



“Health Care Global Enterprises Q2 FY-22 Earnings Conference Call”

November 12, 2021



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HEALTHCARE GLOBAL ENTERPRISES LIMITED
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Moderator: Good morning, ladies and gentlemen and welcome to the Healthcare Global Enterprises Q2 FY22 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen Advisory. Thank you and over to you sir.

Diwakar Pingle: Thank you so much Lizann. Good morning and a warm welcome to all the participants to the Healthcare Global Enterprises Q2 FY22 earnings conference call. Today we have with us Dr. B.S. Ajaikumar – Executive Chairman, Mr. Raj Gore - Chief Executive Officer and Mr. Srinivasa Raghavan – Chief Financial Officer of HCG Enterprises along with the top management members to share the highlights of business and financials. Please note that we have uploaded earnings update presentation to the stock exchanges and also shared the same through our mailers. In case anyone has not received it please reach out to us and we'll be happy to send the presentation over to you. Without further ado I will now handover the call to Dr. B. S. Ajaikumar.

B. S. Ajaikumar: Thank you Diwakar. Good morning to everyone and a warm welcome to all the participants. I'm glad to note that the specter of COVID is behind us as of now. We can now move ahead with the greatest sense of optimism.

At HCG we believe in patient centric care and focus and accessible oncological services, advanced treatments and high-quality care and outcomes. Over the years we have emerged as a responsible brand earning the trust of thousands of patients and admiration of the community. Our focus on advanced technology, our ability to deliver exceptional clinical outcomes and team of dedicated specialist equipped with us, capabilities of further oncology care continuum while emerging as the pioneer and leader in oncology. The company has turned in industry leading revenue growth this quarter which is also backed by improving profitability, especially among the new centers that are not yet reach the mature stage of operations.

The growth opportunities ahead of us in the domestic business is quite strong and we are also seeing turnaround in number of international patients visiting our center with easing of the travel restrictions. As mentioned about Milann, our fertility center which has performed very well with the growth of 57% on the YOY basis on the back of new leadership team under Shailesh Guntu, aided by our focus on digital outreach which is delivering us the desired results.

Overall HCG under the dynamic leadership of Raj Gore, our CEO is positioned very uniquely with strong pipeline as well as deleveraged balance sheet to deliver superior growth and profitability. But with a clear focus on tangible outcome for all of our stakeholders, most important of which are our patients for whom positive outcomes in the disease is the best result. I would now like to hand over the call to Mr. Raj Gore for his prepared remarks.

Raj Gore:

Thank you Dr. Ajai for being the inspiration and guide to all of us at HCG. A very warm welcome to all the participants and good to be speaking to you again. We continued with the momentum that we had built up in the first quarter of this fiscal with a strong performance across all operating matrices in the current quarter. We delivered our highest revenue and EBITDA for any quarter ever in our history. I would like to highlight that over the last three quarters we have consistently reported our highest ever revenue. What is heartening is that the Q2 core revenue excluding COVID and vaccination business is also the highest ever recorded in our history. The growth in revenue has also been matched by corresponding growth in profitability margin. We closed the second quarter with our highest ever EBITDA at Rs. 65 crores with 1.6% margin expansion over the previous quarter. This is also the first quarter after 13 quarters where our PAT is back in positive territory. A direct impact of this improving financials has been the generation of free cash flow over the last two quarters. The result showcases our entire team's focus on driving growth and operational efficiencies which we are confident of continuing in the quarters to come. I would now like Srinivasa, our CFO to go over the key financial highlights.

Srinivasa Raghavan:

Thank you very much Raj and very good morning, everyone. The highlights for quarter ended September 30th 2021; consolidated revenue was INR 3,520 million as compared to INR 2,479 million in the corresponding quarter of the previous year, reflecting a YOY growth of 42%. Consolidated EBITDA was INR 650 million as compared to INR 340 million in the corresponding quarter of the previous year, a growth of 91% year-on-year and 19% quarter-on-quarter. Consolidated operating EBITDA was INR 670 million compared to INR 300 million in the corresponding quarter of the previous year, a growth of 106% year-on-year and 20% quarter-on-quarter. Operating EBITDA for the existing centers was INR 598 million, a growth of 109% year-on-year and 13% quarter-on-quarter, reflecting an operating EBITDA margin of 21.9%. Operating profit for new centers was INR 19 million as compared to a loss of INR 29 million in the corresponding quarter of the previous year and the loss of 19 million in the previous quarter. Consolidated PAT was a gain of INR 1,018 million, as compared to loss of INR 223 million in the corresponding quarter of the previous year.

