

08<sup>th</sup> February, 2024

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

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

In Continuation to our letter dated 30<sup>th</sup> January 2024, the Company organized a conference call with the Investors/ Analysts on Monday, 5<sup>th</sup> February 2024 at 9:30 AM (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 to 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 23-24.

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**

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



“KIMS Hospital Limited  
Q3 FY ‘24 Earnings Conference Call”  
February 05, 2024



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

**MANAGEMENT: DR. BHASKARA RAO BOLLINENI – FOUNDER AND  
MANAGING DIRECTOR – KIMS HOSPITAL LIMITED  
DR. ABHINAY BOLLINENI – EXECUTIVE DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – KIMS HOSPITAL  
LIMITED  
MR. SACHIN SALVI – CHIEF FINANCIAL OFFICER –  
KIMS HOSPITALS**

**Moderator:** Ladies and gentlemen, good day and welcome to Kim's Hospital Q3 FY24 Earning Conference Call hosted by IIFL Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on a touch-tone phone. Please note that this conference is being recorded.

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

**Rahul Jeewani:** Yes, thank you. Good morning, everyone. I'm Rahul from IIFL Institutional Equities. I welcome you all to the Q3 Earnings Conference Call of Kim's Hospitals. From Kim's, we have with us Dr. Bhaskara Rao Bollineni, Founder and Managing Director. Dr. Abhinay Bollineni, Executive Director and CEO, and Mr. Sachin Salvi, CFO. Over to you, sir, for your opening comments.

**Bhaskara Rao Bollineni:** Good morning to all of you. I welcome to the first meeting of investors in the new year. I take this opportunity to wish all of you a happy, healthy, and a prosperous new year ahead.

Now I will proceed to appraise of you the financials and operational results and also other developments. To start with the financial results, the consolidated revenue for the nine months ended December 2023 stood at INR1,874 crores, showing an increase of 14% year on year. EBITDA for the nine months ended December 2023 INR491 crores, registering an increase of 6.3% year on year.

The gross revenue is INR609 crores for the Q3 FY24, recording a growth of 7.1% on year on year, and a decline of 7.1% on a quarter-on-quarter basis. The EBITDA is 150 crores for the Q3 FY24, a decline of 4.6% year on year, and a 16.5% quarter on quarter basis. The EBITDA margin is 24.7% in Q3 2023, and 27.5% in Q2 FY24.

That is an INR77 crores in Q3 FY24 against INR82 crores and INR101 crores in Q3 FY23 and Q2 FY24 respectively. There will be a little bit of this marginal this one, but I will go into the operational issues. Both inpatient and outpatient volumes recorded a growth of 3.6% and a 2.7% on the year-on-year basis, and a decline of 7.1% and a 7.3% on a quarter-on-quarter basis. The total 3.92 lakh of OPD concerns were done during the quarter. The debt occupancy in Q3 was 72.2%.

The average revenue per operative debt increased by 3.1% year on year basis and declined by 1.3% on a quarter-on-quarter basis. The average revenue per patient increased by 4.8% on year-on-year basis and marginally declined by 0.4% quarter on quarter basis. Q3 is a traditionally lean period on account of festivals. Further the festivals, the elections to state assembly in Telangana and the cyclone in Andhra Pradesh had their impact. That's why the decline in Q3 was happening.

The other developments, Kim Sunshine is shifted to our own spacious premises on the main road of Begumpet. The location and the size will lead to increased patient flow. This is also another reason where during the shifting, there will be a little bit of decline.

Our Nasik unit is expected to be opened in the first quarter of 2025, most probably in May and June. The most important things for our organization is the academic events apart from the financial results. The academic activities provide necessary impetus for the hospital in adopting new skills and technologies, enhancing patient comfort and clinical outcomes.

Kim's Accord's top priority to this aspect and our doctors are encouraging to take active part in academic activities across the world to presentation of papers, contribution to national and international journals and participation in workshops and academics. I will mention a few of the such highlights. Dr. Sarathchandra Mouli Veravalli, a clinical director, Department of Rheumatology and Clinical Immunology of Kim's has presented a case at the global meet.

The experts, the rheumatoid arthritis, he went during the American College of Rheumatology Convergence 2023 in San Diego in November 23. It is a wonderful opportunity and his contribution was well received and appreciated in the global community. The Indian Rheumatology Association also honored Dr. Veravalli in November 2023 with the IREA Colcon Oration Award in recognition of his outstanding contribution to field of rheumatology teaching, research and professional services.

Dr. Naga Lakshmi, the senior consultant pain physician of Kim's, presented her work on a stellate ganglion block and T1 sympathectomy for refractory ventricular tachycardia at the Southeast Asia TCT cardiology conference held at Mumbai. Such a procedure was first of its kind in the world and the case series were published jointly by Dr. I. K. Rao, the senior consultant and cardiologist and electrophysiologist and Dr. K. Naga Lakshmi in the prestigious Europease Journal. Kim's vascular trainees have participated in the program conducted by Vascular Society of India at Mumbai and we bagged the second prize as the best training vascular institute across India.

The diagnosis of whether a child is able to hear or not can be done right at birth if the defect is detected early and rectified. The permanent damage can be rectified. Many parents are ignorant of this aspect and the child suffers a lifetime of silence to create awareness on the subject and to highlight the latest technologies available.

Kim's Kingsway Hospital at Nagpur conducted a deafness awareness program inaugurated by the RSS chief, Dr. Mohan Bhagwat and attended by various experts, NGOs, social activists and others. The other one is, a three-day workshop on urogynecology was held at Kim's in association with the UPIA called Sprinter Summit 2023 with participation of international experts in the field.

