

25th May, 2023

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

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

In continuation to our letter dated 17th May 2023, the Company organized a conference call with the Investors/Analysts on Friday, 19th May 2023 at 11:00 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 on the Company's Website at <https://www.kimshospitals.com/investors> > Disclosures under Regulation 46 of SEBI (LODR) Regulations, 2015 > Analysts Calls schedule, PPT & Transcripts > Transcripts, Audio & Video Recordings > FY 22-23.

Kindly take the same on record and display the same on the website of your exchange.

Thanking you,
Yours truly

For Krishna Institute of Medical Sciences Limited

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UMASHANKAR

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Uma Shankar Mantha
Company Secretary & Compliance Officer



“KIMS Hospitals Q4 FY2023
Financial Results Conference Call”

May 19, 2023



ANALYST: MR. RAHUL JEEWANI – IIFL SECURITIES LIMITED

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



*KIMS Hospitals
May 19, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the KIMS Hospitals' Q4 FY2023 Financial Results 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 "*" then "0" on your touchtone phone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you Sir!

Rahul Jeewani: Good afternoon, everyone. I am Rahul from IIFL Institutional Equities. I welcome you all to the Quarter Four Earnings Conference Call of KIMS Hospitals. From KIMS, we have with us Dr. Bhaskar Rao Bollineni, Founder and Managing Director, Dr. Abhinav Bollineni, Executive Director and CEO, and Mr. Vikas Maheshwari, Chief Financial Officer. Over to you Sir for your opening comments.

Bhaskar Rao Bollineni: Very good morning and a hearty welcome to you all. Two days back, that is May 16, 2023 is observed as International Day of Families. Please accept my greetings of the lovely occasion. Family denotes a sense of belonging and commitment. Family is not necessarily blood; it is the people in our life. As investors, you belong to KIMS family. As such, we will walk together and grow together.

Now let me have the pleasure of apprising you of the financial and operational highlights for the financial year 2023, which marked another successful and growth oriented year. The robust growth is a reflection of the trust reposed in KIMS by patients and their relatives on account of its patient care, clinical excellence coupled with affordability.

Now coming back to the financial highlights, quarter four FY2023. Consolidated revenue from operations grew by 54.7% year-on-year basis and a 2.4% on a quarter-on-quarter basis to Rs.5759.2 million. Consolidated EBITDA pre Ind-AS and other income grew by 38.8% on a year-on-year basis and 8.3% on a quarter-on-quarter basis to Rs.1563.3 million.

Consolidated EBITDA margin stands at 27.1%, which has improved by 1.4% over the previous quarter led by operational efficiency. The consolidated PAT grew by 18.4% on a year-on-year basis and 20.6% on a quarter-on-quarter basis to Rs.986 million. The consolidated earnings per share grew by 15.6% on a year-on-year basis, and 22.8% on a quarter-on-quarter basis to Rs.11.7. The financial highlights of the year-on-year financial year 2022 to 2023. Consolidated revenue grew by 33.1% to 21976.7 million in FY2023 from 16508.3 million in FY2022.

Profit before tax increased by 5.1% to 4700.8 million in FY2023 from 4473.7 million in financial year 2022. EBITDA pre Ind-AS and other income increased by 12.6% to 5766.4 in FY2023 from 5122.4 million in FY2022.

The operational highlights. The average revenue per patient and average revenue per operating bed registered improvements both on quarter-on-quarter and year-on-year basis. The IP and OP volumes displayed a strong growth on year-on-year basis. The expansion project status. KIMS Sunshine Secunderabad Hospital is expected to be completely shifted a new state of the art facility by quarter two financial year 2024. Nashik, the Greenfield project and Bangalore Semi Brownfield are progressing well and are expected to be operational as per schedule. Vizag Gastro Unit is ready and will be operational by quarter one FY2024. Thane projects legal documentation work is in progress, and expected to be completed by June 2023. The hospital is expected to be operational by quarter two financial year 2025. On the digital side, SAP has been successfully implemented and gone live at a few of our units and is expected to be fully implemented across all units by the end of financial year 2024.

We will let you know about some achievements during this quarter. At KIMS Cuddles Kondapur a marathon followers surgery was performed on a three day old baby to help him continue his breathing. Usually such surgeries are performed only on children at least four weeks old. The Maharashtra parents were delighted at the rebirth by doctors to the newborn. Such a newborn and such a major operation to perform speaks about the teamwork by the neonatologist, the operation surgeons and the postoperative care. A 12 year old boy suffering from a rebuilding disorder was treated successfully at KIMS Secunderabad. The 58 year old woman was treated successfully after undergoing a complex cancer related surgery lasting 7 hours at KIMS Vishakhapatnam. That means all our peripheral centres are also geared up to take up the complex surgeries and we are building that unit in one of the best unit in that region.

Endovascular coiling was performed on a 46 year old patient successfully at KIMS Vishakhapatnam, thereby preventing disabling coma. Even though it is a very important event of coiling prevent a lot of disabled personality and as well as crippled life. Even if place of Vishakhapatnam we are performing means that the centre has been growing up very well. A Zambian nurse with severe intestinal damage underwent a lifesaving surgery at KIMS Secunderabad after a series of failed surgeries back home. Iraqi boy with a severe knee deformity was successfully operated at KIMS Kondapur making him to stand straight on his legs with dignity. This speaks about how our international patients are improvising after the post COVID. Bilateral retinal case with a brain complication was treated successfully at KIMS Vishakhapatnam to prevent blindness.

The academic accomplishment and awards. Following are the accomplish pertaining to quarter four financial year 2023. Dr. Sita Jayalakshmi Satuluru was honored by the American Academy of Neurology with 2023 A.B. Baker Teacher Recognition Award. Dr. P Raghuram, Director of KIMS Ushalakshmi Centre for Breast Diseases, is the first surgeon from Telangana in Andhra Pradesh to be appointed as International Adviser by the Royal College of Surgeons and Physicians of Glasgow from 2023 to 2026. In this role he would be providing strategic guidance and advice to the Royal College from India. Our doctors at KIMS distinguished themselves in academics also with their valuable contributions to national, international journals. The academics is the most important and administrative role that our to consultants are taking will help us to build our organization, to expand our organization into different territories.

