February 16, 2023

National Stock Exchange of India Limited,
Compliance Department,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai - 400051,
Maharashtra, India

BSE Limited,
Compliance Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001,
Maharashtra, India

Dear Sir/Madam,

Subject : ***Transcript of the Earnings Call held with Analysts/Investors on February 09, 2023***

Stock Code : ***BSE – 539787, NSE – HCG***

Reference : ***Regulation 46(2)(oa) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015***

Please find attached herewith the Transcript of the Earnings Call held on February 09, 2023, with Analysts/Investors to discuss the Unaudited Financial Results of the quarter and nine months ended December 31, 2022.

This is also available on the website of the Company www.hcgoncology.com.

Kindly take the intimation on record.

Thanking you,

For **HealthCare Global Enterprises Limited**

SUNU MANUEL ABEY
Digitally signed by SUNU MANUEL ABEY
Date: 2023.02.16 12:06:10 +05'30'

Sunu Manuel
Company Secretary & Compliance Officer

“Healthcare Global Enterprises Limited

Q3 FY '23 Earnings Conference Call”

February 09, 2023

MANAGEMENT: **DR. B.S. AJAIKUMAR – EXECUTIVE CHAIRMAN – HEALTHCARE GLOBAL ENTERPRISES LIMITED**
MR. RAJ GORE – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – HEALTHCARE GLOBAL ENTERPRISES LIMITED
MR. SRINIVASA RAGHAVAN – CHIEF FINANCIAL OFFICER – HEALTHCARE GLOBAL ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, welcome to the Q3 FY '23 Earnings Conference Call of Healthcare Global Enterprises Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

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 star then zero on your touchtone phone. Please note that this conference is being recorded.

Now I hand over the conference to Dr. B.S. Ajaikumar, Executive Chairman of Healthcare Global Enterprises Limited. Thank you, and over to you, sir.

B.S. Ajaikumar: Thank you and good evening, and welcome, and a warm welcome to all present on the Q3 FY '23 Earnings Conference for Healthcare Global Enterprise. Today, I'm joined by Mr. Raj Gore, our Whole-time Director and Chief Executive Officer; Mr. Srinivasa Raghavan, Chief Financial Officer, besides the few members of the senior management team to share our operation and financial highlights for the quarter ended December '22. HCG has been not only a cancer destination for critical services but also a destination in research and academic excellence.

We have been being very successful in gaining our hub-and-spoke model across the country and I'm happy to report that we have made long strides in academics and research where we nearly have 150 students strength present spread across -- so we have been very successful in creating a hub-and-spoke model across the country, and I'm happy to report that we have made long strides in academics and research where we have nearly 150 students at present spread across various oncology programs in Bengaluru and nationwide.

Recently, we have published the third edition of the dedicated journal named Precision Oncology, talking about the closing gap in cancer care, including 1 of the kind general called antimicrobial policy in cancer management with our own data, which will help to treat cancer patients with infections the right way for the first time in our own country.

We have collaborated with Intuitive to augment the accessibility of new-age surgical technology and robotic-assisted surgery across India, including non-metro cities by now going in the installation of the fourth-generation da Vinci surgical robot US-based Intuitive in Vadodara, Mumbai, Kolkata to make this technology accessible to a wider population in the country to further yielding fruitful results with better clinical outcomes. Our Ahmedabad center, I'm proud to say, has completed 700 robotic surgery, GI and hepatobiliary thoracic oncology department completed 500 robotic surgery, possibly the highest type of surgery in the country as far as we know.

In the academic and research, we are proud to announce that our doctors, Dr. Lohith Reddy and Dr. Krithika from Bangalore have been named in the prestigious National Cancer Institute of

USA. as working committee members in their immune division. This kind of recognition is taking HCG to newer higher levels globally. In clinical trials, we have been one of the few in the Phase 1 trials and several other investigator-initiated trials are also ongoing. There are many more studies in the pipeline go through a lot of iterations and the guidance of our solid ethics committee.

We have taken a leadership role in genomics-driven tumor boards and profile complete 500 gene sequencing for over 1,500 patients, which is the largest in the country to the best of our knowledge. This has given insights into patient-centric approach, particularly for advanced and recurring tumors, not only from India, but from Africa and Middle East, making HCG a destination of cancer care. With a wealth of data emerging from cancer genome studies and data lake, which we have created, we feel this is just the beginning of our journey in the precision medicine trying to win the war on cancer, not only in early stage, but in advanced cases to convert cancer to chronic disease.

I now hand over to Raj Gore to take you through the strategic initiatives and financial highlights. Over to you, Raj.

Raj Gore: Thank you, Dr. Ajai. A very warm welcome to all the participants on the call. 4th February was the World Cancer Day, and this year's theme was Close the Care Gap. Being an oncology player, I would like to spend a couple of minutes on this important matter. The global burden of cancer is growing steadily. India is no exception to this trend. More people died due to cancer than COVID in last 3 years across the world. In 2020, there were 8 to 9 lakh deaths due to cancer in India, an estimated economic burden in terms of GDP losses is in the range of US $11 billion, that is 0.4% of national GDP in 2020.