I will now request your attention to slide #32; Q2 revenue grew by 42% year-on-year. HCG centers grew by 41% and Milann centers by 57%. Q2 operating EBITDA existing centers INR 598 million, 21.9% margin versus 16.7% margin in Q2 FY21. New centers witnessed a profit of INR 19 million versus loss of INR 29 million in Q2 FY21.

I would like to draw your attention to slide #33 of the presentation; the revenue split for our businesses is 95% contribution by HCG centers and 5% by Milann Fertility centers. Within HCG centers Karnataka contribution to the revenue is 34%, followed by Western India comprising of Gujarat at 26% and Maharashtra at 19% followed by East India 9%, Andhra Pradesh 8% and Tamil Nadu 8% and North India contributing to 2%.

I would now like to draw your attention to slide #34 of the presentation; strong growth in revenue continues across centers in second quarter of FY22. South Mumbai delivered 286% year-on-

year growth, Nagpur delivered 118% year-on-year growth, Borivali delivered 105% year-on-year growth and Jaipur delivered 77% year-on-year growth. Revenue from new centers of INR 750 million in Quarter 2 full year '22 versus INR 478 million in Quarter 1 in FY21 which is a growth of 56.7% year-on-year basis. The existing centers revenue growth of 37.3% in Quarter 2 of FY22 on a YOY basis.

I would now like to draw your attention to slide #35 of the presentation; increase in average occupancy rate in Quarter 2 FY22 YOY basis of 53.3% versus 49.8% at a consolidated level. For existing centers occupancy rate was 50.3% versus 46.9% corresponding quarter of last year. Increase in existing center ARPOB in Quarter 2 FY22 was INR 38,345 versus INR 30,904 which is a 23.8% growth. Existing centers operating EBITDA margin increased by 370 bps to 20.3% in Q2 FY22 from 16.5% EBITDA margin in Q2 FY21.

Looking at key geographies in slide#36 in Karnataka region; our centers of excellence performance in Q2 with revenue growth of 51.9% year-on-year ARPOB was Rs 58,000 versus Rs 45,000 in the corresponding quarter last year and 26.3% operating EBITDA margin. With respect to Gujarat region, we had a strong revenue growth in Q2 FY22 on a YOY basis with oncology revenue growing by 38.2% and the multispecialty revenue was almost flat. With respect to Maharashtra region new centers grew by 128.6% YOY and 56.8% QOQ. South Mumbai revenue continues to grow primarily driven by CK revenue, Borivali radiation and surgical revenue grew by 30% and 39% respectively year-on-year. For East India existing center revenue grew by 53.6% year-on-year and expansion of revenue at new centers by 25.4% year-on-year. Cuttack is leading the regional revenue growth driven by radiation and PET cases. In Andhra Pradesh we've witnessed strong revenue growth across the region. Vizag delivered revenue growth of 47.5% year-over-year.

Coming to slide #37 covering key highlights of Milann Fertility business; Milann demonstrated good recovery in Q2 FY22 across all metrics. New centers revenue grew by 77.8% YOY. There was a big improvement in digital traction as a result of continued efforts and our digital campaigns and with continued focus on strengthening clinical talent across Milann. Looking to consolidate and focus on market leadership in Bangalore and scaling up North India centers in near term for Milann going forward.

I would like to draw your attention to slide #38; with respect to the CAPEX table, we have implemented judicious control measures with respect to both routine and growth CAPEX with most of our expansion completed. Total CAPEX for H1 FY22 was INR 183 million which was largely with respect to the HCG centers. With respect to the net debt as on September 30th, net debt was INR 2,268 million which is a huge reduction compared to previous quarter. I would now like to hand over the call back to Diwakar please.

