

Narayana Hrudayalay

17 February 2026

Operator: Good day and welcome to the Narayana Hrudayalaya Limited Q3 FY26 earnings conference call. Joining us today, we have Mr. Viren Shetty, Vice Chairman; Dr. Emmanuel Rupert, CEO and MD; Ms. Sandhya J., Group CFO; Mr. Venkatesh, Group COO; Dr. Navaneeth Shetty, MD of our overseas businesses; Mr. Ravi Vishwanath, CEO of NHIC; and Mr. Vivek Agarwal, Senior Manager in the Investor Relations function.

Before we proceed with this call, we would like to remind everyone that the call is being recorded and the transcript shall be made available on our website as well as on the stock exchanges at a later date. We would also like to remind you that everything said on this call that refers to any outlook for the future, or which can be construed as a forward-looking statement, must be viewed in conjunction with the uncertainties and the risks that we face. At a special request for this time, as we now have multiple business streams across the globe, we suggest we spend the first 30 minutes on India Q&A, and the remaining 30 minutes on the Cayman Islands and UK operations. With that, we would like to start the Q&A; I request everyone to use the raise hand feature to start posting their questions.

Operator: Prithvi, please go ahead.

Prithvi: Congratulations on a good set of numbers. Let me start with India first. You mentioned this is the second consecutive quarter where we have seen very high profit growth for the India business. It looks like we are finally benefiting from the initiatives taken over the last few years. Regarding the margin expansion in the India business over the last two quarters, which is almost 150 to 200 basis points on a year-over-year basis, do we expect the same trend to continue for a few more quarters? Do you think there are still levers for margin expansion in the India business?

Management: We have been putting a lot of effort over the last couple of years into our transformation programs and our payer mix optimization initiatives. The effects of the transformation program are seeing results now, where patients are opting for higher bed configurations while we keep our volumes and occupancy intact. Also, with several technology infusions and an increased volume of robotic cardiac surgeries and other procedures, the realizations have increased substantially, resulting in higher revenue and better margins.

Payer mix optimization initiatives are consistently helping in building margins and increasing realization. While we cannot give specific guidance, our efforts will always be to maintain these margins as seen in the last couple of quarters, except for unknown short-term impacts.

Prithvi: A follow-up on this: the losses the company has been making on insurance and clinics have been coming down in the last few quarters. When should we expect break-even for this particular business segment?

Management: We are still in the building stage in these businesses. Right now, our focus is on attracting customers, taking care of them, and building out the various propositions. It is a little early for us to talk about break-even on this.

We are balancing the scope of expansion for our clinic program across the country and merging it into Narayana Health. This provides a better lever to manage synergies and costs between the two

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entities. The dilutive impact should minimize over the coming quarters. Having said that, this is a business we still want to invest in and build out across all our core geographies. There will be some amount of margin dilution going forward. We will call it out in the investor decks so you can see how much we are spending, but it is too early to tell when break-even will be achieved.

Prithvi: It looks like we are past the peak losses. I have a couple of questions on Cayman and the UK, but I will join back in the queue.

Management: Thanks. To repeat, the first 30 minutes will be for India questions. Those with India questions, please raise your hand.

Operator: We have Rajat with his questions. Rajat, please go ahead.

Rajat: If it is possible, can you present the financials of each of the three entities in a pro forma way? Could they be unreviewed or unaudited as well? Will that be possible going forward?

Management: We are presenting relevant information for different segments. We believe this model should continue. However, if you have specific questions about the numbers in our investor deck, you can set up time with our IR team, and they will be happy to help you construct your entity-wise P&L;

Rajat: Thanks a lot. Just a quick question on an announcement made some time back regarding setting up a subsidiary to look after initiatives in the North. Could you elaborate on that? You have been present in the North for quite a long time. Is there anything specific you are looking at?

Management: There is nothing we can disclose as of now, but the North is an area of interest for us, and we are looking at what we can do there.

Operator: Nitin, please go ahead with your question.

Nitin: We have had a pretty strong growth in the Bangalore cluster this quarter. Did anything specific stand out in Bangalore this quarter?

Management: As mentioned previously, the transformation has provided results, particularly in our flagships, where higher realizations have come from higher-level beds. Beyond that, the payer mix optimization has consistently helped the Bangalore cluster increase realization. Additionally, high-end robotic work, aided by technology across all specialties including cardiac surgeries, has significantly improved our margins and volumes.