This event was inaugurated by Dr. Pramili Shai, governor of Telangana state. In association with the Obstetrics and Gynecological Society of Hyderabad, Kim's conducted a fertility conference with participation from experts in the field to highlight the latest developments. Pain is difficult for anyone to bear and it makes the sickness horrifying. Kim's conducted a two-day workshop to update the healthcare professionals on the techniques and modalities available for pain management.

Several doctors from within and outside the state participated in the mega-workshop. Arthritis is a common problem nowadays affecting all classes of people. On the occasion of the World Arthritis Day on October 8th, Kim's Hospital conducted an Arthritis Awakeness Walk in association with the Indian Rheumatology Association.

The event evoked a good response with great participation. Breast Cancer Awareness Month was conducted in October 2024 with a good publicity illuminating public places, including Governor's Raj Bhawan in pink colour, besides having various seminars and meetings arousing public interest. Pfizer India has joined hands with Kim's Hospital to establish a centre of excellence for adult vaccination.

Given the rising case of respiratory illness, the centre will reinforce immunization against vaccine-preventable diseases such as pneumococcal disease, hepatitis A and B, human papilloma virus and influenza. Encouraged by the overwhelming response to Kim's cuddles, Kondapur, an exclusive mother and child centre, Kim's cuddles wing is set up at Secunderabad also to provide such exclusive care to mother and child in new initiative in Secunderabad. As I mentioned before, being a healthcare provider, we not only provide, we also need to create a sort of an awareness into the public where they can able to approach the right person for the right doctor so that they can able to unnecessarily spend a lot of money.

That's why we create this arthritis awareness program, the breast cancer program and the vaccination. Prevention is better than cure. That is the reason we also take part in a lot of awareness programs every time, even including the papilloma, carcinoma, and even the urogynec department, which most of the people are not aware of it.

Kim's hosted the first SIGN conference to be held in India in January 2024. Society for Image-Guided Neurointerventions, in short SIGN, is an international body comprising of scientists, engineers and clinicians exploring technological advances in various fields, including interventional neuroradiology, MRI, PET, neuropharmacology, and artificial intelligence. The conference brought 125 neuroscientists experts from 12 nations to deliberate cutting-edge advances in the field.

It is the first SIGN conference to be held in India and Kim's is the proud host for that. So these are all our achievements of prevention and creating awareness of the health diseases. Now what we have been achieved having been diseases being occurred, how in the remote places where we can able to treat, how Kim's is contributing to the society.

First ever case in the world done at Kim's, Secunderabad. A three-day-old neonate was diagnosed with a combination of two very major lesions in the heart called transmission of great arteries and a total anomalous pulmonary venous connection. Both these problems are surgical emergencies and the baby would not have survived if the surgery is not done.

A few such cases have been reported in the literature. However, they are all above one week or even a few months of age, but not on a three-day-old baby. Dr. Anil Kumar, Senior Consultant Pediatric Cardiac Surgeon, performed a day-long surgery. The review is done after two months

and the baby is doing well. It all depends upon how we can able to improvise our health care in a year-on-year basis to handle the more complex and more advanced techniques.

In Kim's, Kondapur, the doctors and staff at Kim's, Kondapur went out of their way to learn sign language to be able to communicate with the deaf, mute parents of a child. The couple brought their prematurely born daughter to the hospital after they lost her twin. The baby was hospitalized for 76 days because of multiple complications. Over 10 days, three doctors, four junior doctors and four nurses learned the sign language to be able to communicate with the mom and explain her the condition and progress of the child and measure her.

These staff taught the sign language to other members of the team also. This is called walking the extra mile. Now those are parents are relieved, years of age. The only hope is liver transplantation. Responding to the family's dire need, the hospital stepped forward and sponsored the procedure almost entirely. The child weighing a mere 6.4 kg underwent liver transplant procedure for a gruelling 10 hours by a multidisciplinary team.

This is the effect of resources that are available across the KIM'S group can be best utilized and provide a proper care in the remote places too. A 38-year-old young man was without a heartbeat for over an hour when he suffered a cardiac arrest. After remaining in ICU for 45 days, he was discharged and the case is considered a medical miracle.

As per American Heart Association, CPR is stopped after 40 minutes. There is no return of heartbeat. In this case, doctors choose to overshoot the threshold limit considering the age of the patient and other conditions and continued the CPR with defibrillation shocks till the heart function was restored. It is a great achievement, a miracle in the medical field itself.

KIMS-Kingsway Hospitals, Nagpur successfully used pressurized intraperitoneal aerosol chemotherapy generally used in abdominal malignancy to treat a 72-year-old woman with ovarian cancer. Why it is mentioned here is because this is the first time such a procedure has been done in Nagpur in central India for advanced cancer along with peritoneal spread.

KIMS-Saveera Hospital, Anantapur, myasthenia gravis crisis, a rare complication of myasthenia gravis, was successfully treated at KIMS-Saveera Hospital, Anantapur. This disease is very rare and serious with incidence of two to five cases per 1 lakh population and a mortality rate up to 30%.

The named disease became well known about 30 years back when Amitabh Bachchan was diagnosed with this and news attracted the attention of whole nation. Back then, such treatments were available only in centres like Mumbai. Today, we are able to treat them even in remote areas like Anantapur. The patient was treated successfully and discharged.

In another case, KIMS-Saveera doctors saved the life of a 68-year-old patient suffering with breathing issues due to a blood clot in his lung blood vessels. Due to patient's many comorbidities, the doctors opted for a mechanical thrombectomy using advanced Penumbra Indigo Aspiration System to use it for the first time in Rayalaseema region.

In another first in the region, KIMS-Saveera doctors performed a retrograde intrarenal surgery on a 3-year-old baby who had a big stone in his kidney measuring 21 millimeters, which is a rare condition. This is the first of its kind surgery on such a young kid in the whole of Rayalaseema region.

