"Healthcare Global Enterprises Limited Q4 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Healthcare Global Enterprises Limited. 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. Ravi Udeshi from EY. Thank you and over to you, sir.

Ravi Udeshi: Thank you Faizan. Good evening to all the participants of Healthcare Global Enterprises Q4 FY22 Earnings Conference Call. Today, we have with us, Dr. B. S. Ajaikumar - Executive Chairman; Mr. Raj Gore - CEO and Mr. Srinivasa Raghavan - Chief Financial Officer of Healthcare Global Enterprises Limited along with the top management members to share the highlights of the business and the financials.

Please note that we have uploaded the earnings presentation to the stock exchanges and have also shared the same through our mailers. In case anyone of you has not received it, please do reach out to us and we will be happy to send over the presentation to you. As usual, the standard safe harbor clause applies and without delay, I now hand over the floor to Dr. Ajaikumar for his opening remarks.

B. S. Ajaikumar: Thank you very much, Ravi and welcome to this investor's call and good evening to everyone. HCG has carved a niche as cancer care destination of choice across all key areas of clinical, research and academic excellence. Our phenomenal growth over the years bears testimony to the fact that cancer can be considered just like any other chronic disease, however, it is the only chronic disease which is curable. This year, we have added over 40 oncologists to our growing team which takes our doctors strength to over 450 which is largest in the country in this field of oncology. We continue to employ the latest and most advanced techniques of cancer diagnosis and treatment enabling us to serve a greater number of patients with the objective of quality outcome. In a landmark development, we introduced Microsoft HoloLens, the nexgen holographic headset heralding a new era of virtual reality at our enterprise. Through a pioneering industry initiative, we have brought healthcare training and medical education to Metaverse by publishing over 200 hours of virtual reality content across multiple sub specialties.

Patients, our most important stakeholders. To serve them more effectively, we have invested in a robust digital platform employing cutting edge technologies for end-to-end patient engagement. The crux of our high quality of care across the length and breadth of the country is to ensure the right treatment the very first time for our cancer patients. Going forward, we believe our robust cancer care ecosystem will continue to deliver impressive returns. Cancer therapies are undergoing a defining change over 75 days through innovation and research. Thanks to our enhancement of knowledge and innovations, we are able to relentlessly manage cancer care in a progressive way. Backed by our research labs and clinical trials, we are uniquely positioned to enhance our diagnostic capabilities and offerings, as also redefined precision medicine with end-to-end expertise planning bioinformatics, genomics, and research. This will enable us to deliver tangible patient outcome with greater precision over a long term. Academics and research go hand in hand with patient care and our capabilities in this regard make us the benchmark in cancer care treatment. We are happy to share about our Center of Excellence in Bangalore has been branched number one in the country for outlook. I now turn the floor over to Mr. Raj Gore, our CEO for his remarks.

Raj Gore: Thank you Dr. Ajay for your continued guidance and support to everyone at HCG. I extent a warm welcome to all the attendees and it is great to have this dialogue with you again. We are happy to share that we ended the last financial year FY22 as a great resilient organization on the back of our strong financial and operational performance. We have also strengthened our senior leadership team during that last financial year by hiring the requisite expertise which makes us future ready to effectively implement our strategy going forward. We have embarked this current financial year with a greater ambition and we firmly believe that the collective effort of our team will enable us to achieve our stated purpose of solidifying our leadership position in oncology.

Furthermore, we are happy to share that we have delivered another quarter of sustained performance. This is our fifth consecutive quarter with all-time record revenue and third consecutive quarter with all-time record EBITDA. Our new centers also recorded the third consecutive quarter of positive EBITDA. HCG team's execution focus and hard work were instrumental in achieving these accomplishments and we remain committed to continue driving growth with the execution rigor in future. As stated in our last quarterly call, we are continuing with our journey on digital transformation and operational transformation projects with the objective to enhance patient engagement and experience. We are happy to share that the company had started realizing its initial benefit and we expect that we will realize its full potential in near future. With that, I would like now our CFO, Srini to go over the important financial highlights for the quarter and the year gone by.

