“GPT Healthcare Limited

Q2 FY25 Results Conference Call”

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MODERATOR: **MR. AMAN – PHILLIPCAPITAL INDIA**

Moderator: Ladies and gentlemen, good day and welcome to GPT Healthcare Limited Q2 and H1 FY25 Earnings Conference Call hosted by PhillipCapital. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Please note that this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made. I now hand the conference over to Mr. Aman from PhillipCapital India. Thank you and over to you, sir.

Aman: Thank you, Shifa. Good evening, everyone. On behalf of PhillipCapital Private Client Group, I welcome you all to the Q2 and H1 FY25 Earnings Conference Call of GPT Healthcare Limited.

From the management, we have Mr. Atul Tantia, Group CFO, Mr. Anurag Tantia, Executive Director and Mrs. Kriti Tantia, CFO. I now hand over the conference to Mr. Tantia for his opening remarks and we will then open the floor for the question-and-answer session. Over to you, Mr. Tantia.

Management: Thank you, Aman. Good evening, everyone and welcome to GPT Healthcare Limited's Earnings Conference Call for the second quarter and half year ended on September 30, 2024. We extend our appreciation to PhillipCapital Private Client Group for hosting this call.

We also have with us on call our Investor Relations Advisor, Stellar IR. GPT Healthcare Limited is the healthcare arm of GPT Group. We are driven by the ethos to provide quality healthcare, particularly in the underserved regions like Eastern India through our neighbor tertiary care hospitals.

The PAT for Q2 has increased by 10% on a Y-o-Y to INR15 crores. The ALOS has reduced from 3.98 in H1 last year to 3.51 in H1 2025. The same is on account of our continuous efforts towards changing the case mix. Revenues for Q2 FY25 stood at INR106 crores with EBITDA of INR26 crores and a margin of 24%. PAT for H1 stood at INR25 crores with a 12% PAT margin and the first six months witnessed a 5.2% year-on-year growth. EBITDA margin has increased by 80 basis points to 24.2% with a slight increase of 2% in EBITDA for the quarter to INR26.3 crores.

Finance costs have come down by 58% on account of reduction of debt reflecting our efficient financial management. We continue to remain on track to achieve the return on equity of 20% and ROCE of 25% for the full year with ROE of 11% and ROCE of 15% for the half-year ended September 30, 2024. The existing four hospitals in Salt Lake, Agartala, Dum Dum and Howrah are improving in all financial and operational metrics.

Notably, our ARPOB stands at INR36,700, aligned with our commitment to serving the aspiring population of the society with higher disposable income in the middle to higher income segment. Moreover, due to our neighbourhood model, approximately 94% of our patient business continues to be from cash and insurance-paying patients only.

The company-level bed occupancy rates stood at 54% on an amalgamated basis. Coming to the hospital-wise performance, ILS Hospital Salt Lake is an 85-bed surgical excellence hospital. The ARPOB for this hospital has risen from INR33,850 to almost INR39,500 in H1 FY25. Additionally, there has been a 13% increase in patient volume in comparison to trailing H2.

In our pursuit of optimizing services, we have been able to reduce our length of stay to 2.77 days from 3.19 on a Y-o-Y basis. The Agartala Hospital has the presence of 66 critical care beds across all bed categories and has commenced its journey towards providing full-fledged oncology services with the commissioning of the PET CT in November 2024. The radiation oncology components are under insulation and would be commissioned in Q4 FY25.

The inpatient volumes have increased by 12% on a quarter-and-quarter basis, combined with a reduction of length of stay to 3.08 days from 3.35 days. The Dum Dum Hospital has recorded an ARPOB of approximately INR41,400 for the quarter.

In line with our intent to reduce the length of stay of this hospital, the length of stay has reduced to 4.43 days compared to 5.22 in the same quarter last year. This has correspondingly led to a slight dip in occupancy as well, despite overall inpatient volumes increasing. The company intends to commence a full-fledged cardiothoracic surgery setup and is revamping its other clinical offerings in this hospital as well to further strengthen its scope of service.