KIMS Kurnool, doctors at KIMS Hospital at Kurnool successfully performed a complex surgery to remove a 9-centimeter stone from the urinary tract of a 6-year-old boy. It is first occurrence of such a large stone among children in Rayalaseema region. The entire surgery was conducted free of cost under Arogyasri scheme.

KIMS-ICON, Vizag, a remarkable story of medical expertise and resilience took place. KIMS Cuddles, Vizag. When a pair of twins arrived at just 27 weeks gestation, both infants required ventilation support at birth, battling hyperglycemia, anemia, and feed intolerance. Through personalized treatment plans and round-the-clock care, the twins began to thrive. Most importantly, their crucial stay in the neonatal intensive care unit lasted for a very short time of 61 days.

It shows the immense potential of premature babies and the critical role of the specialized care. Some of the famous personalities who were prematurely born were Winston Churchill, who became the Prime Minister of the UK, and the famous scientist Albert Einstein, and Sir Isaac Newton.

A 6-year-old girl who battled multiple organ failure was treated and saved at KIMS Cuddles, Vizag. The girl with a rapidly deteriorating health condition was admitted and put on mechanical ventilation. She developed a severe blood infection, sepsis, caused by consumption of street food. In a tough battle spanning of 20 days, she encountered various complications including kidney injury, anemia, low platelets, and electrolyte imbalances.

The advanced approach coupled with meticulous adjustments and monitoring eventually saw a returning to normalcy. All these cases received wide coverage in the media, being rare and complex cases treated at various centres of KIMS that include urban centres and remote areas, so that many of the people aware of these types of diseases come in time to the hospitals and get cured. All these cases received, I would conclude now, thanking you for your continuous trust and support.

I'm confident that we will be able to post good results for March 2024, and we are very happy that we are on the same track that we promised and will continue to deliver good results in the coming years. I will keep you apprised of any key developments. Thank you for your patient hearing. Sorry for anything because of my sore throat, I could not be able to convey properly. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. And the first question is from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

**Dhara Patwa:** Thank you for the opportunity and good morning all. So, my first question is related to Telangana unit. So, we have seen margins have slipped significantly in the quarter to 28.8% and this has been lowest since nine quarters. Although nothing has changed on our per bed occupancy front, so what is the reason for that? Are we taking any additional cost over here? And will this continue? Is this a new base or there was some one-off in the quarter? Yes, that's my first question.

**Abhinay Bollineni:** So, as far as Telangana and Andhra both are concerned, there has been some one-time expenses. If you look at the revenue growth in both the markets have been healthy as far as the year-on-year growth is concerned. But on a quarter-on-quarter there has been a decline in revenue both in Telangana and Andhra. This has led to multiple factors. One, because of strong elections in Telangana, there is a dip in the administrative work. And a couple of doctors during the last quarter, senior doctors were also on leave.

Plus, there has been a dip in the transplant revenue in the December month. So, all of these factors have led to a decline in revenue in Telangana teams as well as a slight decline in revenue in AP teams because of the cyclone effect in Vizag. The other villages have fairly done well, but there has been a significant dip in revenue from the Vizag effect.

And we have invested a lot of costs in doctors because the doctor cost has gone up. And because of the decline in revenue, operating leverage has played out. And that is why you see a dip in the EBITDA margin. And there has also been a one-time expense towards renovating and launching. Renovating some of the KIMS Hospitals as well as launching the Cuddles brand at KIMS at Secunderabad.

These are one-time non-recurring expenditures towards a tune of almost INR5.5 crores to INR6 crores in just the KIMS cluster, which is in Telangana and AP. We will continue to have one more such one-time expenditure in Q4. And then from Q1 onwards, it will normalize. These are largely expenditures that we have incurred towards launching KIMS Cuddles as a brand, plus renovating some of our existing facilities just to bring them up to speed to the current market and to add some additional spaces.

**Dhara Patwa:** Okay, sir. That was quite helpful and a detailed answer. Sir, second thing was, what could be the ARPOB of Cuddles that we have started in Secunderabad? So, will the ARPOB be similar to other children's hospitals? Any colour on that, if you could provide?

**Abhinay Bollineni:** Yes, it should be very similar to other children's hospitals.

**Dhara Patwa:** Okay, so in the range of around 40,000-45,000, right?

**Abhinay Bollineni:** Correct.

**Dhara Patwa:** Okay. So, last question is on Nagpur unit. So, we are near to a target of 17%-18% EBITDA margin. So, from here on, what kind of growth and margin expansion are we looking for Nagpur unit in the next two-three years? And do you think the same success story can be replicated to Nasik unit as well? Because even that is in Central India. And now, since you have expanded



outside South India, this was the first hospital we were seeing. So, do you think the same success story could be replicated in the Central India for Nasik unit as well?

**Abhinay Bollineni:** Yes, I think we are very confident that we will be able to do the same, if not better. But, yes, the turnaround that has been quite encouraging. And I think in the next couple of quarters, we should also be able to hit 20%-25% EBITDA margin in the Nagpur facility. And then on, it will probably stabilize anywhere between 25% to 26%.

**Dhara Patwa:** Okay, sir. So, that's it from my side. Thank you.

**Moderator:** Thank you. A reminder to all participants, you may press star and 1 to ask questions. The next question is from the line of Lakshminarayanan from Tunga Investment. Please go ahead.

**Lakshminarayanan:** Yes, thank you. So, a couple of things. One is that, you know, just wanted to understand what is the split between the healthcare revenues and the pharma revenues for the nine months?

**Abhinay Bollineni:** Between healthcare revenue and pharma revenue?

**Lakshminarayanan:** Yes, Yes. Because you actually split in terms of the revenues you get from the pharmacy and how much you get from the healthcare.

