

15th February, 2023



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/ Madam,

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

In Continuation to our letter dated 8th February 2023 the Company organized a conference call with the Investors/ Analysts on Friday, 10th February 2023 at 12:00 Noon (IST). A copy of the Transcript of the 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/investors> > Disclosures under Regulation 46 of SEBI (LODR) Regulations, 2015 > Analysts Calls schedule, PPT & Transcripts > Transcripts, Audio & Video Recordings > FY 22-23.

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

MANTHA UMASHANKAR Digitally signed by MANTHA UMASHANKAR
Date: 2023.02.15 17:40:05 +05'30'

**Uma Shankar Mantha
Company Secretary & Compliance Officer**

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“KIMS Hospitals
Q3 FY2023 Earnings Conference Call”

February 10, 2023



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

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

Moderator: Ladies and gentlemen, good day and welcome to KIMS Hospitals' Q3 FY2023 earnings conference call hosted by IIFL Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you Sir!

Rahul Jeewani: Good afternoon everyone. I am Rahul from IIFL Institutional Equities. I welcome you all to the Q3 earnings conference call of KIMS Hospitals. From KIMS we have with us today Dr. Bhaskar Rao Bollineni, Founder and Managing Director, Dr. Abhinav Bollineni, Executive Director and CEO, and Mr. Vikas Maheshwari, CFO. Over to you Sir for your opening comments.

Bhaskar Rao Bollineni: Good afternoon and a warm welcome to all of you. A few days ago our Honorable Union Finance Minister presented the annual budget which augurs well for a stable economic climate. Increase in capex is the defining feature of this budget. It aims at a fiscal consolidation while also delivering good growth and inclusion and also cleaner and greener future.

Let me now come to our own financial results of KIMS for Q3 FY2023. The financial highlights your company recorded a good performance with a steady growth as can be seen from the following results. Current quarter includes three months of performance of Nagpur Hospital post acquisition of M/s SPANV Medisearch Life Sciences Private Limited effect from September 1, 2022. Consolidated revenue from operations grew by 42.8% year-on-year basis Rs.5621 million. Consolidated adjusted EBITDA excluding other income, Ind-AS adjustments and one off items grew by 14% on a year-on-year basis to Rs.1417 million. A consolidated adjusted EBITDA margin stands at 26.2%. Nagpur now stands at 27.2% an improvement of 0.1% in quarter-on-quarter basis. Recent acquisition that is Sunshine and Nagpur Hospital have shown sequential improvement one of its items the EBITDA margin for Q3 FY2023 Sunshine EBITDA stands at 21% and Nagpur stands at 11% which is very encouraging for our team working on ground to turn around the acquisitions. During the quarter company has acquired additional stake in three of its subsidiaries 1.92% stake in Sunshine Hospitals, 4.07% in Kondapur Hospital and 7.79% in Srikakulam Hospitals. Going forward we aim to acquire further in these units. During the quarter the company has disposed of one of its subsidiaries Suryateja Healthcare Private Limited (Sunshine Karimnagar Hospital) to focus on core markets in Telangana. Our operational highlights both IP and OP volumes have registered growth. The IP volumes increased by 26.5% year-on-year basis and OP volumes have grown by 36.3% in year-on-year basis. On quarter-on-

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quarter basis there is a slight decline in IP volumes by 1.7% due to festive season; however, OP volumes grew by 1.7% on quarter-on-quarter basis. The average revenue per operating bed and the average revenue per patient have registered increase of 28.6% and 12.8% year-on-year basis. On a quarter-on-quarter also there is an increase in 2% and 1.1% respectively. I am glad to share that KIMS continues to attract patients from all parts of India as well as from abroad on account of its affordability and clinical excellence across all the departments. The new unit of Sunshine Secunderabad Hospital is in final stages of completion and we aim to shift to this new state-of-art facility by FY2024. Projects undertaken at Nashik Greenfield project and Bengaluru Semi Brownfield projects are progressing well and are expected to be operational by FY2025. Vizag Gastro Unit is ready and will be operational by FY2024. We rolled out applications that automates operational workflows including financial counseling and relationship management through management among others for greater operational efficiencies. The expansion plans as you know the expansion is meant to build up increased volumes by wider reach. Our expansion strategies are spurred by strong balance sheet position and aimed at spurring stronger balance sheets by value creation. We are always guided by the prudent financial discipline and the dynamic optimism to optimize the returns to our investors.

The clinical achievements in a first of its kind in India doctors at KIMS Secunderabad removed a liver weighing 12 kg. A rare case of insulinoma was successfully treated at KIMS Secunderabad. An unusually big tumor of 23.7 kg was removed from uterus by a surgical oncology team at KIMS Secunderabad. A 3-year-old boy with heart complications operated successfully at KIMS Cuddles, Kondapur. A 7-year-old gets a new lease of life after a series of lower limb surgeries at KIMS Vizag. First ever simultaneous liver and kidney transplant was done on a 50-year-old patient at KIMS Vizag. KIMS Nagpur doctors removed an almond stuck for two days in an 11-year-old boy's lung successfully. A rare cartilage transplant surgery was performed at KIMS Kurnool. First ever kidney transplant was done at KIMS Ongole. First ever balloon venoplasty was performed at KIMS Saveera, Anantapur. In a first of its kind in Andhra Pradesh a 92-year-old woman got a stent implanted in a flat 10 minutes time. A 95-degree bent spine successfully corrected at KIMS Sunshine, Hyderabad. Though it does not pertain to Q3 I intend to share with you about India's first interstate interhospital kidney swap that took place a few days back in Hyderabad at KIMS and Virinchi Hospital. The two couples are from Chhattisgarh and Telangana. Four surgeries are performed simultaneously on the couples with video streaming in a real time. The wife's kidney was transplanted to the husband of the other persons respectively. Swaps have been placed earlier in the same hospital at Mumbai but this is the first time to be done at two hospitals. This may set a good precedent for increase in number of transplant. It is also an awareness I am giving to our investors where a lot of people are suffering with the kidney problems where when there is a donor is not available this method can be used. As regards new technology and equipment I am glad

