

15th November, 2021

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.

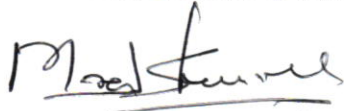
In Continuation to our letter dated 9 November 2021 the Company had organized a conference call with the Investors/ Analysts on Thursday, 11 November 2021 at 11:30 am (IST). A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded on the Company's Website at <https://www.kimshospitals.com/stakeholder-relations/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
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“KIMS Hospital
Q2 FY2022 Earnings Conference Call”

November 11, 2021



ANALYST: MR. RAHUL JEEWANI - IIFL SECURITIES LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of KIMS Hospital 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 telephone. 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 morning everyone. I welcome you to the earnings call with KIMS’ management. From KIMS we have with us Dr. Bhaskar Rao Bollineni - Managing Director, Dr. Abhinay Bollineni - Executive Director and CEO and Mr. Vikas Maheshwari - CFO. Over to you Sir for your opening comments post which we can open the floor for Q&A. Thank you.

Bhaskar Rao Bollineni: Good morning. I extend a warm welcome to all of you. Meeting with you always fills me with new energy and enthusiasm as you are the engines of our growth while patients are our driving force. Your support enables us to access our services to more and more patients. As you are aware vaccination drive is in full swing across the country and recently crossed 1000 Crores of population and still surging ahead. This keeps us in a relatively safe zone of course there is no room for any kind of complacency. It will be prudent on our part to continue with the basic COVID protocols like wearing mask, sanitizing, and maintaining social distances. Even if third wave were to occur there may not be much serious complications unlike in the past. Let us hope that this scourge of COVID will be behind us sooner than later.

As you know, KIMS is the largest corporate hospital in Telugu states having branches in most backward areas like Srikakulam also. The objective is to reach as many people as possible in the far off areas where medical facilities are not much accessible. We have litany of clinical achievements during the quarter at our various branches.

I propose the highlights of few such clinical achievements. The first ever kidney transplant done in KIMS Kurnool, rare neurosurgery performed to remove an advanced tumor at KIMS Kurnool, advanced thoracoscopy on a dialysis patient at KIMS Kurnool, a 3-year-old with a rare lung cancer treated successfully at KIMS Kurnool, nail from 1-year-old’s boy intestine successfully removed in KIMS Kurnool, rare heart problem successfully operated in high risk surgery at KIMS Kurnool, first ever kidney transplant performed in Anantapur at KIMS Anantapur, first ever cochlear implant surgery in Anantapur done at KIMS Anantapur, rare Nocardia infection treated successfully in a 60-year-old woman at KIMS Vizag, a rare cancer of the neck treated successfully at KIMS Vizag.

I highlighted the cases at our Kurnool, Anantapur, and Vizag because earlier people of these areas were required to go to Bengaluru, Chennai or Hyderabad in such situations. Now they can avail the treatment in their respective places itself, of course treating such critical cases is a regular affair at our other branches and centers. Successful treatment of such critical cases is a matter of great professional satisfaction and speaks volumes about the professional expertise and medical infrastructure available with us across the two states.

Having spoken about clinical achievements I will now proceed to press view of the financial and operational highlights and other initiatives. The financial highlights the performance of Q2 is to be viewed in a special way against the backdrop of the pandemic. As you know that in Q2 of FY2021, COVID was rampant and most of the beds were occupied by COVID-related cases. There was overall decline of the pandemic across the country in Q3 and it became almost insignificant in Q4 FY2021 bringing back footfall of patients to pre-COVID levels, but unfortunately the pandemic struck again in Q1 FY2022 and beds were again predominately occupied with COVID-related cases in FY2022 Q1.

The vaccine drive was also high in Q1 leading to spurt in revenue. Q2 of FY2022 witnessed insignificant COVID cases and the position of occupancy and the footfalls came back to pre-COVID levels similar to Q4 2021. Therefore Q2 FY2022 cannot be compared to with Q2 of previous year and Q1 of FY2022 due to high occupancy of COVID cases. Comparison between two incomparable situations does not reflect the real picture. So a somewhat realistic comparison can be made with Q4 of FY2021 and not with Q2 of FY2021 as we would have done in the normal course. Consolidated operating revenues saw an increase of 15% against Q4 of FY2021 standing at 4118 Crores. Increase in patient flow, induction of additional expert, doctors in existing specialties, consistent growth in heart and lung transplant program and increasing normalization of business to pre-COVID levels contributed to this growth.

