"HealthCare Global Enterprises Limited Q1 FY-21 Earnings Conference Call"

August 20, 2020

MANAGEMENT: **DR. B. S. AJAI KUMAR – CHAIRMAN & CHIEF EXECUTIVE OFFICER, HEALTHCARE GLOBAL ENTERPRISES LIMITED**
MR. V. SRINIVASA RAGHAVAN – CHIEF FINANCIAL OFFICER, HEALTHCARE GLOBAL ENTERPRISES LIMITED
MR. NIRAJ DIDWANIA – HEAD (CORPORATE DEVELOPMENT & INVESTOR RELATIONS), HEALTH CARE GLOBAL ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the HealthCare Global Enterprises Limited's Q1 FY21 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Niraj Didwania – Head of Corporate Development & Investor Relations at HCG. Thank you and over to you, sir.

Niraj Didwania: Thank you. Good evening and a very warm welcome to all the participants to HealthCare Global Enterprises Limited's Q1 FY21 earnings conference call. Today we have with us Dr. B. S. Ajai Kumar - Chairman & CEO of HCG along with the management team to share highlights of our business and financials.

We have uploaded our earnings update presentation to stock exchanges and also shared the same through our mailers. Without further ado, I handover the call to Dr. B. S. Ajai Kumar.

Dr. B. S. Ajai Kumar: Thank you, Niraj. And once again warm welcome to all the participants. We are pleased to report Q1 FY21 Results amidst unprecedented and most challenging environment. After making a bottom in April we have seen improving trends across our operations under focusing on maintaining continuity of care for oncology patients across the country.

The situation on the ground continues to remain unpredictable and we are following a proactive approach to deal with the dynamic environment. I would like to recognize the efforts of our entire team that has demonstrated phenomenal sense of responsibility, competence and faith in leading from the forefront. We are pleased to announce the completion of the preferential allotment transaction of Rs. 651 crores with 80% of the funds already received and the balance to be infused subsequently.

We welcome Mr. Amit Soni – Senior Managing Director and Mr. Siddharth Patel – Partner from CVC as board members and look forward to a long term relationship as partners in HCG journey. With the healthy balance sheets and focus on sweating our existing and new assets towards an inflexion point we are excited to re-benefits from the past expansions and investments driving strong cash flows and returns in near future.

HCG's leadership in oncology, fertility and precision diagnosis with pan-India scale augurs our commitment towards value creation and social impact for all our shareholders. Business updates for Q1 FY21. There was a substantial COVID impact on business operations across regions. Delay, postponement and cancellation of oncology, multispecialty and fertility procedures, reduction in footfalls of patients in outpatient department impacted consultations, treatments and future registration volumes.

Complete shutdown of international travel resulted in cancellation of planned treatments of international patients. Initiatives and contributions towards mitigating COVID challenges. Safety guidelines and the operational protocols implemented across all centers of the network. Adopted migration of OPD to technology based virtual mode through tele-consultation, tele-medicine and video visits to maintain continuity of care for oncology patients.

ICMR approval received for developing and conducting clinical trials for cytokine based as well as plasma-based therapies for COVID patients. Ahmedabad multispecialty centre was amongst the first hospital enrolled patients in clinical trials for Glemark's Favipiravir. Strand Life Sciences, our associate company was among the first of the group of private labs approved for PCR based COVID testing.

Oncology centers in Tier-2 and 3 towns pan India demonstrate strong resilience amidst national lockdown. Revenues of Hubli and Gulbarga centers in Karnataka grew 37% and 15% YoY respectively. Nashik and Nagpur centers in Maharashtra region experienced marginal revenue decline of 2% each on YoY basis. Revenue of Cuttack center in East India grew by 1.7% YoY and Ongole in Andhra Pradesh over a smaller base saw revenue growth of 77% YoY. HCG Centers of Excellence in Bangalore ranked number one in all India survey of oncology hospitals by Times of India in the private sector.

Borivali and Cuttack centres also ranked among the top 6 oncology hospitals of India and we are very proud of it indeed.

Now I would request our CFO, Srinivasa Raghavan to share the financial highlights. Srinivasa?