The Neurology academics Dr. Sita Jayalakshmi Satuluru, the Epilepsy Specialist published papers in our field of Epilepsy Disorders in International Journals of high impact factor. As I already mentioned this is the second largest epilepsy programmes in the country after the first all India Institute which performs. In KIMS, we have performed more than 1000 epilepsy surgeries which are at least 80% of the success rate which is very, very important for the patient is concerned for prevention of epilepsy without any drugs. Dr. Powell a renowned neurologist authored original articles of issues relating to brain stroke that were published in reputed journals and one acclaim. Once you have a brain stroke, then you will be crippled for life long with the hemiplegia or a monoplegia or some sort of events. On that we are doing a lot of research. There are many people who have come with a stroke within time has went back walking. So that means that is the quality of treatment that the patients are getting and our consultants are putting efforts to achieve all these things. Dr. Rajendra Kumar Jain and associates published their research on heart failure studies, Anthem studies in International Journal of Cardiology, how we can able to improvise these heart failures which is very bothering for the society. So we are doing a research on that. In Obstetrics and Gynecology Dr. Vasundhara Devi's original articles on postoperative maternal health was published in international journals to prevent maternal mortality, we are taking steps to find out what will be the reasons and then how we can able to prevent it, and then we also do all these things that will help to give a good quality treatment to our patients. Not only to improvise our existing skills in further, we also conduct some workshops and CMU programmes National and International every quarter at minimum of two. One of that two day workshop was organized at HICC Novatel, Hyderabad and HIP Symposium Basics to revision, total hip replacement and cadaveric by Dr. Uday Krishna Myneni that attracted participants' from across the country and internationally, and I would like to share a piece of information that our CFO, Mr. Vikas Maheshwari had resigned due to personal reasons. We will place on record our appreciation for the services rendered by him during his tenure. A firm succession plan is in place and we would be having a new

CFO. Patient safety is our prime concern and crux of all our activities. We at KIMS compete with nobody else, but ourselves in being more and more responsive, responsible and respectful in all our activities. Transparency and value adherence is our mantra in discharging our functions. Your trust and support give us wings to translate our plans into actions. The more we serve, the more we grow. The more we grow, the more we share. Investor interests are close to our heart and a fundamental aspect our growth journey. We have had a productive and a rewarding year and I can assure you that we will continue with same verve and tempo to scale even greater heights in the days to come.

So thank you very much for your patient hearing. If there is anything we can able to answer, we will go for the question and answer session.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. Take our first question from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

Dhara Patwa: Thanks for the opportunity and congratulations on good set of numbers. I have two questions. First is like Nagpur facility, before the acquisition, it had EBITDA margins of around 10%. Even in the previous quarter it was around 4%, but there was some one off items. So when can we expect the margin to move to something like 12%, 15% margin for this Nagpur facility. First question is that.

Abhinay Bollineni: As far as Nagpur is concerned, it is currently at 4%-5%. We have already identified the opportunity and where we can bring it to 10%-12%, but because it is our first few months into the organization, we are still trying to stabilize things with the doctor's engagements, and the other things. Maybe in the next 6 to 8 months, you will see us get to a 10% kind of a margin, 10%-11% on the current revenue, and that will be the maximum that we will be able to get from the current revenue, and as we start seeing incremental revenue coming in, you will see at least 40% of that flow straight into our EBITDA, and the large areas that we are focusing on in trying to optimize is 2% on the consumable cost, 2% to 3% on the doctor cost and the rest of it is in the other cost, which is HR and the other category.

Dhara Patwa: That is helpful. Second question was on the Thane facility. If you could provide some color on that, how much bed capacity will be added in the Thane or you will be acquiring and what all specialties will be there in that hospital?

Abhinay Bollineni: No, on the Thane hospital it is a 300 bedded hospital with services ranging from accident and emergency care to oncology as well as transplant. So we intent like we said we only focus on multi-specialty. This will be our first hospital that we will have oncology right

from the beginning and not as an addition subsequently and it will have all the services that we are providing in many of our other hospitals including liver transplant and kidney transplant.

Dhara Patwa: So should we assume that ARPOB the similar level of the company's ARPOB because oncology is already included and it is a micro city so 30000 ARPOB could still be achievable, right?

Abhinay Bollineni: I think what the competitor in the current geography is around 39000-38000 ARPOB. So yes, I think definitely 30000 is something we will see. We should see northwards of 30000 if not in the first year, maybe in the second year onwards.

Dhara Patwa: Capex guidance for FY2024 like we already had 350 Crores for Nashik and Bangalore, how much additional we will be spending on Thane facility, the total Capex for the company?

Vikas Maheshwari: With respect to the Thane project, though we have taken a decision to take this project ahead. We are in touch with one or two institutional investors who can take the assets and it becomes asset light model and niche model business. So that is all still in the discussion and we will finalizing this steps in next two to three weeks times. If the whole land and building and other equipment comes in our books means we could not finalize the investors at a project cost something will be between Rs.400 Crores to Rs.450 Crores overall project cost for 300 beds, if we have been successful negotiating the good deal with the investors who can dig the assets outside of book, then the Capex value will come down by at around 250 Crores. So this is the status as we progress, we will keep all the investors informed on the final structures which we are going ahead.

Dhara Patwa: Total Capex will be 250 Crores for Thane and 350 Crores which is the ongoing Capex for Nashik and Bangalore correct like around 650 Crores, 700 Crores for FY2024.

Vikas Maheshwari: FY2024 you should take yes that should be the outflow. But Mumbai there is a plus minus depending upon land building how we are negotiating.

Dhara Patwa: Sure sir. Got it. That is it from my side.

Moderator: Thank you. We take our next question from the line of Reshab Sisodiya from Sameeksha Capital. Please go ahead.

Reshab Sisodiya: Hi. Thank you for the opportunity. Congratulations on good set of numbers. I have two questions, one is on the payor mix. So if we see our cash portion has decreased from 55%-60% to odd 50% at the end of Q4 2023 and the similar has been the increase in the

insurance share. So would that explain our higher debt days for the year and where should we take it forward?