Against Q1 of FY2022 it saw a decrease of 13% a consolidated EBITDA Q2 of FY2022 stood at 134 Crores, growth of 27.7% against Q4 of FY2021. EBITDA margins expansion was driven by a specialty mix change of over Q4 FY2021 last year and operational leverage. EBITDA margins grew 32.2% in Q2 FY2022 from 31% in Q1 of FY2022 primarily led to tightened control on medical consumption cost. Consolidated PAT of Rs. 84 Crores in Q2 FY2022 primarily led to tightened control on medical consumption cost. Consolidated PAT of Rs. 84 Crores in Q2 FY2022 at 20.2%, PAT margin compared to Q4 of FY2021 was 16.2% and in Q1 of FY2022 was 19.3%. As on September 30, 2021 on consolidated basis we are net debt free. Out of IPO proceeds group has repaid the term loans to the tune of Rs. 50 Crores. We have compared to Q2 FY2022 against Q4 FY2021 as Q2 FY2021 and Q1 FY2022 was COVID-19 impacted quarters.

Operational highlights Q2 FY2022 occupancy stood at 59.8% against 60.1% in Q4 of FY2021 and in Q1 FY2022 was 62.2% based on our bed capacity. IP discharged volume has increased to 36000 plus in Q2 FY2022 against 32000 in Q4 FY2021, transplanting to a growth of 11% and it is increased from 31000 in Q1 FY2022 as volume of various specialties has increased on account of normalization.

OP consultation volume has increased from 2.8 lakhs in Q2 FY2022 from 2.62 lakhs in Q4 FY2021 and also increased from Q1 FY2022 from 1.82 lakhs. Average length of stay has improved from 5.06 days in Q4 FY2021 and 5.47 days in Q1 FY2022 to 4.61 days in Q2 FY2022.

Our average revenue per patient has increased from Rs. 1.09 lakhs in Q4 FY2021 to Rs.1.15 lakhs in Q2 FY2022 which is a growth of 5% and decrease from Q1 FY2022 from 1.49 lakhs. Our average revenue per operating bed in Q2 FY2022 has improved from Rs.24877 against Rs. 21591 in Q4 FY2021. This is driven by better payer mix and increase in complex surgeries and procedures. You can see the results that the results are encouraging and the growth trajectory will be maintained and improve still further in spite the previous quarters were dominated by the COVID.

We have our digital initiatives, KIMS Hospitals has embarked on a journey of digital transformation across financial, clinical, operational, patient engagement with the initiatives as below. Realized phase of S4/HANA deeply integrate with hospital information system and other core applications has been completed with the acceptance testing is under progress this quarter. Digital clinical applications have been deployed for nurses and doctors along the care team to access and update patient's records on a mobile phone or a tablet resulting in a better collaboration and timely action for admitted patients.

Digital applications have been deployed for the operations team to expedite admissions through management and counsel patients. Patient experience is being improved by service management application that tracks and resolves patient feedback for services provided by the hospital. Patient mobile application is under development. KIMS is building a digital platform using an API based technology model to integrate production applications with digital that will result in a modern user friendly experience for knowledge workers in the hospital and patient centric approach to engage with the patients and set their families. By doing this digitalization we have helped a lot of patients by cutting down their waiting list during the time of pre-waiting for surgery as well as for investigations and as well as they can also improve to facilitate the discharge process with all these things you would able to achieve much better than compared to the pre digital era.

We have some ESG initiatives. KIMS Secunderabad has partnered with Smart Joules private Limited a prominent energy service company in 2018, a new and innovative model known as Joule PAYS was executed wherein KIMS makes zero capital investment to implement various energy conservation measures across the hospital and gets a guaranteed energy savings of minimum 10% annually over the baseline energy. With this we could able to save lot of electricity, LPG savings, diesels, and the carbon dioxide also saved a much better than nearly Q2 669 tons. In the total revenue, Telangana as a cluster contributed about 65%, other acquired assets such as KIMS Ongole, KIMS Anantapur, KIMS Vizag have stabilized their occupancy level similar to our matured units. The EBITDA margins also stabilized at 20% and they are expected to grow further. As we presented in earlier meetings, the other expansion plans are also on track and are moving as per schedule.

Let me now speak about our latest acquisitions of the prestigious Sunshine Hospitals which is a landmark hospital in orthopedic care founded by Dr. Gurava Reddy who is a renowned personality in the field. Sunshine has a network or three hospitals in Telangana with a total bed capacity of 600 beds with a primary focus on orthopedics. Sunshine Hospitals have become the second largest giant replacement center from South East Asia. It is only the second hospital in Asia to have a full membership of the prestigious society International Society of Orthopedic Centers. Sunshine enjoys certain other unique accomplished like first hospital in India with ISOC membership, only two from India have this membership 4000 total joint replacements performed on an average every year, more than 10000 surgeries annually all the orthopedic specialties, more than 700 robotic knee replacements done in less than 18 months, fastest in the world. Together KIMS and Sunshine hospitals in Hyderabad have 1725 beds which further strengthens our prime position in healthcare sector.

KIMS is an established leader in providing cardio, neuro, and renal care, oncology. Now with Sunshine in our fold we will be making a vital contribution to the field of Orthopedics as well. The current occupancy at Sunshine is 40%. We are confident of scaling it up substantially which will enhance the revenues. We are very confident that this new acquisition of Sunshine will augur well for the future with hands on results. Dear investors, I am a very positive and optimistic vision of our future and I am sure we will reach greater heights in the days ahead with your support. Thank you one and all.

