"UniHealth Consultancy Limited

H2 FY24 Results Conference Call"

May 24, 2024

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Moderator: Ladies and gentlemen, good day, and welcome to UniHealth Consultancy Limited H2 FY24 Results Conference Call hosted by Kirin Advisors.

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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you, and over to you, ma'am.

Chandni Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of UniHealth Consultancy Limited.

From Management side, we have Dr. Akshay Parmar – Founder and Managing Director.

Now, I hand over the call to Dr. Akshay Parmar. Over to you, sir.

Akshay Parmar: Very good afternoon to everyone on the call and a very warm welcome to each one of you for UniHealth Consultancy Limited Conference Call where we will be discussing our Financial Performance for the second half of Fiscal Year 2024 and for the entire year as a whole.

Before we dive into the specifics for H2 of FY '24, I would like to offer a concise overview of UniHealth Consultancy Limited.

Since our establishment in 2010 in Mumbai, UniHealth has evolved into a global healthcare provider with a strong presence in Africa. Our business verticals include hospitals and medical centers, consultancy services, pharmaceutical exports, distribution and medical value travel, commonly also known as Medical Tourism.

Across four countries and two continents, our team of over 150 doctors today serve more than 110,000 patients every year and are ably supported by a growing team of 500 plus UMC employees.

Under our flagship brand of UMC hospitals, the company owns and operates two multi-specialty facilities, one each in Uganda and Nigeria, having a combined bed strength of

200 commission beds.

Following the success of our IPO earlier this year, earlier last year, the company, in furtherance of its vision to deliver quality healthcare services, has invested and continues to invest to upgrade the infrastructure and make additions to specialty services across its existing facilities.

Our recent spine and orthopedic surgical and OPD camps with leading Indian surgeons at our facility in Nigeria, UMC Zhahir Hospital, in January and earlier in April 2024, showcased our commitment to specialized healthcare services and community engagement. Conducting successful surgeries and offering free consultations to over 350 patients during these two camps has reinforced our reputation for delivering high quality healthcare. These initiatives demonstrate our dedication to meeting diverse healthcare needs and making a meaningful difference in the global healthcare delivery system.

UniHealth Pharmaceuticals, the wholly-owned subsidiary of UniHealth Consistency Limited, is playing a pivotal role in managing the export and distribution of a growing number of medical consumables and pharmaceutical products to target markets of Uganda, Nigeria, and Tanzania.

Under our unique design, build, and operate model, UniHealth provides healthcare consultancy services and presently has projects with a combined bed capacity of 1,250 beds under various stages of execution, spread across India and multiple countries in Asia and Africa.

In a significant stride forward, UniHealth has recently incorporated its subsidiary company, UMC Hospitals Private Limited, in India. This strategic expansion represents a foray into the Indian healthcare sector where we aim to extend our quality healthcare services to the Indian population. The company targets to achieve a commission bed capacity of 150 to 250 beds by the end of Fiscal '2025, which will be spread across two to three facilities, primarily in the western part of India.

Reflecting on our achievements in the latter half of FY '24, and indeed throughout the fiscal year, it gives me immense happiness to reiterate our continued commitment to service excellence, innovation, and strategic partnerships.

This fiscal year witnessed us collaborate with Myanmar Airways International to launch the unique UniHealth - MAI Medical Travel Program, an initiative that stands as a testament to our dedication to personalized healthcare and improved accessibility for patients intending to travel to India for their treatments and plays a small yet significant role in advancing the growth of the healthcare industry of our country on a global platform.

Our partnership with Fixderma India and its addition to our growing portfolio of companies signify our efforts to expand the company's export and distribution vertical and establish our credentials as a preferred partner for Indian manufacturers intending to distribute their products across the African continent.

We succeeded in securing the design consultancy services contract for the 200-bedded hospital being planned in Mombasa, Kenya, reflects the continued trust being placed in our team to deliver and help execute the vision of our clients globally. These accomplishments highlight our relentless pursuit of excellence and our unwavering mission to positively impact the healthcare sector on a global footprint.

Coming to our financial performance in FY '24, our total income surged to 50.34 crores, representing a significant 9.4% increase from the previous fiscal year. With operations spanning across various regions, revenue was bifurcated with Uganda contributing to 60%, India 16%, Nigeria 12%, UAE 10% and Tanzania 2% to the consolidated top line of the company.

The growth was complemented by a substantial rise in the EBITDA reaching 19.16 crores indicating a robust 21.8% year-on-year up-stake. Notably, our EBITDA margin improved to 38.06%, up by 388 basis points compared to FY '23.

Our PAT witnessed a remarkable surge of 35.64% amounting to 10.39 crores with a PAT margin of 20.63%, again reflecting a 399-basis point increase.

Throughout the second half of the Fiscal Year 2024, our financial performance continued on an upward trajectory. Our total income for H2 of the fiscal year surged to 27.5 crores, representing a substantial 20.33% increase compared to H1 of the same fiscal year.

This growth was driven by a significant rise in EBITDA, which reached 11.32 crores marking a notable 44.31% increase. Our margin for H2 FY '24 stood at 41.16%, showing a remarkable improvement of 684 basis points compared to the EBITDA margin of H1 of the same fiscal year. The company reported a profit after tax of 6.09 crores for H2 of FY '24 with a PAT margin of 22.14%.

