



“HealthCare Global Enterprises Limited Q4 FY 2016 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Healthcare Global Enterprises Ltd Q4FY16 Earnings Conference Call hosted by IIFL Capital 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Abhishek Sharma from IIFL Capital Limited. Thank you and over to you sir.

Abhishek Sharma: Good evening everyone this is Abhishek from IIFL Institutional Equities, I thank the HCG Oncology Management Team for giving us the opportunity to host this call, I would like to handover the call to Niraj Didwania, Head of IR and Corporate Development who would make the other introduction and get then started. Thanks and over to you Niraj.

Niraj Didwania: Thank you Abhishek. We welcome all participants, investors, and shareholders to the first Earnings Call for Healthcare Global Enterprises Limited. This has been a year of transformation for us. We have transformed from been a private company to a publically listed company. Also on the business side there have been many transformations. We have entered into a new phase of growth for our cancer centers. We continue to grow our fertility center, and we are seeing a very strong growth in cancer and fertility demand.

Before I get into any further discussions let me introduce our Chairman and CEO Dr. B.S. Ajaikumar. Dr. Ajaikumar is a Radiation Oncologist who trained at the esteemed MD Anderson Center in Houston and who was the pioneer and a leader in innovating and cancer care in the country and saw a visionary situation and an opportunity to create a chain of cancer care hospital which was aimed at the vision of providing accessible cancer care to patients all across the country. With Dr. Ajaikumar, we also have the full management team lead by Mr. Krishnan, who is the CFO, Mr. Venkat, who is the VP, Finance, Mr. Gangadhara Ganapati who is Director, Dinesh Madhavan who is Director, Healthcare Services, Anant Kittur, who is Director Projects, Mudit Saxena, who is the COO, Gujarat, Rajasthan and Madhya Pradesh and Sunu Manuel, Head of Legal and Compliance. Along with that I would like Dr. Ajai to introduce himself and run up to the overview of the financial results.

B.S. Ajaikumar: Good evening. Thanks Niraj and good morning also to investors who joined or based in different geographies in the world. It is indeed a pleasure to address all of you into what is our first earnings call post our listing in Indian market. As Niraj said we have our management. I would like to make a small correction, Mudit Saxena is in charge of Karnataka and Jaipur and we have Dr. Bharat Gadhavi who is in charge of Gujarat.

At the outset I would also like to extend my warm appreciation on behalf of HCG to all our new shareholders who have become part of this company through IPO and thank you for extending your faith in us and investing in HCG.

Before I go into the actual earnings I would like to give a short introduction of HCG group. HCG is a provider of specialty healthcare in India focused on cancer and fertility. Under HCG brand the company operates the largest cancer care network in India in terms of total number of cancer treatment centers.

HCGs network today comprise of 17 comprehensive cancer centers across eight states in India and under Milan brand the company operates fertility centers and currently has six Milan fertility centers in Bengaluru. In addition HCG also provides clinical reference laboratory services in India under Triesta brand, which is a specialization in oncology including molecular diagnostic centers and genomic testing. We are a growing business in this division also. In partnership with TDC we intend to establish network of specialty cancer centers in Africa to cater to the increasing unmet demand for cancer patients in that part of the world.

All of you must have received a copy of the press release, which was mailed, and our results were announced today. Let me quickly run through the key highlights of those and then we can have a question and answer session.

The consolidated income from operation for Q4. The highlights of quarter-ended March 31, 2016 consolidated income from operation was 153 Crores as compared to 132 Crores in corresponding quarter of the previous year reflecting a year-on-year increase of 16.3%. Earnings before interest, tax, depreciation, and amortization the EBITDA was 26 Crores as compared to 17 Crores in the corresponding quarter of the previous year reflecting an increase of 48.4%. EBITDA margin was 16.9% as compared to 13.2% in the corresponding quarter of the previous year representing an increase of 370 basis points. Profit after taxes and minority interest tax was 3.6 Crores as compared to loss of 25 lakhs in the corresponding quarter of the previous year. PAT margin improved to 2.4% in Q4 of 2016 compared to the last effort in the corresponding quarter of the previous year.

Now coming to the highlights of the year-ended March 31, 2016, FY 2016, consolidated income from operations in FY 2016 was 582 Crores as compared to 519 Crores in the previous fiscal year reflecting an increase of 12.1%. EBITDA in FY16 was 90 Crores as compared to 76 Crores in FY15 reflecting a year-on-year increase of 17.6%. EBITDA margin for the year was 15.4% as compared to 14.7% in FY15 reflecting an increase of 70 basis points. PAT in the fiscal year was 1.24 Crores as compared to 84 lakhs in FY 2015

reflecting a year-on-year increase of 47.6% and earnings per share in Q4 was 0.49 paisa as compared to and for the overall year was 0.17 paisa.

