August 17, 2022

**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 held on August 10, 2022***

**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 10, 2022, with Analysts/Investors to discuss the Unaudited Financial Results of the quarter ended June 30, 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**
**Company Secretary & Compliance Officer**

# “HealthCare Global Enterprises Limited Q1 FY-23 Earnings Conference Call”

## August 10, 2022

**MANAGEMENT:** **DR. B. S. AJAI KUMAR – EXECUTIVE CHAIRMAN, HEALTHCARE GLOBAL ENTERPRISES LIMITED**
**MR. RAJ GORE – CEO, HEALTHCARE GLOBAL ENTERPRISES LIMITED**
**MR. SRINIVASA RAGHAVAN – CFO, HEALTHCARE GLOBAL ENTERPRISES LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Q1 FY23 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 guarantees of future performance and involve risk 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. B. S. Ajai Kumar – Executive Chairman of Healthcare Global Enterprises Limited. Thank you and over to you sir.

**B.S. Ajai Kumar:** Thank you very much and good evening to everyone and welcome to all the present on the Q1 F23 earning conference call for Healthcare Global Enterprise. I have with me here Mr. Raj Gore, our Chief Executive Officer and Srini Raghavan, who is our CFO and Ashutosh and Venkat from our management.

HCG is a leading oncology care provider which is patient centric, technology oriented and outcome based. Our focus has been on oncology and in conjunction with partners in some areas which has built a strong legacy as a world class oncology institution and go to brand oncological treatment and services across India. We are also into infertility as well as few multispecialty hospitals which we are also strengthening. Our focus on strong clinical talents, good infrastructure, technology and timely upgradation of the same has enhanced our ability to deliver exceptional clinical outcomes equal to or better than global standards. In the very near future, we are putting together data on head and neck and breast cancer on these outcomes and see how we can challenge the global outcomes.

HCG is today not only a service provider but has taken a lead role in research and academics. Recently we have acquired next generation sequence in genomics which is a sequencer of high end and in process of acquiring circulating tumor cell platform. These additions are already enhancing our capabilities, physician diagnosis, leading to early detection of not only cancer but also early detection of recurrent cancer and genomic guided therapy. We have a separate tumor board for this with relevant expertise. In addition, we have introduced enterprise RIS PACS in collaboration with Siemens for the first time in this country for AI based physician imaging which will enhance our research capabilities and also improve our effect on the patient outcomes and diagnosing the patients in proper staging. Further HCG is introducing first of its kind in the country, an AI enabled adoptive radiotherapy in our center of Excellence in Bangalore which will again make a difference in how we precisely treat cancer patients. Under clinical initiatives we have achieved a sizable scale in terms of case load and patient outcome across centers and continue to enhance our in-house capabilities to increase the number of clinical trials carried out at present and work with the pharma companies on drug discovery and related matters backed with significant data.

Talking of our environmental-friendly initiatives, we have done a very successful implementation of 3.3 MW solar plant at our Bangalore facility, related to our Bangalore facility slated to the commission in a couple of months which will result in substantial cost savings also. We have already initiated a pioneering effort in genomics, metabolics and microbes to unleash indigenous research in India for Indians rather than extrapolating western origin data and force fitting in the context of Indian populace. In addition, we will be trancing away from the conventional medical record system to electronic medical records which will not only provide value for the patients, in terms of their clinical management but also analytics and data intelligence will be gathered. We are working on modus operandi to ensure that the last mile benefits of our physician and personalized medicine endeavors through tech enabled innovations like HoloLens, a phenomenal technology that marked a super processing power and wider field of reason to provide help to our patients not only in the center of excellence but also in Tier 2, Tier 3 cities. With these few remarks I now handover to Mr. Raj Gore, our CEO.