Diwakar Pingle:

Thank you Srin. Lizann now you can open the session for Q&A please.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is in the line of Aditya Khemka from Incred AMC.
- Aditya Khemka:** A question on the net debt. So as per slide #38, our net debt has come down from June '21 to September '21 from Rs 63 crores now to Rs 37 crores. So, I just wanted to check with you, does this imply that our free cash flow for the quarter was around Rs 26 crores? Is that the right way of looking at it?
- Srinivasa Raghavan:** If you see the net debt, if I go back to the net debt slide; our debt has come down. It has come down from Rs 294 crores to Rs 226 crores which is you are looking at the net debt from a new center perspective which is come to Rs 374 crores from Rs 632 crores earlier. To answer your question the net debt has come down by close to about Rs 70 crores contributed by two things, one is yes, we have generated free cash flow in the quarter and two because of the Strand transaction that had happened we have bought some cashflow in which has contributed to the net debt reduction.
- Aditya Khemka:** So out of the Rs 70 crores of total free cashflow how much came from Strand and how much came from operations?
- Srinivasa Raghavan:** To give a broad perspective, free flow will be to the tune of about Rs 8 to 10 crores and the balance would be from the Strand transaction.
- Aditya Khemka:** Secondly, on the Milann now that the procedures are back and discretionary operations are happening, where are we on the utilization of our Milann facility?
- Srinivasa Raghavan:** Milann utilization has significantly improved as we know.
- Shailesh Guntu:** Currently we are at an utilization of close to 55% to 60%. I think there is a potential upside by Q3 and Q4.
- Aditya Khemka:** And in terms of the new centers overall for HCG, all your regional new centers combined what is our EBITDA of the new centers in terms of margins?
- Srinivasa Raghavan:** If we go back to the slides to slides, I will draw reference to the slides so that you can so as far as we refer to slide #32, where we have very clearly called out, new centers.
- Aditya Khemka:** So, its breakeven, new center...
- Srinivasa Raghavan:** New centers have delivered Rs 1.9 crores of profitability on a Q2 basis compared to a loss in the previous quarter. That trajectory will continue in the future as well. That is the answer to your question.

- Aditya Khemka:** And a question for Dr. Ajai. Dr. Ajai our understanding with the Strand divestment, that we retain some of the capabilities, are those agreements now in place with Strand as to how we operate without them in our labs, how do we operate our labs?
- B. S. Ajaikumar:** Aditya what has happened is as I said before, in a cashless transaction we had given our labs and our clinical trial to the Strand 4 years ago, 3.5 years ago. All of it has come back to us. Now one of the good things is our vet lab capability is also quite enhanced and our biorepository has also come back to us. Only thing is we collaborate with them in the bio repository, the vet lab part we collaborate with them in the bioinformatics for which they are known, Strand. It is a collaborative effort but essentially all our labs, all our capability in an enhanced way have come back to us. We believe genomic as we know driven is the future, so we are driving that very significantly and we see significant growth opportunity in our lab itself as we move forward.
- Aditya Khemka:** One last question, on the current quarter's revenue of Rs 335 crores at a consol level, how much was driven by vaccination? What is the vaccination revenue this quarter and what is the outlook on that? I know vaccinations are going down as most of the population gets vaccinated. So just wanted your perspective on that.
- Raj Gore:** The vaccination revenue was about 7% of our top line in Q2 which is about Rs 25 Cr.
- Srinivasa Raghavan:** Going forward we don't see much revenue from the vaccination. It will decrease significantly.
- Moderator:** The next question is in the line of Shyam Srinivasan from Goldman Sachs.
- Shyam Srinivasan:** Just the first one is on the center for excellence and the Karnataka geography. We've seen ARPOB at least in your COE reach Rs 58,000. This was Rs 51,000 I remember last quarter. So just want to understand some of the drivers of this, if international patients back in that facility. I remember historically it used to be 20% contribution but if you can help us understand what are the drivers of this ARPOB increase?
- B. S. Ajaikumar:** The main driver is been, I know as we have made a statement in spite of international not being there, we have grown, particularly our domestic market has grown significantly in the last quarter. One of the most important things for the ARPOB to grow has been the fact that our high-end work has increased like robotic surgery hit all-time high for us as well as CyberKnife. These are the contributors for our ARPOB and as our international picks up going forward this can even increase. But one of the things Shyam, we are known for is we take care of very advanced and recurrent tumors because of that we see lot of complicated cases who require complicated procedures and that is a reason we are seeing enhanced CyberKnife and robotic surgeries. This is likely to continue as we move forward.
- Shyam Srinivasan:** Dr. Ajai just following up here, is there an element of pent-up demand or you think you just made a statement that it could sustain? So, I'm just trying to disaggregate what could be multiple

procedures coming together this quarter but may not recur, the volume of some of these complicated procedures?

