Management Discussion

Diwakar Pingle - Head of Investor Relations, EY
Thanks, Agar. Good evening to all the participants in this call. Before we proceed on the call, let me remind you that the discussion may contain forward-looking statements. That may involve known and unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance, or achievement to differ significantly from what is expressed or implied by such forward-looking statements. Please note, while we mailed the results to you, given the outlook issued today, maybe a few of you have still not received it.

In case it still doesn't reach your mailbox, please do let us know and we'll make all attempt to send it out. However, it's also available on the website and in the exchange, uh, exchanges also, so you should be able to see the results there. To take us through the results and answer your questions today, we have the top management of Manipal Health Enterprises Limited represented by Mr. Dilip Jos, MD and CEO, Mr. Sameer Agarwal, Group CFO, and Mr. Karthik Rajagopal, CEO, and other members of the management. We will start the call with a brief overview about the company and on the quarter gone past. And then conduct the Q&A session.

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

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
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 a robust performance that 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 just to headline the performance in the quarter as well as H1 to give you more context as we look ahead to the rest of the financial year.

First of all, we are pleased that our growth continued to be driven by volumes. More patients accessing our care, uh, during this quarter also, as we believe that's the most sustainable option for growth in the hospital system. Our Q2 revenue of about 3,400 crore is a growth of over 37% from Q2 of last year. Our Q2 EBITDA was 882 crores Which is an increase of about 30% over Q2 of FY26. Our EBITDA margin excluding Sayadri was 27%, and at a network level, which includes Sayadri, it was 60 it was 26% for the quarter.

As I mentioned earlier, we had a volume-led growth this quarter as well. Inpatient volumes increased by about 35%. And outpatient volumes by 27% year on year. Average occupancy across the network was 70% during the quarter compared to 65% in the first quarter of this year. That is, we had 65% occupancy in Q1 FY27, which has now grown to 70% in, in Q2 in the same year. This is despite maintaining an industry-leading length of stay of only 2.8 days. Excluding Sayadri, our average revenue per occupied bed per day is at about 77,000 in Q2, which is a growth of over 8% versus last year.

At a network level, the ARPO per day is about 70,600 per day. While that completes a quick financial highlight, Of the Q2 performance, let me also give you a brief update on our first half. Our revenue of 6,490 crore is a growth of about 38% over last year. Our network EBITDA stood at 1,631 crores, up by 28% year on year. Up by 28% year on year. Our EBITDA margin excluding Sayadri was 26%, and at a network level including Sayadri, it is 25% for the first half. Our PAT is 639 crores, which is a margin of about 10%.

Digital revenue contributed to nearly 23% of our overall revenue in the first half of FY27.

Out-of-hospital care offerings include e-pharmacy, process about 34,000 orders across 26 hospitals in 4 metros. Telehealth solutions completed over 38,000 virtual consultations, and chatbot including the Manipal AI, our AI-enabled digital health companion, handled about 24,000 interactions. During the first half of this year. Our Centers of Excellence, that is managing high acuity care in cardiology, oncology, neurology, gastroenterology, orthopedics, and renal sciences, which we sort of in a short form call CONGO-R, continued to grow robustly with their revenue contribution was 64.2% in the first half of this year.

Oncology, neurology, and orthopedics have led this growth, along with other specialties growing by about 43%. We also continued our efforts to further strengthen these specialties with investments. To share a couple of examples, in the recent month, uh, just a few, few days ago, we installed world's latest DV5 robotic surgical system at our hospital in Dwarka in Delhi, introduced a clinically governed 2-wheeler fleet of first responder service in Bangalore City, a first ever for private hospital emergency response in the state.

Our hospital in Pattiala 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 Bakuria Hospital in Kolkata performed first-of-its-kind laser-guided renal artery angioplasty in eastern India. Our recently launched greenfield hospital at Electronic City in Bangalore performed South India's first reported 5-ALA fluorescence-guided surgery for a brain tumor.

On, on a 61-year-old patient. Our Goa hospital performed the state's first covered self-expandable metallic stent procedure to treat critical airway blockage and tracheoesophageal fistula caused by a tumor. Let me take a moment to give you a brief update on the performance of Sayadri Hospitals. Sayadri reported a strong Q2 performance With revenue of 375 crores in the second quarter of FY27, this implies a sequential quarter-on-quarter growth of 13%. EBITDA for the quarter was 73 crores, again implying a sequential quarter-on-quarter growth of 26%.

EBITDA margin is at 19.5% for the quarter. It is an improvement of over 200 bps over Q1 of this year. You might recall in Q1 of this year our margin was 17.5%. In Q2, the margin in Sahajari is 19.5%, and it is in, in contrast to FY26 where the whole year margin was 15.5%. So just to recap, FY26 we closed at 15.5%, Q1 at 17.5%, and Q2 at 19.5% margin. And in H1 FY27, revenue at Sayadri was 707 crores, up by 18%, and EBITDA at 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 the digital revenue contributed to 11% of Sayadri revenue.

