Management Discussion

Rahul Jeewani - Analyst, IIFL Capital
Yeah. Hi, good morning, everyone. This is Rahul from IIFL Capital. I welcome you all to the second quarter earnings conference call of KIMS Hospitals being hosted by IIFL. From KIMS, we have with us today Dr. Bhaskar Rao Bollineni , Founder and Managing Director; Dr. Abhinay Bollineni, Executive Director and CEO; and Mr. Sachin Salvi, CFO; Dr. Nitish Kumar, the CEO for the Bangalore Cluster; and Sreenath Reddy , Head of Business Development. Over to you, sir, for your opening comments.

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
Good morning, everyone. We are amidst a hectic festive season that commenced with the patriotic Independence Day, followed by devotional Ganesh Chaturthi and recently concluded spiritual Navaratri. We are now on the threshold of joyful Diwali. Let me start the meet by conveying our festive greetings to you. Now I am going to unfold the financial picture of Q2. I am sure the results I am going to announce now will wonderfully blend with the festive fervor. We have recorded a growth under all key parameters, both in quarter-on-quarter and year-on-year basis with significant rise in revenue.

A snapshot of consolidated financial operational highlights are as follows. Q2 FY27 updates, total revenue of INR 1,363 crore, a growth of 41.3% on year-on-year and 14% on quarter-on-quarter basis. EBITDA of INR 279 crore, a growth of 34% on year-on-year and 16.3% on quarter-on-quarter basis. EBITDA margin stood at 20.5% versus 20.1% in quarter one FY27, and 21.7% in quarter two FY26. PAT at INR 76 crores in quarter two financial year '27 against INR 37 crores and INR 72 crores in quarter one FY27 and quarter two FY26, respectively. Consolidated EPS for a period ended with 30th September 2026 of INR 1.8 , a growth of 8.5% on a year-on-year basis. Cash and cash equivalents including cash, bank balance, deposits with maturity of less than 12 months, and investment in mutual funds of INR420 crore as on 30th September 2026.

Quarter two financial year '27 financial highlights consolidated. The consolidated revenue from operations of INR 1,344 crore, a growth of 39.9% on year-on-year and 14% on quarter-on-quarter basis. Consolidated EBITDA pre-Ind AS of INR 250 crore, there is a growth of 24.7% on year-on-year and a 12.7% on quarter-on-quarter basis. Consolidated EBITDA pre-Ind AS and excluding other income of INR 232 crore, a growth of 17.9% on year-on-year and a growth of 12.6% on quarter-on-quarter basis.

Operational highlights consolidated. Quarter two financial year '27 updates: average revenue per operating bed grew by 14.9% and 2.3% on year-on-year and quarter-on-quarter basis, respectively. Average revenue per patient grew by 9.9% and 1.2% on year-on-year and a quarter-on-quarter basis. The IP volume, 81,668, grew 27% year-on-year and 12.7% on quarter-on-quarter. The OP volume, 7,31,010, grew 23.3% year-on-year and 11% on quarter-on-quarter basis.

I would like to appraise you about the acquisitions we have made recently to strengthen our network and growth path. KIMS Trust Hospital, Kakinada, 183-bed. We have acquired 51% of equity stake in Sarvottam Health Care Private Limited, that is Trust Hospital, by investing INR80 crores. Now it will be known as the KIMS Trust Hospital. The acquisition holds high potential and prospectus. Ushahkal Abhinav Specialty Hospital , Sangli, Maharashtra, 316 beds, we have acquired 6% stake by investing about INR15 crore [Phonetic].

KIMS, Kompally, Secunderabad, 225 beds. KIMS Sikhara, Guntur, Andhra Pradesh, 150 beds. Will be

made over -- Kompally will acquire this to acquisitions in -- will be made over a period of time whenever our internal resources are comfortable. We have entered into O&M agreement with the Arete Hospitals in Gachibowli, Hyderabad, which has a bed capacity of 300 beds. We also entered into O&M agreement with Westfort Hospital in Thrissur, Kerala . It is a well -- it is an established and reputed hospital with a 300-bed capacity.

These initiatives will result in increased financial and operational leverages as all these units hold good potential and prospects. Our aim and objective have always been to create and multiply the wealth for our investors. The latest acquisitions along with the recent expansions will ensure stable and sustainable growth of high range.

Other highlights: making healthcare available and accessible has been our prime motto. In this connection, we are pleased to state that organ transplantations are performed across even Type 2, Type 3 cities in entire Andhra Pradesh. All these years, transplantations involved long distances as they were performed only at a very few centers. It is no longer so with all our units spread across the state handling such cases.

We have doubled the capacity of our KIMS Saveera Hospital, Anantapur, from 250 to 500 beds. The upgraded hospitals includes a new comprehensive oncology block and a dedicated mother and child block that includes neonatal care facilities, support maternal, newborn, and pediatric services in the hospital. The new buildings and facilities were inaugurated on 1st November 2026 by the Honourable Minister of Health and Honourable Minister of Finance, Government of Andhra Pradesh. Rayalaseema is considered a backward region in the state, and the latest facilities will greatly benefit the people of this region who otherwise were required to travel long distances.

