"HealthCare Global Enterprises Limited Q4 FY '20 Earnings Conference Call"

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MODERATOR:	**MR. NIRAJ DIDWANIA – HEADS (CORPORATE DEVELOPMENT & INVESTOR RELATIONS), HEALTHCARE GLOBAL ENTERPRISES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the HealthCare Global Enterprises Limited Q4 FY '20 Earnings Conference Call. As a reminder, all participants' lines will be in 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. I now hand the conference over to Mr. Niraj Didwania, Head of Corporate Development and Investor Relations. Thank you and over to you, Sir.

Niraj Didwania: Thank you. Good Afternoon and a very warm welcome to all participants to HealthCare Global Enterprises Limited Q4 and FY '20 earnings conference call. Today, we have with us Dr. B. S. Ajai Kumar, Chairman and CEO of HCG along with the Management team to share the highlights of our business and financials. We have uploaded an earnings update presentation to the stock exchanges and also shared the same through our mailers. Without further ado, I hand over the call to Dr. B. S. Ajai Kumar.

B. S. Ajai Kumar: Thanks Niraj and a warm welcome to all the participants and thank you for being here. We are pleased to report Q4 and FY '20 earnings with strong resilience amidst a very challenging environment as you are all well aware of. At the start of the fiscal FY '20, we had an unexpected margin cap on Oncology, which not only impacted our revenues and margins negatively, but also affected our ability to offer cross subsidy for making treatments affordable to economically challenged patients. Our initiatives focused towards recovering from this impact had yielded positive results starting Q3 FY '20 and are still ongoing.

Now, with the world witnessing one of the biggest medical and economic crises in recent history in the form of COVID-19 pandemic, HCG business has also been disrupted in the form of reduction in footfalls and procedures across our hospitals what I call as the collateral damage we have witnessed. However, our focus on Oncology along with graded cost reduction with support of our employees who have risen beyond their call of duty as not only employees but also consultant Doctors who have relentlessly worked at front line in this war on epidemic helped in minimizing the adversities and maintaining continued care at the highest level extent possible. This is a testament of the dedication and commitment of HCG towards cancer patients even in the most challenging circumstances.

As some of you may know that we were rated as number One in India in private enterprise by Times of India, not only number One for our Bangalore Centre of Excellence, but also got number Three for our Borivali Cancer Center in Mumbai as well as our Cuttack Center got Number Six, so we got three positions out of six even in these challenging environments. While we cannot foresee how things will normalize completely, we continue to maintain focus towards our inflection point and generating returns from the substantial expansion and investments, which should drive strong growth for the next few years.

Talking about investments:

Most of you as investors are quite aware the investment we got from CVC and people have told me that it was remarkable achievement even in these difficult times. We are very happy to have CVC as our partner and as you will see as we come to the Q1 results, this is some of the approach we have taken in various aspects to make HCG a very strong and robust company as we move forward. The uniqueness and inherent strength of our model is being recognized and reinforced given that in the toughest of times, we have completed a large fundraise as stated with a marquee long-term investor. This will not only deleverage the balance sheet substantially, but also can potentially transform the company towards a much stronger and better future with literally being debt free. Overall, we are thankful to our shareholders who continue to believe in us and support us, and not only shareholders, but we are thankful to all our stakeholders which include our patients, our employees, and public at large and we remain excited about HCG's care, performance platform in oncology with pan India presence and are committed on driving value creation for all of our stakeholders.

Now, I will move onto business updates for Q4 FY '20:

Focus on leadership in Cancer care in Mumbai region continues, Borivali centre ramping up with 29% YOY revenue growth and substantial reduction in losses. Patients adopting advanced radio surgery procedure through Cyber Knife at South Mumbai Centre. Addition to Oncology operations at Bhavnagar Centre in Gujarat delivered 200% EBITDA growth with margin improvement of 800 basis points for the Centre in FY '20 on YOY basis. Andhra Pradesh region demonstrates strong all-round performance, existing centres revenue grew 29% in Q4 and 16% in FY '20 on YOY basis. Vizag Centre launched advanced Head and Neck Cancer program through Oral Integrative Oncology Conference. New centres in Calcutta show strong ramp up with specialized offering including bone marrow transplant procedures. I request now our CFO, Srinivasa Raghavan, to share the financial highlights.

Srinivasa Raghavan: Thanks Dr. Ajai and Welcome to everyone. As you know effective from April 1, 2019, the company adopted Ind-AS 116 lease standards apply to lease contracts existing on April 1, 2019. The effect of this adoption have not been retrospectively adjusted for the year ended March 31, 2019, and previous period financials are not comparable.