B. S. Ajaikumar: This is a question we have internally discussed also, but what we have found is the internal work we have done shows, this is a probably a sustainable model. In the first few months. We thought it could be pent up post COVID but we don't think so now because it has sustained month on month that is grown. One of the things is, we have now very high-end caliber of doctors. For example, you take head and neck, we have a large team and we draw a head and neck patients now across from India because of the large team. We are now doing the robotic surgery in head and neck which is sustainable. Similarly for certain liver cancer we are now doing significant robotic work and high-end work, also in of course in a urological cancer we have hit large numbers in the last few. So, this model based on our internal assessment, it looks like it is a sustainable model. Particularly in the international patients coming in, in the next quarter or two it can only increase. Other thing I forgot. Yes, our bone marrow transplant is increasing significantly month-on-month. That is also going to add to the ARPOB.

Shyam Srinivasan: Dr. Ajai, the data point on international contribution and Karnataka or COE whichever you disclosed this quarter, is it like less than 5%?

B. S. Ajaikumar: Right now, it is about less much less than 5%, maybe even 2%.

Raj Gore: We are still below 50% of pre COVID level in terms of international business. We see as things get normalized going forward that's an additional upside we are expecting.

Shyam Srinivasan: Second question is on the margins then, 26% in COE, we have seen your existing centers which 22%. If Dr. Ajai, Srini, Raj anybody if you can give us some outlook on how should we look at the margin trajectory going forward?

Raj Gore: So, look I mean the spread that you see is about 12.5% to 23%. Our new centers have just broken even. As new centers ramp up, we feel that our aggregate margins will continue to grow. In addition, I think international business as I just mentioned it just to less than 50% of our pre-pandemic level. I think as we strengthen our go to market efforts in new centers as well existing centers, we feel that we will continue to maintain and increase our margins. If you see last 2-3 quarters, on all accounts we've expanded our margin, at aggregate level, at existing center level, at new center level and we just feel that we'll continue that momentum going forward.

Shyam Srinivasan: Raj just to understand when we have these new centers, maybe we may not reach the same margin profile like existing centers or you think is there some outlook on new centers? What is the target margin profile with these could reach?

Raj Gore: So, we just reported that new center has a bucket, we've just broken even and just got into a first time into a positive territory. You can see the upside of in existing centers are about 22% odd

and our COE is at (+26%). The model is same. the potential is same, so we feel that with strong fundamentals there's no reason why we shouldn't be able to drive the margin expansion in new centers to the similar level.

- Moderator:** The next question is from the line Kaustubh Pawaskar from Sharekhan by BNP Paribas.
- Kaustubh Pawaskar:** I have a question on the Andhra Pradesh region, the occupancies are down on year-on-year basis, any particular reason for this?
- Raj Gore:** If you look at footnote #6, we are excluding occupancy of government sponsored radiation patients. Radiation patients usually are daycare patients but with our scheme agreements we suppose to provide them dormitory facilities which is not really a usual patient of bed occupancy. So, we've excluded that and that's the drop in Andhra Pradesh. I think previously last year were reporting including those dormitory patients. I think from next year onwards it will get normalized on a year-on-year comparison.
- Kaustubh Pawaskar:** And on your core revenues as you said that this quarter the revenue contributions of that vaccination was 7%. So, excluding on like-to-like basis what would be your revenue growth?
- B. S. Ajaikumar:** I think without the business as usual, without this 25 Cr vaccination, also this is our highest ever business as usual revenue.
- Srinivasa Raghavan:** It should be in the range of 15% growth compared to last year same quarter.
- Kaustubh Pawaskar:** As you said that the international business would recover in the coming quarters, so vaccination obviously it will reduce over the period of time, the revenue contribution. But since international business is coming, so will that mitigate the impact or the revenue trajectory would be better than what it was in Quarter 2 considering the fact that international revenues would be coming back.
- Srinivasa Raghavan:** Once the international business comes back our revenues should only improve. That way if we are looking at it one, it should more than compensate the vaccination revenue and not only that it should also help us in terms of improving our margins also.
- Raj Gore:** Just would like to share the data point. Your previous question about business-as-usual year-on-year growth in Q2. That's about 31%. 15% is on a sequential quarter.
- Moderator:** The next question is in the line of Shantanu Basu from SMIFS Limited.
- Shantanu Basu:** Firstly, I would like to understand with respect to your Gujarat and Maharashtra clusters, the occupancies have dropped from 61% to 51% and ARPOBs have increased significantly. So is the increase in ARPOB due to the decreased occupancy, is that the case and the second question relating to this with respect to Andhra Pradesh, I don't see a much drop in your occupancy rates