I would like to highlight four major gaps in India that we must address. First, awareness and prevention gap. While awareness levels about tobacco-related cancers is high in India, we still need to create awareness about other risk factors such as HPV, alcohol and obesity and drive implementation of prevention measures. Number two, screening and diagnosis gap. Only 1% or less than 1% of India's population is covered under screening programs for major cancer types, such as oral cancer, breast and cervical cancer, and more than 2/3 of cancer patients get diagnosed late at advanced stages of the disease. Number three, access to treatment gap. Population living in more than 70% districts in India do not have access to comprehensive cancer centers.

Of the 480 comprehensive cancer care centers available in the country, about 40% are concentrated in metros and state capitals. We need to add another 570 comprehensive cancer care centers by 2030 to meet the demand. Fourth, outcome gap, challenge of growing incidences is further intensified due to suboptimal outcomes compared to global counterparts across all major cancer types, due to all other gaps. While these gaps and challenges seem daunting, together, we can change that by forging alliances, uniting our voices and taking action.

HCG has been a pioneer and the leader in addressing all these gaps with our 21 comprehensive cancer centers, largest in India. With 2/3 of these centers in nonmetro locations, we have been making quality cancer care more accessible and affordable in India since our inception. We have not only provided latest technology and treatments available across the world, but also been able to deliver outcomes compared to leading institutions across the world at a fraction of cost as acknowledged in a Harvard Business case study.

Coming back to the quarterly performance. We are very happy to report yet another strong financial performance for quarter ended December 2022. We have continued our streak of highest-ever revenue for the eighth quarter in a row and highest-ever EBITDA for 7 quarters in a row now. Our consolidated revenue for Q3 FY '23 stood at INR 425 crores, growth of 19% year-on-year. Over the last few quarters, we have been regularly informing you about our efforts to drive growth on several fronts, like enhancing our clinical services portfolio, increasing our clinical bandwidth and our go-to-market initiatives to increase reach, online and offline, retail and institutional accounts, domestic and international funds.

We are making encouraging progress on all these fronts, resulting in a steady growth in new patient registrations, higher utilizations across all modalities of treatments across metro and nonmetro markets. In our emerging geographies, our priority is to create scale and grow revenue with an objective to improve capacity utilization and create higher visibility for HCG. In this regard, the company continues to make operating investments in engaging quality clinicians and brand building.

We have started implementing few modules of our digital platform across key functions of patient services, sales and marketing successfully. We have recorded highest-ever revenue in both digital and international business. On the margin front, we will be able to improve our margin from 17% in FY '22 to adjusted EBITDA margin of 19% in Q3. Our efforts during the last 12 months on pricing optimization and cost rationalization has started to yield and major benefit will flow in FY '24. We are confident of maintaining our leadership position in our mature markets and gaining market share and leadership position in our emerging geographies.

With this, I hand over to our CFO, Srini, for financial highlights.

Srinivasa Raghavan: Thank you. Good evening to all of you. We have uploaded our Q3 FY '23 results and updated investor presentation on the stock exchanges and company's website, I do hope everybody had an opportunity to go through the same. We are delighted to share that we have been able to grow revenue ahead of the industry growth due to the trust and brand created for HCG. On the revenue front, our consolidated revenues for Q3 FY '23 stood at INR 424 crores as compared to INR 358 crores in Q3 FY '22, a growth of 19%. Our revenues for 9 months FY '23 stood at INR 1,252 crores, a growth of 21% year-over-year. Revenue split between HCG and Milann stood at 96% and 4%, respectively, for Q3 FY '23. Revenue growth for HCG stood at 20% year-on-year and for Milann, stood at negative 1% year-over-year.

As mentioned on Slide 8, revenue for the matured centers stood at INR 306 crores, a growth of 17% year-on-year basis for Q3 FY '23. Revenue from emerging centers stood at INR 101.5 crores, a growth of 29% on a year-over-year basis for Q3 FY '23. We are delighted to state that our emerging centers are inching towards maturity and are seeing good traction across geographies.

I now request your attention to Slide number nine, where we have disclosed our operational parameters across our matured network and emerging centers for FY '23. Our company-wide AOR stood at 65.7% and AOR for matured and emerging centers stood at 63.2% and 71.9%, respectively. Our ARPOB on company level stood at INR 37,014 and our ARPOB centers stood at INR 40,154 and for emerging centers stood at INR 30,057.

Across geographies we have given our revenue breakup in Slide number 10. Rajkot grew by 110%, revenue from Jaipur grew by 104% and Mumbai grew by 28%. And new center of excellence grew by 15% year-over-year for Q3 FY '23. Our Milann business is also doing well. Revenue stands at INR 16.8 crores in Q3 FY '23 and new registrations grew by 53%. On the EBITDA front, our consolidated reported EBITDA stood at INR 75.5 crores as compared to INR 61.3 crores in Q3 FY '22, a growth of 22%. Reported EBITDA for 9 months FY '23 stood at INR 222 crores, a growth of 27% year-over-year.

Adjusted EBITDA for Q3 FY '23, that is, after adjusting the onetime value creation costs and adjustment of ESOP expenses stood at INR 81 crores as compared to INR 63.6 crores in Q3 FY '23, a growth of 28%. Adjusted EBITDA margin stood at 19.1% as compared to 18% in Q3 FY '22, a growth of 156 basis points. Adjusted EBITDA for 9 months FY '23 grew by 35.3% year-over-year with margins of 19%, a growth in margins of 200 basis points. We have also given bifurcation of our EBITDA across matured and emerging centers, and I will request the participants to view Slide number 8 for further details.

