February 16, 2024

National Stock Exchange of India Limited,
Compliance Department,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai - 400051,
Maharashtra, India

BSE Limited,
Compliance Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001,
Maharashtra, India

Dear Sir/Madam,

Subject : ***Transcript of the Earnings Call held with Analysts/Investors on February 09, 2024***

Stock Code : ***BSE – 539787, NSE – HCG***

Reference : ***Regulation 46(2)(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015***

Please find attached herewith the Transcript of the Earnings Call held on February 09, 2024, with Analysts/Investors to discuss the Unaudited Financial Results of the Company for the quarter and nine months ended December 31, 2023.

This is also available on the website of the Company www.hcgoncology.com.

Kindly take the intimation on record.

Thanking you,

For **HealthCare Global Enterprises Limited**

SUNU MANUEL ABEY
Digitally signed by SUNU MANUEL ABEY
Date: 2024.02.16 10:09:22 +05'30'

Sunu Manuel
Company Secretary & Compliance Officer

“Healthcare Global Enterprises Limited

Q3 & 9M FY '24 Earnings Conference Call”

February 09, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th February 2024 will prevail.

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

Moderator: Ladies and gentlemen, welcome to the Q3 and 9 Months FY '24 Earnings Conference Call of HealthCare Global Enterprises Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company. As on the date of this call, these statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Now I hand the conference over to Dr. B.S. Ajai Kumar, Executive Chairman of HealthCare Global Limited. Thank you, and over to you, sir.

B.S. Ajai Kumar: Thank you very much, and good morning to everyone, and a very warm welcome to those who are all present on this Q3 9-month FY '24 earnings conference call for HealthCare Global Enterprise.

I just want to take a few minutes and give a little bit of background how things are evolving in India and how this has made a difference for HCG. India is on the cusp of significant democratic change, leading to doubling of population age over 60 years by 2050.Cancer incidence is expected to increase by 77% during this period, a significant increase. HCGwith its network of our present 22 cancer centers and expansion plan is poised to play a dominant role in serving the diagnostic treatment needs of the forecasted demand and also play a role in preventive aspects of cancer.

HCG's performance for the quarter serves as an evidence of its progress in advancing towards focused cancer care, where research and collaboration are the key drivers for improving patient outcome. By leveraging this unique value propositions, we are able to provide targeted treatments such as adaptive radiotherapy and immunotherapy to our patients.

Moreover, our integration of technology into patientcare process, including computational work and AI platforms, allows us to be continuously on the leading edge of the change creating a differential in the way the cancer has evolved, and this has truly made us a global leader in oncology, not only in terms of service but R&D work.

Our outcomes today, I can probably say are equal to the best top centers in the world. At HCG, we have always embraced technology and innovation to be in the forefront of advancement in cancer care. We have consistently adopted cutting-edge solutions to ensure that we provide the highest quality health care to our patients.

Our ability to deeply connect with patients is built on foundation of compassion, trust that is unmatched which is what truly sets HCG apart from others in our field. We remain committed to continue making a meaningful difference in the lives of those we serve in making cancer truly a chronic disease.

Embracing a collaborative approach, our tumor board discussions prioritize patient-centric conversations, utilizing multidisciplinary clinic across our extensive network. Entering 2024, our dedication to excellence in cancer care remains a high priority.

We are focused on our goal of making quality cancer care accessible to all through continued investment in research and development, we endeavor to push the boundaries of medical science, uncovering novel treatments and enhancing existing ones to offer the best possible outcome to every patient.

I now hand over to our CEO, Mr. Raj Gore, for his comments on the strategies going forward and operational performance for the quarter gone by. Raj?

Raj Gore: Thank you, Dr. Ajai. Good morning, and a very warm welcome to all the participants on the call. Last Sunday on February 4, the world observed World Cancer Day. I want to emphasize the crucial role of awareness and early detection in cancer care. Awareness regarding key risk factors like HPV, alcohol and obesity remains very low in India and less than 1% of Indians undergo screenings for major cancers, such as oral, breast and cervical cancer.

Unfortunately, over 2/3 of cancer cases in India are diagnosed at advanced stages contributing to a higher mortality to incidence ratio compared to other nations. The first line of defense against cancer is awareness, and it is instrumental in saving lives. We welcome the government's initiative to promote cervical cancer vaccination for girls aged 9 to 14. This is a pivotal step towards raising awareness and taking preventive measures to reduce the cervical cancer cases burden in India.

Now I would like to update all of you on some key growth initiatives of the company. Few quarters ago, we had embarked on our digital transformation journey to create an omnichannel end-to-end patient engagement platform. Our vision is to increase accessibility to HCG by making it easier for cancer patients across India to find and reach HCG care from wherever they are.

I'm happy to introduce our first-of-its-kind app, HCG Care, specifically designed to serve needs of cancer patients and one-stop solution for patients to navigate seamlessly from MDT consultations to second opinions, diagnostics, pharmacy needs, rehab services and home care support and post discharge follow-up, ensuring a smooth and a personalized journey.

With this, we are confident of building a long-term relationship with our patients to be their structured adviser over a lifetime. With over 30% market share and growing, we have a dominant leadership position in our home city of Bangalore.

To further reinforce our dominance, I take great pride in announcing a new 100-bedded hospital, a comprehensive cancer care center in the thriving North Bangalore market, a strategic move aligned with our philosophy of going deeper in the market of our strength. The hospital is expected to be operational in 15 to 18 months.