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to inform you that we have installed auto robots for total knee replacement and hip replacements at our KIMS Secunderabad and Kondapur. This technology will lead to increased precision and reduced recovery period and we hope that it will be extended for all our units if the need arises.

Academics. Now that the COVID is behind us our academia is in full swing. Our doctors from various departments participated in a number of international forums and presented their papers and won projects and prizes. Dr. Sita Jayalakshmi, Senior Consultant Neurologist has been awarded the prestigious A B Baker Teacher Recognition Award by the American Academy of Neurology. She will be honored with the award of the 75th Annual Meeting of American Academy of Neurology scheduled to be held in April 2023 at Boston. Department of Rheumatology KIMS Secunderabad represented India at the American College of Rheumatology Annual Conference at Philadelphia, USA in November 2022. This conference is attended by over 20000 rheumatologists from around the world and is the most prestigious rheumatology scientific meeting in the world. Our residents were the only rheumatology postgraduates from India to have oral presentations. This is the first time in India has presented in these esteemed scientific sessions in Asia. Department of rheumatology KIMS Secunderabad diagnosed a patient with VEXAS syndrome in 2022. This is a new and extremely rare disease discovered in 2021 with less than 30 patients worldwide. Our case was first in South India. KIMS organised an International Convention of Neuroendoscopy and heart and lung transplant at Hyderabad with overwhelming participation of experts in respective fields from across the world. This kind of involvement in global forums will enrich professional expertise and help us serve the patients better and provide enhanced medical care. Apart from the tremendous clinical work our consultants and residents do we emphasize and encourage them to take part in academic and research work also since it will lead to a good quality care to our patients this is a continuous journey. We encourage our students as well as consultants to participate in national and international conventions, these will ignite their passion and ambition and their return to provide world class healthcare to the patient. Not only though we participate in such forums but also organize and host international events like international conventions of neuroendoscopy and heart and lung transplantation mentioned earlier wherein we invite world renowned experts in respective fields to stimulate exchange of information. We show them our hospitals and get their inputs to continuously improve our patient care which ultimately gives us a lot of mileage and teaching more number of patients. Why I am mentioning all these clinical achievements and academia contribution is because we firmly believe that the best clinical care given to the patients will bring in more number of patients.

The revenue growth has to be generated from increased by volume and not by charging heavily. Volumes and not tariff should lead the growth. Under the aegis of KIMS

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various programs were conducted to create a breast awareness program during the month of October 2022. The breast cancer day is observed on October 13 every year. I thank you for your continued trust and support. I assure you that we will keep growing with all the passion in serving the patients and protecting the interests of investors. As I keep saying you are our growth engine enabling us to sustain our relevance, progress and vitality. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Sagar Shah from PhillipCapital PCG. Please go ahead.

Sagar Shah: Good afternoon Sir. Thank you so much for the opportunity actually. I congratulate for the decent quarter actually so my first question is related to our Sunshine performance actually and I was curious to know but since you have already described the Karimnagar facility and you said in Q3 of FY2023 you are going to shift your existing Secunderabad Hospital to the new Begumpet hospital so first of all I want to know about that progress and secondly an overview that going ahead in FY2024 and even ahead because since Sunshine is a major growth driver for us what kind of performance are you expecting from the overall unit as a whole that is my first question?

Abhinay Bollineni: Is that the only question or you have a follow up question on that?

Sagar Shah: I have followup questions also Sir.

Abhinay Bollineni: As far as Sunshine performance is concerned we are pretty optimistic on the overall growth. It is just that there are two facilities one in Secunderabad and one in Gachibowli. Gachibowli we have been able to make good progress in bringing new consultants but why you see the growth kind of stable and not significantly improving is because we have replaced a lot of the high cost consultants who were there at the time of acquiring the hospital with younger consultants and consultants that come in at a reasonable cost so I think that exercise has more or less been completed and now there are only one or two departments that we have to fix and few more consultants that are due to join and once that happens which should be completed in the next two quarters we will then be able to see incremental progress as far as the Gachibowli facility is concerned which is currently at a 30% to 40% occupancy with these incremental departments getting added soon it should get to a 60% to 70% kind of an occupancy which we foresee will happen probably in FY2024. As far as Begumpet or Secunderabad is concerned like we always mention in our previous calls the current facility is not in a position for us to attract good talent and it will not be able to scale the hospital in the current address form, hence we have decided to go and build a new facility which we will move in from April 15 and once that is complete the occupancy in the Begumpet facility is around 40% to 45% but has considerable chance to go up to

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65% to 70% over the next 18 to 24 months once we move into that facility. We have identified the gaps in the clinical talent. We have already identified some clinical talent who are also going to join only once we move into the new facility, so with these two leverages being utilized I think the occupancy will go up and once the occupancy goes up I think the margins will be very similar to what we are seeing in our Telangana hospitals or AP matured hospitals we are pretty confident once it hits that 60% to 70% kind of an occupancy we will be delivering similar margins. We are pretty confident that Gachibowli we will get there in the next 18 months and Begumpet once we move in which is anticipated to happen by mid April or end of April and then from there 18 to 24 months we should hit that kind of occupancy and margins.