Now some of the business updates. During FY16 our bed capacity increased from 993 to 1146 going to expansion and start of operations of new centers. We commenced operations of our new advanced cancer centers in Gulbarga in FY16 with a bed capacity of 85. We continue to make technology enhancement in cancer care with addition of da Vinci Robotic Surgery Systems in Bengaluru and Ahmedabad, an advance form of radiotherapy unit called tomotherapy in Bengaluru and TrueBeam radiotherapy systems in our Cuttack, Vizag and Baroda centers. We commenced operation of the two Milan facilities fertility centers in FY16 including the launch of our first center outside Bengaluru in New Delhi in FY Q4 of 2016.

Before I summarize I would like to introduce and I have Mr. Gangadhara Ganapati one of the Director to make some additional observations and comments on our earnings.

Gangadhara Ganapati: Thank you Dr. Ajai. Just to give a little bit of highlight between our two businesses of cancer care and fertility, Dr. Ajai mentioned in the fourth quarter we had about 15% growth in operating revenue of which our cancer centers showed a growth of 14% and our fertility centers showed a growth of 25% year-over-year for Q4 2016 relative to Q4 FY 2015.

For the full year FY16 the growth in the cancer centers was about 12% and the growth in the fertility centers was about 14%. We also wanted to give a little bit of color for the cancer business as a whole and in terms of the major centers within the cancer business, so in fiscal year 2016 of Karnataka cluster of hospitals in cancer contributed 49% of our revenue. Our Gujarat cluster of hospitals contributed 25% and our Eastern India cluster of hospitals mainly Cuttack and Ranchi constituted 8%, so essentially about 82% of our revenue for our cancer hospitals came from these three clusters of hospitals. In terms of the growth in revenue that we saw from these clusters, in the fourth quarter of FY16 we saw a growth of revenue 15% from the Karnataka cluster of hospitals with an increase in ARPOB of approximately 10%. Our flagship Bengaluru center achieved a return on capital employed of about 20% in the fiscal fourth quarter. In terms of the Gujarat centers we saw very strong revenue growth from our Gujarat hospital and overall the Gujarat hospital showed a revenue growth of 31% year-over-year in the fourth quarter and lastly our Eastern India hospitals Cuttack and Ranchi also showed a strong revenue growth in the fourth quarter of 30%. So we ended the quarter the fourth quarter was a strong quarter thanks to the strong growth from the Gujarat and our Eastern India cluster of hospitals as well as the fertility centers under the Milan brand.

From a financial standpoint we also had a strong profitable operations from our Karnataka centers, which resulted in a boost in EBITDA.

B.S. Ajaikumar: Thank you Gans. Just to summarize before we open for Q&A, we are happy to report strong growth in the operating results of our fourth quarter. As Gans said we witnessed strong revenue growth across our cancer centers particularly our centers in Gujarat, East India as well as in our fertility centers. We continue to expand our network of cancer care and fertility centers across India. We recently launched the advanced comprehensive centers in Baroda and Vizag, which will transform standards of care in India in these parts of the country. In addition we will be introducing new cancer care centers in Kanpur, Borivali Mumbai and Nagpur over the course of next several months. We look forward to this new phase of growth as a listed company and when working towards our mission to make high quality cancer care accessible across the country. Thank you very much and we can now open for any questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Sudarshan Padmanaban from Sundaram Mutual Fund. Please go ahead.

S. Padmanaban: Thanks sir, congrats on good set of numbers. Sir my question is, if I am looking at the exceptional item in this quarter it appears that we have loss from closure of hospital units as well as for the full year, if you can kind of elaborate what are the units that we have kind of closed down and why we have taken decision to do so?

B.S. Ajaikumar: I would first explain about Nanavati, which is in Delhi as in Mumbai. As we have said before Nanavati we entered into oncology space there when it was run by trust hospital and then later on one of the trustees Mr. Suresh, because of he being not there, the hands changed for the multispecialty hospital and in view of this we have decided also this was not where we were not getting the profitability what we expected. So we decided at that point particularly since the whole hospital changed hands that our vision was not going to be fulfilled, so we decided to exit and we got our investment back and also we decided on Chennai.

Gangadhara Ganapati: Yes, we also sold our stake in small diagnostic joint venture we had in Chennai to the other side and we exited that operation as well in the fourth quarter.

S. Padmanaban: Sir, on the tax side, we have taken a tax write back this quarter. On an ongoing basis what is the kind of tax we can look it and why do we see this kind of write backs, do we have any kind of accumulated benefits that we have?

