SHALBY LIMITED
•Passion••Compassion••Innovation•

Shalby/SE/2024-25/24 June 01, 2024

The Listing Department	Corporate Service Department
National Stock Exchange of India Ltd	**BSE Limited**
Mumbai 400 051.	Mumbai 400 001.
Scrip Code : SHALBY	**Scrip Code: 540797**
Through : https://neaps.nseindia.com/NEWLISTINGCORP/	Through : http://listing.bseindia.com

Sub.: Transcript of Earning Conference Call for Q4 FY2023-24

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of earning conference call held on May 29, 2024, wherein Audited Financial Results for Q4 and financial year FY 2023-24 were discussed. The said transcript is also available in the Investors Section of our website.

We request to take the same on your records.

Thanking You,

Yours faithfully,
For **Shalby Limited**

TUSHAR DINESHCHANDRA SHAH
Digitally signed by TUSHAR DINESHCHANDRA SHAH
Date: 2024.06.01 11:55:57 +05'30'

Tushar Shah
AVP & Company Secretary
Mem. No: FCS-7216

Encl.: Concall Transcript

“Shalby Limited Q4 Earnings Conference Call”

May 29, 2024

MANAGEMENT: **DR. VIKRAM SHAH – CHAIRMAN AND MANAGING DIRECTOR, SHALBY LIMITED**
MR. SHANAY SHAH – PRESIDENT, SHALBY LIMITED
MR. AMIT PATHAK – CHIEF FINANCIAL OFFICER, SHALBY LIMITED
MR. DEEPAK ANANTHAKRISHNAN – GLOBAL CHIEF BUSINESS OFFICER, SHALBY LIMITED
MR. JIGAR TODI – INVESTOR RELATIONS TEAM, SHALBY LIMITED

MODERATOR: **MR. BINO PATHIPARAMPIL -- ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Shalby's Q4 FY24 Earnings Conference Call, hosted by Elara Securities Private 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Bino Pathiparampil from Elara Securities. Thank you, and over to you, sir.

Bino Pathiparampil: Thank you, Steve. A very good evening to all of you on the call. On behalf of Elara Capital, I, Dr. Bino Pathiparampil, welcome you to the management call of Shalby Limited to discuss Q4 and FY24 Earnings and Business Outlook.

We have the top Management Team of Shalby present in the Call. I now hand over to Jigar Todi from the IR team of Shalby for opening remarks and taking it further. Over to you, Jigar.

Jigar Todi: Thanks, Bino. Good evening, everyone. Our Earnings Presentation was uploaded on the Stock Exchange website and our Company website, shalby.org. We do hope you have already had the opportunity to go through the presentation. Please note that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to Slide #43 of the investor presentation for the detailed disclaimer.

Now, I would like to hand over the call to Chairman & MD – Dr. Vikram Shah, for his "Opening Remarks". Thank you, and over to you, sir.

Vikram Shah: Good evening, friends. A very warm welcome to the Earnings Call of Shalby Limited.

Today, I am happy to share with you that this has been a landmark year as Shalby as an institution has completed 30 years of operation. 30 years ago, our first hospital was created out of vision and relentless determination to provide quality healthcare. I can still recall the complex hurdles that we faced, the financial struggles, the uncertainties of the clouded path. However, with every challenge, we grew stronger and more resilient. Through sheer perseverance and unwavering dedication, we turned adversities into opportunities.

Today, as I fondly recollect those early days, I am filled with immense pride. Our commitment to excellence has not only led to best clinical outcomes, but has earned us trust and gratitude of our patients. Our growth is not just in numbers, but in the life's trust and the community itself. And as we look ahead, we carry with us the lessons learnt from our humble beginnings. This would not have been possible without the support of each and every Shalbyite who has always played an important role in this journey. Needless to say, the growth of the Company is intricately woven with the support and contribution of the shareholders and all other stakeholders, each playing a crucial role in our journey towards success.

The Company continued to show steady performance in FY24 with revenue of Rs.953 crores and reach of Rs.197 crores, which translates into growth of 15% and 23% respectively from last financial year. The acquisition of Delhi NCR Hospital marks a significant milestone, bringing our total tally of 16 hospitals in the coming year. We will be operationalizing the Rajkot Hospital and also begin work at landmark Mumbai project once we receive handover from the Trust.

