

24th May, 2022

The General Manager, Department of Corporate services Bombay Stock Exchange Ltd (BSE) Phiroze Jheejheebhoy Towers, Dalal Street, Mumbai - 400 001. Scrip Code - 543308 ISIN: INE967H01017	The Manager, Listing Department National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No.C/1, 'G' Block Bandra - Kurla Complex Mumbai - 400 051. Symbol - KIMS ISIN: INE967H01017
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Dear Sir,

Sub: Transcript of Earnings Conference Call with Analyst / Investors.

In Continuation to our letter dated 17 May 2022 the Company had organized a conference call with the Investors/ Analysts on Friday, 20 May 2022 at 9:00 am (IST). A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded on the Company's Website at <https://www.kimshospitals.com/stakeholder-relations/>

Kindly take the same on record and display the same on the website of your exchange.

Thanking you,

Yours truly

For Krishna Institute of Medical Sciences Limited



Umashankar Mantha
Company Secretary & Compliance Officer



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CIN: L55101TG1973PLC040558



“KIMS Hospital Q4 FY-22 Earnings Conference Call”

May 20, 2022



MANAGEMENT: **DR. BHASKAR RAO BOLLINENI - FOUNDER AND
MANAGING DIRECTOR**
**DR. ABHINAY BOLLINENI - EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER**
MR. VIKAS MAHESHWARI – CFO

MODERATOR: **MR. RAHUL JEEWANI – IIFL**

Moderator: Ladies and gentlemen good day and welcome to the KIMS Hospital Q4 FY22 Earnings Conference Call hosted by IIFL Securities Limited. 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you sir.

Rahul Jeewani: Hi good morning every one this is Rahul from IIFL Institutional Equities I welcome you all to the Fourth Quarter Earnings Conference Call of KIMS Hospital and I thank the KIMS management team for giving us the opportunity to host this call today from KIMS we have us Dr. Bhaskar Rao Bollineni – Founder and Managing Director, Dr. Abhinay Bollineni – Executive Director and CEO and Mr. Vikas Maheshwari – CFO. Over to you sir for your opening comments.

Bhaskar Rao Bollineni: Good morning, Rahul, and all the investors who are present on this day. I extend a hearty welcome to all of you for the investor's meeting. The corona wave has gone but the heat wave is on. The country is reeling under sweltering heat and I hope you are taking all necessary precautions to safeguard yourselves. Healthcare expert, we are always concerned about your health.

Coming to financial health:

The board had approved the results for the period ended March 31st, 2022, I am happy to announce that the results have been healthy all parameters showing an upward trend. First of all, the results of quarter four FY2021-FY2022, the consolidated total income showed an increase of 5% against quarter four FY2020-FY2021 which stood as Rs.3805 million for Q4, FY2021-FY2020. Consolidated EBITDA for Q4, FY2021-FY2022 had showed an increase of 16% corresponding period for Q4, FY2020-FY2021 stood at Rs.1218 million for Q4 FY2021-FY2022.

Now, I will present details for the full financial year FY2021-FY2022:

The consolidated total income for financial year 2021-FY2022 recorded as increase of 25% at Rs.16,711 million over the FY2021, which was Rs.13401 million. Consolidated EBITDA grew by 41% from Rs.3800 million to Rs.5360 million for FY2021-FY2022 mainly due to a case mix, peer mix and cost optimization. Consolidated PAT saw an increase of 67% from Rs.2055 million to Rs.3438 million. EBITDA margin grew from 28% previous year to 32% in current year. primarily due to effective cost control and operating leverage.

Earnings per share on a diluted basis has increased to Rs.41.88 in FY2022 against Rs.26.42 in FY2021. Moving to operational highlights, IP volume grew 17% and OP volume grew by 22%

FY2021 to FY2022. Average revenue per operating bed improved Rs.25,323 in FY2022 from Rs.20609 in FY2021, mainly due to better peer mix and increase in complex surgeries and procedures. Average revenue per patient increased from Rs.113,904 in FY2021 to Rs.121232 in FY2022.

The clinical achievements during this quarter:

World's best auto-guide implantation for deep brain stimulation using artificial intelligence done by neurosurgeons at KIMS Hospital Secunderabad. Doctors at KIMS Secunderabad gave a prosthetic testis to a 23-year-old who had lost it due genetic reasons in Chelur. Complex case of tailgut is treated successfully by doctors at KIMS Hospital, Kondapur. Peripheral woman suffering from clots in legs treated without surgery at KIMS Hospital, Kondapur. Nine-months baby underwent successful liver transplant surgery at KIMS Hospital at Secunderabad. A five-year-old girl with a large coronary cameral fistula a rare congenital problem was successfully treatment at KIMS ICON Vizag. A 42-year-old gave birth to preterm baby successfully at KIMS Saveera, Anantapur. A 10-months baby successfully underwent a complex kidney surgery at KIMS Saveera, Anantapur. Complex case of pituitary tumor treated successfully at KIMS ICON, Vizag. Critical position of left main bifurcation was successfully done through angioplasty at KIMS ICON, Vizag.

In a rare feet, KIMS Kurnool doctors removed 11 bone formations around ankle of a patient. KIMS Kurnool doctors performed a rare procedure by inserting a stent in the liver to save the life of the patient. Successful treatment of such critical cases is matter of great professional satisfaction, speaks volumes of the professional expertise and medical infrastructure available with us at various centers. Why are we explained various clinical achievements in such a detail is to show how quality care at affordable cost is made available across all the centers of KIMS uniformly. It is not just a confined to Secunderabad or Kondapur but all our centers excellent treatment and facilities are available.