Sagar Shah: As I heard it right we are going to move to the new facility in Begumpet by April 24 right?

Abhinay Bollineni: This year April so in another two months we should move into the new Begumpet facility. It is slated for April 15, 2023 to April 30, 2023 so I think this quarter we will do the transitioning into the new facility and from then on we can start thinking.

Sagar Shah: So basically can we assume for at least for the entire FY2024 from currently at 39% occupancy rate we can at least expect at least we can move the occupancy rate to anything between 50% to 60% can we assume is it right?

Abhinay Bollineni: I think if you look at it on quarter-on-quarter basis the last quarter you can see hitting close to 50% to 55% occupancy but if you have to look at it for the full year occupancy it may be a little unlikely because we will transition into the new facility then we will start bringing new doctors on board and it will take that much time for the ramp up to happen.

Sagar Shah: The recovery for Sunshine occupancy so basically will go even later than FY2024 right?

Abhinay Bollineni: We are in FY2024 and FY2025 you will see the Sunshine Hospital peaking to how it is currently in Telangana for KIMS or our AP matured that kind of occupancies and that kind of margins you will see in FY2025 in the full year. You will see considerable progress in the coming quarters but you will see the full year peaking happening in FY2025.

Sagar Shah: Obviously the ARPOB will be less as you are including the multispecialty over there right?

Abhinay Bollineni: Yes it will be in line with our Telangana Hospitals maybe actually a little higher because it will still have considerable revenue coming in from Orthopedics.

Sagar Shah: Got your point and now my second question was related Kingsway so Kingsway we are at very initial stages if I exclude the one off we are at almost at 11.4% EBITDA margin and the utilization levels are very high so I wanted the outlook of what exactly do we intend to do with the Kingsway Hospital and where do you see is the hospital in the next one year or two years?

Abhinay Bollineni: Currently the operational beds are still lesser than the total bed capacity that we have so when you look at the occupancy the reference is to the operational beds and not the total bed capacity, so what we believe is Kingsway in the current shape and form without further capital deployment we will be able to scale to around Rs.20 Crores to Rs.22 Crores of revenue per month which is around Rs.240 Crores to Rs.260 Crores of revenue per annum. Now we are currently at an average of Rs.13 Crores, Rs.13.5 Crores so we are addressing around Rs.6 Crores, Rs.6.5 Crores and the way we believe that will happen is by bringing in new clinical teams and new clinical departments that are not currently present so we have in the last quarter seen three people join. Of the 15 to 20 doctor plan we have three people who have joined, we believe by end of this quarter or actually at the end of Q1 we should have signed off on most of the doctor recruitments and we will see them join in the Q2 and from then on you can start seeing incremental growth. So I think in the next 18 to 20 months we should get to Rs.20 Crores kind of a number as far as Kingsway is concerned. That will happen because our operational beds will move to the full utilization and bed capacity though the occupancy percentage may remain same and typically at Rs.20 Crores, Rs.22 Crores kind of revenue we anticipate that the margins will move up because we are now sitting on an operating leverage. Every incremental revenues that flows in a significant part of that will flow back into the EBITDA.

Sagar Shah: Basically as you said for Kingsway our operational beds are around 250 beds out of our 334 so do you intend to increase our operational beds in Kingsway?

Abhinay Bollineni: Yes so the beds are fully installed. It is just that we have to equip the hospital with the right manpower and then start work, so as and when these new doctors start joining us we will start and the volume and occupancy start increasing we will do the ramp up.

Sagar Shah: On EBITDA our future operating leverage will play out and since you add more clinical talent so any ballpark number in case are you targeting anything like currently at 11.4% so are you targeting at least 20% plus EBITDA margin in the next 18 months?

Abhinay Bollineni: Absolutely so like I said we are in that operating leverage at this point in time on Rs.13 Crores of monthly revenue we are delivering 11% and 10% kind of a margin. One there is operational efficiency that we will bring in at the Rs.13 Crores revenue base but from now on every incremental revenue or significant part 50% to 60% should get added to

the EBITDA. One is at the 13.5 we will do a lot more operational optimization which will happen over the next two quarters plus the incremental revenue will further optimize the EBITDA margin.

Sagar Shah: The next question was related to our NCDs actually we raised around Rs.300 Crores in this recently so wanted to have a clarity on that, that what exactly are we intending to use this money actually in the near future, are we looking for further acquisitions, have you shortlisted anything?