The implant business has made considerable strides across various aspects encompassing supply chain, expanding customer base, operational efficiencies and automated management bedlift. Deepak will provide you a comprehensive overview of development in implant business. Now, it gives me immense pleasure to introduce Mr. Deepak Ananth, who has joined our group as a Global Chief Business Officer on 9th January 2024. And presently he is in USA, and link call from USA, he will be talking about implant business. He holds degree in engineering from Mumbai University and management degree from Mumbai Management Institute. And he is alumni of INSEAD. And he has two decades of leadership experience in medical devices, telecom, IT and tech as a variety of leadership roles.

Over to Deepak for further communication please.

Deepak Ananthakrishnan: Good morning, good evening, everyone. Thank you so much, sir, and let me just give you a quick brief about our implant business.

Our implant business has delivered another consecutive quarter of positive EBITDA in Quarter 4 Financial year '24. Because of the growth that we have seen in this quarter along with continuous improvement that is happening through process improvements in the production shop floor, are securing much improved procurement prices from our multiple vendors, and we now having a very tight control on our operational expenses.

During the 4th Quarter of this Financial Year, our implant business made a significant progress generating revenue of Rs. 258 million with contributions from the USA and India at 41% and 59% respectively. In Quarter 4 Financial Year '24, our US customer sales mix from retail and wholesale remained at 51% and 49% respectively. We are actively focused on bolstering our team with skilled professionals, transitioning our sales mix to retail customers from wholesale, enhancing operational capacity and efficiency, expanding our product pipeline through extensive research and development efforts and significantly reducing procurement costs. The reception of our Shalby consensus implants in our hospitals has been highly positive and we have received additional orders from the Indonesian markets.

If you look at the focus for us from the Financial year '24-'25, we are looking up into 4 Pillars that we have strategized, which we will be focusing on:

Where the Pillar 1 is towards sales:

In sales in the US, looking at coming on board to get an $8 million from the current year, we closed at about $4.8 million. We are looking at getting this by onboarding more distributors, sales team as well as marketing efforts. We will also be participating this year in a lot of large congresses. We would be initiating a digital marketing campaign in the US in the next 4 to 5 months to come.

Inside the sales pillar, outside US sales, we will also be looking for another $8 million through the right products across Southeast Asia, Latin America. We are looking at about 4 to 5 countries in Latin America, Russia and especially countries where the reimbursements are higher at this juncture. We have significantly taken efforts to put CAPEX for these particular initiatives on the sales front.

Looking at the Pillar 2 which is on the COGS reduction, we are looking to end the year about at approximately COGS up about 50%-55%, which is right now upwards of 80% by improving our efficiencies, shift times, new vendors and suppliers and processes. Just wanted everyone to know this is an 8- to 12-month process from the time you identify a new vendor or a supplier or any efficiency change. The process takes 8-12 months fundamentally right from putting the plan across, getting the QMS done, getting the regulatory approval for the new vendor and the new supplier and then going by it. So, a lot of initiatives have been taken in this direction and we will be able to see quarter-on-quarter results starting to come in this space.

The 3rd Pillar which is super important for us and that's also one of the reasons why there have been slight delays in what we have to achieve was capacity increase and to build a dual supply chain system. Currently, for most of our products, we were dependent on one vendor or one supplier for the material. So, hence the cost becomes high as well as the business gets affected because there is only 1 supplier. So, the plan is to have a multi-vendor supply system with higher capacity contributing to our sales forecast as well. And as soon as the higher volume commitments comes in for increasing our sales, we will also be able to lower the cost as well as increase the capacity. This will also help us to build a business continuity or contingency around not having a single supply chain system but a dual supply chain system.

And the last Pillar that we want to work on or we will be focusing on is new products. We have also looked at new product initiatives. We have just hired a Head of Engineering, very experienced and senior person from the industry of orthopedics who's come onboard to build our new product initiatives. The new product initiatives we would be looking at into 3 parts.