As we always feel as a KIMS family treating the good patients, getting a good brand it always reflects the investor's investment. Digital initiatives, there is a steady progress in digital transformation with notable initiatives as below. Remote patients monitoring technology was develop in the wards integrated with a digital nursing application. Digital application were flexible to meet the needs of bed management and telemedicine consultant of Omicron COVID cases resulting in a safer and convenient patient experience during challenging times. KIMS hospitals is well on the way to take the next steps in Doctors ordering text on a mobile app completely digital patient experience and resource optimization we are continuously taking initiatives for digital progress to achieve optimum results. ESG initiatives as mentioned in our earlier meeting KIMS Secunderabad has partnered with Smart George Private Limited, a prominent energy service company in 2018.

A new and innovative model known as zone space was executed wherein KIMS make zero-capital investment to implement various energy conservation measures across the hospital get a

guaranteed energy saving minimum of 10% annually over the baseline energy consumption. For FY2021-2022, the total energy consumption saved worked out to 23.1%. Total energy cost saving achieved amount to Rs.280 lakhs. In real life terms, the energy conservation achieved translates to following, 38178 households getting electricity, 93 lakhs came as less driven, 94366 trees planted. Expansion, we have vision to statistically expand our presence in various places, we extend our reach to needy and further enhance value of our investment. In the last, meeting I apprised you about our acquisition of the prestigious Sunshine hospitals that have become a part of KIMS now.

Today, I am happy to announce yet another stride made by us in the trajectory of our expansion. KIMS entered into MoU with Dr. Raj Nagarkar of Manavata Hospitals to set up a multispecialty hospital known as KIMS Manavata Hospital in Nashik with a bed capacity of 320 beds with a cost of Rs.200-Rs.250 crores. KIMS still hold a majority stake of 51% in the proposed hospital. Dr. Nagarkar, our collaborator is a legendary oncological surgeon with a rich experience of more than two decades. The hospital is expected to start functioning by March 2024, we find that there is a lot of potential in Maharashtra, we are confident that our foray into Nashik will pave way for the further expansion in Maharashtra in coming years.

Our presence in Central India will give a fill-up to our group in its drive. Earlier we had to plans to set our foot in Chennai. We found this opportunity in Nashik to be more attractive and full of potential. Our expertise in running hospital state of law infrastructure coupled with vast reservoir of good of Dr. Raj Nagarkar due to his longstanding reputation in Nashik stand us in a good steady and yield good results. This is a special news for this meeting and I am sure you are happy with the development. What we have been already done with Sunshine Hospitals we are progressing much more than what we expected that is another good news for all of you. Gradually, set of COVID are receded and we are back to normal levels of activity. The footfalls are also increasing post-COVID. As you are aware, KIMS has made a name for itself in organ transplantation and we are happy to state that we able to sustain the good work in the specialized areas.

KIMS is once again a vibrant in the academic field and a number of seminars and workshops are taking place on a regular basis as before I am glad to announce that shortly we are coming with the KIMS new letter on wellness every month and we intent to send the same to all our shareholders. This will have a valuable tips and health, wellness and other related issues. I am sure you will find it useful; we have your e-mail ids with us and with your permission we will be sending you the bulletins that will be beneficial to you.

I would like to conclude now assuring you. That we will be on the forth front in serving the patients and also protecting them and promoting the interest of our investors. Thank you very much. We can open it for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: The first question is related to the matured SLT i.e., Nellore, Rajahmundry and Srikakulam. If I look at the revenue in the last three years, we have not grown much out there. So, can you give guidance related to these facilities, how you are looking at?

Dr. Abhinay Bollineni: These facilities, yes, we have not been able to grow in the last years but largely because of capacity constraints. So, all three locations we have taken initiatives where we are going to build new facilities and expand the current hospital which will add more bed capacity and new clinical specialties which will help them grow. All of them are for example Srikakulam, we have already had land parcels in the company for quite some time. This year we are pretty confident we will get permission to scale up the current bed capacity by an incremental 150-200 beds and add a lot of new clinical therapies which will help almost double the occupancy over a period of time. Like is the case with Nellore, we had made some structural changes to the way that was operating because of bed crunch we had to let go off Aarogyasri as a scheme in Nellore because we have overwhelming footfall from cash patients. We recently acquired a piece of land which is a kilometer away from the current hospital. We believe that we can construct at least 200 beds largely for scheme patients and other new clinical therapy and that will also help Nellore grow. As far as Rajahmundry, this has been a very promising hospital in Andhra. Unfortunately, we have not been able to get the right land parcel for us to build a very large campus. Current one is only 120 beds and largely driven by cardiac but in the next 2-3 months we should conclude on land and be able to build a larger hospital. So, that we can add new therapies like oncology, mother and child, give space for the other specialties to grow.

Bhaskar Rao Bollineni: To add more on what Dr. Abhinay has pointed out, this is the three hospitals which we have built with less than 200 bedded capacity in the beginning then we realized that most of our hospitals turned would be more than 400, 350 like that.