As you remember, we also have a project in Whitefield in East Bangalore that is under construction right now. With the network, encompassing 4 strategically positioned hospitals and three daycare centers across Bangalore, we remain steadfast in our mission to provide advanced and comprehensive cancer care solutions to our discerning community.

Our recent acquisition in Nagpur and Indore have progressed in line with our plan, and right -- we are rightly placed to consolidate our position in the Central India region. As we move forward, we are confident of offering quality health care to our patients through integrated physical and digital health systems, accompanied by advanced technology and research and more importantly, make quality health care accessible to all.

With this, I hand over to Ms. Ruby, our CFO, for financial and operational highlights.

Ruby Ritolia: Thank you, Raj. In reviewing our performance for the quarter, I'm pleased to report 11% year-on-year growth, culminating in a top line result of INR470 crores despite a seasonally muted nature of quarter 3.

Some of the growth highlights for the quarter are as follows: we operationalized 4 radiation machines in 9 months and with their successful ramp up, the revenue mix for the quarter has improved leading to revenue from radiation modality growing at 13%, faster than the overall revenue growth

Investments in building superior clinical talent and business promotion has started showing results in two of our focus markets in Kolkata and Mumbai, which has delivered 57% and 17% growth, respectively. EBITDA losses at Kolkata has reduced by half on a quarter-on-quarter basis from INR2.2 crores in the previous quarter to INR1.1 crores in the current quarter of quarter 3 FY '24.

Other centers that have notably increased revenues are Nagpur, showcasing an impressive 59% rise; and Ranchi, exhibiting a robust 31% growth in quarter 3 of FY '24. The average revenue per occupied beds are of notable increase standing at INR42,800, reflecting a significant 15% year-on-year growth.

We have increased 59 beds during the quarter across our network hospitals. On the EBITDA front, our Y-o-Y EBITDA witnessed a growth of 7%, reaching to INR82.6 crores, compared to INR77.3 crores in the quarter 3 of FY '23. Notably, contribution margin improved during the quarter driven by a better revenue mix. However, due to the seasonal nature of the quarter, operating leverage did not come into full effect.

Our cyclotron operations in Chennai were adversely affected by floods resulting in a 30 bps impact on EBITDA. Additionally, strategic decision of coming out of the last shop-in-shop model led to a scale-back of operations in M S Ramaiah Bengaluru (Bangalore), affecting profitability for the quarter.

PAT for this quarter stood at INR5.7 crores as compared to profit of INR7.5 crores in quarter 3 of FY '23. The decline is on account of depreciation for acquisitions of Nagpur and Indore. Our capex for 9 months of FY '24 stood at about INR118 crores. Net debt stood at INR367 crores as on December 2023. We are very comfortable with the current debt levels and project a better cash flow in the coming quarter.

With this, I would like to open the floor for question-and-answers.

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

Kabir: I wanted to know what are the strategies for Milann going forward? Are we looking to hive off this business completely?

B.S. Ajai Kumar: Yes. I think we have made the statements in the past. We are working on it. As we know, post COVID there was a downtime, and we are putting efforts to bring it to the level where it was pre-COVID. And we are looking to see at the right time to divest. So certainly, we'll inform at an appropriate time

Kabir: Okay. And when do we expect this to happen, like...

B.S. Ajai Kumar: It is difficult to give timeline right now because we are working to see at what time we can maximize our value

Kabir: Okay. Okay. Now my second question is with Dr. Ajai. So there have been rumors about CVC exit. And everyone expects them to exist some time. So just wanting to know what's their future at HCG to provide health care?

B.S. Ajai Kumar: So the way I see this is CVC is an investor who came to HCG. you should really ask them to see at what point they exit. But as far as we are concerned, we are interested in the HCG to grow. And as a shareholder, if they feel they have made requisite return, they will try to exit. But really the comment should be made by CVC on this. So at this point, I would like to not say anything about this aspect. But I'm sure you will be able to contact them and get comments from them.

Moderator: And the next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead, sir.

Pritesh Chheda: Yes, sir, in your matured center where the growth rate is about 8%, are you constrained by any capacity there? And second, when I'm looking at your occupancy number, so despite your initial comments on oncology and the demand in India, the occupancy looks lower. So the single-digit growth and occupancy, if you could give some more comments there?

Raj Gore: Yes. So this is Raj. Let me take that question. First, I'll answer your occupancy question. I think this occupancy is based on next 60 additional beds as we have added some beds in Baroda and some minor beds in other hospitals.

Pritesh Chheda: Sir, what is the bed addition, you said?

Raj Gore: 60 beds.

Pritesh Chheda: On a total count of?

Raj Gore: Close to 2,000. I think it's mentioned on the footnote of the same slide. Second question, you asked about the capacity constraint, if there is any capacity consent on any of our mature centers? We have addressed this before also, let's take one by one.

K.R. Bangalore, which is our center of excellence, we had informed you earlier that we have added about 20-plus beds in a newly premium wing. our occupancies are around 65%, 70%, we still have enough headroom there in all modalities, including beds. You also know that we have a project in Whitefield for comprehensive cancer center, 25 bedded, Bangalore is one of the affluent and fast-growing market which will be ready early next year in FY '26 or calendar year '26.

We just announced another project in North Bangalore towards the airport. City is growing very fast.It is an attractive market and the citiy is growing in this region. So that addresses Bangalore, which is our most mature market.