**Abhinay Bollineni:** I don't have that number off hand, but we'll share that with you separately after the call.

**Lakshminarayanan:** Got it, got it. So, then in terms of the, if you look at the RPOP, what are the levers you are thinking to increase the RPOP from the current level of around 31,000 at a group level?

**Abhinay Bollineni:** I think, the continuation to keep adding more and more specialties, like for example, in Andhra, all of Andhra hospitals do not have oncology today. So, in the next couple of years, we are going to add oncology, which will increase the RPOP. So, the oncology RPOP will be around 25,000-26,000 to begin with.

So, that will overall pull up the RPOP in the Andhra hospitals. Likewise, we start to introduce more tertiary care work in Andhra or in the other facilities of KIMS. All of this, along with price rise, will continue to increase the RPOP.

**Lakshminarayanan:** Got it. So, in Andhra Pradesh, our utilization is around 79%. I mean, the occupancy is around 79%, and it's almost 84% when, you know, for the last, sorry, we are almost at 78%, and last quarter it was around 84%.

In general, what is the maximum occupancy you can actually increase to before it would be like, the top would be around 90% or what is the...

**Abhinay Bollineni:** 80% is an indication that we need to add more bed capacity. So, that's one of the reasons why in Andhra and Telangana, we are adding more bed capacity to the existing facilities.

**Lakshminarayanan:** Got it. And what is the mix of the payer mix in the Andhra hospitals, in the Andhra cluster, to be specific?

**Abhinay Bollineni:** So, around 60% of it is cash and insurance, and the remaining 30%-40% will be state government and central government schemes.

**Lakshminarayanan:** Got it. Got it. Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Nikhil Mathur from HDFC, Mutual Fund. Please go ahead.

**Nikhil Mathur:** Hi all. Good morning. Sir, I have a few sets of questions.

My first question is on the mix in AP in Telangana. You did mention that the transplant surgeries were a bit less this particular quarter, but historically what we have seen is that ARPOPs tend to be better in 3Q while there is an occupancy dip, but the mix tends to be better. So, what exactly has happened on the ARPOP side in the third quarter in both AP and Telangana, why there is a dip on a sequential basis apart from the dip in transplants?

**Abhinay Bollineni:** I think transplants have been one of the key factors, Nikhil, and also, we have seen in Q3 a lot of the surgical work got postponed. The ARPOPs are very high. In November, because of festival and then the state election, we have seen a significant delay or postponement of the elective work.

And also in December, there was a strong flu because of which a lot of these admissions were again having to be postponed because of infection. And all of them started happening and then the whole rearing started. And that's why we have seen a decline in the surgical work that is happening. Plus ARPOPs, which are the both, these two are both strong contributors to higher ARPOPs.

**Nikhil Mathur:** So, do you see that a lot of this is lost revenues or do you see that a lot of this work is coming back in the more near term?

**Abhinay Bollineni:** Yes, I think we have started seeing things improving. So, usually, I mean, it's a trend after December, going back to Jan 15, there is a decline. But from post Jan 15, we have seen an uptick in work across all our hospitals.

And if you see actually in Andhra, the revenues have been more or less stable except for the big impact that we had in the coastal belt, which three of our hospitals got impacted [inaudible 30:49.0]. But otherwise, the other hospitals have fairly performed well. Telangana, largely because of the election and a lot of these factors, there has been a decline. But January has been quite good in line with our expectations on the revenue side.

**Nikhil Mathur:** Okay, got it. And sticking to both these clusters further, what kind of ARPOB increase should one build, let's say, in a two-to-three-year time frame? Is it going to be more pricing led or do you think that the mix can change in the coming two, three years? So, any thoughts on ARPOB improvement in the coming two, three years?

- Abhinay Bollineni:** So, the case mix in Andhra is definitely going to change. There's no doubt about it because we're adding a lot of focus on cancer in mother and child in Andhra. So, in that way, the case mix will get skewed a lot towards oncology and a little bit towards mother and child. So that will improve the ARPOB. I think the health will be coupled with a price hike and insurance price hike. So, we should look at a good 5% to 7% ARPOB growth other than the volume growth.
- Nikhil Mathur:** Okay, got it. And on the occupancy, I'm looking at occupancy and operationalized beds. Obviously, this quarter is subdued at 61% in Telangana and 70%-odd ...
- Abhinay Bollineni:** Nitin, could you come again, please? I couldn't hear you.
- Nikhil Mathur:** Is this better?
- Abhinay Bollineni:** Yes.
- Nikhil Mathur:** So, I'm talking about occupancy on operating beds. This quarter, obviously, is quite subdued at 61% in Telangana and 70-odd percent in Andhra Pradesh. But what are the peak occupancy levels that you can deliver in both these clusters?
- Abhinay Bollineni:** I think in Andhra, we're comfortable up to 80%, 85%. And in Telangana also, we're comfortable at 80%. And in both these markets, we are adding beds. So, in the next one, two years, we will be adding a lot of beds that will lease out a lot of pressure on occupancy.
- Nikhil Mathur:** Okay, got it. On Mumbai, can you share some update on what's happening there? I don't think I've come across the nature of financing of that project in the investor presentation or in a recent release. So, can you just clear some air on what's happening there? What's the total capex? How much will be funded by KIMS? How much will be by the partner?
- Abhinay Bollineni:** As far as the timeline of the project is concerned, there has been no impact on the timeline. The work on ground has started, like we had mentioned in our previous call. And we are on track to operationalize the facility by the end of the year, as we have committed, in Q4 of 2025.
- So, the work on ground is fine, but there has been a delay in stitching up the funding plan. So, by the end of this month, if the alternative funding plan that has not happened, does not meet the needs, I think we will be known and go ahead and complete the project by ourselves.
- Nikhil Mathur:** So, by Feb end, if there's no deal stitched, then it...
- Abhinay Bollineni:** In April
- Nikhil Mathur:** In April it will be funded by you?
- Abhinay Bollineni:** Right.
- Bhaskara Rao Bollineni:** I think we are very confident that little bit on -- we are very confident that deal can go through, maybe in the next 10 days. By 15th of February itself, we are through. And we'll take a decision and then we'll come back and explain to all of you in the next 15 days.