but the ARPOBs have improved significantly. What has been the driver for Andhra Pradesh? So that's my first question. My second question would be on your plans on Africa post your CVC buyout? My last question would be on the lab business. So, I missed on the collaboration part which doctor talked about. Want to know your plans on the lab business, how do you plan and how do you strategize to take it forward and what would be those collaborative arrangements?

Raj Gore: So, let me take the Gujarat question first. As you know, most of our multi-specialty presence is in Gujarat and second quarter, last year was a COVID quarter and as you know COVID patients, the length of stay is more than a week up to 2 weeks. That's the difference this year that we have not had a similar number of COVID patients and therefore the drop in occupancy and increase in ARPOB.

Shantanu Basu: No, I am talking sequentially. If I see your Gujarat occupancy now it's 50.8% whereas the last quarter it was 60.6%.

Raj Gore: It's the same issue. Q1 this year was also COVID wave 2 and therefore we had more COVID patients admitted in our multi-specialty hospital in Gujarat.

B. S. Ajaikumar: In Gujarat, we have three nearly multi-specialty hospital. Two of them were full with COVID cases, now we are we are not seeing that. So, that is why it has come by. It has kind of normalized, our normal occupancies in the 50s. Now coming to your next question of Africa, can I go to the next question?

Shantanu Basu: What about Maharashtra? I asked about Maharashtra as well and also so the new ARPOB level and the new occupancy for Gujarat, shall I take this as a sustainable thing going forward?

B. S. Ajaikumar: Yes.

Shantanu Basu: And what about Maharashtra?

Raj Gore: So, Maharashtra ARPOB increase is led by Nagpur where we have had higher realization and sub-specialties in oncology and therefore the Maharashtra ARPOB is gone up this quarter.

Shantanu Basu: And Andhra?

Raj Gore: As I explained we have reclassified our occupancy excluding government scheme, patients who as per the agreement as supposed to stay where they don't need it, so they are not really otherwise we wouldn't admit radiation patients overnight. This year we are just normalizing that, reclassifying that and therefore year-on-year it looks drop but it's not really a drop. And therefore, the ARPOB is also going up. It's also baseline correction. Last year was a COVID year and some of the numbers like radiation and all which are high realization, lower length of

stay were lesser. Now that business is coming back and therefore that's the baseline correction of just getting the mix to pre-pandemic level.

Shantanu Basu: Now with regard to the Africa question please?

B. S. Ajaikumar: Regarding Africa, as you know that we had a partnership with CDC. Now we are complete owners of Africa. We have now in Nairobi we have expanded our department with new installation of linear accelerator. We are also got preliminary agreement was done in the past for a PET scan which we may install. Certain funding has already been done in the past for that. With this we are looking at our Nairobi Cancer Center to become a state-of-the-art center. Along with that we have peripheral clinics in several East African countries like Dar es Salaam and these things will only be there and it will enhance our presence in Africa once the COVID situation improves. So long-term plan, we are strategizing now. How are we going to look at East Africa as the primary area as well as Nigeria. So, with the CDC now no longer being partner we will re-strategize on our own to see where we should move forward. As once and this plan becomes fortified, of course we will share with our investor community. Any questions on Africa?

Shantanu Basu: I am asking on the lab business I mean. Now, what's your plan going forward and what about the collaboration management with Strand?