One is the new product launch that is around the corner, which is CKS Gold, Ambition, Stux Gold, which we are expecting to launch in this financial year. The second part of the product would be improvements in the current system, just adding a couple of SKUs into our current products, just adding a couple of sizes, or improving our instrument sets. There is a huge growth of ambulatory surgery centers coming up in the US and hence creating a system to cater to the same, that will help us to cater to the current sales needs. Having said the same thing, even for any of these kind of small improvements, the process is about 6 to 9 months and sometimes in some cases even 12 months, right?

And the third part of it from a new product would be to completely focus on new design, which is a 2- to 3-year project where we kickstart in terms of looking at revision portfolio for knee, revision portfolio for hip, medial knee, dual mobility, all of them coming into picture, right? So, sales growth, COGS going down, capacity being built for driving growth, as well as new products coming into picture, will put us not only for the short term, but also in the long term in an excellent spot. That's an update from my side on the implant front.

I would like to hand over the call to Mr. Amit Pathak for Company's performance remarks in this. Thank you, and over to you, Amit.

Amit Pathak: Thanks, Deepak. Good evening, everyone. I am pleased to welcome you all to the Shalby Limited 4th Quarter FY 2024 Earning Call.

Now, I will walk you through the Financial Performance of your Company for the 4th Quarter or FY24.

Consolidated revenue of Rs. 249 crores in Quarter 4 FY24 versus Rs. 208 crores in Quarter 4 FY23, and we had grown by around 20% on Y-o-Y basis. EBITDA of Rs. 44 crores in Quarter 4 FY24 versus Rs. 35 crores in Quarter 4 FY23 with a margin of 17.6% in Quarter 4 '24 versus 16.7% in Quarter 4 '23, and we have been growing by around 26% on a Y-o-Y basis.

PBT of the Company is at around Rs. 21.8 crores in Quarter 4, '24 versus Rs. 19.2 crores in Quarter 4, FY '23, with a margin of 8.7% in Quarter 4 of this year versus 9.2% in Quarter 4 of the last year, and we have grown by around 13.5% on Y-o-Y basis. PAT of the Company is Rs. 16.04 crores in Quarter 4 FY '24 versus Rs. 13.9 crores in the last quarter of the same year, with a margin of 6.4% in this quarter compared to 6.7% in Quarter 4 FY '23, and we have been grown by around 16% on Y-o-Y basis. For an overall year, in FY '24 versus '23, our sales have been grown by around 15.2% in consolidated level. EBITDA at 23.3% and PBT is 25.7% and PAT by 23.4%. On the consolidated basis, the group is maintaining a very strong balance sheet and low gearing ratio at 0.16 that is the derivative of equity of Rs. 1,000 crores and net debt of Rs. 156 crores.

Now I will be running through the standalone performance of the Hospital business:

The standalone revenue is around Rs. 211 crores in Quarter 4 FY '24 versus Rs. 184 crores in Quarter 4 of FY '23 and it grew by around 14.5% on Y-o-Y basis. EBITDA at Rs. 42.6 crores in Quarter 4 of this year versus Rs. 36.5 crores in Quarter 4 of last year with a margin of 20.2% in this quarter versus 19.9% in Quarter 4 of the last year, and grew by around 16.9% on Y-o-Y basis.

PBT of the Company is Rs. 32.5 crores in this quarter versus Rs. 26.5 crores in the Quarter 4 of the last year with a margin of 15.4% in this quarter versus 14.4% in the last quarter of the same year, grew by 22.7% on Y-o-Y basis. PAT of the Company stands at Rs. 22.6 crores in this quarter versus Rs. 18.4 crores in the last quarter of the similar year, with a margin of 10.7% in this quarter versus 10% in the same quarter of the last year, and we grew by 22.9% on Y-o-Y basis. For the full year, the FY '24 versus FY '23, our sales grew by around 17%, EBITDA by 22.8%, PBT by 30% and PAT by 28.5%.

Again, at the standalone level, we continue to maintain a very strong balance sheet with a positive net cash balance of Rs. 22 crores. With the operating leverage kicked in and growing with asset-light approach, our standalone ROCE has improved to 18% in Quarter 4 FY '24 on an annualized basis. Further from 2017 onwards to till date, our standalone revenue has grown with a 25% CAGR and EBITDA at 30% CAGR basis.

