November 19, 2024

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

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

Dear Sir/Madam,

Subject : *Transcript of the Earnings Call held with Analysts/Investors on November 11, 2024*

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

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

Please find attached herewith the Transcript of the Earnings Call held on November 11, 2024, with Analysts/Investors to discuss the Unaudited Financial Results of the Company for the quarter and six months ended September 30, 2024.

This is also available on the website of the Company - https://www.hcgoncology.com/investor-relations/

Kindly take the intimation on record.

Thanking you,

For **HealthCare Global Enterprises Limited**

SUNU MANUEL ABEY

Digitally signed by SUNU MANUEL ABEY
Date: 2024.11.19 12:27:56 +05'30'

Sunu Manuel
Company Secretary & Compliance Officer

"Healthcare Global Enterprises Limited

Q2 & H1 FY '25 Earnings Conference Call"

November 11, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 11th November, 2024 will prevail

MANAGEMENT: **DR. B.S. AJAIKUMAR – EXECUTIVE CHAIRMAN –**
MR. RAJ GORE – CHIEF EXECUTIVE OFFICER –
MS. RUBY RITOLIA – CHIEF FINANCIAL OFFICER –
MR. ASHUTOSH KUMAR – VP – STRATEGIC PLANNING & CORPORATE DEVELOPMENT
SGA, INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, welcome to the Q2 and H1 FY '25 Earnings Conference Call of Healthcare Global Enterprises Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company and it can involve risks and uncertainties that are difficult to predict.

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 star then zero on your touch-tone phone. Please note that this conference call is being recorded.

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

B.S. Ajaikumar: Good morning and welcome to our Q2 earnings conference call for HealthCare Global Enterprise Limited, today, I am joined by Mr. Raj Gore, CEO; Ms. Ruby Ritolia:, CFO; and senior management team, along with SGA, our Investor Relations Advisor.

I am proud to announce a robust financial and operational performance for Q2 FY '25, a testament to the dedication and expertise of our exceptional capabilities, team of doctors and support staff. For over 2 decades, HCG has served as a beacon of hope for millions, establishing itself as one of the India's most trusted healthcare brands. It is because of our team's commitment that today, we manage one of the highest volumes of complex cancer cases across diverse geographies, consistently delivering excellence even in the most challenging cases. This strong performance for the quarter not only reflects our operational capabilities, but also the resilience and compassion that define HCG.

At HCG, we recognize that cancer is complex and multifaceted disease with over 600 types identified, and each requiring a unique focused approach that diagnose and treat. Our models are based upon personalized patient-centric care, ensuring that each individual patient receives precise treatment tailored to their specific cancer type and stage.

This involves leveraging specialized teams that includes organ and modality-specific oncologists who collaborate to deliver comprehensive multimodal care. We are also, in this regard, have become leaders in research and academics. And our R&D department is one of the most growth-oriented department where we are seeing a number of people being published. In fact, recently at the conference in International Conference in Chicago, ours was the only Indian presentation at the podium presentation, and we are very proud of it.

Our commitment extends beyond treatment with an end-to-end approach that includes lifelong, after-care support, recognizing that cancer management is a journey that requires continuous vigilance and care. HCG's integration of advanced technologies, genomics, artificial intelligence reflects our dedication to staying at the forefront of cancer research, ensuring that our patients benefit from the latest innovations and cancer care.

In this regard, I'm again proud to announce that we have signed agreements with] TRUCAN in regard to working with them on fundamental biological research and also with Accenture where we are going to be doing computational work with them, which will help in identifying patients who require precise treatments. And based on that, we can bucket to see which patients requires the right treatment at what time.

Lastly, our hub and spoke module plays a crucial role in extending specialized and advanced care across regions with central hubs providing expertise and support a network of satellite centers. This structure ensures that even patients in remote areas have access to top-tier cancer treatments, contributing significantly to our operational success and most important, is bringing out better outcomes for these patients. As you know, in the past, the outcome has been a big answer, and we are very proud to say, today, HCG's data clearly says in some of our outcomes, are equal or better than the global standards.

In closing, our strong performance this quarter reflects HCG's commitment to excellence in cancer care. With a dedicated team, advanced technology and a focus on patient-centric treatment, we are well positioned to continue delivering high-quality care to patients across diverse regions. We remain committed to expanding our reach, enhancing our services and upholding the standards that have made HCG one of the most trusted names in healthcare.

We look forward to building on this success for the years ahead. I would now like to hand over the call to Mr. Raj Gore, our CEO, who will provide insights into our strategies moving forward and share the operational performance of the quarter. Raj?