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 questions and congratulations for a good set of numbers Sir so my first question is related to the COVID. Can you share the COVID numbers for a quarter how much is the revenue or EBITDA?

- Abhinay Bollineni:** I think in Q2 the numbers were still at 5% to 7% which is similar to what it was in Q4 across all our hospitals.
- Praveen Sahay:** Okay and also on the operating beds this time you have not given, how much is the operating beds?
- Abhinay Bollineni:** It remains the same at 2246 operational beds.
- Praveen Sahay:** Sir the next question is related to the occupancy in the mature facilities. We have seen a significant jump in their occupancy so I can assume that what you had also mentioned that elective surgeries are picked up significantly so is that a sustainable what we have reported for a quarter or is it just an opening post COVID, it is just one quarter of higher occupancy we are seeing?
- Abhinay Bollineni:** No. I think like we said in the call, Q4 was something that was completely we saw is pre-COVID levels. Q2 also has similarly reflected in fact even post Q2 it continues to remain the same. So we do not see any substantial impact to what we had seen in Q2 moving forward except for some seasonal changes but nothing beyond that. Having decent numbers moving forward that is sustained.
- Praveen Sahay:** Lastly on the expansion side. So you had also given that, that is the Bengaluru, Chennai, and the West India expansions and some timeline so like the earlier ones there are Kondapur, Vizag there is a timeline so from where we can consider the timeline like from here onwards 36 months or how is that actually when you are going to start the Chennai one somewhere the 36 months.
- Abhinay Bollineni:** As mentioned in the presentation we have said starting from April 2021 so we are saying that is the base and from there 36, 24 whatever timelines we have given.
- Praveen Sahay:** Secondly related to Chennai also you had mentioned that 400 odd Crores of capex as I understand that is we have Chennai we have a land already so what that you are expecting a 1 Crores per bed of capex?
- Abhinay Bollineni:** This Chennai we have already procured land. So this project cost is including the cost of the land that we have factored and over a period of time this is not just a 400-bed facility it can scale beyond so initially because we are building up the structure for a larger facility we are also procuring land for the entire facility the cost per bed will be slightly higher but moving forward it will come down as you add incremental beds.
- Praveen Sahay:** Okay, got it I will come in the queue.
- Moderator:** Thank you. The next question is from the line of Devesh, an individual investor. Please go ahead.

Devesh: Good morning. Congratulations on good set of numbers. I have two quick questions. One is around your digital transformation initiative which is a great step by the way. I just want to understand that how did we track the success of it one is in terms of operational efficiency and secondly is it going to contributing the growth of business or is it primarily for operational efficiency? That is the first question.

Bhaskar Rao Bollineni: It will contribute both. Basically once we have B&C these are all interlinked. Once the happy patients are going from hospital, whatever is the these are patients who keep coming in the last two decades when they say their improvement they will go and spend, apart from improving the patient quality care by digitalization here we also find out some value added things, how we are able to attract more and more patients from other areas. Some we can able to get the preoperatively, we can able to get all the data, all these years they are coming and they may or they may not go sometimes they may not able to come here by interacting with us that will definitely help to improve our footfalls.

Devesh: Second one was more tactical piece this Sunshine acquisition when do we see this getting completed and reflected in our numbers and what is the approximate timeline when you see we can start contributing the same margin that we have at consol levels currently just even ballpark range would be better?

Vikas Maheshwari: Sunshine as a structure we have little bit structure deal where we have acquired the partly paid up shares and fully paid shares so right now we are holding 17.57% of the fully diluted equity with us and whatever this partly paid shares are there that will get fully paid up by April 2022. So till March 2022 in this financial year it will be an associate with us where we will just have a one line item in our P&L for the share of the profit from the associate. From the April it will get fully consolidated line by line and we will hold 51.07% stake on that company.

Devesh: Great and when do you expect them sort of improve in productivity to come at our EBITDA levels one year, two years down the line?

Abhinay Bollineni: I think we have 24 months timeline, 24 to 36 timeline. The way we have looked at Sunshine is the current occupancy is one is they are strategically located in micro markets we do not currently operate in so it gives us entries to those new micro market. Their current occupancy is around 40% and given that there are as a brand we are well established we are very connected to clinical doctors our ability to bring lot more talent and retain the current talent is quite superior. So we are hopeful to start engaging with new consultants and bring them on board so that we can do a revenue ramp up over the period of the next 24 months so this will bring in a lot of operational leverage from the current level. The other two synergies that we are seeing is in consumable optimization. Given that our scale is substantially bigger than Sunshine our

procurement cost is very different from what we are currently procuring so there is substantial saving that we foresee and we will implement that in the next six to nine months and the other cost that we see synergy is an HR cost though our corporate cost has always been very lean I think it will be by the synergy given that we are operating in the same market we can bring in a little more synergy from this.