Praveen Sahay: That was helpful, Sir, related to that as you said the two of the facilities are expansion of beds. Also you had Sunshine which is one lower occupancy to improve, then again you had acquired in Nashik. Further there are also chances in the earlier calls you had said about the Mumbai as well so like how you are actually planning your entire assets like everywhere the expansion and good expansion you are and the JV also ahead with. So, what is your strategy the way forward for a total, how much is the bed capacity you are looking at in the near terms in the next two years' time and how to make them full operational and improve the operational efficiency there, can you talk about that.

Dr. Abhinay Bollineni: Sure, like we said in our presentation earlier, we are focusing only in cluster growth and cluster approach. So, earlier we were talking about further consolidating in AP and Telangana. Then going greenfield in Karnataka, Tamil Nadu and looking at acquisition opportunities in Central India and we still continue to want to do the same we are adding more capacity in Telangana for example we recently acquired Sunshine, we are expanding the current Sunshine Hospitals so that we can bring in more clinical therapies and more clinicians and we are also improving the EBITDA margin if you look what Sunshine was able to do over the last 4-5 years we have actually in the last 5-6 months been able to make significant improvement and we believe once

they move to newer facility and the newer beds are operational, we will then be able to further optimize, the revenue and further optimize the costs. As far as, Andhra is concern largely about expanding the mature and non-mature hospitals ranging from 50 bed addition to almost 150-200 beds addition. So, this consolidates almost 1800 incremental beds over the next 3-5 years. Just in AP and Telangana which is the core market out of which we operate. Now beyond this we said Karnataka, Tamil Nadu and Maharashtra, we have decided to put Tamil Nadu on hold given the opportunities that we getting in Central India and Maharashtra and we believe that we will look at acquisitions for the short term in Maharashtra where it could joint ventures, any brownfield and that is how it is all panned out. So, whatever we are looking in Nashik, in Bombay, in Nagpur and few other micro markets all of them are in partnership with local doctors and all of them are either operational or to be operational in short-term and because we have a very strong local doctor connect and local partnership where our resources always been that we look at partnership with doctors be able to attract good talent and that will help propel and grow the hospital that is what we are continuing to do. As far as Karnataka is concern, because we believe a large opportunity is there, we have a very strong management team on ground, we want to build a greenfield opportunity in that market because very synergistic to AP and Telangana.

Praveen Sahay: Last question on the bookkeeping, so how much is on a ALOS for Q4 and how much is the operating bed currently you have and also can you give a capex number for FY2023 and FY2024.

Dr. Bhaskar Rao B: I think the ALOS I will take, I will have Vikas answer you rest of it. The ALOS for Q4 is 4.6 against 4.7 of Q3 of FY2022.

Vikas Maheshwari: And as far as the debt is concern Praveen there is still net cash surplus company, on the gross debt side we have a debt of roughly Rs.146 crores but against that we have a fixed deposit of Rs.155 crores plus cash balance. So, it is a net cash surplus company on debt so far.

Praveen Sahay: Capex for FY2023, FY2024.

Vikas Maheshwari: Capex for FY2023, it all depends upon the opportunity which we are pursuing and rectifying, so we expect this, Bangalore we have taken the definitive step and the Nashik we have taken the definitive steps. So, on these two assets, we have already told that in the Nashik we will spending roughly in the first phase Rs.160-180 crores to set up first phase of the hospital and for the Bangalore, we will be spending something like that Rs.325-350 crores. So, we expect that Nashik money to go in the next 12 months' time and Bangalore of almost 70%-75% and all depends upon the balance opportunity which we are pursuing right now. So, there is a two clarity right now in terms of brownfield acquisition which we are pursuing is Bangalore and Nashik. On that roughly you can take, roughly Rs.500 crores outflow on these two assets in 12 to 18 months' time.

Praveen Sahay: And operating bed Sir, current we have total.

- Management:** The operating beds have not changed from the last which we have seen in the quarter three. So, the operational bed remains 2246 on the bed capacity 3064.
- Moderator:** Thank you. The next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.
- Anubhav Agarwal:** Just a clarity on that the Nashik that you have mentioned. So, you guys have 51% stake 160-180 crores is all what you will be putting in, so Dr. Nagarkar is not putting his equity?
- Management:** Anubhav, it is partnership between 51% and 49% with Dr. Nagarkar. The project cost estimated to be at around 160-180 crores which was the first phase and out of that roughly Rs.90-Rs.100 will come as the equity and the balance as a debt. So, we will be infusing something like that Rs.40-Rs.50 crores as equity as this part and balance worth will be infused by Dr. Raj Nagarkar. So, land and building is already in his name so that will come as the equity into the company which is being valued in the process of being valuations. So, we expect the valuation should be at around Rs.40-Rs.50 crores that will come as an equity as this part and then balance we will infuse. So, that is the structure as of time.
- Anubhav Agarwal:** And about Dr. Nagarkar also, I see that he also has 49% stake in HCG, Manavata and he will have 49% stake in there. So, that is oncology one and this multispecialty one but he will continue to have a dual hat and that going to be engagement in this kind of structure?
- Management:** He is practicing clinician Anubhav, so he will continue to play his role as a practicing clinician in this space of oncology. We will continue to build using his contact, his leverage on the multispecialty part, so we are not expecting him to pursue anything actively for us in that market other than helping us get access to good clinician, and getting access to the right talent in that market.
- Anubhav Agarwal:** And what could be the potential ARPOB for this hospital.
- Management:** So, what we have noticed in that market is around Rs.27000-Rs.30000 but what we have modeled is something around Rs.25,000 assuming that we will be priced little lower than competitors.
- Anubhav Agarwal:** Okay, useful. Some data point clarity just first on the peer mix if I look at your peer mix which you guys have shared in nine months for this fiscal and for the full year. If I try to get fourth quarter out of it, it looks like Aarogyasri patient have jumped up to more than 15% in Q4.
- Management:** Anubhav, you are correct, the cash patient in the Q4 was 58%, insurance is the part which has come down from the 20% to 14% and corporate and Aarogyasri has been 27% now. So, that is correct.
- Anubhav Agarwal:** So, what about this quarter some special thing happened or because this is quite inferior mix will it continue?

