



August 18, 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 August 11, 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 August 11, 2023, with Analysts/Investors to discuss the Unaudited Financial Results of the quarter ended June 30, 2023.

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
Company Secretary & Compliance Officer

HealthCare Global Enterprises Limited

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“Healthcare Global Enterprises Limited
Q1 FY '24 Earnings Conference Call”

August 11, 2023



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

MODERATOR: MR. SAGAR SHROFF – SGA

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '24 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 are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Ajai Kumar, Chairman for HealthCare Global Enterprises Limited. Thank you, and over to you, sir.

B.S. Ajai Kumar: Thank you very much, and good morning, and a warm welcome to all those present for the Q1 FY '24 Earnings Conference. I'm here joined today in our corporate office by Mr. Raj Gore, Chief Executive Officer; Srinivasa Raghavan, Chief Finance Officer; and also the senior management team. I will be sharing our operational financial highlights for the quarter ended June '23.

While we have always looked upon value as being a center of excellence for several years, similarly, we are now trying to establish center of excellences in Mumbai, Ahmedabad and in future in Kolkata. And in this regard, we are also looking at further growth of HCG centers across the country. And I'm very happy to report that we have made an acquisition in Indore, the SRJ CBCC Hospital Indore.

This is a comprehensive cancer center, 50-bed facilities, and it is scalable up to 100 beds in future with facilities offering medical, surgical and radiation oncology. It's the largest private player and leader in Indore in private section. And one of the things we have looked at in the future in M&A, is how do we enter Central India. We have a strong presence, as we know, in Maharashtra, Gujarat, Karnataka and in the Eastern India. This will give us a presence in Central India, and it will propel the growth for us in this part of the country, particularly with the hub-and-spoke model we use.

With these acquisitions and a few others we have done, and we are in the process of doing in the future, we will continue to dominate the oncology market in this country. Coming through the medical excellence, what we are focused on in the field of economic and research, as we all know, HCG has been a pioneer in excellence, data collection and outcome focused. In future, this will improve the outcome for our cancer patients and of course, improve the modalities of treatment.

We are also very proud to say that we have established multiple robotic surgery units across India, and this will once again provide the best of care to our cancer patients across the country. This will bring about a change where our data in the future, particularly the work we are doing

in the areas of genomics, circulating tumor cells. We continue to position ourselves as a cancer destination.

With these few words, I would like now to hand over to Mr. Raj Gore, CEO of HCG, for his comments on the strategies going forward and operational performance. Raj?

Raj Gore:

Thank you, Dr. Ajai. A very warm welcome to all the participants on the call. Allow me to initiate my comments by elaborating on the recent advancement in this quarter.

After consistently delivering organic growth over the series of many quarters, we have stated our clear intention to accelerate HCG's growth with inorganic prospects. We are delighted to share that we have initiated our journey of expansion through inorganic means, successfully completing the acquisition of two centers situated in Indore and Nagpur. These are strategically significant and attractive locations in central part of India, and both assets have an already established market leadership position. With our time-tested and highly replicable playbook of driving sustained post-acquisition growth across geographies, we are confident that these two hospitals will contribute to HCG's growth in the forthcoming years.

Speaking on Nagpur. You note that we have been operating comprehensive cancer care centers since 2018 in partnership with Dr. Ajay Mehta, who is a minority partner. However, there existed a complex structural arrangement between two entity, HCG and NCHRI LLP, which is our operating hospital; and NCHRI, which is 100% owned by Dr. Mehta.

Nagpur is a strategic market for us located in Central India. It promises significant growth in future supported by large capacity. We have a market leadership position that we have already worked hard towards, thereby creating a compelling case to simplify the structure by acquiring stakes from Dr. Mehta in both the entities. This is expected to result in enhanced operational efficiency and generate larger economic benefits.

With our already existing presence, strong presence in Maharashtra, Gujarat, East India, our pursuit of footprint in Central India would strategically position us across larger India. Discussing the performance during the first quarter of fiscal year 2024, we recorded higher ever revenue for the 10th consecutive quarter of INR461 crores with a 13% year-on-year growth. This growth was propelled by 22% year-on-year growth in our emerging center, highest ever quarterly revenues in medical value travel and digital channels and overall improvement in operating metrics.