- Devesh:** Thank you for the response.
- Moderator:** Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.
- Rahul Jeewani:** Sir I had a few queries with respect to the Sunshine Hospital's acquisition. Now this 40% occupancy for Sunshine is there a component of one off COVID component sitting in that number and which are the key specialties which you will focus on apart from Orthopedics to drive or ramp up in occupancy at Sunshine?
- Abhinay Bollineni:** The current occupancy even if you look at FY2020 the average occupancy has been around 38% to 40% so there is one off COVID sitting even FY2021. It has normalized over a period of time. Now the focus currently if you look at Sunshine almost 50% of their revenue is driven from orthopedics, 15% is driven from cardiac, and the rest of the specialties contribute the rest 35%. Our idea is to bring down Orthopedics to as low as 30% and make it a truly multispecialty hospital by bringing in more consultants in other specialty other than Ortho and Cardiac. So there is a lot of clinical talent that we want to bring together in the other specialties rather than these two.
- Rahul Jeewani:** With respect margins at Sunshine Hospital we have seen that the margins have significantly improved in FY2021 so 2020 their margins were around 9% which improved to 18% in 2021 so what led to that margin improvement and within that EBITDA number which has been reported by Sunshine what could be the contribution of the COVID business in FY2021 EBITDA numbers?
- Abhinay Bollineni:** If you look at the growth in revenue from FY2020 to FY2021 it is close to 40 Crores and the EBITDA also grew by close to 35 Crores. Now Sunshine is completely sitting on a lot of operating leverage. In FY2018 or FY2019 they happen to open a new project in Gachibowli which is just turning around and in FY2021 it kind of reached quite a substantial improvement in the occupancy so whatever growth you have seen in revenue has directly contributed significantly to the EBITDA margin because of operating leverage. The other thing that they have done is they had a loss making entity in Bhubaneswar which kind of had a drag of almost 5 Crores to 6 Crores on FY2020 numbers so that was closed in FY2021 and sold to some other party so that numbers are also reflecting.

- Rahul Jeewani:** Sir so this Bhubaneswar asset is no longer in the FY2021 numbers as such?
- Abhinay Bollineni:** Correct, it got shut down in FY2020.
- Rahul Jeewani:** You spoke about the fact that you will have operating synergies on the consumable side as well as some of the other operating line items but what kind of a scope do you see in improving EBITDA margins for Sunshine because in matured hospitals we make almost 30% kind of a margin and for Sunshine Hospital among the three hospitals which they operate only one is a recently opened facility whereas the other two facilities have been operating for quite some time so do you that we can achieve 25% to 26% kind of a margin on Sunshine over the next two to three year period?
- Abhinay Bollineni:** The one difference is Sunshine operates out of rented premises unfortunately all three of them are in a rented premises. So achieving the same margin that we typically achieve in our matured facilities is little unlikely but I think what we are achieving in Kondapur which is again a rented facility to the tune of 23% to 25% in the next 24 to 36 months is certainly doable. Also given the fact one of the facility which is located in Karimnagar is a small facility, more like a secondary care facility so I do not think that facility will ever move the needle to a 20% kind of margin but is not a significant contribution to the revenue currently or the EBITDA currently so our focus will continue to remain only on the Gachibowli and Secunderabad hospital which are present in the city of Hyderabad.
- Rahul Jeewani:** With respect some of our other acquisition plan so last quarter we had indicated that we are looking to acquire some asset in Western India as well so where are we with respect to M&A in some of the other markets?
- Abhinay Bollineni:** We have been looking at opportunities in Central India and Western India and we have been doing some work around transaction like we have very closely following up. We should probably bring it to the table in the next 30 to 45 days if all things come through.
- Rahul Jeewani:** Some of these other assets which you are looking in Central and Western India would these assets be as big enough as Sunshine or what kind of strategy do you have on the M&A side in some of these other markets?
- Abhinay Bollineni:** I think our minimum scale is we need 200 to 250 beds to begin with the opportunity to scale to beyond 350 beds so whatever acquisition that we are looking at is typically on the similar size and scale.
- Rahul Jeewani:** Just one last question from my end. So with respect with our Greenfield projects in Bengaluru and Chennai so last quarter we had indicated that there has been some

delays with respect to initiating construction at these hospitals so where are we with respect to the Bengaluru and Chennai hospitals?

Abhinay Bollineni: As far as Chennai hospital is concerned we have already procured land. We are in the permission phase we have already factored nine months for this financial year to just go for permission approval and then another 25 to 30 months for construction. I think we should receive permission for that land parcel in the next three months and if we do so we can then start construction activity.

Rahul Jeewani: Okay and with respect to Bengaluru?

Abhinay Bollineni: Bengaluru also in the similar line. We had anticipated to complete the transaction last month but I think we will table it in the next 30 days and we should be able to complete the transaction. We will continue to achieve it within the 36 months timeline that we had earlier forecasted.

Rahul Jeewani: Okay then ideally speaking Bengaluru and Chennai hospitals would not contribute to our financials before FY2025 as such?