- Nikhil Mathur:** Got it, sir. Thank you so much.
- Moderator:** Thank you. A reminder to all participants, you may press star and 1 to ask questions. The next question is from the line of Abhay Marda from Yashwi Securities. Please go ahead.
- Abhay Marda:** Hello, good morning. Am I audible?
- Bhaskara Rao Bollineni:** Yes.
- Abhay Marda:** So, I just wanted to get an idea about what is the debt guidance and what is the current debt levels. Like previously you mentioned that your debt levels will be around 1 to 1.5 times of EBITDA. So, what is it at currently?
- Sachin Salvi:** So, the current debt outstanding around it is INR705 crores. As far as guidance on the debt will remain the same, we will be raising some debts for funding our expansion projects.
- Abhay Marda:** And this Malad facility that is coming up in Mumbai. So, in case if the deal does not go through, then debt will be required to fund that, right? Or will, mostly it will be from internal debtors.
- Abhinay Bollineni:** Are you referring to Malad? Yes, which -- Did you say Malad or did I hear it wrong?
- Abhay Marda:** No, no, I am saying the Mumbai. The Mumbai capacity. Yes, the Thane facility.
- Bhaskara Rao Bollineni:** Thane facility, we are very confident. We are very confident in the next 10 days we will be able to let you know. And as we are talking about, as we promised before, the debt EBITDA may not be able to cross 1 to 1.5.
- Abhay Marda:** Okay, okay. Thank you so much.
- Sachin Salvi:** Apart from this, just to answer the earlier question which some investors have asked about income from pharmacy. It is about 30% of the total income which we are having. As of 31<sup>st</sup> -- For the quarter end of 31<sup>st</sup> December, we have reported INR690 crores of which INR185 crores is from income from pharmacy. Just to answer the earlier question.
- Moderator:** Thank you. A reminder to all participants, you may press star and 1 to ask questions. The next question is on the line of Harit Ahmed from Avendus Spark. Please go ahead.
- Harit Ahmed:** Good morning. Thanks for the opportunity. So, my first question is on Sunshine. There seems to be a quarter-on-quarter as well as Y-o-Y declines in ARPOB Sunshine. So, is this an impact of the relocation that you have done? But when I look at the occupancy, it seems to be in line with the previous quarter. So, just trying to understand what's happening there.
- Abhinay Bollineni:** So, on Sunshine, Harit the Gachibowli facility has done fairly well. I mean, there has been sequential growth on the Gachibowli facility. We have seen a significant impact on the development facility during the shifting. So you could imagine, the revenue have dipped by almost 15% in that facility. We had to run both the facilities for a while. So, there is a little bit of confusion among patients.

And unfortunately, Dr. Gurava Reddy was on leave because of the demise of his father for almost 15-20 days. So, that led to a decline in volume of work at the Sunshine facility.

**Harit Ahmed:** And Dr. Abhinay, now that we are getting closer to the commissioning of the Nashik's hospital, can you talk a bit about our pre-operational activities in terms of hiring of doctors? And if you can also give some colour on the kind of losses that we should think of from this facility for FY25?

**Abhinay Bollineni:** I think before meeting with doctors has been quite encouraging. We have been meeting with them for the last one-two months. There is a good traction among doctors who want to come as shareholders and doctors who want to come as non-shareholders but come and meet the department.

We are looking at operationalizing it in the next two-three months or three-four months. And by the end of March, we should kind of finalize a lot of the doctor contracts. So, I think in the next investor call, we'll probably be able to give you a better update on the tie-up with doctors and how the trajectory of growth could potentially look like.

**Harit Ahmed:** Okay. And last one on Bangalore, the 415 beds that you have guided for commissioning towards FY25.

**Abhinay Bollineni:** Could you speak a little louder? I didn't hear the question.

**Harit Ahmed:** Yes, it's on Bangalore where we have guided for commissioning around 400 beds towards the end of FY '25. And I understand there are 2 hospitals that we are targeting there. So, if you can give some break-up in terms of the timelines for each of those and also the expense for both the assets.

**Abhinay Bollineni:** So, at this point in time, we have Sol Space which is Bangalore-J&A [inaudible 40:34.6], which is 415 beds. We are on track to have that also operational by Q4 of FY '25 along with the SPARMA facility. This will be around 424-430 beds.

The other facility, the work on ground is happening but we have not been able to sign the contract yet. That is more an O&M contract with a local provider. So, maybe in the next -- and they have been occupied with some permissions that they are getting to the hospital and medical college y April-May, we should be able to sign that contract and then we will make a decision.