During Fiscal '24, we have made significant strides in optimizing our financial structure as well. Our long-term borrowings reduced from 36 crores to 12 crores accompanied by a decrease in the debt-equity ratio from 1.45x in fiscal year '23 to 0.18x in fiscal year '24. Our operating cash flow has increased to 4.56 crores from 1.33 crores in the previous fiscal year, reflecting enhanced operational efficiency of the company.

Looking ahead to the upcoming financial year, UniHealth is primed for further expansion and diversification. The company will be commissioning specialized services of infertility, that's IVF treatments, ophthalmology and cardiology at its existing hospitals in Uganda and Nigeria.

We will also be extending our footprint in Tanzania and India. To facilitate these growth initiatives, UniHealth has established subsidiaries in India, UMC Hospitals Private Limited and a wholly-owned subsidiary in Mauritius, UniHealth Holdings Limited.

Moreover, plans are in place to augment the commission bed capacity by about 150 to 250 beds through the establishment of UMC Hospital facilities in Tanzania and India before the end of fiscal year '2025. Additionally, the forthcoming commissioning of a manufacturing unit in Mwanza, Tanzania underscores UniHealth' dedication to providing top-tier healthcare services on a global scale.

With the above note, I express my gratitude to all our stakeholders for their kind support and trust in UniHealth. I appreciate your joining us today for this call and I will like to invite you to participate in the Q&A session going forward. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of VN from Shanthi Financial. Please go ahead.

Vivek Nam: The question is, there seems to be a disparity between the results that are enclosed in the report that I got from your PR agency. And it says that the results are top line of 6.5 crores and bottom line of 3 crores, which maybe suggests a growth of 60% or more than

100% on the PAT. Whereas the external website says that you have posted 49 crores for the full-year '24. Please clarify what is the right result or if I have got it wrong?

Akshay Parmar: No, the initial figures that you mentioned reflect the results for the standalone financials of UniHealth Consultancy Limited. Now, as a structure, since we have operations in multiple countries, we are operating via a network of subsidiaries and joint venture companies to be able to operate and provide services locally in Uganda, Tanzania, Nigeria and elsewhere. The consolidated financials reflect what I have just stated, the revenue of 50.35 crores and a PAT of about 10 plus crores compared to, I mean, the standalone Union Health Consultancy Limited as a standalone entity, which has a top line of 6 crores plus against the PAT that you just mentioned.

Vivek Nam: I stand corrected. I was looking at the wrong numbers.

Moderator: Thank you. Next question is from the line of Yashwanti from Kojin Finvest. Please go ahead.

Yashwanti: Sir, I wanted to know like the sustenance of your EBITDA margin around 40% going forward. This is one thing. And the second thing, whenever you expand your operation overseas operation, do you have your 100% stake in those endeavors, or you take some local partners from there? What is your strategy over there?

Akshay Parmar: So, I will take these in two parts. Regarding the EBITDA margins, our existing businesses, we have been achieving these EBITDA margins of about 35%, an upwards over the last two, two-and-a-half years because in some sense it is showing and reflecting a maturity of that business.

Going forward, definitely we will be working towards and are sure of maintaining these EBITDA margins with a slight upstate in the coming years with addition of specialty and super-specialty services because these services are going to be utilizing the same infrastructure. A lot of the manpower costs are going to get negated because we won't need additional manpower at the management level for these services and the top line, the addition to the revenue is going to be significant.

So, on an individual basis the addition of these services will allow us to operate them at a much higher EBITDA margin allowing us to improvise the overall EBITDA margins. But definitely as we expand and as we grow and as we add newer facilities and additional hospital beds in India and elsewhere, these new facilities for the first 12 to 24 months are going to witness lower EBITDA margins because they are going to be in the initial phase of their operation. So, they are going to have margins which are going to be significantly lower compared to what we are achieving today.

But on a consolidated basis as UniHealth, an upstate in the existing business and the lower EBITDA margins in the new business while they mature. So, on a consolidated basis, we still are confident enough that we will be able to maintain a 30% to 33% EBITDA margin on the overall business.

The second benefit of the EBITDA margin that we expect to come in the coming years is also from our consultancy business. The consultancy services operate at a much higher EBITDA margin. So, with a growth in that particular vertical of the business as we grow forward is likely to offset any reduction in the EBITDA margin because of new facilities being added and their nascent period being countered.

So, on a consolidated basis, yes, going forward, we will be expecting the company to maintain a similar EBITDA margin if the upstate is not significant in the coming 24 to 36 months when we are going to be in a high growth modality.

Now coming to the second part of the question, as a standard principle for all of our overseas venture, we do not go solo. We have always ensured that we have a very strong local partner who is able to help us navigate the initial bureaucratic challenges and is able to offset a lot of local challenges at various stages that the project is likely to encounter.

But these local partners also come in with their investment on a proportionate basis. So, definitely they are also investing, allowing us to reduce our capital outlay for a project. They also come in with significant bandwidth to help us leverage and explore the possibility of taking local debt, both for CapEx and for OpEx if required. So, that is another advantage that our local partners get.