Venkat: This is basically the deferred tax credits what we have recognized based on the virtual certainty of getting the income tax profits in future and we have also won certain demands from the income tax, which has been assessed, in our favor and due to that we have recognized the deferred tax credit in the current year. Going forward we would be averaging our tax base at 34% only, because we do not have any special benefits.

S. Padmanaban: Sir if I am looking at this quarter numbers, one is I think we have gained a lot of benefit from the raw material cost only on a year-on-year basis if I look at, the second one is if I look at the operating cost our operating cost has kind of increased by above 31% that is the other expense, is my understanding right because we have started the three units that our cost is coming ahead and probably the revenues is not showing it to that extent, can you throw some light on that especially in the light of you starting additional centers going forward?

Gangadhara Ganapati: Thank you. This is Gans here. You are absolutely correct. Because of the efficiencies and procurement benefits we have from the scale of operation we have been able to bring down the overall material cost as a percentage of our sales which has reflected in at least a couple of basis points improvement in the overall margins, offsetting that to some extent is the increase in the fixed cost arising from the start of new centers, new hospitals and expansion of capacity, so there has been an offsetting though overall our margin has improved because I think our contribution margin reflected from that as well as increase in revenues has offset that to some extent.

S. Padmanaban: Sure sir, I will join back the queue.

Moderator: Thank you. The next question is from the line of Krishna Murti from Gallic Capital. Please go ahead.

Krishna Murti: I just want to know what is the company's vision on the healthcare IT expenditure in the coming years.

B.S. Ajaikumar: As we have disclosed in our DRSP one of the use of proceeds of the IPO is for expansion of our information technology infrastructure and we continue to make progress on that. As and when we are able to disclose in the next financial year, we will disclose it. As of now the main investment is in the rollout of SIS and SAP systems on a pan-India basis. All the new centers they are rolling out, are all rolling out with the new SIS, SAP system which is fully cloud based and all that is already factored in the capital expenditure schedule we are forecasting. We are on track as of now for what we had forecast.

Krishna Murti: Thank you very much sir.

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

Shyam Srinivas: The first question is on the three clusters that you talked about Karnataka, Gujarat and Eastern States, can you just share, I think briefly shared that ROC for one of the hospitals have reached 20%, just for us to understand these three cohorts is that how you are going to be disclosing your profitability metrics so will we get say what the EBITDA margin is for the each of these clusters and what is the management's vision over a three, five year period where some of these margins can actually improve, I think that is the first question.

B.S. Ajaikumar: Definitely we see our business in the form of clusters, in fact it is how we are managing Dr. Mudit Saxena who is here is in charge of our Karnataka cluster for example and Dr. Bharat Ghadvi runs our Gujarat center, so we are definitely managing the business in that basis and as these clusters become larger and we will provide more disclosures with respect to the profitability and other aspects of the clusters, but broadly speaking the EBITDA margin across the clusters is actually comparable, right now what we are looking at, we are looking at 25% plus EBITDA margins from the Karnataka cluster and I think similar EBITDA margins in the Eastern India clusters as well, but at this point I think we are not yet ready to give much detailed feedback. We will at the right time bring in more of details on that. As regards the operating metrics and so on, we will also be providing more information regarding the number of beds, occupancy et cetera when we come out with our investor presentation, which is hopefully in the next few days.

Shyam Srinivas: My second question, is there any formal guidance you are giving for FY17 in terms of what we are expecting for our revenue, what we are expecting for margins anything that you can share will be quite helpful.

B.S. Ajaikumar: At this point the company has taken a decision not to give any formal guidance.

Shyam Srinivas: And the last one in terms of the question on the 12 centers that we are planning to add I heard a comment that we are on track in terms of the developments and if you can refresh us what the capex requirements for the ongoing projects are and how we are going to kind of fund it?

Gangadhara Ganapati: Just in terms of the updates as Dr. B.S. Ajaikumar mentioned we have already commenced operation in two of the new cancer centers in Vizag and Baroda and over the course of next several months we will be launching centers in Kanpur, Nagpur, Maharashtra. To give you a sense the center in Kanpur is a comprehensive cancer center, has 90 beds. We are expecting the launch in Q3 of 2017. The project cost there is 84 Crores. The center in Nagpur also is a comprehensive cancer center, 115 beds, expected launch will be in Q4 of

2017 the project cost there is 44 Crores and the Borivali center which is in Mumbai also 105 beds, expected launch of Q4 2017, and the project cost is 59 Crores. We have several other centers and in fact in the first quarter or thereafter in 2018 we are expecting several more centers to come on stream. We will provide additional details of that in the course of the coming months. Regarding the question on financing we can say at this point that obviously we are quite well funded in terms of the capital expenditure requirements for establishing these 12 new centers. Also as we know from whatever we had disclosed in our meeting so far we fund our projects through a combination of vendor finance, deferred payment obligations for the medical equipment to the extent bank debt is required some of that and then of course equity contribution from our side. In some of these cases we have a partner who contributes a share of the equity.