Vikas Maheshwari: This Rs.300 Crores NCD proposal is the proposal which we have taken is the enabling provision because to raise the funds through NCD you need to have a shareholder approval so we are keeping this approval ready so we are doing the capex and expansion program at Bengaluru and Nashik and we are keeping those funds. If it is required we will raise the amount from the approved amount of NCD which is Rs.300 Crores so as and when the funds are required in the multiple trenches we may raise these funds so as on date we are just keeping it as an enabling provisions and as and when the funds are required we will raise from that. At the same time since we are a growing company and if any opportunity comes which is available at a reasonable price we can use that amount also for those acquisitions.

Moderator: Thank you. Our next question is from the line of Piyush an Individual Investor. Please go ahead.

Piyush: Sir just wanted to check on the new hospitals which currently we are doing capex in Chennai, Mumbai and all what is the current development on those hospitals?

Abhinay Bollineni: I think pretty much all the hospitals are on the scheduled timeline that we have circulated in the presentation but Bengaluru the hospital is going on track I think we should be operational by Q1 of next year much sooner than what we had originally anticipated. Nashik also should be operational by the end of the coming financial year again sooner than what we had anticipated. Chennai at this point the Greenfield project has been put on hold but we are looking at some acquisition opportunities nothing concrete yet but yes if anything happens then that will be a good starting point for a 250 bed hospital in Chennai.

Piyush: This new hospital whenever they will start so from the day one or maybe a six month or year they will contribute to the EBITDA margin of the KIMS and AP matured assets which is like 27% to 28% type of margins or initially one or two years the margin will be subdued and once the ramp up happened then only they will be able to contribute those type of margin?

- Abhinay Bollineni:** Bengaluru, Nashik, and Chennai may be difficult to get to that kind of a margin within the first 24 months but hopefully after 24 to 36 months we should be able to trickle towards those kind of margins at least low 20s kind of a margin.
- Piyush:** Sir last year overall we were doing EBITDA margin of around 30% to 31% or something, now we are doing this 27% to 28% so is it something 27% to 28% is a base and the last year margin where one off or some good quarters or good numbers or can we think there is a room for expansion to the margin to again come back to reach a 30% level?
- Abhinay Bollineni:** I think we are pretty confident about maintaining that 30% level that is why in the presentation it is very clear. If you look at last year we only had KIMS with us we did not have Sunshine and Nagpur. If you look at KIMS even today we have been sustaining the 30% kind of margin. Now because Sunshine and Nagpur got added revenue came in first EBITDA expansion will happen over a period of time that is why you see a dip in the EBITDA margin at a consolidated level but what you should appreciate is both AP acquired, AP mature and Telangana have been sustaining the margins that we have delivered in FY2022. Once the Sunshine and Nagpur scale up you will see the similar profiles for the entire group but again you will start seeing Bengaluru, Nasik and these hospitals come in so I think it is better to break up and look at the acquired, the mature ones and the turnaround one as long as we are in the trajectory to get to that 25% to 30% that is the right way to look at it than to look at it at a consolidated level.
- Piyush:** But Nagpur, Kingsway and Sunshine are in the lower EBITDA margin because of that the blended EBITDA is going down from 30% to 27% percentile correct?
- Abhinay Bollineni:** Yes because if you look at the KIMS portfolio prior to the acquisition continues to maintain the 30% margin.
- Piyush:** Yes one more thing there are some promoter players with respect to real estate business in the last concall also it was said key promoters are in the process of selling some assets and reducing the spreads any update on that?
- Bhaskar Rao Bollineni :** It is actually on the job I think maybe another next two to three quarters that is the taking into one of the sale process.
- Piyush:** My point is only not about pledge, my point is the only thing this separate real estate business will not impact this KIMS Hospital business?
- Bhaskar Rao Bollineni :** Not at all. There is no time spent by KIMS team into that real estate.

- Piyush:** This organ transplant business has reduced in this nine months or something of this current quarter because earlier what I remember it was contributing around from 5% to 6% maybe because of some abroad specific treatment was happening or something?
- Abhinay Bollineni:** Transplant as a percentage the contribution has come down is that the question?
- Piyush:** Yes just trying to understand has that come down to 2% for nine months, is it reduced in the current quarter or something, will it again come back to level of 6% to 8% or what type of growth you are seeing this in people coming from abroad for surgery and all?
- Abhinay Bollineni:** As far as international patients and transplant are concerned that is regulated completely by the government so even historically we have had very little, we had no international footfall for transplants are concerned 99% of the work is only domestic because it is highly regulated on how it needs to be handled by the government so the transplant program this financial has been going good, the only difference we were probably seeing in FY2022 and this financial year is that last year the number of transplants that happened remained the same but the medical management of cases that happened prior to transplant because of COVID or the ECMO related cases that happened during COVID was substantially higher than what we were seeing this year. That is why as a percentage it has probably come down a little but overall if you look at the transplant volumes continue to remain consistent with FY2022 and we are now opening up few more transplant centers in our Andhra hospital so focus on improving the kidney transplant and liver transplant in Andhra hospital continue to be there.
- Abhinay Bollineni:** We add a little more the percentage has come down because the topline has been increased because of the Sunshine and Kingsway that is why the percentage is being maybe 1% down that is all.
- Abhinay Bollineni:** So we also just looked at the percentage in FY2022 it was 3% and for FY2023 it has been consistently around 2% to 2.5% so just 0.5% but on ground when you look at the volumes it has been consistent.
- Moderator:** Thank you. Our next question is from the line of Ranvir Singh with Nuvama. Please go ahead.
- Ranvir Singh:** Thank you for taking my question. Sir couple of questions, on that Secunderabad unit when we are shifting after the shifting do we see that margin would be somehow different from what currently we are generating?
- Abhinay Bollineni:** You are saying after the shifting?