**Harit Ahmed:** So, these 415 beds is for the first hospital in Bangalore?

**Abhinay Bollineni:** Yes, this is the hospital.

**Harit Ahmed:** Alright. Thanks Dr. Abhinay.

**Moderator:** Thank you. The next question is from the line of Dinesh from INS and INC. Please go ahead.

**Dinesh:** This is Dinesh.

- Moderator:** You are unmuted. Please go for your question.
- Dinesh:** Yes, good morning. Thanks for the opportunity. Am I audible?
- Abhinay Bollineni:** Yes. Yes, you are.
- Dinesh:** Yes. So, sir, actually in previous quarters, the management has said that the main growth in Andhra would be coming from mother and care segment as well as oncology segment. So, how is the traction in mother and care segment right now currently? Can we see any positive traction? And also, can you please comment on Vizag gastro unit which was commented previously? The management has said that it would be negative for the complete year. So, can we see any positive traction in the Vizag gastro unit?
- Abhinay Bollineni:** Vizag gastro unit is starting to do well. I think this quarter, the losses have come down to as low as INR30, INR40 lakhs. I think in the next one, two quarter, it should be fully turned around and become EBITDA positive. The revenue growth has been quite healthy. But again, because of the gastro unit in Vizag, there has been some impact in the last quarter.
- As far as mother and child in Andhra is concerned, we are fully operational in two of our facilities, one in Kurnool and one in Vizag. Like we said, we are adding brown seed expansion in each of our hospitals. So, over the next 24 to 36 months, we will see 50 to 60 beds across each of our hospitals go up and, in some facilities, much bigger. That's when we will start seeing more growth coming in from oncology and mother and child.
- Dinesh:** Okay, sir. Got it, sir. And my second question is on Sunshine Hospital. As we move to the new Begumpet building, so can we see any operational decline in the current quarter or in the first half of FY'25?
- Abhinay Bollineni:** In this, I think there is some continued lag that will be there in Q4. But after that, I think it should stabilize because by then, we would have completed the full transition. Patients would also be aware about this and things would have settled down in the new facility.
- Dinesh:** Okay. So, actually, the management has stated previously that Sunshine would reach a EBITDA maximum of 30%. So, currently, looking at the performance of Sunshine, I think it is right on track to meet that guidance, it is true, sir?
- Abhinay Bollineni:** Could you come again, please? I didn't follow your question?
- Dinesh:** Yes. Actually, previously, the management has guided that Sunshine's EBITDA would reach 30%. So, looking at the current performance of Sunshine, it was actually doing...
- Abhinay Bollineni:** Yes. In the long term, we are pretty confident that we will be able to get a 30% EBITDA margin as mentioned.
- Dinesh:** So, at least in the next financial year, sir? By the next financial year?

- Abhinay Bollineni:** Yes. We should be able to get to those kinds of numbers very soon.
- Dinesh:** Got it, sir. Thank you, sir. That's all from me, sir.
- Moderator:** Thank you. The next question is from the line of Nikhil Mathur from HDSC. Nikhil, please go ahead.
- Nikhil Mathur:** Thank you so much for the follow up. On Nashik, am I getting my numbers right? So, we are looking for a bed capacity of 280 beds, right, in FY'25?
- Abhinay Bollineni:** Correct. That's the full capacity.
- Nikhil Mathur:** Okay. And this would be available for the full year or you expect some start-up time and it might take a few months?
- Abhinay Bollineni:** We are looking at May, Nikhil. We are looking to operationalize it in May or towards the end of May. So, I think from the second quarter, we will have it.
- Nikhil Mathur:** Understood. And I think one of the participants asked you on the doctor recruitment process in Nashik. So, just wanted to understand where would we be getting the talent in Nashik? Sorry, I am not that aware of the existing hospital landscape of that city. So, if you can just help us understand a bit, what is the talent pool available, where you will be getting it, what are the organized competition that you see in that market from other major players?
- Abhinay Bollineni:** So, the organized competition is largely from Medicovert Hospitals and Sahyadri Hospitals. These are the two large facilities there. Both of them are 300 beds each. And there is a good supply of talent in the Nashik market. Some of the strong established clinics have shown a lot of interest. A lot of doctors are willing to shut down their nursing homes and move to a larger hospital, such as KIMS, and be able to lead the department and take things forward.
- So, we are not seeing any challenge. There is a challenge for the initial few specialties that we are going to launch. But as we keep improving the kind of work that we are going to start doing there [inaudible 47:13], we will start looking at doctors of Nashik or in the neighbourhood of Nashik who are practicing in different markets. We will try to start attracting them back to their...
- Nikhil Mathur:** Okay, got it.
- Abhinay Bollineni:** To begin with, like I said, the basic work that is happening in the tertiary care world, there are enough doctors available in Nashik practicing either in their hospitals or in competition hospitals.
- Nikhil Mathur:** Okay, understood. And sir, we have seen of late in the North, especially let's say in Lucknow, new facilities -- greenfield facilities that have been set up, they have bugged the past trend of five-six years of gestation. Rather, they have kind of reaching an optimum margin level in a two to three-year time period itself.

What are your thoughts on whether that is the supply-demand mismatch in a city like Nashik or some other cities that you are looking to enter as well? So, do you think that it could be a wider country trend of supply-demand imbalance due to which the gestations of greenfield setups can be faster than what we have seen in the past?

**Bhaskara Rao Bollineni:** See, the five-six years of a greenfield project was there about a decade back. The reasons were, at that time the talent was not there, the technology was not there, people's awareness in healthcare was not there. Now today, there are talents that are available.

It all depends upon the number of specialties that you start in a greenfield project. We shortened the breakeven point. Now anywhere -- wherever you start a greenfield of unknown place, it may even come down to one or two years. Places like Nashik, even still further come down, I believe it will be less than a year.

**Nikhil Mathur:** Am I getting it right that you are suggesting that EBITDA breakeven for Nashik can be within a year as well?

**Bhaskara Rao Bollineni:** I think so.

**Nikhil Mathur:** Understood. Got it, sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

**Lakshminarayanan:** Yes, thanks again. One question related to your employee costs. I see that employee costs are actually inched up on a 9-month basis, also on a quarter-on-quarter or annual or a sequential basis. So, can you just help me understand what is the band -- what is the percentage of revenue you like to keep the employee costs at?

**Abhinay Bollineni:** So, there were two reasons that the cost went up. One, we had invested in King's Cuddle, which we had to recruit more number of people as we launched the hospital. And, number two, because we were also shutting down the old functions, the CT and CT of our department there.