Srinivasa Raghavan: Thank you very much, Raj. Good evening to all of you. The highlights for the quarter ended 31st March 22. Consolidated revenue was INR 3,646 million, up 22.3% from INR 2,981 million in the previous year equivalent quarter. International business revenue is steadily growing on quarter-on-quarter basis and is returning to pre-COVID level. Hence it has a substantial potential going forward. Consolidated EBITDA was INR 661 million up from INR 438 million in the same quarter of the previous year, a Y-o-Y increase of 51.2%. Consolidated operational EBITDA was INR 631 million up from Rs. 394 million in the same quarter last year, a Y-o-Y increase of 60.4%. The existing center's operating EBITDA was INR 610 million up from INR 440 million in Q4 FY21 that is 39% increase Y-o-Y resulting in 22% operating EBITDA margin. This has been achieved by vigilant control in operating expenses resulting in consolidated operating margin being at 17.3%, an expansion of 410 basis points from 13.2% the year earlier. The operating profit for new centers was INR 21 million compared to a loss of 46 million in the corresponding quarter of the previous year. Recorded PAT was a profit of INR 60 million compared to a loss of INR 1,022 million in Q4 FY21. Proforma operating EBITDA was INR 676 million compared to INR 394 million in the corresponding quarter of the previous year.

Proforma PAT was INR 67 million as compared to a loss of INR 155 million in the corresponding quarter of the previous year.

I would now like to give a context to the said proforma PAT in Q4 FY22. There was an impact of a one-time trajectory of INR 25 million for support on value creation plan, ESOP scheme expense of INR 19 million and BTA recognized on tax expenses through the year on account of discontinuation of Kochi project INR 25 million.

I now request your attention to Slide #32. FY22 revenue grew by 37.9% Y-o-Y. HCG centers grew by 37.8% and Milann centers by 39.8%. FY22 operating EBITDA of existing centers was INR 2,308 million, 21.5% margin versus 17.4% margin in FY21. New centers witnessed an EBITDA INR 72 million versus a loss of INR 157 million in FY21.

I now request your attention to Slide #33. The revenue split for our business is 96% contribution by HCG Center and 4% by Milann Center. Within HCG Center, Karnataka's contribution to the revenue is 36% followed by Western India comprising of Gujarat at 26% and Maharashtra at 17%.

I would now like to draw your attention to Slide #34 of the presentation. Strong growth in revenue continued across centers in four quarters of FY22. Jaipur delivered 220.7% Y-o-Y growth, South Mumbai delivered 89.2% Y-o-Y growth, Nagpur delivered 49.3% Y-o-Y growth, Ranchi 41.4% Y-o-Y and HMS 38% Y-o-Y. Revenue from new centers was INR 826 million in quarter 4 of year 22 versus INR 535 million in quarter 4 in FY21 which is the growth of 54.3% Y-o-Y. The existing centers recorded the healthy revenue growth of 15.6% in quarter 4 of FY22 on a Y-o-Y basis.

Moving onto Slide #35, increase in average occupancy rate in quarter 4 FY22, Y-o-Y basis of 59.9% versus 54.1% at a consolidated level. For existing centers, occupancy rate was 59.1% versus 55.5% corresponding quarter of last year. Increase in existing center ARPOB in quarter 4 FY22 was INR 39,725 versus INR 35,545 which is 11.8% Y-o-Y growth.

Looking at key geographies in Slide #36, in Karnataka region, our Center of Excellence performance in Q4 with revenue growth of 39.6% Y-o-Y, Center of Excellence ARPOB was INR 56,800 versus 48,800 in the corresponding quarter last year and 25.8% operating EBITDA margin. With respect to Gujarat region, we had a strong revenue growth in Q4 FY22 on a Y-o-Y basis with oncology revenue growing by 33.2% and the multispecialty revenue increased by 28%. As stated in previous call, multispecialty has resumed its growth trajectory. With respect to Maharashtra region, new centers grew by 79.3% Y-o-Y, South Mumbai BAU revenue continues to grow. For East India, existing center's revenue grew by 34.1% Y-o-Y. In Andhra Pradesh, we have witnessed a strong revenue growth across the region, Vizag and Vijayawada delivered a growth of 45.2% and 26.9% Y-o-Y respectively.

Coming to Slide #37 covering key highlights of Milann Fertility business. Milann demonstrated good recovery in Q4 FY22 across all metrics. New center's revenue grew by 45.3% Y-o-Y. There was a big improvement in digital traction as a result of continued efforts on our digital campaign and with focus on strengthening clinical talent across Milann. Milann is looking to consolidate and focus on market leadership in Bangalore and scaling up North Indian business in near term for Milann going forward.