Srinivasa Raghavan: Thanks, Dr. Ajai. Good evening everybody. Effective 1st April 2019, the company has adopted Ind-AS 116 leases standard apply to the leased contracts existing on 1st April 2019 and all financials are as per IND-AS 116. As Dr. Ajai highlighted COVID did have an impact on our financials and the key highlight for quarter ended June 30, 2020 are as below.

Consolidated revenue was Rs. 1,935 million as compared to Rs. 2,689 million in the corresponding quarter of the previous year, reflecting a YoY decline of 28%. Consolidated EBITDA was Rs. 221 million, as compared to Rs. 462 million in the corresponding quarter of the previous year, which is a decline of 52%. Consolidated operating EBITDA was Rs. 194 million as compared to Rs. 449 million in the corresponding quarter of the previous year.

Operating EBITDA for existing centres was Rs. 255 million, reflecting an operating EBITDA margin of 16%. Loss from new centres was Rs. 61 million as compared to a loss of Rs. 38 million in the corresponding quarter of the previous year.

Consolidated PAT was a loss of Rs. 398 million, as compared to a loss of Rs. 180 million in the corresponding quarter of the previous year.

I now request your attention to Slide #9 please. Q1 revenue declined 28% year-on-year. HCG centres revenue decline by 25.5% and Milann Centres decline by 65.2%. Q1 FY21 operating EBITDA for existing centres is Rs. 255 million, which is 15.8% margin versus 21.1% margin in Q1 FY20. New centres loss of Rs. 61 million versus loss of Rs. 38 million in Q1 FY20.

I now request Dr. Ajai Kumar to share the operating highlights, please.

Dr. B. S. Ajai Kumar: Thanks, Srini. I would like to draw your attention to Slide #10 of the presentation. Revenue split for our business is 97% contribution by HCG centers, and 3% by Milann Fertility Centers. Within HCG centers, Karnataka contribution to revenue is about 37% followed by Western India comprising Gujarat at 24%. Maharashtra at 16% jointly contributing total of 40% of the total revenues, followed by East India and Andhra Pradesh at 10% and 9% respectively. Tamil Nadu and North India contribute 2% each as of Q1 FY '21.

I would like to draw your attention to Slide #11 of the presentation:

Strong resilience in revenue across centres located in Tier-2 and Tier-3 towards Q1 FY21. Hubli 36.5% YoY, Gulbarga 15.2% YoY and Cuttack 1.7% YoY.

Resilience in revenue across several regions. Eat India 3.3% YoY, Maharashtra negative 7.4% YoY, and Andhra Pradesh negative 12% YoY. New centres contributed revenue of Rs. 290 million in Q1 FY21 versus Rs. 342 million in Q1 FY20. Revenue from existing HCG centre declined by 27% in Q1 FY21 on a YoY basis.

Now I would like to draw your attention to Slide #12 of the presentation: ARPOB for existing centres at Rs. 32,033 against Rs. 33,162 in Q1 FY20. ALOS at 2.15 days showed marginal increase. Operating EBITDA margin impacted due to scale-up and losses of new centres. Existing centres' operating EBITDA margin declined by 390 bps to 20.6% in Q1 FY21 from 24.5% in Q1 FY20.

Looking at key geographies in Slide #13: In Karnataka region, the Centre of Excellence Revenue declined minus 26.4% YoY. Centre of Excellence's ARPOB was Rs. 45.8K and 24.3% operating EBITDA margin. Revenue from international patients impacted on account of COVID restrictions.

With respect to Gujarat region Revenue of Multi-specialty centres declined by 50.8% YoY. EBITDA margin of Oncology centres at 17.8% for Q1 FY'21. In Maharashtra, Nashik centre revenue declined marginally by 2.4% on YoY basis, with operating EBITDA margin of 22.8%

for Q1-FY21. Borivali & Nagpur centres demonstrate ramping up trends. In Andhra Pradesh Centres across the region showed strong resilience with overall revenue decline of 12% on account of COVID restrictions. Focus on improving revenue mix through reduction of scheme business.

In East India existing centres across the region showed strong resilience with overall revenue decline of 6.1% on account of COVID restrictions. Existing centres' operating EBITDA margin of 27.2% in Q1-FY21.