B. S. Ajaikumar: Lab business as we know that we got back our entire CRO with all the very well-trained human resources as well as our basic lab and the vet lab. This was so it was a great 3 year experience and we not only got some money which is about Rs 80 crores but we also got all the human resources who are well-trained and also equipments back. With this being now we will be oncology focused only. Our future growth in oncology will be very good and particularly since the future of oncology is in molecular diagnostics and in genomics and we are very well positioned. For example, we are the only ones in India with Illumina. We are partnered to do TSO 500 which is even better than the foundation medicine. We are expanding this, in going forward just to talk on a medical side. In the future we won't be talking about breast cancer or lung cancer. We will be talking about genomics specific cancer so, which is not organ specific genomic specific so if you fast forward next 5 to 8 years. So, HCG is very well positioned for the future. If somebody says the future, we say future is here now in HCG. That is how we are very well positioned. In fact, our clinics are now more and more genomic driven clinic and that is why we get good outcomes, very personalized medicine. So, this is a great opportunity, the lab coming back to us in a way for us to drive this and the bio-repository we have, will only enhance but we still collaborate with Strand in the bioinformatics division. There are various developments obviously artificial intelligence is playing a major role. We are looking at that so that we may be able to use artificial intelligence for bioinformatic information. This is how their technology is merging with us to enhance how we can deliver better care to the patients.

Moderator: The next question is in the line of Aditya Khemka from Incred AMC.

Aditya Khemka:

Dr. Ajai, Raj can you guys talk a bit about the new innovations happening in cancer care? I know Dr. Ajai speaks of genomics frequently and that is the new age diagnostic coming in. Also, personalized medicine in cancer seems to be picking up very fast in the Western world. How are you positioned on that side? And lastly in terms of the technology you use which is CyberKnife how does that compare to let's say a Proton therapy and other new kinds of innovations happening in the medical sector on the oncology care side?

B. S. Ajaikumar:

Yes, it's a good question Aditya, thanks and definitely the technology is moving fast in oncology. There are several ways, one is what we call it the Metaverse the new terminology which is virtual. All over tumor boards now, even pre-COVID and particularly post-COVID have become virtual where we are able to conduct patients-by-patients virtual tumor boards with specialists in radiology, pathology and we are mastered the technique of tele-radiology, digital pathology and molecular diagnostics as I said. With all this, what going to happen in which is already happening in a matter of an hour, I will be able to deliver the advice to the patient which used to take weeks if not months in the past. This is one of the major developments which has happened in technology. Going forward, the world has become smaller. The patient could be in Nairobi or in Mumbai or Bangalore. We will get them the advice very quickly. This is going to enhance the presence of HCG globally. This is one and which is already in the works and all this digital pathology, there is specific advice by two pathologists signing off will become a norm. The second thing is in terms of delivery you asked about CyberKnife, CyberKnife has been around for a while. When you compare it to Proton why did we this is my pet project so I will explain to you. Proton therapy has been around since 1975. Because it is like a huge football team where proton is delivered very expensive. Over the period of time the proton has come down, the size of the proton. It became appealing but still costing like \$30-40 million. But when technology like CyberKnife came and we started accepting, it does interrupt fractional correction. Because of that it is equally precise and what is good about Proton, it doesn't treat normal tissue. CyberKnife is also delivering that but in a shorter period of time what we call as radio surgery which is more effective. So, because of this in a way CyberKnife has become more usage wise better indications have better, whereas proton indicators in the past have been only for mainly children to prevent second malignancies because we want to avoid exposure to normal tissue and CyberKnife in a way is achieving the same. Now there is MR-Linac which is coming into the field, we are also looking at that and in future what proton therapy may be looking at is a flash therapy which we feel will be could be the future. It may take another 5 to 8 years where a patient is in treatment only for seconds and the treatment is given. They know you want to give a mega dose in seconds without patient moving, so that could be the future. Also, that is what everybody is working on that even linear accelerator, soft proton and working on flash therapy, so that is where the technology headed. Of course, the robotic surgery is become more precise, that is another area of technology and medical oncology the technology is where we have moved in the research where from chemotherapy; no longer is chemotherapy being discovered invented because in the first 5 years because we were into targeted therapy. We use target therapy for blood cancer if you take, people used to live 9 months, 1 year, today they are living 6 to 8 years with advanced disease because the targeted therapy. This is where all things are moving and

augmented reality where we have difficulty in Tier II cities, we can't perform surgery; the patient has to come or our expert has to go there. Recently we had a case where a patient had a big tumor in the neck, Tier II city, attached to the blood vessels, it only required expertise. So, our doctor from Bangalore had an ex-surgeon, his avatar was there helping the doctor in Tier II city to perform the surgery successfully. That is going to be a future where patients don't have to come. This will make it accessible and bring the costs down also for the patient and the family. We can perform in all kinds of surgery even in Tier II cities and helped the surgeons even in deciding what should be the course of action either for surgery or radiation. So the future is more and more becoming what you call it meta-verse that is where we are headed.