**Raj Gore:** Thank you Dr. Ajai. Good evening, everyone. Very warm welcome to all of you. We are delighted to share healthy financial and operation performance yet again for Q1 FY23. We are happy to report robust growth for quarter ended June 2022. Our consolidated revenues for Q1 FY23 grew by 26% on a year-on-year basis and we've reported PBT of Rs. 10 crores for Q1 FY23 as compared to loss of Rs. 9 crores in Q1 FY22. We are also happy to report that we've been able to successfully accelerate the financial performance for HCG over the last eight quarters. Our revenue has increased by 1.7 times since Q2 FY21 on a quarterly run rate basis. Correspondingly our EBITDA in absolute terms have grown by 2.4 times over the last eight quarters and have been able to achieve consecutive PBT positive quarters.

We have been working on multiple fronts to take HCG to greater height by constantly improving holistic value that we offer to our patients and thus create value for the business in a sustainable manner. We are confident of maintaining our growth momentum going forward. Four key areas of our strategic roadmap that we are currently working on are;

1) Digital transformation. It means two things, building digital capability, to build HCG brand online, to increase digitally influence patient footfalls into our hospital. 2) Improving our processes from patients' perspective to deliver an experience that matches evolving consumer behavior and expectations. This initiative will involve omni-channel patient engagement with the help of multiple digital assets like website, social media, WhatsApp bot, patient app portal, centralized call center, integrated CRM and advanced analytics and business intelligence. We are already seeing some green shoots. For example, our website traffic is up by 2.7 times over last six months.

The second initiative is cost optimization and efficiency enhancement. We have also been working on our structural cost optimization and efficiency enhancement program. We've been able to evaluate multiple areas for enhancing workforce productivity and optimize staffing accordingly in a scientific manner. Additionally, we have also relooked at our pricing and collectively these initiatives should drive significant operational efficiency to improve margin. We would commit later but we are targeting a healthy margin improvement from these initiatives. The third initiative is growth of our medical value travel business. We have recasted our international business strategy starting a couple of quarters ago. Largely the strategy is focused on enhancing our footprint, both geographically and channel wise. We have set up six new information centers across our large contributing geography for creating greater brand pool. Currently we are averaging about 1.4 times the monthly average during the pre-COVID times. The fourth initiative is inorganic acquisition. We are also scouting for few inorganic acquisitions as a part of our growth strategy and are actively pursuing some. We will keep the market posted at appropriate time. Our history of successful partnerships and upscaling of the acquired businesses over a period gives us confidence to pursue this strategy.

To conclude I would like to reiterate, that we have strengthened our senior management team, our clinical team across the network and have been continuously upgrading our technology and capabilities in cancer care for providing all oncology related services under roof. With this I would like to handover the call to Srini to take you through the financial and operational performance highlights for the quarter ended June 2022.

**Srinivasa Raghavan:** Thank you Raj. Very good evening to all of you. We have uploaded our Q1 '23 financial 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 our revenues ahead of the industry growth due to the trust and brand created for HCG over decades.

On the revenue front; our consolidated revenues for Q1 '23 stood at 408 crores as compared to 323 crores in Q1 FY22, a growth of 26%. Revenue split between HCG and Milann stood at 96% and 4% respectively for Q1 FY23. Revenue growth for HCG stood at 26% YOY and Milann stood at 43% YOY. As mentioned in slide #27 revenue from the existing center stood at 298 crores, a growth of 23% on a YOY basis. Revenue from new center stood at 75 crores a growth of 23% on YOY. We are delighted to state that our new centers are inching towards maturity and are seeing good traction across geographies.

Coming to slide #33; our revenues from oncology business grew by 35% on YOY basis to 343 crores and revenue from non-oncology business stood at 58 crores. I now call your attention to slide #34 where we have for the first-time disclosed bifurcation of our operational parameters across our existing network and new network. Our company wide AOR stood at 64.6% and AOR for existing versus new centers stood at 64% and 66.1% respectively. Higher Occupancy for new centers is due to only 70% of beds were operational in new centers. AOR and capacity beds stands at 49%. Our ARPOB on company level stood at Rs. 38,454 and our ARPOB from existing network stood at Rs. 40,606 and for new centers it stood at Rs.32,968. ROCE for existing network stood at 19% annualized for Q1 FY23 as compared to 15.4% in FY22, a growth of 360 bps. ROCE for new centers stood at (-4.6%) annualized for Q1 FY23 as compared to (-8.3%) in full year FY22. This again is an improvement of 370 bps.