Raj Gore: Thank you, Dr. Ajai. A very warm welcome to all the participants on the call. Today, I'm proud to announce that our performance for Q2 and H1 FY '25 has reached new heights, marking the best quarterly results in HCG's history and outperforming the industry growth.

We have achieved revenue of INR553.5 crores for the quarter, reflecting a robust growth of 14% compared to the same period last year. Likewise, our revenues for H1 FY '25 have also increased by 14%, standing at INR1,079 crores compared to H1 FY '24.

Our adjusted EBITDA crossed INR100 crores first time, reaching INR104.2 crores, witnessing a strong growth of 21% for the quarter on a year-on-year basis, and margins have shown significant improvement, reaching 18.8% in Q2 FY '25, compared to 17.8% in Q2 FY '24.

Pro forma revenue growth, including Vizag acquisition, stands at 20%, with EBITDA margin of 19%. This increase reflects higher revenue and cost efficiency with operating leverage positively impacting our performance. Additionally, we have focused on digital initiatives which have enhanced our operational efficiency and streamlined processes, contributing further to our margin growth.

This growth is a result of our collective efforts, driven by focused commitment to delivering clinical outcomes that match the best institutions globally right here across India and not just metro, but also non-metro locations.

The Oncology business has experienced impressive 20% growth after adjusting for the exited center in MSR, Bangalore last year. Revenue growth has been strong across all markets where HCG operates, reducing concentration risk and reinforcing our market leadership in 16 out of 18 locations.

The domestic business has performed strongly, more than offsetting a 17% decline in international revenue due to geopolitical challenges in a few markets, particularly in Bangladesh. We expect the situation to start normalizing by Q4 of the current fiscal year.

Looking ahead, we have been working on several key strategies to accelerate and sustain growth of HCG. After several years of steady organic growth, HCG is now focusing on accelerating its expansion through strategic acquisitions. In the past year, the company has completed 2 acquisitions, one in Indore and the other in Vizag, reinforcing our earlier stated position of adding 200 to 300 bps of growth through acquisitions.

Alongside our growth initiatives through acquisition, we are prioritizing brownfield expansion across our network with significant focus on our key markets in Bangalore, Ahmedabad and Cuttack. We successfully operationalized our new state-of-the-art 200-bedded comprehensive cancer care center in Ahmedabad in second quarter. The transition has been smooth with minimum impact on our business.

We are currently developing 2 state-of-the-art hospitals with a total of 125 beds in North Bangalore and Whitefield area in Bangalore. These facilities are expected to be fully operational by early FY '26. We plan to add 60 beds in Cuttack with the potential to expand to 100 beds in future.

Construction is set to begin in the current financial year with operations expected to start by early FY '27. We aim to expand in our existing markets by operationalizing over 900 additional beds across the network within the next 3 years, including this year's additions. Of these, 350 beds are fully invested, but not yet operational.

Now let me share an exciting update on our digital transformation initiative that we embarked about 2 years ago. To recap, there were 2 primary objectives behind it. First, with around 20 lakh reported new cancer patients diagnosed every year among the population of 142 crores, ours is a thinly dense widely fragmented target market. Taking advantage of increased Internet usage and evolving consumer behaviour, we want to make it easier for cancer patients across all India to find HCG care by creating online awareness and omnichannel access to quality care. This is a huge opportunity for HCG to move from being a network of current 18 physical micro markets to pan-India cancer network with a combination of physical and digital presence.

Second, we don't treat cancer, we treat patients with cancer. Cancer patients' journey starts before HCG hospital and continues after HCG for rest of their lifetime. We want to stitch together an omnichannel, seamless journey and a relationship with our patients with the help of digital technology. The objective is to build a long-term relationship with our patients to be a trusted adviser over a lifetime and not just care provider at one point of time.

We are pleased to share that our digital initiatives have significantly boosted our patient funnel, raising digital channel revenue to 14% of our overall revenue in quarter 2, up from 4% in Q2 of FY '23. By strengthening our patient acquisition capabilities through HCG-owned digital assets like websites, social media handles and online campaigns, we have been able to grow digital revenue 4.6x in metro and 6.3x in non-metro locations during this 2-year period. Our aim is to achieve 25% of revenue through digital platforms over the next 3 to 5 years.

Lastly, on our imaging centers, we've been focused on boosting revenue from these centers. I'm pleased to share that our center in Kolkata has shown particularly strong performance of 66% growth in revenue. This growth has not only increased our margins, but also contributed to an overall revenue boost, helping us absorb fixed costs and drive operating leverage, which has positively impacted our margins.

Our South Mumbai center has faced challenges due to the decline in international business due to geopolitical situation in key markets, though domestic business continues to grow. To offset this, the company is expanding into new domestic catchments. While international business is expected to recover by Q4 of fiscal year, we remain confident in the center's potential for a turnaround.