Shyam Srinivas: Thank you that is all my question.

Moderator: Thank you. The next question is from the line of Hitesh Mahida from HDFC Life. Please go ahead.

Hitesh Mahida: Congrats sir for good set of numbers, sir firstly the 17% EBITDA margin, which we have clocked this quarter how sustainable, is it going forward?

Gangadhara Ganapati: As Dr. Ajai mentioned we are not able to give direct guidance, however, what we can say is that we have strong margins from our existing centers and we are continuing to see good growth and good profitability in our existing centers, however there are new centers coming on stream, so we would expect that there will be losses as we had said before from new centers as and when they come on-stream, so one has to balance those two factors.

Hitesh Mahida: What would be our margin guidance going ahead?

Gangadhara Ganapati: I do not think we can give guidance as we have already articulated.

Hitesh Mahida: But can we expect an improvement YoY or it will remain down?

B.S. Ajaikumar: As Gans said there would be improvement in the existing centers but because of the new centers that may offset some of the improvements.

Hitesh Mahida: Regarding our Africa project what is the update there?

B.S. Ajaikumar: Our Africa project, we have formed a company in Mauritius with CDC. At this point we are looking at starting centers there. Our team is evaluating jointly with CDC, so we are in discussions with some groups, so that is all at this point I can reveal in terms of where we

are. We do have our presence there, we do have working with local doctors in terms of outpatient therapy, but to start an actual center there we are right now in the process of evaluating some of the available projects there.

Hitesh Mahida: Sir lastly are there any hospitals which are still a problem area for us and we might look to shut them in the coming years?

B.S. Ajaikumar: The Delhi hospital where you can see the performance has not been good for various reasons but we are reorganizing Delhi and we are restructuring it in such a way that we will do some of the restructuring which will probably be positive, so at this point when we do the evaluation depending on how things go we can give an update on that.

Gangadhara Ganapati: To put it in context the revenue from North India represents about 5% of our revenue I think the centers that Dr. Ajai is referring to and we are trying to of course improve the returns from that center and also Andhra Pradesh in the past we had some problems in Andhra Pradesh, represents about 3% of our revenue from cancer center but there too actually in the last quarter we have had a good strong group performance and I think we are seeing better results from Andhra Pradesh and expected so hopefully we will be on track there.

Hitesh Mahida: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Sir you mentioned that the Bengaluru center ROC improved to 20% for the quarter. Can you help us understand in terms of how this performance has improved over the last few quarters? What are the initiatives you taken towards the same and how do we see this center moving forward.

Gangadhara Ganapati: I will speak to the financials and I might request Dr. Mudit or Dr. Ajai to speak on the operational aspects but from a financial standpoint what we have seen in the center is essentially change in the business profile, so if we look back two or three years ago there was higher percentage of revenue concentration from the government sector operation and we also had as a result a higher occupancy rate of around 60%. A conscious decision was made based on many considerations to try to change the business profile and as a result over the last two years and in particular over the last one year we have seen a significant increase in the concentrations of international patients, which today constitute almost 20% of the revenue of the center as well as reduced concentration from the government sectors and increase concentration overall of private patients. Secondly we have also been seeing an increase in the average revenue per occupied bed as a result of these initiatives as well as

higher concentration of revenue from advanced procedures like organ transplants, bone marrow transplants as well as some of the advanced surgeries and recently we have also launched two new technologies and I will request Dr. Mudit to speak on that.

Mudit Saxena: Dr. Mudit here and thanks Gans so what we have as you are aware we have introduced the da Vinci system of Robotic Surgeries as well as the tomotherapy modality which had come over at Bangalore both of them are high and technologies and the Bangalore the Karnataka cluster is the sole center which is doing the tomotherapy being the new technology the price points have been very well appreciated as well as for da Vinci which was hiked us to gain a lot of grounds as well as risk both in terms of patient care and revenue which has given us a good hardtop as well as an ROCE.

Gangadhara Ganapati: Thanks Sir.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financials. Please go ahead.