Second mature market is Ahmedabad, where we have 100-bedded facility, which is doing very well on all parameters. As announced earlier, we are relocating to a newly constructed premium state-of-the-art hospital in first quarter of the coming year, new financial year. And therefore, that hospital will continue to grow for the near foreseeable future.

So these are the 2 big markets. I'm just giving it an example. However, for every hospital, whether mature or emerging, we have a 3-year plan where we have enlisted capacity requirements and we are taking pre-emptive action to make sure that if radiation is coming to capacity, we will add one more machine. If beds need to be added, we will add beds. If OPDs need to be added, we will add OPDs. So we don't see any capacity constraints for next 3 to 4 years in any of our mature centers going forward.

Pritesh Chheda: Sir, your answer mentioned about on incrementals. So when I look at the 8% growth as of now and based on your answer, can I conclude that at least today, you're constrained by capacity?

B.S. Ajai Kumar: No, no. See...

Pritesh Chheda: No. So if you are not constrained by capacity, why in the mature centers, the occupancies are lower and why then the growth rate is 8%?

Raj Gore: See, to simplify this, what we just informed is that we have added 45 beds in our Baroda center. So that has increased the bed capacity. Second question on revenue – emerging center of 8%, in our CFO speech, she said that we have scaled down our operations at MSR that contributes to about 3% to 4% of growth at our emerging centers. Adjusted for that, our emerging center's growth would be closed about 13%.

B.S. Ajai Kumar: So I want to say this, I think your question mainly is in last year we had an occupancy of 65.7%, and we are now seeing 58%. It is exactly for the reason what Raj explained that we have expanded our beds because we feel when you reach close to 70, overall, you're reaching a capacity, more or less 70- 75%. But now with the need for customers in center of excellence, others -- we are seeing the need for expansion. So that need will be met from this expansion, and that is why we are doing it. So this, I think, is positive, that is showing the growth we are having.

Pritesh Chheda: Okay. My second question is, sir, with respect to the pre-Ind-As EBITDA margin. What is the Pre Ind-As EBITDA margin in our business on a 9 month and a quarter basis?

Raj Gore: The rental impact of capital leases is close to about INR22 crores. You need to adjust for INR 22 crores to arrive at Pre Ind-As EBITDA margin.

Pritesh Chheda: Sorry, I couldn't understand. So INR78 crores is a reported EBITDA minus INR22 crores, so you take it about INR56 crores.

Raj Gore: Yes, that's the number.

Pritesh Chheda: Okay. And lastly, this 2,000 beds which is there today, what beds will we see at the year-end and what beds we'll see at the FY '25 and '26 based on our expansions?

B.S. Ajai Kumar: Over the next 3 years, we will be adding about 350 beds, including our Ahmedabad project and Whitefield projects.

Pritesh Chheda: And at what capex?

B.S. Ajai Kumar: Please refer our presentation, for Whitefield facility, it's INR25 crores and for Ahmedabad 200-bedded facility, it's INR106 crores.

Pritesh Chheda: So INR106 crores plus INR25 crores, about INR130 crores, INR140 crores for 350 beds?

B.S. Ajai Kumar: No.. This is related to these two projects only. We have already spent about 48 cr in our Ahmadabad project.

Pritesh Chheda: And what assets turn?

B.S. Ajai Kumar: See, the Ahmedabad Hospital is already operational hospital. We are just shifting to a newer facility. It's a hospital, which has EBITDA margin in high 20s, ROCE around 30%. It was a hospital where have capacity constraints for future growth. And in another quarter, we will go to an expanded facility.

Moderator: The next question is from the line of Bino from Elara Capital.

Bino: This Whitefield facility would be a stand-alone facility, right?

Raj Gore: Yes. Whitefield facility is a stand-alone comprehensive cancer center facility. We are focusing on women's cancer diseases. We'll be treating -- primarily focusing on women's cancer there. Yes.

Bino: Okay. And how many bedded would be that?

Raj Gore: 25.

Bino: 25, okay. And the Ahmedabad one would be 85 bed, the expansion that you're doing?

Raj Gore: We are moving from 100-bedded to a 200-bedded facility.

Bino: So 100 additional beds are coming up. Yes, understood. There was a need to additional 100 beds that you had planned for Indore, which I'm not now seeing in your slides, is that plan still on?

Raj Gore: No, sorry, can you repeat your question?

Bino: Sure. Earlier, you had also guided to adding 100 more beds in the Indore facility in a couple of years' time. So I couldn't find that in your slides on the capex program. So that plan is on?

Raj Gore: Yes, you're right. We would like to increase our capacity eventually in Indore. I think it's a Phase II plan. We recently, a quarter ago, we have acquired this hospital. And as and when we have -- we form the plan, we will share it with you.

Bino: Understood. And sir, for this 100-bed facility in North Bangalore, what's the timeline? Again, I can't find that on your slide.

Raj Gore: Yes. So we are looking at operationalizing this facility in 15 to 18 months from now.

Moderator: The next question is from the line of Abdulkader from ICICI Securities. Please go ahead.

Abdulkader: Sir, just if you could shed some more light on how Indore has been in this particular quarter? And if I refer to your slide among the clusters, which you have shared, where does Indore fit into this cluster, so that we could better track this from the next quarter onwards?

Raj Gore: Yes. it's added to North India cluster. So as you know, 3 October, we took charge of our Indore operations. This is a market which is -- Madhya Pradesh is a very attractive market, many cancer patients from Madhya Pradesh travel to Mumbai as well as Ahmedabad. Mumbai, Ahmedabad, we have our own hospitals; Nagpur, we have our hospital, which is doing very well.