Going forward for our expansion also, we will be taking up local partners. But as a policy, we do not go for a stake which is less than 50% or in fact, now we have re-modified that and we will be looking at a stake of 51% or upwards for UniHealth and the proportionate stake, 49% or lower for the local partner.

Yashwanti: Sir, in that case, there is the partner which you are operating with in this market, do they sit on your Board also managing the business or the whole managing rights are with you?

Akshay Parmar: So, they definitely sit on the Board, some as Non-Executive Directors and maybe some as Executive Directors as well. But there are two critical important principles that we have and we have had always ever since we started our expansion. One, as the brand UMC is the ownership of UniHealth Consultancy Limited, we extend this brand. There is an operation and management contract and agreement in favor of UniHealth Consultancy and operationally, the rights reside with UniHealth Consultancy. So, we have complete operational control of our existing facilities and also of all the new facilities that we are looking at.

Also, the selection of our partners is such that none of our existing partners or partners in the foreseeable future come from a healthcare background. So, they are having very good local businesses which are from a non-healthcare industry. So, their interest is two way. One, definitely to take the benefit of venturing into a high growth, high supply-demand gap present in the healthcare industry and second is also from a social perspective where they are presently enjoying a very good position within the industry on an overall basis and want to capitalize upon the social status that a healthcare facility offers in these geographies.

Yashwanti: Sir, you mentioned about the consultancy business is gaining you a comparatively much better EBITDA margin. What is the right forum to talk about this EBITDA margin right now from the consultancy business and currently how much does it contribute to our revenue and going forward, what is your expectation or your goal to increase the revenue or the share in your overall pie?

Akshay Parmar: So, as of now, the consultancy business can, just give me a second. I am just pulling up that slide, which shows the segmental, what do you call, the variation. So, the consultancy business has contributed to 8.17 crores out of the total top line of 50.35 crores for Fiscal Year 2024. So, that is a good 16% plus that it has contributed. This is in comparison to just about 11.5%, 12%, which it contributed last year. So, we did achieve a growth in the consultancy services segment of the company.

Going forward we do expect to gain considerably in the consultancy segment, both in terms of top line and bottom line. However, the innate nature, the inherent nature of consultancy business is such that we cannot have a straight-line prediction for it. It keeps varying. You may be pursuing a project for six months of a particular fiscal year, but the revenue will be realized only in the next fiscal year.

So, because of this variation, we normally even in our projections, we do not really account for the consultancy services because it is not a straight line mechanism where we can predict at which stage or in which quarter of a fiscal year, how much of a revenue generation will happen effectively from that particular vertical of the company.

Yashwanti: So, you are guiding us not to look at this business on a quarter-round basis but on a year-round basis, but then one question, sir, which remains unanswered is the EBITDA margin on the same?

Akshay Parmar: Yes. So, EBITDA margin, now typically what happens for consultancy services is that we have a very good strong professional team. Now with addition of new projects, addition at the team level, the major cost in a consultancy services vertical is the manpower. So, at the manpower level, we are not required, or we don't need to add on the senior managers and senior professionals on a per project basis. What addition happens is happens at the ground level. So, that the OpEx for that is not considerable compared to the revenue generation from a new project.

So, till the time we are adding on another two or three projects, our existing team with minor additions is able to cater to it. That is why the overall EBITDA margins and profit margins for that vertical are significantly higher, almost twice that of the margins that we have from the medical centers and hospitals vertical.

Yashwanti: And is this business offered even in the overseas market?

Akshay Parmar: Yes, so right now we are doing projects in India, we are doing projects across Africa, we have a project ongoing in Myanmar. So, this again, you know, though the entire execution, to a large extent, happens from the corporate office itself, from India, we don't require to put people locally on ground. They manage via video calls, and they manage via sporadic travel to these project sites. But we are able to cater to the requirements of a clientele which is spread across Asia and Africa.

Yashwanti: Sir, one more thing I want to understand when you are talking about your expansion in terms of the expanding your hospital nature or for the number of hospital you wanted to have in India as well as in Africa. So, what is your business model? Do you acquire an existing setup and go forward branding them as a UniHealth or you completely construct a new hospital in the brand of UniHealth?

Akshay Parmar: So, I will give you a small perception of our existing facilities and that will form the base for taking this answer forward. Right now, we have got two facilities, one in Uganda, one in Nigeria. In Uganda, we own the real estate. So, the land, the building, everything is an ownership of our joint venture company out there and that asset has been built ground up. We have designed it, we have built it from the ground up.

In Nigeria, we leased out on a long-term basis the existing infrastructure. So, land and building is not owned by the company. We invested into the equipment, and we operate it under the UMC Hospitals brand. Going forward, from an expansion perspective, the company is wanting to focus on a capital or asset light model where we do not plan to invest into the land and building in terms of ownership.

We will be looking at two modalities, one wherein we lease out the infrastructure, maybe invest in the required equipment and operate it under the UMC Hospitals brand. Second will definitely also be an acquisition of the operations and management of certain existing facilities, whether they are in India or in Africa, because for a variety of reasons, there are people who want to outsource the operation. So, we will be keenly looking at that segment of the industry as well, where we take up the management.