Amish Kanani: Sir I have a couple of questions; one r how do you see our hospital as a specialty versus a typical multi-specialty hospital which will offer a lot of other care so the question is, is cancer care so specialized that people would tend to gravitate towards a critical care hospital like ours versus just say our typical multi-specialty hospital and in that context how do we kind of do marketing or brand building for our brand and to increase our initiatives?

Gangadhara Ganapati: I will briefly touch on the first part of the question and then ask our Director (Medical Services), Dinesh to answer the branding part of it. One of the things as you know we have with the focus in Oncology HCG has come. HCG idea is when you require treatment for oncology it has the focused center while multi-specialties can have oncology wings and so they will be doing all other services. So cancer is such a disease and needs focussed therapy and it is a 24/7 focus with multidisciplinary clinic experts in recent specialties within oncology like we look at breast cancer specialists or specialists in head and neck there itself having certain teams that radiation oncology, surgeons, medical oncology so it requires a vast structure in terms of the multidisciplinary clinics and the backend in terms of dedicated molecular diagnostic as well as imaging. So we believe a dedicated cancer center as we see globally also that is through the preference for the patients so when a patient is diagnosed with cancer we believe they would like to go to a specialized center rather than multispecialty. The only area where multispecialty is also do well is when the cancer is diagnosed in a multispecialty hospital, they may end up getting the treatment but if they are diagnosed in the special area where they do not have cancer facility they are usually referred to as specialized hospital like us or the patients also walk-in because of the brand name we have. In this regard Dinesh maybe you can touch on some of the brand names.

Dinesh Madhavan: Thanks Dr. Ajai. If you look at the way we have positioned ourselves right from a tagline which says 'Specialist in Cancer Care' it has all been as on the environment of what a patient expects to the cancer center quality of life and ensuring the specialist of that location provide the medical outcome so that life goes on. From a single center point of view focused on oncology the shift has happened in the last ten years in the testimony growth which we approach by consistently putting outcome that we create in the oncology space and this is through introduction of technology of expertise which probably is pioneering work done in India and we augment is to make sure that the patient has a far better service level, medical outcome and consistently we keep providing this across our centers.

Amish Kanani: Sir is it possible to kind of give us some idea about say our market share in the market like Bangalore where we are quite entrenched vis-à-vis in that area or some cluster is there some number that we have and the capacity utilization trends by cluster if you can share that, it is helpful?

Mudit Saxena: So if you look at from a Bangalore market perspective we are currently averaging the market share which HCG owns over here is about 40%, which includes both the organized and the unorganized sector in this. Among the organized sector we are the brand leader, which is about 60% of the market share but if I include the smaller nursing homes and other unorganized players the market share is about 40%.

Amish Kanani: So we have the market dealers there right and I also had the similar question, which you said in terms of, Bangalore international patient win 20% I also wanted to understand our country medical tourism is being talked about as something, which we want to kind?

Dinesh Madhavan: Just complete the question?

Amish Kanani: So the question was one what types of international clientele do we get. Do we get NRIs over occasionally coming to India they are all returning or who have stayed in India and they are coming back and they are doing the treatment or they are truly international looking for best value for money packaging and they are coming, in that context?

Dinesh Madhavan: I think largely people who are accessing a medical program those who are looking for medical value travel be it the outcomes in blood disorders or solid tumours patients do come to us largely from Qatar and African region followed by patients coming across GCC, CIS the ASEAN region and SAARC but I think patients come to us largely for treatment not restrict with the NRI a very small percentage of patients come to us from Gujarat are patients who are from Indian origins who have got route in Qatar and Africa which probably would not even be about 2% to 3% of our entire international business. So 98% of the patients who come to us come for a program which is not available probably even in a

developed country like South Africa from Johannesburg or Cape Town to patients coming as far as from Magnolia to patients from the Middle East. So we do attract patients for a medical rally travel program, which is not available in their country, or outcomes, which they do not see consistently in their country.