We have a sense of that market, and we understand the potential. We have already a brand presence from patients in that market. This is an important entry into a newer state for us. Right now, we have an integration plan for this hospital. So let me give you an update on what is going on.

So far, we have been able to plug this hospital, a newly acquired hospital on our entire digital platform, whether it's HIS, ERP, CRM, our websites, etcetera. So we've been able to successfully integrate from an IT perspective. This is a hospital, which is an older hospital. We have done an assessment from infrastructure as well as clinical perspective.

We have undertaken value creation plan at Indore as project. Right now the project is underway. when we enter in a new market, we want to ensure that the facility that we have, the clinical services and the quality that we have is as per our HCG standards, we are upgrading that facility, including rooms, ICU, facade, etcetera. That project is almost about to complete in this month,. And so the integration is going as per plan, and we're very excited about this opportunity.

Abdulkader: Sure, sir. Understood. And sir, then just commenting on your capex. So if I see the 9 monthly capex for matured center, that has already surpassed where you were at FY '23. So for next year, how do we look at this capex number on the spending side as well as on the debt front? And on debt again in this quarter, Q-on-Q has gone up slightly. So is it entirely due to the spending on Indore or any other factors if you'd like to highlight?

Raj Gore: Indore acquisition investment has not been included in the capex table. However, the capex in mature center is primarily on account of the expansion we are doing in our Ahmedabad center. So far, it's spent about INR48 crores in Ahmedabad that is included in our mature center's capex.

Now question on your capex going forward, I think we have indicated in our previous calls as well that our maintenance capex remains in the range of about INR70 crores to INR75 crores, and that is what one can expect. This is apart from the growth plans that we have.

Ruby Ritolia: And yes, you're right, in the net debt number, it has slightly inched up because of our acquisition in Nagpur and Indore, partly funded by debt and partly funded by our internal accruals.

Abdulkader: Sure. Understood. And one final one, if I may. So with Ahmedabad now coming in Q1 of FY '25, I mean, how do we see the cost element going up? And are we still confident of maintaining this 16%, 17% EBITDA margins? Or how should we look at the entire cost profile going ahead?

Raj Gore: Yes. So very good question. So look, let me again refresh everyone's memory on Ahmedabad. This is our second center of excellence. It's performed exceptionally well. As I mentioned earlier, our EBITDA margins are in the higher 20s. Returns are very good. It's -- we have a very strong team of clinicians, and we have a very dominant market share in Ahmedabad.

We will release the additional capacity gradually as and when we need to operationalize it, start it accordingly so that we are not incurring costs first and getting revenue earlier. So we'll try to balance that equation. And we -- I think we are very excited. I think it will be a really showcase facility for HCG going forward.

Moderator: The next question is from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

Dhara Patwa: Sir, will we previously provided guidance of achieving 20% EBITDA margin, either by Q4 or Q1 FY '25 be upheld? If yes, then what will be the factors driving the anticipated margin expansion of 200 to 300 basis points going forward?

Raj Gore: So yes. In our CFO speech, you would have heard that our EBITDA margin little got subdued in the current quarter, and it's due to operating levels not being played out. One good thing to inform here is that as we had announced in the previous quarter that we are installing new machines in our various centers. Those have already started showing results. And happy to announce that while the overall -- on quarter-on-quarter basis, overall revenue has gone down, but our radiation business has picked up, that helps our contribution margin to go up.

As we go in quarter 4 and when the revenue comes back, we feel that the higher contribution margin coming from better service mix should help our gross margin improve, that will improve our profitability. Along with that, I think we are focused towards maintaining our fixed costs and overhead the way it is. That would help us reach desired EBITDA margin going forward.

Dhara Patwa: So we are still upholding that guidance of 20% by -- at least in the next 2 quarters, right? Like from 17.5% margin, we will at least achieve 20%-something in the next 2 quarters or something, right?

B.S. Ajai Kumar: I think just to go back and clarify, now we have acquired Indore. We have done all this because those will pull down our EBITDA margin to some extent because Indore is not going to deliver the 20%. So it will bring it down. So we have to take into consideration that our Whitefield project also becoming functional.

So we'll put all together. Obviously, we are striving towards a 20% margin. But we feel we may fall short of it this coming few quarters because of the reasons I mentioned. And we also are very cognizant of some of the government functions increasing. We have taken some measures in that area also. We want to make sure a significant percentage of ours cash and private pay. All of these are happening. So I would like to state that our 20% may not be achievable in the first quarter or second quarter, but we'll certainly strive to achieve the same.

Dhara Patwa: Sure, sir. That's helpful. And one more question. What could be the peak occupancy for our mature centers that beyond that, we might think of adding more beds? So will it be something like 90%, like the other multi-specialty hospital or after 80% occupancy, we might think of adding new beds or something?

B.S. Ajai Kumar: Historically, I don't know which multispecialty hospital can say 90% is the peak because most of them when they reach in their late 70s, will start looking for expansion because there's a turnover, particularly in oncology where we have daycare people coming and going, it is very important to have the beds and not put them on a waiting list because particularly oncology patients, as you know, it's not a good idea to put anybody on a waiting list or defer their treatment.

So in this area, historically, the function hours has been when you reach close to late 70s, we look at whether it is now occupancy we need to look for. And we also look at the daily sensors in the hospital. Is there a waiting list? Is there an issue? So we get feedback from the center heads and all to decide. So sometimes it is a moving target, but we certainly feel with all this 20 years experience in oncology -- more than 20 years, that late-70s is when we should start looking for, okay?