Highlights for quarter ended March 31, 2020:

Consolidated income from operations was INR 2704 million as compared to INR 2579 million in the corresponding quarter of the previous year reflecting a YOY increase of 4.8%. Consolidated EBITDA was INR 377 million, INR 233 million excluding Ind-AS 116 adjustment as compared to INR 354 million in the previous year in the corresponding quarter. Highlights for the year ended March 31, 2020, consolidated revenue were INR 10,956 million as compared to INR 9,787 million in the previous year reflecting a YOY increase of 12%, consolidated EBITDA was INR 1,722 million, INR 1145 million excluding Ind-AS 116 adjustment as compared to INR 1,252 million in the previous year. Operating EBITDA for existing centres was INR 1,599 million excluding Ind-AS 116 adjustments reflecting an operating EBITDA margin of 17.2%. Operating EBITDA loss from new centres was INR 455 million excluding Ind-AS 116 adjustment as compared to a loss of INR 295 million in the previous year. Consolidated PAT was a loss of INR 1,067 million, loss of Rs. 718 million excluding Ind-AS 116 adjustment as compared to a loss of INR 248 million in the previous year.

I now request your attention to Slide #9, please:

Q4 ’20 revenue grew 4.8% year over year, HCG centres grew by 5.2%, Milann Centres degrew by 1.2%. Q4 ’20 operating EBITDA for existing centres is INR 369 million, 16.1% margin versus 17.4% margin in Q4 FY ’19. New centres loss of INR 153 million compared to a loss of INR 70 million in Q4 FY ’19. Moving to Slide #10 please, FY ’20 grew 12% year over year, HCG centres grew by 12.2%, Milann centres grew by 9%. FY’20 operating EBITDA for existing centres is INR 1,599 million, 17.2% margin versus 17.6% margin in FY ’19, our new centres a loss of INR 455 million compared to a loss of INR 295 million in FY ’19. I now request Dr. Ajai Kumar to share the operating highlights.

B. S. Ajai Kumar: Thank you, Srini. I would like to draw your attention to Slide 11 of the presentation, revenue split for our business is 94% contribution by HCG centres and 6% by Milann Fertility Centres. Within HCG Centres, Western India comprising of Gujarat and Maharashtra contribute 44% of the total revenues followed by Karnataka at 35%, East India and Andhra Pradesh at 8% each, Tamil Nadu contributes 3% and North India 2% for FY ’20. I would like to draw your attention to Slide 12 of the presentation, strong growth continues at several existing and new centres in Q4 FY ’20. Vizag grew 33.4% YOY, Borivali grew 29% YOY, Gulbarga grew 23% YOY, and Cuttack grew 18.8% YOY. Revenues from new centres was INR 36 8 million in Q4 FY ’20 versus INR 305 million in Q4 FY ’19, INR 1490 million in FY ’20 versus INR 956 million in FY ’19. Existing centre revenue growth, 3% in Q4 FY ’20 YOY and 7% in FY ’20 YOY. I would like to draw your attention to Slide 13 of the presentation, the ARPOB for existing centres at INR 33,225 against INR 31,171 in FY ’19, ALSO 2.27 on account of trend towards daycare procedures and change in patient profile. Operating EBITDA margin impacted its scale up and losses of new centres.

Looking at key geographies in Slide #14:

Another thing is existing centers operating EBITDA margin declined by 73 bps to 21.1% in FY ’20 from 21.8% in FY ’19. Now, looking at key geographies in Slide #14, Karnataka region continues to do well. The Centre of Excellence ARPOB of INR 56,900 with 27.1% operating EBITDA margin. FY ’20 Centre of Excellence ROC improved from 25.8% to 27.1%. Focus on margins and returns optimization across region. With respect to Gujarat region, Bhavnagar oncology ramps up 25% revenue growth and 800 bps EBITDA margin expansion YOY. EBITDA margin of existing centres is at 17% for FY ’20. In Maharashtra, Nasik Centre absorbing expansion cost is returning to original levels of profitability with 22% EBITDA margin in Q4 FY '20. Borivali and Nagpur, new centres continue to ramp up with reduction in losses. Cyber Knife procedures commenced at South Mumbai Centre. In Andhra Pradesh, Vijayawada maintains consistent profitability with EBITDA margin of 25.7% for FY '20. Centre in Vizag continues to ramp up well, focus on improving revenue mix through corporate tie-ups. In East India, existing centre EBITDA margin of 26.8% was driven by improvements in patients and procedure mix. Calcutta Centre offers advanced bone marrow transplant procedure and ramping up well. Coming to Slide 15 covering key highlights for Milann Fertility business, for FY '20 Milann demonstrated growth in IVF cycle of 7.3% and revenue of 9% with improving profitability on YOY basis. Whitefield Centre continues to ramp up well, leadership in attractive Bangalore markets. Request Srini now to explain the CAPEX and debt highlights.