- Ranvir Singh:** Yes.
- Abhinay Bollineni:** During the quarter in which we shift there will be some disruption in terms of revenue and cost because we will be maintaining costs on both centers for two or three months before the full transition happens so that quarter there will definitely be some disruption but after we settle in that is from Q2 of FY2024 it should continue to be very similar to what it is today.
- Ranvir Singh:** In terms of occupancy how the occupancy would move because that is shifting to new facility you would have the larger number of bed I believe?
- Abhinay Bollineni:** One larger number of beds. It is a more prominent facility from what the current Sunshine facility looks like. It is a new facility, the look and feel of the hospital will be much better than the current hospital. All of this will enable us to attract more clinical talent so we have identified the requirement of close to 20 clinicians that have to be joining Begumpet Sunshine once the facility is ready and the 20 doctors will be on boarded within 12 months after the hospital is fully operational and we can see a full ramp up of those doctors or full utilization of the doctors once they join it will take 12 to 24 months for us to see that so that is how we are saying in the next 12 to 24 months we will start seeing significant growth in terms of the ramp up that happens at Sunshine and a lot of the insurance companies have agreed for a price renewal which is similar to that of KIMS only when Sunshine moves to the new facility because otherwise they do not see why they should do a price hike in the current facility so that will also further increase the ARPOB and pricing.
- Ranvir Singh:** So current bed capacity of roughly 600 would be expanded after shifting?
- Abhinay Bollineni:** No it will remain more or less the same. It is not about the beds it is more about the support infrastructure that is currently lacking at Sunshine which is what we are fixing in the new facility and because it is at more prominent location it will just enable to attract good talent clinical talent. Also Karimnagar we have divested this 75 beds facility so accordingly you have to adjust the beds going forward.
- Ranvir Singh:** Because in Sunshine we have ARPOB more than double what at consolidated level we are achieving despite our EBITDA margin has been lower so what I want to understand that after shifting whether on EBITDA side I can understand that initially there may be some disruption but going forward can we expect that with new facilities or new technology there our EBITDA margin will have some significant improvement for example for one year or after a gap of one-and-a-half year?

- Abhinay Bollineni:** After we move to the new facility you will see over a period of time that is over the next 18 to 24 months the margins are trickling up and it will over a period of time reach the Telangana KIMS kind of a margin profile.
- Ranvir Singh:** Understood and in Nagpur what kind of occupancy we can expect next year?
- Abhinay Bollineni:** Next year the usual time it takes for us to go in and settle in is usually it takes a year's time before we can actually show significant improvement because by the time we go meet with the existing doctors, talk to them, they come back to us on whether they want to continue services, and they want to move on. We identify new clinical talent and they consent to come on board. Once we acquire the process and the time it takes before we can actually show some work on ground it usually takes nine to 12 months because (inaudible) 38:59 so it will takes us that 12 months time before we start being able to recruit the right clinical talent. Once the clinical talent is on boarded it takes anywhere between 12 to 24 months for us to really see a good turnaround there.
- Ranvir Singh:** Why I am asking that already 70% occupancy in Q3 we had in Nagpur so max to max we can increase it to 80% to 90%?
- Abhinay Bollineni:** What you should read there is the bed capacity is 334 beds. What is operational is 250 beds. On 250 beds we are at 137 occupancy, that 137 can actually go up by an incremental 80 beds being occupied so 80 beds at 30000 ARPOB is a significant growth.
- Ranvir Singh:** Understood. Fine. On capex side this year how much capex we are doing because your presentation shows some Rs.400 Crores towards the ongoing projects or Brownfield projects so how much has been spent and how much remains to be done in FY2023?
- Vikas Maheshwari :** There are two ongoing projects right now which is Bengaluru and Nashik and we expect on those two projects to spend at around Rs.250 Crores of the amount 250 plus some gastro projects and other equipment, etc., which is going on so it should be at around totaling to Rs.75 Crores so that is the amount which we are looking at Rs.325 Crores to Rs.350 Crores is the capex this year.
- Ranvir Singh:** For next year?
- Vikas Maheshwari :** It should be of the similar amount coming up.
- Ranvir Singh:** If we look at the free cash flow it seems that there would be some elevation in debt if you go at this rate of expansion or internal accrual would be sufficient to manage this?

Vikas Maheshwari : We are generating something like Rs.400 Crores of the internal cash every year and you should take the view of the three years because the company is still young, very solid balance sheet, clean balance sheet, very low debt right now and we are generating a very healthy cash flow for the next leg of the growth. We are looking at Bengaluru, Nashik and other opportunities which we have listed in the Western, Central India or Chennai whenever it clicks so if you look at that trajectory I think we will be generating something like Rs.1200 Crores with the cash and that is what is the capex plan though right now the firm plan is Bengaluru and Nashik for which the capex is going on the balance as and when materializes we will be taking up those projects. It may be a Greenfield, it may be a semi-Brownfield or it may be an acquisition so based on that we will be doing the capex so we are not looking at very high increase in the debt it will be very reasonable type of debt if it comes because the capex happens first. If it is a ready project or the semi-Brownfield the land and building costs will be incurred first so depending upon the projects which we are taking whether it is a Greenfield or semi-Brownfield the debt will come.