Across geography we have given our revenue breakup in slide #35. Jaipur grew by 263%, revenue from Ranchi grew by 112% and Mumbai grew by 53%. Bangalore center of excellence grew by 37%.

Our Milann business is also doing well. Revenues have increased by 43% in Q1 FY23 on YOY basis, our new registrations grew by 139%. New centers revenue growth in Milann stood at 70%. On the EBITDA front; our consolidated EBITDA for Q1 FY23 stood at 72 crores as compared to 51 crores in Q1 FY22, a growth of 41% on YOY basis. Our EBITDA growth on quarter-on-quarter basis stood at 14%. We have also given bifurcation of our EBITDA across existing and new centers. I would request to participants to view slide #27 for further details.

We are happy to report that EBITDA from our new center is growing. EBITDA margins for Q1 FY23 stood at 17.7% as compared to 15.9% in Q1 FY22 and 17.3% in Q4 FY22. EBITDA margin expanded by 180 bps on YOY basis. As we draw synergies from various cost saving initiatives including strategic efficiency projects that Raj talked about, we are confident of improving EBITDA margin by 100 to 200 bps over the next 12 to 18 months. Some benefits of these initiatives are reflecting in the higher margin for this quarter.

On profit before tax; we are having to report PBT positive number of 10.4 crores in Q1 FY23 as compared to a loss of 8.9 crores in Q1 FY22. We aim to be a profit-making company on a consistent basis from now onwards. Happy to share that we are PAT positive by 6 crores in Q1 FY23 which is fairly sustainable and likely to go in the coming quarters. PBT on QOQ basis increased by 11 times. PBT margin for Q1 FY23 stood at 2.6% as compared to (-2.8%) in Q1 FY22. Our net debt position excluding capital leases as on 30th June, 2022 stood at 191.5 crores compared to 293.7 crores on 30th June '21 and 190.5 crores as on 31st March '22. CAPEX for Q1 FY23 was Rs. 16.3. crores, bifurcated between existing centers and new centers at Rs. 12.2 crores and 4.1 crores respectively. Our expansion of existing facilities at Ahmedabad Phase 2 and Whitefield extension of Bangalore COE is on track and we have incurred 7 crore and 1 crore respectively. Total plan CAPEX for Ahmedabad is Rs. 85 crores expected date of operations being Q1 FY25 and for Bangalore COE is Rs. 25 crores expected date of operation being Q4 FY24. With this I would now like to open the floor for question and answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shubam Ajmera from SOIC.

**Shubham Ajmera:** I would like to get your view on the international patients, like have we reached the pre-COVID level here and what kind of growth we are seeing here and what is the current percentage of revenue from international patients store in our total revenues? If you can give us some broad idea on that.

**Raj Gore:** Thank you for this question. As I mentioned in my opening remarks, Pre- Covid period Bangalore was largely the only destination to get international patients. Post-COVID, today we have Mumbai as well as Kolkata, two more destinations and we have made significant efforts in expanding our geographical footprint as well as channel footprints, whether it's government tie-ups, insurance tie-ups, institutional tie-ups with different corporates as well as digital channel. As a result, we have seen in Quarter 1 our business is 1.4 times the pre-COVID level. I think today at a HCG level our international business is about 4%. But you would be happy to know that at our center of excellence in Bangalore it's at 15% of top line and I think we're just getting started.

**Shubham Ajmera:** Second question is, we have done some changes in the life of property plant and equipment. Can you please elaborate on which categories we have done it and what is the current life of such assets from the previous year?

**Srinivasa Raghavan:** This is a major change basically it is PET CT which we were depreciating over a period of 10 years, the Companies Act and the industry practice allows to kind of depreciate for a period of 13 years which is what we have done.