On the operational side, the inpatient-outpatient surgery count has grown in the range of 15% to 16% on Y-o-Y basis. ARPOB and ALOS have shown excellent improvement at Rs. 39,101 and 3.7%, respectively, compared to Rs. 34, 867 and 4.01% in the same period of the previous year. ARPOB on Y-o-Y basis has grown by 12%. The number of occupied beds has increased by over 10% on Y-o-Y basis at an occupancy rate of 46% in Quarter 4 of this financial year due to acquisition of Sanar Hospital in NCR region. The payer mixes for Quarter 4, 2024 is at 37% for the self, 41% for the insurance and 22% for the government business.

Our NCR Delhi deal for the acquisition of Sanar Hospital has been concluded in Quarter 4, 2024, with a total investment of Rs. 206 crores. In this field, we have acquired the operational hospital, Sanar Hospital, at a value of Rs. 102 crores for the 87% stake by way of primary and secondary acquisitions and Healers Hospital, which own the land and building on which the Sanar is getting operated with 100% acquisition by way of secondary purchase at Rs. 104 crores. Now from investment point of view, our CAPEX investment for the acquisition for the Delhi NCR region for Sanar Hospital is concluded, and in future, the CAPEX will be incurred for the capacity expansion from the 130 beds to 200 beds in the coming years.

Post our acquisition, we have consolidated the performance of Sanar for the part of the year that is from 25th of January, that is a date of acquisition to 31st of March. The revenue for consolidated period is Rs. 16 crores with the EBITDA of around negative Rs. 0.17 crores, that is Rs. 17 lakhs in our consolidated results.

Revenue from International business remained at Rs. 13.6 crores, that is Rs. 2.8 crores from Shalby Hospital and Rs. 10.8 crores from the Sanar in Quarter 4, 2024. The overall international revenue for Shalby is at Rs. 9 crores, and the Sanar was Rs. 67 crores in FY '24. I am happy to mention that the acquisition of Sanar, our International segments and other new geographies have been increased. And now we have 23 OPDs as a group across the various international locations. I am very hopeful that this strategic location will help us to increase our international hospital revenues significantly in coming years.

At Shalby, our undivided focus has been demonstrating our clinical excellence through successful education of many diverse critical surgeries and several of our optical limits. We also take a pride in sharing that we have successfully completed 46 transplants, which include 28 kidneys, 12 liver and 6 BMTs during the Quarter 4 of this Financial Year. Further, our franchisee business delivered an adequate performance in Quarter 4 of this year. The total 393 surgeries has been performed at SOCE units. That is both operated and managed in the Quarter 4 of this year. The revenue from FOSO business is at around Rs. 1.74 crores grew by 28.5% on the Y-o-Y basis.

The revenue from the FOSM business is at Rs. 0.8 crores grew by 9.7% on Y-o-Y basis. We are proud to say that we have generated around Rs. 6.7 crores of the FOSM revenue and Rs. 3.6 crores of the FOSO revenue with a 48.5% and 22.1% growth, respectively, on the financial year 2024 basis.

Our next franchise location at Rajkot is in satisfactory progress and is expected to get operationalized tentatively in the current quarter. We have been incredibly sensible collected in our slice of potential partners from the many enquiries we are receiving so far for our franchise operation. To maintain the reputation of our strong brands, we follow a clearly defined process and strict criteria when making this selection. Looking forward, we have a strong sense of optimize about seeing positive development in this upcoming quarter of the fiscal year. Our primary focus remains on utilizing our expertise and excellence in orthopedics with the goal of establishing more than 40 franchises in India in the next 4 to 5 years.

Now for our Home Care business, we have served 30,496 patients in this current year versus 27,000 patients in the last financial year with a growth of 13% patient counts in the single period of the last year. Revenue from Home Care business is at Rs. 14.5 crores for this current year versus Rs. 9.8 crores in the last financial year with a 48% growth. As a part of our social commitment, we continue to spread awareness around the importance of health and well-being through videos, through various social media platforms and created 90 plus health care videos. We also conducted more than 305-plus Healthcare Campus and 145-plus Healthcare Talks across all our mix during the last quarter as a part of various community outreach program.