We recorded EBITDA, excluding ESOP, of INR76.4 crores for Q1 FY '24 with 5% Y-o-Y growth. This lower-than-expected EBITDA growth was due to subdued incremental EBITDA on account of two factors, apart from the annual inflationary cost increase. First, investment in clinical talent. As indicated in previous quarters, we are aggressively pursuing to increase our market share in emerging markets primarily driven by clinical talent acquisition, which is visible in the growth of our revenues.

Second, delayed LINAC installation and upgradation, downtime and installation delays of LINAC machines at five locations resulted in loss of more than 300 operating days on radiotherapy in Q1. This impacted our revenues from radiation oncology, which is a high-margin segment affecting our overall margin profile. However, four out of these five LINACs have already become operational during quarter 2. We expect this to be normalized in second quarter.

In summary, we anticipate improved performance in the coming quarters with the operational LINACs and the operating leverage effect contributing positively to our revenue and margin dynamics.

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

Srinivasa Raghavan:

Thank you, Raj, and very good morning to everyone. We have uploaded our Q1 FY '24 financial results and updated investor presentation on the stock exchange's and company's website, and I do hope everybody had an opportunity to go through the site. So let me take you through a few highlights regarding the sales.

On the revenue front, revenue split between HCG and Milann stood at 96.5% and 3.5%, respectively, for Q1 FY '24. Revenue growth for HCG stood at 14% Y-o-Y to INR444 crores in Q1 FY '24. As mentioned in Slide 10, revenues on the matured centers stood at INR331 crores, a growth of 11% on Y-o-Y basis for Q1 FY '24. Revenue from emerging centers stood at INR113 crores, a growth of 22% on Y-o-Y for Q1 FY '24. We are delighted to step at our emerging centers reaching towards maturity and are seeing good traction across geographies.

Moving to Slide 11. These are the key operational KPIs for our company. Our chemo sessions increased by 9% Y-o-Y taking the total chemo sessions to 35,000 in Q1 FY '24. LINAC capacity utilization stood at 69% for Q1 FY '24, versus 67% for Q1 FY '23. Onco-Bed occupancy stood at 66% for Q1 FY '24, compared to 65% for Q1 FY '23.

I now request your attention to Slide 12, where we have disclosed our operational parameters across our matured network and emerging centers for Q1 FY '24. Our company AOR stood at 66.9% and AOR for matured business emerging centers stood at 67.1% and 66.4%, respectively. Our ARPOB on company level stood at INR39,686, and our ARPOB for mature center stood at INR41,253 and for emerging centers stood at INR35,766.

Across geographies, we have given our revenue breakup in Slide 13. Kolkata grew by 54%, Rajkot by 51% and Ranchi by 27% for Q1 FY '24. For our Milann business, revenues for Q1 FY '24 witnessed a degrowth of 5% in revenues. On the EBITDA front, our EBITDA excluding ESOP for Q1 FY '24 stood at INR76.4 crores with EBITDA margin of 16.6%. We have also given bifurcation of our EBITDA across mature emerging centers. I request the participants to view Slide 10 for further details.

Other insights and EBITDA have already been shared by Raj, and let me move on to PAT. PAT for this quarter stood at INR7.6 crores as compared to a profit at INR6.1 crores in Q1 FY '23. Our PAT pre-IndAS adjustments for Q4 FY '23 stood at INR11 crores, as compared to INR9.4

crores in Q1 FY '23. RoCE in our matures networks stood at 20.2% annualized for Q1 FY '24, as compared to 19% in Q1 FY '23, an improvement of 120 bps. RoCE before corporate allocations to a mature centers stood at 24.5%. RoCE for Emerging centers stood at negative 5% for Q1 FY '24, as compared to negative 4.6% in Q1 FY '23.

Our expansion of existing facilities of Ahmedabad Phase 2 and Whitefield expansion of Bangalore COE is on track.

Total planned capex for Ahmedabad is INR85 crores, expected date of operations being Q1 FY '25 and for Bangalore COE is INR25 crores, expected date of operation being Q3 FY '25.

With this, I would now like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: My first question is on the EBITDA -. So Raj, you just mentioned that there were two of the one-offs -- - five of the LINAC machines were not operational during quarter. So could you help us to understand how much was the impact because of this loss of operation? Because sequentially or year-on-year, if we look into the utilization of the LINAC machines, both were higher on quarter-on-quarter as well as Y-o-Y basis. So just want to understand why there is a loss in terms of margin or business?