Our international collaboration, at the invitation of Honourable Chief Minister of Telangana, recently a high-level delegation from Liverpool, UK, visited Hyderabad to advance cooperation across healthcare, life sciences research, innovation, trade investment, skill development, and sports. In this connection, I am happy to share that KIMS and NHS University Hospitals of Liverpool have advanced an agreement for cooperation in research, clinical collaboration, education, and training.

We feel honored that the appointment of our Independent Director, Shri Suresh N. Patel , as a Chairman of high-level committee constituted by Government of India to undertake a review of India's banking sector and recommend structural, institutional, regulatory, and legislative reforms. W e are being greatly benefited by his valuable contribution to the company as our distinguished board member.

I would conclude now, once again offering my multiple festive greetings to you and your families. I wish you all prospects and happy Diwali. We have done well and we hope to do even better in the coming year with our continued -- your continued support. Over to Jeewani. Operator?

Questions & Answers

Operator
Thank you. Yes. Okay. I was waiting for the opening remarks, but, okay. Thank you. We will now begin the question- and- answer session. [Operator Instructions] The first question comes from the line of Shubh Kalra from Asit C. Mehta Investment Intermediates Limited . Please go ahead.

Shubh Kalra - Analyst, Asit C. Mehta Investment Intermediates Limited
Hi, thanks for the opportunity. So first of all, congratulations on a good set of revenue numbers. So I

wanted to ask with the implementation of the trade margin rationalization on the anti-cancer drugs by the government, could you help us understand the potential impact on the KIMS revenue and EBITDA margins? And if possible, could you quantify the expected impact, particularly in terms of the revenue and profitability?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No, so t he final details are yet to be disclosed. So November 9th is when we are going to get all that information. Once we do get the information, we can quantify it. Right now, because oncology is not a big part of our revenue stream, the impact may not be significant.

Shubh Kalra - Analyst, Asit C. Mehta Investment Intermediates Limited
Okay. Sure. So let's say for the potential margin impact, is there any measures that the management is evaluating to mitigate the same? Like, is KIMS considering revisions to the package rates or other treatment-related tariffs to offset the impact, the potential impact? Or should we expect some degree of margin compression as a result of this regulation?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Once we get clarity on the pricing on November 9th, that's when we'll be able to decide on what the impact is and how do we mitigate.

Shubh Kalra - Analyst, Asit C. Mehta Investment Intermediates Limited
Fair enough. Thank you. That was my question.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Karan Vora from Goldman Sachs. Please go ahead.

Karan Vora - Analyst, Goldman Sachs
Thank you for taking my question. My first question is with respect to the Telangana cluster. So can you help us understand what was the growth and margin ex the new Kondapur expansion? Or, alternatively, you can just highlight what's the numbers we are doing at the new Kondapur unit?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So, Karan, I think the quarter- on- quarter growth from INR625 crore -- INR 623 crore we moved to INR700 crore, a large chunk of that revenue growth has come from Kondapur and Secunderabad unit. Even Secunderabad unit has ramped up quite well with recent new clinical programs that we started. Though the revenue grew, the percentage -- there's a dip in the EBITDA percentage. The absolute number has actually increased in Q1 to Q2, and this is only one quarter of Kondapur being commissioned. So over the next three, four quarters, we should see the margins come back to how it was before the new hospital. That is an extremely fast ramp-up. We also did not expect this kind of growth. From what we moved to the old facility to the new facility, the revenue has grown by at least 70% in just three months.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. And second -- so just trying to understand, so are we -- so you mentioned last quarter

that in the first month you were breaking even. So is that breakeven sustained, or we are seeing minor losses at the new unit?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No. So there is a higher fixed cost. There is no losses, fortunately. But the fixed cost has gone up. And as the revenue ramps up further, it will go back to those stable EBITDA margins. Without this period -- there would be a period of losses this financial year, and then stability would come in the next financial year. But -- because of the ramp up, we don't see any losses. In fact, the margins also have not compressed. The absolute number has further expanded. Over the next three, four quarters, it should come back to a 30% kind of a margin.

Karan Vora - Analyst, Goldman Sachs
Got it. And secondly, on the Andhra Pradesh cluster, so can you highlight with respect to what's happening there with respect to margins? Because top line growth continues to remain strong, but we've seen some deceleration in margins versus what we had last year. So any color and what's the outlook there?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So, again, overall growth perspective, everything looks positive. It's just that in the -- in Q2, at the end of Q1, we have launched two large onco programs in two of our hospitals, one in Vizag and one in Anantapur, and because of which there is some drag on margin. That is one part. Though the revenue came in, the fixed costs and all are a little higher currently. Over the next two, three quarters even that should normalize. But if -- and also there is a one-time cost towards PBDT which is to the tune of INR8 crores which got impacted in Q2, which will potentially get reversed once the money comes in Q3.

Karan Vora - Analyst, Goldman Sachs
Sorry, what's PBDT?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Provision for doubtful debts, Karan.

Karan Vora - Analyst, Goldman Sachs
Okay. Okay. Okay. Got it. Is this related to the government business by any chance, as in scheme?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yes. Yes. Yes. Only the government business because sometimes there's a delay, we have to take provisions for it.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. And just one last one if I can quickly, just squeeze in. So, in Maharashtra cluster, I see that your occupancy has already crossed 60% and the operating beds are just under 700 while our capacity beds are more than 950. So, like, do we see us just operationalizing more beds, which is the region where we've not operationalized? Is it Thane? Is it Nashik? Any color there will be helpful.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So Thane also we have around 75 beds that are not operational and Nashik we have close to 200 -- 150-odd beds that are not operational.