Dhara Patwa: Okay. Sure, sir. Sir, occupancy emerging centers now have reached a good occupancy rate of 60% and ARPOB is also similar in line with the mature centers. So -- but we haven't seen much improvement on the EBITDA margin side. So at least in the next 2 years, can we see some improvement on the EBITDA margin side for our emerging centers at least 15%, 16% or something like that?

Raj Gore: Is it a question on the emerging center or...

Dhara Patwa: Emerging center.

Raj Gore: So if you look at last 4, 5 quarters, emerging centers have been steadily growing its EBITDA. And I think our margins have also improved. In CFO's speech, we also heard that Calcutta Center has reduced its losses quarter-on-quarter by half. In the previous quarter Calcutta losses were close to about INR22 million that has come down to INR11 million. And in the current quarter, our emerging center's EBITDA is close to about INR13 crores. if I can draw your attention to slide nine, -- our EBITDA has grown by 66% against a revenue growth of 19%.

Dhara Patwa: Correct. So if I want to see this at a consol level, emerging -- mature centers will grow steadily and emerging centers will pick up more growth going forward. That's how it should be, right?

Raj Gore: Absolutely. Absolutely.

B.S. Ajai Kumar: I just want to clarify your question about occupancy of emerging centers. See, we have stated it earlier, our capacity is much larger. We have not operationalized entire capacity in the emerging centers. And therefore, it's showing higher as and when hospital by hospital, we feel that we need to operationalize already-installed capacity, we will continue to release that. Won't see any capacity constraint in terms of number of beds in any of our emerging centers.

Raj Gore: And just to add one more point, our emerging -- sorry mature centers are already delivering 20%-plus EBITDA margins.

B.S. Ajai Kumar: I think that is an important -- the answer to your question, that we have reached and if you look at our center of excellence and all, we are close to 30%. So -- and our ARPOB is over Seventy thousand. So our goal is to see the mature centers also reach that level. And I think like what you heard from Raj and our CFO, Ruby, I think we are on the track to achieve that, which will obviously bring us to the 20%.

The only caveat here is our new centers coming, you too should be well aware of, like Indore or Whitefield and later on our North Bangalore, they could have some drawdown in terms of EBITDA margin. But we are confident that will be compensated by the growth happening in the emerging centers.

Raj Gore: Yes. I think Dr. Ajai made an important point about ARPOB. If you look at our ARPOB this quarter, it's about 16% higher than same quarter last year. We've always insisted that historically, most of our hospitals have been in Tier 2 and Tier 3 cities. When we embarked on our expansion journey in the last 5 years, most of our emerging centers are in cities that are bigger and with a population which is more affluent. And we kept saying that as the share of emerging center revenue goes up, our ARPOB will continue to grow, and we've demonstrated that on previous many quarters. If I have to give you a sense of our ARPOB, our centers of excellence in K.R. is in higher 70s ARPOB.

Our center of excellence in HCC is about 90,000. Now to give an idea of our emerging centers, our Colaba center is in higher 80s ARPOB; our Borivali is in 50s; in Kolkata, we are setting 60; in Baroda, we are at 60; in Nagpur, we are closer to 50. As these centers continue to grow the way they have grown this year in terms of top line as well as profitability, our overall number will continue to look better and better on all operational parameters.

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

Shyam: I joined a little late. So if this question has been asked, I apologize. But just on the disruptions that happened, one at Chennai as well as the shop-in-shop that we have now scaled down, right? How should we look at like Q4? From an occupancy perspective, have they improved now? And what is the kind of outlook for utilization that we look forward, say, for fiscal '25? That's my first question.

Raj Gore: Yes. So see, Chennai, let me just remind everyone, we have a cyclotron facility As you remember, November there was a big flood in Chennai. Our Cyclotron bunker got flooded. So we have to take a downtime on it due to flooding. It's still down. We expect it to be up by end of this month, and it's a highly profitable business. As soon as the cyclotron facility is up, I think we will get back to the normal operation. On MSR facility, as we said earlier, it's a smaller, 30-odd bedded shop-in-shop facility in a medical college hospital setup, it was one of our last shop-in-shop stability.

And as you know, if you look at our track record last 3 years, we scaled down or exited some of the shop-in-shop. What we've also done is in our dominant market in hospitals that are performing well we've consolidated our position. You look at Suchirayu, well performing, we took a majority. You look at Nagpur, well forming, we acquired that.

So our endeavor is to continue to consolidate in our dominant market and well-performing hospitals. As you know, Bangalore is our home market. We have insight of all major players having oncology presence, multiple hospitals. We have a dominant 30-plus percent market share.

This MSR facility, a smaller facility was in the vicinity of North Bangalore. We felt that it's time to put our own facility premium on this airport road, which is a 100-bedded facility because 30 beds, you can't do much. With 100-bedded facility, we feel we have a growth part in North Bangalore as well as total Bangalore market share going forward. So it's a strategic call to get into North Bangalore and move to our own facility, and we are very excited about it.

Shyam: Yes. Just the outlook on how should we look at AORs going forward?

Raj Gore: AOR, Shyam, I mean, you know that Q3 is usually because of activities footfalls are down. And in general, in the industry, it's a little muted. I think it's a blip. We are already seeing business back to our growth trend in the current quarter, we -- I mean it's just 1 quarter seasonal mutation.