- Amish Kanani:** The context Sir if you can just share some trends of utilization by cluster or whatever?
- Dinesh Madhavan:** We will share that in due course but right now.
- B.S. Ajaikumar:** Are you asking for the medical destination part of it I think in general, you are asking about the cluster occupancy?
- Dinesh Madhavan:** Yes so I was saying one our actual better occupancy if you are sharing by cluster at least some broad range where we have reached and what is the optimal level something that if you can share?
- B.S. Ajaikumar:** As I mentioned in the Karnataka clusters we had just added capacity in the Gulbarga center. It is just come on stream, so including that which is yet to reach its scaled capacity we are at 48% capacity utilization at in Karnataka right now in terms of the occupancy rate of the beds under operation. In Eastern India we are at a higher occupancy rate of 66% but we are in the process of launching a new hospital in Kolkata over a course of the next 12 months but right now our occupancy rate in Cuttack is about 66%. In Gujarat where we have recently launched new center as well our current occupancy rate as of the fourth quarter was at 58% we have 229 beds in operation with an occupancy rate of 58% in Gujarat.
- Amish Kanani:** What is the optimal Sir, is it can you go to 75?
- B.S. Ajaikumar:** For our type of activity, which is cancer care we would prepare to be within 60% to 65% but it depend Dr. Mudit comment also.
- Mudit Saxena:** Just to add on to that as you are aware the senses when it is taken usually the trending in this industry is for a midnight centers but a lot of work which happens here as a day care base business as a result it times it becomes kind of misnomer for you but usually when you look at a mid-noon of, but if you look at across the board usually the mid day occupancy levels are almost around 60% to 65%.
- Amish Kanani:** Sir one last question from my side is that how would you compare our cost of treatment in India versus some of the competing nations in South East Asia where similar treatment would be available how cost competitive are we and is there a arbitrage there?

- Mudit Saxena:** I think the way we are positioned ourselves, as HCG is not trying to cut down cost and avoid rendering treatment largely around focusing on medical outcome if you talking as South East Asian region and comparing to markets like Vietnam and Thailand very specifically. It is about 1.5 to 1.6 times our price but it would extend all the way to Singapore probably things were about 4 to 4.5 the price point in India.
- Amish Kanani:** 4 to 4.5 times is the cost in Singapore is what you are saying?
- Mudit Saxena:** Exactly as where as the price in Thailand and Vietnam and Cambodia would be about 1.6 times the price of India same with Turkey it would be about 2 times the price of India.
- Amish Kanani:** Thanks a lot Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Diresh Pathak from Goldman Sachs. Please go ahead.
- Diresh Pathak:** I joined a few minutes late and when I joined you are talking about some trust changing and when can you just talk about that again and explain what happened?
- Mudit Saxena:** I will explain. This question was asked was regarding the discontinued operations in the year and that related we exited from Nanavati Hospital so I think Dr. Ajai was describing the process by which we exited from Nanavati Hospital but the matter is now over we are exited from there and as we have disclosed we are establishing any comprehensive cancer center Borivali and which would launch operation quite shortly in the next few months.
- Diresh Pathak:** I just want to understand the nature of these contracts that we have with these trusts how long they are?
- Mudit Saxena:** We do not have any more that was the last one actually we are now exited from that and that was only one actually we have and we are no longer in that center which is Nanavati Hospital we had an agreement to the trust of run up.
- Diresh Pathak:** The radio for the oncology part.
- Mudit Saxena:** It is over now we are no longer there.
- Diresh Pathak:** So none of our current revenue stream comes from hospital where we have taken land from trust?
- B.S. Ajaikumar:** That is correct.

Diresh Pathak: Thank you so much.

Moderator: Thank you. Next question is from the line of Dr. Abhishek Sharma from IIFL Capital. Please go ahead.

Abhishek Sharma: Sir a couple of business threats which I just wanted to sort of get your sense on because these were asked in the road shows so what is your sense of so pet is a integral part of your business right, that you put up a PET everywhere that you set up a center so what sort of threat that you see from PET chains which are coming up across the country and would there be some sort of a split of market share or how do you position yourself versus those?

B.S. Ajaikumar: We know PET is the Positron Emission Tomography. It is an integral part of an oncology center for staging the cancer as well as assisting the response to therapy one thing I would want to make it clear is PET is not an instrument to be used for detecting cancer. It is not done to say well the patient has cancer or not. Normally PET scan is done only when the patient is diagnosed with cancer when they come to the oncologist he decide we like to look at the staging where he cancer based on this how to come up with the treatment plan so that is there and it has provide a great value turns in terms of assessing because the molecular diagnostic it gives you imaging molecular imaging whereby we can say where the disease is located, where the disease is active and accordingly this improves so overall survival because of the proper staging. Now we believe as we are one of the largest PET scan numbers in the India we have, we believe a PET scan is an integral part of comprehensive cancer centers to provide service to cancer patients because of our strong position in oncology and the fact we associate in oncology centers where the PET scan are associated we do not see any threat from anybody in terms of PET scan free standing PET scan with no associated cancer centers have not done usually they not done well unless they are in a place in the city where the cancer center does not have a pet scan if the cancer center has a pet scan normally the free standing centers do not do well. The past issue has been cost wise. Now some of the things people saying we can do at a lower cost higher cost but we believe a PET scan is such an advance form for therapy done in the right way in the right sitting and the right reading of the PET scan is very important in association with oncologist. PET scan is not a radiology reading in terms of you are saying a CAT scan MR it has to be done in association with a team with the oncologist. So that is why we believe the viability of PET scan is only when it is associated with an oncology center and globally, normally this is a trend associated with oncologist.