Coming to Slide #14 covering the key highlights for Milann fertility business: For Q1 FY21 Milann saw a decline in IVF cycle by 74% and revenue by 65%. Revenue is impacted substantially on account of elective nature of IVF treatment and the lockdown we faced.

Patients were advised to reschedule/postpone procedures on account of COVID restrictions to minimize risk of infection.

At this point I would request Srini to explain the CAPEX and the debt highlights. Srini, please?

Srinivasa Raghavan: Thanks, Dr. Ajai. I would now like to draw your attention to Slide #15 please. With respect to the CAPEX we have implemented judicious control measures for both routine and growth CAPEX with most of our expansion completed. Total CAPEX was Rs. 81 million which was largely with respect to the HCG centres. Regarding net debt, as on 30th June, net debt was Rs. 6,455 million, which includes Forex reinstatement of Rs. 13 million.

Cash and equivalents include Rs. 65 million received from warrant issuance to promoter in the quarter. I draw your attention to Slide #16 please. We are not expecting any centres for next few quarters. We do not have any committed new centres for Milann. We have embarked on a stringent cost rationalization and CAPEX deferment towards focus on cash generation in current times and some of these measures may have long term benefits as well.

With this I would now like to handover the call back to Niraj please.

Niraj Didwania: Thanks, Srini and Dr. Ajai for sharing the financial and business highlights. Please note the comments from the management are intended to share qualitative perspectives and insights. These should not be considered as financial or operating guidance regarding the business.

We would now like to open the call to take questions from the participants.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Sudharshan Padmanaban from Sundaram Mutual Fund. Please go ahead.

Sudharshan Padmanaban: Sir, my question is to understand a bit more about the commentary earlier with respect to cost. Because if I am looking on a Q-on-Q basis, our sales is down by about 28%-29%. But if I am actually looking at the other expenses, it is down by about 24%. So I mean, if you can give some color with respect to rents, I mean, whether we have renegotiated?

Whether there could be further benefits in terms of costs going forward? And when we are talking about costs advantage that is reflecting in this quarter, how much of the cost will come back? And how much of the cost advantage can remain with us for a longer-term period?

Dr. B. S. Ajai Kumar: Yes. Srini, I will answer a few and then you can take it and give the details. So as far as the rent is concerned, there has been some reduction, but not substantial. As we know that there is not much rent reduction happening in hospitals as compared to commercial property because we are permanently there, more or less. It is not easy to pick up and go with your chairs and desks. It is not a plug-and-play. So we have not had that much material impact, and Srini will give the details.

Second, regarding the cost-cutting measures, yes we have taken several measures. One, of course, is rent and other cost-cutting measures including some of the efficiency in the system we have brought in. And certain category, we did some salary leave without pay. But some of this, of course, will come back. But I think significant will stay for a long period of time; particularly, we have also now learned to do a lot of the work using the technology.

The COVID period has also been positive to help us to see how technology can be used more efficiently. With this, certainly some of the cost-cutting measures we have done is sustainable for a longer period of time. Srini, you can give the details.

Srinivasa Raghavan: I think you articulated well, doctor. As Dr. Ajai highlighted, the substantial part of it has come from the human resources cost, looking at all the discretionary expenses and cutting it down as much as we can. And looking at every element, both in the fixed and variable cost line to see how we can drive rationalization across. And that is how these numbers have come. Our intention is to kind of continue embark on this exercise till the COVID settles and beyond as well in terms of looking at some tactical things as to how we can sustain these cost levels.

Sudarshan Padmanabhan: Sir, if you can give some color with respect to how much of cost, by and large, have we cut on fixed, semi variables and variables?

Srinivasa Raghavan: The majority portion, I would say, about 90% of it would come from the fixed cost line items.

Sudarshan Padmanabhan: Sure, sir. And sir, moving on to the debt part. I mean, now that majority of the money has come into our books, so, how much of debt can we expect to be reduced as in second quarter? And we are also expected to do this transaction for Milann. So when is it expected to be done?

Dr. B. S. Ajai Kumar: Srini, why do not you answer the first part, I will answer the second.

Srinivasa Raghavan: Yes, I will answer the first. The substantial portion of the equity raised would go towards debt retirement. And you will see those and our larger plan is to kind of keep the debt at a very, very low level. So in the Q2 numbers, we expect a substantial reduction in the debt. Over to you, doctor.