Shalby also takes pride of nurturing young talent through our Shalby Academy Verticals with 1,700-plus students registered in the various health care programs during the current year. We would like to inform that Shalby Academy has successfully rolled out BBAHHM with SVGU University and MBAHHM with Ganpat University. The new student has been registered for various paramedic courses like Labs Technician, OT Technician and others. The enrollment process is still on. Over 206 enrolments for the Team Indore, which is the upper most in the academy by any single team since the inception. Total Paramedics enrollment for this financial year is 313 numbers.

Our Implant business has delivered a positive EBITDA in 4th Quarter of current year due to continuous improvement in operational efficiency and better procurement costs. The revenue is at a moderate level of around Rs. 26 crores in this quarter compared to around Rs. 24 crores in the quarter 3 of the last financial year.

In terms of the CAPEX, for the current year, at Shalby level, we have invested close to around Rs. 28 crores of the CAPEX, which includes Rs. 8 crores in terms of the intangibles, Rs. 5 crores for the building improvement and another Rs. 16 crores for the medical equipment. Out of the Rs. 16 crores of the medical equipment, close to around Rs. 6 crores for the upgradation of the medical equipment, Rs. 7 crores is the new equipment and Rs. 2 crores is the replacement of the equipment.

We also like to say that we are going to invest heavily in the CAPEX in the next coming years, and we are planning to invest around Rs. 36 crores on the CAPEX for our existing unit in terms of the new and the replacement of the CAPEX. Along with that, we are going to install 3 Linux machine at our 3 locations. That will be close to around Rs. 65 crores, that will contribute highly in terms of the top line and profitability of the Company.

Now I will hand over the call to the operator to open the floor for the questions.

Moderator: Thank you very much sir. We will now begin the question and answer session. First question is from the line of Ranodeep Sen from MAS Capital. Please go ahead.

Ranodeep Sen: Congratulations on glorious 30 years. My question is to Dr. Vikram Shah. I think one of the business channels did a profiling on you in Jan, and it was incredible to know that you've done 1.5 lakh operations till day and you almost do 20 to 25 surgeries in a day and 6 days for a week. And I think we have done an incredible role in changing the perception about the operation. So, my question is, sir, how do you institutionalize this in Shalby? I know it's tough to replicate your credentials, but is there a way we are trying to institutionalize this in Shalby, which will lead to exponential growth of Shalby and eventually leading to a higher market share?

Shanay Shah: Thank you for the question. Dr. Shah is in the OT, but he should be back in a couple of minutes and should be able to answer the question. But let me tell you what he has attempted to do and how we have been able to successfully institutionalize it because it's a good question. So, as we speak today, about 15 years ago when we started the first corporate multi-specialty hospital, all the surgeries were performed by him and done by him and his team, his close team.

As we speak today, only 20% of the arthroplasty surgeries are done by him, and balance 80% are done by the surgeons across all the different hospitals, which we have. So, essentially, to that extent, he has been able to successfully institutionalize this practice. And a lot of 80% of the patients now come in to get treatment for the knee or the hip replacement surgeries at Shalby, right, and not a particular doctor.

Ranodeep Sen: Appreciate that, Shanay. My next question was on Sanar acquisition. If I am not wrong, we mentioned that 70% of the topline generated there is from international business and ARPOB is at Rs. 1 lakh. With these 2 metrics, any specific reason why we had a negative EBITDA for the last quarter?

Amit Pathak: Sure. So, Sanar, if you can see, the time we have taken the Sanar, it's a good deal for us, okay? The Company are into the catch one situation, and we are ramping up the business now. There are a lot of spending, which is happening into the Company, which is on the higher side, and we have started controlling. If you can see the overall performance, the loss was pretty high into the Sanar compared to the time we took over. So, we are happy to say that within 2 months, we have just operationalized in a way that we are at the breakeven. And from the next quarter onwards, we are definitely going to see the positive EBITDA in this Company.

Ranodeep Sen: Sure. And if I can squeeze in 1 last question. We had an aspiration for our implant business to grow from Rs. 100 crores to $100 million. Are we on track for that aspiration?