A lot of emphasis has been put on Bangalore urban, rural, and northern parts of Karnataka to increase footfalls from domestic patients. Our full emphasis going forward will be to consolidate domestic volumes and revenues. That is exactly what we have been doing over the last six quarters, and all these factors together have improved our volumes, margins, realizations, and revenues this quarter on a year-over-year basis for the Bangalore cluster.

Nitin: Does this become a template for other clusters, or is this a Bangalore-specific phenomenon?

Management: This is the same template we are going to follow for all our clusters, including the Eastern cluster. They are following suit in terms of margins and realizations because these are the

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two major clusters where our flagships are located. We will continue toward the same objective in the North cluster as well. There is a bit of a gap to cover there, but with the way things are set up, this will be the template for all our regions going forward.

Nitin: On the Northern cluster, growth seemed a little soft. Is there anything specific that kept the growth soft there this quarter?

Management: We have been cognizant of receivable issues in some scheme payers and the capping on reimbursement for certain drugs. This resulted in a conscious call to control volumes on schemes. Constant efforts toward optimizing the payer mix led to a volume reduction in schemes, and we have yet to catch up on preferred payers. However, this optimization led to increased realization and revenue despite a slight dip in volumes.

Increased competition from nearby hospitals in the North also contributed to a bit of a shortfall, but we are confident of overcoming this through our active marketing and operational strategies. This is time-bound, and I do not think this problem will persist beyond a quarter or two.

Operator: Alankar, please go ahead with your question.

Alankar: Regarding Bangalore versus other clusters, the ARPOB in Bangalore is significantly higher than other clusters, including Kolkata and the hospitals in Delhi. Even once you bridge that gap and follow the same template in the East and Delhi-NCR clusters, is there something structurally different in Bangalore regarding case mix or payer mix that keeps realizations significantly higher?

Management: You are seeing these types of numbers because of robotic cardiac surgery and bone marrow transplants; these are very large numbers here. In the last few quarters, we have performed the largest volume of robotic cardiac surgery in the country, largely from our Bangalore unit. Similarly, we continue to do the largest volumes in terms of bone marrow transplants and several advanced procedures, which come at a higher realization.

Alankar: Regarding Mumbai, you had spoken about attempting an adult multi-specialty facility there. Are there any updates on those plans?

Management: We are still working with the trustees and the Charity Commission on getting the licenses. We do not have a timeline for this yet.

Management: There was a question in the chat: "Does the OP consultation doctor revenue count as part of the overall OPD revenue?" We track it internally, but OP consultations are a very small part of the overall OPD revenue, and most of that payout goes toward the doctor. If we have no other questions on India, we will move to Cayman.

Operator: Damyanti, please go ahead.

Damyanti: Regarding the Bangalore market competition, several competitors are expanding their presence there. How do you see these dynamics playing out for your business?

Management: There is enhanced competition; many new hospitals are coming up in the Sarjapur area and in North Bangalore. We currently do not have hospitals there, so it is difficult to comment

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on the direct impact, but broadly, Bangalore is a large market and is well-served. More hospitals will serve the community even more.

There may be a lag between when a new hospital opens and when it breaks even. Competition has a definite short-term impact in terms of enhanced costs and time to break even, but it evens out long-term because organized corporate hospitals are still barely able to service the true demand. Not everyone gets treated for the procedures they require, and awareness remains an issue.

Damyanti: At your flagship hospital, is the majority of the volume from the local population, or do you see mostly outstation patients for high-end procedures?

Management: Most of the business we get comes from within a 15-kilometer radius.

Damyanti: Even the high-end transplants and bone marrow surgeries?

Management: Bone marrow transplants come from across the country, with a very high representation from Eastern India. However, very high-end cardiac procedures are more represented by people traveling locally.

Management: We have some chat questions. Regarding how we see the oncology fair and revenue mix: oncology started from a very low base and has become our second-highest specialty. It is the fastest-growing department. We believe oncology and cardiac will account for more than half of our revenue going forward. Cardiac, at one-third, will remain our largest department, and oncology could eventually go up another 20% in the years ahead. We do not break out department-wise ARPOB.

Analyst: Your gross written premium has gone up significantly this quarter. How many new policies have been issued, or what led to this expansion?

