SHALBY LIMITED
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Shalby/SE/2024-25/81 November 6, 2024

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Scrip Code : SHALBY Through : https://neaps.nseindia.com/NEWLISTINGCORP/	**Scrip Code: 540797** Through : http://listing.bseindia.com

Sub.: Transcript of Earning Conference Call for Q2 FY2024-25 financial results

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 October 30, 2024, wherein Unaudited Standalone & Consolidated Financial Results for the quarter ended September 30, 2024 (Q2 FY25) 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: 2024.11.06 13:16:29 +05'30'
Tushar Shah
AVP & Company Secretary
Mem. No: FCS-7216

Encl.: Concall Transcript

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"Shalby Limited Q2 FY25 Earnings Conference Call"

October 30, 2024

MANAGEMENT: **DR. VIKRAM SHAH - CHAIRMAN AND MANAGING DIRECTOR, SHALBY LIMITED**
MR. SHANAY SHAH – PRESIDENT, SHALBY LIMITED
DR. NISHITA SHUKLA - CHIEF OPERATING OFFICER, SHALBY LIMITED
MR. AMIT PATHAK - CHIEF FINANCIAL OFFICER, SHALBY LIMITED
MR. DEEPAK ANAND - GLOBAL CHIEF BUSINESS OFFICER, SHALBY LIMITED
MR. BABU THOMAS - CHIEF HUMAN RESOURCES OFFICER, SHALBY LIMITED
MR. JIGAR TODI – INVESTOR RELATIONS, SHALBY LIMITED

MODERATOR: **MR. KASHISH THAKUR – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Shalby Limited Q2 FY25 Earnings Call.

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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kashish from Elara Securities Private Limited. Thank you and over to you, sir.

Kashish: Thank you, Nivedita. Good evening, everyone.

We welcome all the participants to the Shalby Limited Q2 FY25 Earnings Call hosted by Elara Securities.

Today we have Senior Management representing Shalby. Among the Senior Management participants, we have Dr. Vikram Shah – Chairman and Managing Director; Mr. Shanay Shah – President; Ms. Nishita Shukla – Chief Operating Officer; Mr. Amit Pathak – Chief Financial Officer; Mr. Deepak Anand – Global Chief Business Officer; and Mr. Babu Thomas – Chief Human Resources Officer.

We will start with the performance highlights from Mr. Amit Pathak – CFO, and Mr. Deepak Anand – Global Chief Business Officer.

After that, we will open the floor for question and answer for all the participants. I now hand over the call to Mr. Jigar Todi for important disclaimers regarding any forward-looking statements that may be made in today's call. Over to you, Jigar.

Jigar Todi: Thanks, Kashish. Good afternoon everyone. Our Earnings Presentation is 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 risk and uncertainties. Kindly refer to Slide #40 of the investor presentation for a detailed disclaimer.

Now, I would like to hand over the call to CFO, Mr. Amit Pathak for his opening remarks. Thank you and over to you, sir.

Amit Pathak: Yes, thanks, Jigar. Good evening, everyone. I am pleased to welcome you all to Shalby's 2nd Quarter FY25 Earnings Call.

Now I will walk you through the "Financial Performance" of the company for the 2nd Quarter of FY25.

The consolidated revenue of the company is around Rs. 275 crore in the current quarter versus Rs. 243 crore in the Quarter 2nd of the last year. And we have been grew by 12.9% on YoY basis. EBITDA of Rs. 39.8 crore in the current quarter versus Rs. 58.1 crore in the Quarter 2nd of the last year with a margin of 14.4% in the current quarter and 23.9% in the 2nd Quarter of the last year. And our EBITDA has been down by around 31.5% on YoY basis. PBT is Rs. 13.7 crore in the current quarter versus Rs. 42.6 in the Quarter 2nd of FY24 with a margin of 4.9% in the current quarter versus 17.5% in the Quarter 2nd of FY24. The revenue for the current year H1, the half year is Rs. 563 crore versus Rs. 483 crore in H1 of FY24 and we have been grew by 16.5% in terms of revenue on the YoY basis. We are maintaining the healthy balance sheet with the low gearing ratio of 0.2x on the debt gearing ratio.