This is Kaustubh here. Just want to continue the question on the EBITDA front. So Raj, you just mentioned that there was issues related to LINAC machines, five of the machines were not operational and that had an impact on the profitability because these are the high margin generating businesses for you. So I just want to understand what could be the impact because of this non-operational five LINAC machines. And from quarter 2, whether things would normalize in terms of profitability, or will it take some time?

Raj Gore: Yes. Regarding the Linear Accelerator Machine, three of them were a replacement. So when you bring down the machine, there's a time lag, we - expected they will be done - in the first quarter itself. Now they're all operational in the second quarter.

So we are now not going to see any impact in the second quarter. And certainly, the numbers what we have seen in June are very promising. So we should be able to reach our expected level in the second quarter. Obviously, we will see the further growth of these new machines, which are coming in, - the second, third and fourth quarter, which will hopefully meet - meet our - expectation-.

And also, as - mentioned, we are beginning to invest in areas like in Mumbai with high talent. So talent acquisition has also cost us in quarter 1, and that was part of the reason we had this margin issue. But we are now catching up, and we should be able to do well as we stated in the second and third quarters.

- Kaustubh Pawaskar:** Right, sir. But talent acquisition, this is something which will continue because you want to expand to newer markets, and that is something which is part of your business strategy. So I guess that part will continue going ahead as well?
- Raj Gore:** Talent acquisition is part of the strategy, but when we bring talent at a rather higher cost I think it's cost versus talent. These clinical talent have come at little bit more expensive than what we normally do, particularly in a competitive market like Mumbai. And that is why our cost there has gone up. but that will get normalized as we move forward. And now as the revenue increase because of these talents, we see an increase in the revenue coming from this, and that will get it normalized. payout to our doctor to our overall revenue ratio.
- Kaustubh Pawaskar:** Right. And sir, one last one on the debt part. So debt has gone up on the books, and you mentioned the reason that because of acquisition, the debt has gone up. Should we expect any further increment in debt considering the ongoing capex, which is there on books? Or from here we should expect the debt levels gradually to come down or remain at same position what they are at the current level.
- Srinivasa Raghavan:** Yes. The thing is the debt level that you are talking about is planned for the acquisition that Raj and Dr. Ajai spoke about. But internally, the way we have put our budgets together is most of our capex should be self-funded. So the debt number that you are seeing, I think we should be able to kind of sustain it.
- Moderator:** Thank you, sir. We take the next question from the line of Jay Modi from EIML. Please go ahead, sir.
- Jay Modi:** A couple of questions from my side. So first was around the chemo sessions. In previous quarters, we've seen the growth to be higher at around mid-teens to high-teens also this quarter, we've seen 9% growth. So any particular reason for this?
- Raj Gore:** Can you please repeat your question?
- Jay Modi:** So my question was around chemo sessions growth. In earlier quarters, we've seen this growth to be higher at mid-teens to high-teens. Whereas this quarter, we've seen only a 9% growth. So any particular reason for this?
- Ashutosh:** These chemo numbers were higher in the previous quarters because some of the centers in the emerging markets were ramping up. For example, Jaipur and Nagpur which is our emerging centers have led to the higher volume growth in chemotherapy,. Some of the emerging centres have exponentially grown last year and we are experiencing normalization of growth in these centres. However, we expect incremental volume growth in chemotherapy shall be driven by Kolkata and Mumbai going forward.
- Jay Modi:** Okay. And do these sessions have any element of price increase? Or what is the volume growth ideally translating to revenue growth for us?

Ashutosh: We take an annual inflationary price increase to the extent of about 4 to 5%. However, what we have experienced adoption of high end molecules in medical oncology. Greater adoption of immunotherapy in medical oncology is leading to higher average realization. I would request Dr. Ajai to further dwell on this.

B.S. Ajai Kumar: Yes. On this matter, we are seeing a change in the approach how we manage our oncology patients. There are two things here. One is we all know cancer patients are now living longer. And cancer has become a chronic disease.

So as cancer patients, particularly repeat cancer patients, when they come back and when we do the first-time right treatment, there are certain number of people, who will recover.

And particularly for them, and even for first time people as technology advances and as more genomic studies and all come, when we become more patient specific, we are beginning to see treatments like immunotherapy becoming very prominent apart from genomic testing. The immunotherapy drugs or patented drugs they are quite expensive.