Vikas Maheshwari: The present payor mix cash and insurance is roughly 79%-80% and it is safe to assume that there will be a deviation of 1% or 2% here and there quarter depending on the quarter-on-quarter, but that should be the optimal mix, but as we progress our unit into Bangalore and Mumbai which is more or less is the cash and insurance market. The payor mix will get better, but with the existing units that is the safe to assume this is the mix which will continue to maintain 80% to 20%.

Reshab Sisodiya: So our debtor days should stay in this range at 40 days would that be a good assumption.

Vikas Maheshwari: Yes, that is the safe assumption.

Reshab Sisodiya: The next question is on the KIMS Telangana clusters. For the quarter, we reported 35% margins which were find it that is above quarter and on the other hospital there was slight margin compression on a sequential basis. So is there any seasonality impact on these how would you explain this?

Abhinay Bollineni: As far as Telangana Cluster is concern you have a mixed of, so wherever the passing expansion has happened is because the consumable cost has come down because of typical case mix number one and number two is because of the doctor cost. So you have doctors who are on a fee for service model and a minimum guarantee model. So there have been a lot of doctors in the minimum guarantee model. They started performing off late. I mean it takes him that much time to perform and then we are seeing progress on those doctors in the minimum guarantee. So because of that, there has been a slight margin expansion, but I think we will continue to maintain that 31%-32% kind of a margin at the Telangana Cluster.

Reshab Sisodiya: One last question, so how many beds are we planning to add in FY2024 capacities if you could just give me on Nashik and Bangalore and even Vizag we are expanding next year it would get operationalize in Q1.

Abhinay Bollineni: In FY2024, we have the Vizag Hospital, which is a small gastro hospital, which is 25 bed in size. Then sunshine we are relocating from one campus to others. So there is no incremental bed addition. We are looking at Nashik to be operational, which will be in phase one. We will operationalize. Though the capacity will built for 250-300 beds. We will only operational as 150 beds and Thane hopefully should also be operationalize in FY2024.

Reshab Sisodiya: Okay, Sir. Thank you. That is it from my side.

Moderator: Thank you. We take our next question from the line of Anuj Suneja from ICICI Prudential. Please go ahead.

Anuj Suneja: Thank you for the opportunity and congratulations to the management on the great set of numbers. My question is broadly on the lines of the interest cost. If I can get a guidance on how the interest cost is moving, because I am seeing a lot of volatility in the last few quarters and even if I go back like two years back. The interest cost was 32 Crores which came down to 16 Crores. Now it is up back again in the 30 range. So one from a quarterly perspective, how should we looking at it and overall how are we looking at the debt numbers going forward and what would be a comfortable debt to equity ratio that I should be looking at? So couple of those questions.

Vikas Maheshwari: Let me take this question on the financial cost side. Actually the quarter second there was some adjustment because of Nagpur unit which we acquired and the first few of the high cost loan which we refinanced etc. So that cost has got hit and in the closing interim there was a few of the provisions which we have to take, so we have cleaned up this. So you should assume that run rate of at around Rs.6 Crores per quarter, so Rs.24 Crores is the run rate which we should assume for that interest rate and as far as the debt trajectory is concerned, right now we have a net debt position of roughly Rs.300 Crores and we are generating something like that Rs.400 Crores of the cash every year and in the next two years we plan to deploy the same type of the capital. But in the interim period depending upon the project which we are taking whether it is asset light or asset heavy depending upon the commercials being agreed some debt may come up front. But overall in next two years times we should be back on the same positions where we are sitting right now. So right now the current balance sheet is very strong, cash flow remains very, very strong and we are deploying the capital for the next leg of the growth and which is very important to keep the growth momentum continuing in the coming quarters. So there will be some debt and our comfort level which our board has defined is 1.5 to 1.75 times of the debt to EBITDA. I think a lot headroom available for us to reach there. So we are very comfortable position on that.

Anuj Suneja: Very helpful. My second question is on the, so last time you had mentioned something on the lines of that you are looking at property in Mumbai somewhere in Andheri or somewhere. So is there any update on that you have that you want to share or you are still counting your properties there?

Abhinay Bollineni: Not in Andheri, but we are looking for something in Malad. We still trying to do some diligence on the line. So nothing conclusive at this point in time.

- Anuj Suneja:** Thanks a lot. Very helpful.
- Moderator:** Thank you. We will take our next question from the line of Mayank Hyanki from Axis AMC. Please go ahead.
- Mayank Hyanki:** Sir, can you please explain the structure of the Thane hospital that you are going for?
- Vikas Maheshwari:** Let me take this question. We have definitive agreements and understanding with the seller about the Hiranandani. We had given some advance also, but we are exploring the opportunity where we can have the asset light model so the third-party large investors, institutional investors who can hold this, asset and give us on the lease. So this commercials are still under active discussion and we should be concluding in next two to three weeks' time and then we will communicate that. If we are not getting a good commercial deal if we feel that, that does not work in the long-term for the company we will have the asset in our books. So the asset price is 250 Crores and the other cost will be roughly Rs.200 Crores for equipment, refurbishment of the hospital, etc., is roughly Rs.450 to Rs.475 Crores of the total project costs? So depending upon whether it is asset light or on the lease model that Capex will move?
- Mayank Hyanki:** So if the advances which we have given right now in case it happens to be an asset light model in that case that will be like a deposit or the rental will be deducted from it...
- Vikas Maheshwari:** We will get this amount because we have paid to the building owners, land owners, we have paid. So the investors will pay off to the seller and then we will get our money back.
- Mayank Hyanki:** So this is the exact structure is something which will come out and what is the potential in terms of number of beds in this hospital?
- Vikas Maheshwari:** So, as Dr. Abhinay told, it is 300 beds which we can occupy on this facility.
- Abhinay Bollineni:** So the kind capacity is built to is 300 beds. There is additional FSI available for an incremental 50-75 beds in the same campus. But fortunately there is a land parcel that can take up an incremental 1 lakh square feet right adjacent into the current hospital.
- Mayank Hyanki:** Sorry sir, the current building has 300 beds right. For additional you need to take more land nearby and you already have a FSI in place, right?
- Abhinay Bollineni:** There is SSI in the current campus, which can take up the bed strength from 300 to 375, plus there is an additional land available on which we can build another 1 lakh square feet.