Srinivasa Raghavan: Thanks Dr. Ajai. I would now like to draw your attention to Slide number 16 please, with respect to the CAPEX table, we have implemented judicious control measures with respect to both routine and growth CAPEX with most of our expansion completed. Total capital expenditure was INR 147 million which was largely with respect to HCG Centres. With respect to net debt, we closed the financial year at net debt of INR 7,075 million, which includes Forex reinstatement of 64 crores. If we exclude that, the debt was flat to marginal degrowth on a quarter-on-quarter basis on account of clear focus on cash conservation. I would now like to draw your attention to Slide #17, we are not expecting any new centres for next few quarters. We do not have any more committed new centres for Milann. I would now like to handover the call back to Niraj, please.

Niraj Didwania: Thanks Dr. Ajai and Srini for sharing the financial and business highlights. We continue to be in our silent period and hence refrain from providing any specific financial or operating guidance regarding the business. The comments from the Management are intended to share qualitative perspective and should not be considered as material disclosures or guidance. We would like to now open the call to take questions from the participants.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. We have our first question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan Padmanabhan: Sir, my question is if I look at our Oncology business, as a specialty player as opposed to a generalist or a multi-specialty player, one I would assume that the risk of COVID for patient is much lesser as he comes to our sector and a cancer patient who is receiving chemotherapy or even who needs surgery cannot postpone it for a long period of time as the risk of deterioration would be far higher than that of COVID, so the way your business has been moving in the last few months post COVID, can you give some color on what kind of footfall that we have seen and to combat that what is the kind of mass initiatives that you have also taken to basically minimize the impact on EBITDA?

B. S. Ajai Kumar: Sudarshan, thanks for that question, as you all know when the COVID situation hit in March and you were absolutely right, I call it the collateral damage, when the announcement was made and entire country was locked down, there were no transportation travels and fear was gripping the entire country which included even cities like Bangalore, Delhi, Mumbai, so with this complete lockdown there was hardly any movement. People who require treatment, who were on actual treatment also stopped coming because there were no mode of transportation and unfortunately till the message came even the police and the system was not allowing people to travel. In fact, at HCG all our centres we had to arrange our own cars and vans to bring patients. Obviously people coming from distance did not come and so that created a significant drop in the footfall of not only new patients but what happens with the new patient is there is a ripple effect because let us say when a patient identifies a lump in the breast or a pain in abdomen, they tend to postpone because how can they go to hospital, they usually go to a Multispecialty hospital, they I do not want to get COVID, so I do not want to go to the hospital so they do not, they even postpone, this has been written up not only in India, but this kind of collateral damage has been written up across the globe. Even New York Times recently had a large article about, there was a big news channel which talked about it, so it is a global problem in terms of collateral damage but we have seen that in our HCG Group in the month of April, we will be giving out some details during the Q1 earnings, but suffice to say at this time in the month of April we saw significant drop.

It started picking up by June and now it is somewhere around 70% to 80% we are reaching, but our international part of HCG Group and several other Multispecialty hospitals outside are dependent on international quite a bit that has completely dried up with no international travel, no transportation also, so we have to look for normalcy to come back, it will take several months. We do not have visibility on COVID itself as we know COVID number of cases are reaching a very peak, maybe they are peaking out, but when will it become normal, when will the people start travelling, it is not just the Government allowing travel, people fear coming down and arriving is another issue. In answer to your question whether the COVID hospitals we being a non-COVID in most of our Oncology Centres, yes, but still cancer patients are more susceptible because of the immune-compromised status. Fortunately, HCG being in the forefront has taken extraordinary precautions not only with our doctors and nurses, but with all the patients, so it has worked fairly well even though we have had cases, but what other hospitals are seeing where the personnel are not coming, we are not seeing, fortunately, knock on wood, and our doctors and nurses are coming and we have taken care of them, so this is a positive step, and hopefully, in the next two to three months this will become history and we will see some definite back to normal situation.

Sudarshan Padmanabhan: Sir, on the cost side I had asked, now we understand from the footfall side it is down, so to combat or offset that what steps have we taken?