Dr. B. S. Ajai Kumar: Yes. Regarding Milann, we have made statements in the past about this investment. Obviously, due to the COVID period with practically 75% down in the revenue, we are not in a position to do anything now, but Milann is coming back. Month-on-month, there is an improvement. So we will be discussing of course, with our CVC partners as we go forward to take a call in the next 3 to 4 months. But we obviously are now going to focus on improving our growth in Milann as of now in the next few quarters.

Sudarshan Padmanabhan: One question, if I may add. I mean, now that we have 2 representatives: Mr. Amit Soni and Siddharth Patel coming on behalf of CVC. I just want to understand a bit more about what would CVC's involvement be with HCG? Would it be more from a strategic point of view or would there be a lot of emphasis towards financial and operational as well?

Dr. B. S. Ajai Kumar: I think it will be like what we have done in the past. We have given our budget, our vision to them. That is why they were invested substantially in HCG. So they like our vision, our growth patterns. They will be as our Board of Directors on various subcommittees. So as any Board member would monitor, they will monitor that. Otherwise, there would not be much involvement in the operations. It will be only in the strategy and vision as a Board member.

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

Chandramouli: So the first question is related to something you mentioned on the previous call, that August month is likely to be at around 80% of pre-COVID revenues for the cancer care business; however since then, it seems like COVID cases in Karnataka and some other southern states where you are present permanently have started spiking and lockdown seem to be reimpose. So just trying to understand if the recovery for the August month is going as per original plan?

Dr. B. S. Ajai Kumar: Yes. I think there have been a few bumps, but overall, when we look at the national scene, I think, we will be close to that 80% mark as of now.

Chandramouli: Got it. And just as a follow-up to that. I think in your opening remarks, you mentioned that consultations and future registration volumes of patients have been impacted. So if you could just give us some qualitative color on how that is progressing as we head out of the lockdowns on a nationwide basis?

Dr. B. S. Ajai Kumar: If I understand your question correctly, you want to know how the consultation in oncology is going to progress in future? Is that your question?

Chandramouli: Yes, just the trends around new patient registrations and consultations?

Dr. B. S. Ajai Kumar: We have seen about 25% to 30% decrease in the footfall because of the lack of transportation and international patients not being there and we expect that we do not have clear visibility on that for the near future because still international is not there. And the COVID is still there. Like you said, Karnataka and all, the number of cases, even yesterday, the cases were at one of the highest we have seen after a few days of dip.

So we do believe the COVID is still there to stay with us for quite some time. So, we do not have a long-term visibility how we will do in the next several quarters. But all we can say is how we are tracking now. Obviously, oncology is oncology, cancer patients are cancer patients. But there is a fear among the patients and their relatives about COVID and there is a certain acceptance now, but still the fear is there.

And in spite of all these situations, we have managed fairly good all these months. And the only question will be what happens if the COVID increases or last long, that is a prediction nobody can make at this point. Will we accept it and will business become as usual for everyone or will there be another 3, 4 months lockdown? It is very difficult to predict at this point, honestly, like we know what we predicted in March, by July, August, we may be coming back to normal, that has not happened. So we just need to really look at it on a week-by-week or a month-by-month basis, Chandramouli. Okay?

Chandramouli: My second question is on the split in oncology revenue. If you can just give some color on the split between radiational services, medical oncology and surgical oncology? And sort of how that split was pre-COVID and how it is tracking right now?

Dr. B. S. Ajai Kumar: Yes, I do not think we normally give that split. I do not know, Srini and Niraj, you can answer that if you have any.

Niraj Didwania: Yes. So Chandramouli, we do not break up the revenues between the modalities. Because, again, across regions, we had some regions which were very flattish on some procedures and some had some impact predominantly on surgeries. So I think it will be difficult to give you modality wise the breakup on which services are falling or had a decline more than.

Dr. B. S. Ajai Kumar: One thing I can say is that we briefly touched in our presentation, the Tier-2, Tier -3 cities, because of the location and because of the transportation have kept up the radiation numbers and chemotherapy numbers close to 80%, 90% of normal. Yes, surgery has taken a hit because of the inpatients and all. And also, the radiation chemo numbers are down more in the big cities, particularly city like Bangalore whereas somehow in city like Mumbai, the hit has not been that much. So it is a mixed setting really. It all depends on the location.

