

10th November, 2023



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

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

In continuation to our letter dated 3rd November 2023, the Company organized a conference call with the Investors/ Analysts on Wednesday, 8th November 2023 at 9:30 AM (IST). A copy of the transcript of the conference call held with the Investors/Analysts is enclosed herewith and the same has also been uploaded to the Company's Website.

at <https://www.kimshospitals.com/investors> > Disclosures under Regulation 46 of SEBI (LODR) Regulations, 2015 > Analysts Calls schedule, PPT & Transcripts > Transcripts, Audio & Video Recordings > FY 23-24.

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

Thanking you,
Yours truly

For Krishna Institute of Medical Sciences Limited

MANTHA
UMASHANKAR

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MANTHA UMASHANKAR
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Uma Shankar Mantha
Company Secretary & Compliance Officer



“KIMS Hospitals
Q2 FY2024 Conference Call”

November 08, 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. SACHIN SALVI – CHIEF FINANCIAL OFFICER –
KIMS HOSPITALS**



*KIMS Hospitals
November 08, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the KIMS Hospital Q2 FY2024 Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities Limited. Please go ahead Rahul!

Rahul Jeewani: Good morning, everyone. I am Rahul from IIFL Institutional Equities. I welcome you all to the Q2 Earnings Conference Call of KIMS Hospitals. From KIMS, we have with us Dr. Bhaskar Rao Bollineni, Founder and Managing Director, Dr. Abhinay Bollineni, Executive Director and CEO, and Mr. Sachin Salvi, CFO; over to you for your opening comments.

Bhaskar Rao Bollineni: Good morning and a hearty welcome to the investor's meet for the quarter ending September 2023-2024. It gives me great pleasure to apprise you of the financial and operational results and other developments. I am sure you will find them encouraging. The company continues its onward growth trajectory.

The financial highlights: Gross revenue stood at Rs.655 Crores a growth of 14.3% year-on-year and 7.6% on a quarter-on-quarter basis. Operating EBITDA is Rs.180 Crores reflecting an increase of 11.5% year-on-year basis and 12.5% on a quarter-on-quarter basis. EBITDA margin is at 27.5% versus 28.2% in Q2 FY2023 and 26.3% in Q1 FY2024. PAT at Rs.101 Crores in Q2 FY2024 against Rs.106 Crores in Q2 FY2023 and Rs.87 Crores in Q1 FY2024. Operational highlights both inpatient and outpatient volumes have shown growth. The inpatient volumes increased by 9.7% on a year-on-year basis and 10.6% on a quarter-on-quarter basis. The outpatient volumes also increased by 10.1% on year-on-year basis and 8% on a quarter-on-quarter basis. The average revenue per operative bed increased by 6.5% on year-on-year basis and it declined by 1.8% on a quarter-on-quarter basis. The average revenue per patient increased by 5.5% on year-on-year basis and declined by 2.6% on a quarter-on-quarter basis.

Other developments: The Sunshine and KIMS Kingsway, Nagpur are integrating well into the stream of KIMS and progressing well. We have started IVF at Nagpur unit which presents a good potential. Our expansion plans at Bengaluru, Nasik and Mumbai are progressing on schedule. As regards to new technology and development, I am pleased to inform you that KIMS placed an order for procuring radiation therapy systems worth approximately \$38 million to \$40 million from Electa, a leader in precision radiation therapy based in Stockholm, Sweden. The equipment will be deployed in a phased manner

over three years at different units of KIMS. The initiative will benefit cancer patients by making available advanced precision radiation therapy solutions in all our units with past and present and future units.

Academic activities: There have been a galore of academic activities is ranging from clinical to social during the quarter. These activities help in sharpening the professional skills and shaping knowledge. The first of its kind workshop on NOTSS – Non-Technical Skills for Surgeons was conducted with the participation from across the country and overseas. It was inaugurated by the Governor of Telangana and Puducherry, Smt. TAMILISAI Soundararajan. Surgeons are anyways trained in surgical skills but they may lack non-surgical skills that will enhance the quality of treatment and outcomes. This is a first of its kind workshop conducted with international participation to enhance such non-surgical skills among surgeons.

Many people suffer from unbearable pains without relief. KIMS organized a workshop on acute and chronic pain. Several doctors from within and outside the state participated. This is the first time any hospital has conducted a cadaveric-based hands-on workshop to impart training and improve their skills so that they can able to practice on the patients. These would allow the professionals to have a realistic approach towards pain intervention and provide relief to patients.

Sudden Cardiac Arrest: Nowadays, we are witnessing many people collapsing suddenly due to heart attacks. In response to the call given by the National Forum of 500 Warriors were trained in CPR to fight sudden cardiac death. Ours was the largest contribution from a single institution. Also CPR workshop was held at Shamshabad Airport to train the CISF staff. These workshops will enable common people to save lives of others before reaching medical help. There are many incidents where we saved lot of sudden cardiac deaths by training all of them either police people or all the public aware of the massage of the cardiac event.