Work on integration of the network continues to progress as planned. In addition, let me also share the progress of our recently launched 2 greenfield facilities in Bangalore Kanakapura in south of the city and Ellanka 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 Kanakpura Hospital, just over 1 year old. And in Yelahanka, which is less than a year old, has already reached EBITDA margin of 24%.

In other updates, we are very pleased to announce that we have completed the registration of a long-term lease of 3.5 acres of land for the development and operation of a multi-specialty tertiary care hospital in Gurugram. Phase 1 of the project is planned for 500 beds, with construction expected to complete in about 3 to 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 multi-specialty hospital, further enhancing our reach in the fast-growing area of Whitefield. Finally, I just want to sum up by saying overall, this quarter that went by is the best ever that we have had as a network, with the growth levers that we had discussed in the last call. Holding good. We look forward to the second half of this year with optimism. With this brief overview, we will now open the session for Q&A. Thank you all.

Questions & Answers

Operator
Thank you very much. We will now begin with the question and answer session. [Operator Instructions] Your first question comes from the line of Damayanti Kerai with HSBC. Please go ahead.

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

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So, Damyanti, thank you for the question. I will begin and then I would request my colleague Karthik to come in to supplement. Like you know, the drop in the reduction in volume is because of the schemes changing over. The Swasthya Sathi scheme getting changed over to the Ayushman Bharat or its equivalent scheme in the state. Uh, so we would expect, uh, uh, you know, that, that, uh, transition to, uh, get concluded fully. And, and like, you know, it has not impacted our progress in revenue. I think, uh, this is a transition, uh, as, as the government changed, and, you know, we would expect it to get smoothened over.

But the performance at the revenue front, the main thing, like, you know, is robust. In addition, you know, let me also tell you that, uh, in the last 10 days or so, uh, we have, uh, uh, taken on board a very, very leading on-call team, uh, into our hospital operations in, in Kolkata. They would be based out of the Takuria Hospital. And, uh, you would also be happy to know that we have commissioned that annex building which was originally the fire-affected building, uh, during AMRI time. We have refurbished it and got permission to restart.

So that would be really, you know, the base of our onco program in that hospital. So we have, you know, robust elements in terms of a very, very leading doctor team joining us, that additional capacity getting created at Takuria, and this volume anything that we missed in terms of that scheme numbers going down, we are very, very hopeful that it will come back. On the back of this additional program. So we have no concerns about the Eastern region at all. You have seen in the detailed presentation that revenue has grown significantly, margins are good, and we have all the fundamentals in place, and we are quite confident. Ramey, if you want to add. No,

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
good evening, Ramey. Whilst we actually look at the, you know, government patients to come back, we continue to, you know, focus our efforts on the cash and TPA segments. So that effort is on, and

that is where you will actually see that progressive, you know, increase in top line. So we'll continue to go ahead and do that.

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

Operator
Thank you. Your next question comes from the line of Aman Goel with IIFL Capital. Please go ahead.

Aman Goyal - Analyst, IIFL Capital Services Limited
Yeah, thank you for the opportunity. So my first question is on the oncology business, which has grown 51% on year-on-year basis. So can you help us, what is the Onco drug exposure in this Onco revenue?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Sorry, what exposure in Onco revenue?

Aman Goyal - Analyst, IIFL Capital Services Limited
The drug capping, the Onco drug capping, what could be the impact in the next half?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
See, I mean, that Like, like you have seen in our, in our presentation that we had uploaded, that Encore revenue for the network is about 12%, uh, currently, and, uh, the chemotherapy is a fraction of, uh, of that. And within that, the drugs which are controlled is, is not a, uh, you know, is again a fraction. So we don't, uh, expect any, any, anything adverse, uh, to happen from this drug price capping. I think, uh, you know, this, this is, uh, uh, not an impact in, in our scale or, you know, for any of the programs that we have in oncology. So it is, uh, it's not something that we are concerned about at all. Okay.

Aman Goyal - Analyst, IIFL Capital Services Limited
And so second one

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
is not significant amount. It's a very, it's a very small amount which will get mitigated through other means. So, uh, since that what Dilip rightly says is that this drugs are part of That part of the business which is pretty small for, you know, Manipal. So it is not a significant impact for us.

Aman Goyal - Analyst, IIFL Capital Services Limited
Okay, sir, got it. And second one on the Electronic City, how much is the drag from this hospital? Can you share the revenue and the EBITDA loss from this unit? And second one on a qualitative aspect, since Siadri is almost we have this asset for 1 year, what are the hit and miss you have experienced so far with this asset?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So, uh, we would take the Sayadri question first. I would request Karthik to come in, and after that

Samir, our CFO, would talk about Electronic City. Karthik, over to you.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Uh, good evening, Aman. I mean, and if you recall, as you, you know, when we had spoken last time as well, as you start to go ahead and wear an operator's hat, Sayadri was full of opportunity, and we did have a repeatable playbook that we've been using right from our Columbia Asia acquisition. So we didn't have any significant misses, and you can see that in the results as well. Procurement synergies, plus, you know, we really looked at, you know, revenue enhancement through a collection of, you know, digital revenue.

