has changed significantly.

If you look at our total number of beds, we have significant bed capacity in other parts of the country. Dr. Singh, you would be happy to know that we are the largest private hospital network in the eastern part of India. We are the largest in the western part of India, including 9 hospitals in Pune, and we now have 3 hospitals in Delhi.

As we mentioned earlier, we have signed up to build a large-capacity hospital in Gurgaon. Therefore, we will change the balance.

However, if you look at hospital chains around the country, it is not unusual to find an original home market and therefore a propensity to have higher revenue from that market. We have a similar history.

I would only say that in the last 5-7 years, we have dramatically altered our footprint and profile.

Regarding your second question about why we would not want to pursue other aspects of healthcare, Dr. Singh, we believe we are exceptional at delivering tertiary and quaternary care. Our outcomes are excellent. We have a fabulous set of doctors and great nurses, and therefore that is our core strength.

As Karthik discussed earlier, we have {? CONQUER ?}, the six centers of high-acuity specialty care that we manage. Sameer talked about remaining invested in those areas and adding doctors and clinical capabilities there.

We believe there is so much work to do in those areas, and that is our core strength, so we should remain focused on it. We have consciously stayed away from so-called adjacencies, whether diagnostics, a pharmaceutical retail network, or similar businesses, Dr. Singh.

That is where we are today, and that is how we see our near-term future. That is where Manipal would want to remain focused. Karthik wanted to add something.

Karthik: While having said that, we continue to look at out-of-hospital care for our patients. In terms of initiatives around home care and how digital health can reach people's homes directly, that is what we are trying to pursue and explore in our telehealth business, as Dilip mentioned in his opening remarks.

There were about 38,000 consultations in H1, of which 32,000 were specialty consultations. We are using digital channels to reach homes, and we are developing very active out-of-hospital care in terms of home care and similar services.

That is where we will come close to adjacencies, but not the other areas you mentioned, such as physical pharmacies or a diagnostic chain.

Dr. Amit Kumar Singh: Thank you.

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Operator: Thank you. I am really sorry to interrupt. Ladies and gentlemen, due to a lack of time, we will take that as the last question. I now hand the conference back to Mr. Diwakar Pingle for closing comments.

Diwakar Pingle: Thank you, everyone. [cut off]

Dilip: Before Diwakar comes in to close, I just wanted, on behalf of all my colleagues here in Bangalore and on this call, and all my colleagues at Manipal, to thank all the participants for joining us.

We realize it is a Friday evening, but thank you for joining us on this call. While we are past Diwali, I hope you all had a great Diwali. I wish you a happy festive season and a great year ahead. Diwakar, back to you now.

Diwakar Pingle: Dilip, you have said what I wanted to say. The only other thing I would like to add is that if any investors or analysts have 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 very happy to sit with you and answer any further queries that you may have. Thank you very much and, as Dilip said, thank you for joining us on a Friday evening. Have a lovely weekend, everyone. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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