So, we will be looking at that segment also where we take up the operations and management of existing hospitals, maybe invest to upgrade the infrastructure in terms of the facilities, services, equipment and operate them under the UMC Hospitals brand. Now whether they happen on a lease model or a revenue share or a combination will depend on a case-to-case basis vis-a-vis the project that we are looking at.

Yashwanti: If I could quickly ask you a question, what is your working capital requirement or the working capital cycle when you are operating in a couple of countries and when you have a couple of different business models operating in various countries? And what is your proposed CAPEX to fund your expansion?

Akshay Parmar: So, from a working capital perspective, different countries are having a different healthcare model. For example, in Nigeria, the cash patient base, the patients who pay upfront or immediately on delivery of the treatment services, that forms almost 65% to 75% of the patient base because insurance or credit market is not a big portion of the healthcare services model in Nigeria.

Now compared to this, when we come to a country like Uganda where there are, though the insurance market is not as big, there are a lot of corporate companies with whom we have got accreditations and we are empanelled with them and have been providing our services where the payment cycles can range from two months to about six and a half, seven months depending upon the client that we have.

When we come to a market like Tanzania, out there, the national health insurance is very well established and their payment cycle is roughly around 90 to 100 days. So, going from country to country, that model keeps varying and accordingly, our working capital requirement keeps changing where in Nigeria working capital requirement is significantly lower. It is just about I think 55 to 60 days. In Uganda, that goes up to almost four, four-and-a-half months. So, it keeps changing.

In India, there may be facilities where we are catering to the requirements of a lot of government schemes where again the payment cycles from the government departments can vary between four months to roughly around eight, eight-and-a-half, nine months as well. And there may be certain projects where we may not be catering to government schemes where the proportion of cash patients is going to be significantly higher. Patients from cash and the traditional insurance, I mean the TPA-based patients, their payment cycles are way better.

Yashwanti: Sir, I am following your revenue contribution coming from Uganda and India, which is about 76% to 80%, 50% from Uganda and I believe 15% to 18% are from India. It means that your working capital requirement continues to remain high.

Akshay Parmar: At present, yes. Over the last two, three years, our contribution from the Ugandan joint venture company has been significantly high because that has been our flagship facility. But going forward, we will be expanding in different markets where though Uganda will continue to grow, the contribution to the top line and bottom line from that particular geography is likely to come down. The target for us is that by fiscal year '25-'26, the contribution from a single geography does not exceed 25% to 30% to the consolidated financials of the company. So, with that particular target in mind, the expansion strategy of the company is being structured and formulated.

Moderator: Thank you very much. Next question is from the line of Urmi Khania from RoboCapital. Please go ahead.

Urmi Khania: So, my question is what is the growth outlook for revenues for FY '25 this year and also next year FY '26?

Akshay Parmar: So, for FY '25, I will take that first. During FY '25, there are certain expansion plans that the company has which we outlined in my initial discussion and comment as well. We are looking to add on a bed capacity in the range of 150 to 250 beds. Now, these beds will get commissioned somewhere during quarter 3 and quarter 4.

So, the addition is not going to be significant from these new facilities that we are likely to commission but the existing hospitals, the existing business is likely to grow on the same model that it has been growing over the last three years.

If we look at a consolidated basis, this year though the revenue upstream has just been around 9% to 10%, in a local currency format, the growth has been much higher. This was a year where in Nigeria we witnessed a 40% depreciation of the currency compared to the previous financial year.

So, though the revenue growth for Nigeria was 40%, because of the depreciation in the currency, we were not able to actually reflect that picture on the consolidated books in India. Going forward we expect the currency to stabilize as well in this year and that is likely to then translate into a better growth percentage compared to this 9.5%, 10% from the existing business. So, on an overall basis the target will be to grow between 15% to 25% in the top line for FY '25.

Coming to FY '26, fiscal year '26, by that time, the addition of 200 to 250 beds that we are likely to commission in this year is going to take complete shape and the revenue generation from those beds is going to get added on to the consolidated books of the company. So, that addition is going to be significant.

Right now we are working with an operational capacity of 200 beds and we are generating the revenues that are reflected on the books. By Fiscal Year 2026, we would have added on at least 200 more beds, if not more. So, we do expect the revenues to double up by that fiscal year.

Urmi Khania: And also, if there is normalcy in the excluding the Nigerian currency inflation for FY '24, what would have been your growth if we excluded that part?

Akshay Parmar: If we would have excluded that, then the growth would have been at least 5% to 7% higher than what we have achieved because this negation at the revenue level has happened because of currency depreciation. The same has happened at the profit level where we had to account for foreign exchange losses from an accounting perspective. So, both these, had they been negated, had the currency been stable, the overall consolidated growth would have been somewhere between 15% to 20% on the top line and even the profit after tax would have been higher than what we have been able to achieve at this stage.

Urmi Khania: And also from the margin perspective, you guided for the same almost 35%, 36% EBITDA for this year too, but for next year, are you expecting to increase since we are adding capacity?

Akshay Parmar: For next year, yes, we are expecting the EBITDA margins to increase for the existing businesses because of addition of the specialized services. However, with expansion, like I mentioned sometime earlier, what is likely to happen is that the new 200 beds that we are likely to add in this year, we are going to be in their initial stages of operations.