**Moderator:** The next question is from the line of Shyam Shrinivasan from Goldman Sachs.

**Shyam Srinivasan:** Just the first one team on AOR. I know you don't kind of look at it like how we look at other hospitals. But just that's been a significant jump. So, is there something from an operational standpoint that's changing we've reached like close to 65%? Just want to understand what's happening on occupancy. I don't know whether you have an outlook for it but just would like to understand this one.

**Raj Gore:** I think we've been mentioning in our several quarterly calls that there's a lot of effort that we have taken over last 4 to 6 quarters in improving our clinical strength in each hospital, adding more technology, adding more services. But mainly a lot of effort has been taken on our go to market strategy, our number of empanelment with different TPAs, different corporate, different pair channels. There's a lot of groundwork that has happened. There is a lot of activation activities have happened to create awareness about HCG's capability in treating cancer patients. I think we're seeing a consistent growth in our footfalls as a result of all these efforts. As a result, the occupancy is growing. If you see the trend in occupancy is consistent over last few quarters.

**Shyam Srinivasan:** Get the factual point but I'm just saying is this how should we look at it going ahead that's one because we are now breaking new ground. I don't know whether have at least seeing historical numbers of this high. How does it actually impact our business model, either in terms of what growth you can aspire to versus and the kind of margins? Because I'm assuming generally simple that higher utilization means better margins.

**B.S. Ajai Kumar:** As you know Shyam in the past the question has been asked about our occupancy and we were always in the 50% or so we were said it is because a lot of outpatient therapy going on. But now as you can see on revenue growth of 26% in the last eight quarters. I think like what Raj said increasing footfall essentially this is what we were expecting. We have space, we don't have space constraints. We don't have to put more brick and mortar. This Occupancy is happening as per our expectation as the revenue grows from each center because our center of excellence and areas in Jaipur are all reaching historic growths. Naturally the occupancy will increase. It won't remain stable at 50%. That is the growth we are seeing and going forward yes, we still have 64, some consider in the 75 as the maximum. We may reach there at that point when all other centers start performing to its potential. But it also could be depending on centers, for example Jaipur now we are almost full. So, we have capacity so also in our Ahmadabad center. And Ahmedabad we are building a new center. All of this will also take care of this. But it is a healthy growth it is expected and we are obviously happy about it.

**Shyam Srinivasan:** My second question is on ARPOB dynamics and slightly different trend, so for example new centers we have not seen ARPOB grow but if I were to look at existing centers, they have grown well, blended is 6%. Can you walk us through some of the dynamics here? What's happening either in terms of price, mix, what is being done here?

**Raj Gore:** Just one more data point on the previous question that you asked. I think we have a capacity of about 1,974 beds right now. We have personalized 1,737 beds. If your question was any way or if your question was related to how much upside of growth is, as and when we increase our occupancy, we will continue to commission more beds that are already built. I don't see capacity as a constraint going forward. On ARPOB, I think that has happened on improvement in ARPOB, has happened due to 2-3 levels. One is pricing increase, second is I think we have pricing for cash as well as TPA revision. We are seeing some positive mix change. We have more hospitals which are NABH accredited which gives us additional pricing ability. As a combination, I think our ARPOB is improving.

**Shyam Srinivasan:** Raj, you mentioned in the opening comments, we have looked at pricing. So, cash and TPA what's the revision, is it like linked to 4%-5% medical inflation or higher?

**Raj Gore:** Usually year-on-year we do about 2% to 3% inflationary increase. But we have also talked about operational efficiency improvement program. Under that program we have done more structured pricing revision starting with our Bangalore market. I think that's also contributing to higher margin. Now we are in process of rolling out that initiative across 10 more centers in the network. So, you will see additional improvement on realization because of that.

**Shyam Srinivasan:** Thank you so much. Just my first question is still pending which is why the difference between existing versus new ARPOB? I'll stop there. Thank you.

**Raj Gore:** So, a new center. if you look at the growth, I think Jaipur has really picked up. Jaipur, I think the mix is more in favor to scheme business and as a result of that the realization is constant. Also, the way we are approaching Jaipur is we want more and more patients to experience our services and all and the optimization will happen as and when we go closer to the utilization level, higher utilization level.