Much of healthcare decision-making has now moved to the World Wide Web, and, you know, it was very much underleveraged in Sagaris. So from about 1%, you know, of digital revenue, contribution to overall revenues, we've moved that up to 11%. Doctor profiles, 300 doctor profiles have been created online. We've taken the neighborhood recipe quite seriously. That's where we had fairly good successes in our home markets of Calcutta and Bangalore where we have very, very vibrant micro markets and a very vibrant neighborhood as well.

We've had some good clinician hiring recently. I mean, from the 1st of November, we had a very senior liver transplant team joining us with a whole contingent of 42 clinicians. So we expect the transplant and the hepatobiliary space to move up significantly. So it was definitely not something of a miss. We continue to go ahead and look at creating value out of this. Asset. And that's the way this whole thing has been significantly around projects. Also, we are trying to go ahead and look at the real estate spaces getting ramped up to Manipal standards wherever, you know, we're going to be there.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
And I mean, before Sameer comes in on your question on Electronic City, you know, we would recall, you know, what I mentioned earlier. Uh, FY26, the SIAZRI network had margins of 15.5%. In the Q1 of this year, it became 17.5%. Q2, uh, it is now at 19.5%. So it's a, it's a result of what Karthik talked about, that, you know, it's a multi-pronged approach, uh, complexity of work, higher-end programs, clinicians adding, procurement benefits, uh, digital revenue ramping up, operating efficiencies. This is what we had talked in the first quarter call also.

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

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
So Electronic City, Q2 has seen an EBITDA loss of 13 crores, but tapping so it's ramping up quite well. Maybe if you want more color, Karthik can throw We started this facility towards the end of July, so maybe the first week of August. So already whatever revenue we did in July, we more than doubled it in September. So I think so now, I think so October also is growing pretty well. So as the clinicians settle down in Electronic City, we see a good trajectory on Electronic City towards its financial year-end. But to answer your question directly, there was a 13 crore loss as far as Q2 results are concerned.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
If I can just interject for a minute, the onco team, which is again a very senior onco team, will be

joining us, you know, later in the month. The rest of the clinical team is in place at Electronic City. So once the onco team comes in, we'll build traction there as well.

Operator
Uh, sorry to interrupt. Uh, Aman sir, we request you to return to the queue for the follow-up questions, please. Thank you. [Operator Instructions] . The next question comes from the line of Karan Vora with Goldman Sachs. Please go ahead.

Karan Vora - Analyst, Goldman Sachs
Thank you for taking my question. Hope I'm audible.

Operator
Sorry to interrupt, sir. There is a lot of airy disturbance coming from your line.

Karan Vora - Analyst, Goldman Sachs
Is it better?

Operator
This is much better. Please go ahead.

Karan Vora - Analyst, Goldman Sachs
Yeah, yeah. So my first question is with respect to bed addition plans in H2 and FY28. So can you just walk us through through, uh, what kind of bed additions are we likely to see, uh, in the next, uh, 6 months and then in the next year?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Okay, uh, yeah, Parag, would you call it up?

Parag - Unidentified Speaker, Manipal Health Enterprises Limited
Uh, so for, uh, H2, we are expecting almost, uh, 440 to 500 beds, uh, which includes one greenfield and brownfield. And in FY28, there is a brownfield, around 100 beds will be added in that. So overall in, uh, H2 plus next year, around, uh, 550 beds.

Karan Vora - Analyst, Goldman Sachs
Okay, so looks like not many beds in next year. The, the, the cycle, this phase of cycle, like likely to end in this year.

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
Yeah, but this does not include, uh, so what Parag said is about what was planned, I think. So Kinder is an addition, uh, Kinder will take about a year, uh, to end of Q2. It can come up end of Q2. That will actually give us 100 more beds. That's over and above of the 550 beds that Parag talks about. And rest I think so the major addition will start coming from FY29 onwards when Mumbai comes on stream.

Karan Vora - Analyst, Goldman Sachs
Got it. Kinder, sorry, you mentioned end of Q2 is like which year the 100 beds are going to come? Next year?

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
FY28.

Karan Vora - Analyst, Goldman Sachs
Got it. And just a quick clarification here, have we added any beds to the Sayadri cluster in this quarter?

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
We did add, but this quarter,

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
in Q2, we'll,

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
uh, we will add around 50 beds of Haddapsar, but it will be in Q3. Uh, Q3 we will add around 50 beds in Haddapsar, but some of the beds like Nasik was added last year itself. So we, uh, the Nasik, uh, LINAC block had come up, it got added in March. Uh, Haddapsar will come up in, uh, in Q3 this, uh, this financial year.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So to answer your question, in Q2 there were no additional beds in Sayadri.

