

14th February, 2021

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| 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 7 February 2022 the Company had organized a conference call with the Investors/ Analysts on Thursday, 10 February 2022 at 6:00 pm (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/Financial Results, Investors PPT, Press Release & Financial Press Ad/ Call Recordings and Transcripts>

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
Q3 FY2022 Earnings Conference Call”

February 10, 2022



ANALYST: **MR. RAHUL JEEWANI – IIFL SECURITIES LIMITED**

MANAGEMENT: **MR. BHASKARA RAO BOLLINENI – FOUNDER AND MANAGING DIRECTOR - KIMS HOSPITAL**
DR. ABHINAY BOLLINENI – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER - KIMS HOSPITAL
MR. VIKAS MAHESHWARI – CHIEF FINANCIAL OFFICER - KIMS HOSPITAL

Moderator: Ladies and gentlemen, good day and welcome to the KIMS Hospitals 3Q FY2022 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you Sir!

Rahul Jeewani: Good evening, everyone. I am Rahul from IIFL Securities. I thank the KIMS Management team for giving us the opportunity to host this call today. From KIMS, we have with us Dr. Bhaskara Rao Bollineni: – Founder and Managing Director; Dr. Abhinay Bollineni – Executive Director and CEO and Mr. Vikas Maheshwari – CFO. I will hand over the call to the management team for their opening comments post which we can open the floor for Q&A. Over to you Sir!

Bhaskara Rao Bollineni: I welcome you all to first investor’s meeting this New Year. My greetings and good wishes on this occasion. Let us hope that the New Year that had just begun are well for the future. We have seen the onset and decline of COVID third wave without much devastation unlike the previous waves. Thanks to the precautions taken and the vaccine drive, the third wave has not inflicted much damage. Our operations went on with a normal tempo except a slide decline of non-COVID work in the month of December. Hopefully, the pandemic is behind us, and we can look forward for assumption of normal cycle of work. The clinical achievements, I would like to mention few of these, what have been done in the last quarter. As you are aware, KIMS is equipped with the best of men, machines, and methods to provide excellent health care to the patients.

I would like to highlight some of the clinical achievements of recent past that have got as appreciation from all sections. It is a matter of personal pride that KIMS Neuroscience Department has done over 1000 epilepsy surgeries till date and carved a special niche for itself in terms of quality and quantity under the leadership of Dr. Manas, our Neurosurgeon.

KIMS Secunderabad has conducted a breathing lung transplant. It involves preserving the functions of donor lungs while they are being transported; only self-few transplant institutions in USA, Australia and Canada take this approach to enhance the quality of the transplants.

Another case that is hailed as unique in the medical history of Asia, relates to a 12-year-old boy from UP who was successfully treated KIMS by putting him on ECMO for as long as 65 days to cure this severe lung disorders caused by COVID. He was

flown to the city in an air ambulance. The happy patient is discharged following full recovery. There is no precedent of putting children for so long on ECMO support.

A premature infant underwent closure of PDA using a medical device without surgery. This procedure is very rare in the country as this is performed on a premature baby with a very low weight that to on the 14th day of life. The state of the art technology available at KIMS Hospital made this possible without a surgery.

The next is the doctor at KIMS at Kurnool saved the lives of premature twins born on the 25th week of pregnancy. The babies had multiple complications including cardiac issues. The procedure was performed on one infant to solve the PDA issue and other was cured with medication. The babies remained in ICU for two months under constant care before they were discharged. The twins were born to the parents of ten years after their marriage.

Another patient KIMS Hospital, Kurnool also saved a patient by operating upon appendix measuring 19 cm that was completely ruptured. The operation was covered under Aarogyasri and done in free of cost.

Another one, our KIMS Anantapur doctor saved an infant who was infected with COVID in mother's womb itself. The infant had multiorgan failure due to multi system inflammatory syndrome and was on ventilator. The doctors strived day and night for 14 days and saved the baby that had no hope of survival at all.

The other one KIMS Kondapur performed a rare surgery where a four-year old young girl child was suffering from a complex cervical tumor that was successfully operated.

Another one in KIMS Anantapur, a complex left main bifurcations stenting with Culotte stenting technique was performed on a patient. This was the first of its kind done in the remote area of Anantapur, patient an agricultural labor treated under Aarogyasri.

At KIMS Secunderabad, we have a boy by name Mehar, who is the only son of an ex-serviceman. Mehar is suffering from a neurofibromatosis type I, a rare genetic disorder. He has been there on a ventilator for the past seven years and KIMS has become his home and the nurses his family who do not on him.

This speech not only about the clinical care but also the dedicated services rendered by paramedical staff to the patients. Hyderabad has emerged as hub of transplants and KIMS is playing a key role in this area by performing majority of such patients.

What makes me highlight the clinical accomplishments of KIMS at various places is the fact that patients and investors and medical and non-medical staff constitute KIMS.