On PAT, we are delivering positive PAT for the last 4 quarters now. PAT for this quarter stood at INR 7.5 crores as compared to a loss of INR 0.3 crores in Q3 FY '22. 9-month FY '23 PAT stood at INR 20.9 crores as compared to a loss of INR 9 crores in 9 months FY '22 adjusted for onetime exceptional gains or losses in FY '22. Our PAT Pre Ind AS adjustments for Q3 FY '23 stood at INR 11.3 crores as compared to INR 3.1 crores in Q3 FY '22. PAT for 9 months FY '23, pre-Ind AS adjusted stood at INR 31 crores as compared to a profit of INR 1.6 crores in 9 months FY '22. ROCE for matured network stood at 19.7% annualized for 9 months FY '23 as compared to 15.7% in FY '22, an improvement of 400 basis points.

ROCE before corporate allocations for matured centers stood at 19.7% and ROCE for emerging centers stood at negative 5.3% annualized for 9 months in FY '23 as compared to a negative 8.3% in full year FY '22. This is, again, an improvement of 300 basis points. ROCE before corporate allocations for emerging centers stood at negative 1.4%. Our net debt position, excluding capital leases as on 31st December stood at INR 212 crores as compared to INR 211 crores as on 31st September 2022. Our expansion of the existing facilities in Ahmedabad-Phase II and Whitefield expansion of Bangalore COE is on track. Total planned capex for Ahmedabad

is INR 85 crores. The expected date of operations being Q1 FY '25 and for Bangalore COE is INR 25 crores, expected date of operation being Q4 FY '24. With this, I would now like to open the floor to Q&A.

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

Kaustubh Pawaskar: Couple of questions. First, ARPOB for this quarter is down. So any particular reason for this?

Raj Gore: Kaustubh, Raj here. Look, as I mentioned in my opening remarks, in our emerging centers right now, we are going for volumes, we're going for scale. We're going for higher utilization of our capacity. It's reflected on a very good growth in Rajkot, Jaipur and across various emerging centers. That's the reason ARPOB is lower. But if -- I would like to draw your attention, this is still an improvement over the Q2. So as we've always stated, first, we will go for volumes, and then we will go to improve the quality of the business and go for ARPOB.

Kaustubh Pawaskar: Right. My second question is on the consultation fees. So this has been there for past 2 quarters. So till what time it will continue to reflect on your books because we are setting it as a onetime exchange so.

Raj Gore: Correct. Correct. So this last quarter, Q4 of this financial year would be the last quarter.

Kaustubh Pawaskar: Okay. Q4 of this financial year. And your bed, till last quarter, it was around 1,794 beds. This quarter, it has increased around 36 beds to 1,873 so any new -- I mean where this addition has been done, 36 beds?

Raj Gore: Yes. So we have this operational more beds in Jaipur. These beds were always there. It's as an installed capacity, we're just operationalizing it.

Kaustubh Pawaskar: Okay. And another question is on your fertility business part. So there, we have been seeing the revenues at around INR 16 crores to INR 17 crores. And even on registration side, what I'm struggling to understand is whether there would be improvement in terms of operational impact on the business or where the company wants to focus on that part of business? So any thought focus on that.

Raj Gore: So look, I know that Q3 was flat. But if you look at year-on-year, we have about 9%-10% growth. Q3 could be just a matter of seasonality. There have been certain regulatory changes as well. So the whole industry is adjusting to new regulatory requirements. So we feel that going forward, it will continue to grow.

Srinivasa Raghavan: Presently, this government of India has got into regulatory act called ART. I think in the state of Karnataka it has been lifted probably in the month of March and April patients going to get engaged. So going forward and probably be Q1 of FY '23-'24 could see the big numbers growth on that respect.

Kaustubh Pawaskar: So this is a temporary thing maybe by quarter one, things should improve for this business?, Q1FY'24

Srinivasa Raghavan: Yes

Moderator: The next question is from the line of Anil Sarin from Centrum Asset Management.

Anil Sarin: So first of all, good job once again. I will start with a request that if you can postpone the call for the next day post declaration of results, that would give all of us time to go through the presentation in more detail, and we can ask better questions that way. So if you could consider that for next time, that would be great.

Raj Gore: We'll take that into consideration

B.S. Ajaikumar: We will do next day because last time, there was some request we do it on the same day, there's conflicts context and all. We certainly will take your request and see how we can accommodate, okay?

Anil Sarin: Sure, sure or at least giving a gap of a few hours, as you know, I mean, this is result season, a lot of results coming, but some time, the quality of questions would improve if we've had time to go through.

B.S. Ajaikumar: So a good point. Good point will take it.

Anil Sarin: Sure. The question I had was that there has been a steady improvement on a sequential quarter basis for the last 7 or 8 quarters that I have been seeing this, this is perhaps the ninth quarter. So -- but on a sequential quarter basis, the EBITDA margin has not improved in any material fashion, unless I'm mistaken, if you can just throw some light on that because revenue has grown, but the EBITDA margin post adjusting for these onetime costs, I doubt if it has gone up, if I'm inaccurate, you can please point out.