Karan Vora - Analyst, Goldman Sachs
Okay, got it. My second question again is with respect to Sayadri. So how are the insurance renegotiations taking place? Like, have we gotten through the kind of pricing we would have wanted, or what's the status there?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So Karthik, you want

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Yeah, Karan, they continue to go in line with, you know, the contractual inflation that they actually normally look at. So we don't see any headwinds there currently. So it's expected to actually go on track as per expectation.

Karan Vora - Analyst, Goldman Sachs
Okay, uh, so my understanding was, or maybe I could be wrong, but our contracts with Sayadri would have been inferior to what, you know, Manipal as a brand could command, right? So is there any renegotiation that way, like repricing of insurance contracts? Uh, is something

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
I will just give you a legal and entity answer, and then, you know, Karthik will give you more on the ground because he is negotiating is currently the entity remains Sayadri Hospitals Private Limited. Uh, so the entity name remains the same, the owners have changed. Just because of change of owners, insurance will not sort of come about and give us better pricing in Pune. Uh, but I think so, that's, uh, that's a process that will keep happening because we are still in the process of rebranding all the hospitals to Manipal Hospitals and change the legal entity.

Uh, that will take us some time because we are going through the actually the insurance, as you rightly said, as well as the government authorities. Post that, in the next cycle, I think so, uh, maybe after we have established ourselves in Pune, in the next cycle of negotiations, maybe we will get that pop-up. But I will let Karthik answer this question specifically.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
So, uh, Karan, you know, as Sameer said, uh, I don't think the 2 can be combined right now. It will be going on the the rate revisions will be on the existing contracts that we have with, uh, Sideri.

Karan Vora - Analyst, Goldman Sachs
Got it, got it. And just a quick question

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

Hari - Analyst, NAV Capital
Hi, thank you for the opportunity and congrats on a great set of results. Just wanted to understand, going forward, uh, what's the company's view of expanding its footprint in the Tier 2, Tier 3 markets? And do you see an opportunity to establish, let's say, a fully fledged tertiary care facility, or would it be more of a primary or secondary care facility?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So, so, Hari, uh, even today, uh, I think Manipal's got extensive presence in Tier 2, Tier 3 market. You know, if you look at Mysore, Mangalore, Pattiala, uh, you know, in, in Rangapani, Siliguri, you know, and, and many other places that we are there in Tier 2, Tier 3, uh, uh, geographies. And, uh, we have not, uh, uh, you know, sort of shut ourselves from expanding to, uh, those, uh, those kind of regions in the future. And if you were to consider Raipur, I don't know whether you will consider it Tier 1 or Tier 2, our greenfield in Raipur would be coming on stream in Q4 this year.

So we are optimistic about continuing to invest in Tier 2, Tier 3, uh, because they there is affordability, there is aspiration for high-end healthcare. And we I think normally the challenges are about, uh, finding the right kind of team to manage, doctors and managers to be available in these locations. But thankfully, with our network and the size, that is a hurdle that we have not faced. So we will, Hari, continue to look at opportunities in Tier 2, Tier 3. And in fact, some of the brownfield expansions that we talked about in the last quarter and, you know, expansion which are currently going on are in Tier 3, uh, Tier 2 locations. So we We are quite positive on those.

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

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
You know, I will start off and maybe Karthik could step in. You know, it is I don't think Tier 2 or Tier 3 implies government schemes. You know, there are There are many geographies where in Tier 2 or Tier 3 where hardly any government scheme exists. So I think it is not a general situation that Tier 2 or Tier 3 means a lot of schemes. There would be examples, you know, in Mysore, for example. Mysore. For example, in, in our, uh, tier, uh, in, in some of the other locations also, for that matter, uh, you know.

So we do have, uh, uh, you know, uh, significant cash and TPA presence. So, so, Hari, uh, Tier 2 in our mind, Tier 2 or Tier 3, is not a reflection of either the paying capacity or, uh, uh, you know, uh, it being predominantly government or subsidized schemes.

Hari - Analyst, NAV Capital
Thank you so much.

Operator
[Operator Instructions] . The next question comes from the line of Suchita Sharma with Global Concilient Research. Please go ahead.

Suchita Sharma - Analyst, Global Concilient Research
Good evening, sir, and thank you for the opportunity. I have some quick questions. First, on capacity utilization, given the significant headroom between your current operational beds occupancy levels and total bed capacity, what is the phased timeline to operationalize basically the remaining census beds over the next 4 to 6 quarters, and which cluster will see the fastest ramp-up?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So, uh, Sujitha, just, uh, give us a moment to yeah, okay. Yeah,

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
uh, so first and foremost, I do not know if If you're aware, the total license beds versus our operational beds, the gap is the management beds that we handle for our institute, uh, for our, uh, for MAHE, which is Manipal. So they almost 3,800 beds actually go in that. As far as the balance is concerned, uh, the only beds that are not operationalized are some of the beds in, in, uh, our new greenfields that we have launched, that is Thanakpura, that Dilip talked about. But that really doesn't matter.