Mayank Hyanki: And for this additional 375 beds from 300 beds you will need to spend on construction as well, right?

Abhinay Bollineni: Correct.

Mayank Hyanki: Second question is on the Nagpur facility, I mean, between two quarters since you have that under us. So you explained that you are still looking at doctor, equipments and all and that is something because of which the ramp up probably is not happening, and on the margin side you explained I think the cost savings structure which can take the margin to 10% right at current revenue level only. So generally we have seen a very strong business momentum for hospitals across the country and from that perspective what is the difference between us and the competitor who are earning higher ARPOB and in the last six months, has anything structurally happened in that second quarter of which the patient flow or the revenue has not remain to ramp up or it is just because of our internal issues where in certain therapies or department we do not have the doctors.

Abhinay Bollineni: The thing is we have done the 7-8 acquisitions in the past. So there are acquisitions where it is a clean slate like in the case of Vizag, Anantapur, Ongole where there is nothing that we will have to work, it is almost as clean as possible and we just bring new doctors and grow faster. But both what we have seen with Sunshine and Nagpur and I think this will be a pattern that we will see moving forward. Now as you go in and try to create change within the organization, it kind of leads to resistance, then it kinds of leads to a lot of bad blood. So we need to give the current doctors and the new management sometime for them to understand each other's way of functioning and build confidence and we typically have seen we do at least six months in trying to build that confidence among the current set of doctors and then be able to bring new doctors from outside because there is a name change, then organization cultural change. The doctors outside are also trying to understand what is happening to this company. A new brand is coming, whether it be Sunshine or whether it is Nagpur. So there is a lot of insecurity in the organization because a new brand is coming. So we need to build that confidence, which takes that much time. It takes multiple meetings, multiple discussions with them. Once we have the confidence that things in house are more in control and there is a lot of security among doctors, management and rest of the people that is when we start looking at bringing in new doctors and new talent for us to grow. So that is what we have seen in Nagpur for the last six months, you stabilize things internally. Now we are starting to look at bringing doctors from outside which we will do in the next six to nine months and then we will start seeing the growth happening even on the cost optimization if you go in and try to bring in aggressive measures, do cost optimization it again leads to the same thing is the company more focused on cost than quality? What are they trying to do? What is the direction? So these are all the questions that they keep

continuously raising. So before we do anything drastic, we need to win their confidence. We need to build a relationship with them and then start taking things forward and that is what we have done because this hospital already has 30 doctors in different specialties, certain doctors of high repute. It is important to win their confidence before we drastically make measures in cost optimization and bringing in new doctors.

Mayank Hyanki: Sir, can you just give us probably, the number of doctors who were there in this hospital when you took over and how many are there right now? And has if there has been any attrition among senior doctors in the last six months and how many do you want to finally take this number to?

Abhinay Bollineni: So we currently have around 30-35 doctors in Nagpur and I am talking about the doctors who are admitting patients in the hospital. There are others doctors which I am not talking to you about. Out of the 30-35 doctors, we have lost three doctors when we came in and these three doctors experience are in the range of three to five years, the doctors that we have lost, we immediately replaced them with three doctors of the similar caliber or slightly senior. In addition to these three, there are only two new doctors that we added in different specialties. That is how it has been, so the attrition we have controlled any attrition, we have controlled any exists of the doctors other than the three people who have left and those three left one month after we got into the system.

Mayank Hyanki: And in future plan additions in the next 6 months or 12 months or are we done with doctor appointment now and this is the stable strength.

Abhinay Bollineni: No, so this 30 doctors are enough for running the current volume of the hospital. But if you want to double or increase the revenues by 50%, we will have to bring in more doctors and we intend to bring in at least 12 to 15 doctors in the next six to nine months.

Mayank Hyanki: So that will happen as and when the revenue ramps up, right, the patient flow.

Abhinay Bollineni: No, the doctor comes in first, then the revenue ramp up.

Mayank Hyanki: So we will add more doctors in the next two, three quarters.

Abhinay Bollineni: Correct, two, three quarters we should add more.

Mayank Hyanki: Great. Sir, this is very helpful. Thank you and all the best.

Bhaskar Rao Bollineni: Usually the acquisitions are a double edged pan unless you go very slowly, change the culture, understand the mindset of the employees and the patient requirements and the need

of the facility of the new therapies and all instead of going faster pace, I think it will be a slow pace that we will be able to yield we are very, very confident there is a great potential and we will be able to achieve that. That is where purposefully we are going very slowly to change the entire thing. We are in the right direction.

Mayank Hyanki: That is very helpful. We have already done multiple successful acquisitions in the past with the past decade or so. Wish you all the best.

Moderator: Thank you. We take our next question from the line of Harith Ahamed from Avendus Spark. Please go ahead.

Harith Ahamed: Good morning. Thanks for the opportunity. So during FY2023 we have acquired minority stakes at various hospitals at Sunshine, at Kondapur. So how much have you spent for these stake increases and do we intend to continue acquiring minority stakes going forward as well.

Vikas Maheshwari: We have increased our stake in the 3Q which is Sunshine Hospitals and one of our Kondapur facility company, overall the amount of roughly 95 Crores, 96 Crores is to acquire this minority interest and in the previous calls also we have told that yes, we remain inclined to increase our shareholding of these subsidiaries as and when this opportunity arises, we are more than willing to acquire the share based on the agreed value which is a win win situation for all this.

Harith Ahamed: And looking at your specialty mix for FY2023, I see that oncology is roughly 5% of our overall revenues and given that this is a high ARPOB specialty are we looking to add oncology centers at some of our hospitals where we do not have this capability currently and 5% seems to be on the lower side when I compare with some of our peers. So that is why the question.