Abhishek Sharma: Sir the other question that I had was on drug price control given the fact that certain oncology drugs have also come under drug price control and you predominantly use generic drugs in your formulary how would that impact be can you just take us through that?

B.S. Ajaikumar: I think the drug controller of course has brought down and we believe one of the positive sides of that is it will help more patients to access quality treatment so generally for the public it will be beneficial in this regard we also believe the middle class population and all can have accessibility and so obviously right treatment can be given which is the most important vision of HCG to make sure patients gets right treatment at the right time so patients did not be denied so the financial part of it the impact I think is there but we believe with the larger volume of patient and our way of looking at outcomes, improving the outcomes and better branding it will actually help the patients in general overall and definitely an oncology focused oncology center will be more kind of therapy can be perform for the right patient so this is a beneficial assets we believe.

Abhishek Sharma: In your formulary you typically use locally procured branded generics, which are typically made by Indian manufacturer?

B.S. Ajaikumar: We have in our formulary we use innovated drug as well as the generic drugs so we have a combination of both and we give options so we are not restricted to only generic drugs.

Abhishek Sharma: How large would be biologic Sir as a portion of your formulary sales?

B.S. Ajaikumar: Biologics now they are increasing more and more normally right now it is about 15% to 20%. Obviously new drugs are coming as we go forward biologics will be the trend and we are seeing lot of new drugs in the pipeline so this may change the landscape looking forward.

Abhishek Sharma: Sir finally just if you could just take me through what is your vision for the multispecialty hospitals would they at some point in time convert into oncology centers what is the entry in there.

B.S. Ajaikumar: I do not think multispecialty will convert oncology in our centers you are asking you see nurse are in general within HCG growth. Actually we have only two method multispecialty we are acutely one multispecialty we have in Ahmedabad we have actually a cancer center in Ahmedabad so we have no intention of changing the multispecialty cancer because we have a dedicated cancer center in a different location which is also expanding and the multispecialty is also doing extremely well. Regarding Bhavnagar we have taken multispecialty but we are going to put in an oncology division within that so it will run at multispecialty with an oncology division probably as we see in oncology section by improved and expanding it.

Abhishek Sharma: That is all from my side.

Moderator: Thank you. Our next question is from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.

Amit Kadam: Sir I have two questions. One is regarding our Africa plan and second is regarding the Delhi thing which we are planning to close down or may be so on the Africa plan, how it will be different of saying to what we do now in terms of capital intensity of that particular thing like for example right now our run rate is like we spend almost 40 Crores for 60-bed unit. So how is going to be different there and how we are going to approach Africa in terms of like are we going to have a partnership out there and how is the landscape out there to grow?

B.S. Ajaikumar: I think in terms of Africa the reason we also went into Africa because the Africa is tribally underserved, 1.2 billion population with very few dedicated cancer centers particularly in East Africa and West Africa and we do get as Dinesh explained before we do get a significant number of oncology patients coming from this part of Africa. As we know cancer treatment is not like a one-day or one week therapy, it takes months if not years of treatment and followup. So as we establish as we started looking at cancer patients coming from this part we felt it is important to continuation of the care in Africa and monitor them followup and if they require re-treatment with this reason the established clinics in this part of Africa including Nairobi, Kampala and Darussalam and now have working relationship with doctors in each of the region and we do see need for having a treatment centers when we say treatment centers we are talking about linear accelerator medical oncology which we are already doing and surgery. So our goal is partnering with CDC to establish dedicated cancer centers and work with local partners and not get involved in the real-estate and have only technology optimization to be done by us so this is the model under which we are going and Dinesh you want to add anything to this.

Dinesh Madhavan: Just a couple of skews from our experience in India and similarity to Africa as a continent if you look at the population they are almost about 1.2 billion and what is missing there is lack of expertise and technology. We have taken to look at inroads to be made into East Africa initially and follow the same model and strategy that we have had in India to partner with local doctors and then build up a practice there as we get along in nature of this relationships I think we will have announcements to be made us we go along.

B.S. Ajaikumar: Regarding the Delhi you had what I would like to say is we are not planning on closing at this time so if there was a miscommunication if that was understood. We are actually trying to restructure the Delhi and work with the doctors and the hospital to see whether we can make it gain profitable obviously and work on revenue increase as well as better footfall into the region Delhi the hospital is located in a good location and we believe we have an opportunity to restructure and make it very viable project and that I where we are in the

process in the next few months we will be coming off with some definitive plans in this regard.