As and when so these are fully invested in CapEx. As and when the occupancy will start increasing, actually, so we will bring those beds into action. We follow a very modular, efficient model to ensure that the expenditure on those hospitals remain. That is the reason we have been able to touch 23-24% EBITDA margins in these hospitals. So there is not a concern. We had a 70.7% occupancy in Q2. So from a 65%, I think so, Dilip, expected occupancy, explained it in his opening remark, from a 65% occupancy in Q1, we went up to 70.7% occupancy without adding any CapEx towards building that capacity.

So we are fully loaded in as far as the capacity is concerned. Operationalizing those beds will depend upon volumes in the specific market. So, uh, when we will do it, it depends upon how the volume will ramp up. Quarter 2 saw a very good ramp-up of volumes across all the departments. And it went up to 70.7% without us turning back any patients.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Yeah, and Sucheta, too, uh, in addition to what Sameer said, that, you know, the 70.7% occupancy that we had in Q2, you might recall we talking in our first earnings call that we, we see that about 80% kind of an occupancy is something that at an aggregate level that we would get to. Even today we have hospitals which are operating at those levels and above. So like you rightly pointed out, we have significant headroom to expand the volumes. And the fact that our length of stay is 2.8, the lowest, is also a helpful factor, Sujitha, to really ensure that our beds turn over quickly. And with the same number of beds, we are able to treat a larger number of patients.

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
And we have a good payer mix, I think. So this is something that we have discussed, uh, in the previous calls also, our government business is around 13% to 14%, uh, which also helps, uh, in

faster turnaround of beds as well. So, uh, we are fairly comfortable, uh, and as and when the right amount of volumes and the quality revenue comes up, we are fully invested in it to take it ahead. So up to 80%, we don't need to, as Dilip said, to invest in any CapEx to be able to fill those hospitals in.

Suchita Sharma - Analyst, Global Concilient Research
Okay, understood. And the second one, Sayadri Hospitals. While occupancy improved nicely to 67%, RPOP declined by 2% sequentially. So that is from 45,000 to 44,100. What are the factors that is causing this?

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
So these are actually quarter 2 in Sayadri, saw a little bit higher medical business. I think so the medical business came in slightly higher because of the febrile nature, uh, that showed itself across the country actually, uh, and as well as in Pune. There was no specific reason for RPOB coming down, it's just because the ALOS went up a little bit, uh, the RPOB has actually come down a bit because of medical cases. But Karthik, you would want to give any

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Yes, it's very, very, uh, similar. Q2, uh, you know, does see febrile most of the time except for last year which was missed, and therefore each time that comes in even If you really look at the Congo mix also, it's come down by 1% because the medical admissions are more during that quarter.

Suchita Sharma - Analyst, Global Concilient Research
Okay. Additionally, could you share about

Operator
Sujitha, ma'am, may we request you to return to the queue for follow-up questions, please?

Suchita Sharma - Analyst, Global Concilient Research
Okay. Thank you.

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

Neha Manpuria - Analyst, Bank of America Securities
Yeah, thanks for taking my question. I hope I'm audible.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Yeah.

Neha Manpuria - Analyst, Bank of America Securities
Okay, thank you so much. Um, now that we have seen a very good improvement in fayadari margins, I mean, first half year at 18.5%, I think like you mentioned, you have 15%, 15.5% for FY26. Um, when do you think we see the next inflection in margin? Uh, should that happen post the rebranding, so probably, um, you know, in '28? Just trying to understand, you know, the step change that we have seen, you know, from here, should we assume a more gradual improvement, or is there another trigger that would drive a step up in margins for PayRT?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So Neha, uh, you know, you would recall that, uh, we had addressed this question in the last call too.

While we don't want to give a specific number for the next quarter of next year, you would recall that at an overall level, we, we said we expect Sayadri to get to, say, 23-24% margin over a 4-5 year period from the point of acquisition is what the overall guidance that we have given. And now you have seen in that was a 4-5 year frame that we gave. In 1 year, it has moved from 15.5% to 19.5%. So I think, uh, the way it would go further, like Karthik explained earlier, you know, teams joining, uh, higher-end clinical programs starting And, you know, I think one of the callers earlier asked us about the opportunity in insurance pricing.

So these are the elements which would get it there. So we are comfortable with that overall scenario that we gave last time, that 23-24% margin in over a 4-5 year period from our point of acquisition. That's where we are still quite happy about. Uh, you know, in, in, in, in, uh, saying that, you know, we, we stand by that guidance and everything which is required is falling in place. And I think that's the optimism that we have. There is investment in capacity creation, investment in medical technology, doctors joining us, operating efficiencies.

Earlier talked about digital revenue now growing to 11%, and, you know, and conversion efficiency is happening. This is and complexity of work and ARPU have increased. This is what will get us to that margin. So we stand by that overall guidance.