Workshop was conducted on a spinal x-ray, CT and MRI integrating radiology into physiotherapy. When we do the physiotherapy, we need to understand what exactly is happening in the body. With that we can able to get a good quality of physiotherapy will vastly improve when it is thoroughly synchronized with CT and MRI. This workshop will help improve the quality of physiotherapy.

The main culprit for many problems is lack of awareness on proper and effective waste management. In order to address this issue, KIMS conducted a workshop on waste management in association with World Health Organization and CAHOCON.

To create a platform to enable research and publications by its doctors, KIMS entered into a research partnership with an Indian Institute of Public Health.

All the said workshops attracted wide participation and facilitated sharing of knowledge and exploration of new avenues in respective faculties and also created an awareness in the public itself.

Awards and Accolades: KIMS Hospital is accredited by the American Accreditation Commission of International that recognized the highest professional and ethical standards in healthcare. ASA is one of the world's most experienced organizations in the provision of healthcare organization, accreditation and clinical excellence certification services with high-level benchmarks.

A prestigious magazine conducted a survey and presented a list of best doctors of South for 2023 in its Independence Day issue. The special feature showcases the top names in diverse fields of medicine. Among them are 10 doctors from KIMS. It is a matter of deep professional pride for us.

The clinical accomplishments: I would like to share with you some of clinical accomplishments taking place in various centers of KIMS.

KIMS Saveera in Anantapur :

A premature baby just 10 days old with multi-organ failure and a cardiac arrest was successfully treated by doctors and this budding life was saved.

A 65-year-old woman suffering from a brain stroke was treated by a performing carotid artery stenting feed done for first time in entire Rayalaseema Region. The patient is treated under Arogya Sri Scheme.

KIMS Kurnool,

Doctors treated a young girl of 5 years who was diagnosed with absence seizure a rare problem with as many as 80 to 100 episodes per day. This condition is very rare where the child experiences brief loss of awareness caused by an abnormal electrical activity in brain and such cases are said to be about 5 to 10 per lakh. Such a rare phenomenon was successfully treated in backward area like Kurnool in Andhra Pradesh. These are all done in the tier II and tier III cities which will give a quality care provided by the KIMS Hospitals.

KIMS Secunderabad

In a great gesture of humanity parents of 14 MONTH BABY donated her organs that were transplanted in a 58-YEAR-OLD WOMAN who is on dialysis as well as on a pacemaker. The complex procedure was successfully performed overcoming the problems of age and size of the organ a true testimony to the clinical expertise and state of the art equipment available at the hospital.

In an extremely rare case only 300 reported worldwide and in 20 in India wherein some persons will about have BOTH MALE AND FEMALE REPRODUCTIVE ORGANS were successfully operated in KIMS Secunderabad. In medical terminology it is called as PERSISTENT MULLERIAN DUCT SYNDROME.

KIMS Kondapur

In a FIRST AT HYDERABAD doctors at KIMS Kondapur performed a VERTEBRAL BODY STENTING on a 65-year-old female patient. This highly advanced procedure helps cure osteoporotic fractures within no time. It is a minimally invasive technique where a metal stent is used to stabilize fractures. The entire procedure is done in 20 minutes with no blood losses as against an operation which would last for three to four hours.

The above cases highlight the professional expertise and technology available with KIMS at various centers.

Organ donations:

The organ donation is a highly noble task that results in saving lives of others. KIMS has made a name for itself in this field. There were as many as 16 organ donations in the entire KIMS Group of Hospitals resulting in about 36 transplants and this is probably one among the highest in the country at the hospital.

We are amidst the season of bountiful cricket and delightful festivals. Yesterday's match of Australia against Afghanistan was very, very special. Glenn Maxwell single-handedly led his team to victory in spite of so many odds and physical impairment. He was not able to run due to pain yet he scored with force and success thus planning perseverance and determination are likely to be key to any success. This is true in business also and we at KIMS follow the same traits in our activities. Let us hope that India will bag the World Cup and bring cheer to the whole nation. I hereby convey my festival greetings to each of you and your families. Let me end on this happy note. Thank you for your trust and support and

assuring you of our continued efforts to keep the KIMS flag high in results and rewards. Thank you very much for patient hearing.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Bhaskar Rao Bollineni: Rahul before any question comes that Thane Hiranandani work is going on. It is all as planned and we need to enter into an MOU that is why it has got delayed. Maybe in a short span of time that also will be done. Work is progressing.

Moderator: The first question we have from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

Dhara Patwa: Thank you for the opportunity and congratulations for the good set of numbers. My first question is Sunshine facility will be operational in November at the new location, so is the relocating or shifting cost included in the quarter or it will come in the next quarter?

Abhinay Bollineni: Part of it is included, but OPD has moved on November 6 completely to the new facility. We are going to do our first surgery on November 15, so in the month of November, we will see a lot more shifting costs.