So you will see a definite ramp up in our oncology section, where our revenue is increasing. Our percentage of oncology contribution in medical oncology is also increased. So this is what we are beginning to see. And this may be only the beginning because in the future, the therapies like immunotherapy will increase significantly.

Jay Modi: Got it. And in chemo sessions, do we, so in chemotherapy, do we have any element of scheme-based patients where in the government puts the bill or it is largely the private patients, which forms the majority of share?

B.S. Ajai Kumar: Even in scheme patients, it is gradually happening because now the states like Orissa to some extent, Gujarat, probably Maharashtra are beginning to recognize the importance of this kind of targeted therapy and even though they are expensive, they are beginning to approve. Of course, it is all related to the budget of these people, what the states have in health care.

So they will have a final say, yes or no. But in the long run, I think states will have to recognize. And at some point, of course, they will become generic, that will become far, far cheaper for governments to approve. But we are beginning to see that trend.

Ashutosh : And if I can just add, the question you asked is whether chemotherapy is being delivered to scheme patients. So just to mention that, our scheme patients distribution across the modalities are more or less are similar, however it is little skewed on a positive side in chemotherapy, primarily led by our Tier 2 centers, where we see late stage patients who typically undergoes medical oncology treatment due to spread of the disease.

Jay Modi: Got it, and so what is the ideal mix between, what is the share of scheme patients in an overall revenue, scheme based patients?

B.S. Ajai Kumar: When you talk about only schemes, which is like a, like a, Ayushman scheme and...

Raj Gore: When we look at BPL and state schemes, share of those schemes is about 20% of our total revenue.

Jay Modi: Got it. That is also said. Sir, next question was around Milann. So we've seen a lot of competitive pressure building up, a lot of players coming in, a lot of deals happening. So could you speak a bit about the competitive intensity that you are seeing on the ground and also any particular reason, why we've seen a steep decline this quarter?

B.S. Ajai Kumar: As far as Milann is concerned, as we know, we are quite a dominant player in Bangalore and we are sticking to that dominance in Bangalore and we have put a lot of systems in place to grow. Unfortunately, there was a slight drop in the Milann revenue because of the regulatory surrogacy which formed an arc which the government regulators had taken time.

Now that has been cleared, all of our centers have a certificate and we are beginning to see a healthy ramp up happening. In fact, July it has already happened. So we are focusing on Milan to make it center of excellence, good quality outcomes, and this kind of approach in Bangalore only. Our future growth primarily will be in Bangalore.

And we have a center in Delhi, which has not been doing good. We are shutting down that center in Delhi. the Chandigarh Centre is doing ok, they are putting some efforts to improve. But apart from that, the greater Bangalore area, we will be growing. And we don't see that much competitive pressure.

We have others, who are also doing it in Bangalore. But because, I guess, can see long term we have our doctor, Dr. Kamini Rao, I think in the future, we will be able to come back and grow and certainly reach a leadership position.

Jay Modi: Got it, and typically what is the cost of setting up one Milann Center? Is it a very cost intensive affair?

B.S. Ajai Kumar: Oh no, it is not cost intensive, it costs about roughly INR3 crores to INR5 crores is the cost, right Raj?

Raj Gore: Yes.

B.S. Ajai Kumar: You want to say anything Raj?

Raj Gore: No.

Jay Modi: Okay, and my last question was around the margin. So a couple of years, we've seen -- we've undergone the consolidation that we've had and we were trying to consolidate our centers and become far more profitable than what we've been in past. Now this year, we've seen two acquisitions and couple of Brownfield expansions taking place. So do you do these expansions or acquisitions in any way impact our margins in shorter term because it will naturally take us some time to ramp these up to our optimal level.

Ashutosh: We have charted out the mature hospitals expansionary plans and at an appropriate time, we would guide the investors with further details. However, since it is vertical expansion of our existing facility, we expect operating leverage to play out and margins should expand. Further, the assets we are targeting is expected to be accretive in profitability at the same time should have provision to attain higher scale.

Jay Modi: Okay, that is helpful, sir. Thank you and all the best.

Moderator: Thank you. We take the next question from the line of Karan from Monarch AIF. Please go ahead, sir.

Karan: Hi, sir. Thank you for the opportunity. So, sir, we have been guiding for margin improvement since Q2, FY '23 earnings call. And if I zoom out a little bit, it was mostly being derived from three aspects. So number one was our cost efficiency measures derived from consultants coming in and making us more efficient, leaner, better pricing in different emerging centres etcetera.