- Management:** Anubhav, very good questions, what we have seen in FY2022 because of the COVID there was some disruption in terms of the corporate patients coming into the hospital because in terms of COVID and high-end patients for the clinical physicians who are coming here were mostly covered under the cash initials and we saw initial percentage and both cash percentage going up. So, if you go to the history back in 1920, if see in our FY2020, our corporate and Aarogyasri business was roughly 28% which has come down to 22% in FY2021 and now it is 21% again for the full year for the FY2022. We believe that we will be able to maintain at the same status which is right now. So, for the next year, you will see roughly 78% coming from the cash and insurance and roughly 22% coming from Aarogyasri and corporate.
- Anubhav Agarwal:** So, you are saying that Q4 is an exception, this trend will not continue because you are guiding that
- Management:** Correct.
- Anubhav Agarwal:** And just clarity on Telangana cluster, there the number suggest that utilization have increased dramatically in this quarter and above that they sharply reduced towards the third quarter. For example, our number seems to suggest that utilization increased to almost 60% compared to 50% in third quarter and ARPOB dropped to 37,000 versus 47,000 in third quarter. Are we doing correct calculation or can you guide what are the numbers?
- Management:** I think the occupancy have been very similar so in Telangana cluster we referring to two hospital Anubhav, we taking about Kondapur and Secunderabad for the quarter four, is it that the question?
- Anubhav Agarwal:** Yes correct.
- Management:** So, nothing for this quarter has been substantially different from the quarter before the ARPOB remain the same there has been a 5% dip in volume because of the disruption of the third wave and because of less number days in February but that is usual but when you compare it Q3 kind of a number but it is not that the occupancy have gone up substantially.
- Anubhav Agarwal:** Maybe some error I can check with Vikas later on there. And last question on Sunshine what is the utilization that we are operating it right now or let in the Q4 what is the utilization?
- Management:** In Q4 it is still around that 50% kind of an occupancy but what we have been to do so far is lot of operational efficiency has been brought in, the revenue ramp up, I do not know if you aware of what we are doing with Sunshine but there are two facilities, one of the facility we have already started rebranding it and renovating it which is in Gachibowli and we believe by the end of this financial year we will be able to take it to 55%-60%, 65% kind of an occupancy from a current 35%-40% occupancy. The other facility which is Begumpet which is running currently at 50% occupancy we moving that out from the current building to a new facility which will be a little larger more attractive to attract clinicians and patients. We are hoping that to happen by the end of the year. Once that happens, we are expecting the overall revenue potential growth

could be on an upside of 35%-40% and also a lot of that will translate to operating leverage and better margin expansion.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Sir I just wanted inpatient revenue and outpatient revenue for entire year and for the quarter.

Management: I can give it roughly Rs. 10811 mn the IP level and the balance is pharmacy and OP revenue.

Bhavya Gandhi: And for the entire year?

Management: This is for the entire year, I have told you.

Bhavya Gandhi: Okay.

Management: And for the quarter was 240 was the IP revenue and the balance is the pharmacy and OP revenue income.

Bhavya Gandhi: And Sir, one more question on the cash flow front so last year cash from operations were roughly Rs.350 crores which has dipped to Rs.325 crores. So, any specific reason because I see that the taxes paid are almost Rs.37 crores to Rs.127 crores so what is our assessment over there because we will have to reinvest those cash flows for the acquisition right?

Management: No in the cashflow what has happened in FY2021 once the phase 1 was going on, the government was very proactive in releasing the income tax refund etc., so whatever the cash flow item you are seeing for the tax payment roughly Rs.40 crores was the tax refund which we have received. So, if we adjust to that I think you will get that number.

Bhavya Gandhi: So, what is the run rate that we can expect roughly OCF to EBITDA conversion, would be maintained at the current level.

Management: So, you are asking for the cash generation means net of the working capital adjustment, here we have seen roughly 67% of generation of the net operating cash flow from the EBITDA. I think we should be at 67% to 70% run rate on this.

Bhavya Gandhi: And Sir, talking about the competitive landscape we see lot of regional players on the scaling up fast, we see lot organized list players also loaded with cash. So, any competitive landscape if you could provide?

Management: Competitive landscape in our geography, in the geography we operate?

Bhavya Gandhi: Yes Sir, and what are the number of beds per 1000 patients something of that sort.

Management: Okay. Hyderabad had always been a very competitive market. I think the bed addition in the organized sector or what we consider as competition for the last years 3-4 years we have seen at least 500-700 beds being added on an year-on-year basis but I think except for one hospital that is scheduled to commissioned by the end of this year, we are not seeing anything in the near future i.e., in the next 3-4 years come up in a large scale. So, in spite of the beds that got added in the last 3-4 years we have been able to scale up pretty well in our existing hospital beyond this year we do not see any more incremental beds most, whatever is getting added is coming from KIMS itself in two of its facility as far as Telangana is concern. As far as Andhra is concern, I think there is still a huge opportunity competition is far from few most of the geographies that we operate, except for one or two where competition is caught up and there is a visibility of more beds being added. We do not see a major challenge at all in Andhra in scaling up further.