Karan Vora - Analyst, Goldman Sachs
So any plans to operationalize those in the immediate future?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
As and when the ramp up is happening, we will operationalize.

Karan Vora - Analyst, Goldman Sachs
Okay. Thank you.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Rahul Jeewani from IIFL Capital. Please go ahead.

Rahul Jeewani - Analyst, IIFL Capital
Yeah. Dr. Abhinay, I missed your comment in terms of the ramp up which you have seen at Kondapur in terms of occupancies. Can you please repeat that?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So the revenue ramp up in -- from before the opening the new hospital to the last month, the revenue has grown by 70%.

Rahul Jeewani - Analyst, IIFL Capital
Okay. And would you want to call out occupancies as well at the Kondapur unit now, as in -- with respect to this new 500-bed hospital?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, we've not commissioned the full hospital. We've only commissioned 500 beds -- 500-odd beds of the total capacity, of which we are already at a 70%, 75% kind of an occupancy. So in the next quarter, we actually thought of commissioning the remaining beds next year, but we'll -- we're going to commission the beds in the next quarter -- next two quarters.

Rahul Jeewani - Analyst, IIFL Capital
Okay. So on 500 beds, you are in ballpark around 70% to 75%?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, 70% on 500-odd beds, we are at that occupancy.

Rahul Jeewani - Analyst, IIFL Capital
Sure, Dr. Abhinay. And in terms of the AP margins impact which you called out, which is INR8 crore of doubtful debt, if we adjust that then, let's say, AP margins right now are trending at around 22%,

and in the past we were at around 24%, 25%. So, obviously, this onco launch across some of these hospitals is hurting AP. So when do you expect, let's say, the operating leverage from this onco business to start playing out and AP margins getting back to the earlier trajectory of 24%, 25%?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, actually, one of the hospitals where we launched onco, which is Vizag, actually towards the end of October we have seen it come back to a 28%, 29% in our margin. There's been a very impressive ramp up there. Anantapur just got commissioned, though, we had incurred the cost in advance, it just got commissioned a month ago and officially inaugurated on November 1st. So that will take at least a year before it comes back to healthy margins.

Rahul Jeewani - Analyst, IIFL Capital
Sure, sir. And this 80 -- sorry, INR8 crore doubtful debt, we -- in the past as well we have seen you booking these doubtful debts within the AP cluster. So what's the thought process in terms of some of these doubtful debts? Because they are from the government channel, do they ultimately, as in you receive that money, or how does it work?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
We received that money, Rahul. In fact, in the last quarter, if you reconnect, already we have received some INR70 plus crore from the AP government. I t's just that in the -- in this quarter we haven't received that much money, and because we are following the metrics for providing for these doubtful debts, we are -- as per the Indian standard, we are supposed to provide. For the current quarter, we have provided INR7.5 crore -- INR7.8 crore to be exact towards provision for doubtful debts. I think in the next quarter or the next -- to next quarter, once the money receives, the same provision which we have done will get reversed.

Rahul Jeewani - Analyst, IIFL Capital
Okay. Sure. And the last question from my side before I join back the queue is with respect to your newer hospitals, so Thane and the two Bangalore. So if you can talk about, let's say, whether we are done with the insurance empanelments across all these three hospitals. Obviously, Thane and Mahadevapura have achieved EBITDA breakeven. So how do you see the trajectory on those two hospitals? And let's say, when do we see the breakeven for the Electronic City Hospital in Bangalore?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
As far as insurance is concerned, that struggle is still on, Rahul. Even today, Thane does not have empanelment with three, four -- two, three major companies. Otherwise, the rest of it is all done. Same is the case with Mahadevapura, where we yet to get GIPSA, Star, and some other insurance companies, in spite of which both these hospitals have ramped up and broken even.

As far as Electronic City is concerned, the month of September we have broken even. B ut, yeah, I think by Q3, end of Q3, we should that also should become EBITDA positive. And the fight for insurance empanelment will still continue for some more time, maybe towards the end of the year, all the other smaller companies and some major companies and some of the hospitals should be completed.

Rahul Jeewani - Analyst, IIFL Capital
Sure. So Electronic City, for you -- do you expect quarterly breakeven in third quarter, or the quarterly breakeven would slip into 4Q? And just on these insurance empanelment, Dr. Abhinay, as in what's the key challenge or issue in terms of getting these empanelments done?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Well, I think now -- actually, from the beginning of the year to today, we've made significant progress, but there is some two, three companies left for each hospital. And because we want a good rate and we also want a good rate from their perspective, that negotiation is still going on.

Rahul Jeewani - Analyst, IIFL Capital
Sure. And on the Electronic City, do you expect quarterly breakeven in third quarter or fourth quarter?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, I think it's safe to assume Q4 rather than Q3, though we've seen the month of September breakeven. The trajectory for October also has been good, but just to give some buffer in case of any unforeseen. Sreenath, do you want to add anything with this? Sreenath?