So, we had to run operations in both the hospitals. So, we had to recruit more number of people to be able to run the operation. Plus, given the new facilities in Bombay and Bangalore and Nashik are getting operational soon, we have picked up some staff for each of those hospitals in our current payroll, which will then be moved to those hospitals where those hospitals are operational. This is to bring them up to speed with the system and process.

**Lakshminarayanan:** Got it. So, this employee cost will be fairly fixed in nature, right? There is no variable component of it?

**Abhinay Bollineni:** No, no, no. It is all fixed.

**Lakshminarayanan:** And, what is the band you like to keep it at? See, right now it is around 16.8% on a nine-month basis. So, what is the band you like to operate at?



- Abhinay Bollineni:** We continue to remain the same way, like it has been for the last few years.
- Lakshminarayanan:** Okay. And, in terms of the consultancy fees, which comes in the other expenses, approximately what has been that number you keep in mind as a percentage of revenues?
- Abhinay Bollineni:** Given that we have a lot of new facilities in the country and in Nasihk where the doctor cost is slightly higher, I think around 20%-22% is where we think we will be able to complete the delivery of the doctor cost.
- Lakshminarayanan:** Got it. Got it. The second question is that, what is the mix of OP revenues and IP revenues for us on a nine-month basis?
- Abhinay Bollineni:** The ballpark number should be around 75% of IP revenues, 75%-80% and 25%-20% of IP revenues.
- Lakshminarayanan:** Got it. Got it. And, how has it trended in the last nine months? Has it changed a bit when compared to last year?
- Abhinay Bollineni:** No, it has remained the same. It has not changed.
- Lakshminarayanan:** Good. And, the last question is related to the pharmacy revenues. What is the kind of gross profit margin you make on pharmacy revenues?
- Abhinay Bollineni:** Hello?
- Lakshminarayanan:** Yes, in terms of your pharmacy revenues, which you gave a number that is around 30% of your revenues, what kind of gross margins you make on pharmacy revenues?
- Abhinay Bollineni:** We will look at that number and come back to you on this.
- Lakshminarayanan:** Okay. Okay. And, one last question. In terms of, you are entering into markets like Bangalore, which is highly competitive and also there is a higher critical care bed per population. How are you thinking about getting into these new markets where there is already a strong competition like Manipal or Apollo or Fortis in these places?
- Abhinay Bollineni:** Sir, as I mentioned earlier in our call, Bangalore, we are entering those micro-markets that are still underserved. So, it is not Apollo, Manipal, they are all present in Bangalore. But Bangalore is a very large city with multiple cash materials and multiple micro-markets.
- So, we believe there are a few unserved and untapped markets and the city is growing. So, while we enter the market, we continue to expand in the micro-market over a period of time. And, that is why we call it the South Indian City.
- Lakshminarayanan:** And, how do you stand out yourself in these markets in terms of attracting both talent as well as customers? How do you scale up in these markets?

**Abhinay Bollineni:** Yes, I think it is the same thing. You come up with a good hospital with good infra and good technology. Even if you look at the technology that is available today in Bangalore, it is still much lesser than some of the other South Indian cities.

Or, the number of 500 bedded hospitals that are available in Bangalore today are still less. So, if you are able to get to the right micro-market, you will be able to attract a lot of doctors who are practicing in smaller hospitals and not being able to do full justice. You will also be able to reach larger hospitals because you get better support from a multidisciplinary approach. You get more support on the technology front. This will help improve clinical outcomes for them as well. And, that is how we look at attracting doctors.

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

**Rahul Jeewani:** Yes. Hi, Dr. Abhinay. Given that we have relocated the Sunshine Hospital beside Begumpet, what happens to the old Paradise Campus? Any plans for that? Yes.

**Abhinay Bollineni:** So, Rahul, in Secunderabad, we have three blocks. So, we are demolishing Block 1 and Block 2 to add another tower there, which will give us an incremental bed. We haven't finalized on how many more beds we want to add there. But, because we are demolishing those two buildings, a lot of the services that were being rendered there are now being moved to the old Sunshine Hospital.

And, plus, we are also starting a new service on the rehab front, which is 100 beds dedicated for rehab services. Part of that cost is also getting incurred in this quarter's report for refurbishing the Sunshine Hospital to launch new rehab services at that hospital. And when the new facility for exchange is ready in the next 3-4 years, we will then shut down that hospital completely and move everything back to the KIM'S Hospital.

**Rahul Jeewani:** Okay. Sure. And on Sunshine, you spoke about 30% EBITDA margin. Now, part of this margin benefit was expected to accrue from the rental savings which you would have seen because of this relocation. But, given the fact that now you are retaining the Paradise campus as well, are you still confident of margins at Sunshine accruing to that particular kind of a number?

**Abhinay Bollineni:** Yes. So, I think this is in respect to the bed. In respect to the bed, we are pretty confident that Sunshine will be able to get a 30% margin.

**Rahul Jeewani:** Despite this campus still being retained by Sunshine?

**Abhinay Bollineni:** Correct. Yes. And this is a temporary thing. This is only for the next 3 years or 2-3 years. One chance, certainly, is where we will again surrender this and move back.

**Rahul Jeewani:** Sure. And just one request to Sachin. Sachin, in terms of segmental EBITDA disclosures, we have provided the EBITDA on the post-Ind AS and including other income. Whereas, earlier we used to provide the same number on a pre-Ind AS basis and extra for other income. So, if you can provide that as well, that will be helpful?