Now I will run you through the "Standalone Performance" of the Hospital business:

Our standalone revenue is Rs. 218 crore in the current quarter, which is Rs. 223 crore in the Quarter 2nd of FY24, and it is down by 2.4% on YoY basis. The EBITDA is Rs. 40.8 crore in the current quarter versus Rs. 57.5 crore in the last year Quarter 2nd with a margin of 18.7% in the current quarter versus 25.8% in the Quarter 2nd of FY24 and it has been down by 29.1% on the YoY basis. The PBT has been clocked at around Rs. 28.3 crore in the current quarter versus Rs. 47.3 crore in the Quarter 2nd of last year with a margin of 12.9% in the current quarter versus 21.2% in the Quarter 2nd of FY24.

On the standalone performance:

Our revenue has been de-grown by 2.4% on a YoY basis due to reduction of surgeries by 7% on a YoY basis. Rajasthan and Gujarat have witnessed a major rainfall in the current quarter where most of the districts in Gujarat and Rajasthan have experienced heavy flooding which has resulted in patients postponing elective surgeries. This Results a major dip in the surgeries in arthroplasty business as well as in the other specialty. Our EBITDA on the standalone performance has degrown due to the above reason, which has resulted the higher expenses in proportion to the given.

On the standalone basis, we continue to maintain a strong balance sheet with a positive net cash balance of Rs. 74 crores. With this operating leverage kicking in and growing with the asset-light approach, our standalone ROCE has resulted to 15% in Quarter 2 at an annualized basis. Our ARPOB and ALOS has shown an improvement at 38,779 and 3.6 respectively, compared to 36,136 and 3.92 in the same period of the previous year. ARPOB on YoY basis has been grew by around 7.3%. The number of occupied beds increased by over 2% on YoY basis as the occupancy ratio of 49% in the current quarter due to acquisition of Sanar. The peer mix of the current quarter is 36% from the self-patient, 41% from insurance, and 23% from the government business.

Now from the investment point of view, the further CAPEX will be incurred for the capacity expansion from 130 beds to 200 beds in the coming years for Sanar International Hospital. The revenue of Shalby Sanar is Rs. 25.74 crore in the current quarter versus Rs. 23.7 crore in the Q1 of FY25 with a growth of 8.3% on quarter-on-quarter basis. The ARPOB and ALOS of Shalby Sanar for the current quarter is around 85,722 and 3.64 respectively in the current quarter. Shalby Sanar is presently operating at 25% occupancy level and it will increase gradually in the coming quarters. In the current quarter, 54% of the revenue contribution of Sanar has been generated from the international patient. Revenue from international patient on the overall group basis is Rs. 15.3 crore, which includes Sanar as well as Shalby Limited. At Shalby, our undivided focus has been demonstrating our clinical excellence through successful expansion of many diverse critical surgeries in several of our hospital units. We also take a pride to share that we have successfully completed 28 transplants, 12 in kidney, 11 in liver and 5 in BMT during the current quarter. In September 2024, Shalby Krishna Hospital has got a license of bone bank and has successfully operationalized in the ongoing quarter three of FY25.

Now our SOCE franchise business has delivered adequate performance in the current quarter. The total revenue from the FOSO business is Rs. 2.3 crore which has been grew by around 14% on a YoY basis and the total revenue from FOSM business is around Rs. 1 crore which is flat on the YoY basis. Our new SOCE unit at Rajkot has become operationalized from July 2025 onwards.

We have been incredibly selective in our choice of potential partners from many inquiries we received so far to maintain the reputation of our strong brand. We follow clearly defined process and strict criteria when making these selections. Looking forward, we have a strong sense of optimization about seeing positive development in the upcoming quarter of this fiscal year. Our primary focus remains on utilizing our expertise and excellence in orthopedics with the goal of establishing more than 40 franchise hospital across India within the next 4 to 5 years.

For our Home Care business, we serve 9000 plus patients in the current quarter versus around 7800 plus patients in the Quarter 2 of the last year with a growth of 15.3% patient counting the similar period of the last year. Revenue from the Home Care business is Rs. 3.9 crore in the current quarter versus Rs. 3.6 crore in the same quarter of the last year which is 7% growth on the YoY basis. As part of our social commitment, we continue to spread awareness about the importance of health and well-being through various social media platforms and created 130 plus healthcare videos. We also conducted more than 410 plus healthcare camps and 160 plus healthcare talks across all of you during the last quarter as a part of various community outreach programs.