B. S. Ajai Kumar: We will see in the report when it comes in the first quarter. We have taken lot of measures which was directly related to our revenue. When the revenue is down obviously we have to do lot of belt tightening, we have done so that our model don't go into a negative feel, so when we give out the details we see that we have stayed positive and we will continue to be so and I think we have managed it very effectively. I would say we have managed the situation considering what kind of a mammoth problem we are facing as a global epidemic.

Sudarshan Padmanabhan: Sir, my second question is now that the Board has approved this fundraising issue of share to the investors, I mean now what is the process how long does it take in terms of getting the money into our books, purging the debts and if I am correct it should also trigger an open offer, so where are we on that side?

B. S. Ajai Kumar: We are actually waiting for all the Board meeting and once all has happened and things are on track and for us to use the funds may take another two weeks depending on the SEBI giving okay for the open offer. Once the SEBI is in the final stage, so if they give the open offer we will automatically be able to have access to the money, so it should take another 15 days or so that is what we have been told, but of course we have been told we do not know, so sometime in August this will fall in place.

Moderator: Thank you. We have next question from the line of Chandramouli from Goldman Sachs. Please go ahead.

Chandramouli: The first question is now that the transaction has been announced and in the near-term we are expected to get the capital in your books, I just want to understand like how do we look at the put option exercised by Dr. Kamini Rao, at what point do we think that does not become an issue any more and how are we looking at forward CAPEX in the context that you said that there is not too many new facilities planned over the next few quarters?

B. S. Ajai Kumar: Chandramouli as you know regarding the put option, we have time till October. We have discussed this with our new partner which they are aware of, so once they come onboard, the discussion will take place with Dr. Kamini and resolution will happen about the put option and we have the funding coming in, I think we should be able to address this issue effectively that should not be a problem. Regarding the CAPEX, yes, we have certain unfinished projects particularly Gurgaon project and some small project in Kochi. We have apprised our new investor of that, so we intend to complete those projects in that timeline. Apart from that, there may be some small replacement CAPEX, we have also worked out and the details will follow possibly in Q1 results are announced, worked out some details about pay for use model, wherever CAPEX spending may be less, so with all these models coming in, going forward, as you know you saw in the Q4 itself we controlled our CAPEX significantly, in fact very little or no CAPEX. We feel very confident with the Oncology knowledge we have, with the way we have structured and innovated the models, we will be able to control significant of our CAPEX in the future and our goal is very clear, debt reduction is our main goal, substantial debt reduction will happen as our CFO also indicated and with that debt reduction, we intend to have positive free cash flow post COVID period, with that is where we will make any CAPEX or any new investments, so we are very clear going forward.

We will have a very low debt, personally I will feel it will be good if it is debt free, I do not know whether we can 100% achieve that, may not be a good business idea also, but we want to really reach a level where debt is not an issue for us anymore, even perception of that is not there. As you know, in the past the market perception about the debt is because of the change in the macro-environment cause lot of issues even though we were very well servicing the debt, internally we did not have any problem, it is a perception always which created lot of issues and people started predicting lot of things which were not true, but anyway past is past, but looking at future we have a bright future, we are leaders in Oncology, as I said we are Number One rated and we intend to grow across India and outside and the CVC being a partner, is very much committed to working with us in this growth story of our HCG and we are also innovators. We are into immunotherapy, we recently did plasma therapy which helped lot of COVID patients, so we will continue with that academics and research, so the opportunity for us are huge, but it is the question of how much we want to do, how much we want to grow without taking any debt on the books, that is what we intend to do using the free cash flow for future growth.

Chandramouli: Just as a follow-up to that, I think in FY ’20 we had about slightly less than 110 crores in CAPEX, so in FY ’21 could you just give us some qualitative commentary on where you think the CAPEX plan could be?

B. S. Ajai Kumar: We had budgeted certain amount around INR 70-80 crores, but because of no projects at this point because of the COVID situation, there is uncertainty Chandramouli, and we have not committed any amount now, we are taking it on a month-by-month and quarter-by-quarter basis, so certainly we will update depending on what happens to the COVID situation, how we want to invest in new CAPEX replacement, so we will take it on a quarter-by-quarter basis and update you, right now I cannot give a definite number because of this macro-environment.

Chandramouli: My second question is just a follow up to something you said on the most recent investor call, so you said that post COVID the new patient consultation which is pretty important metric to track for future patient cycle revenues was sort of a little lower post COVID broke out in late March-early April, so now three months down the line and late July, how do those new patient consultations and those footfalls look because as I understand that is pretty important part of your revenue?