Ranvir Singh: Okay nice thanks for the explanation. Thank you and that is it from my side.

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

Rahul Jeewani: Sir on Sunshine if my numbers are correct when our IP volumes for the quarter have declined 20% sequentially so what has driven that decline in IP volumes at sunshine is it the closure of the Karimnagar facility?

Abhinay Bollineni: One certainly the closure of Karimnagar facility Rahul but like I said as a process when we get into hospital there are few high cost doctors that we want to talk to. There are some listing consultants which is again the practice of KIMS which we want to let go off just to bring in system and process so that is what we have started doing at Sunshine after multiple rounds of discussion with the clinical teams to decide to either come full time or to continue part time so some of those initiatives and we have let go now some credit companies where we are not seeing a fair tariff being given to the company which is what we receive at KIMS so because of those initiatives and steps we have seen this decline but after those steps have been taken we have seen that some of these agreements got renewed number one. Some of these doctors have decided to come on a full time model so you know the January month has been good. The December month also has been good. There has been some disruption in October and November that has been I think when the Q4 results are out you will see that level of correction happens.

- Rahul Jeewani:** Sure Sir so with you moving to the new Begumpet facility from April you think the current muted performance which you are seeing on Sunshine that should start reversing?
- Abhinay Bollineni:** Yes because we have not been able to take except for Gachibowli which is only 20% or 30% of the Sunshine revenue we have not been able to take considerable steps at Begumpet at all given the limitation of the facility and the timeline to move the facility. Once that happens you will start seeing growth happening from this once we shift that is in April or May.
- Rahul Jeewani:** What happens to the existing campus of Sunshine at Begumpet so you would divest that of?
- Abhinay Bollineni:** Yes we will. It is a leased premises so we will move on from there.
- Rahul Jeewani:** Now if we look at our base business occupancies which is excluding Sunshine and Nagpur our occupancy this year have been let us say 400 to 500 basis points below what we were trending in FY2022 so what has led to this some sort of weakness in our existing base business occupancies and how are you looking at your base business occupancies going into FY2024?
- Abhinay Bollineni:** Like you said Rahul like we have always communicated for us the occupancy as a percentage is irrelevant parameter. We just showcase it because that is what is expected but if you look at the dip in ALOS there has been a considerable dip close to 10% dip in ALOS because of which you will see a dip in the occupancy but the volume growths have been considerable and have been consistently growing year-on-year I think that is what we are more worried about and this is what we track as a parameter so if you annualize this year we should be at least at around 58000 to 60000 kind of IP volume at Telangana KIMS which is a very strong indicator that we are growing by volume and not by pricing. As far as occupancy is concerned it is a function of multiple parameters, usually it could be the case mix could change or ALOS comes down or several of those factors.
- Rahul Jeewani:** Sure Sir so what has driven this sharp reduction in ALOS for you?
- Abhinay Bollineni:** We have always been consistently working at trying to reduce the ALOS right and be little more cognizant of the fact and as and when the season picks up automatically there is pressure on the system and the ALOS comes down at a point in time but otherwise we are also taking cautious effect to see how we can bring down the occupancy per patient of the hospital.

Rahul Jeewani: Sure Sir last question from my end before I join back the queue can you update us on your plans with respect to the Maharashtra or the Thane market the asset which you have been looking there?

Abhinay Bollineni: The answer remains the same Rahul we have not been able to make much progress there yet. Like we said it will take two quarters even at our previous discussion and hopefully by end of this quarter we should see some progress there.

Rahul Jeewani: Sure so if you can just let us know where is this process start because we have been hearing about this thing for past two to three quarters now so where are the bottlenecks line?

Abhinay Bollineni: The bottleneck is we are supposed to receive authorization or a letter from the government which is a condition precedent for the transaction to move forward. We are waiting to receive that document and given that it is beyond our purview to be able to control few of these things we are also just having to wait for it and there is a commitment that it will be delivered by the end of this quarter but we have seen that commitment in the past also but let us just give it some more time and see that it happens and we are planning to evaluate a lot of parameters are there on this one Thane project we will come back to the next quarter results 100% decision.

Rahul Jeewani: Sure Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Pritesh Chheda with Lucky Investments. Please go ahead.

Pritesh Chheda: Sir thank you for the opportunity. What growth drivers do you have in your base business of Telangana and AP matured?

Abhinay Bollineni: As far as AP matured are concerned now both AP acquired and matured have reached a point where they are very similar in terms of the revenue contribution from each department but there are some small fixes that need to be done which will be done in course of time but where we are seeing significant growth that will help us double the bed capacity and double the revenue over all the Andhra facilities over the next three to five years is the addition of new specialties so we have if you compare Telangana profile of clinical specialties to Andhra we have seen a big vacuum in oncology. We have seen a big vacuum in mother and child, a vascular surgery, interventional pulmonology and few other clinical therapies, so our agenda now for growth to happen in AP is to fix a lot of these new clinical therapies, introduce them in those existing hospitals, bring the right clinical talent and then be able to scale up those hospitals in addition to the marginal growth that will happen in the current specialties that are already there in AP. We want to add these new specialties that will help us continue to

grow for the next foreseeable few years. As far as Telangana is concerned again it is between Kondapur and Secunderabad so our aspiration is to see how we can bring Kondapur to the level of KIMS Secunderabad. Because of limitation in space in the current hospital we have not been able to add lot of doctors or lot of new clinical therapies that are present in KIMS Secunderabad so once we introduce those specialties and once the new facilities is onboarded we will then be able to see growth happening in the Kondapur facility. As far as Secunderabad facility is concerned again if you benchmark even within our hospitals mother and child is not a very big specialty in KIMS Secunderabad not even as big as what it is in KIMS Kondapur so now we are taking steps to address that and increase the footprint in this hospital. Vascular surgery and pulmonology are a few departments that we have identified where there is vacuum in Secunderabad also today. We are bringing the talent and we are onboarding them so that we are able to grow by volume in this facility.