Coming to Slide #38 with respect to the CAPEX table, we have implemented judicial control measures with respect to both routine and growth CAPEX with most of our expansion completed. Total CAPEX for FY22 was INR 704 million. With respect to the net debt, as on March 31st, total debt was INR 1,901 million which is a reduction compared to the previous quarter of INR 2,025 million.

I would now like to hand over the call back to Ravi, please.

Ravi Udeshi: Thank you. We will now start the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kaustubh Pawaskar from Sharekhan by PNB Parivar. Please go ahead.

Kaustubh Pawaskar: Congrats good set of numbers, sir, I have a question on the EBITDA margin, so we have reached operating EBITDA margin of more than 17% in FY22 and I guess that was in line with what we were expanding for, so in coming year, considering the fact that now, even the new centers are acquiring consistent EBITDA for last few quarters and our occupancies on ARPOB were also improving, so going ahead, where do you see this EBITDA margin ranging up?

Srinivasa Raghavan: Yes, we have recorded a good EBITDA margin of about 17.5% in the current year and we expect to kind of maintain this kind of a margin and likely to improve in the coming quarters as well. It will be driven by various factors, one is of course the growth in revenue, the mix of revenue and of course trajectory of the new segment growing in the right direction that will help us to improve the overall EBITDA margin.

Kaustubh Pawaskar: My second question is on Milann, so this year we have clocked around 28% growth in the registration, now scare of COVID has almost receding, so correct me if I am wrong, so considering that should we expect this registration number to go up in FY23 and FY24?

B. S. Ajaikumar: Yes, certainly we expect the numbers to go and after the downturn in COVID, we have recovered, we really look at a very healthy growth going forward.

Kaustubh Pawaskar: And on CAPEX, beyond our expansion in Milann, anything specific you would like to highlight for FY23-24?

B. S. Ajaikumar: As we said, we are in a consolidation phase this year, we are not going to look at any other expansion, particularly any Greenfield or anything, so at this point our board has taken a decision to primarily look at consolidation, but strategically we may do something. As and when we do, certainly we will report it.

Kaustubh Pawaskar: So, our depreciation should remain at current level, whatever the quarterly, we are achieving at around Rs. 41 crores kind of depreciation, so it should remain into that range, right?

Srinivasa Raghavan: It should be in similar level in the current year.

Moderator: Thank you. The next question is from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

Vikas Mistry: Congratulation sir on good set of numbers, I have a couple of questions, specifically on registrations as we are trying to expand into tier 2, tier 3 towns, so what will be the strategy to drive registrations and making affordable cancer care to every person?

B. S. Ajaikumar: We are actually now, HCG is possibly one of the groups, only one may be which has penetrated to tier 2, tier 3 cities, not just putting linear accelerator or that is a comprehensive cancer center and we are certainly once the consolidation phase is over because this 22-21 oncology centers, we have taken a decision to consolidate. We will be certainly looking in future at more centers in tier 2, tier 3 cities. It could be either in the form of, mostly in the form of maybe acquisitions, so as the time comes, but at this point I want to reiterate that we are looking at more consolidation bringing them to maximum capacity utilization and at that point we are now going through as we explained through digital and through transformation and sales, we are looking at increasing the capacity of each center and that is where we are focused on, that is where Mr. Raj Gore is focusing on existing, so we will certainly look at where we should go in some tier 2 tier 3 cities once the consolidation phase is over.

Vikas Mistry: Sir, my next question is on the digital initiatives that you described in opening remarks, so as we tried to expand into tier 2, tier 3 cities, then how will operating leverage play out by using the different initiatives and intensity of CAPEX for the new centers or may be small expansion, how the payback period will reduce and how it really perform, what is your opinion on that?

B. S. Ajaikumar: Look, the digital initiative is aimed at 2-3 things, one is create HCG's brand awareness online digitally, create leads and therefore drive footfalls. As that happens, the revenue will keep growing and we feel we will get pump in our revenue growth and as that happens, all financial ratios will automatically improve.

Moderator: Thank you. The next question is from the line of Anurag Jain from Green Lantern Capital. Please go ahead.

Anurag Jain: I had a couple of questions, one was just a follow-up on the previous question itself, so by when do you think these digital initiatives should start delivering results for us?

B. S. Ajaikumar: Yes, it has already started, last few months, we are seeing an increase in our traffic on our website, leads that we are getting, the conversion that is happening, I think the journey has started, I think each month will keep improving it and we look forward to reporting you specific numbers in coming future.