Neha Manpuria - Analyst, Bank of America Securities
I, I get that, sir, but, you know, because we've seen such a sharp improvement, uh, you know, uh, fairly early on, so I'm just wondering if this, you know, 23-24% in 4-5 years seems more conservative, uh, given the drivers that we have. So just trying to understand if there is a possibility that, you know, we probably see this earlier than what you were previously expecting given the trends that we have seen and the tailwinds that we have?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So Neha, you know, we could be pleasantly surprised, but you know, as a team we don't want to, uh, over-project a number. You know, we could be pleasantly surprised. Like you said, in a year itself we have made this move. But to be, to be fair, you know, there are low-hanging fruits available early on that, you know, like procurement price efficiency that we can roll in and all that. But you are right, uh, you know, when we look at the longer period of 4 to 5 years, whether we can go beyond 23-24 no, I would only say the rest of the Manipal, like you have seen in the presentation, is at 27% margin.

Uh, the ex-Syadri Manipal is 27% margin, and on similar clinical programs, and, you know, and maybe even, even smaller kind of locations. So that's a, that's a background that we keep in our minds as a management team. And Sayadri, uh, there is no reason why Sayadri could not reach there, but we don't want to commit to that at this point. And we just, you know, we are comfortable with our projection of 23-24% in 4 to 5 years, but we could be pleasantly surprised, you know.

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
And just to add to what Dilip is saying, Neha, There is no shortcut that we want to do. We actually work on this asset so that the profitability is sustainable. In this process, there could be a quarter where the ramp-up happens fast. There could be further investments in the business that we'll do in the further quarter. So we want to ensure that, you know, the profitability once achieved, uh, there is only becomes a building block into the 23-24%, even if it means hiring talent. So meeting short-term targets is important, but to ensure that the long-term projection remains The teams are totally focused on that.

Neha Manpuria - Analyst, Bank of America Securities
Understood, that's very helpful. My second question is on the Karnataka cluster. You know, the 230 beds sorry, the 340 beds that we have added year on year, how much of this is Thanatpura versus Yashwanthpur? Just wondering, you know, you mentioned you got up to 24-25% margin increase. So what's the operational bed in these facilities?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
I think we added 100 beds each roughly in, uh, Kanakpura and 150 each. 150 each, uh, in, in both these places. Uh, 150 each while we added, I think the occupancy has not reached 150, right, in both these places? Around

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
100. Yeah, yeah.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So we have about added about 100 occupancy, uh, 100 each in both the places. We have added 150 each beds, and like we said earlier, we have already reached 24-25% EBITDA margin in both these places.

Neha Manpuria - Analyst, Bank of America Securities
Understood. That's very helpful. Thank you so much.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Thank you, Neha.

Neha Manpuria - Analyst, Bank of America Securities
Thank you.

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

Kunal Randheria - Analyst, Axis Capital
Uh, hi, good evening, and thank you for the opportunity. Uh, see, I, uh, last year you had around 80% of your payer mix coming from cash and, uh, you know, private insurance. Uh, and I also heard your comments how in East India you are kind of reducing the government scheme. So is it something that is kind of happening only in that region or across your network? And secondly, how do you kind of see this cash insurance? Will it be stable at 80% or do you expect it to kind of slowly move, uh, a lot upwards?

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
Uh, so Kunal, thanks for your question. Uh, as far as, uh, the 80% is concerned, we are fairly comfortable, uh, in that range. I don't think so it's going to dramatically change. As far as East is concerned, uh, one is, uh, it is always the endeavor of the business to look at the right payer, and it is not to refuse any patient treatment. So that is we are very clear on that. Once the hospital is impaneled, we Manipal does not refuse patient treatment, right? But the focus of the teams, the focus of the sales marketing teams and the digital teams, is to ensure that the cash and TPA patients are attracted towards the hospital, for which Uh, we keep on adding clinical teams as we did it in East, what Karthik explained.

Uh, a big onco team has recently moved in. Uh, we have spent a significant amount of money in Dhakuria, and it's a beautiful facility that has come up of a building that was totally burnt. Uh, so that is the mix. Now, whether the mix at an overall level the mix will not significantly change in my view. Uh, so we will Bangalore, whatever capacity comes in Bangalore does not have the government mix. So that improvement will be shown because of Kannappura ramping up, uh, Yelanka ramping up, and now Electronic City ramping up.

All the revenues that come in these markets are actually purely cash and TPA only. Uh, any ramp-up that happens somewhere in North, you will have the mix. So it's not that we are going to go to a cash mix in North. Uh, in East today, Swastha Sarathi as a scheme has come down because of the new government taking up, but tomorrow if the scheme comes back up, maybe we will see a slight jump in the government business again. So one is we keep focusing in on, and then secondly, there is an issue as far as the Swastha Sathi scheme is concerned for which it has come down.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Yeah, Kunal, I think it's specific to that market given the government, uh, change. So, uh, I think that will, uh, come back once the whole process is set. But from our, uh, you know, entire operational efficiency, uh, parameters, we continue to concentrate on, uh, you know, the cash and TPA and the desirable, uh, you know, pair mix so that we'd be able to go ahead and create value. But, uh, in, in, in some time, this government mix will start to actually go ahead and come back to, uh, you know, East as well. This is just a temporary phenomenon.