**B.S. Ajai Kumar:** Regarding your question of why ARPOB is increased more in our existing centers, it is because of the mix technology, price increase. Obviously, our center of excellence Bangalore will have a much higher ARPOB even as we go forward when we look at the ARPOB in a conventional way. That could be the reason also the difference is there Shyam.

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

**Kaustubh Pawaskar:** My question is on the structure pricing revision you just talked about in Bangalore Center. Can we just elaborate it and how you are planning to implement it into other centers?

**Raj Gore:** So, there are two types of pricing exercise. One is annual inflationary price increase but every 2-3 years we would like to do a more structured pricing increase. What does that mean? That means we map the competition, we look at the pricing, we map our positioning in the market, our value proposition in the market versus other players. We look at our capacity utilization for particular businesses and see if there is an opportunity to increase pricing premium. We go line item by line item in a more structured manner and identify items where we can optimize our pricing. Now that's the methodology that's specific to a particular market. Therefore, we started with Bangalore and now we will take it to other markets. It does take some time to study the market and map it and we will take it to more markets as we move forward in this year.

**Kaustubh Pawaskar:** My second question is on your cost optimization strategy which was explained in the initial comments of the management. So can you just elaborate on how you are planning for this cost optimization strategy because these are some of the levers which will help us to drive the margins and as sir said that you are focusing on achieving around 150 to 200 bps improvement in the margins, these are the levers which will help you to drive the margins. Can you just elaborate on your cost optimization strategy?

**Raj Gore:** Absolutely. You know that as an industry we've been facing increasing competition, price regulation, pressure on margin and therefore we believe that we must do everything to increase margin and the key in that is identify micro efficiencies which and aggregate helps us to improve overall margin. So, there are several levers we are looking at it. One is workforce productivity. Workforce cost is one of the major cost items in our P&L. Second is indirect cost optimization, the long tale of fixed cost. What we do in that is basically go line by line, identify duplication based non-value adding activities, redesign processes, introduce technology to improve the productivity of certain processes, do shared services, introduce shared services so that we can have economies of scale. We do a very structured program line item by line item and I think again we've started this initiative in Bangalore clusters first and we will now take it to other markets.

**Kaustubh Pawaskar:** My third question is on; I've gone through all the clusters. We have seen that most of the clusters have done pretty well strong growth. Maharashtra, we have seen only the growth of just 10%, any particular reason for it?

**Raj Gore:** I think if you look at Maharashtra, Nasik is one of our big centers. I think it's the biggest center for us in Maharashtra in terms of top line. Last year Q1, we had a significant COVID business in that hospital and this quarter that is not there and that's why the percentage is looking lower.

**Kaustubh Pawaskar:** It is because of the high base of the COVID led business?

**Raj Gore:** Yes.

**Kaustubh Pawaskar:** One last bookkeeping question, this quarter we have seen tax rate higher at 7.9 crores. Is there any one-off into it?

**Srinivasa Raghavan:** The thing is more from a conservative point of view; we don't take any deferred tax asset on our loss breaking business. That's the reason why we take, so that is the reason why it is like that.

**Kaustubh Pawaskar:** What would be a normalized tax rate for the year?

**Srinivasa Raghavan:** We are at about 34.5% which is the normal tax rate 34.5% which is normal tax rate that each year effects us at this point in time. At an appropriate time, we will evaluate the lower tax of 25%.

**Kaustubh Pawaskar:** As you mentioned that our optimum capacity utilization is something which you are looking at all the centers. So, when you think about putting a CAPEX what kind of a utilization you have in front of you for a particular center? For example, Ahmedabad as you said that currently it is now fully utilized capacity. So, when you do an expansion or when you come out with a greenfield project next to a particular hospital what kind of capacity utilization or occupancy you normally look into then after which you have to expand the capacity?