So, the EBITDA margins on those beds initially for the first 6 months to 12 months are not going to be optimal at 30% and above. So, these may be a little lower. So, when we consolidate, we are hopeful that we will be maintaining the existing EBITDA margin, if not witnessing a significant growth, we will not even witness a drop. But the overall revenue will be incremental will be higher than what we have right now. So, from an overall perspective the company would have achieved significant growth.

Moderator: Thank you. Next question is from the line of Jayesh Shah from Arihant Capital. Please go ahead.

Jayesh Shah: My question is, what are the top three strategic priorities for UniHealth in FY '25 and how do you plan to achieve sustainable growth while maintaining the high standards of healthcare delivery?

Akshay Parmar: So, the top three strategic interests for the growth of the company, primarily, number one is to add on the intended 250 bed strength within this fiscal year and then double up that in the coming fiscal year, that is FY '25-'26. So, that is strategy or that is the first goal that the company has. We are already on track with that. We are expecting bed addition in Tanzania and India. So, these are the two geographies that we will be keen to enter into and commission our bed strength in this fiscal year as the first priority.

The second priority will be to scale up our distribution, export and distribution business. From that perspective, we have been continuously engaging leading manufacturers in India. We are in discussion to add a few more companies with a fairly distributed range of products but which fit very well in our long-term perspective, and we have also initiated the registration of the manufacturing plants with the respective authorities in these countries.

For example, Reliance Life Sciences with whom we have a distribution arrangement, we have initiated the registration process in Uganda and the site inspection for the facility has also been concluded earlier in April this year. So, we are on track.

The second modality for our growth would be to focus upon the export and distribution vertical where we are able to add on more products, more companies and complete the registration processes so that we are able to distribute their products in a much larger volume than we are currently achieving.

At the third level, we will be focused on the branding of our consultancy services and positioning it well for our target markets. Healthcare industry as a global industry, whether it is in India or in Africa, is witnessing significant growth. So, there is a lot of private sector investment that is likely to come in.

There is a lot of government sector investment that is also coming in, in the establishment of hospital facilities all across. And that is where we would want to capitalize upon our existing base of providing consultancy services and take up more contracts, more projects, whether they are from the government sector or from the private sector. So, that will be the third key objective for the company in this and the coming two fiscal years.

Jayesh Shah: And my next question is, like, what steps is the company taking to ensure its operating cash flow remains stable and sufficient to meet short-term financial obligation, particularly in the dynamic and often unpredictable healthcare industry?

Akshay Parmar: So, one major impact. or one major initiative that the company is taking, both in the existing infrastructure that it has in Uganda and Nigeria, is addition of specialized services like IVF, which is infertility treatment, looking at cardiology, looking at ophthalmology.

A majority of these specialized services, for example, if I talk about IVF to begin with, we are looking at an average revenue per patient in the range of $4,500 to $6,000. And these kind of treatments are usually paid for in cash by the patient. There is no credit. There are no insurance coverages. There are no corporates which are actually paying for these.

So, the generation, if I am looking at a reasonable target of doing about 100 to 150 cycles at each of these locations in the first year, first 12 months of the commissioning of services, in that case, I am looking at about a million dollars plus, which is going to be a direct cash payment from the patient.

Same goes for a lot of cardiology and ophthalmology services where there is a significant patient flow coming from foundations, funders, sponsors. Very typical to what we have in India where small children are requiring cardiac procedures for the hole in the heart, what we commonly call, are funded by some of the other organizations. Same goes for cataract surgeries. So, these kind of procedures are usually not offered on a credit basis. So, that will significantly augment the cash flow for the company.

Coming to the consultancy services vertical, again, consultancy services work on a very standardized cash flow modality where part of the service delivery is based on a signing fee or an upfront advance payment and the remaining is structured in either monthly payments or if it's a shorter cycle in terms of the service delivery, then immediately on execution of the said service, which is usually between two to four months.

So, that particular vertical is also likely to support the cash flow significantly as we embark upon expansion and addition of new hospital beds, which is likely to offset this benefit in some form where we may have credit cycles of about 90 odd days when we talk about countries like Tanzania where National Health Insurance is a significant funder for the treatments.

Moderator: Thank you very much. Next question is from the line of Saloni from SK Capital. Please go ahead.

Saloni Khariwale: So, here is my question. Are you associated with any government hospital in the international market?

Akshay Parmar: No, at present we are not associated with any government hospital in any of the markets that we have a presence in. Also, in the short-to-medium term of our growth, we do not intend to be associated directly with government hospitals wherein we are taking up the operations or management or investing in any form in the government hospitals.

The private sector market for healthcare in a lot of these countries where we are present or we intend to be present itself is growing significantly. So, our focus will be on the private sector market.

In terms of our collaboration, or association or dependency on the government, it again comes back to what I mentioned just some time back in terms of the health insurance scheme. For example, the Tanzania National Health Insurance is a scheme which is floated by the government which is paid for by the government.