These are the main stakeholders and success of each will contribute to the success of the other. As I have been telling from the beginning, we are also focusing on a type-II and type-III areas where our presence is there by making the latest equipment, techniques and expertise available. It helps the patients in availing the advanced treatment there itself without running to the cities. All these steps will help us in reaching increased the number of patients to our institutions that will result in benefiting the investors also.

Having spoken about the clinical achievements, I will now proceed to appraise you on the financial and operational highlights and other developments.

First about Q3 of FY2021-FY2022, the consolidated operating revenues saw an increase of 10% against Q3 of 2021 scanning at Rs. 3960 million. Consolidated EBITDA for the Q3 FY2022 stood at 1322 million, a growth of 42% against the Q3 FY2021. EBITDA margins expansion was driven by specialty mix change and operational leverage were FY2021. Consolidated PAT of Rs. 42 million in Q3 FY2022, a 21% compared to Q3 of FY2021 that was 13%. EPS on a diluted basis has increased Rs. 10 in Q3 FY2022 from Rs. 6.5 in Q3 FY2021.

Now I shall apprise you on a financial performance of the nine-month period of the FY2021-2022 from April 21, 2021 to December 21, 2021.

Consolidated total incomes are in increase of 32% to 12,906 million against 9 months FY2021 standing as a Rs. 9774 million. Consolidated EBITDA grew by 50% that is Rs.4143 million mainly due to case mix, pair mix and cost optimization. EBITDA margin grew to 32% in 9 months FY2022 from 28% in nine months of FY2021 primarily led by tighter cost control on operating expenses and operating leverage. Consolidated PAT saw an increase of 77% that is Rs. 2605 million against nine months FY2021 standing as Rs.1469 million. EPS on a diluted basis has increased to Rs. 33 in nine months of FY2022 against nine months of FY2021 of Rs.19.

Now let us move to operational highlights. Nine months of FY2022 occupancy stood at 63% against 53% in nine months of FY2021. IPO volume grew by 24% and OP volume grew by 31% during the nine-month period in 2021-2022 versus nine months of 2020-2021 driven by near normalization make a specialities. The average revenue for operating bed improved Rs. 24,186 during the nine months of the 2021-2022 versus 21,813 during nine months FY2021. This was mainly driven by better pair mix, and increase in complex surgeries and procedures. The average length of stay has improved from 5.1 days from 5.3 days during nine months of the FY2021 versus nine months of 2020-2021. The average revenue per patient has increased from 1.15 lakhs in nine months of 21 to Rs. 1.23 lakh in nine months of FY2022 which is a growth of 7%. We have done few digital initiatives in the last quarter. During the quarter, steady progress was made on a digital transformation with notable initiatives as will be.

Remote patient monitoring technology was deployed in the wards integrated with a digital nursing application; digital application for flexible to meet the needs of the bed management and telemedicine consultation of Omicron COVID cases resulting in a safer and convenient patient experience during the challenging times. KIMS Hospital is well on the way to take the next steps in doctors ordering test on a mobile app completely digital patient experience and resource optimization. Several initiatives are planned in the next quarter that will take digital to the next level at all units of the group which will definitely improve the more and more of the patient quality care is concerned.

I will talk about few things on the ESG initiatives what we have done. KIMS Secunderabad has partnered up with a Smart George Private Limited, a prominent energy service company in 2018. A new and innovative model known as zone space was executed wherein KIMS makes a zero-capital investment to implement various energy conservation methods across the hospital and gets a guaranteed energy saving of minimum of 10% annually over the base line energy consumption. In real life situation, the above energy conservation translates to approximately 8841 households getting electricity or 22 lakh km less driven or 22,000 trees planted which you will agree is a considerable gain on this issue.

Now I will brief you about the development following our prestigious acquisition of Sunshine Hospitals. In order to add and multiply the value of investment, we are renovating the infrastructure and operational structure in terms of quantity and quality. We are standardizing the infrastructure transcend Gachibowli and hope to complete it in the next three months to four months. In regard to Sunshine Secunderabad, we have decided to let go of the current facility and move to a new, a larger and more convenient facility very close to the existing one, we are targeting to complete the shift by December this year.

This will give us a better opportunity to serve increase the number of patients and offer better chemical talent. As regards to brand consolidation, once the infrastructure upgrade is complete in these two branches, we plan to integrate both the brand names that is KIMS and Sunshine which will afford significant value addition. In the direction of enhancing the quality and quantity of clinical programs at Sunshine, we have identified the areas for improvement and hope to complete the on boarding of the doctors stand into next two quarters at Gachibowli and once the facility becomes operational at Secunderabad. Accordingly, we will take necessary steps to assign the leadership team and the process will be completed by June 2022. This will provide a professional and focused directional for achieving our targets. We have made significant progress in integrating systems and practices in the department of Human Resource Information Technology and procurement. We are hopeful of completing the integrative by end of this quarter 2022.