Recent acquisition of MG Hospital in Vizag has been progressing in time with our plan, and we are rightly positioned to consolidate our presence in the region. As we look to the future, we remain focused on innovation, patient centered care and expanding our reach to bring hope and healing to more cancer patients. Together, we are not just building a stronger organization, but a brighter future for all those we serve. Thank you for your continued trust and support on this journey.

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

Ruby Ritolia: Thank you, Raj, and good morning, everyone. As Raj already enumerated, I am pleased to report that our performance this quarter demonstrates strong momentum with a robust 14% year-on-year growth, driving our top line to INR554 crores for the quarter ended -- for the second quarter ended FY '25.

Excluding Milann, our HCG centers delivered an impressive 15% Y-o-Y revenue growth, fueled by consistent volumes increase across all modalities. Specifically HCG oncology centers, on a like-for-like basis, adjusting for a closure of M S Ramaiah Hospital, achieved an outstanding 20% growth year-on-year.

Our key operating metrics have also shown significant improvement this quarter. OPD footfalls, which are a vital indicator of volume growth and accounting for 18% of our revenue, increased by 9%. In Medical Oncology, we saw a 14% increase in chemotherapy sessions, reflecting the continued expansion of our patient base. Capacity utilization for our LINAC machine reached 70%, up from 65% in the previous quarter, 3 machines currently being under replacement. Through our innovative pay-per-use model, we were well positioned to expand LINAC installation in new locations in the near future.

Additionally, our patient bed occupancy rate remaining strong at 61%, underscoring our commitment to optimize facility utilization and improving patient access to care.

Turning to our core operations, both our established and emerging centers have delivered strong performance this quarter. Our established centers continues to demonstrate steady growth with a 13% year-on-year revenue growth alongside a robust 20% growth in EBITDA. At the same time, our emerging centers have exhibited exceptional momentum, achieving a 32% increase in revenue for the quarter with EBITDA expanding fivefold.

Notably, our Kolkata center has posted an impressive 66% revenue growth, while our Mumbai centers have collectively grown by 15%. We are also on track for our South Mumbai centers to breakeven this year. These markets are pivotal for us as they are located in Tier 1 cities with large catchment areas and are key hubs for international patients.

The outstanding growth in our emerging centers is a result of multiple initiatives implemented across locations, which is further bolstered by operating leverage that is steadily enhancing our financial profile. We are confident in our ability to maintain this upward trajectory as our strategic initiative coupled with enhanced operational efficiencies, continuing to drive sustained growth and strengthen our overall financial performance.

Coming to ARPOB. Total ARPOB grew by 7.4%, standing at INR45,188. Established centers witnessed an ARPOB growth of 7%, standing at INR43,394. And ARPOB for emerging centers witnessed a strong growth of 10%, standing at INR72,652. Capex spends for the quarter was INR52 crores, which includes the CyberKnife replacement in Bangalore. We expect the capex to be around INR250 crores to INR300 crores in FY '25.

Other income for the quarter includes onetime insurance claim and EPCG settlement to the tune of INR6 crores. Our ETR for the quarter is at 25%, and this is on account of profit accruing in subsidiaries, thereby minimizing the tax credit losses that we have.

This is the performance summary that we had to share. If you have any further questions, please let us know.

Moderator: Thank you very much. Our first question is from the line of Sagar Tanna from Alchemie Ventures. Please go ahead.

Sagar Tanna: Congratulations on a good set of numbers. I think you've been delivering what you've been talking since the last few quarters. I have 2 questions. One is, what was our loss in Bombay Hospital in the first half?

Raj Gore: Loss in terms of EBITDA?

Sagar Tanna: Yes.

Ashutosh Kumar: The Bombay Hospital, both put together posted a profit of INR 10 million in quarter 2 and INR 25 Million for first half

Sagar Tanna: Which is South Bombay and Borivali, right?

Raj Gore: Yes.

Sagar Tanna: No. Just the South Bombay hospital, what would be the total loss for the first half?

Ashutosh Kumar: The South Bombay's first half would be close to about INR4.3 crores,

Sagar Tanna: INR4 crores odd, right? Okay. Second thing you've also mentioned there is some slump sale or divestment of the business to our wholly-owned subsidiary. Can we explain this transaction and how it impacts and what is the rationale behind this?

Ruby Ritolia: This transaction that we have mentioned as a resolution to the Board meeting has been on account of us looking at our Triesta and Cyclotron business, moving out of the HCG fold into a separate entity from where we can look at growing it beyond the HCG networks also. So this is more on account of business realignment where onco comes under one company and the expandable business, which we can look at expanding beyond our own network, which is the lab and the Cyclotron business can move to a separate entity. It also allows greater freedom with a separate entity structure.