The Howrah Hospital is growing continuously with hospital revenue and patient volume rising. We are in the process of procuring an orthopedic surgical robot for this hospital as well. The facility shall be available by the end of the year.

The inpatient volume has seen an increase of almost 22.8% from the previous quarter. ARPOB of H1 FY25 has increased by 21% on a Y-o-Y basis and the length of stay has also come down to 3.31 days compared to 3.87 days in the previous fiscal. As previously announced, we are steadfast to become a 1,000-bed hospital chain within the next 2-3 years.

The Raipur Hospital, a 160-bed facility, will commence operations from Q4 FY25. This target underscores our commitment to scaling our operations and reaching more communities in need for quality healthcare services. By expanding our footprint and enhancing our capabilities, we aim to make a meaningful impact on healthcare accessibility and patient outcomes across the eastern Indian region.

This vision drives us forward, guiding our strategic decisions and ensuring that we continue to lead the way in delivering excellence in healthcare. Thank you for your attention and I look forward to addressing any questions you may have. With this, I conclude my opening remarks and look forward to addressing any questions you might have regarding our financial

performance and future prospects. I will request the moderator to kindly open the floor to questions and answers.

Moderator: Thank you very much sir. The first question we have is from the line of Naman from Nine Rivers Capital. Please go ahead.

Naman: Hi sir, thank you for the opportunity. So now that we have our ALOS at a group level, at an optimal level of around 3.5 to 3.6 days and we are still seeing compression on the occupancy sites across our facilities, so what is the last financial year I'm comparing? So could you elaborate on the primary challenges we are facing in terms of ramping up the occupancies across our hospitals and what is the scale-up that we are targeting from here on?

Management: Good evening. Thank you, Naman, for the question. So yes, as correctly pointed out by you, the length of stay has come down overall across all hospitals. This is an intentional strategy deployed by us to optimize our product mix. Because of this, we've been able to focus on short-stay surgeries and if you see, we have been able to increase our volumes. Now, because of the length of stay coming down, the occupancy is seen to dip, for which we are now in a position to take additional patients.

We are focusing on other short-stay departments like gastroenterology, urology, and are ramping up numbers. Overall, the length of the stay coming down is a good phenomenon for us as we will be in a position to take more patients across all our hospitals.

Naman: Okay, but on a revenue basis, we are almost flattish for the first half. So, I mean, with the ALOS coming down and occupancy having a relation to that coming down, how are we seeing the revenue ramp up from here in terms of the occupancy scale-up in the newer hospitals as well as our existing ones?

Management: So, if you see, there has been a consistent improvement in our inpatient volumes across all hospitals. Salt Lake Hospital has increased by almost 8.4% on a quarter-on-quarter basis, Agartala by 11.8%, Howrah, which is a new hospital, by almost 23%. So, there is an increase in the patient volumes as we are seeing. It is just a time constraint by which we will be able to push the volumes even further and increase the occupancy.

Naman: Okay, and secondly, how is the competitive landscape evolving in our key operational areas? Are we seeing any bigger players entering into the nearby regions?

Management: So, there has been a change in the competitive landscape with the acquisition of AMRI hospitals by Manipal. That is the only change which we have seen in the eastern part of the country. Apart from that, Manipal has also acquired Medical Hospitals. So, Manipal has become a force in the eastern part of the country over the past one or two years. Apart from that, there has not been any other change in the landscape as such.

Naman: Got it. That is helpful. And the last question is that in a previous presentation, we had outlined expansion plans for Ranchi hospitals. However, in the latest presentation, we have not mentioned

about that. So, has the Ranchi expansion been cancelled? And if so, could you explain the rationale behind that?

Management: No, the Ranchi expansion has not been cancelled. I think we are awaiting some regulatory clearances from the government of Jharkhand. Currently, there are elections in Jharkhand. So, that process is getting delayed. As soon as we have some clarity on the regulatory approvals, we will update the investors accordingly.