B. S. Ajai Kumar: I think we are at about 75% to 80% levels. It is also very much dependent on the region, for example, in certain regions it is better, in certain regions it is less, like for example in Oncology as mentioned by Sudarshan also patients will have to eventually come, so we are seeing an upside and in fact in Karnataka we are seeing upside and also in Bangalore until last week’s lockdown, so if there is no more lockdown that is what they have predicted, we should see nearly coming month of August close to 80% of recovery should happen and beyond that of course it depends on the international patients and others. As far as Milann is concerned being a fertility, obviously the footfall has decreased dramatically more than 50%. It may continue to be 50%-60% for a while till the macro situation improves quite a bit almost to normalcy, because patients of fertility can always postpone their procedure by few months and also there is a fear of COVID, baby getting COVID and all that even though we are very clear those things will not happen, but the number of people able to come and get this done has decreased, but we are monitoring it, I think things are improving even there, so we expect that to reach 60% or so in the coming months.

Chandramouli: The 70% to 80% number that you are talking about is on patient volumes or is it on top line basis?

B. S. Ajai Kumar: It pretty much tracks both, I am mostly talking about the revenue. The patient volume is also very much close to that tracking.

Moderator: Thank you. We have next question from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Just two-three questions, one is on while I appreciate you cannot give guidance, but wanted to understand how you all are thinking about new center losses going forward in FY '21, Q4 saw a higher run rate obviously, where do you think that this can end up at in FY '21, considering the current scenario?

B. S. Ajai Kumar: Briefly, I will ask our CFO also to answer, we expect as you know there is uncertainty in the first quarter and after the first quarter if things are going to improve as we feel, we think we should start most of the centres like Borivali and South Mumbai as well as Nagpur to breakeven sometimes in the end of the second quarter or towards the third quarter that should happen, the postponement is why because of this COVID situation. Our Calcutta Centre is likely to take little bit more time, maybe towards the last quarter or first quarter of next year it can breakeven because it is relatively new centre.

Srinivasa Raghavan: Just one point, before COVID these new centres especially what Dr. Ajai articulated in terms of South Mumbai and Borivali and Nagpur, they were nearing breakeven which was very difficult, once COVID happened it kind of took a backseat, but as you rightly said in fourth quarter we should start seeing the improvement provided the COVID situation settles and then once the breakeven stops from next year onwards you should start seeing an upward trend as far as the new centres are concerned barring Calcutta which might take a slightly longer time.

Rishabh Parekh: Srini, just had one bookkeeping question for you, would it be possible to give us the depreciation and interest numbers excluding Ind-AS for FY '20?

Srinivasa Raghavan: We can send that out to you.

Moderator: Thank you. We have next question from the line of Arun Malhotra from CapGrow Capital Advisors. Please go ahead.

Arun Malhotra: Sir, I just wanted to understand we are replacing debt with fresh equity at the cost of the existing shareholders because IPO was at a much higher price, so this creates a value detrimental for the existing shareholders, my question to you is what would this new private equity be adding, is he a financial partner or a strategic partner, how will bringing in equity change the scenario for us going forward other than paying off the debt?

B. S. Ajai Kumar: First of all I want to say that this was approved by 99% of the shareholders, so obviously shareholders have approved this plan, they feel good about it, so the dilution is very well understood, I also understand that major shareholder is over 20%, but for me the interest of the company comes first and in this regard, the long history of HCG. You are right we are below the IPO price, in fact our stock price at one time from IPO price of 210 or so had gone down to 62 because of the perception and fear that the debt is quite high and particularly the COVID period and certainty all the things added. For us the important thing was not only the perception, but uncertainty of COVID period, so many things were going on and as you know very well what the Government have done is only the moratorium they have given, but they have not waved anything and unlike other industries where they have given some stimulus package and all, particularly for hospitals and healthcare they have not given any stimulus, they have not allotted any grants or any funds, and even the employment everything we have to manage , so for us the funding gives us lot of security and reducing the debt is the first things which helps us a lot and going forward like I said it puts us in a very strong position because we will be generating free cash flow which will be used for further growth, because without funding where was the free cash flow, where are we, what is the situation we were facing particularly the COVID uncertainty. As you know, lot of centres, lot of private hospitals and part of the association are suffering like crazy and they are going through a significant issues and I do not know how many of them will even survive, but fortunately we are in a very good position, we are in a strong position to even grow now because we will be generating free cash flow and that puts us in a significant growth pattern and I am sure in the coming years, the shareholders will be benefited even though that is not a guarantee in this business as you know.

Arun Malhotra: My question was to the private equity, would they be adding any strategic direction or they are just a financial partner?