Sreenath Reddy - Head of Business Development, Krishna Institute of Medical Sciences Limited
Yeah. No, you are right, Dr. Abhinay. So quarter four is where we are looking at the quarter breakeven.

Rahul Jeewani - Analyst, IIFL Capital
Okay. Sure, sir. I will join by the queue.

Operator
Thank you. The next question comes from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai - Analyst, HSBC
Yeah. Hi, good morning and thank you for the opportunity. My first question is on your margin trajectory. So as you mentioned, Kondapur is off to a very good start. It's a high fixed cost setup, where better scale will result in operating leverage, etc. And in AP also, you have invested in the oncology infrastructure. And how should we look at the margin trajectory moving from here? Should we assume like 2Q was the bottom quarter in terms of the losses from new units, etc. And from, say, next quarter onwards or so, we should be back to 20% plus margin. Like, what will be the exit run rate for, say, FY27 for margins?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, I think among all the hospitals that are now commissioned, except for Electronic City, all of them are EBITDA positive. I t's among the 28 hospitals that are getting operational, only one hospital is still in the drag, which over the next --- because it's less than one year old. But I think, yeah, this is the bottom Q2 number. I think from you as a trajectory should be upward, unless we don't see any new hospitals that we're commissioning over the next few months. So the trajectory should be continuing to grow.

Damayanti Kerai - Analyst, HSBC
Sure. Then my second question is on the insurance empanelment part, where you mentioned Thane, say, is still not done, and you are also, like pursuing for other new hospitals. So just want to understand what's taking, like, sizable amount of time to really get into the contract with big incidents in units like Thane.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So some of the insurance companies we've been able to negotiate, mutually able to close. Some of them we are still negotiating with them to get the right pricing that we believe is the right pricing for the hospital. So that negotiation is what is taking time. But now, see, Thane and Mahadevapura, we have just left with two or three insurance companies, not more. Majority of them are done.

Damayanti Kerai - Analyst, HSBC
Sure. So if I recall correctly, I think, it took us a significant amount of time to get all the insurance empanelment done for Nashik. Compared to that, Thane, Mahadevapura, where like progressing much faster, right? That's the logical way to assume.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, Nashik, we had challenges in getting the pricing because there were different challenges in that micro market from an insurance company. But the last empanelment was GIPSA, which we got that also. Officially, we'll be able to take patients from tomorrow and in Nashik on GIPSA. So that's a big chunk, that's usually 40%, 50% of the overall insurance volume, which we got confirmation letter this last week. There have been some inherent challenges, some learnings from the impairment process in the last 12 months. Hopefully, we'll rectify those in the next few -- when we commission the next few hospitals.

Damayanti Kerai - Analyst, HSBC
Sure. And my last question is on your transplant offerings. So first of all, which all units are offering transplant at this point of time? And please help us understand if this segment is a high realization, high cost segment from operation perspective.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
The kidney transplant we offer in almost all the units except for one or two. Liver transplant we do them in five of our -- five of the hospitals. Lung, we do only in three or four -- three of our hospitals currently, heart and lung. Bone marrow transplant also we do in eight of our hospitals.

Damayanti Kerai - Analyst, HSBC
Okay. So mostly, it's widespread. And just in terms of the economy, is it like high realization, high cost segment? So the EBITDA margin, etc., will be -- like, how does it look versus the corporate average on a steady state basis?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
We don't track EBITDA by therapy. Definitely the cost of treatment for a liver and kidney -- a liver and heart and lung transplant, it is a very expensive procedure. And also because of prolonged stay

before and after surgery, the realization is definitely higher than the rest of the therapy. But we don't look at it from a lens of profitability or an EBITDA margin at the therapy level.

Damayanti Kerai - Analyst, HSBC
Sure. Thank you. Thank you for response. All the best.

Operator
Thank you. The next question comes from the line of Karan Vora from Goldman Sachs. Please go ahead.

Karan Vora - Analyst, Goldman Sachs
Thank you for taking my question again. J ust one clarification. So Secunderabad, you mentioned there are some new programs which we've started, right? So what are those? Can you throw some light on that? And also secondly, in the Telangana cluster, if our Kondapur unit is doing such high occupancy and our overall occupancy is 50%, then which is the hospital which is kind of dragging the occupancy down? Or any color there will be helpful.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So, actually, we rectified that in the presentation this time. So in Secunderabad, the capacity is 1,000, but what we have operational is only 700 beds. And in that 700 beds, we have a lot of non-census bed because this being a very large facility, we have almost 80 dialysis machines. All of those are non-census be. Hence the occupancy, it's bringing down the occupancy. Also in Sunshine, both the hospitals, we're still at around 60% kind of an occupancy. We have not reached that 70%, 75% kind of an occupancy.

Karan Vora - Analyst, Goldman Sachs
Got it. And what are the new programs you've started in Secunderabad? Sorry.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So we further strengthened our onco and orthopedic practice. We launched a very large sports medicine program in the Secunderabad unit, and we also acquired a lot of clinical talent for our oncology hospital, which we're going to commission the end of next year, which is the new hospital that we're building.

Karan Vora - Analyst, Goldman Sachs
O kay. Sorry, so this -- sorry, how many beds are we adding in Secunderabad next year? 200?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
First phase, we will only get the 250 beds that are not operational -- today operational, because they're under renovation. And once those ramp up, then we'll add another -- we have a potential to add another 200, 250 beds and take it to a full capacity of 1,250 beds.