Aditya Khemka:

Secondly the talent has become a big issue in our medical industry and post COVID I understand that any talent has been a challenge and compensation has been a challenge for many employees. Can you talk about how that is playing out for your industry and your company, how are you ensuring retaining talent and hiring better talent and how is it going off for you?

B. S. Ajaikumar:

We have a model for a while which is really mature. Our doctor association is one of the lowest in the industry particularly the expert oncologist and also is trained; see I took the model from MD Anderson may train long time ago. MD Anderson never worried which doctors leave because we were a training school and that is what HCG is becoming. In fact, recently for something close to 20 fellowship programs we had 400 applicants not only in general the oncology but in very highly specialized fields like radiology intervention radiology for two posts we had 40 applicants. We are becoming known not only as a care provider, as training research academic, so attracting lots of talent. That is why even in physics for example we are training programs, so we don't have dearth of physics going into Tier II cities, so one of the ways we have overcome in doctor population is through these training programs where our own trainees will come highly trained and we retain them if you want or go elsewhere, they become our ambassadors.

Similarly, we are doing in nurse training program, nurse leadership program, oncology certified program. So, the two pillars apart from that administration and all in any Institute particularly in oncology or really the medical doctors and the paramedical including nurses. We are well positioned for the next decade or so with this kind of ongoing training program and certificate program. We are also starting in hospital administration very specific to oncology. So going forward and forward we will be doing more and more oncology specific training, so they become well trained and hopefully a lot of them will stay with us as we require. Even in Tier II Tier III cities they can go.

Aditya Khemka:

Can you talk more about the outsourcing of healthcare services to other geographies. You spoke about this briefly about the virtual reality, augmented reality, using those technologies for your doctor to be present everywhere at the same point in time. India is the low-cost destination for healthcare and we see medical tourism today as evidence of that. Now with augmented reality, virtual reality becoming more of exercisable tool becoming more and more relevant. How is it

being there a platform that the company is developing inside? How do you in-licensing technology software that you can leverage to use augmented reality, virtual reality, robotics to your advantage and to outsource healthcare services to other countries with similar procedures are much more expensive?

B. S. Ajaikumar:

Certainly not, right now it is in the very early stage. Once we perfect this augmented reality, we're actually working very closely with Microsoft on this and if we do that and that is the interest of Microsoft also suppose we partnered with them and do that. I think this will be a big blockbuster to say even go to the other emerging markets what you suggested to see if you don't have trained people our people can actually be avatar can be there. Now the avatar was in the past in a cartoon form. Now it is changing to the real human form of the people in the next few months. That will be a big addition. So, if you say Dr. Vishal Rao has to go actual Dr. Vishal Rao will be there in Nairobi. So, this will help us a lot not only saying how HCG is a leader and we know because of this we already have a big leadership position and it will only enhance that. Certainly, we can help this know most of these countries to develop this in a short period of time. As the leap frogging happens very fast in technology. Once we start doing it a leap frog very fast so this will happen.

Another area with great interest technology is data collection. We are working with our other group peer collecting humongous amount of data in oncology for our patients whether it is neck or breast cancer. With this I think we will be able to offer a platform for the pharma companies and others to participate with that in future. In the past as India has been a laggard in data because we didn't have proper follow-up technology to do the follow-up. Today we have, so this will only help us. We are in the beginning of this big revolution I can say in oncology, the things will change rapidly in the next 5 to 10 years. Raj, you want to add something?

Raj Gore:

No, I think you covered everything.

Aditya Khemka:

I just needed couple of more details on the partnership with Microsoft. So while we are partnering with Microsoft, are we licensing software with them? Is it like a joint venture partnership where eventually you will share profits with them or is there to pay a fee for their software? Is there term-sheet signed between you two as to how long partnership will last and what are the terms? I mean I'm just trying to understand the contours of the partnership and how interested is Microsoft in helping you with this project?