Similarly, in India, if we are to cater to the patient base from a lot of government schemes like the Pradhan Mantri Arogya Yojana or the different state government schemes, in that case there will be that particular interaction or dependency on the government and the payments from the government or the respective departments. But in terms of an overall hospital or our investment directly, we do not have or do not plan to have any such initiative in the coming future as well with the government hospitals.

Saloni Khariwale: So, if any tie up with leading insurance companies?

Akshay Parmar: So, our facilities in both Uganda and Nigeria are empanelled with all leading insurance companies which are there in the country on regional or international level as well. So, we have got international insurance providers like Cigna, Bupa and a variety of others where we have empanelments and whose patients and beneficiaries we are already providing services to.

Moderator: Thank you. Next follow-up question is from the line of Vivek Nam from Shanthi Financial. Please go ahead.

Vivek Nam: Sir, my question is why is your growth so weak? So, why is the growth so weak on your top line? It does not inspire any confidence on the short-term performance of the company.

Akshay Parmar: Right. So, the impact of currency depreciation, like I just mentioned, specifically in Nigeria has muted the growth on the top line to just about 10% compared on a year-on-year basis. Unfortunately, this particular fiscal, from the beginning,

Nigeria witnessed two rounds of significant depreciation of the currency and overall depreciation of about 40% or more on the currency of, I mean, the exchange in terms of the Nigerian currency happened due to which we were unable to add that particular growth and reflect it on a consolidated basis.

So, though in local currency terms, our Nigerian business witnessed about 40% growth, if we consolidate and look at the contribution to the consolidated profit and loss statement of UniHealth, we in fact, from Nigeria had a slight dip in the revenue instead of a growth. So, that has impacted the overall consolidated financials at the top line level and also to some extent at the profit level for the company.

But this scenario has been taken into consideration wherein now we expect the currency to be significantly stable. I mean, this depreciation of the Nigerian Naira was enacted by the Nigerian government to align with a lot of international funds and international pressure for the recovery of its overall economy. And now we expect stabilization of that currency. So, in this fiscal year and going forward, there will be a significant addition to the top line and bottom line from Nigeria in view of the continued growth that we are experiencing out there.

Vivek Nam: So, what are you doing to de-risk because your revenue is still driven significantly through your Nigeria operations? Is there an opportunity for you to look at diversifying beyond Nigeria or to factoring that there is going to be, in the future, a certain amount of depreciation of the currency and thereby still provide us guidance, which is something that we can look forward to and you can achieve? And so, when you said you are going to double your turnover in two years, can we say that from 50, let's say, you are going to become 100 crores, would you be 75 crores next year? And if not, why? And if so, how would you overcome the Nigeria challenge?

Akshay Parmar: So, I will break this into two in terms of us trying to de-risk or managing the depreciation of the currency. What we do is all the frontline base category services, for example, the room charges or the consultation charges are kept as per the market standards.

But for all specialty services procedures, surgical conditions, ICU charges, which are the major revenue generation points for the company, we continuously revisit them, and we compare them with the existing exchange rates and we continue to change or alter our, amend our service charges based on that.

Unfortunately, for this year, the nature of depreciation was so sudden that it was not practical for us to align all our service charges in one go. So, over the last six or seven months, we have been in that process where to a large extent today we have aligned our cost charges for a lot of procedures in line with the depreciated currency rate so that we are able to offset this particular risk to a large extent going forward as well. So, this is a practice that we have been following considering the nature of currency depreciation risk that we have in Africa.

Going forward, like I just mentioned sometime back, that with our expansion plans in place, we are looking at expanding into select geographies like Tanzania, like India, maybe Kenya. So, the geographical presence will be not dependent on one particular geography for more than 25% to 30% of our top line and bottom line in the coming two fiscals.

So, that will also offset the possibility of major fluctuations in our financials based on the risk of one particular currency depreciation that can happen or is likely to happen because of a lot of geopolitical considerations in the future. I mean, that is an unpredictable scenario.

So, to offset that particular risk, we are expanding our footprint both in India and in certain other African countries, which are geopolitically fairly stable, with a historical currency risk also on a much lower level compared to Nigeria and ensure that the contribution to top line bottom line does not cross 25%. So, the company's dependency is not there on one particular country or currency going forward.

Vivek Nam: And Nigeria's what percentage of your revenue this year?

Akshay Parmar: So, right now, Nigeria has contributed to roughly around 18% of the top line for the company.

Vivek Nam: That is the last year top line.

Akshay Parmar: That is FY '24. 18% to 19%, yes.

Vivek Nam: So, even with their depreciation on a small base, 18% is still negligible relative to the overall base. I am assuming the rest of it is India or is it a mix of other African countries?

Akshay Parmar: No, so 60% of our top line has been contributed by Uganda, which also witnessed a slight dip in the currency exchange rate, but it was not as significant. So, it did mute our growth in terms of the INR numbers, but not to that extent. So, instead of 10%, had Nigerian currency not depreciated in the manner it did, we would have witnessed a 14% to 15% growth on the top line of the company.

Second, in terms of healthcare services, for us, our growth is likely to be spread out over a period of 12 to 24 months because there is a process wherein we add on capacity whether it is at a specialty level or whether it is in terms of bed capacity. And by the time the optimum revenue generation and profitability of that addition happens, a couple of quarters go by because once we have added and commissioned a particular facility or a service, in either case, marketing and getting the patients for that and realizing the revenue from that addition can take a period of one to two quarters. So, that is the second, you know, I would say reflection that happens on the top line.