Karan Vora - Analyst, Goldman Sachs
Okay. And the land is already there in place, we just have to add a building or floors?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Building is also getting constructed. So in the next two months, the building structure will be ready, and then we'll keep doing the interiors as and when our requirements for it.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. Got it. Helpful. Second, just one clarification again here. So just to get a sense on the overall Secunderabad unit, so you're saying today, we only have 800 beds operationalized, 200 are working on operationalizing again, and that's now removed from the numbers, right?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So it's reflecting as the bed capacity, but they are non-operational beds. So the difference between capacity and operational beds is at 250 beds.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. Got it. And given that we have so many non-census beds in Secunderabad, any plans to like revamp the structure or anything so that our occupancy kind of improves? Because Telangana occupancy for us seems to be stuck in that low- 50s kind of a number. So how do we get there to at least 60? That's what I'm trying to understand.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
60 will come. See, in the 250 beds in Secunderabad are non-operational currently. Also, 250 beds of the old Kondapur Hospital, which we are yet to decide what we want to do, are also included in the beds here. So if you remove that 500 beds and look at it, the occupancy will further built in towards a 55%, 60% of the operational beds.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. And those 250 old beds in Kondapur are empty right now?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, they're empty. We are yet to decide what we want to do with those beds. We wanted to see -- observe the ramp-up of the current hospital, and then decide what we want to do with it.

Karan Vora - Analyst, Goldman Sachs
Okay. Got it. Really helpful. Thank you.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Kunal Randeria from Axis Capital . Please go ahead.

Kunal Randeria - Analyst, Axis Capital
Hi, good morning, and thanks for the opportunity. So first question is on Mahadevapura and Thane. So are all the investments behind you, I mean, in terms of doctor hiring or whatever specialties you wanted to commission, has everything been done?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah. Sreenath, do you want to take that?

Sreenath Reddy - Head of Business Development, Krishna Institute of Medical Sciences Limited
Yeah. So in Bangalore, yes, we have done. At Mahadevapura, we have done all the specialties have been added and investments also have been added.

Kunal Randeria - Analyst, Axis Capital
Okay, sir. Yeah...

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
As a process, investments for both these hospitals are done, but doctors is a continuous process. We keep adding these doctors as and when we find the right clinical talent, you'll start new clinical therapies. So that cost will keep coming and it'll take time for it to achieve stability. That's true for any hospital.

Kunal Randeria - Analyst, Axis Capital
Right. Right. Right. Okay. So which basically means investments will continue and maybe then the margin ramp up might be a bit slower than what we are kind of thinking of.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, I think what we've seen in Nagpur is a good trajectory, or Sunshine is a good trajectory to assume. F irst, we become EBITDA breakeven, then we take -- we get to a high- single- digit, then get to a mid-teens, and then the 20%-plus kind of margins start coming.

Kunal Randeria - Analyst, Axis Capital
Okay. Got it. Sir, second, on the Andhra cluster, I'm not sure I completely understood, but, sir, when we look at all the operating metrics and improvement in ARPOB volumes, sir, total revenue is up. But I can't understand why your absolute EBITDA is down, even if I consider that the bad debts kind of provisioning also. So is the case mix which has changed drastically that has kind of led to a margin compression? If you can kind of just give a few more details.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No. So INR55 crores, if you add back INR8 crores to it, INR55 crores is the declared EBITDA. If you add INR8 crores back to it, we're talking about a INR63 crore kind of a number, which puts the EBITDA margin at almost 25%. And because there has been fixed cost towards two onco programs in two of our hospitals, that has dragged the EBITDA margin by INR2 crores per month in each of the center, which as the hospitals ramp up, that will get amortized.

Kunal Randeria - Analyst, Axis Capital
Right. So these are the only two factors, right?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, there's only two factors.

Kunal Randeria - Analyst, Axis Capital
Okay. Got it. And so just one more, if you don't mind. See, I understand that, in some of the hospitals where you have O&M, you have converted into or trying to convert to ownership. I think the Sarvottam Health Care , and Insignia Healthcare. So I just want to understand the economics behind it, at what multiples do you buy your partner out?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So we have a call option to buy these O&M assets anywhere in the range of 10 to 12 trailing EBITDA.

Kunal Randeria - Analyst, Axis Capital
Right? And sir, is this decided at the beginning when you enter into a contract, or it's more of as the things go, if hospital is more successful, then perhaps you kind of end up paying higher --

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Exactly at the beginning of the contract.

Kunal Randeria - Analyst, Axis Capital
At the beginning of the contract. Right. Right. And recently you've done three, right?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
O&M message we've done Thrissur, Arete, yeah, these are the two hospitals that we -- we now currently have six O&M hospitals.

Kunal Randeria - Analyst, Axis Capital
Right. S orry, I meant the one which are converting to ownership.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, y eah, three, correct.

Kunal Randeria - Analyst, Axis Capital
O kay. O kay, sir. Got it, sir. Thank you and all the best.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Yuvraj Sehrawat from ChrysCapital . Please go ahead.