Pritesh Chheda: Do you have the infra to do all this or the infra is fully utilized because one is you can add all these services but then when I look at the bed capacity or operational beds or maybe the OR then from that angle is there a scope?

Abhinay Bollineni: Yes so as far as Andhra is concerned there is absolute scope in all our hospitals where we can add all of these facilities. In fact in few of the hospitals the capacity addition is happening as we speak and reduction of cancer will also happen over the next 12 months. As well as Kondapur very clearly a new incremental 500 bedded hospitals is getting added. As far as Secunderabad is concerned there is headroom for growth; however, we are in the pipeline of finalizing or adding an incremental 300 to 400 beds in the Secunderabad Hospital campus itself. We should complete the ideation in the next three to five months, once it is done we will probably announce that to the market if we decide to go forward with that.

Pritesh Chheda: So before the bed addition comes in you can grow double digit EBITDAs in this portfolio?

Abhinay Bollineni: No so I think we have been very clear in our communication always. Telangana and AP are very difficult for it to grow in double digit. Even with capacity addition it will only grow at a single digit. Where we are confident that the growth will come from is Sunshine and Nagpur which is on the table today so the next 24 to 36 months AP and Telangana will grow at single digit, the balance growth will get from Sunshine and Nagpur, subsequently after 24 to 36 months you will start seeing a lot of the contribution that will come in from Nashik, Bengaluru and so on and so forth.

Pritesh Chheda: So your new asset will come 24 months down the line the Nashik and the Bengaluru will get operational?

- Abhinay Bollineni:** Both of them will be operational in FY2024 or the last month of FY2024 or the early month of FY2025 but it will take some time to stabilize so hence we are not expecting any incremental contribution for EBITDA for the next 24 to 36 months.
- Pritesh Chheda:** Lastly Sir what is your pro rata share of the EBITDA which is reported in the nine months so adjusting for minority share in EBITDA 80% or more than that?
- Vikas Maheshwari :** It is 12.7% for the minority interest Pritesh.
- Pritesh Chheda:** 88% of the EBITDA which is reported let us say the EBITDA reported was nine month is Rs.420 Crores in that 88% is the KIMS share right?
- Vikas Maheshwari :** Correct.
- Pritesh Chheda:** Okay thank you very much Sir. Thank you.
- Vikas Maheshwari :** Pritesh see the slide number 31 we have disclosed that 12.7%.
- Pritesh Chheda:** Okay sorry I did not see it. Thank you.
- Moderator:** Thank you. Our next question is from the line of Sagar Shah with PhillipCapital PCG. Please go ahead.
- Sagar Shah:** Sir I just had one followup question actually. The gastro unit which we are looking to build in FY2024 in Vishakhapatnam can you tell me something or give overview regarding that what is the bed capacity and how much will it constitute?
- Abhinay Bollineni:** I will just give you a little bit of background. In Vizag we have one hospital so Vizag has two big micro markets one is where we are currently present and we are doing very extremely well. The other side is where we want to be present in the future. Now in anticipation of being able to build a good flagship facility in the newer part of Vizag but it is a long haul it will take at least four to five years even before we start that facility we are still in the ideation phase and looking for land phase, but we have a good clinical team which has a very strong potential to be able to scale things up and be able to grow so we said we will make this small investment in being able to start this gastro unit because we believe there is huge potential in that micro market and before our larger campus is ready over the next four to five years we will be able to capture a significant share of the gastro market there and once the new facility is there we can then look at incrementally moving this into that new facility so that was the intent for starting this. It also acts as a feeder into our other facility which is in Vizag for the other specialties other than gastro so it is just a 35 bedded hospital with special focus

on gastro but it also gives some support to the other facility to be able to see some incremental volume.

Sagar Shah: Actually my final question was related to this your acquired assets and your matured assets of AP so are you sensing any you had said before on the concall that your mix is changing from the **Arogyasri** patients to the normal cash and the insurance patients over there so are you sensing that in your acquired and matured assets so can we expect at least an improvement in ARPOB for these two Andhra Pradesh asset in the next two years?

Vikas Maheshwari : Sagar as far as the AP acquired assets are concerned they are delivering something like that 20% of the margin and we expect those margins to grow to the AP matured trajectory in next 12 to 18 months time as the revenue grows up and we do the rationalization in terms of the addition of these facilities and the payments both.

Sagar Shah: You are not expecting any improvement in ARPOB, do you expect ARPOB to remain the same?

Vikas Maheshwari : The transplant program and other mother and child program and other interventional pulmonology program, etc., whatever the Dr. Abhinay has just told once we add that you will see the ARPOB and ARPP both going up.