Raj Gore: So Anil, good question. So one reason is our onetime expenses in our value creation plan. The second reason is we are disproportionately investing in hiring clinical talent and building brand for our emerging centers to drive scale, to drive volumes across those centers. And we are seeing the results of those efforts in the revenue growth across emerging centers. So that's an upfront investment to ramp up the utilization going forward to take it to a next level.

Anil Sarin: Okay. Okay. Great. And so, post this coming quarter, that would be the last time when you will have this consultancy charges, unless you go for a new project. So next year, what kind of overall growth can one expect? And what kind of overall EBITDA margins can one expect including Milann, including all the constituent parts?

Raj Gore: Yes. So, Anil, without the onetime expenses, we are about 19% in the last quarter, EBITDA margin. And we are confident maintaining our growth momentum going forward on a quarterly basis. We usually don't give forward-looking guidance on numbers.

Moderator: The next question is from the line of Dhara Patwa from SMIFS Limited.

Dhara Patwa: Sir I have 2 set of questions. So despite higher occupancy of 72% in the emerging centers and ARPOB of INR 30,000, which is flat on the sequential basis, still the EBITDA margins have not seen a decline to 7.5% as compared to the average of 10.5% in the previous 2 quarters. So is it the new normal should we expect it or going forward, it will increase to 10%, 12% or let's say, 15%? So what should we assume for the emerging centers ?

Raj Gore: So again, we don't give forward-looking guidance on numbers. But as I explained, a lot of our growth in emerging center is coming because we have higher clinical talent, we've increased our clinical bandwidth. We are investing disproportionately higher in our sales and marketing activities. As a result, we are seeing revenue growth. It's our upfront investment. The margins will follow. On question of ARPOB again, initially, we would go for scale. We would go for volume. Usually, the playbook in hospitals, is you fill the hospital first and then you optimize your mix, your payor mix, your -- and that will drive your realization all operating performance indicators going forward. So we are following the same playbook center by center in emerging geographies.

Dhara Patwa: So should we expect at least a 10% plus margin for the emerging centers going forward? Like at least a direction like, it won't be below 7%, but it will be in the range of 10% or something?

B.S. Ajaikumar: It will start moving towards our mature center bucket slowly.

Moderator: We'll move on to the next question from the line of Aditya Khemka from InCred PMS.

Aditya Khemka: First question, if you could help us with what is the current EBITDA margin we do, let's say, at our flagship facility in Bangalore?

Srinivasa Raghavan: The EBITDA margin in Bangalore, you were talking about center of excellence, it's about post Ind AS is about 27% - 28% is our EBITDA margin.

Aditya Khemka: And this number would not include any profit overhead right? This should just be unit economics

Srinivasa Raghavan: This can improve by a couple of basis points. But as you know, we are reaching the top in terms of the EBITDA margin for the center of excellence. Okay.

Raj Gore: Correct. It's at a unit level Aditya.

Aditya Khemka Yes, it's on a unit level, it does not include corporate overhead, right?

Raj Gore: Yes. Right.

Aditya Khemka: Okay. So therefore, my question is that I believe the endeavor of the company would be to move as many units as possible closer to the EBITDA margin that we do with our flagship facility over a period of time. Obviously, it can't happen as soon as we open the facility, it takes to ramp up and mature the facility to get to an EBITDA margin of 25% plus, which would also imply

that at the time when the majority of the capacity of your 1,800-odd beds, which is 1,500 or so 1,800 beds actually become "mature". Then at a unit level ex corporate head, we should be at an EBITDA margin of 25% plus minus then the corporate overhead with, I don't know how much it is, but I'm guessing it to be around 5% to 8% of pay. So my question to you is, when do we see that happening? When do we see a lion's share of our beds, more than 80% of our beds maturing to a level of profitability that we do in our most flagship facility?

Raj Gore: Yes. So Aditya, good analysis. Our model, our business model has been able to deliver a mid-20s EBITDA margin in metro markets, nonmetro markets, when the center becomes mature. So we will drive the performance of individual units to get to that level. We are looking at about 2 years span for the entire current base to move in that direction.

B.S. Ajaikumar: So as you know, we are at EBITDA without the onetime charge, we are at 19% already. This is including the corporate cost. So if you kind of take out the corporate cost at a unique level, we are already in the low 20s. For that to reach 25, it should be doable. And I think we are on track to, I can say, confidently.

Aditya Khemka: So sir, at a unit economic level, are we already at 21% 22%? Is that what you mean by low 20s?

B.S. Ajaikumar: Yes, at our economics, we are already at 21%, 22% because our 19% includes the corporate cost.

Aditya Khemka: Which is about 2% to 3% is what we're implying?

B.S. Ajaikumar: Yes, yes.

Aditya Khemka: Okay. Okay. So I get it. So this is not unreasonable.

B.S. Ajaikumar: I said, on a lighter, we can take your assessment of 5%, It is not 5% but I am saying on a light note

Aditya Khemka: No that's awesome if you're doing it on a leaner organization, it's actually excellent, because I understand hospital business flagship facility would actually include a lot of corporate costs, this gets called out at the EBITDA, I get that. I get all that. So I understand that you're at 2% to 3% corporate cost so which means Dr. Ajai or Dr. Raj essentially, it means that it is not unreasonable for a shareholder today to believe that in the next 2 to 3 years, we will be 200 to 300 basis point expansion in EBITDA margin, am I right?