For example, in Nigeria, we have upgraded and created orthopedics and spine as centers of excellence for our facility. Our Indian doctors started visiting there, conducting a lot of surgeries and seeing a lot of patients from January onwards. So, we had the first visit of their planned in January. Then they visited again in April.

Now that benefit in terms of the growth of numbers is likely to happen from now onwards, because January being the first visit, you know, there were a lot of challenges in terms of getting the patients to get the funds in place for their treatment. But by the time the patients, I mean, the doctors visited again in April, a lot of those patients came forward with the funding required for undergoing these specialized services like spine surgeries, joint replacements, knee, hip, everything.

So, in that case, now going forward when the doctors revisit in June, the surgical numbers, the total revenue from that particular department is going to witness a further upstick. So, this nature of healthcare service model also is reflecting on the overall growth in terms of the numbers, where going forward, now that we have been able to deploy some funds and we will be deploying our other funds as well in terms of expansion of facilities, services and bed capacity, in this particular fiscal and in the fiscal next, after this, we do expect a significant rise in the top line and bottom line compared to what we have achieved between FY '23 and FY '24.

Vivek Nam: Just finally, I want to make a comment. I am just thinking alone, obviously, you are the expert in the industry. But there is a weakness in your business model, which is heavily dependent on, let's say, under-penetrated healthcare in Africa. And a business model like yours may not succeed much in India because you are an asset-light kind of, if I understand right, you are an asset-like model. And you are looking to bridge the gap between healthcare needs and the actual healthcare provided in a particular geography, which is Africa.

And hence, you are looking at places where there could be underlying instability like these countries, which probably have their own economic conditions, which are not really helpful for a business, which needs to, on a sustainable process, be accountable to stakeholders inside and outside on steady growth, which is a challenge.

Now, you said that you are factoring in some of the instability in these countries. But when you are, again, projecting 100% growth in the next two years, there is likely to be those same conditions affecting your projections, your performance, and so on. So, has there been some conversation around the business model, and if you can share some insights?

Because all said and done, you are still a small company which can potentially grow very high on a small base and letting go of these opportunities is a loss of time more than anything else. I am sure you will get your growth, if not now, later. But if you see the large healthcare companies in India, they have been posting stellar growth year-on-year. So, for a small company not to be able to do it is a bit of a puzzle and if you can clarify, thank you.

Akshay Parmar: So, first point where our presence in Africa, we consider it the opposite. We don't consider it as a weakness. In fact, it is a strength because we have been able to penetrate and create our position in countries where the healthcare supply-demand gap is massive. There is a growing need and demand for quality healthcare services where the EBITDA margins are significantly higher than we have in India.

So, through all the efforts that we have been taking over the last four to five years since investing into these kind of geographies, today we are the largest in the private sector in Uganda. So, we are the pole position holders for healthcare services in private sector in Uganda.

Same goes for Northern Nigeria where we have a huge market and we have created a brand and a presence which is much easy to capitalize upon. And all these markets and geographies are giving us a fairly, fairly high margin in terms of the EBITDAs and PAT.

So, that, in fact, for a company of our size is a very big up-stick because business like Apollo or a Max or a Medanta find it extremely difficult to penetrate into these geographies and establish themselves. Apollo for its own tried. It went into Mauritius. That got called off after a few years. That unit was not very profitable for them. Medanta tried in some East African countries. Same was with Shalby.

But none of them were able to actually make a lot of profit from these units. Their entire focus eventually was aimed and remained at getting patients from those countries to India, which now the local establishment is not really keen to look at in a positive manner. They want their own healthcare infrastructure to be developed. That is why there is a lot of support that we get from the local governments out there.

For example, in Uganda, we are the only facility which is approved and empanelled by United Nations to cater to their requirements for nearly seven or eight different countries in the neighborhood. And they pay a significant premium to us just because of our available infrastructure and the service delivery. But the potential for growth out there is immense.

We don't see challenges or threats in terms of competition coming that easily because the entry barriers both on ground and from a perception basis are significantly high. So, it is not so easy for a company to consider that let us make an investment in Africa today. There have been announcements. There have been scenarios where Apollo was awarded land parcels in Dar es Salaam in Tanzania to put up a hospital. There were announcements in the public domain, but that facility never came up, and now this is almost more than 10-12 years old.

So, we have that benefit where we have the opportunity to enter into and consolidate our position in about 3 to 5 countries in Africa and grow that particular business vertical of the company to a sizable level where tomorrow there are lot of strategic collaborations that can be looked into with Indian hospital groups which are big in nature or even with a lot of hospital groups out of Singapore or Malaysia because everyone is viewing at Africa in a very positive manner.

It is just that it is too tedious for the big players to go in and get the work done on ground. Their costs are much higher because a CEO from an Apollo or a Max or a Medanta will have to be paid at least 3 to 4 times what I will be able to do. So, I am able to contain a lot of my costs in that manner because of the pure size that we have.