**B.S. Ajai Kumar:** In the capacity utilization as we discussed previously about occupancy rate beds. Our focus going forward in the greenfield if we do will be less beds and more outpatient facility, daycare because the whole cancer care is moving towards that. When we talk about capacity utilization, it is not only about beds anymore but it is about how many linear accelerators, what is the number of patient a linear accelerator can it take, can it do 100 patients because some of the newer technology and all can used to give that kind of capacity. When we are running for example in Jaipur, we are at capacity utilization on the two units, we are now trying to bring a third unit. So, we are reaching there. Another important thing is as we know our CAPEX is actually, we have discussed this in the past meetings where it is now pay-for-use model majority of the times even though there may be exceptions. With this model the CAPEX actual requirement in terms of what if actual CAPEX becomes less, it is more of a sharing the revenue. With all this I think we are very well positioned to handle even a capacity needed, putting extra technology without actually putting extra CAPEX in it. So, it will be risk reward sharing. So, all of this I think will help us to grow very fast in future depending on where the need is and it is very specific. For example, we may be reaching capacity in Jaipur but we may not have reached capacity in Kolkata or South Mumbai. We will now also focus on that which areas needs to be focused and the management is putting in extra effort to these areas to reach capacity.

**Moderator:** The next question is from the line of Ashay Jain from Jain Capital.

**Ashay Jain:** I have a couple of questions. Firstly, can you elaborate on digital initiatives taken to increase the revenue and how do we see the overall technology planning a major part in the increase in revenues?

**Raj Gore:** Thank you for asking that question. The whole genesis of HCG is bringing the most advanced medical technology to cancer patients in India. This is something that we are pioneering. I think if you look at what has happened parallelly in other industries, is digital technology has been used to meet evolving consumer needs. Consumer needs around self-service, consumer needs around online payment, consumer needs about information requirements, consumer needs about comparing different products, services but mainly providing convenience to consumers when they avail the services. This is one area; we feel that we want to really invest in through multiple channels. So right from creating awareness about HCGs oncology capabilities online. Ours is a customer base which every year you have about 15 to 20 lakh new cancer patients in a population of 140 crores. Our ability to reach to them in traditional sales or marketing methods is very limited and will not be as productive. But today we know that patients want patients and their families want to learn about their disease, want to do research online, want to make second opinion and are willing to travel any corner of India or world if they feel that's where they get the right treatment. It gives us an avenue to reach out to our fragmented, thinly dense patient group in a very effective manner. Historically we have a very good track record. We treat more than lakh patients every year. That patient base is spread all over India and the word of mouth has helped. In addition to this, this is another thing that we are deploying. The other part is we know that the mix around digital is it mainly a domain of millennial male in metropolitan cities. We know that post-COVID, the rural users of internet have surpassed the metro users of internet. We know that people with age group of more than 45, that group is as big as millennials which is 20 to 35 in terms of internet usage. So, things are changing. The internet penetration is almost doubled over the last couple of years and now half of India's population is covered under that, it will continue to grow. We feel that with our kind of differentiated and specialized products it gives us a very good channel to reach out to masses across India, in fact across world through digital channels. So that's one thing. Second is the cancer patient journey starts before HCG and will continue while they are getting treated at HCG. They will always have this sword hanging over them and they will have to do follow ups once they finish the treatment for rest of the life. Through digital asset it gives us the ability to make sure that their journey before HCG to during HCG and after HCG is convenient and we can help them by giving them the right advice, doing a follow up with them, sending reminders, bringing them back because early detection gives them best chance to improve their outcome. There are several aspects of this initiative. We've started working on it. We are seeing some early green shoots and we feel that with changing consumer behavior I think this will become a growing channel for us going forward.

**Ashay Jain:** Second question, when can we expect the new centers perform as the matured centers and will be at what scale and within what time frame?

**B.S. Ajai Kumar:** Sorry can you repeat your question again?

**Ashay Jain:** My question is when can we expect the new centers perform as the mature centers and at what scale and within what time frame?