Shyam: Got it. Helpful. Just second question is on the competitive landscape. And I remember, I think a year back maybe, we did a complete price rationalization exercise, right, or the price comparison benchmarking exercise. So my question ties into the ARPOB dynamics, right?

You've given us some different centers with higher ARPOBs. This quarter again, ARPOB has grown healthily. So I just want to understand the outlook for ARPOBs as we go forward. Is there an element of price changes upwards that we can think of as well? And just the competitive dynamics...

B.S. Ajai Kumar: Yes. I think one of the things we have to remember is like what Raj also said, we have a differential. Our ARPOB in our main centers, like particularly Bangalore, Ahmedabad is high.

And we do not believe that there is -- because of our technology mix and the type of patients we deal, those also being a destination.

So naturally, our ARPOB will be higher than the competitors. And we are also maybe somewhat equal or when the technology is not there, which we have, we've quickly higher. But that is something we feel if we continue to grow as we bring in more technology, more multidisciplinary clinics and also provide better excellence of medical care.

For example, if you look at our mortality rate, some of -- if we look at it. We had only 7,200 discharges happen in the month of November. Our mortality rate was below 1%. And we have brought it down -- at one time 5 years ago, it used to be 3.4%. So center of excellence, -- first time the right treatment makes a difference.

So that involves, obviously, costs. That is why the ARPOB could be high. So can we compare it to the multi-specialty hospitals what to provide? I don't think you can because being a specialized oncology service, ours will be little bit different compared to multispecialty, which is also providing cancer care, okay?

Because our cancer care patients who come are also complicated because when they go to multispecialty hospital, get their first sign of treatment. When they recur, they come to us as a destination. My own clinic is an advanced and recurrent tumor, in complicated cases. So naturally, it will make a difference. And also a technology, like CyberKnife, Digital PET also will we make a difference.

Whereas if you go to the Tier 2, Tier 3 cities also, I think the difference may not be that much because it is smaller centers. So when you aggregate all of this, our ARPOB growth in the future will be very good. And also, there will be a differential between the major cities, particularly our center of excellence and others compared to the other competitors.

And we feel one more thing, Shyam, is we have to really, in my view, it's my personal view, stop looking at the competitors, really look at where is the oncology center of excellence, where the growth is going to happen. As I said in my beginning statement, the oncology cases are going to increase. One in nine in India have cancer and breast cancer is increasing. It is also affecting the female population.

So we should focus really on what is the type of quality of care we are providing, are we the quality, like that is what we should focus and that is where I think even like Raj mentioned, our dominance in Bangalore, Ahmedabad will play out.

Raj Gore: Yes. Thank you, Dr. Ajai. Just to add to what Dr. Ajai said. Shyam pricing is just one of the levers to drive ARPOB. High-end treatments, as you know, we have introduced robotics in three more centers. That gives us the ability to differentiate as well as increase realization per patient and reduce the ALOS. ALOS is the second factor.

As surgeries are becoming less invasive, we are able to turn around the patients faster on the same bed. As we are introducing more linear accelerators, radiation machine, we are able to drive radiation business. So combination of high-end treatment, faster turnaround, lower ALOS, I think will be main levers more than pricing for us going forward, which will also help us to drive volumes going forward.

We will see about 5% to 7% improvement in our year-over-year is something that we should expect going forward.

Shyam Srinivasan: Got it. And just lastly, I'm just being greedy here, is there any growth guidance that you would like to share for, say, the medium term in terms of how we should look at top line growth going forward?

B.S. Ajai Kumar: Shyam, we've never given growth guidance in the past. What we've always said is our endeavour and our track record has been to grow faster than market, and we will continue to drive that going forward.

Shyam Srinivasan: Sir, help us, what is market growing at, sorry?

B.S. Ajai Kumar: Market is growing about 10%, 11%, and we plan to grow at a higher rate. I think we have a good track record on our existing hospitals. We have good growth pipeline. Combination of that, we will -- I'm sure, will beat market growth rate going forward.

Moderator: And the next question is from the line of Ankeet Pandya from Incred Asset Management. Please go ahead.

Aditya Khemka: This is Aditya Khemka here. Sir, I'm just little concerned with the revenue growth rate that we have reported in the mature centers. I understand that you expanded that in the mature centers and therefore, that has impacted occupancy and margin. But what I'm failing to understand is the mature center revenue growth rate of 8% year-over-year.

If you look at what the other counterparts are reporting, that seems to be a significant gap between the growth rate that HCG is doing and your peers are doing in the hospital space. So can you talk about why mature centers grew only 8% despite your standing there?

B.S. Ajai Kumar: Yes. So I think we mentioned it earlier also. We have scaled back our operations in one of the facility in Bangalore, which was categorized as mature center. There is an impact in Chennai due to flooding. This, again, was classified under mature center bucket. If we adjust for these two, that 8% becomes 12%. I don't see issue in our growth rate.

Again, this is something that has happened this quarter. I think we have a good track record and driving mature center growth year-on-year. And you will see in Q4, it's coming back to normal rates going forward.

Aditya Khemka: Understood, sir. Secondly, just to understand the margin profile. Again, I'm comparing it to the other hospitals that we know of and they report. Even EBITDA margins for most of these hospitals are 25% and north of 25%. And these are also national chains like you are. They are also expanding like you are. They also have some new centers, emerging centers like you have.

So -- and it's not like a quarter or two that we you're lagging behind their operating margins. I mean, they have been consistently doing more than 25%. And we are consistently hoping for a

20% number from HCG. So is there something in the business model that leads to a lower margin compared to last year? Or is it that we have too much overhead? Or is it that the cost of physicians add in our business model compared to what these guys have?