Deepak Ananthakrishnan: Absolutely, on track on that. The way I would pull it across is you know it's a $30 billion market globally, and $100 million is still a small number that we can go behind. But we are on track to it on multiple things. At the end of the day, we could only do that if you have the foundation and the fundamentals strong. So, like what I mentioned, building the right supply chain system, building the right cost efficiencies, right COGS. Without that, growth at any cost will not make sense. And hence, that's the reason why you see these foundations are being laid out very strongly. And once these foundations we have in place, we're 100% on track to that.

Ranodeep Sen: Aspirationally, which year we plan to get that number?

Deepak Ananthakrishnan: We're looking at about 5 years from now. Is that right Amit? That's what it is, right? 5 years. Yes, 5 years from now.

Moderator: The next question is from the line of Rohan from Anand Rathi. Please go ahead.

Rohan Vora: Congratulations on a good set of numbers. So, I just got a couple of questions. Firstly, you said in the commentary that we experienced a 12% growth in ARPOB on a Y-o-Y basis. So, I just wanted to understand what were the major reasons that led to this growth? Did we take any price hikes or was it largely led by volumes?

Shanay Shah: We should not look at Y-o-Y from the ARPOB perspective. As a little bit of case mix changes, you can expect the ARPOB to significantly move. But if you see the annual ARPOB difference, the growth has been about 2% to 3%. So, it has not been so significant.

Rohan Vora: All right. And my second 1 was about the Delhi CAPEX that you mentioned in the commentary. So, we are planning to add around 130 to 200 beds. What will be the amount that we'll be incurring for that?

Shanay Shah: Yes. So, at this point of time, our full focus is how to kind of increase the occupancy in the existing 130 beds that we have operational, right? And we are already working on a plan on how to add another 50-odd beds in this hospital. So, we are working with consultants, architects and other agencies. But at this point of time, the full focus will be on how to kind of get to a higher occupancy in this existing hospital, which already we are seeing a significant growth over the last 90 days since we have acquired it.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Securities. Please go ahead.

Bino Pathiparampil: Just a question on the Nashik and Mumbai Santa Cruz projects. What's the latest update there? And what are the time lines looking like?

Shanay Shah: Yes. Sorry, I didn't get the second part of the question.

Bino Pathiparampil: Time lines and what's the current status and what are the time lines?

Shanay Shah: So, I think what has happened is there has been a delay in the project because of the trucks end. And they are, at this point of time, working internally and they need certain documentations done, including taking the approvals from the necessary authorities. So, they are in the process of that. And we are expecting that in the next couple of months, we should be able to get the approvals. And once the approval is done, the handover will be given to us. And from that point of time, we will be in charge, and we will have to kind of get the BMC approvals and start working on the project.

Bino Pathiparampil: So, maybe you can say it would start around a year from now, maybe another 2 years of construction. So, maybe 3 years before we have a full fledge facility. Is that right?

Shanay Shah: Yes. So, based on the last discussion with the trust authorities, we were told that the approval should be in place in the next 2-odd months. So, if that is the case, then things can start a lot earlier as well.

Bino Pathiparampil: And Nashik?

Shanay Shah: Well, Nashik is another project. However, there we were supposed to get the handover for the hospital, which was to be constructed by them, and they were going to then hand it over to us. So, which has still not happened. So, we have written to them at this point of time to kind of confirm when they will be able to deliver and hand over the project to us. So, we have not heard from them yet. But as such, there is no capital employed over there from Shalby Limited, so from that perspective, we are okay.

Bino Pathiparampil: And what will be the total CAPEX in FY '25?

Amit Pathak: So, I just mentioned, we are looking forward for the Shalby, and we are talking about that we are going to invest close to around Rs. 36 crores for our hospital business. And apart from that, we are going to invest odd Rs. 60 crores to Rs. 65 crores for 3 units at 3 locations.

Bino Pathiparampil: And 1 last question on tax rate. So, we are running at the consol level around 34%, 35% tax rate. What will be the consol tax rate outlook over the next 2, 3 years?