Dhara Patwa: What could be the quantum of that cost which will be coming in the next quarter?

Abhinay Bollineni: We are anticipating at least Rs.2 Crores to Rs.3 Crores towards the cost of medical equipment and cost of running both the facilities for two months will be another incremental Rs.4 Crores to Rs.5 Crores. This includes the rent that we will have to pay the old facility.

Dhara Patwa: Okay, thank you and we are getting regular updates on acquisition of minority stake in Kondapur Healthcare, can you provide more color on that like what is the thought process on expanding specifically in Kondapur demographic there and what value of growth can Kondapur Healthcare provide to us?

Bhaskar Rao Bollineni: What is happening in Kondapur is there is an existing facility which is a 200-bed hospital that is running at full capacity nearly 90% to 95% occupancy and we are expanding. We are tying with one of the people who are building an asset that is around 6 lakh square feet. Initially, we thought of taking it once they build a shell and taking into on a lease premises. Then we worked out the financials of the GST and the lease amount and all, we want to tie up with a long-term credit organization in which they are funding for 25 years, and with

that, we are adding about an associate company so that tomorrow all these leases will not be required. If necessary, we can able to merge that in KIMS Kondapur that is the plan.

Dhara Patwa: Okay got it. The next question is on Nagpur Facility. Like we have already reached a matured occupancy of 80% and now we have also started IVF unit at Nagpur, so what could be the ARPOB growth in next two years for this unit specifically for Nagpur?

Abhinay Bollineni: We have reached occupancy of 80% on the operational beds. There are another 70 to 80 beds that can be further operationalized which is where most of the growth will come from.

Dhara Patwa: Could we see more improvement of the ARPOB after including this IVF unit as well like some growth on the ARPOB front as well?

Abhinay Bollineni: Yes ARPOB growth will continue to happen as we start doing more and more quardary tertiary care work. IVF may not be a significant contributor to the growth of ARPOB. It is just completing all the services that we are offering but when we start transplant which we have not started aggressively yet and a lot of the other tertiary care the ARPOB could further increase.

Dhara Patwa: Okay that is helpful. Just one last question like, we are continuously acquiring minority stake from last two years and now we have reduced the EBITDA share of minority significantly to 12.6% now, so is there any target we have internally like till what level we will be consolidating the share?

Bhaskar Rao Bollineni: We would love to have the 100% acquisition. Either we will do a purchase or maybe in the future we will discuss in the board meeting and come back to whether we can able to do all merger. The initial thought process of the subsidiary is where the local doctors will invest. Once it is totally matured beyond that they may not get any value for them. Then they would love to merge either in the KIMS or they may be able to sell out. Those who are willing have any need of money we keep buying them otherwise one day we will be able to merge all the units together.

Dhara Patwa: That is helpful. That was my last question. Thank you.

Moderator: The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.

Omkar Kamtekar: Thanks for taking my question and congrats on a good set of numbers. Can you please share what is the cash flow from operations generated for Q2 and H1?

Sachin Salvi: Sure. Cash flow which has been generated from operations for H1 is about Rs.345 odd Crores. This is for H1. Q1 number I will separately give you.

Omkar Kamtekar: Q2?

Sachin Salvi: Q2 number I will give you separately. There is a tax payment during this half year of about Rs.73 Crores. Again this is half a year. I will give you separate Q2 numbers in some time.

Omkar Kamtekar: Okay. We have seen that the ARPOB has marginally declined despite the volumes being increasing in some of the facilities, so any specific reason generally because of the monsoon period, the Q2 is a period where you generally see a lot more diseases and people getting admitted for various reasons, so any reasons for specifically for the ARPOB to marginally decline?

Bhaskar Rao Bollineni: Both the question and answer you gave. You are right. Basically being a seasonal one lot of fever patients, dengue fever and all that is why the volume has increased. Our revenue per operating bed and ARPOB will come down, and also year loss also has decreased. These are all reasons that it has come down.

Omkar Kamtekar: Okay, so because the value because the patients that are being admitted are for lower value or slightly lower margin treatment because of that?

Abhinay Bollineni: More secondary care work so that is when the ARPOB reduces as the result of which everything else falls.

Omkar Kamtekar: Okay and with respect to the KIMS AP unit, so we are seeing very good occupancy levels in the AP region, close to 85% to 84% however still the what we can say the ARPOB here is materially lower? What is the reason behind this? Can you please shed some light on this?

Abhinay Bollineni: There are two reasons. One is it could be 15% to 20% a little higher. There is one of our assets where the ARPOB is lower than 4,000 to 5,000 that is because we have a tie-up with an organization. One reason is this 15,000 on a normalized basis could be around 17,000 to 18,000, but the market in those micro markets in Andhra that we are operating out of that are the healthy ARPOB in that micro market. Our investments for these assets are also significantly lower and it is more a volume-driven game than a pricing game there.