Abhinay Bollineni: So of the current ex Nagpur hospital, eleven facilities, we should add oncology in six hospitals may not be end of this financial year. But maybe in the next 24 months, all the six hospitals should have oncology, but moving forward including Nagpur, Thane, and Bangalore and Nasik. Nashik unfortunately already has oncology. But the other hospitals that we are having, it is designed to have accommodate oncology right from the beginning.

Harith Ahamed: And just a clarification on the Thane project. Are we having any discussions with doctors to co-invest in the project along with us because that has been our template for expansion especially in newer markets, so anything on those lines?

- Abhinay Bollineni:** Absolutely. Both in Nashik and in Thane. We are talking to doctors to co-invest along with us and be able to be part of our growth story that we want to create in Maharashtra, Nasik, we are seeing very promising results so far. Thane we have met doctors two years back there was a lot of interest in because the project got delayed we took time for acquiring the project we did not go back today but I think once the work starts we will approach all of them again and we are pretty confident that we will see good traction going forward.
- Harith Ahamed:** That is all from my side. Thanks for taking my question.
- Moderator:** Thank you. We will take our next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, my first question is on your Telangana and AP matured assets, both assets. What is the room for growth in these assets? Because they contribute about a 75%-80% of your EBITDA and when we look at the OR and all it is a fairly boost up assets. So what would be the levers there?
- Abhinay Bollineni:** As far as Telangana is concerned. We have Secunderabad and Kondapur. So Kondapur where almost doubling or tripling our bed capacity for that facility, we are running at a 90 plus kind of an occupancy. So once there is more capacity the current specialty will continue to grow aggressively plus we will add new specialties like oncology, transplant and so on and so forth. But are still further scale up and reach a higher occupancy from the Kondapur asset. Likewise in Secunderabad, which is our flagship hospital. We have reached a certain size and scale in terms of our occupancy. We are also looking to expand and add more beds in that hospital, there is ample land available and the area of focus is that new expanded hospital will be oncology. We want to scale up oncology in a much large scale and size, mother and child and gastroenterology and obviously we will create more room for the other specialties to continue to grow. That is as far Telangana. AP acquired has four assets which are our legacy assets which is Rajahmundry, Nellore...
- Pritesh Chheda:** No, I wanted to only know about Telangana and AP matured not AP acquired.
- Abhinay Bollineni:** I am talking about AP Matured. Which are our legacy assets, which is Nellore, Rajahmundry and Srikakulam and all three of them we are in fact doubling capacity there but one we have limited specialty so we are adding specialties like oncology mother and child once the capacity addition happens. This will help those hospitals grow.
- Pritesh Chheda:** So these 1200 plus 645, 1845 beds. How much more can it go? Or let us say the operational bed is 1100 plus 600 it is about 1700.

- Abhinay Bollineni:** So Telangana 1200 will go to close to 2000 beds and your Andhra 645 will double to almost 1200 beds.
- Pritesh Chheda:** So 800 and 600, so then another 1400 beds?
- Abhinay Bollineni:** Correct.
- Pritesh Chheda:** So then the next question so whatever your expansions that I can see, which is Bangalore, Nashik and Thane they are slated to come in FY2025, right?
- Abhinay Bollineni:** 2025.
- Pritesh Chheda:** FY2025 right all the three, whether it is half yearly or yearend I do not know, but we will be FY2025. So a lot of benefits only will be in FY2026. The existing assets, what is the bed addition that you have planned for 2024 and 2025. So this 1400 beds which you are referring to what is the plan of action in terms of addition?
- Abhinay Bollineni:** Unfortunately, none of them will happen in this financial year, which is FY2024. In FY2025 Kondapur expansion will happen. In FY2026 you will start seeing bed addition from Telangana and AP mature.
- Pritesh Chheda:** So then for FY2024, your existing assets have any room for growth?
- Abhinay Bollineni:** Yes, so existing Telangana, if you look Secunderabad, still is at a 70% occupancy. There is headroom for growth for the next two years. Whatever expansion we are doing, we are anticipating the growth beyond 3-4 years and then doing it today.
- Pritesh Chheda:** So when you say you have expanded scope for improving the performance of these assets can these assets grow high single digit which is a combination of double digit which is a combination of ARPOB and OR.
- Abhinay Bollineni:** No, I think so. The EBITDA will continue to grow at a high single digit for Telangana and AP mature, but a double digit growth on the EBITDA front would be a big difficult.
- Pritesh Chheda:** And my last question is when I look at your Thane investment, and when you mentioned of 450 Crores asset. Do we have an internal ROIC metrics because when you do a 450 Crores asset and if you had to put in the 450 Crores when you are not clear as of now what kind of asset light you want to do but let us say it is a 450 Crores asset, then the ROIC in this asset will be less than 15%. So do we have an internal metrics of deciding on an investment or?

- Abhinay Bollineni:** We do have an internal metric and that is much higher than 15% which we have done historically. But as far as Thane is concerned we are pretty confident that this investor will move forward. The dialogues have been ongoing for the last 12 months and because of the legal clearances off late, we are just trying to put these together. So when that does happen it will again put back in perspective and how we historically do something. The other reason why we have decided to move forward on Thane is given that the Maharashtra Cluster that will be fixed it very clearly and we are buying in a lot of time typically hospital in Bombay will take 4-5 years to operationalize. This will be operationalized in 9-12 months and it is important for us to have as it is coming in. So we build more confidence with the doctor community, but when we announced the structure very soon and then maybe in next 35 to 40 days you will see it will be very clearly aligned to what we have historically done.
- Pritesh Chheda:** And just hypothetical question, if it was a 450 Crores investment from your side which is 1.5 Crores a bed? Then what is the ROIC of multispecialty hospital come out to at a 450 Crores 1.5 Crores investment?
- Abhinay Bollineni:** I think the hospital is capable of, so how do we look at it, we look at it as one time asset turn 1 to 1.25 time asset turn and a 25% margin. So the hospital still has the ARPOB and bed capacity to achieve a onetime asset turn or a 1.25 asset turn and 25% margin is something we have historically demonstrated we will continue to do that in this facility too.
- Pritesh Chheda:** So in that case ARPOB is not 40000 when the ARPOB is much higher assumption?
- Abhinay Bollineni:** It is much higher. So the current ARPOB in Thane...
- Pritesh Chheda:** Because when you take 40000 on a 300 bed in to 0.7 as utilization then the revenue is 300 Crores and as soon as you take 400 Crores then the ARPOB is shoots to 50000-55000.
- Abhinay Bollineni:** So Current ARPOB of FY2023 of a competitor in that market is around Rs.39000 and that is today and you typically assume that the hospital takes 4 to 6 years for maturity and the ARPOB will continue to grow as you start doing more complex work. So today transplant in Thane is very insignificant. So that will grow, oncology is very insignificant, that will grow. So we are pretty confident that as more hospitals come the ARPOB also will grow up.
- Pritesh Chheda:** And just one last clarification question. When you look at the slide 20 where you have a AP matured asset and the Telangana matured asset for the ARPOB difference the margin

difference is not there so what happens is just that the whole P&L with respect to the doctor cost changes between the two assets.