Yuvraj Sehrawat - Analyst, ChrysCapital
Hi. Congratulations on a great set of results. My question was on the Bangalore cluster. So we have a capacity of 800, but currently only 340 are operationalized. And given both the units are breaking even now, can you share some color on how we can operationalize the remaining beds as well?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Nitish?

Nitish Kumar - Chief Executive Officer, Bangalore Cluster, Krishna Institute of Medical Sciences Limited
Yeah, sure.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Nitish, are you there?

Nitish Kumar - Chief Executive Officer, Bangalore Cluster, Krishna Institute of Medical Sciences Limited
Hello, am I audible now?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah.

Operator
Yes.

Nitish Kumar - Chief Executive Officer, Bangalore Cluster, Krishna Institute of Medical Sciences Limited
I'm getting mute.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So I'll take this question, because Nitish is -- S o both these -- three of these hospitals, Thane, Bangalore, and Electronic City, these are the first time we went to a new city and set up large format hospitals with the intent that it will reach a 70% occupancy only in the four to five -- four to six years after commissioning these hospitals. So I think we are pretty much on track to achieve that kind of an occupancy, in that timeline that we've stated earlier. And these are really large format hospitals from what we have traditionally done, so it will take us a little time to get to that kind of an occupancy.

Yuvraj Sehrawat - Analyst, ChrysCapital
Sure. So would 70% be the right occupancy number where you would add more beds?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yes, 70% will be a right number b eore. But also, see, some of these therapies, sometimes you need to be able to add beds as standalone in the same campus, but in standalone. So we might -- though you might see bed capacity available, we might end up adding some beds here and there to introduce new clinical therapies. And unfortunately, these therapies only work when they are given that importance and standalone presence within the same campus. So you might see some bed addition in these campuses, but overall, the trajectory for growth we are pretty confident. This is the first year of operations, i n case of Thane, it's 15 months. But over the next 48 months, we should get to a healthy occupancy.

Yuvraj Sehrawat - Analyst, ChrysCapital
Got it. Thank you. That's all for me.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Anshul Agarwal from Emkay. Please go ahead.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Hi, thank you for the opportunity. Just a few bookkeeping questions. The rental payouts have sort of gone up in the current quarter. Could you please help us understand why this has happened? I understand PES is on rental model, so but that would have been commissioned last year itself. Any particular reason why our rental payouts are up so drastically?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
The major reason, Anshul, is the Kondapur Hospital, which has commenced operations only in the month of June. So last quarter there was an impact of only one month, whereas in this quarter there is an overall impact of three months. That is one of the reason for rental costs growing up, or India's [one-month ticket's] [Phonetic] impact on account of rental going up.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Got it. Is this quarterly rent rate now established or do we expect increase or escalation here as well?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No, no, this is established rentals which will be coming in the forthcoming quarters.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Got it. Secondly, how do we account for the O&M units currently, what I was trying to get at is, do we just add the EBITDA number into our cluster-wise EBITDA, or do we account for the revenue as well, or is it different for every unit?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
So the call option which we are having enables us to get 9% of the top line at our revenue, which gets added to the revenue. A s far as the call option accounting is concerned, as it is an option, we do a fair valuation of call option for all these units at end of every quarter, half-yearly, as well as at the end of the year. The gain on account of call option, we account it as extraordinary, just extraordinary items in the adjustments below EBITDA. If there is a loss, then we reverse the gain which has been accounted, but till this time there is no loss as such which had happened. And in fact, in the current quarter also, the fair value of the call option is enhanced by INR13.2 crore, which we have accounted below EBITDA.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Yeah. So the 9% revenue that we add to our revenue would be a complete flow through to the EBITDA in that cluster. Would that be fair?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, we can say so, but there are certain corporate costs which we incur, so there is no direct

linkage or we do not assign as such cost to that particular unit. But you can say your assumption is correct.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Okay. So the Kompally losses, would that -- would they be part of the Telangana cluster or no? Because just account 9% of the revenue that we generate in Kompally, it wouldn't be part of the EBITDA -- t he EBITDA losses wouldn't be part of Telangana cluster. Would that be correct?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No, no, it would not be forming part of the Telangana cluster. We account only 9% of the top three [Phonetic].

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Perfect. Clear. A lso, now that contribution from Bangalore unit is going up, or Bangalore cluster going up, our minority interest, the percentage out of EBITDA will be how much, sir?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
As of now, at a consolidated level, the percentage is 11%. I do not think it will exceed 15%. It will hover around between 10% to 15% over the next several quarters.

Anshul Agarwal - Analyst, Emkay Global Financial Services Ltd
Got it. Thank you. Those were my questions. Thank you and all the very best for the remainder year .

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Thank you.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Anubhav Sangal from Anand Rathi. Please go ahead.

Anubhav Sangal - Analyst, Anand Rathi Share and Stock Brokers Ltd.
Hi, sir. Thank you for the opportunity. My question is related to the old Kondapur Hospital. What is the fixed cost drag that you are expecting and for how many more months is it expected to be -- to remain operational?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
We are incurring a fixed cost of INR1.5 crore a month for the old hospital, and that will -- that includes the rental cost. That should continue for the next, maybe four to five months before we decide on how we should.

Anubhav Sangal - Analyst, Anand Rathi Share and Stock Brokers Ltd.
Sure, sir. Thank you.