Anurag Jain: The other thing was on international patient, you did mention that they have normalized to pre-COVID level, can you share what percentage are they now? What rate are they growing and how much more do they contribute to profitability versus normal patients?

B. S. Ajaikumar: It is a good question, international we feel is a very good opportunity for HCG because we have clearly differentiated product for that market. Unfortunately, through the year, as soon as we started showing progress, the COVID wave 2 came, then it dipped again obviously, then again we picked up, then in January, I think November-December we reached to pre-COVID level on a monthly basis. Then again January-February we had an impact, March we ended up at a higher level than pre-COVID level at about 4% of our topline and we are very encouraged with it and we are hoping that we will continue to grow that percentage in the coming year.

Anurag Jain: Because I think full-fledged flights were started only sometime in March, so this should substantially improve, right?

B. S. Ajaikumar: You made a very important point; I think the sky opened all out in first week of April and in spite of that the March for us the highest ever month above the pre-COVID level. We are really encouraged with how resilient our capability is to pulling patient from all corners due to our differentiated product and outcomes and this is something that we are really looking forward to in the coming year.

Anurag Jain: And in terms of profitability, they would be adding a couple of percentage points more than….

B. S. Ajaikumar: Logically, it is a higher margin business and as that share of revenues grows up, it will reflect in higher margins.

Anurag Jain: Just last question from my side and this is on the occupancy of onco hospitals in general, so compared to a multispecialty, there is a gap as to how much onco hospital can get occupancy at the peak level, what is your sense, how much, for example, Bangalore Center of Excellence was the peak of occupancy that we can reach and at that level, what is the kind of margin which is possible?

B. S. Ajaikumar: As you know, our verticals of oncology, diagnostic, medical, radiation and surgical, only the surgical vertical requires overnight occupancy in most cases and that also the length of stay is coming down as we are using more and more minimally invasive and robotic techniques. In spite of that you have seen very big jump in the current year in our occupancy because our volumes are growing and I think going forward, I don't see it as a constraint in our growth in near future in next couple of years and I think that is probably the upside that we don't need to worry about capital spend on expansion or addition of capacity.

Anurag Jain: So, essentially occupancy may not be like a very high number 70% or so, but we will still reach a margin which should be comparable to the multispecialty?

B. S. Ajaikumar: Absolutely.

Moderator: Thank you. The next question is from the line of Ankit Agrawal from Yellowstone Equity. Please go ahead.

Ankit Agrawal: My first question is on the Ahmedabad center, are we doing any kind of renovation or expansion there?

B. S. Ajaikumar: Yes, in Ahmedabad center, it has been there for last, almost over 10-11 years and we have reached the capacity there and because of the type of surgery we do there strong surgical group as well as medical oncology and radiation, we actually announced this few quarters ago also that we are now building a Phase 2, a new dedicated cancer center work have started and with that work we expect major part of our oncology will be done there and as we know the Ahmedabad center is very surgical oncology focused with Aastha Group with 16 surgeons there. So, with this, we expect this new center to take place around 2024 and work is done and yes, we are doing that at this point.

Ankit Agrawal: Just a follow-up with that, what is the kind of CAPEX involved and are we doing in the same partnership like the one we have like with Aastha?

B. S. Ajaikumar: Yes, certainly we are doing with same partnership and some of the CAPEX obviously what we have will be used there and there is an additional CAPEX which is involved.

Moderator: Thank you. The next question is from the line of Praful from BPS Group. Please go ahead.

Praful: So, the question is on East India, I am looking at Slide #36 for East India region, I am looking at the growth for the region compared to the growth for the existing centers, so the existing centers have grown slightly more than the region itself, so 34.1% compared to 33.9% for the region?

B. S. Ajaikumar: Yes, look Kolkata center has also grown in the similar line, it is slightly lower than our existing center, but Kolkata center has also grown about 33%.

Praful: Correct, so my question is that the internal margins of because the new center, I am assuming that is the reason margin for East India pretty less compared to other region, so is it that going forward the margin for East India will also improve with the more like Maharashtra region?

B. S. Ajaikumar: So, Praful, as you know Kolkata is our newest center, we just opened it prior to COVID pandemic, so it is still, we are still working on turning it around in terms of breakeven. As that happens, this region will also start showing higher EBITDA margin going forward.

Praful: Other question is just to understand again I am looking at the same slide, so the average revenue per operating price, so like Gujarat, Karnataka it is very high over the centers are more matured compared to like Maharashtra and other region, but once these existing centers also mature, then by region also do we see that the ARPOB pretty much similar or are there is still regional flavor where Karnataka will always have a higher ARPOB compared to East India center?