Bhavya Gandhi: Okay and assessment if you could give me as to how many beds are required in Telangana per 1000 or 10000 and what is the current status, right now as well as in Andhra Pradesh.

Management: Yes, to give the clarification on that, basically in this country you cannot able to measure per 1000 population, how many beds required. The reason is in the developed countries every nook and corner, there is good health care facility that is available. Today the population what we have in Telangana, especially in Hyderabad still get lot of beds are there in at least 25%-30% of the beds are coming from outside states like Maharashtra, Madhya Pradesh, West Bengal, Orissa all these places. That is why once those units have been done with the required infrastructure and especially the coronary care is well developed in Telangana, Hyderabad. So, once that is there then, still whatever we are thinking about the population of Hyderabad and the number beds as on today is definitely more than expected but because of this inflow coming from all over the neighboring states and far off places that will is the one competition may be not very high in the coming years. The number of beds that the competitors are building and we are also building. I think there is still a space for every person and ultimately it depends upon the good talent we can able to get and good corporate governs and the patient friendly like affordable quality care that is the most important which competitor or may be which unit is going to take forward.

Bhavya Gandhi: Right, Sir my last question so Secunderabad to Nashik is roughly 13 hours almost 730 km so do we have a brand visibility in Nashik also, Secunderabad to Nashik because this is bit deviating from overall strategy to growing periphery.

Management: No, I think it is out of the strategy for us to grow in Maharashtra where we hear lot of patient coming from the other region. So, it may not be exactly from Nashik but that whole Amravati belt, Nagpur and that entire zone, Yavatmal and all we see lot of patients come in and here in Maharashtra we have big vacuum in the number of beds required versus the number of hospitals present. So, if I have to look at, trying to built a Maharashtra story, I think I have to focus on the top five markets first and then look at going into Tier-2, Tier-3 locations in those geographies and in Nashik though we have been studying that market for a long time, getting a good partner like Dr. Raj who has built a phenomenal oncology hospital and who has phenomenal connect is

a very good entry strategy, I mean one could not ask for something better and larger than this as far as our entry to Nashik is concern.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers Pvt. Ltd. Please go ahead.

Pritesh Chheda: Sir, just wanted understand in term of the operational beds what is the addition that we will see over the next couple year, because I think it has to be meet from your exiting assets only, right?

Management: How many incremental beds are we going to add in the next few years?

Pritesh Chheda: Two years, yes in terms of operational, you said you have 2246 as operational bed, so this operational bed number should be what in next of couple of years?

Management: So, as far as the current beds of 3064 bed capacity is concern, I think all those will be operational in the next 12 months actually is the current capacity. Like is the case with Sunshine, all the beds will be fully operational, the current capacity and then we are looking at new expansion into Nashik.

Pritesh Chheda: Nashik and Bangalore that is additional but there is any case coming in two years from now, right?

Management: Yes, 18 months from now we should have both of them operational.

Pritesh Chheda: Okay, so basically from we from a volume growth perspective, we have this 700-800 beds possible over the next 12-18 months before your new assets start coming in.

Management: Correct, unless we do not do anything in between.

Pritesh Chheda: Yes, unless you do not do anything in between. This 3000 beds operational does it include Sunshine or Sunshine is additional?

Management: No, 3064 is just the nine hospitals of KIMS, 600 additional beds of Sunshine will be included.

Pritesh Chheda: Last one question on Sunshine, when should the acquired acquisition get closed and numbers shoots or deflecting for us.

Management: Those acquisition which are already completed, so become our subsidiary with effect from April 1st 2022, so the first quarter, June FY2023, you will see the numbers getting integrated.

Pritesh Chheda: Okay, and what you mentioned in your presentation that the number KIMS will move to Rs.30 crores per month in case of Sunshine, Begumpet and Rs.20 crores per month in case of Sunshine in Gachibowli so this Rs.50 crores per month or 100% utilization, right? You are running at 50% today. What should be the timeline for this Rs.50 crores per month revenue should be.

- Management:** Firstly, Gachibowli, we do not believe will go to Rs.20 crores a month, I think it will get capped at around Rs.17-Rs.18 crores a month because there is some structural changes that we brought in there. But Begumpet will certainly scale up to close to Rs.30-Rs.35 crores a month and once we move to the Begumpet facility we will need at least 2-3 years to scale that number and Gachibowli from April another 2-3 years will be scaling to that number.\
- Pritesh Chheda:** So, the current 5-month number of Rs.180 crores which is mentioned in the presentation of Sunshine Hospital.
- Management:** So, what is happening in Begumpet is the current hospital is a very old facility that currently does a revenue of Rs.20-Rs.22 crores a month. We are now moving that to a new campus which is very close by a kilometer from the current facility and then we believe that from the that Rs.20-Rs.22 it will scale up to Rs.30-Rs.35 over a period of three years, once we move there.
- Pritesh Chheda:** Ok perfect. This was helpful. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sanjay Awatramani, from Envision Capital. Please go ahead.
- Sanjay Awatramani:** Can you tell me the guidance for capex which you have mentioned for FY2023 and FY2024.
- Management:** So, let me rearticulate it well. So, we are pursuing multiple opportunities and based on our past efforts we have been able to close Bangalore and Nashik for which there is a visibility. So, for Bangalore some amount is already spent and we expect in next 18 months' time the balance amount will go, which will be roughly, Rs.282 crores-Rs.300 crores for the Bangalore. For the Nashik the total commitment of the project is roughly Rs.160-Rs.180 crores, Rs.190 crores depending upon what type of facility and the infrastructure and the hospital we are bring there. So, that total capex outflow will also happen in FY2023, part of the equity will come from our equity partner and the balance will be from the KIMS and with the loan. So, these two projects we have the visibility our routine capex is in the range of roughly Rs.40-Rs.45 crores which will continue to happen in this current year beyond that any capex plan etc., depends upon the opportunities fructify.
- Moderator:** Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities. Please go ahead.
- Rahul Jeewani:** You indicated that you have a relook at the Tamil Nadu or Chennai expansion which you were pursuing given that you find the Nashik opportunity to be a better one but did you see anything incremental in the Chennai market in terms of competitive intensity which has allowed you postpone your plans and what gives you confidence with respect to the Bangalore market given that you are saying that the Bangalore expansion is still on track.
- Management:** As far as, the Chennai is concern, it is not because of the competitiveness. I think it is just that the opportunities that came up in Maharashtra and shaping that cluster currently was taking