Operator
Thank you. The next question comes from the line of Simran Thakkar from Beas Capital . Please go

ahead.

Simran Thakkar - Analyst, Beas Capital
Thank you for taking my question. The question is the cash outflow on the capex front. So we see a 6,500 million approximate -- the number. If you could just help split it into the payment for FY26 Kondapur, mainly. B, the new capex which is incurred in H1. And C, the new assets that we have acquired. And if you could also give me the revised guidance for FY27 on the capex front, please?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
So out of the current CapEx which we have spent up to H1 of INR650 crore, around INR275-odd-crore went into -- INR275 crore plus -- about INR300 crore went into Kondapur. A s regards to the future capex, there are three projects which we have announced and we are yet to complete, Secunderabad, Rajahmundry , and a bit of Kondapur, because still there is some capex which we have to incur at that unit. The total capex outflow over the period of next 18-odd months would be about INR1,100 crore, on these three projects altogether .

Simran Thakkar - Analyst, Beas Capital
Understand. Thank you. And second is on the 3,600 million of new long-term debt that we could see in the first half. So since we have already raised the QIP and the money sitting in the bank, any -- as to why this debt, please?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
So if you see the objective which we have filed for QIP as well as the share warrants. We have allocated 25% of the total proceeds which we are receiving towards general corporate purposes. So we have parked it for -- in the mutual funds or in the bank account as of now. The money is to be used for general corporate purposes, which includes loss funding, which includes smaller acquisitions, which includes minority acquisition, as and when we decide to do so. That is the only reason it has been parked there as of now.

Simran Thakkar - Analyst, Beas Capital
Yeah. But then the new long-term debt that we could see of around INR3,600 crores [Phonetic], if you could just state the reasons of the utilization?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
Sorry, I couldn't get your question actually.

Simran Thakkar - Analyst, Beas Capital
Okay. And so, there was this new raise of INR3,600 crores -- sorry, 3,600 million of new long-term debt in the first half.

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
The new debt, as I have said, we have three projects which are up and running, Secunderabad and Rajahmundry . For completing these projects, already the debts were tied up. So as and when we require -- spend the capital on it, we are raising that debt and we are paying the capex.

Simran Thakkar - Analyst, Beas Capital
Understand. Understand. Sir, my third and last question is on the Sarvottam Health Care , right? So in quarter one FY27, it was an O&M agreement, and in this quarter we have acquired 51% share for 795 if I'm not wrong. So, firstly, it was just hitting our top line, now it would change completely

because it will also be a part of our P&L. So I just wanted to understand, one, what was the valuation like EV/EBITDA basis or EV for bed?

Second, what's the current monthly revenue on this? And the third, what are the terms on the remaining 49% stake that we would be acquiring?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
So, Kakinada, this trust hospital, currently, we are doing approximately INR 8 crore to INR10 crore of revenue with a EBITDA of -- positive EBITDA of INR1.2 crore to INR1.5 crore.

Simran Thakkar - Analyst, Beas Capital
I understand.

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
Yeah, it's a 150-bedded facility and then we have about 38%, 40% occupancy. They could not able to ramp up with the consultants, that way they have given a partner with us. In the last year, the EBITDA was around INR15 crores. With that, we bought about 51% at INR80 crores. There is no debt as on today in the books. So we need to able to ramp up by adding more therapies. We are very, very confident that it's enable to ramp up next one or two years, about INR7 crores to INR8 crores per month can go to INR12 crores to INR15 crores.

Simran Thakkar - Analyst, Beas Capital
Understand, sir. And what are the terms on the remaining 49%, please?

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
Salvi?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
So for the remaining 49%, we can acquire that stake in the coming years. There is no immediate action on our part. There is no -- there is -- as such, this 49% is held by the existing promoter doctor. So as and when it is required, as and when they are offering it for sale, we may consider to buy it like any of our other subsidiaries.

Simran Thakkar - Analyst, Beas Capital
Understand. Thanks.

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
All these 49% is an existing doctors. They were promoted this hospital as a [Indecipherable] of 51% of the stake of district [Phonetic] doctors has given to us. That 49%, they will continue to hold and they are going to practice there. Anybody who wants to resign to go, then we have an option to buy in a fixed multiples.

Simran Thakkar - Analyst, Beas Capital
Understand, sir. Thank you so much.

Operator
Thank you. The next question comes from the line of Rahul Jeewani from IIFL Capital Services

Limited. Please go ahead.

Rahul Jeewani - Analyst, IIFL Capital
Yeah. Sachin, with respect to the rental cost increase which you attributed to the Kondapur Hospital, I was under the impression that we are buying out the rental partner there. So ideally, if that is the case, then these rental costs should again reverse going forward. So is that understanding correct?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
We are planning to do that, Rahul, but as of now we have not announced it. That is the only reason I am telling that as of now the cost sitting on the books, in case we decide to merge that company into our Kondapur subsidy. Of course, the rental cost will go up. Not only the rental cost, Rahul, we are also paying 18% GST on that rental cost. Therefore, there will be a significant saving on account of rent, and that will also help us to improve our PBT.

Rahul Jeewani - Analyst, IIFL Capital
Sure, Sachin. So what is the rental component for the Kondapur Hospital including GST, let's say on an annualized basis?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
Per month it is INR5.5 crore, Rahul. So on an annual basis you can say INR60 crore, INR65 crore.