Abhinay Bollineni: Sorry could you come again I did not follow your question.

Pritesh Chheda: I said if you look at the slide 20 for our ARPOB difference that we see a 50000 versus 16000 where everything else is the same right the utilization is the same, the losses are actually the same but the margin is also the same so what happens in a P&L of 16000 ARPOB and what happens in a P&L of 47000 ARPOB asset.

Abhinay Bollineni: The cost structures are very different right. So doctor payouts are different, HR payouts are different, local cost of operations are different.

Pritesh Chheda: So basically the surgical or that case mix that you have will be completely different here and hence the doctor cost will be completely different.

Abhinay Bollineni: No case mix will more or less be 70% there in case mix you will not see substantially different but the doctor cost if you are paying a doctor 7, 8 lakhs in a city like Hyderabad you will end up paying 3 lakhs there. If your average cost per employee is 35000 in Hyderabad your average cost of employee there will be around 18000 to 20000. So there is a difference there and the way the kind of technology that you would have invested for and followed by their AMC, CNC contracts will still be very different from what you are doing there. So based on the market that we are operating and the ARPOB that we can expect from the market you will have to tailor make the cost accordingly.

Pritesh Chheda: And lastly what is the debt figure you mentioned for FY2024 when you would get into this Capex for a large Greenfield Capex that was announced. So what will be the debt go up to.

Vikas Maheshwari: What you have to look at is the two years horizon because the whole project which is Bangalore, Nasik and the Thane over those 12 to 15 months' time period so if you look at our cash flow we are generating roughly Rs.400 Crores of the revenue cash flow for the full year and if you take a holistic two years picture we are generating something around Rs.800 Crores cash and that is the amount which will be investing for our growth project which we have taken plus, minus here and there. So some debts may come up front depending upon the projects which we are taking up whether it is like Thane we are not still decided. So based on that some debt may come up front, but over a period of time in next few years times when we are speaking with you in FY2025 we will be in the same situations of very comfortable debt to EBITDA we are a very conscious company and a disciplined company

and we believe that we should not cross 1.5 to 1.7 times of debt to EBITDA this is what is the board has given us the guidance.

Pritesh Chheda: What is the net debt right now?

Vikas Maheshwari: It is roughly 300 Crores.

Pritesh Chheda: Thank you very much and all the best to you gentlemen. Thank you very much.

Moderator: Thank you. We take our next question from the line of Omkar Kapekar from Pandu Port Pool. Please go ahead.

Omkar Kapekar: First one question with respect to the lease term. So when we take any asset that is on the asset light model, so what is the average lease term approximately.

Abhinay Bollineni: Usually we have a 30 year contract, we only have two leased assets and both of them are on a 30 years contract.

Omkar Kapekar: And is there any provision for you to takeover that asset at the end or there is a renewal period.

Abhinay Bollineni: The current assets we do not have such a provision, but moving forward like for Thane and the other one we are negotiating such that we can buy back at the end of 10th year or whenever we feel appropriate after a lock-in period.

Omkar Kapekar: And with respect to the time to mature? I think you just previously mentioned, it will take approximately 3 to 4 years to mature a hospital fully.

Abhinay Bollineni: Four to six years.

Omkar Kapekar: Four to six years, okay. So with respect to the additions that we are making and expanding in other geographies. So will we continue to expand our base of operations throughout the country or would we like to digest this growth a bit and then move on forward.

Abhinay Bollineni: I think what we have already committed to a substantial number of projects and substantial number of bed addition in new geography, we will first allocate consolidating the position here in the five, six hospitals that we have visibility on and then look at further growth beyond this. But further growth beyond this also will be concentrated in these markets that we opened up now. It will not be that we will go to a completely different geography in

North or in East somewhere and try to do something very aggressive and big. We will try to do more stuff in Maharashtra and Karnataka.

Omkar Kapekar: So we will do expansion in the current circuits and consolidate our position, and digest the growth and expand it further.

Abhinay Bollineni: At the maturity of the hospital, just to add one point, also depends on the size of the hospital. So what typically happens is sometimes to size the hospital always corrected is difficult. So sometimes you may invest a little more upfront today knowing that it will take a little longer because you can only build that kind of a structure of a hospital. So ideally should take four to six years, but if you are building a hospital with a larger view of being able to fill it over a period of time, then it take seven to eight years.

Omkar Kapekar: And finally two clarifications. The Thane hospital is 300 beds. So all the beds would be operational or I think you mentioned but I could not get it. All 300 beds will be operational when it comes online.

Abhinay Bollineni: Yes. So everything will be equipped for 300 beds, but we will stack it again only for a 150 beds as we keep occupying we will stack the rest of the bed.

Omkar Kapekar: And final clarification on the doctor payout method. So as you mentioned earlier to the previous colleague of ours in the con call that the payout section differs from hospital to hospital. So is there a policy where we can standardize it because it was previously referred that when the matured assets of Telangana and AP have similar metrics, but they have different ARPOBs. So if there a way by which that could be standardized so it makes it slightly more apple-to-apple comparison with respect to even between assets. So is there something on the cards on that?

Abhinay Bollineni: Are you saying that is the doctor cost payout structure different hospital to hospital. Is that the question?

Omkar Kapekar: Yes.