- Sachin Salvi:** Sure, sure. We will do that also.
- Rahul Jeewani:** Sure, sure, sure. Thank you. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Harsh from Bandhan AMC. Please go ahead.
- Harsh:** Yes. Hi, Abhinay. Good morning. Just one question from my side. In terms of your views, in particular, for this cashless everywhere news that is floating around. So, there are certain guidelines that GIC has come about with. So, just from your understanding for the sector, for the hospitals, obviously for the patients, it is beneficial. But just your thoughts on this cashless everywhere part?
- Abhinay Bollineni:** For the patients, it is definitely beneficial. For the hospitals also, it is beneficial where a few of the insurance companies are acting very stringent on the empowerment norms. But we still have to figure out how this happens. We have been talking to a few of the insurance companies. But we are yet to see full clarity on how this will be executed, at what pricing will it be done and so on and so forth.
- Harsh:** So, the on-the-ground work is still yet to be done. There is a lot more to be done before it gets implemented.
- Abhinay Bollineni:** Correct, correct. There is a lot more clarity to be achieved and a lot more work to be done.
- Harsh:** Okay. Thank you. Thank you.
- Moderator:** The next question is from the line of Dheeresh Pathak from WhiteOak. Please go ahead.
- Dheeresh Pathak:** Yes. Thank you for the opportunity, sir. So, this is slide 28 on capex. For Nasik, INR250 crores and Thane, INR250 crores. Now, this is all in capex, right? Including the land and the building, irrespective of the financing arrangement. This is the total budget cost, right?
- Abhinay Bollineni:** Dheeresh is it you. Please repeat questions again.
- Dheeresh Pathak:** So, Nasik, the slide 28 mentions 300 beds, INR250 crores of capex, right? So, this INR250 crores is including the value of the land and the building which the partner brought in or this is excluding that?
- Abhinay Bollineni:** Include it's the total project cost.
- Dheeresh Pathak:** Total project cost, right? And similarly, the Thane project also, INR250 crores is the total project cost, right? Assuming the land and the building is owned by, right?
- Abhinay Bollineni:** No, in Thane, it is not the total project cost. Sorry, Nasik is concerned that it is the total project cost.
- Dheeresh Pathak:** So, Thane, how much will it go up by if you have to spend on the land and the building?

- Abhinay Bollineni:** It will go up by another INR200 crores.
- Dheeresh Pathak:** Another 200 crores, right? Yes, and that is what we are doing?
- Abhinay Bollineni:** We are doing it only by ourselves.
- Dheeresh Pathak:** Understood. And maybe I missed this earlier. I think the audio from my side was not that good. You were giving some explanation. If you don't mind, can you just explain like in, let's say slide 20, right? The Telangana, the main cluster, the revenues are up year-over-year for the quarter. So, for example, we did almost INR20 crores more revenues in this quarter in Telangana cluster versus what we did in the same quarter last year. But EBITDA in absolute term is down. So, there is some cost. I think you were giving an explanation. I didn't fully understand. Similarly, in AP cluster also, the revenues are up, but the absolute EBITDA is down. So, there is some cost which, can you just explain again, what are the one-time costs that are there?
- Abhinay Bollineni:** Are you asking me what are the one-time costs that we incurred? I couldn't hear you.
- Dheeresh Pathak:** Yes. So, if you see slide 20. For revenue growth, we have been adding a lot of new specialties and a lot of new doctors across all our hospitals. You know, some of the significant ones are the mother and child launch at the KIMS United Committee. So, all of these are the sequential. In Q1 and Q2 also, the doctor cost has gone up. But correspondingly, the revenue flew through. But in Q3, the doctor cost continued to remain the same as Q2.
- But given that there is a dip in revenue because of the factors that I had mentioned earlier, we couldn't play out the operating leverage. So, though the revenue grew up, the EBITDA margins are dipped because we have invested in these doctors and revenues have not flown through because of multiple other reasons. So, even in the AP cluster, you have added new doctors with goes of I thought the mature clusters and, we are not adding new doctors?
- Abhinay Bollineni:** No, there are mature clusters from an age point of view, but there is a lot of growth that is still left in Andhra. When we are adding oncology, mother and child, there are many more specialties that we still have not been able to fully mature in Andhra facilities. So, it's a continuous thing on year-on-year basis we keep on continuing to add more and more doctors.
- Dheeresh Pathak:** Okay, and one last question. So, in this slide, let's say 20, you show bed capacity, operational beds. So, you are already running at very high occupancy. Why don't we convert more of the capacity into operational? There is still, 125 beds that can be added. Same in the Andhra cluster. Another 250-260 beds can be added from capacity to operational. So, what is the constraint from converting them from capacity to operational?
- Abhinay Bollineni:** Nothing, I think we will operationalize them soon. In the next two quarters, we will operationalize them.
- Dheeresh Pathak:** Okay, how many will move from capacity to operational in the next two quarters in these two clusters?

- Abhinay Bollineni:** We should bring in another 150 new beds.
- Dheeresh Pathak:** Okay, thank you so much.
- Moderator:** Thank you. That was the last question. I now hand the conference over to management for closing comments.
- Bhaskara Rao Bollineni:** Thank you very much for all the stakeholders who have given good views and their concerns. And we have a very, very pretty well understood the healthcare in a better way. And as we move on to a new area, it is not that in the last one quarter or two quarters we will put efforts on that. Before entering into the new areas like Bangalore, Thane, Nashik, Nagpur, and many other places, we do a lot of homework, identify the talent is available or not, the specialties that is lacking in the geography and all those things.
- Few of those things we are not able to convey properly now or because of various reasons. When we meet in the coming couple of months, we will come personally and meet all of you. We will explain how we can able to turn around. Even if you take about two decades back when Hyderabad was started, many people have the idea that it is already super saturated at that time. It was a big place like so many other chains were there at that time we started.
- Now we evolved as a number one player in Hyderabad. And that we have our own plans for making this new geography also very well. We give a lot more confidence on you people and we are very happy the way it is moving. We are very, very happy that we can able to deliver what we thought. Thank you very much for your patience and concerns. We will definitely be with you.
- Moderator:** Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.