Abhinay Bollineni: Correct, you are right.

Rahul Jeewani: Thanks Sir.

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

Praveen Sahay: Just to follow up on the previous participant's question. As you good expansion plans what kind of a debt you are expecting in the coming years to be comfortable?

Vikas Maheshwari: Praveen thanks for asking this question as you saw our financials we are sitting on some cash as on September 30, but that cash is more or less is committed for completing the Sunshine acquisition so 230 Crores upfront payment has gone in and balance Rs.132Crores will go over a period of time. So with this the existing cash which we have with us is also completed with that so he transaction with respect to the other projects which is Bengaluru, Chennai and other Central India that is something like that in next 24 36 months we are seeing the outlay or something like that Rs. 1100 Crores on these three projects and the only thing is that the land part, which the lumpy part which comes first and then the balance the progress in terms of the construction happens over a period of time and medical equipment etc., happens over a period of time. So if you take a larger view of the three years if you look at our financials we are generating something like that Rs. 350 to Rs.400 Crores cash on the existing business and if you take it from the same basis for the next three years we have something like generating Rs.1100 to Rs.1200 Crores of the cash so this supplement and finish all our

projects which we are anticipating for Bengaluru, Chennai and Central India. Obviously, there will be some debt which we will be taking but I do not think even if we are taking some Rs.200 Crores to Rs.300 Crores of the debt for the funding initial cost of the project, it will cross 1 debt to EBITDA will not cross 1. We have something like that to looking at the clarity if I analyze the quarter second numbers I do not think we will be able to 1:1 to the debt to EBITDA. So we are at comfortable position. The financials are very strong. The financials which we have built this is a strong foundation to take this company to the next growth level by this acquisition of the Greenfield projects.

Praveen Sahay: Thank you for such an elaborative answer. Second is related to expansion because you know the last previously and in the recent Sunshine acquisition also done in the Andhra and Telangana region and your mix of tier 2 versus the one metro city is quite very defined but now you are going to Bengaluru and Chennai and also in the West of India so how you will because there the cost, the capex were made versus your pricing has been very important so how you will actually mitigate those risk because you are going from one region to totally different region, like Bengaluru, Chennai then West in India so what is your strategy or you can just highlight some little more on that whether in the western India only with the M&A strategy you will go, how is that planned to tackle those?

Bhaskar Rao Bollineni: Thanks for asking this question. See basically what we are looking is the last few months putting this idea in to across our medical community and we got a very good response of the consultants who are willing to come and join with us and then we have identified few of them in most of the places. So the hospital business is very easy business provided if you are able to understand the business. The only thing is we need to have a good amount of financial support which can build the technology and infrastructure. The second important thing is you need to get the right talent especially the medical talent once that comes and I think we will be able to enable to move forward in a better way that is what is the recent few hospitals have been shown and we were also following that. So as far as the all these three places are concerned there will not be any issue of getting the talent both medical and the top management or the nonmedical side and we already identified and moving forward then we are also looking at better places so I think it is not a big issue at all. We have a stable financial thing and we may not able to require huge amounts of finances to be taken to finish these three projects or four projects put together and talent is already there.

Praveen Sahay: Thank you. The next on your comment you had mentioned in the presentation of new doctor addition in the existing specialty will that increase your employee expenses or how to treat this?

- Abhinay Bollineni:** I mean yes it will certainly increase employee expenses but it will also bring in lot more revenue at the same time the employee expenses may go up by 15% to 20% but the revenue comes up much higher and there is a lot of operating leverage synergies that we will get because of these incremental department that we bring in.
- Praveen Sahay:** If you can highlight where you have added?
- Abhinay Bollineni:** We have added across all hospitals but significant numbers have been added or change has been brought in Kondapur hospital. We have talked about significant addition in Secunderabad hospital and Visakhapatnam hospital.
- Praveen Sahay:** As I could see in this quarter your average revenue per patient has been down significantly Y-O-Y and sequential basis as well so my question is should we consider this level as stable level the way forward because now that you had also mentioned that COVID business is almost over so this is the stable number 114000 or 115000?
- Abhinay Bollineni:** Yes that should be the stable number moving forward between 110000 and 115000.
- Praveen Sahay:** Nothing to do with payer mix change like there also we had seen some changes in the payer mix so likes Arogyashri has to be contribution increase or corporate contribution impact is that going to be this level or there also we will see some variation?
- Abhinay Bollineni:** I think you will see the numbers sustaining going forward. There is some changes that we have made in few of the hospitals largely Secunderabad and the corporate and Aarogyasri mix. We have changed some of that mix and this is something we foresee will sustain moving forward.
- Praveen Sahay:** Change towards increasing all this or decreasing?
- Abhinay Bollineni:** Increasing cash and insurance.
- Praveen Sahay:** Okay, thanks a lot and all the best.
- Abhinay Bollineni:** Thank you.
- Moderator:** Thank you. As there is no response, we will go to the next question. The next question is from the line of A Anandha from PGIM India MF. Please go ahead.
- A. Anandha:** Thanks for taking my question. With regard to your capacity expansion plans so at least for FY2022 and 2023 the only bed addition would be coming in your concerned acquisition and all the other expansion plan in terms of impact on your P&L it will happen only from FY2024 or FY2025 onwards that could be a fair way to understand?