Sagar Tanna: So what all scope of activities will we undertake here?

Ruby Ritolia: So largely, it will be the lab business and the Cyclotron. Lab business, which is under Triesta.

Sagar Tanna: Got it. So it will be more like a stand-alone radiology, pathology lab kind of a business? Is my understanding correct?

B.S. Ajaikumar: No. I think the main reason is, as we know, diagnostics has become very important in any field, particularly oncology, with re-expanding into genomics and personalized treatment. What Ruby was trying to convey is, there is a scope for expansion beyond HCG. So it requires a focused approach, and that is why we decided to take this action. So it could grow as Triesta brand name.

And similarly, the Cyclotron, which is a production of FDG, it's a production unit, which can produce FDG for non-HCG also. So these 2 areas have been brought together. Their growth has been good and they can continue to grow beyond HCG growth. That is the intention we have to see that it can grow. .

Sagar Tanna: So currently, how many centers do we have?

B.S. Ajaikumar: You're talking about HCG centers?

Sagar Tanna: No, these Triesta centers?

B.S. Ajaikumar: All of the Triesta centers are there wherever the hospital are, like 24 centers, we have Triesta centers all over. They're all attached to hospital. Now we are trying to see how we can bring in work from outside our HCG hospitals. That is the intention.

Sagar Tanna: Got it. So it will not be like a stand-alone, and it will continue to be a part of a hospital network or part of the hospital infrastructure itself? Is my understanding...

B.S. Ajaikumar: At this time, that is the goal.

Moderator: The next question is from the line of Ankush Mahajan from Axis Securities.

Ankush Mahajan: So sir, this is once again that in the existing center, EBITDA is on sequential basis, is on the lower side. So the question that still arises that on existing centers, when would we will build a double-digit ROCE? I really appreciate, sir, if you throw more light on this side because continuously, we are focusing on this part, still existing centers are not making ROCE, and the EBITDA is continuously decreasing. So would you throw some more light on it, sir, that if you compare the ARPOB of the Max and Fortis, they are quite on the higher side. We are still at a -- gap of ARPOB. That is a major reason. We want just your view on it, sir, that ROCE on the existing centers.

Ashutosh Kumar: Ankush, this is a question on existing centers or emerging centers? Emerging centers, right?

Ankush Mahajan: Emerging centers, emerging centers.

Ankush Mahajan: No, no. Existing center. Existing centers are already... I am talking about existing centers, sir. This is more than 2 years now.

Ashutosh Kumar: Look, just a clarification, sorry for repeating it. Is this question on emerging centers or existing centers?

Ankush Mahajan: Emerging. Emerging centers, sir.

Ashutosh Kumar: Yes. So there are 2 things here we need to look at it. One is, we have changed the definition of our emerging centers. Now only 3 centers are part of our emerging center, which is Mumbai, 2 centers and Kolkata, 1 center. We have been reporting strong performance on Kolkata from last 3, 4 quarters.

As you see an impact at the current year, we are expecting to add almost about more than INR10 crores of EBITDA in the current center. Last year, Kolkata Center delivered a negative growth of almost about 20%. This year, we are on an H1 annualized basis, it's a positive ROCE already. This ROCE in Kolkata Center, is expected to be in double digits or in high teens. So this is showing the path -- Kolkata is showing the path in terms of where the ROCE could be.

There has been a dramatic change in terms of return profile of that center. So this is one market within the emerging center. So we are very hopeful with the progress the way we are making in Kolkata.

The second one is, in Mumbai centers, we are progressing well as far as our Borivali center is concerned. We are generating decent ROCE there in single digits. We have our own challenge as far as South Mumbai is concerned. So in our entire portfolio, be it emerging or existing, we have 1 center which we need to turn around, which is South Mumbai. That center is also heavily invested with capex in terms of technology.

There are 2 radiation machines, together, they account for almost about INR30 crores, INR35 crores. So overall, we had made an investment of INR100 crores in South Mumbai. So this is one center-specific issue, and we are very hopeful that as the Kolkata and Borivali center grows, our ROCE should pan out. We have our task in hand as far as South Mumbai is concerned, which we expect to turn around within a couple of quarters.

Raj Gore: If I can address your ARPOB.

Ankush Mahajan: Yes.

B.S. Ajaikumar: Yes, go ahead please.

Ankush Mahajan: Sir, my question was, if we compare with the industry leaders, like Max and fortis, they have a higher ARPOB. So can we reach to these levels? What are the aspirations?