B. S. Ajaikumar: It is a factor of couple of things, one is Bangalore and Ahmedabad are matured centers and centers of excellences, so they have a higher cash business, they do more complex high and high realization treatment. Bangalore gets more international patients. So, because of that mix their ARPOB is higher. Now, going forward, we feel that Mumbai and Kolkata, both fit that profile and we expect them to move on a similar lines as Bangalore as well as Ahmedabad. They both are bigger cities, affordability is better, their mix can be better, their ability to attract international patients due to their connectivity across the world is better. Therefore, we expect those two cities under those two regions, also to move in a similar direction.

Praful: Just last question on the cash on the balance sheet, so we are on Rs. 200 crores cash, so in terms of from this year, is the plan to use, to utilize the cash to just retire some of this or are we looking at some other inorganic growth or some other capital allocation for this?

Srinivasa Raghavan: No, the debt would get retired by our free cash flow generation in the business and that is the way debt will get retired. Cash would be used for activities, various growth activities in terms of asset requirement or for any inorganic growth supporter.

Praful: And sir, lastly on the CAPEX, so there is Rs. 70 crores CAPEX in FY22, so for FY23, is there any guidance like will the CAPEX be a similar amount and I think even more of like a maintenance CAPEX and growth CAPEX?

B. S. Ajaikumar: As you can see the CAPEX in FY21 was very low than CAPEX in FY22 and as we move forward, we have taken a position of consolidation only, so for this year also the CAPEX will be mostly replacement CAPEX and in the Center of Excellence bringing in new technology, those will be the new CAPEX since we have not planned for any other Greenfield project for us. So, except for Gujarat which I already stated, there will be some CAPEX allocation this year and as we go to next year and year after, there will be CAPEX for the new centers which is coming up in Gujarat. Apart from that, we don’t see any other new CAPEX coming.

Raj Gore: The only thing I would like to add to Dr. Ajay said is our focus since we are in a consolidation hit, our CAPEX focus will also be to drive the growth of our existing hospitals.

Moderator: Thank you. The next question is from the line of Bharat Celly from Equirus Securities. Please go ahead.

Bharat Celly: Sir, just wanted to understand on our Center of Excellence, so what sort of ROCE return profiles we have for this center, if you could provide any color on that?

Raj Gore: So, our Bangalore Center of Excellence will be around 25-26% ROCE.

Bharat Celly: And sir, will it be similar for something like Ahmedabad as well and you will be trying to build similar for Mumbai as well as Kolkata?

Raj Gore: Ahmedabad is actually higher than Bangalore, it is close to 30% ROCE. It is higher than the Bangalore center.

Bharat Celly: Sir, just wanted to understand on that note only, so we had been focusing a lot on tier 2, tier 3 cities lately, so when we go for these settings do we work around considering that the CAPEX involvement is relatively lower than what we will require in these tier 1 cities and on the top of it, even the ARPOB will be relatively lower, so how we look at these ROCE when we move to tier 2, tier 3 cities?

Raj Gore: I think the uniqueness of HCG has done is the business model is viable, scalable, in big cities as well as smaller cities. Some of our tier 2, tier 3 existing centers delivered EBITDA margin in mid 20s. They have ROCE above 20% because the model is evolved like that. We still invest the contemporary modern medical equipment in those cities, but our focus is little different there, our cost structure is little different, so we end up having EBITDA margins and ROCE in a similar level even in tier 2, tier 3 cities.

B. S. Ajaikumar: No, I just want to add, see the important thing to remember here is ROCE for mature centers even in tier 2, tier 3 cities will be in the high teens or even more in 20 which is there at the unit level. So, we are able to achieve that even with the ARPOB as you said, the reason ARPOB may be lower like we explained before is because we have technology, but not the highest technology, Center of Excellence will have more, naturally the ARPOB will be more, but it is differential some points is there, but still even which is one of the achievement of HCG in tier 2, tier 3 cities, unlike some belief that in tier 2, tier 3 we cannot achieve, we have been able to successfully achieve, as Raj Gore said, good EBITDA, good EBITDA margins and ROCE for mature centers. It is a function of two things, one is lower cost structure because we are in tier 2, tier 3 cities and higher asset turnover.