This is all about progress post the acquisition of Sunshine. Creating social awareness about various medical issues is an essential part of KIMS philosophy accordingly we have conducted two functions at KIMS Kondapur related to pregnant mothers and pre-term babies both the programs generated good response and created a lot of goodwill for KIMS. Actually, tomorrow we are having a function to create awareness on organ donation which is being attended by film personalities, celebrities, bureaucrats and professionals, such events will inspire people to gain awareness and donate their organs.

The heart becomes very heavy to know that the legendary singer Bharat Ratna Lata Mangeshkar is no more. We have grown up hearing her melodies. We pay our homage to the Queen of Music who sang and given our lives for seven decades. As investors naturally expect the investment to be fruitful, bountiful, and purposeful, we promise to deliver the same. In our quest to provide best of health care to more and more we are even on the lookout for new opportunities and why the origins for providing higher returns to the investors. Clinical outcome cost comfort, comprehensive are the cornerstones of KIMS growth path filled by innovation considering the whole scenario the results are good, it will be our continuous endeavor to make the results better and better in the coming days.

Thank you for your valued presence and kind support. If you any questions, I think we will be happy to answer.

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

Praveen Sahay: Thank you for taking my question and many congratulations for good set of numbers. First question is how much is COVID revenue for this quarter and how is the EBITDA?

Bhaskara Rao Bollineni: Actually, COVID was not much because most of the things this time not many inpatients, only the OPD patient, so it hardly about and very insignificant numbers of COVID in Q3, not at all is considerable, in fact unfortunately within the last week of December because of the Omicron wave, we will start seeing a little dip in footfall in the hospital because of the scare that it started creating non-COVID.

Praveen Sahay: Yes, so the next question is related to the average revenue per patient, so which is the down on a Y-o-Y side some around 4%; however if I look at the peer mix which has moved towards insurance and cash, so is it like insurance have a lower pricing compared to the others?

Abhinay Bollineni: This is a function of the complexity of work that we carry on in that particular period but prima facie still continue to do with the tertiary and quaternary care work, in some

quarters it could have been the higher discharge of very complex transplant patients vis-à-vis the other quarter that can be difference of that, we will probably play that shift but otherwise the pricing has been constant and the kind of quaternary care work we are doing has been constant.

Praveen Sahay: Okay, so it is just a case mix result, it is nothing to do with the pair mix?

Bhaskara Rao Bollineni: Yes, correct.

Praveen Sahay: The next question is related to the Secunderabad and then the Kondapur, I can see there during the significant jump in the margin for a nine month, so my question is whether this around 37% of a margin is a sustainable there?

Bhaskara Rao Bollineni: Both the hospitals are now in their mature phase and every incremental revenue that is coming in, a significant part of it is getting added to be EBITDA and hence the margin expansion happening at a much rapid pace when compared to the other units, so I think what we are seeing in Q3 is very much sustainable moving forward because we have been seeing that numbers at a trend for the last six months in Q2 and Q3.

Praveen Sahay: Okay, so what type of occupancy you are running over these facilities?

Bhaskara Rao Bollineni: On both these facilities we are at an occupancy of around 70%-75% on the total bed capacity, not on the operational.

Praveen Sahay: Yes, and the next question is, is there any acquisition expenses had booked for this quarter related to Sunshine?

Vikas Maheshwari: Sorry, could you come again, are you saying any expense?

Praveen Sahay: Any acquisition expenses related to Sunshine, have we booked anything in this quarter?

Vikas Maheshwari: It is very small amount related to the counsels and valuation not very significant less than 30 lakhs – 40 lakhs.

Praveen Sahay: Okay and going forward from Q4 the Sunshine number will consolidate?

Vikas Maheshwari: It will get consolidated from next year Q1 which will be April to June quarter.

Praveen Sahay: Okay. Thank you and I will come back in a queue for further questions. Thank you, all the best.

Moderator: Thank you. The next question is from the line of Sanjay Avatramani from Envision Capital. Please go ahead.

- Sanjay Avatramani:** Good evening and thank you for giving me this opportunity. As we see that there are some plans moving ahead with this new acquisition of Sunshine and we have some plans of shifting the hospitals and expanding the beds also, so what are the capex plan we are expecting for this year and next year if you could provide us?
- Vikas Maheshwari:** If I understand your question, you are asking about the capex plan for Sunshine you are asking?
- Sanjay Avatramani:** That is right Sir.
- Vikas Maheshwari:** Sunshine as we have disclosed earlier that the total payment outflow for 51.07% is peak acquisition, the total outflow is roughly Rs.362 Crores and out of that we have already paid close to Rs.270 Crores and the balance amount will go in March-April, some amount in February end also and with this we will complete the acquisitions of Sunshine.
- Sanjay Avatramani:** Okay, so if I get this right, if my understanding is right, so this amount 362 Crores is including the expansion plan which we are focusing right now which has mentioned in this presentation Q3?
- Vikas Maheshwari:** It is retail duplication actually what is happening, whatever the primary amount of roughly Rs. 132 Crores is going to Sunshine, we will spend of that Rs. 80 Crores in the capex and the balance amount is being used to repay the debt and cleanup of the balance. So, this Rs.132 Crores of the primary amount is being used for a capex, so that is what as on date it stands.
- Abhinay Bollineni:** Just to give you a sense of the cost that we will incur for the Sunshine upgradation as well as the new facility, there are two facilities that we are talking about, one is the Begumpet facility which we are moving into a completely new campus, we will have to spend an outlay of close to Rs. 80 Crores to Rs. 90 Crores by the end of this year, medical equipment will move lock stock and barrel from the current facility to this. We are also trying to negotiate if we can buy part the new building that we want to move onto and if any such discussion materializes then there will be cost that we will incur to us buying out 50% of that property and property that will be owned by KIMS Sunshine as well as Gachibowli is concerned, there is an expected outlay of 7 Crores to 8 Crores to upgrade the current facility. So, this is what we will incur over the next 9 months to 12 months.
- Sanjay Avatramani:** Okay, so this will be for the calendar year 2022?
- Vikas Maheshwari:** Yes, correct next financial year.