B. S. Ajai Kumar: Private equity CVC is a pure financial partner and they are financial partner with substantial shareholding and at some point obviously I like the private thing, because it is a listed company, they will also be looking at an input, but it may be after four or five years.

Arun Malhotra: My second question is when do you think our business models will become self-sustainable, you mentioned that you want to grow without the addition of debt, now we have already raised substantial equity, if the centres do not generate a ROE of more than 15%, we would again land up with the problem either zero growth or we will have to add on debt to fund the growth, so when do you think at what stage this business model will become self-sustainable?

B. S. Ajai Kumar: In fact, we have pretty much been self-sufficient, as you know we have been able to reach a significant level beyond the self-sufficient model, even before the COVID period. The only issues we were facing was the Mumbai Centre and the negative EBITDA of Nagpur and South Mumbai and Calcutta, but if you look at our centres which are mature centres, three years plus, they generate an EBITDA without corporate expense close to +200, with corporate expense generating an EBITDA of 160 plus, so we were in a strong position including our EBITDA margins being in high teens to 20%, mature centres beyond 20%. Our Centre of Excellence, best in the industry of 27%, so we have all the ducks lined up, these centres where in the process of lining up and giving us the same margins and same returns, but unfortunately we got hit with this, because our model, our plan was that in the next year or two, certainly we would have significant free cash flow particularly with the funds coming, we thought of things, even before that we had planned it, but there was uncertainty with the COVID and other issues that is the reason the funding was done, but with funding the way I look at it is there is no sword hanging over your head in terms of even going forward with all the uncertainty. With oncology being Oncology, cancer patients being cancer, they will obviously have to come to our centres particularly we being very high and we are also all across and one of the great advantages we see is people when they look at accessibility is huge with HCG. Even if you go to a small centre in Angol or Gulbarga or Hubli you can go and get treatment under HCG or in Cuttack or Ranchi, so this kind of spread out is not there in any other center, any other groups, so we are in a strong position to really grow and use our free cash flow per growth if you want to, that is the decision we will be taking along with the new partners.

Arun Malhotra: Lastly Sir, do we also plan to expand on the infertility centers or just concentrate more on Oncology?

B. S. Ajai Kumar: Our concentration is certainly more on Oncology.

Moderator: Thank you. We have next question from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka: Good Evening and thanks for the opportunity, Sir. A couple of questions, firstly if I see your project update, I am referring to Slide 17 on the investor deck and if I look at the various capacities we had in FY ’20 was Jaipur 50 beds for 41 crores, Nasik 92 beds for 62 crores, so if I just do a simple calculation as to how much did each bed cost us for each of these capacity, Mumbai comes to a very high number of about two crores a bed, Calcutta comes to about 60 lakhs a bed, so a few questions regarding this differential in cost of each of these facilities. Rajkot I can understand probably would be a more satellite center then Center of Excellence, but when you compare South Mumbai and Calcutta or for that matter Jaipur, very big cost per bed, so is it that South Mumbai is a Center of Excellence and Calcutta and Jaipur are not, or is it that we are owning the land and we are building some of these centers, what is creating the difference in project cost?

B. S. Ajai Kumar: I think as you know in Mumbai particularly the cost is quite high, operational cost, the project cost because of the location and the type of infrastructure we put in and also when you measure a cost per bed in a centre like South Mumbai it is a small 25, it is loaded with technology like Cyber Knife, chromotherapy, and PET scan so lot of the cost would have weighted towards the technology, but unfortunately when you calculate per bed it will show very high because the number of beds are not that huge, so that is one explanation as far as I know I can see whether our CFO also has any other. In Calcutta obviously we have a partner, where we were able to get that at a lower cost and the CAPEX what we done in one chromotherapy only, we do not have any Cyber Knife and we have a PET scan, so that is why you see a difference, mainly because of the type of centre, you are right partially it is like a Center of Excellence only, particularly South Mumbai and Borivali and that is the reason the cost would have gone up.

Srinivasa Raghavan: You said it Doctor correctly, typically we do not look at the bed cost per se because depending on the centre, Tier-1, Tier-2 centres cost do vary, that is point number one and as Dr. Ajai rightly pointed out the type of machine that we put in kind of dictates the overall cost, so different centres have different type of the LINAC machine which kind of adds up to the overall cost, I think that is the point which Dr. Ajai made which I agree with.

Aditya Khemka: Just a follow-up on this, we do not own that any of the centres?

Srinivasa Raghavan: We do not own the land, we operate on a long-term lease, yes.