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
But this quarter, I do not know. Okay, okay,

Kunal Randheria - Analyst, Axis Capital
that's, that's helpful. Just one more.

Operator
Sorry to interrupt Kunal sir, we request you to re-join the queue

Kunal Randheria - Analyst, Axis Capital
Okay, fine,

Operator
yes. Thank you. Your next question comes from the line of Alankar Garude with Kotak Institutional Equities, please go ahead.

Hari - Analyst, NAV Capital
Hi, Good evening everyone. Sir, Firstly, How will you compare and contrast your apr And would it be a similar staggered modular approach? And especially this question is on Mumbai, given it's a much bigger hospital.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Karthik, you want to So, Alankar, obviously when you really look at, you know, Bangalore as a market, we're fairly intensified here. So the strategies that we kind of follow in terms of interoperability of clinicians and, you know, some of those processes may not happen in markets where we have only, you you know, one hospital right now. So both Mumbai and Raipur will be a little different from our, uh, you know, highly densified, uh, you know, market like, uh, Bangalore. So

we will, uh, you know, approach, uh, Mumbai with, with the lens of the fact that it's going to be an individual hospital. So from our marketing to the rest of the clinician, uh, clinical recruitment strategy, etc., would be a little different from the way we are actually looking at a market like Bangalore. Ditto for, you know, Raipur as well.

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
And, Alankar, we have been pretty we have been saying that it may not break even at the same breakneck speed as what we have done in Bangalore. It may take slightly longer. Again, there is a short-term pressure, but again, the long-term building of the institution is very important, of putting the Manipal processes and the way we treat our patients and the care policy. Bombay is a new market. The, you know, the doctor practices, doctor costs are very different. And hence it will take its time to break even whenever it comes up.

So Bangalore will be Bombay being a different market will have a different, you know, focus on how do we get the patients in, etc. So not the same as Bangalore. Bangalore, we have 14-15 hospitals, so we get the benefit of the brand as far as Bangalore is concerned. We'll have to build one in Bombay.

Hari - Analyst, NAV Capital
Does it mean that it will be relatively more staggered approach in these 2 markets versus Bangalore?

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
So, so, Alankar, uh, you know, first of all, the capacity profiles are different for Raipur and Mumbai. You know, the in Raipur, we have 350 beds in phase 1, and we have the ability to go to, uh, 500 beds plus. In, uh, in Mumbai, Juhu, we have 602 beds, uh, which should be the capacity there. So, uh, you know, in, in any of this large box model, you typically don't commission more than 1/3 of the beds to begin with, uh, you know. So that's a model that we would follow, that, you know, it does not mean any specialties would be found short in, in day 1.

We will have every, every specialty that we would want to offer. But in terms of bed capacity available, that, you know, we would start with maybe about 1/3 of the capacity, and as those capacities begin to get filled, we will commission more floors. That's the only, only difference in a large box format that we have in Raipur and, uh, and, uh, and, and Juhu only. And in, in Bangalore, to, uh, to your question on contrast, the 3 hospitals, uh, Yelahanka, Kanakpura, and Electronic City, are all identical in terms of size and scale.

It's about 200 plus, around 200-215 beds. So we don't need more than 2 phases of commissioning. Like Aatish said earlier, 150 beds in phase 1, and we can roll up the remaining 60 beds in phase 2. In Mumbai and Raipur, we may have to do it in maybe one extra phase. That's the difference.

Hari - Analyst, NAV Capital
Got it. That's helpful.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Yeah, if you really look at Mumbai, Mumbai doesn't have a micro-market kind of a strategy. So our footprint in terms of looking at business funds as the market will be much larger, whilst we will follow a more focused neighborhood strategy in a densified market. That again, both for Raipur as well as Mumbai, will be a little different from the, uh, you know, approach that we take in our home markets.

Hari - Analyst, NAV Capital
Sure. And just the second one, quick clarification. Finance costs have increased sequentially despite debt coming down. What is driving that?

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
So the finance costs, actually the debt has got repaid only on 15th September, uh, uh, Alankar. So So it was only in the last you'll have got the benefit of only in the last 15 days. The real benefit of the interest cost coming down will start coming from Q3 because the debt was carried almost up to the full quarter.

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

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

Sameer Agarwal - Group Chief Financial Officer, Manipal Health Enterprises Limited
So, uh, Karan, uh, honestly, that is something that you guys will model. Uh, we do not yet give guidance, uh, forward-looking guidance, uh, on the numbers. Uh, and you the past trend that we have on H1 and H2, uh, can be used for you to model how, uh, the current year will pan out. But we are fairly confident on how H2 will pan out. October has also started well. Uh, now that's all we can say, uh, you know, Karan. So we should be there.