Sanjay Avatramani: Okay Sir and one thing more on this, I mean once we consolidate this Sunshine Hospital with us, I mean with the overall KIMS Hospital entity so will this capex or the margins I mean when the hospital is shifting will the margins get impacted out of this?

Bhaskara Rao Bollineni: Margins get impacted at KIMS?

Sanjay Avatramani: Consolidate level that is right Sir.

Vikas Maheshwari: Right now obviously the Sunshine EBITDA is slightly lower and once it get consolidate with KIMS which is at high 30% margins, there will be a slight impact of this but we are very hopeful that as we integrate the Sunshine operations and improve the efficiency and improve their EBITDA eventually we will take this it to higher level but it will be incremental to the EPS incremental to the EBITDA acquisition, Just understand acquisition and integration, consolidation will result into the accretion of the EPS and EBITDA overall.

Sanjay Avatramani: Thank you so much for this. This answers my two questions. One question on are you planning for some further acquisitions or any major capex plans on coming next year or so?

Abhinay Bollineni: I think like we spoke about in the past there is a pipeline of capex there will be talking about, one is Chennai, Kondapur expansion and Bengaluru as per what we have given out in the presentation where on track to complete them within those timelines and place a few oncology centers that we wanted to set up in Andhra as a part of our existing hospitals, we still are sticking to our expansion plan that we had laid out earlier and the same capital outflow that is required to fund that expansion.

Sanjay Avatramani: Okay, so can you just quantify this, I mean just give me the number if you can, is it possible for you?

Abhinay Bollineni: I think over the next 36 months, we will have an outlay of around 1000 Crores -1200 Crores.

Sanjay Avatramani: Okay and how will be funding this?

Abhinay Bollineni: If you get the broader picture of the capex plan which we have given in our presentation which we have uploaded page number 29 and it is the plan of next up to 48 months as we have listed in our presentation. If you look at the next three years broader vision, we are generating roughly Rs. 350 Crores of cash flow every year, so if you take three years vision, so something like that Rs. 1100 Crores will be generating but obviously in the entering period of one quarter or half year-one year because of the front of the capex, if you are buying we are acquiring the readymade building or if you are starting the Greenfield depending upon what opportunity we get there will be a

little bit of the debt because of the cash flow mismatch but we do not expect the overall debt to increase beyond 1.5 to 2 times of the EBITDA and three years for capex is almost equivalent to our capex plant presently which we are pursuing.

Sanjay Avatramani: Okay, so this answers all my questions and thank you so much for this and good luck Sir. Thank you.

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

Bhavya Gandhi: Yashoda is coming up with the 2000 bed hospital in Secunderabad, so what is your take on that because right now we are the largest player post this addition of 2000 beds I think Yashoda will become the largest player, so your take and regular margin be affected going forward?

Abhinay Bollineni: Not really I think first one is new hospital of Yashoda is going to come up in high tech city in Secunderabad, they already have a hospital in Secunderabad which is of the similar size and scale of KIMS Secunderabad very close proximity, yes they are adding a new facility, a large facility but I think like we correctly run two very large hospitals in the very close neighborhood both of us will continue to have our own market and be able to grow this in a very healthy competitive way.

Bhavya Gandhi: Okay Sir, how far would be fairly from our hospital in terms of kilometer?

Abhinay Bollineni: It will be 20 km drive from KIMS Secunderabad to High Tech.

Bhavya Gandhi: Okay 20 km and what would be the operational beds in terms of Sunshine right now, we are around 600 odd beds, so what are the operational beds?

Abhinay Bollineni: The current beds are 600 as you rightly said, what is we the occupancy in these beds in this hospital on an average is around 250 beds and what is operational is close to 400 and the other beds the capex is completed, it is just that the manpower needs to be deployed to operation as and when required.

Bhavya Gandhi: Sir, you have 400 operational beds, right out of 600?

Abhinay Bollineni: Correct where we are manpower deployed.

Bhavya Gandhi: Yes, oaky, and other expenses have seen a big fall this time, so almost 6% expenses have reduced, so what is your take on this, what has led to fall in other expenses?