B.S. Ajaikumar: Yes. It's certainly not unreasonable and hope, though we can't guarantee, we can even better that that is what we will strive for. That is where a lot of effort is going on in terms of operational efficiency and doing. But if all the centers come to mature, and we have good efficiency as we are planning and our revenue growth is there with fixed cost remaining, and as you said, our corporate cost, we should be able to restart and hopefully even better that.

Aditya Khemka: That's awesome. That's very good to know. My second question is essentially on the cash flow. So I heard the net debt numbers. And correct me again if I wrong, this would be excluding lease liability. I think it is around INR 210 crores to INR 212 crores for the past 2 quarters, am I right?

B.S. Ajaikumar: Yes. That's right.

Aditya Khemka So where is the free cash flow? I mean, ideally, the net debt number should have gone down given that we have had a very profitable quarter -- what are we investing in? And this is coming off after your PAT, so obviously, your investment in manpower, center of excellence, R&D scientists, all that is the cash flow after those investments. So are we -- so where are we making those capital expenditures, which is not helping us reduce our net debt further.

B.S. Ajaikumar: Okay. Point number one, I think it's largely flat as you see over the last couple of quarters. But having said that, we have invested in revenue-generating activities. For example, we have invested about close to INR 18 crores in solar in our Karnataka center That is giving us some savings in our electricity bill. We have also invested in a high-end equipment in our center of excellence which we talked about in the last quarter. And we are also investing in robotic surgery. So these are the places where we are investing and as I mentioned earlier, these are all revenue-generating capex, which will kind of give benefits to the business in the future quarters.

Aditya Khemka: I understand that. So could you give me capital expenditure run-off for the 9 months this fiscal?

B.S. Ajaikumar: About INR 96 crores is the capex for 9 months. INR 56 crores.

Aditya Khemka: INR 96 crores okay, then it makes sense. I understand. My last question is on the technology side. So I think Dr. Ajai, would be the right person to respond. So this da Vinci robots, the first edition that you are acquiring. First of all, the acquisition of these robotic machineries, I'm assuming these are on lease and not outright purchases?

B.S. Ajaikumar: Yes. We have cleared the first-of-a-kind model with them. It is not really a lease. It is our model of pay per use where I think first time da Vinci to best of our knowledge instantly where we have without any minimum guarantees making, there is a model where we share in our revenue and certain fixed amount, and we found that it's doable, and that is we can penetrate Tier 2, Tier 3 cities apart from doing where we expect the volume to grow over the next year or 2. So this is the model we are trying it out with the new da Vinci 3 units basically

Aditya Khemka: Understood. So we are using this da Vinci model -- so the da Vinci robots to my understanding for first benefit is obviously cosmetology because the arms are flexible and you can have better holes in the body of the patient than let's say laparoscopy.

B.S. Ajaikumar: The da Vinci came about 2 decades ago because of the precision surgery. We talked about precision variation, targeted, but surgery was always not precise, extensive surgery was done. With the da Vinci unit, what happens if you get that microscopic look and we use the da Vinci handles to really do precision where the normal tissue is not hit. The normal issue doesn't suffer

and it is precise excision of the tumor or whatever your target is, thereby, the patients recovers fast, complications are less. So overall, as you said, the cosmetic scar also will be less.

So based on all this, more and more da Vinci users have come compared to the time for neuro-oncology first; for doing prostate was the first time it came. Now we are doing significant like I said in my opening remarks, we have done in Ahmedabad 1 of the highest renewal of esophagus using da Vinci. It's a remarkable feat because it is -- almost in 3 days, the patient can go on literally no pain and no complication. We used to have this leakages at the anastomotic side, we don't see all that. So it is a near perfect you can reach in terms of surgery and outcome will also be good, unless it hits on the normal tissue.

And again that also, we are beginning to do without any scar imagine doing a head and neck surgery, overhead, where there is no scar and a good outcome. So we are also having signed up an agreement with the da Vinci where we will be doing not only training, but we, together, will create some innovative platforms. So that is what I personally as a doctor am looking at how will we innovate new techniques, new technologies.

Aditya Khemka: Sorry, I have two more questions on this platform, Dr. Ajai. Firstly, how many clinicians are running doctor to surgeon? Do we have certified by da Vinci to operate and use the da Vinci system?

B.S. Ajaikumar: Today, in Bangalore, we have about 5 surgeons who are certified, and we are starting -- we have our own training program with da Vinci. In Ahmedabad, we have another 5 people, 4 to 5 people who play in the northern head and neck for GI. And we have others Doctors who's already waiting for da Vinci, and they are 2 or 3 trained in Mumbai were ready to do surgery now. So we have quite a few, and we intend to increase this number not only for HCG doctors, and we want to make sure even outside doctors can come and try precision so that essentially, the patients at large can benefit. That is what we are looking at, okay

Aditya Khemka: That's enough from objective. Last question on the da Vinci platform. Intuitive also has this new system or this new sort of a diagnostic machine that helps in diagnosing lung cancer early or the smoking population. Any thoughts on that, Dr. Ajai, have you explored that option with Intuitive?