Number two was obviously our operating leverage playing out and making many emerging centres going towards maturity and doing better EBITDA margins. And then third was obviously our consultant costs waning off, which were one off. So the margin expansion what we were hoping for, or to the trajectory, we were hoping for was around to the tune of 150 bps to 200 bps on an adjusted EBITDA basis.

However, we have only done around 16% report and adjusted EBITDA margins for us for Q4 FY '23, was around 18.8%. So I just want to know more contours, more color on what really went down this quarter and why were we flattish in absolute EBITDA and perhaps lower to what may be in 18.8 so 200 bps in Q1 FY '24 from an adjusted EBITDA perspective.

Because this is counterintuitive to the consulting cost that we took on and operating and efficiency benefits, which should have flown in. And just follow up on that would be, further cost of items, can you just highlight some cost and items and other expenses which are the most impacted? And what does that mean for us in terms of, mean reversion to 19% and then expanding into 20% - 21% does that look much harder to achieve in FY '24?

Ashutosh: Thank you Karan Let me attend your question one by one. So you're right that our adjusted EBITDA was close to about 19% in the quarter four of last year which has come down in the current quarter primarily due to lower radiation business Just to reiterate what Raj and Dr. Ajay said on radiation business, we have lost over 300 operating days on LINAC due to prolonged installation time of new machines.

If you refer to our prior quarterly reports, radiation business used to constitute about 18% of our business, which has gone down to 17%. And that we believe is temporary phenomenon in quarter 1 and should pick up going forward. Now that 1% of business is close to about, INR4.5 crores. and contribution margin in our radiation business being highest, which is close to about 80% has adversely affected our margin

Other than consumable cost all other radiation related costs including doctors cost are all built in. As we start treating patients in newer machines, we expect a higher operating leverage playing out in coming quarters. Further, the annual inflationary cost including salary hike kicks in the month of April which typically suppresses the margin in Q1, however sequential revenue growth in coming quarters helps margin expansion as the fixed cost typically are very stable in subsequent quarters

Third is on what Raj said on the investment in doctors which primarily is happening in our emerging markets. while build up of clinical team started in quarter 4 of last year, it was substantially done in quarter 1. With all this we expect the incremental revenue to have larger impact on EBITDA

We are confident that, this is one of the quarter where two to three variables have gone against us, and we should be able to bounce back from the coming quarter.

On one time consultant cost related to value creation plan have all been done in the last fiscal year and We have not had any cost related to this in the current quarter As far as the margin benefits are concerned, almost about 70%- 80% of those benefits were accrued in the previous financial year only and continues in the current year. We expect 20% of the expected benefits to pan our in the current year

Karan Surana:

Got it, sir. Got it. So sir, on the emerging center side, we are doing EBITDA margins of close to 9% to 10%, depending on which quarter we see, right? Can you just tell us what levers we have to take it towards the 15% kind of mid-teens or low teens kind of an EBITDA margins going forward?

Ashutosh:

The acquisition of NCHRI and minority stake of our partner in Nagpur should add to our EBITDA margin of the emerging buckets to an extent of about 180 basis points to 200 basis points.

Now the other levers are primarily operating leverage in nature. Because we do believe that 80% or 90% of our investment in clinical talent, as well as market making is done. As the revenue plays out, we should be able to see this operating leverage coming in.

B.S. Ajai Kumar:

I mean isolate a few of the well performing centers, our Borivali center is already 20% plus margin. Jaipur center is also in close to 20% margin. It's primarily -- I mean, our whole focus is on two centers in the 22, 24 centers portfolio is Kolkata and South Mumbai. I mean these are the two newest centers, and we are not right now focusing on margins on those centers. We are focusing on revenue growth.

We are happy with the revenue growth which is coming in, and we do believe that EBITDA margins will play out in the future quarters.