Abhinay Bollineni: The other expenses if you look at is the broadly filled by Rs. 13 Crores actually on quarter-on-quarter basis, the major impact was because of the ECL provisions which

was ours lower in this quarter at the same time, the Q2 there was some loss of asset sale of Rs. 2.6 Crores which was not there and there was some small saving in terms of EPS and maintenance and other cost was slightly lower and the balance Rs. 2 Crores - Rs. 3 Crores – Rs. 5 Crores is on account of the doctor cost, so Rs. 4 Crores on account of the ECL Rs. 2.6 Crores in terms of the loss of assets which was there in Q2 Rs. 2 Crores - Rs. 3 Crores on small repairs and maintenance which was laid and Rs. 3 Crores - Rs. 4 Crores in the doctors cost, so that is what it led to the little bit improvement in the EBITDA margin.

Bhavya Gandhi: Right. Okay, thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.

Ashwini Agarwal: Good evening and congratulations on a good set of numbers for the quarter. In high price when you look at December quarter I mean it appears to be more or less normal business as usual that in the last week of December as you mentioned but I was just wondering that is there is a mix element to this which is unusual in the sense that after a long time probably people indulged or obtained for optional procedure or thinks that were not urgent and they were avoiding, would you say that buying the last week of December, this is a very normal quarter and that is how we should expect things to progress in the coming quarter from here?

Abhinay Bollineni: I think if we do not look at it, quarter-on-quarter end because of COVID during months are really getting very disrupted, if you just look at the numbers from July to December month-on-month, I think the numbers have been very consistent not just at an overall level but even at a department level hospital wise, so we are pretty confident that moving forward these are things that will sustain and unfortunately January because of COVID has again been a little disrupted but I think six months period is good horizontal period department by department, hospital by hospital and it is fairly giving us the confidence that these are the things that will sustain and continue to grow.

Ashwini Agarwal: Second one is that if COVID does truly pass in the coming three quarters – four quarters and becomes a memory, are that cost relating to COVID protocol that will kind of help or that is really passed onto the customer and we sincerely situate all?

Abhinay Bollineni: I think the quarter at least Q2-Q3 there has been very little cost on the COVID side given that a lot of maturity has come across industry across people in general, so I think the cost have come down to that extent, so if at all things completely settle in the next three quarters to four quarters then we will pass on that benefit back to the patient but I do not think it is a very significant number in this point in time vis-à-vis what it was a year ago.

- Ashwini Agarwal:** Okay, got it. I got my answers. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Suresh Vanshi, an individual investor. Please go ahead.
- Suresh Vanshi:** Good evening all and thanks for giving this opportunity and congrats for your achievements and results. Couple of questions to the management, whenever you are trying to the acquisition of any interesting hospital, what are the parameters you will change, you will lift into that?
- Abhinay Bollineni:** Good question, but whenever we do look at these acquisitions, we typically look at the size of the hospital, what is the size of the hospital and where can it get to in the next couple of years, so I think certain operating scale is very essential and important for us, so that is one very key important diameter. Number two, are we able to see growth in that micro market in terms of new residential projects coming in, migration of population is that doable and three is the facility good enough to address the lot of good chemical talent and does it happen infrastructure with support that level of chemical talent, so once these are broadly met then we get into financial parameters if it is coming at the right valuation whether we can scale up the revenue to meet the valuation, can we achieve operational leverage on this facility but broadly if had to say I would look at whether these scope to build whether the infrastructure quality is good and does the micro market support this infrastructure.
- Suresh Vanshi:** Okay, thank you and recently I have very bad experience at KIMS Ongole recently my grandmother approximately on December last week, we joined KIMS Ongole Hospital and staff was very ruthless some unparliamentary languages used in the KIMS Pharmacy, I just want to share one of my experience and doctor wrote a prescription total of three tablets and in the pharmacy they gave two tablets and just I asked how about the other tablet, they are saying like out of.....
- Bhaskara Rao Bollineni:** Excuse me, since it is investors call, I will encourage you to please write to me or call me on my mobile number, which is available, I will try to address your questions on this, since it is investors call let us give the opportunity to the other investors to ask question. My email id is available on the press release, you can please write to me and call me, I will be happy to attend.
- Suresh Vanshi:** Okay fine then thank you.
- Moderator:** Thank you. The next question is from the line of Sanjeev Goswami from Fractal Capital investments. Please go ahead.
- Sanjeev Goswami:** Good evening, everybody and thanks for the opportunity. I just want to refer to this tables that we had in Q2 presentation on the performance matrix function hospital, so

when I was trying to calculate the ARPOB on the basis of revenues of 4118 million capacity by 602 and occupancy of 39.8, my competition was giving me an ARPOB for 47,000 as against 26,000 reported by you, in the place how exactly the calculation is drawn?