Like in Bangalore, there are a lot of red areas. So if that is the case, people will now hesitate to travel, so the footfall will come down. And it also happens on a week-by-week or day-by-day basis. So when there was a lockdown in Bangalore for 10 days or so, we saw pretty much trickle down to the footfall. Not only in oncology, in all multi-specialty also, it has happened. People going for elective procedures are not going.

Even IVF, we saw a big drop. So it is, like I said, again, it is a study in progress. Even COVID is a study in progress, honestly. How we thought about COVID in March and even treatment and the approach is different now. So we are talking of different things. So all of it is understanding, and I am sure textbooks will be written on this experience in the near future. Okay?

Moderator: Thank you. The next question is from the line of Vivek Agrawal from Citigroup. Please go ahead.

Vivek Agrawal: I just want to understand the trends in your Center of Excellence in Bengaluru and what is the share of international patient's revenue out there?

Dr. B. S. Ajai Kumar: Yes. Normally, we have a revenue share somewhere between 15% to 18% is what we see in the pre-COVID era. At times, it has reached even 20%. So it is between 18% to 20% is what we normally expect and it was growing. It was growing about 10% to 12% every year and this is where we have got hit significantly because really it has trickled down to almost nothing, except some few patients who were there already, who were undergoing some treatments or revisits.

But otherwise, we are doing some videoconferencing because we also have a center in East Africa, in Nairobi. So we are trying to monitor these patients and then give advice, follow-ups and all. So once the COVID period is over, we will have hopefully substantial number of patients coming back.

Vivek Agrawal: And sir, in this quarter was the international patient revenue close to zero or was there some contribution?

Dr. B. S. Ajai Kumar: Yes, it was very much close to zero. A few maybe Rs. 50 lakhs, Rs. 60 lakhs, pretty much close to.

Vivek Agrawal: Okay. Sir, second question is on debt, actually, if you can share. So at what level you would like to end fiscal year '21?

Dr. B. S. Ajai Kumar: What is your question? Again, Srini, did you hear the question?

Vivek Agrawal: Sir, my question is on net debt, basically, what level of net debt that you would like to end the fiscal year '21?

Dr. B. S. Ajai Kumar: We do not normally give out actual figures because we publish it on a quarter-to-quarter basis. I know Srini can add to this, but we know it will be substantially reduced. As Srini has articulated, we are not going to do any new projects, no significant CAPEX. With all that, we expect the debt to come down significantly. Our commitment with our CVC was that majority of the funds will go for debt reduction and that is what has happened. So Srini, would you like to add anything?

Srinivasa Raghavan: You rightly said it, doctor. As I said earlier, substantial part of the equity rise would go towards reduction of debt, and our endeavor is to keep debt as low as possible.

Dr. B. S. Ajai Kumar: I think our formula going forward is, post-COVID, we expect to generate significant free cash, and that will be used for further growth if at all, but not present equity money.

Vivek Agrawal: So just last question from my side. Which are the new centers where the losses have expanded in this quarter?

Dr. B. S. Ajai Kumar: I think because of the COVID, we have a slight increase, as we mentioned mainly in Mumbai, both Borivali and in Colaba and to some extent in Kolkata. I think these are the 3 centers where it has slightly expanded. If I missed out anything, Niraj or Srini can add to this.

Niraj Didwania: Yes, Jaipur also. I would just add Jaipur to that.

Dr. B. S. Ajai Kumar: Slight increase.

Niraj Didwania: Yes.

Moderator: Thank you. The next question is from the line of Mandy Li from Buena Vista. Please go ahead.

Mandy Li: I just want to get some colors. As I see that revenue growth difference in different centers, just want to get some color, I wonder if it is because of the regional issues or is it because of ramp-up of utilization? And why do we see some regions are more resilient? And why do we see some of those have big decline?

Dr. B. S. Ajai Kumar: Yes. The reason is it all depends on the location of the center. If you look at Andhra Pradesh or East, which is like a Tier-2 or Tier-3 cities, in these cities, the people who were in the past, possibly going to bigger cities or not, they are accessing centers close to them. That is how our Tier-2, Tier -3 cities are doing better. Whereas if you take a big city like Bangalore, where the international patients are not coming anymore, or people who are traveling from long distance are not coming because they have to come and spend a substantial amount of time.