Amit Pathak: So, it will remain on the same line. Look, if you're looking after the tax that comprise the 2 parts. One is the deferred tax is also created on a couple of entities, okay? For our Implant business when we are consolidating under the Ind AS, we have to create the deferred tax asset. But overall effective tax rate will go to remain the same. From Shalby point of view, we are under MAT right now, and we are going to utilize the MAT by the end of the next financial year. Thereafter, we will be under the normal tax rate.

Moderator: The next question is from the line of Pinaki Banerjee from AUM Capital. Please go ahead.

Pinaki Banerjee: Sir, my first question is regarding that implants business in the USA. You had some supply side issues from the vendor. So, sir, actually, where you have taken a conscious decision to change the vendor. Sir, what is the status now of that problem now? Has it been resolved?

Deepak Ananthakrishnan: Yes. So, from an Implant standpoint, the supply vendors are on track. So, we have been able to figure out new vendors and onboard them. But the reason why you see a slight delay in all of those things is because a new vendor comes with a certain process. So, from the time you identify a vendor, the quality checks happen, the QMS process happens. Every time you change a vendor, you have to also get a regulatory approval once again. So, that whole thing of getting is what has taken time. Having said the same thing, it's an ongoing process. We are better than where we are, but we still are building more robust supply chain still so that we don't end up in the same position. But just to answer your question short, from where we were to where we are, yes, there has been an improvement on that.

Pinaki Banerjee: Sir, second last question. With your Sanar acquisition, actually, we find that in Slide 19, it is mentioned that it is a hospital which has expertise in liver, kidney, blood and bone marrow transplant, which is a deviation from the arthroplasty segment, where you are a leader. So, is it fair to assume that whatever acquisitions organic or inorganic you're looking you would be looking to diversify in other specialized fields from now on?

Shanay Shah: Well, even if you look at Shalby Hospitals revenue mix, about 60% plus of the revenue today comes in from other specialties, right? And cardiology, oncology, critical care, enterology, nephrology contributing significantly to the balance 60-odd percent of the top line. Having said that, in Sanar, of course, they are doing a lot of high-end quaternary care work such as bone marrow transplants, liver transplants, kidney transplants and among other specialties, so we will be looking to build on that in terms of the domestic and international business. We will also look to take some of this high-end work, which we are not doing currently in some of the other hospitals of ours across the country. And at the same time, there is another synergy, which is that for orthopedics, the Sanar Hospital was not doing a significant volume of work. So, with Shalby coming in, we'll see the orthopedic numbers also grow at the Delhi NCR hospital.

Moderator: The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Sir, my first question was around the FOSO and FOSM model. So, just to understand what we are doing to scale those 2 models and adding partners there, adding franchise there? And another question was, I just missed your guidance on the Implant business. So, you said $8 million plus $8 million. So, just wanted to confirm if it was $16 million?

Shanay Shah: Sure. So, Deepak, do you want to start with the Implant business?

Deepak Ananthakrishnan: Yes, that's right. So, we're looking at about $16 million this year with $8 million in the U.S. and $8 million in OUS. That's correct.

Shanay Shah: Yes. In terms of the franchisee business, we already have 5 operational franchisees and the Rajkot franchisee will be operational in Q1 or Q2 of FY '25. So, we are in the works of building this business. We are also looking at opportunities right now. Of course, there is a funnel, and we are talking to several other franchisees across the country. We are in line to kind of do between 30 to 50 franchisees over the next 3 to 5 years as has been guided.

Moderator: The next question is from the line of Surya Patra from PhillipCapital India. Please go ahead.

Surya Patra: Sir, my first question is about the Implant business. So, did you say in the opening remarks that you are looking to see a kind of improvement of almost like 30% in the COGS this year or it is your future target?

Deepak Ananthakrishnan: So, we will be looking at that particular cost structure coming into picture, but it will be an eventual one. By end of this year, you would have seen that kind of a reduction. So, it will happen gradually basis how each one of these new suppliers and vendors start coming on board. But yes, the reduction of 30% is what we are gunning by end of this year. So, by the last quarter, you would have seen that COGS going down by about 30%.

Surya Patra: So, then for FY '26 kind of optimal margin structure should we see targeted C for the Implant businesses?

Deepak Ananthakrishnan: So, if that happens in the last quarter, then that will continue for the next year.