Moderator: Thank you very much. We have a question from Akshay Thakur, an individual investor. Please go ahead.

Akshay Thakur: Hi, sir. thank you for the opportunity. Sir, my question is pertaining to the insurance scheme in the state of West Bengal. As per my knowledge, the PMJAY scheme is not yet accepted by the West Bengal. So, can you throw some light on what scheme is most applicable by the government of West Bengal? And how is it financed? Any challenges on that front?

Management: So, healthcare is a state subject and every state has its own scheme with regards to the universal health insurance. West Bengal has a scheme called Swasthya Sathi by which is very similar to Ayushman Bharat where people under a particular income category are covered by it. So, that is what is the predominant healthcare scheme in West Bengal. Apart from that, in our other hospitals of Agartala and even in Raipur, we do have PMJAY which is applicable.

Moderator: Thank you. We have next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Yes. Thank you for taking my question, sir. Mainly related to the occupancy level coming down and ALOS is you are increasing. What is the strategy when we see the occupancies are already at a lower level and you want to bring down your average stay of the patient?

Management: So, reducing the average length of the stay of patient is a function which is improving the overall efficiency of patient stay, patient experience. Through this mechanism, we are being able to increase our ARPOB as well. We are avoiding patients unnecessarily staying in the hospital because if you understand the hospital mechanism, the primary revenue generated from a patient is in the initial two days itself.

After that, the revenue add-on on a marginal basis is very minuscule. That is the reason we have been focusing on short-stay departments and thereby we have been able to increase our ARPOB as well. Another thing which happens as a result of the reduction in length of stay is that the hospitals are now in a position to take on more patients.

Unfortunately, in the previous quarter, because of local issues and some natural calamities in the areas where we end up operating in, we could not get the volumes which we generally end up getting in quarter 2. But hopefully, with the situation having been corrected, we can see an uptick in the volumes from this quarter which will end up giving you that effect you are wanting to see.

Sunil Jain: Yes. See, what I was asking was that the Howrah Hospital already has a very low occupancy. Is it the right time to bring down the ALOS over there or at a company level, you are putting up some strategy that is why you are changing all these parameters?

Management: It is a move to improve the overall ARPOB across hospitals and improve the patient experience. If a patient is able to get back home faster rather than having an extended stay, that is an experience benefit which we are ultimately getting from our stakeholders. So, it is an overall company strategy which is being deployed and it will give us dividends in the long run.

Sunil Jain: That can improve your reputation and in the long run, it can benefit you.

Management: And if you see as a by-product of that, you can see that our EBITDA for this quarter has also gone up, which is an effect of the ARPOB increasing and the length of stay coming down.

Sunil Jain: Sir, any impact of Bangladesh in this particular quarter?

Management: There was an impact. As I told you, there were certain local influences and natural calamities which ended up impacting our functioning. Bangladesh was one of them. The situation in Bangladesh caused a decrease in the patient volumes which we generally end up getting in our Agartala Hospital from Bangladesh. But things are improving and the patient flow is starting again from Bangladesh.

Sunil Jain: Any quantification you can do to see how much Bangladesh might have impacted you?

Management: So, roughly, Bangladesh volumes in our Agartala Hospital is almost 5% of our patient volumes, which was impacted in the month of August and September. It is in November that we are seeing a re-trickling of that again.

Sunil Jain: And one data question. Is it possible for you to share occupancy level for the last year's second quarter?

Management: We'll get back to you in the queue for this one, please.

Sunil Jain: And the last question is, since already one and a half month has gone, we had a revenue growth target of somewhere near double digits. So, since first half is more of a flattish, at least in the second half, we can see double digit growth?

Management: Hopefully, we should be able to deliver on that. First half was slightly out of our control because of the local issues and the floods in Tripura. Hopefully, we should be able to deliver in the second half, and especially with the Raipur hospital being commissioned in Q4, that should add more flip to the functioning.