- Karan Surana:** And sir, we feel similarly for our Kolkata as well as South Mumbai center, because we've been investing in clinical talent and trying to get that up to EBITDA breakeven and obviously, a much better EBITDA on those centers. How are we on those centers currently?
- Ashutosh:** Losses of Kolkata and South Mumbai together impacts about 1% to 1.25% of overall EBITDA margin of the company. Break even of these centres itself shall help expand margin to a greater extent
- Karan Surana:** Understood. And sir, what would be the time line for that according to you? How do you feel that internally?
- B.S Ajaikumar:** We should be able to achieve that in our fourth quarter of this year.
- Karan Surana:** Understood. And sir, just one last question from my side. Can you just highlight what was the total acquisition cost for both Nagpur and Indore? I understand that we've levered our balance sheet around INR100-plus crores for this acquisition. But I'm assuming that some bit of it will have been spent through internal accruals as well. So what was the total spend on both these acquisitions that we have done?
- Raj Gore:** So if we see what we are saying is our net debt would go up by INR107 crores, while the funding in the company is having enough sufficient cash, and it also has debt lines. So both sources of fundings are available to us. However, because of that INR107 crores of cash going out our net debt should increase by INR107 crores.
- Karan Surana:** Okay. Understood. And sir, I was just going to the press release on Indore, and I couldn't see a reported EBITDA on the Indore center. Can you just call out, sir, what reported EBITDA is for the Indore center currently.
- Ashutosh:** The company is also in the middle of doing some more deals. So, right now, we are not in a position to sort of disclose some of those parameters as it may compromise our position in the deals. That's why we have disclosed the outcome of both the acquisitions together and we expect our EBITDA should be higher by higher by INR14 crores to INR15 crores per annum, and the resulting net debt is about INR107 crores pursuant to these deals.
- At an appropriate time, once we get into those situations, we'll disclose asset wise EBITDA as well.
- Moderator:** The next question is from the line of Aditya Khemka from InCred PMS.
- Aditya Khemka:** Just a question, can you elaborate a little of the clinical talent that you guys are investing in? What are these people doing? Why were they hired, and how is it that they will help people to increase their revenues? If you could just elaborate a little more on that **B.S Ajaikumar:** Is that question about what type of clinical talent? Aditya, we have -- as we know, Mumbai, particularly, we have been really trying to acquire significant clinical talent in the field of medical oncology and particularly in surgery. And in this field, we are very happy to say that we

have been able to recruit one of the star vertical oncologists from U.K., he was the Director of the breast program in Nottingham, which is a big cancer center.

Dr. Sachin Trivedi has joined us. He has been full time since June. And so that is one of the things as we go forward, we will see that he is being positioned as a Director of Medical Oncology in the region. And his job is to really not only recruit talent for his department, apart from breast cancer, he'll be looking at entire solid tumor oncology. And also he'll be building a team.

In this regard, we are also happy to say Dr. Viji Krishnamurti , who is a - breast surgeon or renowned breast surgeon trained in stone capping in New York has also joined us for South Mumbai. And her role is to really work on the breast cancer and see how we can make it a center of excellence for breast cancer in South Mumbai.

Both of these talents apart from several of the associated talent we have recruited. So we are trying to create further comprehensive center which is doing well. And our South Mumbai center, which has got different talent and technology to really look at a center of excellence. That is where we are positioned and going forward. And also, we will cater to international market.

And apart from this, to make it a center of excellence in Mumbai, Borivali, we have just installed a robotic therapy, which will also improve our talent acquisition has already done in terms of uro-oncologists. So with this, we will also see significant growth in the surgery as well as, of course, it will be truly a center of excellence with all the available technologies being present in under one roof.

Aditya Khemka: Got it, sir. So these talents that you have acquired is basically doctors, majority of it is doctors or all of it is doctors?

Raj Gore: Mainly, is that the question? The talent is what we have said on the main doctors.

B.S. Ajai Kumar: The talent is mainly doctor, but actually now we are a big training center. So all of this will propel people to come for the residency programs and improve. So with the center of excellence will have all the residency program associates. So it will go and we will be looking at data from it outcome. So many things will have when we have a talent like this. This will definitely improve.

And we are also, along the same lines to improve this kind of acquisition of talent and win, we are also putting the third robot in Kolkata. So all of this will be a significant benefit for us for our cancer patients, of course, that is the most important thing, but we'll also add to our top line and also improve efficiency

Aditya Khemka: Got it. And sir, I think one of the concerns that investors have had for some time now is stories or streets say that your primary investor, which is CVC might look to exit in the near term. Can

you throw any lights on that, anything that you would like to share with us? If there is a near-term exit of the private equity?

B.S. Ajai Kumar: At this point, as we know CVC said that they are there for long term and they may exit whenever time they think is appropriate. It is best that you ask them what do they think. As far as I am concerned and Raj is concerned, that the entire management team, we are really working hard to expand our oncology and they have been very cooperative in it. I think they have been a very good partner financially and also strategically for us. So we are really enjoying this partnership we have for further growth of oncology.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities.