- Abhinay Bollineni:** Which slide are you referring to?
- Sanjeev Goswami:** This is the Q2 investor presentation we would have given the key numbers for function of hospitals?
- Vikas Maheshwari:** For this, can you please reach out to me separately, I will try to explain that because this is a data which we have got from our financial DD which we have done from the KPMG, and we have reproduced it from there. You please reach out to me; we will be able to clarify that how it is being computed.
- Sanjeev Goswami:** Fair enough but occupancy can you just give broad idea in terms of what occupancy range must be of Sunshine?
- Vikas Maheshwari:** It has been in the range of 230 to 280.
- Sanjeev Goswami:** I am asking about occupancy percentage.
- Vikas Maheshwari:** Percentage will be around 45%.
- Sanjeev Goswami:** 45%, you separated because you had 45% and 250 types of operating beds numbers do not add up, but we will discuss it separately now Sir just coming to the Gachibowli things, when we shift to the new facility in December 2022, what will happen this facility and what will be impact in terms of total room count that we have?
- Vikas Maheshwari:** What will be the impact on the total...?
- Sanjeev Goswami:** Room capacity beds.
- Abhinay Bollineni:** Okay, firstly this new facility is coming up in Secunderabad in the Begumpet micro market, the idea is to let go off the current facility because one is lease premises. We are moving to the new one because one there is an opportunity own 50% of the property if the things go well. Number two, it is a main road facing property a little larger in terms of size and the current facility that the campa hospital is in is almost 1 20-year-old building and there has been operational as a hospital for the last 10 years, so the infrastructure does not meet the requirements of what the current patients in this micro market require, number one. Number two, our ability to address good chemical talent in the current infrastructure is also going to become a challenge, hence we are

moving updating the infrastructure and then getting the right chemical talent to then scale up the operations. Overall bed count will not change it will remain the same.

Sanjeev Goswami: Okay, can you give the idea about what is the total number of operating beds that we have in Hyderabad metropolitan region?

Abhinay Bollineni: We currently Secunderabad has 1000 beds, Kondapur is 200 beds...

Sanjeev Goswami: I am not talking about, I am sorry, but I am not talking KIMS, but I am talking about the city as a whole, how many operating beds it have?

Abhinay Bollineni: City as whole, so the relevant hospitals I would say around 15,000 to 20,000 beds, relevant private hospitals.

Sanjeev Goswami: Relevant private hospital 15,000 to 20,000 operating beds?

Abhinay Bollineni: Operating beds and relevant again is very subjective to what I think it is.

Sanjeev Goswami: Probably they were referring to new hospital of Yashoda which is coming up at high tech city, will it not be the largest private hospital in a country?

Abhinay Bollineni: Yes, I mean in terms of pure square footage that it is coming up with there are many hospitals of the similar size in scale including other it is a 1.5 or 2 million square feet Secunderabad campus also is currently 1.3 million square feet we are scaling it up, so it depends on what infrastructure they are coming up with and what the occupancy could be like adding beds is one thing but I think the support infrastructure and all is also very important, so we are not very pricy to what exactly is currently happening in that facility or what we are going to announce because it is still at least a year or year and a half away from the operational from our understanding. If it is going to be at 2000 bed facility if they are planning and definitely they are bigger one, there is no doubt in it but we do not know how much is people are talking about 2000 beds, people are talking about the medical college so that medical college means it will go nearly 1000 beds for the medical college beds, we are not sure how much and unless it is opened we do not have any clarity on that.

Sanjeev Goswami: Okay, thanks a lot. The reason I was asking was contacting AIIMS, New Delhi is like 2400 beds hospital which is like huge hospital and a new facility like 2000 single location is like Bahubali of the hospital so just trying to say what impact it can have because number of patients, the market catchment is limited, right?

Abhinay Bollineni: Right.

Sanjeev Goswami: Fair enough. Thanks a lot Sir.

- Moderator:** Thank you. The next question is from the line of Nidhi Babaria from Dalal & Broacha. Please go ahead.
- Nidhi Babaria:** Thank you Sir for taking my question. Sir I wanted to ask for this Sunshine hospital we have some 24% kind of a EBITDA margin, what would be our initial target for these hospitals like for FY2023-FY2024?
- Abhinay Bollineni:** I do not think we have a 24% EBITDA margin prior to our acquisition, now it is currently 24 but that is before the adjustment of rental cost, if you adjust the rental cost, it is not 24%, it will be around 17%-18%.
- Nidhi Babaria:** Okay, so what would be our target like how many basis points can we expect in near term?
- Abhinay Bollineni:** As such we do not give the forward looking statements what can be done but if you look at our history of our Secunderabad facility and the Kondapur facility which operates in the same market and both of their hospital in the similar location and whatever we are doing at our Secunderabad and Kondapur facility I think the similar type of profile can be achieved in two years to three years' time with all our efforts etc., on these two major hospitals of the Sunshine.
- Nidhi Babaria:** Okay, Sir my other question would be our occupancies are roughly around 60%-61% in this year where in previous year we were higher than these numbers, so what would be the reason for these occupancies and how do we expect these numbers like what will be our target for 2023-2024 or couple of years coming?
- Abhinay Bollineni:** Sorry your question is not very clear, are you saying what was the occupancy look like in the coming years?
- Nidhi Babaria:** Yes, like our occupancies in this year are nearly at 60% where in initial years we were pretty high like our occupancies were pretty high, so what would be the reason for that and another one is how do we expect our occupancies to move in coming years?
- Abhinay Bollineni:** At a consolidated basis, yes it is like 61% we moved from 58% EPC towards this number but I think if we look at our mature hospitals, few hospitals that are operating at 70%-75%-80%, so the idea is to see how we make a mix of these young hospital and mature hospital scale up to that number over a period of time because we have a lot of at least 40% of our bed just three years to four years within a system and unfortunately we lost year and a half during COVI, so I think as time progresses we have been able to scale these acquired such to the level of mature hospitals.
- Nidhi Babaria:** Okay. Thank you, Sir.