Moderator: Thank you very much. We have a question from Siddhi Gandhi from IIFL. Please go ahead.

Siddhi Gandhi: Hello, and thank you for giving me the opportunity. So, my first question was that, can you talk about the specialties or surgeries or any particular patient type that you intend to build? Or focus to optimize on the ARPOB or something related to that?

Management: So, thank you for the question. This is something which has a different strategy across all our hospitals. Now, for example, in Howrah, as I said in my speech as well, we are investing in a surgical robot, which is purely for orthopedics. So, this by itself should end up reducing the length of stay and increasing the ARPOB of orthopedic knee replacements. We will be able to provide high quality clinical care for replacements through this robot.

Apart from that, we have been focusing on short stay departments like gastroenterology in Salt Lake and cardiology in our Dum Dum hospital as well. So, these are strategies which are different for different hospitals and are at play.

Siddhi Gandhi: Okay. And just to talk about the new oncology hospital that we have added at Agartala. So, what could be the revenue potential and is the block commercialized yet?

Management: So, it is not a new hospital, it is a new block which we are adding to our existing hospital. This block should end up impacting patient volumes across the hospital, because oncology has a dip down effect not just on pure play oncology, but across all specialties as well.

We have already started with the PET scan for this department and we are awaiting the installation of the LINAC. Once the oncology department is in full-fledged operations, we expect it to give a revenue of almost 20 crores annually after its maturity.

Siddhi Gandhi: And when will it start working full-fledged? Any timeline for that?

Management: So, as I said, the PET scan is already on and the LINAC is under commissioning. We hope that we will be able to commence the full-fledged operations by February of '25 and then it might take almost 6 to 8 months for it to mature.

Siddhi Gandhi: Understood. And going to Raipur, so the Ranchi expected to commercialize soon and how long will it take to become the EBITDA positive and actually contribute to the net earning?

Management: So, the upcoming hospital which we are looking at commissioning soon is that of Raipur, which we are looking at commissioning by Q4 FY '25, so around February, March. Generally, our hospitals, our latest hospital of Howrah broke-even in 8 months from the rate of commissioning on an EBITDA basis on a month-on-month level, but we understand Raipur will be a new market for us. We are hoping that we will be able to break even by around the 15-16 month mark, post which it should contribute positively to the EBITDA of the hospital.

Siddhi Gandhi: Okay. And also, could you comment a bit on what is your current maintenance capex and do you intend to increase or decrease any of it?

Management: The current maintenance capex varies between INR8 crores to INR10 crores on an annual basis. This is more or less standard.

Siddhi Gandhi: Okay. And on the similar lines, what is the upgradation capex that, probably you might be needing for any particular case or because, you all are adding some superior case metrics, so any particular capex for that?

Management: It is already built into this.

Siddhi Gandhi: Okay. I think for now I am done. If there are any, I will get back to you. Thank you so much. Very helpful.

Moderator: Thank you. I have a question from Jainil Shah from JM Financial. Please go ahead.

Jainil Shah: Yeah. Hi. Thank you for the opportunity. My first question is on the acquisition, is there any update on, our inorganic expansion?

Management: Thank you for the question, Jainil. As of now, there is no update on the acquisition. We are evaluating opportunities. Unfortunately, we have not been able to close one at this point.

Jainil Shah: So any, probably timeline or you are expecting anything this year or any color on that?

Management: It is very difficult to end up giving an exact timeline. We, as I said, we are evaluating opportunities. What will click at which point is very difficult to say, but we are, as I said in conference call also, we are fixated on our growth path of becoming a 1000-bed chain by 2027.

Jainil Shah: Okay. And can you provide the hospital level margins?

Management: At this point, it will be difficult to provide that. We can get back to you offline for this.