Abdulkader Puranwala: So my first question is on the Indore facility, what you have required. So if you could highlight what is the kind of surgical revenue on oncology front towards the center is doing coupled with that on some details on the operational part like the ARPOB and occupancy, if you could share, please?

Raj Gore: Which center?

Abdulkader Puranwala: The Indore facility?

B.S. Ajai Kumar: What is the question? Indore facility has both surgery, radiation and medical oncology. It is a comprehensive cancer center. And it is rated actually number two on surgical oncology in that city. And there is also scope for further expansion.

And we are also in the process, as we know, we cover partner, we have an agreement to build a bigger center, cancer center with Dr. Rajesh. So once we complete this acquisition, which we have done, we will begin to grow here. And now the surgical number of surgeries here will increase once we go into the new center. And our goal is to become the premier center in Madhya Pradesh with this acquisition and the future growth plan we have. Raj, you want to add?

Raj Gore: Indore centers has the number one market share in private cancer care in Indore. It's a very established center. In all modalities, it has a top three position. It has a very high percentage of good margin business. It doesn't do any scheme business. It has cash TPA business. It has -- in an existing facility, we can grow this revenue -- and we have a plan to add another center in coming two years so that we have a path to grow it sustainably in future and dominate that market as in a mobile marketplace.

Abdulkader Puranwala: Got it. Sir, secondly, on this impact of addition of the LINACs on your EBITDA margin, what you called up for. I think on the last call, you also indicated that you may be adding seven to eight more at a future date. So is that still on track? And will that happen in FY '24? Or you plan it to do as when there was some necessity coming up?

Management: Yes. So apart from these five machines, we are also evaluating adding a machine in Kolkata in Nagpur, which will probably come and Vizag, three of our well-performing centers on radiation, which will probably come beginning of next year.

So, we are on track. We are already preparing the bunkers, etcetera, ready. And we should be able to grow that radiation business in these three centers in the coming years, the next year.

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

Ankit Agrawal: Thank you for taking my question. My first question is on the Nagpur center, we were already owning 76%, and now we have gone to 100%. Is that right?

Management: So, there are two developments in terms of Nagpur. As Raj mentioned in his earlier speech, the structure was little complex, there was an infrastructure company, and there was an LLP. LLP was the operating company. There was a revenue share arrangement between these group. Now we are buying the stake in the infrastructure by which we'll be able to consolidate the entire operations, which will give us better leverage on operational efficiencies also economic benefits.

Management: We are 26% of our partners has been acquired fully by us, 100%. So, both places will become 100% owners. That is the bottom line.

Ankit Agrawal: Okay. So that's why there is some EBITDA contribution because otherwise, the operational EBITDA would already be in there in the consolidated numbers?

Management: Right. That's right.

Ankit Agrawal: Okay, understood. That's all I had. Thank you.

Moderator: Thank you. We take the next question from the line of Mahesh Attal from Attal and Associates. Please go ahead, sir.

Mahesh Attal: Sir, my first question would be regarding your debt metrics. I mean what is the plan to deleverage the balance sheet going ahead? And where do you see the debt levels by end of this year, financial year 24 and financial year 25 and coming to your ARPOB numbers from the existing centers, where -- when can we -- I mean, expect this to reach the levels marginal levels? I mean, how exactly are we mean pushing it to come to the mature centers, levels and when do we see the numbers coming in? My two questions will be this.

Management: Yes. Let me first take the debt part of the question and the second part will be taken by Raj. See this is the debt numbers as it stands today if you see what you have shown in the investor presentation. I'm talking about where that bank debt is about INR217 crores and we are trying to add about another INR107 crores largely from these acquisitions. But don't look at debt in isolation. These acquisitions as previous management members said they're all coming with a positive EBITDA margins and that is only kind of support this debt.

And if you look at it on an overall basis, as I mentioned, we are looking on most of our capex from our internal accruals, any debt will be as far as this one would be only for the acquisition which will be both revenue as well as EBITDA accretive. So, we are largely looking at to keep a debt level in the range of about 2 to 2.5x net debt-to-EBITDA. That's the kind of leverage we are looking at, and that is the way we are looking at it.

Management: Mahesh on your question -- go ahead, Mahesh.