Abhinay Bollineni: So the fundamental approach to how the payout happens is uniform across the hospitals and across state. There is no difference in that. But in each hospital and based on the maturity of the hospital and the maturity of the doctors in the hospital, they keep progressing from a minimum guarantee model to a fee for service model. You just said more the mature hospital, the more mature doctors you have and that is why you will see more fee for service doctors. If it is a young hospital, then you will find more doctors on a minimum guarantee model.

- Omkar Kapekar:** Okay.
- Moderator:** Thank you. We take our next question from the line of Sagar Shah from Philip Capital. Please go ahead.
- Sagar Shah:** Actually almost all my questions have been answered. Just a couple of questions actually. So first of all, I missed out on that point. I wanted clarity on the Capex front on FY2024, we have already spent around 570 Crores of Capex in FY2023. So what is the Capex that you are likely to spend in FY2024 and Capex consist of which hospital?
- Vikas Maheshwari:** There is a two ongoing projects which is the Bangalore and Nashik. On that we should invest further. At the same time we are discussing about the Thane but depending upon the structure that Capex outflow will happen. I think you got the numbers on this. In addition to this Dr. Abhinay spoke about few of the Capex being done in terms of oncology additions and few of Andhra units so those Capex will be there. So you should assume something like that Rs.100 Crores towards oncology bed additions or gas flow units, mother and child unit and the relevant equipment which we are adding the Capex towards that. So overall the Capex 250 towards Bangalore, Nashik plus 100 Crores is on the regular bed additions in the existing unit strengthening of the unit. On that and plus Thane depending upon the structure which is happening.
- Sagar Shah:** So basically 250 Crores is the Capex that we are likely to spend that is remaining for Nashik and Bangalore, right?
- Abhinay** Yes.
- Sagar Shah:** And these two hospitals would be operational by Q1 FY2025.
- Abhinay Bollineni:** The idea is to do it early, but that is the timelines we are giving to the investors.
- Sagar Shah:** So out of the total beds, I think 350 beds are from Bangalore and around 350 again are in Nashik. So we will be opening around 150 beds for both of them, right, in the first year FY2025.
- Abhinay Bollineni:** Correct. We will operationalize 150 and as the occupancy and traction goes up we will be opening up further beds. Though the infrastructure will be ready for all the capacity which we are just doing.
- Sagar Shah:** Yes in FY2023 can you give a breakup of the Capex that we have spent.

- Abhinay Bollineni:** Yes, see that one of the Capex's towards which we did not discuss is this Sunshine Hospital, which we now buying out the building and the Capex is going on. So the majority it is towards that and plus Bangalore and Nashik.
- Sagar Shah:** So basically now my final question is related to our margin expansion in acquired hospitals which are based in Andhra Pradesh. So basically any update on that, because that is one of your big growth drivers for FY2024 along with Sunshine Hospital. Sunshine Hospital you have already explained what is the driver, but I wanted to understand about the acquired hospital, so anything on that front, Abhinay Sir would like to contribute that?
- Moderator:** Dr. Abhinay's line got disconnected. We are reconnecting?
- Bhaskar Rao Bollineni:** What is the question?
- Sagar Shah:** For acquired hospitals in Andhra Pradesh, are we anticipating increase in ARPOB, the change in payer mix?
- Bhaskar Rao Bollineni:** You talking about Andhra or only at Telangana? Both.
- Sagar Shah:** Andhra.
- Bhaskar Rao Bollineni:** So Andhra acquisitions what we have done is only is almost coming to maturity then definitely we are adding as I mentioned in my initial achievements we are adding more and more complex procedures performing there which was not happening in the entire Andhra Pradesh state, they are all coming to either at Telangana, to Chennai, Bangalore. In all those areas, we are planning to improve the transplant programme, oncology programmes, even the complex surgeries in other areas to treat. So that definitely the ARPOBs will definitely increase.
- Sagar Shah:** Okay got it.
- Moderator:** Thank you. We take our next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.
- Nitin Agarwal:** Sir, two questions. One is, in the current quarter, in the Telangana cluster, there has been a pretty sharp improvement in the operating margins. So any specific drivers for the improvement in the margins about 35% for the quarter?
- Vikas Maheshwari:** You are talking about, sorry we missed, which cluster you are speaking about?

- Nitin Agarwal:** Telangana.
- Vikas Maheshwari:** Yes, Telangana the margin is because of the throughput basically if you look at the revenue grew by something like that on quarter-on-quarter by Rs.15 Crores or so, and there was some reduction in terms of our consumable costs and the doctor's payout cost. It is a combination of both, we believe that plus, minus 1% we should be able to maintain this EBITDA margin, do not take us for the quarter-on-quarter moment, but overall plus minus 1% we should be there.
- Nitin Agarwal:** And in Thane, by when do you see the project, the first set of beds getting commission in the Thane project?
- Vikas Maheshwari:** It should take 12 to 15 months from the time we are speaking. So it should be quarter first of FY2025, which is the April to June of next year. Sometimes like that. Plus, minus one month.
- Nitin Agarwal:** Just to get a sense of that. Is the civil structure in place for the project.
- Vikas Maheshwari:** Yes, so the land and building is completely ready. The building was built only for the hospital and it has the necessary requisite approval. So the launch to the hospital time is slightly better. It is beneficial for us. That is where we have gone ahead with this project and we have to do few modification in the building refurbish and put up the medical equipment that is why we are saying that we should be ready with this facility by June 2024 which is first quarter of FY2025.
- Nitin Agarwal:** Just to confirm, you mentioned that the land building cost of 250 Crores?
- Vikas Maheshwari:** Yes, the balance will go towards the equipment, putting up all the necessary infrastructure, IT systems, furniture, fixtures, etc., etc.
- Nitin Agarwal:** This cost of about 200 Crores for a 375 beds hospital in a relatively upmarket place like Thane is not that on the lower side given the fact that most of the competitors have been talking about 1 Crore plus, 1.5 Crore on the brownfield expansions typically in the past.
- Vikas Maheshwari:** Not sure, but we believe that even if the land and building is coming, if the cost comes to us, it is roughly 450-475 or 300 type of beds is Rs.1.5 Crore including land and building. We believe that yes it is an up market the ARPOBs are high, margins can be better because this is the less competitive scenario right now there. Not sure that the figure which you have got for even if it is brownfield X on the least Rs.1 Crore for bed, not sure about that.