Jainil Shah: Okay. Sure. And just one last. In Howrah, we are still at a very low occupancy. Is there any, department or therapy that we need to add or do you think you should add that to get more patients or probably get some government business to, at least ramp it up?

Management: So, Howrah has been increasing in patient volumes. That combined with the reduction in length of stay is actually causing the overall occupancy metrics to dip. But overall, there has been growth in that hospital. And we are seeing, we are expecting good growth down the line as well. As a step towards increasing the overall service metrics in that hospital, we are installing an orthopedic robot as well, which is one of the best in the industry at this point. This should further add impetus to the growth of that hospital.

Jainil Shah: Sure. Just one last. Were there any strikes or disruption in Kolkata hospitals or any of the hospitals?

Management: There was an unstable environment in Q2 on account of local situations. So, which did end up impacting operations for us. So, and there was no strike. Yes, doctors were protesting, but there was no strike in any of our hospitals.

Jainil Shah: Sure. Okay. Thank you so much.

Moderator: Thank you very much. We have a question from Mr. Aman from PhillipCapital. Please go ahead.

Aman: Yes, thank you. I just had a question on the therapy mix that we work with. So, could you just provide a brief split of, the top therapies that you work with in terms of revenue share?

Management: So, the top 10 specialties are diversified. 80% of our revenue comes from the, from 10 departments, a majority of which are gastroenterology, general surgery, nephrology, cardiology. So, a detailed mix can be given to you offline for this, but we have contributions across all specialties towards 80% of our revenue.

Aman: So, are we planning any sort of mix change, in terms of shifting towards, let's say, the higher end of the surgeries, orthopedics or someone, something along the line? And if yes, what do you expect that share to be?

Management: So, as said previously also, we are focusing on short-stay departments, which will end up increasing our ARPOB. Orthopaedics is one of them. Definitely, we are installing a surgical robot focused on orthopaedics in our Howrah Hospital, which should definitely add a lot of value in terms of the orthopaedic contribution to our departmental mix.

Apart from that, we are focusing on cardiology as well in our Dum Dum Hospital. We have recently associated with one of the pioneers in cardiology in Eastern India as well, who has joined us full-time. That should add a lot of value to our cardiology program in Dum Dum as well.

Along with that, we will be starting cardiothoracic surgeries also in our Dum Dum Hospital. This combined with the already ongoing program of renal transplant in the hospital will further strengthen the clinical abilities of that hospital. In Agartala, we are starting oncology services, which by itself should add a lot of potential in terms of revenue for that hospital. And with oncology coming in, there will be a good amount of impetus to other departments like surgical oncology, even critical care.

Aman: Okay. And sir, just last one from my end would be on the Kolkata Micro Market. I mean, if you look at your peers, they have been able to garner better occupancy numbers. So, could you just shed some light on where we are in terms of garnering that occupancy numbers or garnering that foot traffic?

Management: I think we are very well placed compared to Kolkata peers. If you're looking at the Kolkata Micro Market, our occupancy numbers are at par, if not better, compared to our peers in Kolkata. Q2 had an impact in the entire Micro Market of Kolkata on account of the disturbances which were there. So, that is something all our peers have had to face as well. So, from a peer comparison point of view in the Kolkata Micro Market, we are better off, if not at par with compared to them.

Aman: Okay. Got it. Thank you.

Management: Allright.

Moderator: Thank you. As there are no further questions, I would like to hand the conference over to Mr. Aman for closing comments.

Aman: Thank you. So, on behalf of PhillipCapital India, we thank all the participants for your valuable time and especially the management of GPT Healthcare Limited. Before we close, we would like to hand the conference over to the management for their closing remarks.

Management: Thank you everyone for your questions, which I hope we have suitably addressed. In case you have any further queries, please get in touch with us on or through our IR Advisors. Thank you for your continued support and trust in our company's vision and capabilities. Together, we look forward to achieving new milestones and creating lasting value. Thank you and have a good day ahead.

Moderator: Thank you very much. On behalf of PhillipCapital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.