Sagar Shah: Thank you very much. All the best.

Moderator: Thank you. Our next question is from the line of Rishabh Sisodia with Sameeksha Capital. Please go ahead.

Rishabh Sisodia: Thank you Sir for the opportunity. Sir just from the IP volume side so given you have already mentioned on the Telangana and the mid single digit growth that is what we are expecting so over a longer period so when the Sunshine and Nagpur will be taking the lead so on a blended basis should we assume that the margins should stay in these levels for the foreseeable future because after Nagpur and Sunshine get higher margins we would be adding Bengaluru and Chennai and probably Thane as well so our blended basis should stay in this ballpark number is that a sense?

Abhinay Bollineni: Very difficult to say that. It depends on how the ramp up in those hospitals happens. I think what we will appreciate is if you can actually break down these into clusters and maturity profiles and look at whether the hospitals that we have been able to start within 48 to 60 months have been able to get to a stable EBITDA margin is what we would want all of you to pay attention to or focus to. At a group level there will always be ifs and buts right so I think it is better to look at micro details than at a very group

level and hence the reason why we kind of bifurcated into these many clusters and showed the data.

Rishabh Sisodia: That is it from me. Thank you.

Moderator: Thank you. Our next question is from the line of Piyush an Individual Investor. Please go ahead.

Piyush: Sir two things from my side. Sir one Sunshine is having an average revenue per patient is around some Rs.2 lakh and the ALOS is also on the three point something which is lower than the overall average but still this makes a 20% of margin any specific reason the overall average revenue per patient is higher than all the other hospitals?

Abhinay Bollineni: It is because the occupancy is low Mr. Piyush. It is a very heavily orthopedic dependent brand event today 50% of their volume comes from orthopedics so in orthopedic the length of stay is usually two days, one-and-a-half to two days and the pricing because of the implant and all is high. Hence the ARPP is high and the ALOS is less but because majority of the volume is still ortho and they are only at a 40% occupancy they have not been able to progress. In fact this is after KIMS got in. When we had acquired it, it was only under 10% kind of a margin so we fixed that and we brought it to 20. Now as occupancy goes up their operating leverage will play in.

Piyush: Average revenue per patient is higher because of the implant cost and all which is actually a pass through cost that is why the overall number looks on the higher side is that correct?

Abhinay Bollineni: Correct.

Piyush: Second thing on overall Sir what is our thought process with respect to addition of new hospitals because we are acquiring hospital also with the collaboration and stake of around 50% to 60%. We are doing Greenfield expansion also at Bengaluru, Mumbai and Maharashtra and Chennai is on hold so what is overall perspective to free cash flow and in the payback period of hospital how do you see which is the more suitable thing for KIMS to go into the partnership collaboration model or a Greenfield model because the Greenfield asset will also take time for giving the same level of EBITDA and the free cash flow generation and payback period will also start a little bit of late just color on this what is the thought process?

Abhinay Bollineni: From cash flow point of view, I will let Vikas speak but from a strategy point of view our approach is now that we have presence in the AP and Telangana we want to create a mark in Karnataka. There are few micro markets that we want to definitely do a hospital because we believe it will do well so when we look at those micro markets we

will first look at an acquisition opportunity but after we exhaust opportunities of getting something in an acquisitive nature we would then definitely want to go in a Greenfield format because if not we will lose out on that opportunity so that is how we usually thought through and have in the past executed all the acquisitions but our first preference is definitely to do an acquisition if we get the right facility, right size and the right clinical team along with it but if we are not able to after a considerable time we will then pursue the Greenfield route in that geography. I think a good mix of Greenfield and acquisition is healthy because there is certainty on what you are doing and acquisitions are always uncertain whether they will happen or not happen, but with this pipeline we are certain as to how the growth will happen in the year?

Piyush: Last thing from my side. Sir we are also trying to go into the Central and Eastern markets like Indore and Raipur, we are we having this aspiration of Odisha and Bhubaneswar and all and there are some pipeline also there so when we can see this, right now we are doing a Rs.500 odd Crores of quarterly run rate revenue in two or three years can we say we can be able to touch the Rs.1000 Crores revenue run rate not a guidance like but just what is your thought in three years and four years with so many hospitals right now in the development stage maybe FY2025-FY2026 all will come and all will contribute to the revenue?

Abhinay Bollineni: Right now we are doing around Rs.180 Crores per month so I think.

Piyush: That is worth around Rs.560 Crores odd we did last quarter and September and December also we touched around Rs.560 odd Crores revenue number?

Abhinay Bollineni: Correct. I think with the 30% occupancy leverage in Sunshine and Nagpur that itself will help us currently run rate to go up by at least 10% to 15% and then with incrementally Nashik and two Bengaluru facilities coming on board I am certain we should be there in the next three to four years.

Piyush: Okay thanks a lot Sir. Thank you.

Moderator: Thank you. That was the last question for today's conference. I now hand the conference over to the management for closing comments.

Bhaskara Rao Bollineni: I thank you all for your valued presence. I would like to tell you that the questions raised by you in these meetings are very, very valuable and vital to help us in steering the growth of our organization from time-to-time. It has been a constructive and a positive contribution from your end in these meetings. I thank you for all your vibrant participation. Thank you very much.



Hospitals

KIMS

February 10, 2023

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