B.S. Ajaikumar: No, we have not explored that. We will certainly look into that and explore. We have explored this lower level of CT scan for smoking population. We are thinking of launching that on Sundays, where we can do lower CT scan, because this is a big trial, which was done in US years ago, very successful. So we have been working with the radiology group. We are bringing in possibly a new radiologist who's experienced in that. But da Vinci part, I have not explored. I will certainly look into this.

Aditya Khemka: Yes, they call it the lung biopsy or something, I think. When I studied it, I found it really exciting. So maybe something

B.S. Ajaikumar: I know what you're talking about, it's the robotics-guided lung biopsy, where there is very minimal intervention. But there are parallel units available. So certainly, we look at it, but they did make a -- come and make a presentation a few months ago. So we are evaluating what is suitable for our people here, okay?

Aditya Khemka Makes a lot of sense. And more power to you guys to help our country and our society.

Moderator: The next question is from the line of Reshab Sisodiya from Sameeksha Capital.

Reshab Sisodiya: Sir, one question on the growth guidance that we have. So given that you are reaching almost 70% occupancies now, and our new bed capacity that you mentioned is coming up by the end of FY '24. So how confident are you for the growth momentum for the company? And at the same time, where do we see our ARPOB growth going ahead for both the centers, emerging as well as matured?

Raj Gore: The occupancy numbers we reports are on operational beds. Not all the beds in some of the emerging centers have been operationalized. If we take this occupancy on an installed bed capacity, it becomes 56%. So we don't expect bed capacity being a constraint in our growth, especially since our chemo modalities is a day care modality, radiation doesn't require bed. It's only the surgical patients who require largely overnight admission on inpatient beds. So we don't see bed being a constraint for us going forward in terms of driving growth.

B.S. Ajaikumar: I just want to add what Raj said is absolutely right. I just want to say, in oncology, historically, it has been more and more outpatient and less hospital say, as you look at the ALRs, it tends to come down as we move forward year-on-year. So that is the reason the bed is not the way we feel to measure the growth. There are other parameters we should take into consideration to look at the growth.

Reshab Sisodiya: Okay. Sir, that's helpful. Sir, on the Mumbai center. So the current growth given as compared to other centers like Jaipur, Rajkot, they have very high growth. So why is the Mumbai center having a bit of low growth even when we acquired new assets recently?

Raj Gore: So I think the Mumbai growth looks subdued because last year, we had a significant vaccination revenue in our Mumbai center. These were the emerging centers, COVID came, we couldn't go out and build brand HCG among the communities that we serve. Vaccination was a good opportunity to respond to nation's call as well as reaching now to the community to build our brand. So we do that very well. If you adjust that, this growth will look better. The other part is in Mumbai, we go for a better payor mix compared to Rajkot and Jaipur. So it's more cash TPA corporate driven growth rather than government-driven growth. So that's also another reason that this growth will be a better quality business growth yielding better ARPOB eventually and better margins.

Reshab Sisodiya: Okay, sir. Just the last question. From an entire company, not just for the cancer part. So what would be the payer mix, if you could just break it down?

Raj Gore: So about almost 65-70 will be cash plus insurance. And then remaining will be government as well as corporate business.

Reshab Sisodiya: Okay. So are we facing any repricing issues with insurance companies or with corporate? And do we see that any further repricing ahead that would help us in the ARPOB growth going ahead?

B.S. Ajaikumar: Sorry, can you repeat your question?

Reshab Sisodiya: I'm asking given that insurance in corporate parts, are we looking at increasing the rates with them and that could help our ARPOB next year, growth?

Raj Gore: Yes. So usually, this comes for renewal every 2 years. So it will come up for renewal next year in some of the centers, it's a center-by-center thing. So after the contractual period, we go for a rate increase. In general, if you look at historically, we have a larger presence outside big cities, outside metro cities. Many of our new centers are in bigger cities relatively, 2 in Mumbai, in Kolkata, Nagpur, these are better markets. So as this share of the emerging centers grow as a share of total revenue, our ARPOB will automatically start growing to a higher level.

Moderator: The next question is from the line of Urmil Shah from Aegis Federal Life Insurance.

Urmil Shah: Sir, my first question is, you mentioned a 56% occupancy on installed bed, that's at the company level or if you could split between mature and emerging centers?

Raj Gore: So 56% on a total capacity. Yes.

Urmil Shah: Sure. So what would be the same number for mature and emerging centers?

Raj Gore: So whatever you see on the slide as far as established and the adjustment is concerned, there -- I mean, there, we don't have any difference between operational and capacity beds. It's primarily the new centers where there is a difference of about 250 beds, where we have installed 250 less in our emerging centers. Thereby, if you take capacity utilization in terms of beds at emerging center, it is around the 56%.

Urmil Shah: Sure, sure. And from a medium-term perspective, up 65%, which is occupancy for the mature centers that's -- what should be doable -- of course, it will be depending on each center. But from a 3-5-year point of view, your current bed should be reaching that kind of occupancy?