Bharat Celly: So, just on higher asset turnover, sir, just wanted to understand, obviously COVID was the time when we were seeing lot of disruption, a little travel and many people would have been going to the nearby hospital for their radiation process, but since the lockdowns and things have been started getting normal, so how do you see the patient flow, do you expect some cannibalization happening or the people moving from tier 2 to going for treatment in Center of Excellence, so that sort of trend can merge again or how do you look at and what will be the key area, why patients will come to tier 2 hospital rather than going to our Center of Excellence?

B. S. Ajaikumar: Yes, you are absolutely right, during the COVID time we saw reorganization of the patient. When our footfall fell in our major centers at that time, we saw the footfall actually increase in tier 2, tier 3 cities as you said going to nearby centers, but one of the positive things which has happened for HCG is our main centers in cities have got back to pre-COVID level or even higher now and also our tier 2, tier 3 cities have continued to grow and possible reason could be patients now have better awareness about healthcare, the COVID could have created that awareness, so people are looking to come to centers which are dedicated like oncology centers for focused care and all. This could be the reason we are still collecting the data because we thought at one time it could be the previously health patients who are coming forward. It is not so, actual footfall month on month it is increasing, so we feel that the reorganization happening, where people are seeking better healthcare and coming across to centers like HCG. Raj, you want to add anything.

Raj Gore: And also in addition, being a Center of Excellence, our main centers in big cities offer certain differentiated products like Cyberknife, like Robotic surgery, like BMT, complex surgery, and that will continue to draw patients from all part of India irrespective of this demographic flow pattern changes because those are differentiated products for which the tier 2 and tier 3 cities, even big cities may not have them available easily. In fact, our market share in big cities has actually grown post COVID.

Bharat Celly: Sir, just wanted to understand on one part, sir, what is exactly the things we are doing to actually increase awareness in these tier 2, tier 3 cities, especially when there is a case that the overall insurance penetration is on a lower end? The second part to it I want to understand is how easy it is to find a surgeon or a doctor of an oncologist in a tier 2, tier 3 cities where we have seen over the past that the skewness towards metro or tier 1 city?

B. S. Ajaikumar: No, as I said we have recruited 50 plus oncologists itself in the recent past and one of the things we have our own training program, residency program, approved program, DNB program and because we train them in several centers, some of them may be coming from Ranchi, Cuttack and areas, so we push them. The other thing is, when you just look at oncology practice in the past, doctors would like to have technology, doctors would like to have ability to be empowered and runs in the infrastructure. Because these infrastructures are lacking and people like Ranchi, Cuttack or Ongole, people were moving to big cities. So, one of the things we are seeing is if I am from Cuttack or Ranchi, I would like to go back and realizing that infrastructure is there, oncologists are moving back, so this kind of reorganization is also happening. Because of that we are very happy to say that most of our centers are fully staffed with radiation, medical and surgical oncologists, sometimes even like Cuttack center has several surgical oncologists, several medical oncologists and radiation and when we first started, we didn't have a single medical oncologist years ago, in 2008-2010. So, there is certainly change happening and people are looking at technology infrastructure, of course, HCG brand name and all to be part of it and that is what driving people to come and be there in these cities.

Raj Gore: And coming back to the awareness if you look, we all know urban rural disparity in health infrastructure in India, the demand supply gap even higher in tier 2, tier 3 cities. Historically, these patients would have to go, travel several 100 kilometers and stay for few weeks in big cities. We have had our first move or advantage we invested in a comprehensive cancer center in this location. So, I think just by having that demand supply gap and we providing that comprehensive treatment there, it has never been a challenge to create awareness and have patients coming to us.

B. S. Ajaikumar: And another thing is we have multidisciplinary clinic using the, for example, information technology, video conferences and all, we have been to link telemedicine, teleradiology, we are the pioneers in the digital pathology, telephysics planning, all of this has helped us to give the same level of care to patients in tier 2, tier 3 cities even though they may not come to tier 1 city. That word also has gone, so that patients are feeling comfortable staying in those cities themselves.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, I just have a couple of questions around the Nashik Hospital, can you just help me understand, what is the structure of the partnership in Nashik and how has the business done over the last couple of years?

B. S. Ajaikumar: The structure of the partnership, it is a partner with Raj Nagarkar where we are 51%, he is 49% and as you know Nashik started as a small center in 2009-2010 when we became partners in non-surgery and few years ago, we decided to become partners with a new center, 220 bed center and we are doing very good with the topline growing and I think even with the new centers, they have really come up to mark and we have put in new technology, almost free linear accelerators, PET scan, the center is certainly growing and there is lot of clinical trials happening and we are definitely going to see a good growth there.