Raj Gore: Yes. So as you know, historically, we've had a larger presence in Tier 2, Tier 3 markets. The centers that we have opened in the last 5 years are largely in Mumbai, Kolkata and better and bigger quality of markets like Nagpur andBaroda. We have moved from about INR35,000, INR36,000 ARPOB 2 years ago to INR45,000 ARPOB in the previous quarter. That's a blended ARPOB for the whole network. But if you look at our ARPOB in, let's say, Bangalore or Ahmedabad, it is in the mid 80s. If you look at our ARPOB in Mumbai, Kolkata, it's in higher 60s or lower 70s. If you look at our ARPOB in Nagpur, Baroda, which are growing very well, they are in 50s.

As these centers continue to grow and contribute higher percentage revenue share to the total revenue, our ARPOB will continue to improve in the north direction. So once again, we've made a very good progress on ARPOB in last 2 years. Our big market ARPOB is actually comparable or better than many other players. And as we grow, our ARPOB will start moving in the north direction.

Moderator: Our next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Raj, you mentioned in your opening comments around your digital initiatives. I mean 2, 3 things. One is, a, can you just help us understand, the strategic importance of increasing digital sales in the business? And I mean, what kind of impact does it have on the profitability? I mean, is it a more profitable stream of business than the nondigital part of the business? And does it really contribute much to the metro part of the business or the non-metro part, if you can just probably throw some more light on these aspects.

Raj Gore: So thank you for that question because this initiative is really important strategically for us, this initiative. As I mentioned in my commentary, we know from our experience that India as a cancer market is growing at a very high rate. The availability of comprehensive cancer care is skewed towards metro cities, and it is not available if you go even 50, 100 kilometers away from metros.

Now we know that if there is any specialty where patients don't mind traveling large distance, it's cancer. Historically, we've seen, the public hospitals or trust hospitals, which were cancer-focused, like Adyar Cancer Center, Kidwai cancer center, Rajiv Gandhi, Tata, have drawn patients from all across India.

Now we see that HCG, as the dominant player in cancer, we should be able to tap into the entire Indian market. And the best way to reach out to these cancer patients and create awareness and make sure that we convert them into need is through their mobile phones or through their laptops.

So therefore, I think what we are doing is currently, we are sum of our 18 micro markets, physical micro market with our digital initiative, with online presence and awareness, we have our ability to have a pan-India virtual and a physical market. We know that a consumer behavior is also evolving at a very rapid rate, where -- forget cancer, even to go to a restaurant to buy any product, to experience any service, we reach out to Internet and we do our background work.

When it comes to life and death in cancer, patients are definitely going to exercise that option. That gives us an opportunity to get into their consideration set because after all, we are the largest player. And with online presence, it's easy to get into their consideration set. Once we get into their consideration set, what we have is the omnichannel platform, websites, social media campaigns, social media handles, call center.

With a newly implemented CRM center and a digitized call center, we have the ability to convert every query, every lead in few clicks to our OPD consultation chamber of our oncologists. And then we have a longitudinal visibility from an initial interest leading to OPD consultation to diagnostic, to treatment, to post successful treatment, follow up in 3 months, 6 months, for rest of their lifetime through our CRM capability.

So in many ways, it's not necessarily a digital transformation, it's actually a transformation of our relationship with patients from a episodal relationship to a lifelong, trusted adviser relationship, that gives us ability to be there for cancer patients and meet all their needs before hospitalization, post hospitalization, and give us the ability to nudge them to come back after post successful treatment for follow up, so we can ensure that cancer hasn't come back. And unfortunately, if it comes back, we have the ability to detect in time, which is a key to delivering better outcomes and bring them back for treatment again.

So it's a very strategically important initiative. As I mentioned, we usually make a mistake of associating Internet usage to metro cities. What we have seen is some of the markets, we have very good response in nonmetro markets. Our metro markets have grown 4x. Our nonmetro markets have grown more than 6x.

Now what we are doing is adding vernacular capability in our call centers, website, social media, YouTube channels, which, I feel, will give us even a deeper penetration in Tier 2, Tier 3 markets where there is a dearth of cancer treatment options and therefore, gives us the ability to bring them to our physical locations.

So that's our overall strategy for digital. We have grown to about 14% in just 2 years from a 3%, 4% of our total revenue coming from digitally influenced footfalls. We are very confident, in the next 3 years, we can take it to 25%. Today, digital revenue is our second largest hospital if I look at that. And we feel, going forward, that will continue to be our largest hospital in terms of patient footfalls.

Ashutosh Kumar: Just to add to Raj, your other question was on profitability from patients sold through digital means. The primary difference, as far as the profitability is concerned between digital and nondigital sourced patient lies in the cost of acquisition of the patient.