Management: It is a combination of things. In our retail business, productivity has been increasing. We also started offering business outside of Bangalore, in Kolkata, Raipur, and Mysore. We have also entered the SME market, looking at small and medium enterprises and providing them with an integrated approach for hospitalization and comprehensive healthcare, including outpatient care, consultations, and medicines. That has been very well appreciated by our customers.

Analyst: Do you have projections for FY27 in insurance?

Management: We are working through those now, but we continue to be optimistic about the pace of growth. We think there is a large market for an integrated approach combining hospitalization and primary care at our clinics and hospitals. We are excited about future growth, but we do not wish to comment on next year's numbers right now.

Analyst: You are looking at de-linking it from NHIC, so Narayana Hrudayalaya will be reported independently?

Management: Yes, correct. We are already reporting the insurance business separately in our investor deck. Integrated care will merge into Narayana Hrudayalaya, while the insurance business will continue to be reported separately.

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Analyst: Could we get some color on the profitability of the insurance business?

Management: We have given the integrated care losses in our investor deck. Once the merger happens, we will report the profitability of the insurance business separately. It is not very substantial right now.

Management: Moving to other chat questions: "Any plans for diluting stake to offset debt?" No. Regarding Gurgaon and Delhi profitability: Gurgaon has been our biggest challenge. There are much larger hospitals that our existing Gurgaon hospital has to compete with for patients. It has been quite challenging, but we have done a lot to improve profitability, including cost optimization and operational efficiencies to reach break-even. While there is a short-term dilutive impact for every incremental bed, over a long timeframe, there is sufficient demand.

Regarding the increase in salaries and doctor fees: if you are looking at consolidated numbers, that includes the UK. From an Indian perspective, we have actually improved doctor costs as a percentage of overall payouts. Regarding occupancy rates: we have moved away from that metric. We are not in the hotel business; occupancy matters less to us than the overall patient volumes.

Analyst: Regarding insurance, do you operate only in the Bangalore and Mysore markets?

Management: We have expanded to Kolkata and will be slowly expanding to Raipur as well. Over time, we want to operate our insurance plan in all markets where we have a significant physical presence, but we will open it up phase-wise. Regarding the pharmacy business, it is an integral part of the clinics. We would not be running a standalone pharmacy business in a big way.

Prithvi: Before getting into Cayman, given that you will implement a similar template in the Kolkata cluster, how many years will it take for the Kolkata cluster ARPOB to reach levels close to Bangalore?

Management: Kolkata hospitals, given the payer mix and patient profile, will always be at a discount compared to Bangalore hospitals. The Rajarhat hospital, which we are planning as a flagship Health City similar to Bangalore, should serve to bridge that gap a bit, but it will still be diluted by the impact of our older hospitals there.

Prithvi: Can you sustain double-digit revenue growth momentum before the new hospitals are commissioned, or will growth moderate by FY29?

Management: We believe like-for-like hospital growth should be sustainable. There will be quarterly variations, but barring any major adverse events, like-for-like growth should be sustainable until the new hospitals come online.

Prithvi: Moving to Cayman: for the Cayman hospital, we are at \$45 million in revenue. What is the percentage of full potential for the Cayman hospital business?

Management: There are two aspects: the local market and the international market. For the international market, we cannot easily quantify the potential, but we are making progress. Locally in Cayman, the government hospital is still larger than us in revenue for structural reasons, as they have exclusive rights over an entire payer class. There is another private hospital that also does well.

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There is still market share to be gained, but it is tricky to put an exact number on it.

Prithvi: On the insurance side, despite higher revenue for Cayman insurance, we saw losses widening. What explains that? You previously mentioned reaching break-even by Q4 or Q1.

Management: As we said last quarter, it is challenging to have quarter-on-quarter predictability in the insurance loss ratio due to large claims. Up until now, our focus has been on aggressively expanding the book, which we have done successfully. From the coming quarter, the focus will be on improving underwriting performance and clinical decision-making. We achieved the size of the book we wanted ahead of schedule; now we are optimizing that book.

Management: There was a chat question about group-level targets for net debt to equity. We track the ratio of net debt to EBITDA on a consolidated basis, and our endeavor is to maintain that number below 2.5.