Mahesh Attal: Yes, sir just one question there. So when we say that we are going to -- I just wanted to know what could be our spend per bed when we are going for an expansion, let's say, we are starting a new hospital tomorrow and then what would be the cost per bed and what would be the payback period for that particular bed, let us say per bed occupancy what will be the payback period at this ARPOB level, let's say I calculate it on?

Management: Mahesh at this point, we are not doing any Greenfield. Like what Srimi said, we are only acquiring hospitals, which already have a positive revenue and EBITDA. And so this will be based on, obviously, at a lower EBITDA times, that is what we are acquiring demand. So, it will be definitely beneficial for us in terms of further expanding it and defining the dominant in those regions.

So, we are not doing any Greenfields, to give you any details about what will be the cost of hospital expansion and all. We are not doing Greenfield, okay. At this point except what we call it in Bangalore, whatever expansion we are doing in Whitefield, it is part of the Bangalore dominance expansion. So we are not calling with truly Greenfield. It is the expansion of our existing centers. That is how we are dealing.

Similarly in Ahmedabad also we are building a new center because we run out of space. so that will have a huge positive potential as we go forward.

Mahesh Attal: Yes. So sir, the metrics behind when the Brownfield expansion is that are we looking at hospitals which have ARPOBs in line with our existing or existing centers or they are little lower and they're trying to bring them up? How exactly are we looking at it from now from here on?

Management: So, Mahesh these are the investments that is primarily what we have today. As Dr. Ajai said that we are not looking into majorly we are not looking into Greenfield. Any acquisition which we are taking. What we are seeing is it should be at least at par accretive to our return on capital employed.

Now when that happens, and typically, and you also touched upon payback period, we are expecting based on the headroom available and whichever targets we are taking, we should be able to have a payback within in 6 years to 7 years at the capital level. Now once that happens, and you have enough headroom available to grow, that makes a viable business sense for us. So, this is how broadly we are looking at any future investment or Brownfield.

Mahesh Attal: Right. Because sir, also one more thing that operating leverage in our business will come only when you're actually operationalizing the beds, right? I mean just wanted to understand that where exactly the operating leverage in our business comes from?

Management: Absolutely right. I mean, when you operationalize your bed, your bed occupancy goes up, your revenue goes up and then operating leverage kicks in. And we have been saying that we have an isolated focus on certain centers which is pulling down the entire portfolio.

If you look at our existing centers, the margins are healthy, the return on the capital employed is healthy. And if you just -- Kolkata and Mumbai Center, then we are well within a decent satisfactory position both in terms of profitability and return and that's why we have been stressing up on these two centers all the time that a -- we are not looking at profitability.

We feel that if we do good in terms of increasing our market share in those regions like doing the right things when it comes to market making and clinical application, profitability will follow soon in coming months and as we said, we are already sort of seeing the improvement in EBITDA, and we should be able to do that in quarter 4 of current year.

If you look at our slide number 10, we have been on an increasing path coming on growing path in EBITDA. So our EBITDA in quarter 4, from emerging center was INR81 million, it has gone to about INR99 million. And we expect this would keep growing in the future quarters.

Mahesh Attal: Fine sir. All right. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Karan from Monarch AIF. Please go ahead, sir.

Karan: Hi sir. Thank you for the opportunity again. Sorry to ask this again, but I'm still confused on the total acquisition cost. I understand that you gave that breakup of the debt plus the cash. But if you can just call out the total acquisition cost to company that would be with debt, with internal accruals, etcetera, the total cost would be that would be really helpful, sir.

Management: So, just to say, our net debt is going to increase by 107. Of that INR107 crores, INR30 crores of debt is what we will be consolidating from NCHRI. If you take out that debt of INR30 crores, the next INR67 crores would be primarily towards acquisition cost, not INR67 crores -- 77 crores would be flow out from the system, either in the form of debt or cash going down, that is a total consideration being paid for the two acquisitions.

Karan: Understood. So INR77crores we are actually playing because INR30 crores debt we're getting on our balance sheet from the Nagpur center? Is my understanding correct, sir? And that's how we're coming to that debt figure?

Management: That's right.

Karan: Okay. Thank you, sir. Thank you so much.

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

Management: Once again, thank you for your interest and support to HCG. We are happy to have further conversations if you want any more clarification, please feel free to reach out to our Investor Relations. Thank you for joining. All the best.

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