So as you would know that we have 2 sources of the patient, one is B2B. B2B is primary to our network particular in doctors, where our costs somewhere lies close to about 6% to 7%. In comparison to that, the digitally-driven patients, the cost of acquisition of those patients are in the range of 1.5%.

Within digital channel, I mean, there are 2 primary sources. One is organically sourced patients and second is digital campaign-led patients. Our cost of acquisition of patients through digital campaign-led is a little higher compared to our organically sourced patients.

What we have seen over the last 3 to 4 quarters is that the source -- I mean the patient volumes for our organic channels are increasing compared to a campaign-led channel. So as we move forward, this 1%, 1.5% also is expected to go down in future. So we're very open in terms of -- since it is a very highly profitable channel of our business, as it grows, that should also add to our overall margin.

Raj Gore: Thank you, Ashu. And there is one more point. If you look at industry after industry, the disruption has happened into digital technologies in customer acquisition front. We've seen e-commerce platforms doing backward integration and acquiring brick-and-mortar businesses. This is our way to go forward. We have the strongest network of brick-and-mortar hospitals. This is our way to move forward and create a virtual channel and own the relationship with cancer patients directly without any middle person. Whether anyone refers them or not to us, we want to have that ability to create awareness and get into their consideration and own the relationship directly with our cancer patients throughout their lifetime.

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

Shyam Srinivasan: I joined a little late, so if it's been asked, just pardon me. So just on the MG Hospital acquisition, they have about 30% share. I think you also have a reasonable amount of share. So I just want to understand from a micro market of Vizag perspective. And when I look at some of the growth estimate, I don't know why it's fiscal '24 E for -- in your Slide 29, but growth has been 5%, 6% only for this particular hospital.

So how should we look at growth for this, once we get it acquired into our system? Do you think there are scope for improving the growth? and the margins, when I look at it, I know you've talked about it in the past as well, but they're sliding down. So anything that you think we need to do differently for this acquisition?

Raj Gore: Yes. So Shyam, thank you for that question. This is a new question this time. However, we addressed some of your concerns in our previous calls on MG acquisition, but I will again explain. We have had a presence in Vizag from 2017, '18. We have a 17% market share. #1 player has been MG with more than 30% market share. We felt that Vizag is a top 10 GDP growing city market in India.

So it's an important location for a state of Andhra Pradesh with port, airport connectivity and focus on industrial growth. We felt that we had a perfect opportunity to consolidate our market share in this city and state where we already have a larger presence.

Now coming to your question of MG growth, what we have observed is there are 2, 3 levers that we have available. One, we have identified the way to add about 25 beds in these centers, that will ensure growth.

We will -- on the other hand, in our own center, add about 30 to 35 beds this year and another 30 to 35 beds in the coming 2 years. So between these 2 setups, we will be able to add about 60 to almost 90 beds in next 2 to 3 years. That will ensure that both businesses and our market share in Vizag continues to grow.

We have identified synergy levers on the revenue side. Both hospitals have independent, deeper penetration in terms of your go-to-market capability, referral network. Both hospitals have very strong capabilities on clinical side, but there are complementary capabilities that we can spread over both centers rather than just one center to drive better utilization of our medical equipment and clinical program and get better productivity on our sales and marketing machinery. I think as a combination of that, we are confident that we'll continue to grow both businesses and combine the business in this market going forward.

Shyam Srinivasan: Sir, when you look at debottlenecking, like you said, when you are trying to add these, what is our current AOR? Or I know it's less relevant for oncology, but I just want to understand, is that -- what is the current AOR at MG?

Raj Gore: Yes. So I think MG would be about 70%-75%. And that is probably the reason why it's been stagnating or slowing down in last previous years, and that's what we are debottlenecking going forward.

Shyam Srinivasan: Yes. Just the second question on the overall company. If you could exclude MG, I just want to understand how should we look at like overall growth for the remainder of the second half top line? And what could happen to margins? If you could give us some directional sense, please.

Raj Gore: Yes, as I said, we have -- in H1, grown at a 14%. Our oncology business has grown at 20%. If we adjust the exit from MSR Bangalore Hospital, which was there last year. So I think we are outpacing the industry growth. We'll continue to move -- maintain that momentum in Q3 and Q4. We are very confident.

As you know, –in both quarters, Q1 and Q2, we've had about 100, 110 bps margin expansion. We will continue to move forward on our margin expansion journey. And before you joined, we shared that we feel that we will -- today, if you look at a pro forma basis, we are 19% EBITDA without MG, we are about 18.8% adjusted EBITDA. We will continue to go forward on our margin expansion and will inch towards 20% by Q4.

Moderator: The next question is from the line of Yash Darak from RSPN Ventures.