Shalby also takes the pride in nurturing young talent through our Shalby Academy vertical with 1,135 plus students registered in various healthcare programs during the last quarter. We also like to inform you that Shalby Advanced Academy has successfully completed enrollment process of MBA-HHM program of Ganpat University with 34 enrollments for the academic year 2024-26 batch. Shalby Academy has successfully launched first batch of Kaushalya The University's Diploma and MSC courses at our premises.

Our SAT implant business has delivered minimal EBITDA loss of Rs. 72 lakhs in the Quarter 2nd of FY25 due to marketing sales promotion and other allied expenses incurred during the quarter for our upcoming products. Our operational efficiency is improving quarter-on-quarter basis with the optimization of the procurement cost.

Shalby Advanced Technology US has delivered the revenue of Rs. 27.8 crore in the current quarter versus Rs. 14.7 crore in the Quarter 2nd of FY24 with a growth of 90% on YoY basis.

Now I will hand over the call to Deepak to share insight about our implant business. Over to you, Deepak.

Deepak Anand: Thank you, Amit. And good evening, everyone. During the 2nd Quarter of this financial year, our implant business made significant progress, generating revenues of Rs. 27.8 crores, which is a growth of 90% on a year-on-year basis, with contribution from the US and OUS at 30% and 70%, effectively. The total constructs sold has grown by 46% from 2174 units to 3184 units in Quarter 2 financial year 25. It's grown by 85% from 3585 to 6644 in H1 of financial year 25. The average cost of goods manufactured per component has decreased by 30% quarter-on-quarter basis and 35% year-on-year basis. 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 Advanced Technology Implants and Hospitals across all markets that we have launched has been highly positive, and we have received additional orders from the Indonesian market. With our key strategies formally in place, our team is fully dedicated to executing these plans flawlessly. Shalby is well positioned to achieve double digit growth with sustainable profitability while also expanding and deepening our presence by opening up new geographies. These efforts will ultimately drive the creation of sustainable value for all stakeholders at Shalby.

The four different pillars that we have been focusing, let me speak about each pillars quickly:

- The first pillar being sales – The growth of sales has been 90% over the last quarter and 8% over the previous quarter. In Indonesia, we have surpassed half a million dollar business already in the first half of the year. Response has been extremely great, and we will be adding more surgeons in time to come. India business is at a growth of 115% over the last quarter, and 91% growth over the previous quarter. We have added more than 18 people in the team in India, and about five distributors in this quarter.
- The US business – We have added five new customers, as well as on-boarded seven distributors in this quarter. We are looking at Latin America, five countries in Latin America, Russia, Iran, Malaysia actively as our next growth phase, along with expansion in Japan.

When it comes to cost reduction, our cost of goods manufactured has gone down by 30% over the previous quarter. And we are currently at $77 against $109 of last quarter. This has been done by change in vendors for raw materials and increasing our capacity in our plant.

- From a capacity increase standpoint, which is our pillar three, our plant has significantly grown in its manufacturing capability. We were manufacturing approximately 2,700 components in April. We have been able to manufacture 7,500 plus components in September. This has allowed us to produce more to take care of the demand in the market, as well as to drive the cost of goods down. Looking at more new vendors for raw materials coming on board in quarter three and quarter four, we will have a good capacity soon to expand for global business.
- And the last pillar being our new product, this team is working not only for the current day but also for the year and two years down the lane. So, we have established SAT India, and we had started hiring engineers. We have more than 15 engineers who have been hired across the globe in the last in this quarter. And we have also looked at strategic partnership for some products for India and Southeast Asia which will drive growth for some of our new products like Bonce Cement in partnership with Italian companies.

So, that's it from my end. Thank you, Amit. Over to you back.

Amit Pathak: Thanks, Deepak. So, now I request the moderator to open the forum for the Q&A.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Rajesh who is an individual investor. Please go ahead sir.

Rajesh: Sir, my question is, is there any plan for raising equity capital to fasten our growth of our company specifically for aggressive growth, specifically in Mumbai and NCR region? Or any plan in future to high-walk its implant business and focus more on our more lucrative business which is hospital business which has more secular growth and have higher margins?