- Moderator:** Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities. Please go ahead.
- Rahul Jeewani:** Now with regards to this incremental capex which we are doing for the Sunshine Gachibowli and Secunderabad facilities which is roughly around 90 Crores to 100 Crores, correct me if I am wrong, this is apart from the purchase price which we will pay for the acquisition which is of 360 Crores?
- Vikas Maheshwari:** No, Rahul let me rephrase this. Out of Rs. 360 Crores for which we are acquired 51% in Sunshine, out of that Rs. 230 Crores have gone to the promoter, Rs. 132 Crores is going into the company, as it is the Sunshine company and that amount is being used for the capex.
- Rahul Jeewani:** Okay, so this planned capex was as you had worked out this capex even before consummating the deal?
- Vikas Maheshwari:** Yes.
- Rahul Jeewani:** Okay, sure and given that you are moving the Secunderabad facility to a new campus and given that for Sunshine Secunderabad was the largest facility, do you see any short-term impact in terms of the financials for Sunshine because of this movement or we would not have any impact with respect to the revenue ramp up which we have been seeing for Sunshine?
- Abhinay Bollineni:** From a revenue point of view, we cannot see any impact but on the operational cost, we might see one quarter impact because we might have to simultaneously run both the hospitals for some time may be two months to three months before the complete allocation happens, so there might be a one quarter of impact but otherwise we will not see any impact on the revenue I think it will be much more promising than what it is currently.
- Rahul Jeewani:** Sure, but earlier you have indicated that because of the price bag Sunshine Hospitals are on rental premises, the EBITDA margins which we could achieve at Sunshine is around 24%-25% but now you are talking about acquiring this new facility for the Secunderabad Hospital so that essentially means that for the Secunderabad Hospital our margins could as well improve to the levels which we have at our matured hospitals?
- Abhinay Bollineni:** Yes, even in empty premises like Kondapur we have been able to achieve a higher operating leverage and get to margins after rental cost at around 28%-30%, so yes if we also buy out part of the assets to that tune it will get adjusted in the P&L.

Rahul Jeewani: Sure, Sir and also you have clarified on this that the sequential of year-on-year decline in your ARPOB or average revenue per patient is to do with the patient revenue mix, but can you quantify the number of transplant or the contribution of the transplant business which was there during this quarter?

Abhinay Bollineni: Are you referring to the change in ARPP?

Rahul Jeewani: No, I am referring to the ARPOB so if you look at your ARPOB so on a sequential basis the ARPOBs have come down by 4% and this was despite we seeing an improvement in an inpatient volumes, so what is driving the sequential decline in ARPOBs, so you said that it could be on account of case mix, so if you could quantify what has led to this sequential decline in ARPOB and the number for the transplant business for this quarter?

Abhinay Bollineni: Sure, so if you look at the ARPOB change from Q2 to Q3, it is a very insignificant change but if you do look at an ARPOB dip from Q1 to Q2 or Q3 there is a significant change and the reason why this change from Q1 to Q2 and Q2 to Q3 is because the pair mix for cash and insurance during Q1 is as high as 90% versus in Q2 and Q3 is only around 80%, so given these two changes, there has been an impact on ARPOB but if you look at Q2 and Q3 which are more normalized quarter, there is very insignificant change in the ARPOB mix, however coming to your point on transplant the number for heart has been around 22 Crores to 23 Crores for both the quarters of Q2 and Q3 and liver has been 5 Crores to 6 Crores for each of the quarter.

Rahul Jeewani: Okay, so on the transplant business, we have been able to maintain the revenue momentum?

Abhinay Bollineni: Yes, correct.

Rahul Jeewani: Sure Sir and just few questions in terms of your growth outlook now some of the capacity expansions which we are planning at Bengaluru, Chennai and Mumbai, those incremental capacities will come online only from FY2025 kind of a time frame, so how are you looking at the organic growth for the business over the next two years to three years period in terms of what kind of a topline growth are we aspiring for and then if you could comment on your margin trajectory as well for the next two years to three years period?