priority over setting up one hospital in south Chennai. So, we thought it will be more strategic to have these 3-4 assets that we can commission in Maharashtra over the next two years versus trying to do just one facility in Tamil Nadu for now. So, we just postponing the Chennai project for some time nothing has changed in that market or we do not believe anything will change in that market even in the next short to medium term. As far as Karnataka is concern we always were pretty gung-ho about that market we believe that we will have a larger footprint. larger that Tamil Nadu in Karnataka because of the opportunity in Tier-2, Tier-3 location and the opportunity in the larger metro because of the growth rate and in that city. We have taken definitive steps, we have given advance to the property that we want to commission the hospital in the next few weeks we will start work on ground. So, we are pretty confident that things will be on track and will be able to commission the hospital as soon as possible.

Rahul Jeewani: Sure Sir, so with respect to this Maharashtra expansion where you want to put out a cluster approach with 3-4 hospitals, Nashik will be one, probably you might be looking at the Mumbai market as well which are the other markets which you are evaluating and would it be through acquisitions on an organic route to expansion within these markets.

Management: So, right now, I think the next 24 months we are focused only on acquisition. What we will either acquisition of a running hospital or that can be operational in six months' time that is what we mean by acquisition and where there is a good team of clinical talent and big vacuum. So, we believe, we will be able to do 2-3 projects certainly in the 12-14 months in Maharashtra.

Rahul Jeewani: Sure Sir and if you look at some these assets which are available across the hospital space most of these assets operate a large number of hospitals. So, when you are trying to acquire assets would you acquire single facilities or you would be open acquiring multiple hospitals as well the way you did with Sunshine where you got three hospitals

Management: I think, we open to both as long as it meets core fundamentals of us being able to add value in terms of scaling up the hospital, in terms of operational efficiency, bringing in new chemical therapy. If it meets the overall criteria on return on capital, return on equity. I think we are ok to even look at a network or standalone facility.

Rahul Jeewani: Okay, Sir one clarity on the Nashik hospital you said that Dr. Raj will help you to scale up on the multispecialty segment. So, does that mean that you have a specific agreement laid out that the oncology business will not be serviced by you and that will continued be serviced by HCG.

Management: Sir, there is no such commitment at this point in time that we will do oncology, however the current facility also houses a bunker but we do not intend to do oncology as a service in the near future. But may be in the long term if something pans out then we have not really given that much of a thought as far as oncology is concerned. But in the short-term certainly we will not do oncology there.

Rahul Jeewani: And now if I look at your fourth quarter occupancies, appear low even versus Q1 of FY2021 when the business was impacted on account COVID disruption so post that quarter. Fourth quarter occupancy have been the lowest. So, what has led to this lower occupancy and do you think that because the COVID business has normalized that has led to lower occupancies and where you do expect to sustain occupancy and ARPOB going forward?

Management: So, if you just look at Q4 of last year and Q4 of this year. One fundamental thing is that the ALOS has come down from 5.1 in Q4 FY2021 it has come down to 4.6. So, this has some impact on the overall occupancy and number 2, I think this was very unusual that in January we had seen the whole COVID scare take a big toll, so usually what happens is the first 15 days of January is very dull at least in the geographies that we operate, right when we were coming out of the space, we saw COVID hit for almost 25 days and this time fortunately, we did not have to treat patients because we are all doing well but lot of our clinical staff, doctors all of them started falling sick because of the infectivity rate and they were not able to come to work and because of this COVID scare by and large a lot of patients stopped coming to the hospital. So, we almost lost the full month of January to either recovering from the festival season and then to whatever disruption happened because of COVID. So, that was one, then the month of February had 10% less number of days when compared to any other month and in the year. And usually, March is supposed to be the best month of the year but I think because of what all happened in January and people had other priorities it was not as good as how we think anticipated to be. Then things are now slowly picking up after the lull in April and May, we are seeing the last 10 days picking up in the right target.

Management: Rahul, just to add if you look at IP volume of whatever first which we are referring to 2 and quarter 4 of current. The IP and OP volume both have gone up what has made change is the ALOS difference. Because in the quarter 1 because of the respiratory issues, the COVID second was very dangerous and respiratory issues, the patients were staying little with us. The ALOS has come down which has also resulted in the occupancy rate coming down if we are comparing from the quarter first.