Nitin Agarwal: Thank you.

Moderator: Thank you, Sir. We take our last question from the line of Alankar Garude from Kotak. Please go ahead.

Alankar Garude: Thank you for the opportunity. Sir, you laid out the progress in Nagpur earlier in the call quite well. Similarly, can you please update us on the progress in Sunshine because we have seen some fluctuation in margins out there and Karimnagar has also gone out. So broadly how has been the like-to-like revenue performance and also on margins? If you could comment that would be really helpful.

Abhinay Bollineni: I am glad you asked this question. I am waiting for someone to ask me this question, if not I have to just answered it myself. So on Sunshine, so when we first look at Sunshine as I said we will make that investment, there were two assets that we have our key Secunderabad asset and the Gachibowli asset and so when we look at Gachibowli it is very similar to how our Kondapur is in terms of its size and scale very, very similar, but when we look at it also it was highly competitive and by then larger hospitals in that space were coming up. So we were always aware that it will take us a little longer to attract talent to this hospital because the big guys would not want to come there, because of the size of the facility, we will have to bring in younger talent and give them time to scale up their hospital. So that is exactly what has happened. The last one year, the financial year, we have added close to 8 clinicians. We actually got in talent better than what we had originally planned. But we always thought we will take this as a long-term project. We cannot look at it as a quick turn around and bring doctors immediately and that is what exactly is happening. So we still see gap in 4-5 departments in that hospital if you look at the March number for Sunshine Gachibowli it has done the highest ever around 13.5 Crores of revenue and that is because we fixed one of the key department that is hovering for a long time. So we believe if we add another 5-6 doctors which we are seeing visibility towards the end of this calendar year to happen, that hospital will further scale up from 13.5 to around 16-17 Crores and then moving forward it will further scale up to a typical 18-20 Crores of revenue and this is how we had originally talked through the hospital and maybe there is a six month, nine month delay in trying to get the right talent because hurrying up and getting the wrong talent will further delay the scale up much more than waiting and getting the right talent. So that is as far as Gachibowli is concerned, we are pretty happy with how it is shaping up, because once we get these balance four, five doctors, it will be an auto mode. Coming to Begumpet unit. We were very sure that the current hospital we will not be able to attract talent at all because of the way it is positioned, the way it is located and the infrastructure quality especially having the KIMS flagship of the hospital around and another competitor we are very difficult to attract talent to that hospital. So that is when we decided we have to move

it to a new campus, redo the entire facility and position it as a multispecialty that is an ortho dominant hospital, which is what we did by going ahead in that buying out this land and building. Unfortunately again six months delay in the project execution which anyway is now has complete. There is a lot of excitement around that hospital. Once we move to that hospital in six months we should be able to bring in 10 clinicians and once that 10 to 15 clinicians join we will see an incremental revenue of 7-8 Crores of revenue, which will then change the EBITDA margin profile of the Begumpet facility likewise when the balance doctor in Gachibowli join they will also change the EBITDA profile of that hospital.

Alankar Garude: This is very helpful Dr. Abhinay. Just one thing is once you had indicated earlier, once the shift happens at least for the period of say 20-30 days, we will have doubling of cost. So possibly we might see that impact either in the first quarter or in the second quarter of FY2024.

Abhinay Bollineni: Correct.

Alankar Garude: The second question is, you mentioned about broadly a six to nine months of stabilization time for all your future acquired assets going forward. As you grow your network, how do you plan to manage this from a leadership bandwidth standpoint?

Abhinay Bollineni: I think we have already identified the key leaders in the organization who are going to play key roles in leading these hospitals. So whether it is Thane or Nashik or even the Bangalore cluster, the teams are already on-boarded, they have been running different hospitals for us today and they will be relocating to these new facilities when we go there. So one we have had the experience of working with them for the last 18-24 months and for the next 12 months. So they understand how we want to run the facility, what the culture of KIMS is. So when they relocate to the new hospital they will be able to inculcate the same practice. As far as doctor management is concerned. I think that is something we will continue to be very core to us and that is where our bandwidth and focus is to be able to do it and it is not an exercise that you have to keep continuously doing it. I think every hospital needs attention from the first 6 to 12 months and once you cross that period, the local leadership is capable of handling that and being able to sustain them, it would not consume after the first 9 to 12 months. It will not consume as much bandwidth of the senior leadership as it does in the first few months.

Alankar Garude: Understood. That is quite helpful. Thank you and all the best.



*KIMS Hospitals
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Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question and answer session and I would now like to hand the conference back over to the management for closing comments. Over to you gentlemen.

Bhaskar Rao Bollineni: Basically whatever is the question that is asked for the last one hour to sum up, basically we are very, very clear understanding and the ROE, ROC. When we go some of the times we need to put an opportunity cost which we need to and when there is a low ARPOB and high ARPOB the EBITDA margins, how we can able to establish looking the number of beds, the per bed, the number of doctors we involve in the treatment and with all these a combination of rather than working as an independent to each unit wise and holistically we will look into that and that will be able to create the leadership recruitment and the opportunities and the succession plans are in line and maybe one quarter, two quarters this way or that way whatever is the leadership that we acquire and to understand it all that we may not be 100% sure that all of them what we have been looked into that that they were able to deliver, but it is a work going on, it is a continuous process. So with all these things I would like to sum up saying that the year gone by proved to be productive and rewarding. We will continue on the same growth trajectory and strive to reap up even greater results in the current year. The road ahead is optimistic, we are critically evaluating new opportunities for expansion and further growth that will result in sound value addition. I will continue to interact with you and keep you posted of developments. I am happy that KIMS had firmly establish its niche as an organization of quality and values and one feels proud to be associated with us. We will continue to uphold and nourish this reputation. Thank you for your trust and investment in KIMS. Thank you.

Moderator: Thank you very much Sir. Ladies and gentleman, on behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.