B. S. Ajaikumar:

As far as we know this was like a pilot project for them also when they did the study for the first time, they said really in globally they have done and we have an agreement where we'll work with them in oncology. But we are going to how we obviously iterate it more and make sure we worked with them in a collaborative way as we move forward and they have expressed interest. So far in writing we have not done anything, we will certainly work with them. They see interest in us and we see because Microsoft from what I know is spending significant amount of funds for healthcare in this kind of vertical. So, if that is the case then there definitely that interest is

there because of the volume of oncology we have and they can showcase. This is where we are headed and once, we do something definitely will of course inform the investor community on that and we do see a bright future.

Raj Gore:

We have existing partnerships, whether it's cloud, whether it's application and we are evaluating on a certain more areas whether it's CRM etc. So, we have an existing relationship but I think what technology firms look forward to, is how do they take these technologies and do a proof of concept with healthcare players and in oncology space that's where our stand comes in. So, lot of it is taking a concept, taking a technology and find real world applications to it. That's where I think this partnership potential is and we'll see how it goes. We feel there is a big potential and we would love to partner with technology firms to lead on the innovation front.

Aditya Khemka:

But there is no exclusivity here, right? As a Microsoft's software is not going to be exclusive for you as oncology pair, they're free to go to other oncology place and you are free to go to other software providers other than Microsoft?

Raj Gore:

Yes. I think that comes when you really have something that can be commercialized right. That will come into place, now we are open to partnering with anyone and everyone to push the boundaries.

Aditya Khemka:

How far are we from our potential commercialization of such a platform in terms of timelines that, in months, weeks or years?

B. S. Ajaikumar:

I think in 1 year commercialization means we have to define commercialization correctly.

Aditya Khemka:

Or earning the first penny out of such a venture?

B. S. Ajaikumar:

Go and do a procedure, we are more looking at a healthcare patient centric approach. When we go and do a surgery let us say in Cuttack with our experts in Bangalore avatar being there, that we subversive. We are to measure the success rate, how it is spreading out? So, it'll take us a year to know how it is playing out. Only after that we can say how are we going to commercialize it? Because it's like a pilot project, we have to do a pilot project first.

Aditya Khemka:

In terms of the big-data that you spoke to obviously pharma companies will be very interested in oncology data targeting specific genes and creating personalized medicine as you said. I recall you guys had some sort of clinical research going inside when COVID was at its peak. Like you had a clinical program at your hospital, how is that vertical worked out for you and any plans you have on that vertical in terms of helping with clinical research? Can you talk a bit more about that?

B. S. Ajaikumar:

Yes, in clinical research there are two types of clinical research. One is pharma company sponsored CRO and we are now centralizing the CRO working with some pharma companies

which obviously in due time we will give out the names to see how we can expand clinical trial program in a joint way. That is, I think going to go very well in future because of the centralization using our EMR and other things. Second is in terms of investigator-initiated trials there is a lot of openness among the various companies sponsored us to do that and our own doctor's capabilities there also we are going forward. Investigative initiative is lot of interest has been taken by our doctors and our publications himself indicate that. We are one of the largest oncology publishers in India today.

The third area is collecting the data. We are working with the group exclusively oncology with them. Like you asked about exclusivity, this is exclusive. But the data is oncology with us only their work and sharing that data and working on that we'll look at how we can expand research on very patient centric based on this data to create new molecules or understand the disease and based on that new trials new treatment trials could happen. All of this is exciting but it is going to take a next 4 to 5 years before we kind of really exactly get an upper hand on this and able to produce some significant revenue from this. Some revenue is coming in terms of grants working with companies like big manufacturing companies we are getting, but it's very small amount. In the future I think this will expand significantly.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.

Kaustubh Pawaskar: My question is on the CAPEX spent; first half you did a CAPEX of around 18 crores. If I can go through your presentation FY21 the CAPEX was around Rs 35 crores, so should we expect a similar kind of CAPEX for FY22 around Rs 35 to 40 crores or is there anything add-on to it?

B. S. Ajaikumar: We normally do not guide as far as these numbers are concerned, but we will do what is right for my business serviceability point of view and the patient care point of view. We will invest in the right CAPEX.

Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to the management for the closing comments.

B. S. Ajaikumar: Thank you very much and thanks for all the investors for being here and we look forward to interacting with you in the near future as in when we have information as well as a next quarter earnings report. Thanks again for the nice questions and I hope we move forward HCG is very well positioned for move forward. I'm sure you will be hearing a lot about HCG in the future. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Healthcare Global Enterprises that concludes this conference call. We thank you for joining us and you may now disconnect your lines.