Aditya Khemka: Sir, second question on one of the initiatives that Dr. Ajai mentioned in your opening remarks, we are expanding outside India as well specifically in Africa in partnership with CVC UK, slightly difficult for me comprehend as to why we are making it outside India when the opportunity within India to be very large and we have sort of a cost advantage compared to other geographies in India and most of your competitors entertain patients from Africa as medical tourists in India itself, so you know what CVC UK bring to the table and why are we partnering with them and why are we spending money in Africa?

B. S. Ajai Kumar: This is an issue which we have discussed even in our investor conference multiple times, but I will be very happy to elaborate again. When we started seeing patients in Africa in 2014-15, as you know it is not like a joint replacement or doing a one-time surgery. Cancer patients require long-term therapy, care and follow up, so when we started seeing patients from Africa coming because lot of them were going to South Africa, Egypt, or Europe, they started coming towards India in around 2010-11 and when they saw that actually our cost of operations was actually less than even Africa, two-and-a-half times less, so they obviously saw an advantage with the care and one of the things they always said even the Finance Minister of Tanzania said the type of care we get here is not possible to get even in London, he went to London and New York and saw India doctors there and he said why should I go anywhere but come to the land of Indian doctors, that is why they came to India, but they see it as a very good area for getting the treatments and other things, but what was lacking was follow-up and recurrent tumors follow-up, how do you do, so it should not be financial only, it should be what is compassion part here.

You cannot treat somebody and tell them go home and whatever happens to you next is you, so that is when CVC came along and said they are interested in doing something in Africa, they gave some premium, we thought it is a good idea to at least test out on a pilot project. We have not spent significant amount of money, maybe it is a few million dollars, but with that we were able to acquire a centre in Nairobi, created the radiation centre which was already there, upgraded it and together we not only serviced patients there in Africa, but people who come to India feel refuge there, they can go back and we can attend to their follow up, even through video conferencing, so they feel very good that is why we are leaders in Oncology in India, because nobody else in India comes close to the type of patients we see, the type of service you provide and the revenue we generate in Oncology as a sub-specialty alone and also one point I want to say which is a very important for me, we do not use any intermediaries, we do not use so called touts or agents or healthcare services in Africa, we do not. We do not believe that is the right model and we want to make sure the right patient should come and we should do the right treatment and it should not become a reason purely for financial, and that is why even we do not charge these patients much more, we just charge them a few percentage points more because of some administrative costs and they are very happy because we pretty much treat them at the same cost of our Indian patients.

Aditya Khemka: Just one last question and again I am referring to Slide 14 of the investor presentation, so if I look at Karnataka at Rs. 36,400 ARPOB, operating EBITDA of 24% and this ARPOB was up 4.7% for the full year of FY ’20 whereas in Gujarat I see ARPOB of Rs. 35,400, one, why was the ARPOB down 1% versus for Karnataka being up 5% and second why Gujarat is at a lower operating margin despite a very similar ARPOB of Karnataka?

Bharat Gadhavi: In Gujarat we have three Multispecialties that is one of the reasons that the overall ARPOB was lower. Specifically in the last few days in March almost 15 days there was a sudden dip in the total footfalls because of the COVID situation.

Niraj Didwania: Gujarat also when you compare it to Karnataka, we have some difference in maturity profile, so Karnataka is pretty much 95% all mature centres, there is Gulbarga which moves into existing centres this year and we have new centres in Rajkot and Baroda has also recently matured centres, so the maturity profile is different. For the same revenues, EBITDA ramp up will happen in the forthcoming years.

Aditya Khemka: But Niraj when I look at the average occupancy rate in Karnataka it is 46, in Gujarat it is 48, so they may be new, but they are doing better off?

B. S. Ajai Kumar: But the important thing in Oncology it is not occupancy rate, it is more to do with the outpatient footfall and clearly the type of treatment we do in Karnataka may be giving more, because of the Multispecialty it confuses. In Multispecialty, there is more occupancy so we can take this down and give you more clarity if you want.

Niraj Didwania: The mix is also different. The two things I would give is maturity and the mix of patients between international, cash, insurance, Government, and that is also different between these two regions, that is contributing to the overall slightly diluted margins on the same ARPOB and occupancy.

Aditya Khemka: Niraj, just may be useful to add in these metrics to your investor deck, it will help us preempt these explanations, I understand the explanation is valid.

Niraj Didwania: We have in the project update slides centre wise and also if you look at the map in this slide, Gujarat, it shows you how many red dots and how many blue dots, that is the existing versus new.