Amit Pathak: So, thank you, just to answer your question, in terms of the hospital, we are not looking for any kind of equity infusion right now because our cash position on the standalone basis is suffice to take care for our expansion for Delhi as well as Mumbai location. Apart from that, our balance sheet is so strong that we can raise the further fund from the bank. We don't have the cash liquidity issue. So, that will suffice if you're required to invest somewhere apart from Mumbai and Delhi. So, our balance sheet is sufficient to take care of that. Now in terms of the implant, you can see the implant, we have already started the story that implant will grow in the coming years. In the current quarter, you can see there is a 90% growth in terms of the topline and as we will progress in the coming quarter, implant will start delivering the profit and in the coming years, it will deliver the higher double digit profit. So, it is a profitable venture for us and there's no possibility that we will look forward for any kind of hive off for that.

Rajesh: Ok and sir, like if we have any plans for any aggressive inorganic growth in Delhi NCR region because it is a very big area and very lucrative as far as hospital business is there. Because if you see the average revenue per bed in NCR region is very lucrative and very high margin business is there in NCR and there is a lot of opportunity here, sir, also like in Delhi and Noida and Ghaziabad and this Faridabad. And they have very ample opportunity for our company. If we have any aggressive plan in Delhi NCR and especially in Delhi NCR and Mumbai region, because they are very lucrative as far as this business is concerned?

Amit Pathak: We have already started putting up our footprint into the NCR and Mumbai is already in plan. And we are always evaluating the right proposition what we have. So, whenever the good opportunity will be there, we will evaluate. But right now, whatever we have in our hands, we have briefed to the market where we are moving on.

Moderator: Thank you. The next question is from the line of Rohan from Envision Capital. Please go ahead, sir.

Rohan: So, sir, my first question was on the surgeries that got postponed because of monsoon in Gujarat and Rajasthan. So, are we seeing spillover in the month of October? How has been the response and do we see the growth coming back in this quarter based on the spillover in the last quarter?

Amit Pathak: So, in terms of the growth, you can see except this quarter if you can see YoY basis, all the quarter we have delivered the good reasonable amount of growth. So, this quarter we expect the growth will be in the similar range but we cannot comment right now because quarter three just started. We have to see how the things are going on.

Shanay Shah: Just to add to that, in the month of October from what we have seen, we definitely see growth and that spillover effect coming in this quarter despite three or four days of the month being impacted due to the festive season of Diwali. So, we definitely see that. In fact, even in the month of November, there are lot of surgeries lined up in two of our flagship units, if you compare it to the previous quarter or if you compare it to the same quarter last year. So, the quarter three and quarter four will see the spillover effects of Quarter 2.

Rohan: Got it. And sir, my second question was on Sanar. So, while we have started operations with 130 beds and currently at 25% occupancy, so what could be the idea behind scaling up it right away? And what is the kind of timeline that we are looking at Sanar scaling up to occupancy level at hospital level of 50%?

Shanay Shah: Sure, so Mr. Naresh Kapoor is also part of the call. He takes care of the north cluster for Shalby on the hospital side. So, I request him to take that question.

Naresh Kapoor: Good evening everyone. On your question regarding the expansion, so typically right now the expansion plan is on the drawing boards. And once we have finalized that, then it will go for the permissions and everything. And in my opinion, it would take roughly about 12 months to 18 months to complete once we apply for permission and we get the permission etc. So, on your question that since we are operating at 25%, so we see in coming quarters the occupancy will grow and as the occupancy grow we do feel that within next 12 to 18 months, we will be needing enhanced capacity.

Rohan: And if I can just one more question here. So, basically at hospital level, we have been in this range of 48%, 49% kind of occupancy. And we see our peers doing occupancy in the range of 60% to 70%. So, what are the drivers that we are looking at? What are the steps that we have taken to scale up occupancy at the hospital level, at the company level?

Shanay Shah: I think the steps, first of all, I think we have to look at the numbers slightly differently. So, what happens is that as Delhi, Sanar got added and as Amit also said, you did earlier that the occupancy level is at 25% at the moment. So, at aggregate level, what happens is that your overall occupancy comes down because of that. So, that's the reason the occupancy numbers in percentage have come down. But if you look at the absolute numbers, the absolute numbers we have seen a growth on a year-on-year basis, there is a 12% growth, which is expected to continue. We'll see occupancy growth in terms of absolute occupancy as well as an ARPOB growth of between 4% to 6% that we have seen historically.