Omkar Kamtekar: Okay, can we expect these kind of level margin or a growth in the AP region in the same?

- Abhinay Bollineni:** These cities are growing. They are becoming bigger and bigger. Affordability in cities is increasing so over a period of time they may not become as rich as Telangana or the other cities, but there will be progress in how the pricing potential here will be.
- Omkar Kamtekar:** Okay and with respect to the incremental beds, we have shared on the expansion plan the incremental beds in Nashik, Thane, etc., how much would be the operational beds that would come in on sites say like day one or on first few periods? What would be the operational?
- Abhinay Bollineni:** Nashik, Mumbai, Bengaluru, and Kondapur 50%; we will start off year one with 35% of those beds being operational. Then we will scale it up to 50 in the basement so the capex for it will be done. It is only about the manpower so we will usually based on the traction that we are getting from doctors and all we will size it up and according to plan so around 30% is where we will look at operationalizing in the first year.
- Omkar Kamtekar:** All hospitals would be approximately 30% to 35% on year one and then they would scale up approximately?
- Abhinay Bollineni:** They would scale up but again depends on how the doctor's traction is.
- Omkar Kamtekar:** Good. Thank you very much. That is it from my side. I will join back in the queue.
- Moderator:** The next question is from the line of Bino Pathiparampil from Elara Capital. Please go ahead.
- Bino Pathiparampil:** Good morning. I was comparing the slide on upcoming projects that you have given in your presentation and if I compare back to three quarters back when it was last given I see a delay of almost between one and two years for most of the projects so has the timeline changed and why has it changed?
- Abhinay Bollineni:** From our deck a year ago we said 36 to 48 months. 36 months complete in the coming April but yes there has been some six to nine months delay because we were first looking at a Greenfield. Then we looked at Brownfield so executing that took us a year time and in Thane we had some legal issues that we had to clear out stuff, but at this point in time the timelines that we have published are more or less work on the ground is happening to meet those timelines. These projects are also getting clearances on these projects.
- Bino Pathiparampil:** Understood yes just a follow up on Kondapur, you are mentioning creating up a new entity to give credit or so I could not fully understand that? Could you please explain that?

- Abhinay Bollineni:** Could you come again please on Kondapur?
- Bino Pathiparampil:** In answering an earlier question, Dr. Bhaskar had given some details about Kondapur some new entity being created to give credit to the new facility that is coming up or something like that? I did not quite understand what exactly that was? This was answered to the first question?
- Bhaskar Rao Bollineni:** Actually what we were planning as I mentioned that we have an existing 200 bedded facility which is on a rental basis as of now. Then it is 95% occupancy is running and we are losing a lot more patients because we are not able to provide that is why a couple of years back somebody has acquired a land and they are planning to build the building. Then we asked them to build according to the hospital so that we will be able to take it on a rental basis so when they want to give us a shell then we want to invest a lot more money on the interiors and the equipments and all those things. In that, we are looking at the rental program so that the GST and the rentals and then we calculated for a period of 10 to 15 years the amount of rentals that we are paying along with the GST if you can be able to pay a bank loan, which now we are getting funding for 25 long years so it is coming around the same so that the depreciation benefit and other things will come to the KIMS. That is why we reconverted into as an associate company rather than a rental one. Am I clear?
- Bino Pathiparampil:** Yes, understood. When we say associate company are you going to invest in that company?
- Bhaskar Rao Bollineni:** Yes that is where we have bought some shares 28.6% so far. Then over a period of time in the existing Kondapur facility and depending upon the cash flows we will try to acquire over a period of time majority of the stake.
- Bino Pathiparampil:** Okay and how large would be the total investment required to buy it out completely?
- Bhaskar Rao Bollineni:** That will be around Rs.500 Crores for a 600-bed facility total entire thing of equipment, building, and interiors.
- Bino Pathiparampil:** Okay, so once we spend this Rs.500 Crores the entire thing will be owned by KIMS?
- Bhaskar Rao Bollineni:** Yes. We will be able to do it in a phased manner like what we are all doing as a subsidiary. Whenever we have excess cash we start using that and keep buying that.
- Bino Pathiparampil:** Understood Thank you.