B. S. Ajai Kumar: Niraj, MA Yojana rates were reduced by almost 30% the scheme, so that is why the ARPOB was lesser.

Niraj Didwania: Aditya, you have on the project slide new and existing center break up and also we give a sort of a legend here in terms of how many centres, so if you look at percentage wise Gujarat has 25% new centres, and Karnataka also the new centre is very small.

Aditya Khemka: Just one last question, when it comes to the Multispecialty versus the Super-specialty approach, what are we giving more towards as we look forward?

B. S. Ajai Kumar: I think certainly the answer is very clear, we want to be a focused approach on Oncology, so our 85% or so is right now in Oncology and we will continue to hold that percentage, we do not have any thoughts on diluting our Oncology business. In fact we are likely to increase our Oncology focus wherever we can. We certainly do not want to be involved significantly in Multispecialty unless for some strategic reason we feel it is needed or sometimes we can convert a Multispecialty to Oncology and get some benefit out of it like we did in Bhavnagar, otherwise our goal is certainly Oncology, there is no question about it.

Aditya Khemka: On the funding, how much money would we receive net of income taxes from CVC and what is the planned utilization of proceeds of that money?

B. S. Ajai Kumar: The money which is coming in which is coming is in two tranches, first tranche will be over 500 crores, all the money we are committed from the HCG side is substantial used in the debt reduction that is what we are looking at and that is what we are committed to doing and the details as we go forward in the first quarter because that is all happening now, we will be very happy to give that at that time.

Moderator: Thank you. We have next question from the line of Sangeet Lakkar from New Berry Capital. Please go ahead.

Sangeet Lakkar: My question was related to the upcoming open offer, in one of the earlier questions you mentioned that the SEBI approval is awaited and expected in 15 days, does that derail the timelines of the open offer that was outlined in the public offer document?

B. S. Ajai Kumar: It is on track

Niraj Didwania: Also on the public offer document those dates are indicative and obviously we will not have any control on third-party approvals, so those dates are always mentioned as indicative dates subject to the approvals.

Sangeet Lakkar: Do you foresee any delay?

B. S. Ajai Kumar: We do not foresee any delay.

Sangeet Lakkar: In case there is a delay, does the offer price change accordingly factoring in the interest?

Niraj Didwania: The price is dependent on the open offer trigger event and that event has already happened. So the price does not change from any market deviation.

Sangeet Lakkar: My second question was, yesterday there was an announcement and it was ratified in the Board meeting also that some of the promoter groups were classified as public investors, so I was just wondering what was the rationale behind it and just doing it just before the open offer?

B. S. Ajai Kumar: This was done as a part of our agreement with CVC because CVC has become a promoter now, so in view of them becoming a promoter, I am also a promoter and founder, there were three other promoters with me and they have been de-promoterized and we are now applying going through the process to do that because that was one of the things we decided that we do not want too many promoters because the promoters carry lot of issues, their liabilities, they have to sign off and do things because even the promoters felt there is no need for them now because of the CVC coming, because of their initiative and we decided we will just have two promoters.

Sangeet Lakkar: This event also does not change the timeline as such?

B. S. Ajai Kumar: No.

Moderator: Thank you. We have next question from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Just on the question on your corporate costs, your nine-month total corporate cost was about 25 to 36 crores, rest was 11 crores in 1Q itself, so why is there a sudden increase in corporate cost, was there any one-time transaction cost that we have booked?

Srinivasa Raghavan: In Q4 more as a matter of abundant caution, we have taken one-time cost in Q4, but having said that is something we are closely monitoring, to answer your question, yes, there has been a one-time cost that we have provided on the books.

Rishabh Parekh: How much would that be approximately?

Srinivasa Raghavan: That would be about 3 crores.

Moderator: Thank you. We have next question from the line of Mandy Li from Buena Vista Fund Management. Please go ahead.

Mandy Li: Hi Management, I just want to understand is there divesting plans for the IVF business?

B. S. Ajai Kumar: In the past, we have indicated that we may divest, we still have the same thought process because we want to be very Oncology focused and we have been discussing with the new investor coming also, so once we plan out how we are going to take it forward, we will just certainly convey. At this point, it is still as what I had indicated in the last investor conference that we still have the same client.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to the Management for closing comments. Over to you, Gentlemen.

Niraj Didwania: Thank you for active participation by everyone on the call. We are of course available offline to have discussions and with this we conclude the Q4 and FY '20 earnings conference call.

B. S. Ajai Kumar: Thank you very much to all the participants.

Moderator: Thank you, Sir. Ladies and Gentlemen, on behalf of HealthCare Global Enterprises Limited, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.