Again, Apollo, Max, Medanta, Shalby, they all focus upon 150 and above bed strength because of the scale that they have already achieved out here. It is not economically viable for them to look at a 60, 70 or 100 bed facility, which is not the case for us, and which we over a period of years in terms of experience have understood do very well in Africa. Anything, in fact, above 150 beds is like a white elephant out there. It is not very easy to manage. But a 75 to 125 bed is something that breaks even within 12 months, is significantly profitable and easier to manage. So, that is the African part of the business.

Now coming into India, definitely we are looking at an asset light model. We are not looking to invest heavily into the land and building. Out here also the company is looking at a bed strength ranging from 50 beds to about 125 beds, again a segment which is very, very fragmented.

So, today, all the established big players are present in the 200-bed capacity and above majorly. They do have smaller facilities of about 160, 175 beds in tier 2, tier 3. But majorly their focus is on bed strength which is above 200 beds.

Second comes the specialty centers, which are focusing only on mother and childcare or a single specialty like HCG, which is focusing on cancer care, or some of them focusing only on IVF. But a tertiary care multi-specialty facility between 50 to 125 beds is very, very fragmented where whether it is in Mumbai or in tier 2, tier 1 or tier 2 cities, you have got a lot of these individual doctors who've put up facilities, who've grown. They own a single facility, and now they are looking at a professional setup to come in and help them capitalize upon all the hard work that they have done.

So, that is the kind of model under O&M that we are targeting. We are looking at. Over the last 12 months, our market assessment interactions have been very fruitful in giving us a deep insight into this particular segment of the industry. So, there are a lot of available opportunities. It is only a matter of time whether UniHealth or someone else puts its foot in to this particular gap and creates a brand out of this 50 to 125-bed strength hospital capacity on a regional or a pan-India basis.

So, Apollo had bought out, you know, there was a chain called Nova, which today is Apollo Spectra, which is a daycare cum 10-15 bed facility. So, it did try to dabble into that particular segment, though today it does not really form a major part of Apollo. It has continued its focus only on the bigger centers.

In terms of the growth performance that an Apollo or a Fortis or a Medanta is able to deliver today, that is also primarily because these companies have a long history of about 20 years and more. In the business in India, they have achieved a bed strength which exceeds 5,000 beds. So, they have got the economies of scale and they have now in the recent 3 to 5 years invested significantly into extremely high revenue generating specialties like radiation, like proton care, like transplant surgeries which is driving the revenues and profits for them.

From an UniHealth perspective, maybe another 2 years of the company and then we will be at a position where that level of maturity in terms of the numbers will be reflected on the financial statements.

Moderator: Thank you very much. Ladies and gentlemen, please note the call is for 60 minutes duration only and so we will take the last question from the line of Tara Kaur from Vy Capital. Please go ahead.

Tara Kaur: My question is that currently as we see that utilization of AI technology in any aspect of our company operation within the health care industry, so if not, do we have plans to integrate AI technology in the future?

Akshay Parmar: Yes, so we are focusing upon and we are studying the AI in healthcare model very carefully. AI in healthcare has had its own challenges and limitations because the deployment of AI in healthcare is fairly limited as we speak, but it is growing very fast. So, we are actively monitoring on the benefits of AI. We are very keen to implement some parts of AI in the coming 12 to 24 months across our facilities.

I will just give you a small example. For example, the precursor of this is what we used to call telemedicine and teleradiology. Prior to COVID, it was not very common for doctors and patients to interact over video calls or in a digital manner. But post-COVID, that realization happened.

Now for us, all our centers across Africa have been since inception, since 2016-17, been connected with India where a lot of our reporting happens by radiologists in India to ensure that we are able to get the best quality and extend that kind of service delivery to the patients locally.

So, as a company, the emphasis and focus on technology and its adoption has always been of prime importance because as we scale up and as we grow into multiple geographies, IT is the only enabler that will help us do that.

The same goes for AI, which has recently come in. So, customer care is something that we have already initiated work upon. AI in terms of reporting and what you call, clinical delivery is something that we are carefully following, studying, just to ensure that we do not go into that particular segment and have any challenges or limitations going forward.

Because another key issue for us or another key noting for us is that we are present in geographies like Uganda, Nigeria, Tanzania, where a lot of government oversight onto these kind of technologies is absolutely missing. So, they do not have these regulations. So, we do not want to venture into something where tomorrow, since the regulation is not there, it can lead to a challenging situation for us as a company.

So, organ transplant, kidney transplant is very common. Nigeria has an act similar to India, which is able to allow hospitals to perform kidney transplant. But Uganda as a country does not have the act passed by the government itself. So, whether it is private sector or government sector, as a country, that entire country is unable to perform a single kidney transplant, though the need is tremendous, just because the legislation is not there.

Same goes for advanced technologies like AI, which we are hopeful in the coming 12 months or so, things will pan out in a manner where we will be able to use AI from a clinical delivery perspective. At this moment, we are expecting to roll out it for customer care, customer services and business analytics in the coming two quarters or so.

Moderator: Thank you very much. I now hand the conference over to Ms. Chandni Chande for closing comments.

Chandni Chande: Thank you everyone for joining the conference call of UniHealth Consultancy Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining.

Moderator: Thank you very much. On behalf of Kirin Advisors Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.