- Abhinay Bollineni:** Our current operational beds are 20% lower than our overall capacity. We are going to effective from this month we will operationalize lot more beds in our current capacity so there is some opportunity for growth in the current bed capacity itself and the incremental bed addition will be the Sunshine hospitals for the coming financial year.
- A. Anandha:** Okay in the interim your peak occupancy theoretically what is the kind of peak occupancy that you can reach for your current asset for your current consolidated base what would be the peak occupancy that one can achieve?
- Abhinay Bollineni:** Most of the beds that are not operational are in the acquired assets. If you look at our mature hospitals we have been able to scale up to 75% to 80% kind of occupancy so in our acquired assets we are currently at 60%. I think there is an opportunity for us to further scale up in those.
- A. Anandha:** Okay so basically the way the growth in terms of your volume growth if I have to understand it could be basically increasing your total operational beds and also increasing the occupancy of your acquired asset from 69% to 70% to 75%?
- Abhinay Bollineni:** Currently, acquired largely around 58% to 60%. We will aspire to scale it up to the mature hospital levels.
- A. Anandha:** With regard to your expansion plans apart from these expansion plans that you have mentioned across Secunderabad, Vizag, Anantpur, Bengaluru, Chennai, West and Central India. So largely for the next three to five years this is what you would be accretive in terms of your overall aspirational target in terms of expansion or just three in the portfolio either in terms of specialty therapy or in terms of micro market where you would continue to look for expansion?
- Abhinay Bollineni:** I think these are plans that are concrete and we will certainly execute in the timeline that we have defined. We have also given our current debt position and our ability to raise debt we are also looking at opportunities within AP, Telangana and within the new micro markets that we are expanding it let it be tier 2, tier 3 markets or in the metro cities so we will not breach the 1:2 debt to EBITDA kind of a number but we are still looking for more opportunities either through semi Brownfield or acquisition of current running hospitals.
- A. Anandha:** But in the current expansion plans if you do not go beyond the current expansion plans you are two EBITDA would be restricted at 1:1 only increase you look at any further new inorganic acquisition or expansion plans that's when it could go beyond 1:1 that is how one should understand it?
- Abhinay Bollineni:** Yes.

A. Anandha: In terms of specialties are there any gaps that you would want to fill or there any gaps that one invested in the next couple of years?

Abhinay Bollineni: If you look at the expansion plan we are talking about adding cancer in Vizag and Anantpur and Ongole so we saw similar gap. We are adding mother and child in Anantpur we see a clinical gap there. So we are time and again taking assessment of each of our current hospitals and the clinical work that we are doing there and we are adding a lot of this new specialty largely on the Oncology front.

A. Anandha: Last year government had also announced some attractive funding rates for capex related healthcare sector so would you be availing any of these attractive funding rates that government had announced for your expansion plan?

Abhinay Bollineni: Certainly yes.

A. Anandha: Thanks Sir. That is all from my end.

Moderator: Thank you. The next question is from the line of Mehul Sheth from Axis Capital. Please go ahead.

Mehul Sheth: Thank you for the opportunity. Sir one question on like now the things are getting normal most of like post COVID scenario so how do you see the following quarters of the year moving like in all terms like given you margins as well as on your occupancy side. How are you seeing the trend going ahead?

Abhinay Bollineni: I think Q2 was a very normal quarter for us. We had very little work of COVID like I mentioned 5% to 8% I think that will continue to be there moving forward even in Q3 and Q4 and subsequent years to come forward so I do not see any change that will happen from Q2 to Q3 and Q3 to Q4 except for some seasonal variation but other than that we have already experienced complete pre-COVID level and normalcy in most of our locations that we operate in.

Mehul Sheth: I guess in earlier Q1 calls you have guided EBITDA margins somewhere in the range of around 27% to 28% that will be more of a sustainable margin but already you are in a 30% plus margin so where do you see this EBITDA margin moving forward?

Abhinay Bollineni: We anticipated it would be around the 27% to 28% but also a lot of the acquired assets turned around sooner than we expected it to given that we have transitioned from the post COVID levels and we are seeing those numbers sustain and I think what we are currently seeing in this quarter looks like will sustain for the foreseeable future.

Mehul Sheth: One last question on your payer mix so last quarter cash plus insurance were somewhere in the range of around 87% and now it has come down to 78% so where do you see this payer mix is will be coming quarters and all?

Abhinay Bollineni: Whatever you have seen in Q2 is what is going to sustain in the subsequent quarters. If you look at Q4 and Q2 they are very similar so these are the numbers that will sustain moving forward.