And there was no transportation until recently. And even if there is transportation, there is heavy restriction on quarantine, how long they have to be away before they even go back. So with all this concern and fear they have in the COVID, and then in a new city, people are trying to access cities which are close, wherever there is HCG center, they can drive and take treatment. And of course, Mumbai, we have seen revenue growth because Mumbai was a new center, the growth was supposed to happen. Maybe without COVID, it would have happened more, but even with COVID, the growth has happened. So that was a natural bump up was happening in Mumbai.

And if you take Nagpur, it is a Tier-2 city. The reason the bump up has happened in Nagpur, as we mentioned, is because, people have decided to stay near to their home rather than travel long distance like Mumbai or anywhere, Delhi. So these are the regional. You are absolutely right, regional issues are playing a major part. And we do believe, going forward, some of it will stay for good. Some of it, of course, will move back to the original form and that is our expectation at this point.

Some people will decide that they will not go to the big cities anymore for quite some time, maybe for several years. Whereas some people on complicated cases will still come, and like in centers like Bangalore, we expect them to come, but it will take some time.

Niraj Didwania: Doctor, I would like to add, also that we do not know yet, but there could also be a trend that people were reluctant to go to multi-specialty hospitals because of infection risk and COVID patients getting treated there, while some of our centers, I mean most of our centers are all independent, standalone cancer-only hospitals. So in Mumbai and a couple of these places, even that could be at play, but we do not know with surety.

Moderator: Thank you. The next question is from Khushboo Dadia from Capgrow Capital. Please go ahead.

Khushboo Dadia: I just wanted to know the timeline for the open offer, estimated time line, of course?

Dr. B. S. Ajai Kumar: I think at this point open offer is on. I believe is it on 27th and 28th, that is the last day, Niraj, right?

Niraj Didwania: Yes, 28th end of day is the last day.

Dr. B. S. Ajai Kumar: 28th of August?

Niraj Didwania: Yes, 28th of August. It started on Monday this week, 17th.

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

Mandy Li: If you can also give us an update on the recovery in July and August, please?

Dr. B. S. Ajai Kumar: Yes. As we said briefly compared to the revenue being down 30% or so, we are seeing an uptick in the recovery in July and part of August, but we may be close to 80% compared to. Of course, April was our worst month; and May also was pretty bad; and June a slight recovery and we are seeing a little bit better. But certainly, we are not anywhere near 100% of the recovery.

As I explained that COVID situation is uncertain, and we cannot really predict what will happen in the future. So, all we can talk about is, we may be reaching close to 75%, 80%. But the further step for that, I think we will require more normalization to happen as we move forward.

Moderator: Thank you. The next question is from Sriraam Rathi from ICICI Securities. Please go ahead.

Sriraam Rathi: Sir, just one question, particularly on the ARPOB side, that is in Gujarat cluster and East India, we have seen significant increase in ARPOB in this time while the occupancy is down. So any specific reason for the same? And what kind of ARPOB could be sustainable in those geographies?

Dr. B. S. Ajai Kumar: I think part of the reason is because the surgery numbers were down. So because of that, we had a better outpatient footfall in terms of medical oncology and radiation, which are mostly outpatient. And also, as you know, the patients coming in for surgery are decreased and that is part of the reason why the ARPOB change you will see. But once the surgery comes back, you would not see that much difference. It will get normalized.

Sriraam Rathi: Okay. So basically, that annual 5% to 6% kind of growth is basically what is more sustainable rather than these numbers?

Dr. B. S. Ajai Kumar: Yes.

Sriraam Rathi: And sir, secondly, on the cost saving part, I know, of course, significant savings have been seen in terms of staff cost and other expenses. So I mean, just want to get an idea, what proportion of this could be sustainable? I know,, part of it will be sustainable, as mentioned initially, but any idea if you can give basically what can give the margin some lever?

Dr. B. S. Ajai Kumar: I think, Srini, you want to take a crack at this, what percentage sustainable?

Srinivasa Raghavan: A reasonable percent. The way to look at it is that while some of them are one-timers, a small portion of it is sustainable, and I can get back to you with specifics.