Abhinay Bollineni: I think historically we have always been fortunate to grow at a 20% CAGR over one period of time whether it is through Greenfield or acquisition, I think Sunshine fortunately comes in at a right time for us to continue and help sustain that kind of growth that we be historically delivered in the past. There has been some fundamental changes in the three projects that you just spoke about in the new micro market. I think we are still waiting to get into the final definitive agreements before we make these

announcements but I think the timeline will only get condensed further after we get into these definitive agreements and we should see some of them being operationalized much, much sooner by bringing down the time almost 50% in some of these expansion plan that you have spoken about, so that will further help us continue to help and sustain these growth. We also are looking and evaluating at more acquisition which are already operational and functional, hopefully those materialized current hospitals growing at a certain at Sunshine, new facilities coming in. we are pretty confident that on a year-on-year basis we will be able to sustain the same growth that we have been able to deliver in the past.

Rahul Jeewani: Sure, Sir and with respect to some of these acquisitions which we are targeting, so these acquisitions will again be within our core markets or in some of the newer markets like Tamil Nadu or Karnataka which we have been exploring?

Abhinay Bollineni: I do not see any opportunity in the core markets whatever we will do in core markets will largely be Brown field and Green field expansion, these are acquisition opportunities in these strategic market as we spoke about in the past which is south and Central India.

Rahul Jeewani: Sure, Sir and just if you can also comment on the margin profile because this quarter will be benefit which we saw on other expenses, our overall EBITDA margins have been around 32%-33%, so next year there will be some impact on account of Sunshine consolidation, but do you think that we can continue to sustain margin profile above 30%?

Abhinay Bollineni: Yes, I think let Vikas had mentioned there will be some short term impact of Sunshine consolidation happening but when you look at it from a KIMS and the Sunshine point of view, I think KIMS will continue to be able to sustain these margins moving forward in the range of 30% given that we will continue to grow and then lot of the hospitals are matured and we will see a lot of operating leverage when you consolidate Sunshine there will be an impact but the absolute number will only be able to move trajectory.

Rahul Jeewani: Sure Sir. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: Is it possible to share the ALOS for this quarter or the previous year's same quarter?

Abhinay Bollineni: I think 4.7- 4.8 is the ALOS for Q3 FY2022.

Praveen Sahay: 4.8 is for this year Q3 and how much was last year same quarter?

- Abhinay Bollineni:** Same quarter it was 5.3, this year is around 4.75.
- Praveen Sahay:** One clarification related to the other expenses, you have said that ECL reduction of 2 Crores to 4 Crores, so if I look at your earlier years, this number of yearly run rate for 2021 and 2020, so how that is actually is reduced or it is going to come back in a quarter, what is that commentary on that respected credit loss, what you have to address about that?
- Vikas Maheshwari:** Actually, your voice is very feeble but what I can understand you are asking about that ECL provisions which we have taken and all these fluctuating, right? ECL provisions is nothing, but the expected credit loss and it is the model which the company runs based on the ageing of receivable and based on that model whatever the numbers comes is being taken as a provision, if those receivables comes as a realization of next quarter the provision get reversed. If the payment does not come and some outstanding increases our ECL provisions further gets increased, so it is the dynamic situation and we do not see that ECL provisions increasing too much in the coming quarter, these are all very government run organization where the question of default of bed is less is the question of just fluctuation of the collections coming in each quarter or the day we are closing the quarter, how much amount have come in the next week, so it is the question on that day what is the balance, so I do not think that is the major impact will come in terms of carrying up the provisions I think we are carrying at the sufficient provisioning against this, so there will be no impact on the profitability also.
- Praveen Sahay:** Okay, that is very helpful. Second clarification on the **(inaudible) 57:49**
- Abhinay Bollineni:** We cannot hear you.
- Praveen Sahay:** Okay fine, thank you.
- Moderator:** Thank you. The next question is from the line of Bhavya Gandhi from Dalal and Broacha. Please go ahead.
- Bhavya Gandhi:** We have doctor participation model, if you can quantify how many boxes are made in this doctor participation model and what is the percentage of total doctor outlay around 1200 doctors that we have?
- Abhinay Bollineni:** The total of doctors that will be around 300 doctors are the investors in the company and is coming around 9% of the total share of the company.
- Bhavya Gandhi:** Okay. Fair enough Sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.



KIMS Limited
February 10, 2022

Bhaskara Rao Bollineni: Good evening to all of you and again this is definitely as I mentioned that KIMS is totally dedicated to the patient quality care and that will definitely inflict the revenues for the investors who have been invested and led confidence on us, what we have seen in the last two decades since inception this KIMS from 2004 onwards whatever we are been doing it is keep on improving and once the units are getting matured and the EBITDA margins are improving and moving forward looking into the KIMS that we have been kept in mind how we need to achieve these growth year-on-year, that is why we are planning our expansions plans, semi Brown field and few are Green field and the acquisitions that where there is a lot of scope that we can be able to improve further and further and give value to the investors, that is more and thanks for all the right questions that you people asked and then I am very happy to announce, if anything is there or you have any clarifications either you can contact our CFO Vikas or CEO and me, we will be very happy to answer all your questions. Thank you very much.

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