Raj Gore: Sorry, which is your question. Is it a bed question or --

Urmil Shah: So you mentioned that the occupancy level in your mature centers, it's similar for when calculated on operational beds or installed capacity. My question was as regards to emerging centers from a next 3 to 5-year point of view, they should also be getting to a 65% kind of occupancy level? And in your case, generally, at what kind of occupancy levels you would further need to add capacity in a particular center?

Raj Gore: Yes. So we do expect emerging centers to start reaching to mature center occupancy. Usually around 75% when the occupancy is 75%, we start looking at how do we create capacity. So one of the things you must understand, as I mentioned earlier, that it's only surgical specialty, which largely uses overnight inpatient beds. That average length of sales going down with minimally invasive technique robotics. So what you -- what we've seen in our experience, what is happening is we are converting inpatients beds into daycare beds. On daycare base, we have ability to increase number of shifts in the same day. So for us, bed is not as much a concern as one would think in a multi-specialty environment.

Urmil Shah: Sure, sure. Sir, my second question was more on the emerging centers. So we've discussed about the margin performance over there. So what could be the drivers for getting the margins, if not to the mature center levels, but at least to mid-30s, what could be the drivers keeping into account the current ARPOBs and the AOR, which we are currently doing?

Raj Gore: Yes. So Urmil, as we mentioned, right now, we've invested in clinical talent. We're bringing them out in our outreach markets. We're investing in branding and marketing sales activities, basically driving more new patients, driving utilization of different modalities, driving capacity utilization, driving revenue. That's the sure short way to improve margin in these centers.

Urmil Shah: Sure. And just to dissect on the AORs of emerging centers. Of course, this is an average. So does the emerging centers also have a few centers where the AOR would be 75% plus?

Raj Gore: So yes, like for example, Jaipur, where we just mentioned earlier that we commissioned more beds because we were reaching higher occupancy. So yes, in that bucket, we do have a center, which is a higher capacity -- higher occupancy.

Urmil Shah: Sure. Sir so then in such centers like there are 2 centers, how different is the profitability as compared to the emerging center category as a whole?

Raj Gore: So Jaipur in a span of year has gone to EBITDA margin of mid-20s post Ind AS.

Urmil Shah: Sure, sure. Okay. Yes. Sir, my last point was on the free cash flow question, which was there. So this year, we are having the investments for new high-end equipment also in talent also on the consultant fees, which are there. Next year, if we look into -- we've already talked about the capex for the capacity addition. So adjusted for the one-timers and the investments which have gone in this year, would it be fair to assume that that's the bare minimum increase in free cash flow on NOPAT that should come in?

Srinivasa Raghavan: Yes. See, the way to look at it is we will have to look at our ratios, our debt-to-EBITDA ratios, which is at a very, very acceptable level as well as the overall business is concerned. So if you see, we are at about 2.3%, and we should be around that it would slightly come lower as soon in the future quarters. But having said that, the key point is there is some amount of capex, while there won't be any GPP costs next year, there will be some amount of capex towards maintenance capex growth oriented capex, both will be there in the future years as well. But the key point to note is this will not come out of any additional extra borrowing, we will be able to manage out

of our internal accruals, point number one. And number two, we will be able to maintain some of our key ratio at an acceptable level, which is accessible to the market.

Moderator: The next question is from the line of Sagar Shah from Phillip Capital.

Sagar Shah: Yes. Actually, I just had one question. Actually, we were looking to open our 203-inpatient beds in the time to come. So can you specify your time that in which -- something like in 6 months or in 12 months or the next 18 months, are we going to open up the bid? And my second question was related to our growth drivers. For FY '24, what would be our key revenue drivers for the same?

Raj Gore: So, Sagar, I mean, the answer to your first question will change from hospital to hospital. But as a total bucket, in next around 18 months, we'll have to deploy all our installed capacity, which is not operational as we operationalize it. In terms of revenue growth drivers, look, the growth drivers for next year will continue to be the same growth drivers that have entered this year also.

B.S. Ajaikumar: And just to add on that the growth drivers, obviously, we are looking at the ones which are not mature. So those which are not mature center, we grow faster, obviously, than those who are nature that, that could be and also the technology we are investing and they like what our CFO said new technology we have brought, those will be also drivers for the future.

Sagar Shah: So basically, you are saying the improvement in the utilization of the emerging hospitals, improvement in the volumes of new patient volumes in the emerging hospitals would be the same growth driver for the company in FY '24, right?

B.S. Ajaikumar: Yes.

Moderator: The next question is from the line of Pallavi Deshpande from Sameeksha Capital.

Pallavi Deshpande: Yes. Just on the part where you mentioned about having talent, et cetera. Will we be done with that this year or will this be a continuous process on the clinical talent side

Raj Gore: Pallavi I don't think we'll ever stop adding clinical talent. In new centers, you will first make sure that your clinical services portfolio is complete. When those start growing, their bandwidth starts getting choke, you will add more clinicians under each as the program evolves we'll start creating vertical specialization, head and neck, breast, etcetera. So this is a continuous process. We'll continue to invest in talent going forward.

B.S. Ajaikumar: And just to add to that, for us, being a very specialty focused, as you know, the way oncology is growing is in multidisciplinary clinic tumor boards. But this, we definitely not only have they have training doctors and also have additional talent. And that is what we are doing, not only in big centers, but even in Tier 2, Tier 3 cities. Our talent pool is increasing and definitely increased, and that will definitely add to our overall growth, and we have proven that again and again.