Amit Kadam: Do we have any clear-cut plans when we enter like the way we have an entry plan do we have an exit plan for a particular center in terms of operating matrices like if it really does not are now to entry or fifth year is the maximum where we really think about it?

B.S. Ajaikumar: Yes, we have not had in many of those happened that fortunately for us but you are right there maybe future where we may have to think a bit in the end of third or fourth year basically for the reason beyond our control these things are happening obviously we like to move on, and in the past we have done in one small center in Erode where we wanted to expand and the local partner there who has a real-estate doctor wanted to expand also so we felt that is not workable so one of the good things about oncology is even if you shutdown we move the equipment we have move this linear our investment is only linear accelerator real estate we were not involved so we moved the linear accelerated different locations and continue to perform the therapy in this new location. So it did not affect us financially to significantly.

Amit Kadam: Coming back to this Africa part so what is the timeline what we are discussing and I know it is still on the drawing board but still like any specific timeline?

B.S. Ajaikumar: We are actually beyond the drawing board. We are talking and discussing with groups because we have the agreement form with CDC see in the next three to six months we should be able to make some definitely announcements.

Amit Kadam: Thanks.

Moderator: Thank you. We will take the next question from the line of Amish Kanani from JM Financials. Please go ahead.

Amish Kanani: Sir one thing very critical is the early detection of cancer as a disease and as a market leader in the clusters where we are present what are we doing to ensure that one this awareness and the testing part of the cancer gets more entrenched where basically if it is established early there is a money to be made for us whereas the like received kind of the thing actually win-win. Are we doing something, which helps us, do that as a market leader and what are we doing maybe with government or pharma companies in association to do something on this thing?

B.S. Ajaikumar: I would like to give you an example how we have done that, that will give you an idea for example historically we think in a developing country like India we have people were only

coming in advanced stages that is what gear is. When you look at India, India is multiple countries within a country where we have in a big cities like Bangalore, Mumbai, Delhi and the Tier II cities, Tier III cities, and one of the things HCG has been obviously very strong are not only in big cities but also in Tier II, Tier III cities. You take for example Bengaluru big cities breast cancer is one of the common cancers here, where we have attacked breast cancer over the last five years in terms of early detection. We have technology including a very advance form of mammography and ultrasound units and MRIs where we can detect early cancer. The question is how do you create awareness? Where we have created awareness see through patients profile. We have had a number of patients for that breast cancer, patients who are in different walks of life. For example some of them are doctors, some of them are engineers, some of them are teachers, and they have come forward. In the past people would not come forward to talk about the disease. One of the hallmarks of HCG has been as the dedicated cancer center to create a different kind of awareness in the public through media and through patients where patients do not have to fear cancer. Why the people come in advance cancer stage because they have the fear of cancer. Once the fear is gone they would come earlier. So in Bengaluru what has happened statistics wise we have really shown in 2005 of our people we have to use 72% of the patients who would come in advanced stage. Today I am happy to report that as of 2015 we nearly have 66% coming in early stage and most of the people from Bengaluru and Greater Bengaluru area are coming even in higher percentage so this is dramatically changed and people are coming forward to be volunteers. We a the voluntary system wherein our clinics actually there are patients who talk to the patients and their relatives and express views how it is important and one more important thing I want to say here is regarding breast cancer or larynx or anything we are very much in forefront of organ preservation. In the past people were also afraid of cancer because they were loose organs, removal of the breast, removal of the vocal cords, colon, today HCG believes there is absolutely no need. In fact it is detrimental to remove the organ because of that and because we are volunteers who have gone through this organ preservation who are talking to the public and on this our match testing rate is near 0 we do not do laryngectomy unless it is exception at places or even colostomy. This is how you bring quality of life. This is how you bring better awareness and you create an ecosystem where cancer is treated like other chronic diseases just like diabetes or blood pressure and people do not have to fear and this has been one of the greatest achievement of HCG not only in Bengaluru but I can proudly say in even in cities like Cuttack, Vijayawada, Nasik to name as few.

Amish Kanani: Thanks a lot and that is very helpful and all the best.

B.S. Ajaikumar: I think at this point are we going to close it.

Moderator: Thank you Sir. As there are no further questions from the participants I now hand the conference over to Dr. Abhishek Sharma for his closing comments.

Abhishek Sharma: I would like to thank the management of HCG for having taken out time to answer investor queries as well as taking us through their vision for the company. Thanks and good evening.

B.S. Ajaikumar: Thank you very much. Thanks a lot. Thanks to all the participants for coming and all the questions. I hope to hear you back again from you in the next earnings call. Thanks again.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.