Dr. B. S. Ajai Kumar: I think the important point here to make is, as you know, even the COVID period is uncertain right now. So we will have a better handle on this post-COVID period because there has been certain changes internally, which has happened, which we are assessing in the shared services, less use of real estate, all of those models are sustainable. But regarding the HR, we think with the multitasking we have done there will be some movement. So exact percentage may be hard to predict now, but definitely, they will see a beneficial effects even post-COVID period.

Moderator: Thank you. The next question is from Nikhilesh Gupta, who is an individual investor. Please go ahead.

Nikhilesh Gupta: Yes, I wanted to know what is the status of the centers which are the work-in-progress like the NCR and the Kochi ones?

Dr. B. S. Ajai Kumar: Kochi one still nothing has progressed because of the COVID. We are just awaiting for the COVID to clear, and then we will have a discussion with our new partners also coming. And NCR also with the CVC partners who have come, we are having discussion. Regarding the NCR, yes, they went into a lull period because of the COVID, we could not complete the brick-and-mortar work. But otherwise, we are well aligned, and we have also had discussion with our new CVC partners. But as we have said in the past, it is still several quarters away before we can complete the project.

Nikhilesh Gupta: Okay. And what kind of revenues do you expect from these centers? These are tertiary hospitals or like the primary care hospitals?

Dr. B. S. Ajai Kumar: These are all oncology hospitals, dedicated oncology hospitals. We do not really talk about the revenue at this time, but it is all dedicated oncology hospitals.

Nikhilesh Gupta: And what kind of capital expenditure has already gone into these centers? And how much more is expected into these centers?

Dr. B. S. Ajai Kumar: Niraj, over to you.

Niraj Didwania: Sorry, can you repeat the question, Nikhilesh?

Nikhilesh Gupta: Yes. I am just asking that how much CAPEX has already gone into these centers, Kochi and the NCR one, and how much more is expected to go?

Niraj Didwania: So Gurgaon, we had two-thirds invested already from the center CAPEX perspective and one-third more to go. And for the Kochi, we have the landlord who has to construct and then our major CAPEX comes. So right now, in Kochi, it is nominal security deposit. The amounts are less than Rs. 10 crores in Kochi and roughly around Rs. 20 crores or so balance in Gurgaon.

Nikhilesh Gupta: So you are going to maybe investing by taking more debt into these centers? Or you are going to be going through your free cash flow or something like that?

Niraj Didwania: No. Right now, for us we do not have any immediate investment to be made. And as Dr. Ajai said that we are reevaluating all of these. But going forward also, it will be always a combination of debt and own cash flow. That is how we fund most of these projects.

Nikhilesh Gupta: Yes, so I wanted to know, for NCR, you will be taking extra debt? Like if it is half complete or something like, if it is half or 40% complete, but for completing it, you will be taking more debt or you will not be taking any more debt?

Niraj Didwania: No, we do not see the debt amount going up from there at a consol level. So, whether it is an individual project, we do not see the debt amount going up from now.

Nikhilesh Gupta: Okay. So you will try to complete it within your cash flows only, is that true?

Niraj Didwania: Yes.

Moderator: Thank you. The next question is from the line of Parthiv B, who is an individual investor. Please go ahead.

Parthiv B: Sir, may I ask you certain question regarding this COVID pandemic, how is this COVID pandemic expenditure you are planning?

Dr. B. S. Ajai Kumar: So what do you mean by expenditure, expenditures for what?

Parthiv B: Means, I want to say that what are the causalities in the name of spending more for this COVID test. Whatever you are planning for any COVID test?

Dr. B. S. Ajai Kumar: No. We are a cancer institute mostly, our multi-specialty is there. So COVID tests are done only in designated lab approved by ICMR. And we have one lab in Bangalore under Strand. So HCG is not involved in it. So we do not do any COVID test ourselves. And so whenever there is a suspect or we want to do some health care worker or a patient to COVID test, it is done at our Strand's lab or if it is not there, another outsourced lab. So we are not directly involved in the COVID testing, the diagnosis, I mean.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

Niraj Didwania: Thank you everyone for the active participation on the call. We are available to have discussions offline if required. With this, we conclude the Q1 FY21 Earnings Conference Call. Thank you.

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