Nitin Agarwal: Sir, in this context, how could you read about this announcement about Dr. Raj Nagarkar tying up with KIMS Hospital?

B. S. Ajaikumar: Yes, I will explain this. See, Raj Nagarkar is an ambitious surgical oncologist and he had necessary area, he wanted to come up with multispecialty hospital and he approached us to see whether we could partner, but as you know we are a very focused in oncology and we made it very clear in Nashik area, we would like to remain focused in oncology, so we gave him the liberty to see what he would like to do in the multispecialty. So, he really chose the partner with KIMS where from our understanding, he is also a partner like what we have with our HCG group. So, at this point, that is what announcement and he also called to say that he is doing it which was okay with us.

Nitin Agarwal: Sir, you don't see any challenge there?

B. S. Ajaikumar: I just response to that, there is a non-compete wherein oncology only with us, so they cannot do an oncology and Raj Nagarkar is fully dedicated to us as surgical oncologist, so he said he is going to be only a passive investor and partner there in terms of multispecialty. The entire management from what he said will be run by KIMS, but oncology is completely excluded from that and we are comfortable with that.

Nitin Agarwal: And sir, on the Borivali hospital, how is that ramped up, is it now that to Mumbai hospitals, South Mumbai and in Borivali, are they both in the territory now?

B. S. Ajaikumar: Yes, Mumbai has been a good improvement this year. Our domestic business has grown, our international business is significantly growing up last few months both for Kolaba as well as Borivali. We have done several corporate TPA insurance, PSU empanelment's and you will see that we will continue to ramp up our Mumbai business in this year.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one, Raj, Dr. Ajay, 38% growth this year, if I do a 2-year CAGR it is about 12%, so just to help us understand what is the revenue growth outlook for fiscal 2023, if there is some, directionally if you can help us and if you can also help us break it down into what do you think about ARPOB, we have seen about 11-12% growth this year and also existing plus new centers, so how should we look at fiscal 2023 revenue growth outlook?

Raj Gore: Shyam, as you know this growth is year-on-year and prior year we had a severe lockdown and I think that is the higher growth of 38% is also function of separate number due to COVID lockdown during the prior years, however, I think if you look at our recent quarters, we feel that we will continue our growth momentum. Both existing centers, new centers we have shown growth on both sides and we are pretty confident that we will continue to grow. It is just that 38% is a function of separate growth in the prior year.

Shyam Srinivasan: Correct Raj, that is why I said 2-year CAGR of 12%, do you think that is the number like to low teens to mid teens, do you think that is the growth we should look at for the path forward, I am not looking at just fiscal 22 or 21?

B. S. Ajaikumar: CAGR 12%, we are confident continuing that momentum, probably our aspiration is to be it that number.

Shyam Srinivasan: And how would you split that into ARPOB, ASP versus say volumes, how should we understand that, is it going to be, can we still do this 12% ASP increase that we have seen year-on-year over year even in existing centers, do you think the environment either competitive or regulatory, does it allow us for price increases, how much more mix change can we drive in the ARPOB?

Raj Gore: I think ARPOB will continue to drive growth about 3-4% and rest will come from volume.

B. S. Ajaikumar: And the other thing is regulatories now are not really in the last 2 years have not come in the range of any interfering with our price and at this point, we don't see any because all the drug issues were now behind us, so hopefully we are hoping there won't be any more of these issues going forward because of it has been beaten down significantly at this point.

Shyam Srinivasan: Raj, the 3-4% is the price hike or is it the mix change?

Raj Gore: It is both, in our mature existing centers, we are optimizing our mix, not just payer mix, but also the modality mix, going towards more higher end treatments in radiation etc., in chemotherapy, so that is the combination of both, price in terms of realization, in terms of payer mix as well as moving towards more higher end modalities of treatment.

Shyam Srinivasan: And second question is on similarly your margin, again we have done margins 2-year CAGR of 17% so higher than revenue growth and to help us benchmark it now, you have existing centers which are north of 20%, you have new centers which are below this number, you have Center of Excellence at 25%, so do we think like a 50 or 100 basis points at least from the oncology side keeps going higher and higher based on what our operating leverage or you think there is a change for us to do higher than 100 basis points and what could be some of the levers on margins?