Surya Patra: So, given that, what profitability one should think about for FY '26, sir?

Deepak Ananthakrishnan: Amit, do you want to step into that?

Amit Pathak: Sure. So, look, we have a very clear 5-year plan what Deepak has beat and the way we are seeing the profitability improvement into our implant business, we are seeing in FY '26, we are on the high single-digit growth, we will be close to around 9% to 10%. And going forward, close to around '28, '29, we will be close to around 18% to 20% of the margin.

Surya Patra: My second question is about the ARPOB. In fact, while we have seen a kind of improvement in the current financial year versus last year, so the Company as a whole, what should be the kind of goal that in terms of upside potential that we are anticipating? Given the kind of a policy development, what is talked about, so is there any risk to the ARPOB generally in the near future?

Shanay Shah: So, look, the ARPOB for the year, it has grown by about 2% to 3%. Generally, we see that in a year, we kind of do not increase the prices at one go. So, every quarter, we relook at the different pricing structure across the different verticals. And then accordingly, we kind of increase the prices in a structured manner, over every quarter. And overall, we don't see that this should significantly change, because I think what is important to understand is that this is also subject to the case mix, the specialty mix. So, since our specialty mix has been in a certain range over the last 8 to 10 quarters, we have not seen the ARPOB move much except for by 2% to 3%.

Coming to regulatory risk, I think Shalby is probably going to be the least affected because if you look at our ARPOBs, they are of course, one of the highest in our regions. But having said that, if you look at most of the major players who are in the metro cities, the ARPOBs over there are much higher. So, from that perspective, we are already in a very comfortable range. However, we don't see any of that coming in, in the near future, as already the hospitals are making not so high ROCEs that there is any scope for reducing the package prices for the patients.

Surya Patra: And just lastly, about the Home Care market, sir, or business, so for the full year FY '24, what was the kind of progress and the business that we have seen? And what it can be achieving in the following year?

Shanay Shah: The Home Care business has grown by nearly 50% for us in the last 1 year. And we have always said that the potential that we see. So, we are currently doing the Home Care business in all the cities where we run hospitals. And we maintain what we have said earlier that the potential is nearly 5% of the hospital revenues is what we could do if we are able to kind of penetrate across all these towns where we are operating our hospitals. So, say we did about Rs. 850 crores of revenue last year. We can do about Rs. 40-odd crores in the Home Care business.

Moderator: The next question is from the line of Kashish Thakur from Elara Capital. Please go ahead.

Kashish Thakur: First question, sir, I just missed your commentary on international patient revenue, which you have generated for FY '24. Can you just help me out with the same?

Amit Pathak: Sir, can you just repeat the question?

Kashish Thakur: International patient revenue, which you have generated for FY '24?

Amit Pathak: Yes. So, FY '24, for the Shalby existing setup, we have around Rs. 9 crores of the international revenue. And Sanar has done close to around Rs. 67 crores in this last financial year.

Kashish Thakur: So, the next question is if we see historically, our EBITDA margins for Q4 has been suppressed, for Q4 FY '22 was somewhere around 15%, for Q4 FY '23 is some around 13%. And this year, it is somewhere around 16%. So, like any specific reason why our Q4 margins have been suppressed?

Shanay Shah: Well, the Q4 margins as such, the EBITDA margins have not dropped significantly. So, if I look at the EBITDA margins for the year, I mean for the quarter, they have been at about 20%, 3% lower than the annual average. So, usually, what happens is that there are 2 things. One is, of course, most of the doctors incentives are released in the 4th Quarter. And in this particular quarter, we also had 30 years of completion of Shalby. So, the marketing spend, which is usually about 2% of the top line has been at 4% in this quarter.

Kashish Thakur: Sir, so going ahead, what kind of marketing spend can we expect for FY '25?

Shanay Shah: The marketing expense will continue to be in the range of between 1% to 2% in total.

Moderator: As there are no further questions from the participants. I would like to hand the conference over to the management for closing comments.

Amit Pathak: Thank you, everyone, for joining the Q4 '24 Earnings Call. We will meet looking into the next quarter with a good result from the Shalby side. Thank you for your patience and participation.

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