Moderator: Thank you. The next question is from the line of Kashish. Please go ahead, sir.

Kashish: Thank you for the opportunity. So, two questions from my end. First question will be on ARPOB. We have seen a growth of 7% YoY this time around. So, how are we looking at ARPOB for at least FY25, and what will be its growth drivers?

Amit Pathak: So, as we have mentioned, the ARPOB is keep growing on the quarter-on-quarter basis. As Sanar occupancy will grow, that will also contribute into the ARPOB because the international patient, we have the higher ARPOB. So, the way we have seen historically, it is growing every quarter 5% to 7% or every year around 10% to 12% on a basis. That will continue to grow.

Nishita Shukla: Adding to him, I would just like to tell that we are focusing on all transplant surgeries say high-end surgery, liver transplants, kidney transplants and all, it's all going to give us a good ARPOB.

Kashish: Thank you. My second question is regarding our Payer mix. So, if you see, our insurance has gone down to 41% from 44.2% last year. So, any specific reason for this as insurance penetration has been increasing, so our competitors, insurance generation from insurance revenue is quite higher. So, can you just throw some light why it is so?

Amit Pathak: Okay, so just to say regarding this, as we mentioned in the current quarter, there is a lot of surgeries has been come down into the Gujarat region also, when in our flagship unit and couple of units we have the higher TPA business. And in the couple of states like MP, we have more of a government business. So, this time the mix has changed because in terms of this mix, the

Gujarat have the lower surgeries and all these things. So, that is the reason the peer mix has been changed.

Shanay Shah: And we have to look at it hospital-wise specific because if you look at Jabalpur, for example, if you look at most of the hospitals in the region, about 60% of the number of patients who walk into the hospital out of 100 are CGHS patients, right? So, now what happens is that the numbers look skewed because of such kind of hospitals, and then on the other side, you have our flagship hospital where we don't take government patients at all. So, you have only self-paying and TPA patients in our flagship hospital. So, hospital-wise, it is different and region-specific as well, it will be different. I don't think it will be fair to compare us with any of our peers, the reason being that most of our peers have most, like for example, if you're comparing us to say a hospital group which has most of the hospitals in Delhi, the peer mix is expected to be different. I hope that answers your question.

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

Rajkumar: So, I just want to know any reason why your tax rate is almost 35% given that the domestic companies pay only 25%. So, is it due to that we are still in that MAT regime or?

Amit Pathak: So, we are still under the MAT regime. So, the MAT will be get utilized by the end of this year. So, thereafter we will see the impact. So, till current year or maybe the quarter one of the next year, the MAT will continue.

Rajkumar: So, then the next question is, this new insurance scheme introduced by PM, this is that Ayushman Bharat for senior citizens. I just wanted to know what is that, will we get any kicker out of this because it's targeted towards the senior citizens and given that a lot of senior citizens have bone related issues. So, Shalby get any kicker because more people will be covered and more people will opt for surgeries, is that a right assessment?

Shanay Shah: So, if I've understood your question right because your voice was a little blurred, but basically, it is fairly early to comment on this right now. I think we have to let a few weeks, a few months pass, and then I think at that point of time, we'll be able to better comment on the impact of this change.

Rajkumar: But at the ballpark level, is that a fair assessment from an investor's standpoint that can we expect there'll be some uptick in business?

Shanay Shah: See out of the hospitals that we operate, only two of the hospitals are Ayushman Bharat empaneled for us, for any which way the impact will be very minimal. For the rest of the hospitals, I mean we are unable to kind of give you an assessment of the overall impact but I can tell you for us it won't be a significant impact.

Rajkumar: And lastly one housekeeping question. So, this other expenses on a consolidated basis, I see almost Rs. 34 crores reported current quarter, which is almost 50% jump year over year. So, is there any one-off in this line item?

Amit Pathak: So, there is not one-off. If you compare to the last year Quarter 2, we have not consolidated Sanar. So, Sanar expenses are coming into the place. Apart from that, as our implant business is growing up, so you can see there will be some expenses around that. On the standalone level, we don't have the much of the increase except Rs. 1.5 crore. The rest of the impact is the addition of Sanar and the implant business. There is no one-off.

Rajkumar: Okay, because even compared to June quarter, it has gone up by almost Rs. 7 – Rs. 8 crores?