- Moderator:** The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.
- Omkar Kamtekar:** Thank you for the followup. In last call, an update was given with respect to we were scouting a hospital in Malad on a lease basis or on operating long-term lease finance model, any update on that? Is that still on or it is changed?
- Abhinay Bollineni:** The project is still on. As we also mentioned it will take us a year before we settle all the issues that are there and get all permissions so the project is definitely on. We are waiting for the landlord to revert on one or two points that he needs to settle. Maybe in the next one or two months, he should come back with those points and once those are settled we can close the transaction.
- Omkar Kamtekar:** Can we expect like close of FY2024 this might be a KIMS Facility? Can we see that?
- Bhaskar Rao Bollineni:** These are all the Greenfield projects. We were in a phased manner in the next two to three years. We are already engaged in the number of beds required in all these places. We were planning in a phased manner so that if you acquire the land and keep spending without causing any inconvenience to the financial cash flows and at the same time mostly we will be able to do it on our own internal accruals so today next two to three years there is a 2000 to 3000 beds are coming into operational in all the facilities so this will be after that.
- Omkar Kamtekar:** Okay and one more question?
- Bhaskar Rao Bollineni:** Legal, will take a little longer time on the land parcel when we want to acquire.
- Omkar Kamtekar:** Okay understood and on the same line the incremental the new facilities that we are setting up Nashik, Thane and Bengaluru, etc., so these are also part owned or these are like these long-term financial leases where at the end of the period we get ownership? How are these structured with respect to the ownership?
- Abhinay Bollineni:** Nashik is a 51:49 joint venture where the company owns the land and building. Bengaluru the company owns 50% of the building 50% is on lease and Thane is O&M format for now. If there are any changes then we will own the complete land and building.
- Omkar Kamtekar:** Okay Thank you. That was from me.
- Sachin Salvi:** With reference to your first question on the cash flow from operation. For the H1 as I said the total cash flow from operation was Rs.340 Crores and for Q2 specifically you have asked it is Rs.197 Crores; just to answer your question.

- Omkar Kamtekar:** Rs.197 Crores and Rs.345 Crores for H1. Thank you.
- Moderator:** The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.
- Alankar Garude:** Good morning everyone. If you look at what we had spoken about when it comes to Bengaluru in the previous call, we had indicated about 750 beds coming up versus the 450 which we have announced now and also in terms of timelines we are now talking about a Q4 FY2025 quarter for operationalization compared to the earlier timeline of Q2 FY2025, so there seems to be a delay of six months plus the number of beds have come down. Maybe we are indicating just one facility out here versus two earlier, so can you please help understand why exactly there has been a delay and also on the bed count please?
- Abhinay Bollineni:** Alankar, in Bengaluru we are still going to do two more facilities. Right now we have signed the deal on the 450 bedded hospital. The other project also is ongoing. The landlord has to complete his scope of work and then come to us and then is when we sign the documents so up until we sign the document we have not announced it or we have not made it public. We are expecting that to be completed by January or February, so when they hand over the facility to us it takes us typically eight to nine months to complete our scope of work.
- Alankar Garude:** Okay, broadly assuming the January and February timeline is met, so the second hospital also should be operationalized around the end of FY2025?
- Abhinay Bollineni:** Correct.
- Alankar Garude:** Understood and secondly. If you look at Thane can you help elaborate on the legal issues out here because this is just an O&M. The facility is ready. We were planning to sign the MOU few months back but I think Dr Bhaskar said we will sign it in a short span of time so can you help understand what is the current situation out there?
- Abhinay Bollineni:** The legal issues on the title of the land and building are very clear. The first one and a half years is the time that we spent on clearing out those issues. As of now on the property the work is actually happening so if one visits the property, the work on site is progressing. We are doing our interior works and services works to fulfill our timeline to open it in the next financial year but there has been some delay in the closure of the full transaction because we have then brought in an investor to complete the transaction and unfortunately there has been a delay in executing that from the investor. He is confident that he will close it by this month and if it does not get closed by him this month then we will go ahead and do it on

ourselves because we have sufficient capital available to complete the transaction. There are no more pending legal issues on the title and the land and building; those were cleared four to five months ago. We started work on site two months back and in the next year, we should complete all the work on site.

Bhaskar Rao Bollineni: The investor said that he will be able to close by June end. Because of his issues of money to procure is getting delayed and two days back he said he will be able to do it in the next one week's time. Because it has been postponed for the last three months, we simultaneously arranging it from our side but for any cost end of this month, if it is not going to happen by the investors, KIMS will able to do it on its own.

Alankar Garude: What is the breakup right now assuming the investor money comes in what would be the breakup of capital allocation between us and the investor?

Abhinay Bollineni: If the investor comes then our capital requirement for this project is Rs.120 Crores.

Alankar Garude: If it does not come?

Abhinay Bollineni: It should be around Rs.430 Crores.

Alankar Garude: Understood. The followup question here is with the revised timelines, how should we look at the EBITDA drag from these expansion plans when it comes to FY2025 and if possible can you throw some light on FY2026 as well?

Abhinay Bollineni: On FY2025 because all of these will be operational except for Nashik. The others, Mumbai and Bengaluru will be operational only for a quarter and like I had always indicated in the past on a revenue base of close to Rs.2600 Crores to Rs.3000 Crores the impact that these three facilities will have will be less than 1% to 1.5% on the overall revenue.

Alankar Garude: Okay the other question is on Telangana so we have been around this 30% EBITDA margin mark for a few quarters now. Given that we are already at 70% plus occupancies is there any scope for margin expansion in this cluster?