B.S. Ajai Kumar: Let me answer this question in two parts. One is there are hospitals which are based in big cities who could have a higher EBITDA margin. And I don't know why you made a statement all hospitals at 25%. I don't think all hospitals are above 20%. So even look at some major corporate hospitals which are across India, in different cities, their EBITDA margin is low. And as you come up with more growth opportunities and put more new hospitals, your EBITDA margin will come down.

So 25% is the limit, but I feel that is only anomalies in terms of few hospitals showing that individual hospitals. For example, if you take the GI hospital as far as I know they have a good margin, maybe 28%. But we have a good margin in Bengaluru (Bangalore). We have 30% margin, Bangalore Center Of Excellence. Our center of excellence in Ahmedabad has close to 23%.

Our established center for your information, is at 24% EBITDA margin, established centers and particularly in cities it is higher. -- our Cuttack center, for example, produces 30% EBITDA margin, it is there for a long time.

. I think our business model is very robust. We are in a growth mode. As you mature, some growth comes in, it will cause us to change.

But as I said before and as Raj also said, I think we are looking at reaching that 20%, but it will be push and pull because of performance of new centers, So that is how the investor community should look at it. They should look at it and see how would be and what is the future? Like what happens when all the centers reach 25%, 20% in the next three to four years, where we will be? So we should look at it that way rather than making a generalized statement in my view.

Raj Gore: Yes, add to Dr. Ajai. As you rightly mentioned, our established centers or mature center are delivering 24% margins. And as our emerging centers continue to grow, we should be able to expand our overall EBITDA margins. Just a point of reference maybe, if you look at last year same quarter, our EBITDA margin was less than 7% which has grown to 10%. As this 10% keeps growing towards and keep inching towards mature center, we should be able to expand our EBITDA margin.

B.S. Ajai Kumar: A center like Indore can come which is great for long-term opportunity, that can pull down your EBITDA for a while. So that is how we have to calculate this. Otherwise, we have to do only M&A activities, where all of them give us EBITDA margin of say 25%, then only we acquire it, then where is a growth, where is opportunity for growth for any investor? Do you see any growth, if you...

Aditya Khemka: No, no, I understand what you're saying, and I appreciate it. Sir, one last question on the EBITDA margin. So I just wanted to understand, you gave examples of certain centers, which had 30% EBITDA. I understand these are your center excellence centers, right? So is there a difference in the peak potential margins of your center of excellence centers and some other centers, which were not the centers of excellence. If yes, could you quantify what a center of excellence could achieve and what another center could achieve?

B.S. Ajai Kumar: So I think as we said, center of excellence reaching 30% is extraordinary in the single speciality. That has to be appreciated. I think, will that sustain? Yes, you can sustain. But do we want it to be higher? I think that is not our objective. We are satisfied in the higher 20s to 30. But as the technology improves, as the mix improves, as the footfall improves, our growth will happen. In the centers of excellence, we have witnessed growth happening significantly, that growth will continue to happen.

Aditya Khemka: One last question, sir. On the payer mix, so what percentage of our revenue would be out of pocket, what could be private insurance and what would be public insurance?

B.S. Ajai Kumar: Our Cash TPA and Corporate business is in the range of 70-75% And as Raj mentioned, Raj maybe you want to comment that we are trying to obviously maintain this or improve our cash and payer mix more, right? Do you want to comment?

Raj Gore: Again, just to -- most of our new centers, emerging centers, are in bigger cities, where affordability as well as insurance penetration is higher. Because of our historical presence, larger presence in smaller cities, our mix was in a certain way. But as the emerging centers start contributing more and more towards our revenues, our mix will improve going forward.

Aditya Khemka: So when you say improve that, you need more out-of-pocket and lesser public or do you mean more out of pocket and lesser private and public?

Raj Gore: No. So I think we should not look at it cash only. I think we should look at cash plus TPA. Because TPA insurance -- as insurance penetration is growing, cash will get cannibalized as people will have more and more insurance policies. I think we should club insurance and cash together and target at that segment.

B.S. Ajai Kumar: I just want to add. What is our wishlist? Our wishlist is obviously we don't want patients to spend out of pocket. There is no question. If you look at advanced countries, majority of them are cashless. I was practicing there for 28 years. I never bothered about what is the cost because the insurance company would pay, you would do the right thing.

So for us to do the right thing for the patient, ultimately dropout rate to be less, everybody should be in the private insurance. So that is what we should strive for. But fortunately, post COVID, what we have documented is that the private insurance has increased. That means people have become more concerned about health care and until then I can attest to that, the people were not bothered about the insurance.

They thought they were immortals, but now people are beginning to realize, they are coming into that. There are more insurance companies that are also opening. So I think it is definitely a positive trend for health care industry. Not just insurance penetration is growing, but I think the covered amount is also growing.

Raj Gore: Yes, yes, historically, it was about INR3 lakhs, now it is closer to INR10 lakhs. So it's more and more -- we have understood the importance of having sufficient cover. I think it's a good time for entire industry going forward.

Aditya Khemka: And Raj, would it be fair to say that public insurance patients would be at a lower EBITDA or whatever gross margin compared to private insurance/out-of-pocket patients?

B.S. Ajai Kumar: Yes. I think one of the important things to realize is it is state-by-state. You look at Odisha, for example,–the rates are better and payments are more or less on time, that is why our EBITDA margin is good, and the patient care is also extraordinary, which is what we focus on, what is it can provide.