Amit Pathak: So, compared to June quarter, if you will see that I have mentioned in the implant, there is a growth in terms of the topline also. In terms of standalone, there will be some increase in the cost. And look at other entities also, there is an increase. So, that is impacting there.

Rajkumar: And sir any guidance on the return on equity that you're targeting for FY25-26 onwards because I know that a lot of acquisition that has happened this time an implant business is getting stabilized. So, I just want to know from 25-26 onwards, what kind of return on equity we are kind of expect?

Amit Pathak: So, you can see in this quarter we have shown that around 15% and prior quarter you have seen the 18%, this quarter was slightly exceptional. You can understand and we have contributed always higher on the return on equity. Every quarter, it is growing. So, we can see somewhere by the end of the year it will be around 20% kind of thing.

Rajkumar: So, this is on a consolidated basis because you are reporting only on standalone basis the return on equity. So, I am asking on a consolidated basis what is the return on equity?

Amit Pathak: So, consolidated basis, we will come back to you. We do not have the data handy with us.

Rajkumar: Yes, because I asked this question last call also, sir. I didn't get a response. So, that is the reason I would appreciate if you could email.

Amit Pathak: Have you reached out to Jigar Todi, our Investor Relation?

Rajkumar: No. I will take it offline.

Amit Pathak: Yes, so please drop a mail. We will share the data with you.

Moderator: Thank you. The next question is from the line of Bino from Elara Capital. Please go ahead sir.

Bino: Good Evening.. Just to follow up on Sanar, what is the level of profitability there and what is our expectation over the next couple of quarters?

Naresh Kapoor: Yes, in terms of occupancy, right now as earlier mentioned by Amit, we are around 25% and it's growing now and we expect next couple of quarters it will grow further as we have got couple of new doctors on board in high end specialties like liver transplant, bone marrow transplant and medical oncology. And also we have got recently accredited by AACI which is an American Accreditation company. Now this accreditation will help us in getting some institutional business from different countries. So, we expect the opportunity to go up.

Bino: My question was around profitability. What is EBITDA margin and how do you expect it to move over the next three quarters?

Naresh Kapoor: Sorry, I heard it wrongly, maybe Amit can answer this.

Amit Pathak: So, you can see Sanar, we are at around EBITDA neutral. And as Mr. Kapoor says, there's a lot of potentials are into the Sanar with this accreditation and the business will grow and it's growing on quarter-on-quarter basis. In the current year, we are seeing it will be the EBITDA positive in the single digit kind of thing. Next year, it will be on the move into the double digit kind of profitability with the growth in occupancy and the revenue.

Bino: Understood. And just to recap, what is the sort of bed addition we are planning there? Currently it is 180, I believe.

Naresh Kapoor: We will add around 60 to 70 beds, so taking the capacity to around 200 beds.

Bino: And will that be for adding any new specialties or would it be in the same specialties?

Naresh Kapoor: So, specialties, bouquet more or less we are complete, but definitely we'll be taking up some more additional high-end work like CAR-T cell which is in along with bone marrow transplant which is not being done by many of the hospitals. So, we have a couple of patients lined up and we have recently tied up with the company which is manufacturing the CAR-T cells. And that business will give a substantial revenue. The ticket size, just in case I can mention that, ticket size is roughly around 70 lakhs to 1 crore per patient.

Bino: The impact of monsoon on reduced number of surgeries in Gujarat and Rajasthan. Could you tell us which month it was during the quarter?

Amit Pathak: It was majorly in the month of July, and some parts in the August also.

Bino: In other words, in September, did the number of surgeries pick back up to the normal rate?

Amit Pathak: Yes. So, if you are comparing month on month basis, September last year versus September this year, the surgeries have been grown. The impact which has been there in the month of July and slightly in the month of August, that has not been covered totally in the month of September. And we are going to catch up in the current quarter.

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

Pinaki Banerjee: So, in your consolidated PL profit and loss account, it's said that gross operating expenses have gone up by almost 25%, from Rs. 252 crores to Rs. 316 crores. So, what is the reason actually to be able to do that?

Amit Pathak: So, you are asking for YoY basis?

Pinaki Banerjee: Yes, half-yearly YoY basis.