**Raj Gore:** As you see, this time we have given a breakup between existing and mature centers, sorry existing and new centers. You see how the traction on new centers has been, a year-on-year growth has been fantastic, occupancy rates are going up. This bucket was loss making, now its EBITDA positive. One by one we've turned all centers around. Kolkata is our newest center. We expect that to be turned around this year. I think we are on the right force. Unfortunately for us the 2 years of COVID pandemic slowed down our ramp up on these new centers. But as soon as the COVID is going away we've seen immediate acceleration in this turnaround story. We expect one negative EBITDA center Kolkata, the newest center to be turned around this month. And ramp up has been fantastic. You see Nagpur ramp up, you see Jaipur, Jaipur has done fantastically. We are very confident that in next 12 to 18 months this bucket will start getting pretty close to existing tenants.

**Moderator:** Next question is from the line of Raj Joshi from Ace Securities.

**Raj Joshi:** What will be our strategy for expansion in the form of greenfield, brown field and inorganic? Can you elaborate on the same and what will be the CAPEX guidance for the next coming 2-3 years?

**Raj Gore:** We have refrained from giving a CAPEX guidance going forward. However, on your greenfield questions, today we have two of Mumbai centers as well as Kolkata centers which are greenfield centers for us. We are in process of ramping them up. We have also further announced two centers. One is an extension center in Whitefield for our center of excellence which is a greenfield project. Our Ahmedabad center of excellence has peaked out in terms of utilization. We are relocating in a newer site with an expanded capacity. That's another greenfield project we are doing. I think beyond that we will focus on inorganic acquisition route. As an event we find targets that we feel fit in our strategy, we feel that we can either ramp them up quickly or turn them around quickly and we can get it at a good valuation in a value accretive manner. So that's our plan for brownfield growth. As and when we have more definitive developments, we will share it with you.

**Raj Joshi:** What are the steps taken to improve the revenue and the margin from the new center, especially from the Mumbai and Kolkata center?

**Raj Gore:** So again both of these centers were relatively new before we entered into COVID pandemic era. The playbook for us has been very simple. Get the right clinical talent, introduce more treatment capabilities, more technology, enhance the customer base by your go to market activities with institutional tie-ups, with TPAs, insurance, PSUs, different pair channels, bring for Mumbai-Kolkata especially. I mentioned it earlier, prior to COVID we had only Bangalore as a destination to bring international patients. Mumbai and Kolkata are very well connected across the world. We are already as a result we are able to bring in international patients to these two more locations. That has helped us to improve our international business 1.4 times the pre-COVID level. We will continue to drive that growth going forward. The playbook is pretty simple for turning around these new centers.

**Moderator:** The next question is from the line of Priyanka Gandhi from Ace Capital.

**Priyanka Gandhi:** I just have a couple of questions. You mentioned about cost rationalization but can you quantify on the same, what will be the uptick in margins due to the decrease in cost and increase in efficiency?

**Raj Gore:** As I mentioned, we started this project with our Bangalore cluster sometime a couple of quarters ago. We've already seen just in Bangalore cluster we've seen about 20 to 30 basis point improvement in our margin in Quarter 1 alone. We will take this initiative to more locations. We expect about 100 to 200 basis points improvement in our margins as we roll out these initiatives across all centers and ramp them up to their full capacity or potential.

**Priyanka Gandhi:** My next question being scalability and industry growth for cancer; can it be scaled up and across the country as a multi-specialty hospital brand?