Rahul Jeewani: Sure Sir, just a follow-up on that since you referred to IP/OP volumes side for us on an organic basis for let say FY2023-FY2024, ex of Sunshine?

Management: I think this year, unfortunately both the years you have some breaks of COVID in FY2022, you had this break of COVID, if you look at the normalized month, if you look at Q3 for example Rahul, which was completely non-disruptive things were doing well Q2 and Q3 of FY2022 and when you analyze those numbers it is in fact better than what it was pre-COVID from a volume point of view.

Rahul Jeewani: Okay, but any number which you want to give out in terms of the normalization which you expect in the business next year?

- Management:** I think, we will definitely but from a volume point of view, it should definitely hit back the FY2020 number, obviously better than FY2020 number and because of our growth in ARCP and ARPOB. Our revenues will also be much better than that of before.
- Moderator:** Thank you. The next question is from the line of Nidhi Babaria from Dalal & Broacha. Please go ahead.
- Nidhi Babaria:** Basically Sir, I want to know what type of peer analysis do we do before entering into new markets. So, let's say now we are coming to Nashik, what is our view with regards to some of hospitals over there, like we already have Apollo over there and there are some standalone hospitals also Sahyadri and again HCG in oncology. So, what are the parameters for us to go into these market.
- Management:** Sure, I think one is at a very high level there is significant supply demand gap because just look at HCG as an example, the amount of revenue or volume they do from just one specialty which is oncology is equal to the sum of all the departments in a hospital like Sahyadri, in a hospital like Medicovert and double the revenue of for a hospital like Apollo. So, it is just that, it is very high-level, I will get you the details. We have just seen that the current facilities have capped in shelves at 150 bed, 170 bed, and they have reached a certain capacity on those beds and they have not been able to add incremental beds and hence they have seen a saturation but we are seeing a lot of footfall coming in and lot of these people still have not introduced a lot of the new clinical therapies that are there in larger district in Tier-2-3 location. If you look at Sahyadri today, they are at 120 functional bed but if you look what they are doing, they are actually scaling up from 120 beds to 300 beds because they are seeing a lot of opportunity and that current 120 beds for the last five years could only give them a certain growth rate but if you look new entrant in that market which is Medicovert which is close to 225 bed. They have been able to do fairly well in that market with a decent occupancy now they are expanding to other clinical therapies such as mother and child and oncology in the same space. So, I think it is largely about, though we have names there but no one has been able to really offer the right kind of medical infrastructure. This campus with oncology being there and the multispecialty will in total capacity be close to 600 beds will be the largest destination for private health services in the northern Maharashtra region. So, I think by virtue its fee is almost 500 OPD per day in the oncology space. There is an inherent footfall that comes to hospital, the brand is well recognized, the doctors are well recognized so it is going to be very easy to channelize a lot of those patients and a lot of oncology patients actually require multispecialty care. So, it would be a lot more easier to channelize those patients and lot more easy for those patients to get a holistic care having a multispecialty in that vicinity. This is broadly at a high level but even if you look utilization of stents, joints, medication, surgical material, the consumption towards and the population and if you benchmark it to any other city in Andhra or in Telangana, Karnataka, you will see it far less in number or in consumption when you compared to this market. So, it is not because of affordability issues, it is not because the scheme does not provide good tariff or their payment are poor. It is just there very little infrastructure available and whatever surgical is available it is already running at a certain capacity and unless that expansion happens of

infrastructure and more and more hospitals come in and the belief that Nashik can treat a lot of these complex patient till, only then the utilization of all these things will go up and this is what we have seen time and again and lot of the market that we have entered. You might just see that the current hospitals have not been able to scale beyond a certain size is because of some inherent issues but unless more and more hospital comes and they bring in more confidence into the market you will not see the overall push happen.

Nidhi Babaria: Okay, that was pretty clear another thing Sir like till date the major portion of our expenses is always going to be doctor's fees and doctor expenses. So, if we are entering to these new market where in general the doctor's retention rates are pretty high as compared to Andhra Pradesh, Telangana, how do we plan to strategize those things in your market like Maharashtra.

Management: At least whatever hospital we were allowed to see so far, we have not seen the doctor cost being significantly higher. Yes, it is marginally higher by 2%-3% but I think that will get adjusted because the ARPOB are much higher than what we are seeing in AP and Telangana. So, we do not see that as a real cost challenge is currently at this point in time.

Nidhi Babaria: Okay, in these new markets also, like do we think that we will to achieve 28%-30% kind of EBITDA margin.

Management: I think 25%, we will certainly achieve wherever we have achieved 30%, it has taken time at least a 10- year timeline. So, we want to get there, we will try to get there. Because it is also very difficult, we have not seen hospitals under certain scale in Maharashtra yet. There are hardly one or two that operated a scales at we are currently operating in AP and Telangana. So, I think with that definitely clear pass to 25%, 26% but how we will further scale beyond that because of the beds available only time will tell.

Nidhi Babaria: Okay and once we launch, we get fully operational with these new facilities in 18 months. How long do we think that we will be able to go these EBITDA margins and what would be the rough payback period for these hospitals?

Management: I think from the time we get operational we being a little pessimistic in saying we will take at least 4-6 years to get to that kind of EBITDA margin but if it happens sooner good for all us, to get your full mature EBITDA margin because we are large format hospital. Today we talking about Bangalore being close to 400 bed, we are talking about Nashik being 325 bed.