Raj Gore: I mean we would like to go for a higher margin going forward, as I mentioned, as we covered in previous calls as well as this call, look our payer mix is improving, our international business is improving, our new centers in Mumbai and Kolkata are improving. As the new center bucket grows as our share of revenue from big cities grows, it will all be EBITDA margin accretive going forward, so we are pretty optimistic that we will continue to grow in our EBITDA margin percentage going forward.

Shyam Srinivasan: Last question is on competition, you have reported very sound numbers, margins are improving, you are also picking up some this is like a renewed refreshed thing that key hospital chains are going to look at oncology again, are you seeing any increased activity on the ground in terms of multispecialty starting to increased focus back on oncology or you think large enough market, you have penetration in rural which may not necessarily, so how should you look at competitive dynamics and how your footprint is versus others?

B. S. Ajaikumar: Shyam, I think as far as competition, as you know this question comes up quite frequently and we see nearly now 120,000 new patients a year, so there is no other similar organization in India, so many comprehensive cancer centers, particularly the footfall in tier 2, tier 3 cities, we really don't have any other peers, so we really feel as far as the competitors you also are right, there is enough work for all of us to do, but at the same time, if you look at our market share in a city like Bangalore or in Ahmedabad it is only increasing from where we started even a year ago, two years ago, so with all this, we are very confident, we are taking market share, we are growing and I don't think there is an issue for us, we want to remain a focus facility approach, focused on providing the right scale to the patient, focus on the first time right treatment, outcome, research, academics, all of these, when a cancer patient comes what do they look at, really outcome, how am I going to do, word of mouth and the digital initiative which we have taken, all of that will only add to our growth. So, I don't think that will an issue and Raj, you have anything to add.

Raj Gore: I think the best way to test this hypothesis is look at our Center of Excellence or our key market in Bangalore, this is a hypercompetitive market with most big players having multiple hospitals with oncology focused and over the last 2 years, we have grown our market share by 2% and that is the strength of the differentiated product we have, the outcomes we have and the strength of the brand. So, I know that everyone is focusing on oncology, but we are confident that we will continue to solidify our leadership position in this specialty.

Moderator: Thank you. The next question is from the line of Bhagwan Chodhary from Sunidhi Securities. Please go ahead.

Bhagwan Chodhary: Sir, can you please say what was the average occupancy rate in the quarter and what was the ARPOB in the quarter?

B. S. Ajaikumar: Center of Excellence had ARPOB of INR 56800.

Bhagwan Chodhary: I am asking for Q4 for the consolidated number?

Srinivasa Raghavan: Are you asking for only Center of Excellence?

Bhagwan Chodhary: No, I am asking for the overall.

B. S. Ajaikumar: INR 36,697, so 36.7 K in Q4 ARPOB and occupancy 60%.

Raj Gore: Occupancy is 60% and ARPOB little less than INR 37,000.

Bhagwan Chodhary: Sir, I asked this because this number INR 36,697 you had mentioned in that presentation that is for the year, so it is for the year or it is for the quarter?

Srinivasa Raghavan: For the quarter, it is INR 38,805.

Bhagwan Chodhary: So, sir, my next question comes that for the entire, all the four quarters when I am looking the ARPOB it is INR 37,000 plus while for the year this INR 36,700 number is for the year, so it is lower than even average of all the quarters?

B. S. Ajaikumar: The first quarter was lower, first quarter was around INR 36,000.

Bhagwan Chodhary: And sir, secondly, just one more question, this is on the margin side, in the last 3-4 quarters, our margins are almost stable around 17 point something, I am looking by putting the other income out, so how do you look it going forward, means for the FY23 and FY24, do you have some number in the mind that we will have towards this?

B. S. Ajaikumar: So, we covered it in our initial thing, we are investing in our future growth. Part of that is our value creation plan which is our digital transformation journey, so that is the investment we are doing today for the future growth, future margin accretion. It is the function of that.

Bhagwan Chodhary: So, that investment will continue in the coming year?

B. S. Ajaikumar: I think we will complete our transformation project this year.

Bhagwan Chodhary: So, will there be some improvement in the margins or by some number?

Srinivasa Raghavan: Yes, I think we answered this question earlier, yes, you should kind of start seeing improvement in margin driven by the new centers growth, some of the value creation activities we are taking place and of course we increase in the international business as well. All this look kind of help in driving the overall margin in an upward trend.

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

B. S. Ajaikumar: Thank you very much, thanks for all the investors who have been on the call and once again thank you, wish you all the best. Thanks again for the HCG team today. Thank you.

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