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

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

Raman Kumar Singh - Individual Investor
Good evening and congratulations for a very good result. I was wanting to ask question on Mumbai facility, which you answered. Now I have a couple of not my question, but a little bit of understanding I like to take. Why are operations in South India largely concentrated in Karnataka? Any reason? This is first part. Another is like, another question will be on the similar line. So I'm also thinking to operate on various different types of You know, healthcare services that we can provide, maybe, you know, improving more on doing diagnostics business, doing more on having a physical store for pharmaceutical distributions, etc., and even an e-platform from where the drugs and those things can be, you know, where we can do the business on. So this is my first question.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Sure. Uh, so, so, Dr. Singh, uh, thank you very much. It is, uh, it's very, very good to have an individual investor on the call, uh, to, to raise, uh, some of these points. First of all, uh, why, uh, the,

the Karnataka concentration? I think it goes back to where we, where we originated, Dr. Singh. I think we as a group started in Bangalore, you know, or if you stretch it further, that, you know, the Manipal story originated in Karnataka, in the, in the village of of Manipal in Karnataka. And therefore, early on, all the focus, uh, you know, naturally was in Bangalore, Mangalore, Udupi.

And, uh, uh, you know, and then as a hospital group, you tend to, uh, spread around where you are building. Like, Aarti earlier used the word densification. In a, in a geography where you are already present, you tend to put in more capacity. So I think our journey out of Karnataka is While we are 35 years plus as an organization, our journey out of Karnataka is only in the last 10 or 12 years, you know. And, uh, and, and therefore, in the last 10 or 12 years, the character of the organization has changed, uh, significantly.

Now, if you look at, uh, our total number of beds, we have significant bed capacity which has come in other parts of the country. You would be happy to know we are the largest private hospital network in the eastern part of India. We have the largest in the western part of India, you know, including 9 in Pune. And, you know, we have now 3 hospitals in Delhi. And like we mentioned earlier, we are signed up to build a large capacity hospital in Gurgaon. So we would change the balance, but I think it is not unusual for if you look at any hospital chains around the It's not unusual for you to find the original home market and therefore a propensity to have higher revenue for it from that.

So we have, uh, we also have the similar history, but I would only say, sir, that in the, in the last 5 or 7 years we have dramatically altered our footprint and profile. And in the to your second question on why we would not want to do other aspects of healthcare, Dr. We believe we are exceptional in, in delivering tertiary and quaternary care. Our outcomes are fantastic. We got a fabulous set of doctors, we got great nurses, and therefore that's our core strength. That, you know, earlier Karthik talked about, uh, Congo R, the, the 6 centers of high acuity specialty that we handle.

Sameer talked about remaining invested in those Uh, those areas and adding, uh, you know, doctors and, uh, clinical capabilities there. So believe we believe there is so much work to do in those, and that's our core strength, and we should remain focused on it. So we have consciously stayed away from anything what is so-called adjacencies, whether it is diagnostics or pharmaceutical, uh, you know, retail networks and all that, Dr. Singh. So So where we are today, that is how we see our near-term future, and that is where Manipal would want to be focused on. Karthik wanted to raise something.

Karthik Rajagopal - Chief Operating Officer, Manipal Health Enterprises Limited
Yeah, the thing well, having said that, we continue to look at, you know, out-of-hospital care for our patients. So in terms of initiatives around, you know, home care and how digital health can actually come in directly to people's homes. That's what we're trying to go ahead and, uh, you know, look at. And our telehealth, as Dilip mentioned in his, uh, you know, original speech, it was about 38,000 consultations, uh, you know, uh, in, in, in H1, of which, uh, 32,000 were specialty consultations. So we are looking at digital to reach homes.

We're looking at a, you know, very, very active, uh, out-of-hospital care in terms of home care, etc. That's where we'll get very close to the agencies, but not the others that you mentioned in terms of physical pharmacies or diagnostic chains. Thank you.

Operator
Thank you. Really sorry to interrupt. Ladies and gentlemen, due to paucity of time, we take that as the last question. I now hand the conference back to Mr. Devakar Pandya for closing comments.

Thanks.

Dilip Jose - Managing Director and Chief Executive Officer, Manipal Health Enterprises Limited
Before you come in and close, I just wanted to, on behalf of All my colleagues here in Bangalore at this call, all my colleagues in Manipal. I just wanted to thank all the participants for joining us. We realize it is a Friday evening, but thank you for joining us on this call. And, you know, while we are past Diwali, you know, I hope you all had a great Diwali. Wish you a happy festive season and a great year ahead. Thank you. Uh, so Divakar, back to you now.

Diwakar Pingle - Head of Investor Relations, EY
Yeah, I think, Dilip, you kind of, you know, said what I wanted to say, but the only other thing that I'd like to add is, uh, in case, uh, any of the investors and analysts have any further questions that can be answered by the management or the investor relations team, please feel free to write to us at investor.relations@manipalhospitals.com. Um, uh, the team would be most glad to kind of, uh, you know, sit with you and answer any further queries that you might have. Thank you so much, and like Dilip said, thanks for joining us on a Friday evening. Have a lovely weekend, all of you.

Operator
[Operator Closing Remarks]