Management: Regarding doctor attrition, it is in the high single digits at the senior level; it is quite low. Our vision for the next 5 years is to continue building a world-class healthcare institution that provides accessible, affordable care. Initially, our goals were bed-driven, but we found that entering markets with little recognition was dilutive. Today, we are consolidating in our core markets: Bangalore, Kolkata, Delhi, Raipur, Ahmedabad, Jaipur, and Mumbai. We are growing with a combination of hospitals, clinics, and insurance. In five years, we would like to be a significant operator in our core markets so that in Bangalore or Kolkata, you are never more than 25 minutes away from a Narayana Health center.

Damayanti: Regarding UK operations, the profitability is significantly below your India or Cayman operations. What are the key points to improve margins?

Management: Every market will have its own potential. We do not think UK profitability will ever reach Cayman levels due to different risk profiles. However, since we acquired the company a few months ago, there are opportunities to implement our technology platform and the operational process-level efficiencies we have used in Cayman and India.

The company currently has very small revenue from non-NHS sources, such as private insurance and self-pay, which yield higher realizations. Growing that private market share will help margins. Implementation of our technology and other operational efficiencies will take some time, but we should start seeing results soon.

Damayanti: Is it a local team in the UK?

Management: Yes, they are entirely local teams.

Analyst: Regarding the Birmingham hospital, how long will it take to become completely operational and profitable?

Management: The hospital is operational. It was an asset the previous owners acquired from another health system, and it had been neglected for a long time. It has been under Practice Plus ownership for about 1.5 years and under Narayana Health for a few months. We hope such an operation takes about four quarters to break even. It has been half that time; we see positive

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changes though it is still a new market for us. In terms of size, it is similar to the average Practice Plus hospital.

Analyst: Is there a need for major capex in Birmingham?

Management: No, the bulk of the investment was done before we took over.

Analyst: Regarding the £183 million net payment for the acquisition, how much was debt and how much was equity?

Management: We have taken a debt of £150 million on this. We put in £45 million of equity to cover deal costs. The net paid was £183 million after netting the cash in the entity. We have a 2+5 year repayment schedule.

Prithvi: Are there any shocks or negative surprises in the UK since taking over?

Management: Fortunately, no negative surprises. We have scoped out the process changes and digital applications we want to roll out. We are fairly optimistic.

Vinay: Regarding the 4–6 week waiting time for surgeries in the UK mentioned in your deck, is that an opportunity to increase EBITDA?

Management: That refers to the NHS waiting list. The national waiting time for elective procedures is actually much larger—often 18–20 weeks. That latent demand is the opportunity for private operators. The motivation for patients to pay out-of-pocket or use private insurance is quicker access. This is especially true for joint replacements, cataracts, and orthopedic procedures.

Rajit: Regarding UK depreciation, the slide shows around 40 crores. Is that the number to use going forward?

Management: Yes, you should take this number going forward. Most of the depreciation comes from leases. As we consolidated, there was re-accounting by statutory auditors regarding lease charges. I recommend waiting for Q4 for a full quarter's representation.

Rajit: Similar for interest costs?

Management: Yes, interest cost has gone up because of the £150 million borrowing. Regarding doctor and employee costs, the UK profile is very different. Anything we do to improve the private payer mix will reduce doctor costs as a percentage of revenue.

Management: There was a chat question: "Why the move to the UK if it is ROCE dilutive?" The entire private sector in the UK is a tiny percentage of the market. We are not counting on any radical shift in the NHS, but even a tiny shift toward the private sector has significant positive ramifications. Practice Plus is an asset-light model. We believe that in the medium term, the UK will not be dilutive to the group ROCE.

Management: Regarding the financing of the £150 million debt, the interest cost is effectively SONIA plus 200 bps. We have a two-year moratorium on principal where we only serve interest, followed by equal principal repayments over five years.

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Management: Regarding the joint venture for chemotherapy centers: the focus is on creating centers in Delhi. The first center is in Gurgaon. We also made an investment in surgical oncology in Mumbai, which has three centers. We will take a call on further investment once we see the trajectory.

Analyst: In the Bangalore market, you are adding 900 beds, and peers are also expanding. Is there still room for growth?

Management: Yes, there is room for growth in these markets.

Management: Regarding CHS rates in India, the impact was non-material for us given our limited exposure in Delhi.

Management: One clarification on UK margins: pre-IFRS, they are around 8.5-9%, while post-IFRS, they are around 12%. Q3 was a partial quarter for us with some deal costs, but we aspire to be in that 8.5-9% range pre-IFRS.

Management: With no further questions, we would like to conclude the session. Thank you everyone for your active participation.

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