Yash Darak: With respect to other income, INR5 crores of other income came to be a one-off. So are we expecting the other income to run down a bit during the year? Or is it going in the same range?

Ruby Ritolia: This onetime is only for this quarter. We reported a PAT of about INR18.2 crores, INR18.3 crores, and which, if we were to adjust for these onetime, would go to about INR15.3 crores, INR15.4 crores. However, as we know that in quarter 3 and quarter 4, we get a better operating leverage and margin expansion happens. That would also flow to the PAT. So this onetime expenses were one time. These will not continue.

Yash Darak: Okay. And can you give an ETR guidance for the full year? Are we expecting to pay more tax in Q3 and Q4?

Ruby Ritolia: So ETR, we will be around in the range of about 28% or so. We should be below that. So we'll continue with a better ETR percentage. For the first time, we hit 25% this quarter, which was on account of largely our subsidiaries turning into profit and thus we, not losing our tax credits over there. We hopefully want to continue for the rest of the year also, it should not go beyond 28%.

Yash Darak: So in the Ahmedabad facility, is it completely operationalized? Or are you expecting it to ramp up slowly?

Raj Gore: No. So did I hear the name correctly, Ahmedabad?

Yash Darak: Yes, yes.

Raj Gore: Yes. So just to recap, what we've done in Ahmedabad is we had about 100-bedded facility, – region where we have a dominant market share. While we continue to grow, the capacity was a bottleneck. In the last quarter, we moved to a newly built to our spec modern premium facility, which is 200 bedded. We have moved from our old facility to the new facility. That transition happened in Q2. with this additional capacity we will continue to ramp that facility going forward, which will give us an ability to grow at a higher rate going forward.

Yash Darak: Just a last question. The total capex for the year is around INR300 crores. By now, how much have we already incurred? And the average cost of debt.

Ruby Ritolia: In quarter 1, we incurred about INR80 crores, and current quarter, we incurred about INR50 crores. So about INR130 crores, we have already incurred.

Yash Darak: And the average cost per bed ?

Raj Gore: the capex is an amalgamation of your maintenance capex as well as growth capex. So it's difficult to give you an average per bed because it's a mix of both.

Ashutosh Kumar: And. Just to add for the newly -- new beds which we are adding, we have separately disclosed in our presentation for Ahmedabad and North Bangalore.

Moderator: Our next question is from the line of Priyank Parekh from Abakkus Asset Managers LLP.

Priyank Parekh: Just wanted a clarification on the number of beds that we would be having third quarter onwards. So currently, we have 1,809 beds. So next quarter, we will be operationalizing, I mean, consolidating Vizag 100 beds. And I think 100 beds from Ahmedabad. So is it fair to understand that we'll be having close to 2,000 beds in the next quarter onwards? Operational beds?

Ashutosh Kumar: So as far as the patient beds are concerned, we have included in quarter 2, of the 200 beds, we have operationalized about 118 beds in Ahmedabad. We may be adding may be 15, 20 more beds in terms of operationalizing them. But more than that, we are not operationalizing. So as the volume grows, we will continue to operationalize more beds. In the next 2 quarters, we may be adding only about 20, 25 more beds and addition of MG Vizag beds.

Priyank Parekh: Okay. So 1,900, 30, 50 kind of beds.

Ashutosh Kumar: Yes.

Priyank Parekh: Okay. Understood. And, sir, on pre-Ind AS EBITDA level, what should be the right figure to date for FY '25?

Ashutosh Kumar: Is that pre-Ind AS question? What was that, sorry?

Priyank Parekh: Yes, pre-Ind AS...

Ashutosh Kumar: You're not audible clearly.

Priyank Parekh: Sir, now am I audible?

Ashutosh Kumar: Yes.

Priyank Parekh: Yes. Sir, you say that we'll be inching towards 20% post-Ind AS EBITDA for this year. What should be the pre-Ind AS number corresponding to that?

Ashutosh Kumar: We have a rental cost of about INR25 -26 crores per quarter to be adjusted.

Moderator: Our next question is from the line of Dhruv Shah from Dalal & Broacha.

Dhruv Shah: Sir, my first question is with your focused strategy on expanding through inorganic acquisition of brownfield. So approximately, what kind of size of these acquisition are you looking at, say, in terms of value and, say, in terms of bed capacity? And what is the payback period that you're expecting from it?

Ashutosh Kumar: So typically, the stand-alone cancer centers which becomes our targets are in the range of 80 to 100 beds. And the acquisition price is in the range of 10x to 12x of the EBITDA of the operating hospitals. And our payback period for these acquired hospitals is in the range of 6 to 8 years, depending on whether it is our strategic value or financial value.