Abhinay Bollineni: Yes, actually in this quarter there would have been a margin expansion but we had undertaken some one-time expenses towards renovation of the hospital which if it did not incur that then there would be a margin expansion in Q2, so 31% is a steady state margin that we should expect in the Telangana cluster.

Alankar Garude: One final question if I may what is the EBITDA margin share of minority right now with all the recent acquisitions?

- Sachin Salvi:** I will give you this number Alankar. I do not have this number handy.
- Alankar Garude:** Sure okay that is from my side. Thank you.
- Moderator:** The next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.
- Abdulkader Puranwala:** Good morning and thank you for the opportunity. My first question is on the Nagpur facility so if I go as per your investor presentation in Nagpur you are already clocking an occupancy of around 80 odd but on the margin side at 80% occupancy the margin still seems to be quite lower as compared to what we are doing at a company level so how should we see margins and overall revenue trajectory in Nagpur going ahead?
- Abhinay Bollineni:** Right, Nagpur if you actually look at the operational beds it is still 250 beds against a bed capacity of 334 so that incremental 80 beds that are available is where a lot of the growth will come, and when that 80 beds get occupied a lot of the margin expansion will happen plus there has been a lot of focus on volume growth and revenue growth which is what we were trying to achieve and stabilizing the unit for the last one year. The integration and cost optimization has not happened significantly like we would want them to happen and a lot of these things have to do with attrition playing its role because of the high cost of nurses and a few other initiatives that we had to take so the margin will get aligned to what we are seeing at Sunshine and eventually it will get aligned to what we are seeing in Telangana and Andhra but I think our primary focus was to stabilize and increase the volume which we have now achieved successfully for Q2 and October and November also we are seeing similar trends on the volume growth and revenue growth. We will now focus on optimizing cost and also as the growth in revenue happens you will start seeing more margin expansion.
- Abdulkader Puranwala:** Okay. Just to clarify if I would have understood this correctly that though we have 250 beds operationalized currently but in terms of the medical staff and the doctors what we have is properly aligned to the actual bed capacity which is 334 so it is a matter of where you operationalize the remaining but you will be able to scale up the margins here is that the correct understanding?
- Abhinay Bollineni:** Correct.
- Abdulkader Puranwala:** Okay sure and secondly we are talking about going solo in Thane and then acquiring some minority stake for hospitals where we do not have a 100% shareholding, how should we look at this from a long-term perspective in terms of the funding so I understand you would

be generating good amount of cash flows, but are you also trying to raise debt to achieve this aspirations or the funding would happen in such a way or the stake buyer would happen in such a way that it is only restricted to the internal accruals only?

Abhinay Bollineni: We will definitely leverage on debt, but we will keep it very tight. We will keep it 1:1.5 times or 2 times debt to EBITDA ratio and even if the Thane investor thing does not happen, I think we are confident of doing it on our own since we have sufficient cash flows available and also we are buying minority share only as and when we have sufficient cash flow available and if we have to defer that for a while we will do that and take that decision.

Abdulkader Puranwala: Understood. Thank you so much and wish you all the best.

Moderator: The next question is from the line of Rahul Jeewani from IIFL Securities. Please go ahead.

Rahul Jeewani: On both Sunshine and Nagpur, we have seen a very good improvement in occupancies on a quarter-on-quarter basis, so how much of this occupancy improvement in Sunshine and Nagpur was owing to the seasonal business and what kind of a trend do you expect on occupancy that these two hospitals going forward?

Abhinay Bollineni: Most of the growth that has come in is in Sunshine Gachibowli and not in Begumpet so that is a clear indicator that there is definitely some seasonal growth in this. There is no denying about it but there has been a lot more stabilization and a lot of doctors who have got added in the recent few quarters; we started seeing a lot of traction in their volume in Gachibowli so if you actually look at the breakup which we did not provide here but a lot of the growth actually happened from Gachibowli versus Begumpet. As far as Nagpur is concerned, again there is a seasonal impact. Part of it is seasonal impact but like I said we had on boarded a significant number of doctors in the last few quarters and now we are starting to see results from those doctors. We are hopeful in the next two to three months we will on board more doctors and the revenue should stabilize at the numbers that we had indicated with us.

Rahul Jeewani: Sure and in terms of doctor addition plans both for Sunshine and Nagpur, how much of that is completed. Can you indicate in terms of let us say a percentage basis in terms of let say an X number of doctors which you wanted to hire at Sunshine in Nagpur, how many of those doctors have already been hired?

Abhinay Bollineni: As far as Gachibowli is concerned, we are almost through. There is one doctor who is going to join in December and with that, we do not need any more incremental doctors except for one or two and that to not immediately, and that was sorted. It is just that we need to start seeing the volumes go up like it has been happening in the last three to four months. As far

as Nagpur, we are still at 50% of what we want to add in our total capacity and this 50% was important because they going to give confidence for the rest of the people to start coming on board.