Mehul Sheth: So we can consider this cash plus insurance nearby 75 to 80% range that will be more of?

Abhinay Bollineni: That is more sustainable. This is right at KIMS level but when you add Sunshine it will further go up.

Mehul Sheth: Also on the occupancy side sir where do you see the occupancy is moving with increase in the electives and all so where do you see your occupancy over the next few quarters like is there any specific target that you have to achieve some specific occupancy numbers?

Abhinay Bollineni: I think we are currently in a matured hospital at around 75% kind of occupancy. We are working on optimizing on the ALOS we are trying to reduce it in few of our mature hospital. One we believe that there is a lot of head room for growth in the current acquired hospitals. There at 60% kind of occupancy there is opportunity for it to scale up to 70% to 75% over a period of time given that there are only four years and we lost a year-and-a-half only in COVID. So that is one opportunity and in the current hospital we believe that the 75% can scale up to 80% to 85% kind of occupancy over a period of time.

Mehul Sheth: Thank you for your time.

Moderator: Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani: Sir you mentioned that on the acquired hospitals you have seen better turnaround with respect to the operations at these acquired hospitals ramping up now my understanding was that some of these acquired hospitals in tier 2, tier 3, markets would have benefited from patient leakages which typically happens from tier 2 markets into metros which was not there during the COVID period. So now with markets gradually opening up across the country have you seen any early trends that maybe the patient volumes which you were having in these acquired hospitals in tier 2, tier 3 markets there is some sort of leakage which is again happening into metros?

Abhinay Bollineni: If you heard my conversation in the past even in FY2020 the last quarter the numbers that we were doing in the current quarter for this acquired asset. We kind of reached those kinds of levels before the first wave of the pandemic hit. I do not think it has anything to do with the lockdown scenario and the travel scenario but things have improved and then it took a year-and-a-half meeting because of lot of ups and downs. We believe that most of the numbers that we achieved in the acquired asset are sustainable and will continue to sustain and grow from there.

Rahul Jeewani: So on the acquired hospital the occupancy of 60% and margins of 21% are largely sustainable?

Abhinay Bollineni: Yes.

Rahul Jeewani: Okay, sure and with respect to the heart and lung transplant division, we were trending at around 6 Crores to 7 Crores of monthly revenue on that business so where are we now on the heart and lung transplant division and are you looking to further scale up that part of the portfolio?

Abhinay Bollineni: We are sustaining the same number even in Q2 but you know this is completely dependent on donor availability across the country, donor calls, the quality of the donor that we receive so this is one specialty which is very difficult to predict in a month we can do 10 transplants in a month we land up doing just two transplants so it is very fluctuating scenario but in Q2 we have been able to sustain what we have done in the previous quarters.

Rahul Jeewani: Thanks.

Moderator: Thank you. The next question is from the line of Bhavin Patel an individual investor. Please go ahead

Bhavin Patel: Thank you Sir for the opportunity and first of all congratulations for good sets of number and recent acquisition. My question is on the telemedicine front in two parts first is what is the approximate revenue percentage of the telemedicine front as the total revenue of the company and secondly what is our expectation on this front like are we looking to grow on this front like are there any definitive plans on this front like marketing, new infrastructure for telemedicine, etc., Thank you.

Abhinay Bollineni: Sir currently our revenues from telemedicine is very, very insignificant and our intent is to scale up the platform but not it is a service as an extension to our current inpatient so patients who get discharged from the hospital we do not need them to come back to the hospital for review. We can provide an online consultation platform for them to visit the doctor, it saves time for the patient as well as doctor so that is an operational

efficiency parameter that we are bringing in but nothing to do from a revenue stream point of view. I think it is a complete different business in itself and it requires a different skill set to run that business. Our focus is to build tertiary care, quaternary care hospital.

- Bhavin Patel:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sumit Choudhary from Zaaba. Please go ahead.
- Sumit Choudhary:** Thanks for taking my question and congrats on good set of numbers. Couple of questions, one just on the transplant just wanted to understand how big is the transplant specialty revenue in the quarter gone by and if I understood it correctly the revenues are number of procedures that you have undertaken a quarter it is the function of donor availability etc. So if I could just understand about the predictability of the guidance that the current run rate of revenue and EBITDA should sustain, how do you get comfort in that?
- Abhinay Bollineni:** I think transplant historically at least the last three quarters have been contributing to almost 4% to 5%. I am referring to just the heart and lung transplant of the overall revenue and then we have liver transplant as well as kidney transplant program which also contributes to a substantial number. Moving forward I think it should sustain because transplant is not just all about transplanting the patient, there is a lot more care that is provided, there is a lot of ICU works that is done for the patient who requires a transplant, or post the transplant. So the core transplantation work they could be fluctuation based on availability but the respiratory intensive care work and the other work will continue to remain.
- Sumit Choudhary:** It sounds like you are at least for the current run rate should be fairly predictable even despite it sounds like it is about 10% transplant driven revenues for you which should be at least maintained it sounds like?
- Abhinay Bollineni:** Currently it is around 5% including heart, lung, liver and kidney including all of that. Moving forward it is very subjective to donor availability but I think it will sustain at 2% to 3% kind of a number that is the bare minimum that it will certainly down the upside is purely based on availability and stuff.
- Sumit Choudhary:** Just to clarify on the Sunshine acquisition you had mentioned 730 Crores of EV and you are buying 51% of that so two parts to the question, one any reason for the deal to be structured the way it is in terms of partly paid and then you pay off in April. Any particular reason for that to have been the case and second just to clarify your total outgo will be basically 30 Crores in 251% for this?