Pallavi Deshpande: My second question was on the ROCE. So ROCEs of the emerging centers, we're just seeing a small decline quarter-on-quarter is not material, but we are giving adjusted direction seems to --

B.S. Ajaikumar: So, as Raj said, it is not material. And for the fee as Raj said, we have sort of invested more on operating expenses related to clinical talent, hiring and business promotion. This will start to -- into our higher revenues going forward however, it is temporary as you rightly said.

Pallavi Deshpande: And sir, you mentioned about the mix of the government and corporate at 30, wouldn't that -- wouldn't the [Part of the question was not audible].

Raj Gore: So Pallavi, historically, our presence outside metro cities was larger, where we had a mass market strategy, low price, higher volumes with government schemes. Many of our emerging centers are in bigger cities. We have, for example, we have 2 in Mumbai, 1 in Kolkata. They will have a better payor mix, better ARPOB, better realization. So as share of emerging centers to the total revenue goes up, all these parameters will start improving going northward.

Moderator: Ladies and gentlemen, due to time constraints, we will take one last question from the line of Naman Bhansali from Perpetuity Ventures.

Naman Bhansali: Just 1 request was that you used to give an FY '22 a good breakup of ARPOB, EBITDA margins in occupancy on a region-wide basis. So it would be great if you could continue giving that in the presentation, if possible. So that was a request. And my first question relates to the international patients. How much of the business as a percentage of contribution was international patients? And what do we do to attract these patients? Are these all organically driven or are we hiring any agencies to attract these patients from international borders? And the second question is on the industry and on HCG that how is HCG different from a proton and other hospitals in the industry who also have a high-end oncology machines like CyberKnife and et cetera? And what risk do this industry in oncology face in terms of newer technologies being introduced in coming future? These are my 2 questions.

Raj Gore: Naman, this is Raj here. Let me take the first part and Dr. Ajai will take the second part on the difference between different technologies. So 1, we'll take your suggestion into consideration about the breakup. Second, international business, look, we drive international business through all channels that are present to us. There are agencies, there are direct institutional tie-ups, there are tie ups with international insurance agencies and very direct business generation, which we do by taking our clinicians to these cities, to these markets.

If we have information centers in this market, we have permanent team members in these markets. So it's a combination of both. For us, international business is doing really well. We had about 1.5 to 1.6x of our pre-COVID high numbers. In fact, last quarter was our highest ever. We are close to about 5% of total revenue in our international business. I'll request Dr. Ajai to take your question on Proton and….

B.S. Ajaikumar: Yes. In terms of Proton, as you know, Proton has been around since 1970s, and it is mainly because efficiency and precision and a lot of issues are in in the maintenance of Proton apart from the cost and other things. There is no exit and entry dose. But as the time has advanced, now we have some units which are better than Proton. In fact, HCG considered Proton a few years ago.

And I myself being an oncologist and radiation oncologist, I was looking at it. But after careful evaluation and looking at the global usage of Proton why it is coming down, attending the conferences and all, primarily because alternatives had come. And 1 of the things we have installed in Bangalore of course, we have CyberKnife, which is precision medicine radio surgery, 1 in Bangalore, 1 in Mumbai, and doing extremely well in terms of physician and retreatment also can be done with literally very little exit dose.

Now the advancement on this has been the Ethos, which is adaptive radiotherapy using the model of AI-based. And this has been a game changer for us. We have recently installed it. We have done a significant number of patients in the 3 months. And what we are seeing in our impact, I am involved in partially in the research with Dr. Lohith and Krithika. What we have seen is, as the tumor changes, day to day, we can make the change in the tumor lithography and also change the treatment. And we are also studying what is the exact dose required. So this is a study in progress called radiosensitivity index. So with this kind of major developments, technology obviously becomes very important.

Added to that, we are looking at how do we connect genomics to technology, where certain tumors respond well, certain tumors do not respond. Why? What is the genomic story behind it? So we can decide on the proper dosing of not only radiation, but also targeted therapy, immunotherapy, everything. Today, cancer treatment, as you may know, is multidisciplinary. And our outcomes based on this has been very good, very encouraging, not only in the early stages, but even in advanced stages. Today, lung cancer patient can live for even with advanced stages in to 8 to 10 years. A patient with breast cancer similarly can live for 8 to 10 years.

So a lot of changes have taken place. Technology is going to complement. AI is going to complement the way we see it, and that is why in HCG, we have become really progressive on it. We are spending significant our money also and just to see how this can translate to precision patient therapy. You are absolutely right in terms of technology going to play a very big complementary role for doctors to see what should be the right treatment for the patient at the right time. I always believe first-time right treatment will give us the best prognosis. And this, obviously, technology, virtual tumor boards are going to be big factors in future along with AI, of course, as we go forward.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Raj Gore for closing comments.

Raj Gore: Yes. Thank you, everyone, for joining the call, and all thosE your interest in HCG. Hope we've been able to address all your queries. We'll continue to keep you updated on a regular basis on

developments in HCG. For any further information, please get in touch with us or Strategic Growth Advisers, our Investor Relations advisors. Thank you once again and have a good evening.

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