Rahul Jeewani: Sure and Begumpet earlier we were indicating that the impact which we will have on account of running two facilities would be to the tune of Rs.20 Crores but this time around you have indicated the combined numbers will be around 7 to 8 Crores?

Abhinay Bollineni: We optimized the cost. Earlier, we had a two to three-month plan to change over. Now in November itself because the season is a little low and the occupancies are a little low we are trying to optimize and see how the shift can happen sooner.

Rahul Jeewani: Okay, so that has led to savings as in terms of these cost coming down from Rs.20 Crores to a Rs.7 to Rs 8 Crores kind of number?

Abhinay Bollineni: Correct and some of the contracts with the medical equipment manufacturers to shift a lot of these equipment free of cost versus having an additional cost also led to this.

Rahul Jeewani: Sure and on the Sunshine Hospital we are already clocking 23% EBITDA margin and with this rental savings which we will start accruing from Q4 as we shift to this new campus so do you think that on Sunshine we can inch up to a margin profile of 20% to 30% in FY2025 on a full year basis?

Abhinay Bollineni: Yes, we were at 23% for H1. The rental cost savings for a quarter will be close to Rs.4.5 Crores so Rs.28 Crores will be around Rs.32 Crores yes I think it should be not 30% but closer.

Rahul Jeewani: Okay sure so Rs.4.5 Crores is the rental cost impact for the quarter?

Abhinay Bollineni: Yes Rs.4.5 Crores to Rs.5 Crores.

Rahul Jeewani: Okay sure thanks. I will join back in the queue.

Moderator: The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.

Omkar Kamtekar: Thank you for the follow up. I just needed an understanding of whenever we expand so it is mostly in a cluster in a specific state? I want to understand the philosophy behind it and what are the next states so we already are going into Bengaluru and Chennai and other states, so I want to understand the philosophy and how do we mushroom, so we looking at a

mushrooming growth? I wanted to understand the philosophy behind it and how does that work?

Abhinay Bollineni: Our focus is to just pick fewer states and do fewer hospitals, but large format hospitals and we believe just being present in fewer geographies will save a lot on bandwidth. We will have a lot of optimization on the cost, a lot of benefits on doctor recruitment and talent acquisitions in the clinical community, and also from a patient point of view, the brand is much more recognized in one geography. The ability to attract better pricing and market share from insurance companies. These are the benefits that we have seen in the Andhra and Telangana clusters. When there is an opportunity in one or two markets to do a lot more number of hospitals why to go to newer markets and try to reinvent the wheel is our thought process. For now, Maharashtra and Karnataka are where we see a big opportunity and a big vacuum in the number of beds required versus what is available today and we believe if we execute that story right that itself can be bigger than what KIMS is today so that is the reason we said we will just stay focused on these two markets two to three markets and be able to scale it up very well.

Omkar Kamtekar: Okay and in a correlate to that the payer mix has very slightly changed so in for H1 FY2024 the corporate and peer mix has increased by 2% vis-à-vis the FY2023 cash has come down so are we actively getting partnerships with corporates or are they for approaching us so how is that working and is this going to increase significantly over say two, three and four years and the cash proportion comes down and the insurance also increases?

Abhinay Bollineni: You are referring to cash and insurance or you are referring to corporates.

Omkar Kamtekar: Corporate has increased by 2% in the six months FY2024 from FY2023, so are we actively getting more participation from or we are seeking that?

Abhinay Bollineni: There is no active empanelment. We partner with all the companies so sometimes during the variations there is more demand from a few of these organizations at the moment. I do not think it will change. The cash and insurance will remain at 75% to 80% and there will not be a decline moving forward. In fact, it will only increase because the markets that we are now getting into like Nashik, Mumbai, and Bengaluru are heavily cash and insurance-driven markets.

Omkar Kamtekar: Correct, so the underlying thing was because we are going to enter into these markets that are heavily insured or have this insurance backing, will the margin trajectory change because you generally have different revenue structure or pricing for these negotiated

contracts with corporates or insurance is there a material impact that could happen on that front?

Abhinay Bollineni: For the following year.

Omkar Kamtekar: For maybe say two to three years would that happen because generally these contracts are long-term contracts and they are negotiated at different prices from say non-insured person or a corporate person or an insurance person so can there be a material impact say maybe upward or downward is the question on the margin?

Abhinay Bollineni: There will not be a downward trend, but there will be an upward trend. That happens once in three years for private insurance and wherever government-sponsored schemes are there it is a little longer five to six years.

Omkar Kamtekar: Okay thank you very much.

Moderator: The next question is from the line of Harsh from Bandhan AMC. Please go ahead.

Harsh: Good morning. The last quarter you made a comment that 1500 beds would be added in Andhra Pradesh and Telangana, so from the PPT we have 700 beds Anantapur and Kondapur that is in FY2026 and FY2027, how do we bridge the other 800 beds from the next three to four year perspective in those base markets apparently, which is Andhra Pradesh and Telangana anything say Srikakulam, Anantapur and Ongole. Could help us understand for the remaining 800 beds?