Rahul Jeewani - Analyst, IIFL Capital
Okay. So that's right. Okay. Okay. Okay. And when do you, let's say, if you decide to do the acquisition of the rental partner, when do you think that can essentially play out?

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
Rahul, this basically, whatever is the rent that we are paying, it will go to the bank, EMI, of that particular facility And so, whether we able to merge today and tomorrow -- if we merge today, the another INR400 crores of -- INR 500 crores of debt will come into our books. It's only the loss is only the GST. We will take a call depending upon our -- yeah, I mean, the debt that is there in our books.

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
So Rahul, as s ir as pointed out, there's already a debt which is sitting on the books of this associate company, we are correctly holding about 40% in this company. We may take a call to acquire this 60%, but we have a merger, in which case the flip side it is the additional debt comes on our books. But the positive side of it is, the PBT gets improved every year by about INR60 crore. So we are just evaluating what is the best option. Based on our analysis, we will go for it in another -- we will decide on it in another, say, 12 months or so.

Rahul Jeewani - Analyst, IIFL Capital
Sure. Sure. Sure. Sachin, and let's say, what is the net debt component as of now? Is it close to INR2,100 crore post the QIP and warrants?

Sachin Salvi - Chief Financial Officer, Krishna Institute of Medical Sciences Limited
Yes, INR2,150 crores to be exact is the net debt, and net debt to EBITDA ratio will be about 1.9 odd.

Rahul Jeewani - Analyst, IIFL Capital
Sure. And let's say in the past we have talked about buying out the minority interest in some of the subsidiary hospitals. So if you can also, let's say, elaborate on that as well. So with the warrants and QIP money, what is the thought process in terms of buying out some of the minorities?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
We haven't firmed up that plan yet, Rahul. Maybe towards the end of the year, once all the units are more stable in terms of its operations and capital requirement, we will then figure out what we want to do with minority or use internal accruals for new growth, where you have to consolidate those thoughts.

Rahul Jeewani - Analyst, IIFL Capital
Okay. Sure. Sure. Sure, Dr. Abhinay. And the last question from my end, Dr. Abhinay is to you, let's say, now we have embarked on let's say a massive capex expansion plan over the past few years. And now if I see the next two to three years, we would not have any significant capacity coming online except, let's say, a Secunderabad and a Kondapur, which are primarily core markets for us. So what is the key focus for the company in terms of, let's say, the next two to three year period?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
I think, in addition to the two hospitals you mentioned, we have Rajahmundry and Ongole expansion that's going on, both of which will get commissioned in the next four to five months. So beyond this, over the next 24 months , we are not looking at any significant bed addition, maybe on the lower side around 400 to 500 beds. That's what we're looking at over the next 24 months. The idea is to stabilize the operations here and then be ready for the next phase of expansion and capex outflow.

Rahul Jeewani - Analyst, IIFL Capital
And that next phase of expansion would be -- let's say, would start with the 300-bed hospital in Chennai which should come in, let's say, '29 onwards, FY '29.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Yeah, '29-'30 onwards. And then there is more expansion that we want to do in Andhra Pradesh, Telangana, Karnataka, Kerala, and Tamil Nadu. It's largely in the states that we're already operating except for Chennai. Whatever expansion we see over the next four to five years is going to come from the states that we are already operating in.

Rahul Jeewani - Analyst, IIFL Capital
Sure. Sure. Sure. And just because you touched on Kerala, so the Kerala government is thinking about introducing a bill in terms of regulating the private hospital charges. So obviously for us, it's an O&M model in that market, but your comments in terms of whether that is doable and if it gets done, what kind of an impact do we see for business in Kerala?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
No, we have no idea what they are going to do, Rahul. So unless we know what it is, what kind of impact, it's difficult to anticipate that today.

Rahul Jeewani - Analyst, IIFL Capital
Yeah. But Dr. Abhinay, do you think, as in -- it's easy to regulate private hospital charges? Because obviously, depending on the infra [Phonetic] of particular companies, the doctor talent of particular companies, the cost would vary. So what is the Kerala government actually trying to do there?

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Not just Kerala government, I think many governments are trying to do this, but we are yet to figure out a method to be able to create more transparency on billing. And when we are able to create that transparency, we're more than happy to figure out how we can work together and make this happen. I think right now we have no visibility on how we want to do this or how they are proposing to do this.

Rahul Jeewani - Analyst, IIFL Capital
Okay. Sure, Dr. Abhinay. Best of luck, and that's it from my side. Thank you.

Operator
Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question- and- answer session. I now hand the conference over to management for closing comments.

Bhaskar Rao Bollineni - Founder and Managing Director, Krishna Institute of Medical Sciences Limited
So the quarter has ended on a high bright note of sound financial results, expansions, and clinical accomplishments. It augurs well for the coming months, and we will work with the renewed energy and enthusiasm with your valued support. Thank you very much for a good number of questions and has been enlightening us . Then we are on the job that we'll be able see that you do get a good growth in the company. Thank you.

Abhinay Bollineni - Executive Director and Chief Executive Officer, Krishna Institute of Medical Sciences Limited
Thank you.

Operator
[Operator Closing Remarks]