Dhruv Shah: And are you looking at new geographies? Or are you looking to expand in the current geographies only?

B.S. Ajaikumar: I think I think our expansion policy, as what we have taken as a call, is to do in the current geography as much as possible. We are, as you know, in the Bangalore, we are in Gujarat as well as in Maharashtra area as well as in and around Kolkata. So initially, we want to expand existing center around that areas. We also have a plan of developing oncology outpatient clinics. That is our goal right now to expand in existing areas, more or less. Ashutosh, do you want to add anything?

Ashutosh Kumar: No, no.

Moderator: Dhruv, does that answer your question?

Dhruv Shah: Yes, yes, yes. Just one more question. So currently, close to 2,000 beds we have. So by FY '26 and FY '27, what kind of bed capacity should we look at, including both your...

B.S. Ajaikumar: I just want to say, I know before Raj will also say a few things on this. As we know, oncology is more and more becoming outpatient. Always, it has been and it is trending towards more. Our average length of stay actually is below 2 days. So when we look at it, our focus will be more on footfalls, outpatient care on that. So unlike a regular multi-specialty hospital, once you look at the oncology center, as total in terms of what is the exact number of footfall of patients. And that is what we'll be focusing on. But naturally, the bed strength will increase, but more focus is on the football.

Ashutosh Kumar: just to add to what Dr. Ajai said that it is very evident from the average length of stay within our hospitals going down, that is becoming more and more outpatient. And on the expansion beds also, we have a decent number of day care beds and not all inpatient beds.

Just to reiterate what Raj said earlier in his speech, is that in the next 3 years, we are going to operationalize incremental 900 beds, including the beds which we have added in Ahmedabad. Of the 900 beds, we have already invested in 350 beds. The incremental 550 beds is what we'll be investing in the next 3 years.

Moderator: Our next question is from the line of Nitish Rege from ChrysCapital.

Nitish Rege: So as you mentioned earlier on the call that we've moved locations in Ahmedabad. So -- and this will involve shifting of large equipment. So can you quantify how much of this onetime expense have you incurred for this?

Ashutosh Kumar: So yes, we have done this. And I think broadly, we have been very meticulous in terms of transitioning our equipment. I think the one-time cost is in the range of INR1 -INR1.5 crores of primarily shifting the medical equipment, the large -- the bigger equipment, LINAC and PET/CT. This is a range of onetime cost which we have incurred.

Nitish Rege: Okay. And also, is there any impact of severe rains on LINAC being down during the quarter?

B.S. Ajaikumar: Actually, the LINAC is not going to be that much down because one of the LINACs is functioning in the existing center, which is outside the purview of where we are exiting. That's a separate center. Bunker is there. And so that will absorb most of the patients -- have already absorbed. So there has been very little downtime in this.

Ashutosh Kumar: Only around 20, 25 patients, we have been treating less. We transferred all the patients to other machine tomotherapy. But given that capacity limitation of tomotherapy, we could take 20, 25 less per month. Some impact was there.

B.S. Ajaikumar: Actually, we put them on wait list and observed all of them.

Raj Gore: That's right. Going back to your question, there was some rain disturbances in Gujarat region during last quarter. And when it comes to LINAC, we have upgraded our LINAC in Bangalore, one LINAC and one CyberKnife during the last quarter. They are fully operational by end of quarter. So now we have upgraded CyberKnife and LINAC in our Bangalore hospitals.

Nitish Rege: Okay. Sorry, could you quantify the impact, please?

Ashutosh Kumar: So in terms of revenue, I think broadly about INR 2.5 crores revenue impact would be there in the quarter

And the EBITDA impact, I mean, radiation typically is our high margin business. The EBITDA impact would be in the range of about 70% -- 70%, 75% after revenue impact.

Moderator: Our next question is from the line of Nancy Yadav from Allegro Capital Advisors.

Nancy Yadav: I wanted to understand the capex place for the previous half year that has gone by. If you could tell me the total amount has been used for what all?

Ashutosh Kumar: As Ruby mentioned, around INR54 crores of capex has been spent in quarter 2. Of that, INR18 crores of capex has gone towards the growth capex. And we made a large replacement in our Bangalore center, as Raj mentioned. We replaced our CyberKnife at Bangalore center. That cost us about INR25 crores. So INR25 crores plus INR18 crores is the major spend, which is INR43 crores, the remaining are all maintenance capex.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was our last question for today. I would now like to hand the conference over to the management for closing comments.

Raj Gore: So once again, thank you for joining us and showing your interest and encouragement to HCG. We are really happy to announce the results. We're very confident that we're going to maintain our momentum going forward and continue to grow the business profitably going forward. Thank you once again, and wish you good luck.

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