For example, you take a drug like Herceptin, which is needed for, let's say, breast cancer patients. With the insurance company, they won't pay, how can you say for a 28-year-old woman, I won't give you the right drug. So it is, we can say, a more significant moral issue, ethical issue for us. But what Odisha has done, to some extent what Gujarat has done and Maharashtra is, they are -- some of them are even covering immunotherapy.

So I think we are moving in the right direction state by state.. So some states have a good EBITDA margin, but some states are very bad, very poor. So we need to now develop those states which are not good to encourage them. We are showing them the comparison with Odisha and other states to the state government and see that they also concur in paying this. But the standard answer which they give out is, we don't have money. So we need to address that, obviously.

Raj Gore: Also just to add, I think the beauty of HCG model is -- let's take Andhra. Andhra is a state which pioneered state schemes right? But because of higher turnover, higher asset turn, we've been able to -- even at a government rate, we are able to deliver 20-plus margin, 20-plus percent EBITDA margin in Vijayawada, Vizag, similar case in Bhavnagar. So I think you just need to figure out how to treat your model to make it work for you.

The reality is some of these Tier 2, Tier 3, Tier 4 cities, it's a government scheme which brings affordability and quality care to these patients. And as HCG, as cancer care to other, we want to find a model to make sure that our care is affordable and accessible to them in this market. Otherwise, it wouldn't be.

Moderator: And the next question is from the line of Rishabh Tiwari from Allegrow Capital. Please go ahead sir.

Rishabh Tiwari: Our understanding was that the Ind AS adjustment was around INR17 crores till FY23. Has it increased significantly to INR22 crores? Is it because of...

Ruby Ritolia: It has increased to INR24 crores in the nine months of FY24.

Rishabh Tiwari: INR24 crores for the nine months?

B.S. Ajai Kumar: Yes, yes.

Rishabh Tiwari: Even that doesn't look right, because INR17 crores is quarterly till last year, right?

Ruby Ritolia: Sorry?

Rishabh Tiwari: Our understanding is that INR17 crores was the Ind AS assessment for the quarter, right, for last year?

Ruby Ritolia: In the nine months, it is INR73 crores.

Rishabh Tiwari: Okay. That is also a significant increase, right, from INR17 crores going to INR24 crores?

Raj Gore: See, since we acquired the assets of Nagpur and Indore, those -- these centres have also come under ROU capital leases.

Rishabh Tiwari: Okay. Okay. What is the corporate costs right now that we are incurring per quarter?

B.S. Ajai Kumar: Yes, about 4%.

Rishabh Tiwari: And can you also comment on the performance of Borivali and South Mumbai centers?

Raj Gore: Yes. So look, Mumbai has been doing very well. We have Mumbai growth about close to 20%. Borivali has done fantastic. Its EBITDA margin is 20-plus percent. We were running out of capacity in our LINAC. We have added one more LINAC in the last quarter. We've also added robotics in Borivali. Colaba, we had earlier indicated that we want to position it as a destination for international patients, we had tremendous success in the last 3, 4 months in attracting international patients to Colaba.

For Colaba, international patient is almost -- mix is about 30-plus percent now. I think both we are on track. As combined HCG in Mumbai, we are one of the few players -- one of the two players who have been able to grow our market share in oncology over the last two to three years. So I think Mumbai is an important market for us strategically. It's a competitive market. We -- I think we have the right plan, and we are growing as per our expectations in these two markets.

Rishabh Tiwari: What margins are you able to achieve in the last quarter in Bombay?

B.S. Ajai Kumar: So Borivali is over 20% EBITDA margin. I think in Colaba, the South Mumbai centre, we are still loss-making. We are expecting in a couple of quarters to get to a breakeven point. Our focus right now is, as we indicated earlier is to build clinical talent. We started building brand. We started driving specific products, –focussing on specific markets specially international markets. The centre is being positioned as destination for international patients in the field of cancer care. In addition, we have opened a women's wing specifically focusing on women's cancer, breast cancer and cervical cancer in this unit.This makes us hopeful that both centres combined, we will grow our market share in Mumbai.

Rishabh Tiwari: Understood. Just one more question on Borivali. This 24% is pre-rent, right? What is the rent cost that we're incurring for Borivali?

Raj Gore: INR92 lakhs per month.

Rishabh Tiwari: INR92 lakhs. Okay. And just one more question. What is the CapEx that we are planning to spend in North Bangalore?

B.S. Ajai Kumar: Actually, it's a 100-bedded facility where we are -- yes, it's -- I mean, as you know, our current center of excellence we started our journey here. As we grew, we started taking more and more buildings. It's not a pre-planned, pre-designed hospital. As we became more successful, we just added buildings there. In North Bangalore, we want to make a statement by building a state-of-the-art advanced premium facility, just like what we are doing in Ahmedabad. It's 100-bedded facility, the expected capital outlay for that is about INR90 crores.

Moderator: And there are no further questions. I would now like to hand the conference over to management for closing comments.

B.S. Ajai Kumar: Once again, I would like to thank all of you for your active interest, participation in HCG's journey. We are -- as you see, we are very excited about our growth initiatives. We are -- we feel that as a dominant oncology player in the country, it's up to us how we take HCG cancer care across India to more and more markets. We will continue to make cancer care accessible and affordable across India. Please stay in tune -- stay tuned. And thank you very much, and have a good weekend.

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