**B.S. Ajai Kumar:** As a multi speciality what? Can it be scaled up as what?

**Priyanka Gandhi:** Can it be scaled up across the country as a multi-specialty brand hospital?

**B.S. Ajai Kumar:** We are very focused as an oncology brand. We don't feel need to really incorporate multi-specialty because when you look at oncology being focused factory. That is how we have grown from a very small enterprise in 2005-06 to this level because we always believe that focus factory approach is what drives the center of excellence, the quality outcome and that attracts real cancer patients to come to the center of excellence. On a multi-specialty, as you know, it's usually an implant model where they do cardiac surgery to renal to oncology. The oncology itself rarely attract patients to come for oncology care where exceptions are there. Usually in a multi speciality patient goes with a symptom of abdominal pain, lump in the breast and ends up being cancer and gets the treatment then. But that issue is there for all the time. That is why we don't have like 120,000 patients driving through this. Through oncology is what we see there is no way multispecialty can drive that number of patients. So, we are very clear in our focus and that is how we have driven it. In future also categorically we are going to drive multi-specialty only and we feel there is enough, sorry single specialty only and we have enough need for it. Like if you look at HCG itself today, we have nearly 50 crores people can access but there is a lot of need for it to expand. We are not even in certain parts of India and also within where we are further expansion can happen there including in Tier 2 and we are one of the few which are in Tier 2, Tier 3 cities also in oncology which is not there in many specialties. We are very clear and we are very positive for the future growth of oncology specialty.

**Raj Gore:** Just to add to what doctor said, Priyanka if you look at healthcare is usually characterized as demand supply gap sector in India and that demand supply gap when you talk about oncology is even higher. Now you look at what HCG has been able to achieve. We already have 22 cancer centers across 19 cities, 9 states that's scalability. The market has been growing over last few years with a CAGR of about 12%. We are growing about 15% CAGR. That's HCG’s brand pull, that's HCGs differentiated and specialized product. The fact that we've been able to achieve this with an oncology focused care model in big cities in Tier 2, Tier 3 cities with double digit revenue growth which is higher than market growth at (+20%) EBITDA in our mature centers with high teen ROCE, as higher EBITDA in our center of excellence more than 25%. It explains the scalability, viability and strength of HCG's unique model. I think the opportunity for growth is plenty out there for HCG. We are a market leader on many parameters and we will continue to be market leader and consolidate our position going forward.

**Moderator:** The next question is from the line of Rishabh Parekh from Sunidhi Securities and Finance.

**Rishabh Parekh:** My question was around the mature centers. Now that we are at 25% EBITDA margin and Rs. 40,000 ARPOB, 65% occupancy, what is the growth we can expect from a mature center? What are the levers that we can use to drive growth?

**B.S. Ajai Kumar:** See the growth in the mature centers, certainly there is the spike because of these are all becoming centers of excellence or hubs where new technology will be put in, new areas of diagnosis, genomics and others will take place. Because of that new talent acquisitions will happen and look at for example putting in mature centers. There are a lot of mature centers don't have robotic surgery, may not have very high-end therapy and genomics. As we do this obviously the revenue impact will be higher and occupancy may increase up to 75%-80%. But more than occupancy the footfall will increase, and the radiation load will increase, the outpatient chemotherapy load will increase, our cost will increase. We are seeing like in our Bangalore center our ARPOB is 66,000. So, there is an opportunity for us to reach the 66,000.

So, we have to aim for the gold as they say. Because nowadays patients also look for high end oncology centers near them. I think the fact we are building a very big center in Ahmadabad itself is a credit to that that how opportunity exists for us to expand the existing centers as hubs and even we have even talked about expanding in Cuttack making it a center of excellence how it has grown. There are and of course Mumbai I think in the next few years will become a center with clinical talent acquisition and all happening. I think the mature centers I believe still have an opportunity for growth. Particularly what Raj talked about digital coming in, all of this will only enhance the footfall and definitely it can increase. We are very positive on the mature centers growth in the future.

**Rishabh Parekh:** That's very helpful. Outlining the headroom that the mature centers have to grow. My second question is on ARPOB. Does the base quarter which is Q1 FY22 have the impact of any vaccination revenue which was not there in this quarter hence optically the ARPOB increase was only about 5%-6%?

**Raj Gore:** No that's not the reason. In Q1 we did not have any vaccinations, vaccinations primarily started from Q2.

**Rishabh Parekh:** Okay so Q1 FY22 did not have vaccinations.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Raj Gore for closing comments.

**Raj Gore:** So, thank you everyone for joining the call. We will keep updating the investor community on a regular basis for incremental updates on HCG. I hope we've been able to address all your queries. For any further information kindly get in touch with us or Strategic Growth Advisors, our Investor Relations Advisors. Thank you once again. Stay safe.

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