Moderator: Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead,

Anubhav Sahu: Couple of questions on the expansion plan. So, I got the point that Chennai is not top the radar and currently we are focused on Bangalore and Nashik. But still your time is mentioned that in next two years probably Chennai should happen, so if that is the case just wanted to confirm that.

- Management:** So, I think right now. Yes that looks like the case in two years we will go back and start looking in that project. But if something more good comes up in Maharashtra and Karnataka where we are able allocate capital to Tamil Nadu then we might look at pushing out later. Because, we are really focused on building a greenfield strategy out of Karnataka and acquisition strategy out of Maharashtra.
- Anubhav Sahu:** This Bangalore one is greenfield, I mean it is not in partnership, you are not looking for a coed asset.
- Management:** It will be in partnership with local doctors but we still do not have complete commitments from the local guys. We will have that when the hospital is closer to getting commissioned but it is a mall that has been in operational for the 10 years which we are now converting into a hospital.
- Anubhav Sahu:** And a Phase-2 plan if I put it that way for Bangalore probably it would be again a cluster approach wherein after this facility you would be looking for smaller assets nearby.
- Management:** Yes, correct that is the idea, we want to have at 2-3 facilities in Bangalore itself. We are exploring few opportunities in Karnataka through an acquisition route and some greenfield opportunity but the idea is just build a cluster around Karnataka.
- Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.
- Praveen Sahay:** Just a clarification on Sunshine Hospital you said about the improvement in the per month revenue and the margin to achieve in the next three years.
- Management:** That is correct. It is a broader plan of 3 years.
- Praveen Sahay:** And the second on the Sunshine only how much is the capacity at the Secunderabad and how much is the Gachibowli.
- Management:** Secunderabad is around 325 beds and Gachibowli is around 225 beds
- Praveen Sahay:** The third one Karimnagar also operational.
- Management:** Yes, they are operational but that is a very small facility it is around 70 beds.
- Praveen Sahay:** And out that how much is the operational 325 beds in Secunderabad and 225 beds in Gachibowli?
- Management:** All beds are operational.
- Moderator:** Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Sir I just wanted to understand the margin guidance because we have Sunshine dilution because our EBITDA margins are a lower level, then Nashik, so broad level company level what kind of margin are we expecting may be for next couple of years and what kind of inorganic revenue growth and organic growth because almost we are the peak capacity now. So, if you could just give a broad ballpark number with respect to margin and revenue.

Vikas Maheshwari: As far as, KIMS is concern we will be able to sustain the margins that we have seen in FY2022 and as revenue ramp up happens a large part of that will flow into the EBITDA margin. As far as, Sunshine is concern we still have been able to be very healthy in the margin profile from where it was when we acquired it versus where it is currently, we have already been able to get to a 20% kind of number. So, as the ramp up of revenue happens, we are looking to wrap up the revenue almost 50% in Gachibowli and we are looking at almost another incremental 50% revenue coming in Begumpet. So, almost 50% of that is what we are expecting to flow into EBITDA, we are pretty confident that we will be able to scale to 26%-27% kind of an EBITDA margin at Sunshine Hospital as well.

Bhavya Gandhi: And Sir broad level company level margin for next couple of years.

Vikas Maheshwari: It is a good question actually so since the KIMS as on date on the consolidated is 30% plus 32% EBITDA margin and Sunshine which is a diluted one and it is going to roughly 22%, 25% of the total revenue. There will be some console EBITDA margins coming down. So, our guess is it should be between 27%-28% which should be at the blended level. As we improve the Sunshine operation, obviously the EBITDA and the EBITDA percentage both will go up and there is no equity dilution so these are EPS accretive acquisition.

Bhavya Gandhi: Right and sir broadly revenue growth organic and inorganic and the total blended growth rate.

Vikas Maheshwari: So, generally we do not give the guidance for the future since Sunshine numbers the acquisition numbers are in public domain and if you just analyze that cases you will see that roughly 20% growth coming on the present days of the KIMS. So, that will added to the revenue and whatever the organic growth comes from the existing operations that will add to the total growth of the revenue.

Bhavya Gandhi: And sir my last question what is the peak capacity for the overall business say for example we are at 58% occupancy level. So, at max we can scale to what 63%-65%? On commissioned and operationalized.

Vikas Maheshwari: Though it all depends on the case mix and payer mix. So, generally what happens that once the occupancy at the good level, we may take more cash and insurance patient till time we increase put up more capacity so that will also increase the revenue in the EBIT number and as the hospital mature the profile of the cases coming to hospital means in terms of the critical clinical patient coming, so you will see the ARPP also going up which you can see in the last five years' time the consistently the ARPP of the patients have gone up, so you will see that and then

operational excellence how to manage beds much better. So, combination of all so it is very difficult to say with the existing facility how much growth can come because it a operational excellence case mix and peer mix etc., But I think with the existing capacity definitely in the mix 2-3 years Dr. Abhinay has guided that all the existing city can be utilized fully, we can see the growth of 20%-25% from the existing base only.

Moderator: Thank you. As there are no questions from the participants. I now hand the conference over the management for closing comments.

Bhaskar Rao Bollineni: Thank you very much all the participants and very active discussion that happened and then we will be up to the level what investors are expecting and whatever we promised in the road shows and the expansion plant are going on time. Once again thank you very much for participating.

Moderator: Thank you very much. Ladies and gentleman On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.