Abhinay Bollineni: Sure. There is bed expansion in Anantapur that we have mentioned. The Ongole, there is a bed expansion. It is a small bed expansion that is why we have not mentioned it which is close to around 50 to 75 beds. Srikakulam there is a bed expansion and Vizag there is a bed expansion of 75 beds which we again did not mention because it was something that the trust is doing and not us. The two big additions are Nellore and Rajahmundry. The reason we have not mentioned it is we are just waiting for certain timelines and clearances from the government and once we get those we will be in a better position to publish those timelines so between those two assets alone we will be adding close to 400 odd beds incremental capacity.

Harsh: These two 400 bed project?

Abhinay Bollineni: 400 plus 200 is 600 and then 700 breakup is already available so around 1200 to 1300 beds there was another micro market that we wanted to open up in L B Nagar so that also we

have nothing certain at this point in time and when there is something certain we will bring it to the board and take necessary approval.

Harsh: Sure that is helpful, but it would be a fair assumption that a large part of this base market expansion the beds that we are discussing in micro markets would be before the end of Q4 FY2025?

Abhinay Bollineni: Whatever has been published in the PPT will be done before Q4. Nellore and Rajahmundry we are still yet to get approvals for. Once we do get them, it will take us 24 months to build that hospital and that will be an incremental bed capacity of 400 beds.

Harsh: Sure. Thank you.

Moderator: The next question is from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Thank you for the opportunity. My question was around insurance. Are you working on any internal operational projects because there has been some discussion not specifically your company, but generally across hospitals about issues about customer processing on insurance, the time it takes and

Moderator: Management, we have lost her so we will take the next question. The next question is from the line of Abhay Marda from Yashwi Securities. Please go ahead.

Abhay Marda: Good morning. I just wanted you to throw some light on the Bengaluru expansion that we are doing. What is the number of beds and how many beds will be operational initially and what is the ARPOB as we are looking forward to?

Abhinay Bollineni: We had indicated in the past we are hoping we will target to get around 700 beds in that micro market. We have one project that will come into operation in the next financial year which is in a micro market called Mahadevapura. Of the 400 odd beds, we will operationalize around 30 beds in year one. Obviously, our aspiration is to operationalize both but based on doctor traction we will take a call and the ARPOB currently in that market it is around Rs.60,000 per bed per day. We may start off a little lower maybe at around Rs.50,000 and then as the hospital matures it will scale up.

Abhay Marda: Okay thank you so much.

Moderator: The next question is from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Thank you for the opportunity again. My question was around insurance, are you working on any internal project or engaging with insurance companies because there has been some discussion about the time it takes to process insurance claims, etc., and some misuse so I am just trying to see how are you focusing on enhancing customer service and customer excellence given the issues around insurance. Thank you?

Abhinay Bollineni: There are a couple of third-party applications that are working to solve this problem. There is a significant delay in communication between the hospital and the insurance provider. We are not directly working with these companies because it will consume a lot of our bandwidth, but there are four to five players in the market who are trying to solve this problem and we have partnered with one or two to see if we can help them also solve this problem.

Namit Arora: Got it. That is very helpful. Thank you very much and all the best to the entire team.

Moderator: The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.

Omkar Kamtekar: Thank you for the follow up. With respect to the pledging so there is a small pledge of the promoter state of 16.2%, what is the plan so are we going to reduce it or it is going to stay stable just a clarification on that?

Bhaskar Rao Bollineni: As I mentioned before also that my brothers have been pledged for their company and they are also planning to release it as early as possible. They are keeping some assets for sale which is going to happen. The moment it happens at least 50% to 60% of the shares will be de-pledged.

Omkar Kamtekar: The **(inaudible 56:19)** the half what you say?

Bhaskar Rao Bollineni: Yes.

Omkar Kamtekar: Any approximate timeline maybe a quarter or two or maybe a year?

Bhaskar Rao Bollineni: One or two quarters. End of this financial year.

Omkar Kamtekar: Okay, so end of FY2024, we can say this pledging would go down under 10%?

Bhaskar Rao Bollineni: Yes.

Omkar Kamtekar: Thank you. That is it.



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Moderator: As there are no further questions from the participants, I now hand the conference over to the KIMS management team for closing comments.

Bhaskar Rao Bollineni: Thank you very much for asking all the questions and we are very happy that your company is growing as we expected during our IPO show time. Whatever we promised we could able to deliver and there are definitely good plans in the next two to three years we are tied and then we are very, very cautious about our financial burden on the company. Mostly, we will be doing internal accruals, and as well as the debt EBITDA ratios we will not cross. We are very, very disciplined in that aspect and at the same time we will try to do what is good for the company whether it is a light asset model in the long run or short term we are planning on that, so we will achieve what we are having in our mind. Thank you very much.

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