- Vikas Maheshwari:** Once we were discussing with the company, they have already done the right issue and there was partly paid up shares so we did not had any other option but to go with the structure and nevertheless we reached to our target of 51.07% by April which meets our requirement so there is nothing on that we have to structure basis. This is what the company had at the time of we engaged with them and closed the deal and so we had gone ahead with that and it is also something like that it avoided going the full cash out of the system and it helps both the sides. So this is the way we have restructured the deal and the enterprise value which we have listed is roughly Rs. 30 Crores out of that roughly net debt was Rs 20 Crores on Sunshine so the equity value is something like Rs. 710 Crores odd amount and on that 51% is roughly Rs. 362 Crores which we have to pay Rs, 230 Crores we have already paid and balance will go as per the call money as and when the company is raising it is mostly on a monthly basis and by April it will get completed.
- Sumit Choudhary:** Thanks and good luck.
- Moderator:** Thank you. The next question is from the line of Ashok Kumar an individual investor. Please go ahead.
- Ashok Kumar:** Good afternoon for the entire management team and congratulations for this great set of results. My question is on the new acquisition of Sunshine as we can see from their financial statement that the PAT has gone as well as the EBITDA margin has also gone up from 9% to 18% still if you see that the EBITDA margin is lesser than the KIMS EBITDA. On a consolidated basis do you think the blended EBITDA margin will be lesser than what currently KIMS is doing?
- Abhinay Bollineni:** I think it will certainly be lesser because of two reasons, one is the scale at which KIMS is operating is different, number 2 they operate out of renal premises and almost 4% to 5% of the revenue goes straight as rental cost so it will never be able to get to the levels of the KIMS but I think what is the strategy sustainable is anywhere between 23% to 26% or 24% to 26% kind of an EBITDA margin.
- Ashok Kumar:** For the Sunshine you are saying, correct?
- Abhinay Bollineni:** Correct.
- Ashok Kumar:** When can we able to achieve that kind of margin that 20% to 23%, now integration things and other synergies benefits will come into picture so how soon you think that you were able to achieve that margin guidance of 23% to 22%?
- Abhinay Bollineni:** I think we will take around six months to stabilize things and integrate all the systems and from there around 18 months is where we are looking to get to full maturity, 24

months from today to 36 months is where we will be able to mature this setting as occupancy.

Ashok Kumar: Since we do not have any further detail of Sunshine just wanted to understand how the businesses are going on FY2022 and how are your expectations on EBITDA as well as on the PAT front, if you can give some idea. So just wanted to understand that how this merger will affect in your FY2022 results?

Abhinay Bollineni: I think the revenue ramp up has been fairly good in Sunshine. They have also added lot of new finishing and they have seen the Gachibowli unit which is recently a new unit turnaround to healthy occupancy and healthy margins. So I think overall they will certainly exceed their FY2021 numbers and do substantially better than what they have done in FY2021.

Ashok Kumar: Lastly, if I see the occupancy level of Sunshine in the last two financial year almost flat near 40% so now you are saying that occupancy are now being moving up for Sunshine as well so as the level of occupancy that you are experiencing in FY2022 for Sunshine?

Abhinay Bollineni: FY2022 I think the occupancy is around 45% so far.

Ashok Kumar: Since now the integration happened with KIMS as well as with Sunshine how that affect on your operational cost savings for the entire group now?

Abhinay Bollineni: Like I say that corporate costs are anyways little lean so there are some synergies but not materialistic to P&L. What is more material is the cost of consumables and the optimization that will bring in consumables so to the tune of almost 10% of FY2021 EBITDA is how much we are anticipating as savings from consumable optimization moving forward.

Ashok Kumar: Thank you and all the best for the coming quarters.

Abhinay Bollineni: Thank you.

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

Bhaskar Rao Bollineni: Thank you for very much for the valid questions we have been asked and then we are geared up to continue to grow and continue to show good quality work to our patients and also as I mentioned in my talk during my road shows that we are very keen that the investors and the doctors and the patients are the key people and we are continuing to do the same thing and with this plan of action and the very judiciously we are going to deploy the future expansion plans maybe we will do much better than what we promise during my investors show and even this financial year we have done better than what



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we promised and that is our strategy so far. Thank you very much for joining us and continuous support from all of you.

Moderator:

Thank you very much. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.