Amit Pathak: So, as I mentioned last year first half we don't have the Sanar into the consolidation. So, Sanar has been consolidated into the current quarter. This is the first one reason and another impact is due to the growth into this implant business which has been grown compared to last year which has impacted into this quarter.

Pinaki Banerjee: Okay and sir your debt levels have also gone up from Rs. 313 to Rs. 405 crores. So, what is the reason for that?

Amit Pathak: So, the reason if you can see this is majorly as you can see the growth is coming into the implant business. We are investing into the implant, the new product is going to be launched into the upcoming quarter. So, that is the working capital utilization mainly into the implant business and some part into the Sanar business. But Sanar is minimal, majorly into the implant business only.

Pinaki Banerjee: One last question sir, your tax rate is almost 83% for this quarter and last quarter it was almost 52%, so actually what is the reason just now because this MAT adjustment is one of the factors, is it the only reason?

Amit Pathak: No, the reason if you can see in the consolidation we stopped creating the deferred tax on our implant business as well as into the Sanar. So, that is the reason you can see the impact whatever the actual tax is coming into the standalone, almost including the other non-substantial subsidiaries, the tax amount is coming into the consolidated and we are not creating any deferred tax for this implant as well as our Sanar business.

Moderator: Thank you. The next question is from the line of Priyank from Abakkus Asset Manager LLP. Please go ahead, sir.

Priyank: Sir, my first question is on occupancy. What is the sort of big occupancy our business can help?

Shanay Shah: Basically, what we have generally noticed is that around 70% is the level at which we can go on a sustainable basis in most of the large institutes that we run.

Priyank: So, where do we see achieving that kind of prospective**?**

Shanay Shah: As I said, we are expecting good anywhere between 12% to 15% volume growth on a consistent basis and as Amit alluded earlier, the ARPOB growth will be over and above that. So, based on that 12% to 15%, I think you can get to the 70% level.

Priyank: Sir, I wanted to understand the economics of our FOSO and FOSM business. So, compared to the owned hospital, how much CAPEX we have to do in the FOSM business, that I wanted to understand?

Shanay Shah: I will just add to the previous question that you said, so basically, some of the newer hospitals, like for example, say the Delhi Sanar Hospital or say Mohali. So, within the group, there are many hospitals where the growth will be higher because the occupancy level today is low. I am talking about a 12% to 15% volume growth in some of the mature units is what I was referring to.

Priyank: No sir, from the perspective of the CAPEX and the overall economics of the hospitals, for FOSO and FOSM business that I am referring to?

Amit Pathak: So, from the CAPEX point of view, for the FOSM business, as the entire franchise business you have to understand it's asset light model. So, FOSM, we don't have to do any kind of CAPEX. FOSO sometime maybe we have to do the CAPEX in the range of Rs. 3 to Rs. 5 crores, but that depends upon the situation but this entire franchise model is an asset light model.

Priyank: So, Rs. 3 to Rs. 5 crore for how much beds we have to do for FOSO?

Amit Pathak: So, its ranging between 25 beds to 50-60 beds kind of thing. See, this is also not mandatory, so that depends upon what kind of terms we are entering but MAT to MAT, it is Rs. 3 to Rs. 5 crore kind of thing.

Priyank: Understood. So, I wanted to understand in terms of the accounting part, all the revenue that we earn in FOSO business would be consolidated with us along with the expenses. Whereas for FOSM business, we would be having revenue sharing model. Is that right way to understand it?

Amit Pathak: Yes, so FOSO you have to understand it's a line to line consolidation, okay. So, that is getting added into our standalone performance. The revenue is getting added into revenue expenses, are getting added into the expenses. But for the FOSM, whatever the revenue share we have, that is just coming into the revenue from operation as a management team that is getting included into the topline and is directly contributing into the bottomline also.

Moderator: Thank you. The next question is from the line of Ronak Kapoor from Elara Capital. Please go ahead, sir.

Ronak Kapoor: So, I have two questions. So, firstly, I want to know like, what's your overall guidance for FY25 regarding revenue in EBITDA and your CAPEX guidance. And the second question is regarding implant business, how do you see it in the next FY25 and over the next three years?

Amit Pathak: So, the guidance if you are seeing on the overall basis, I am just segregating into the two parts. One is the hospital business, another is the implant business. Implant has already picked up their speed. We are going to see the higher growth into the coming quarter compared to the last year. Quarter three and quarter four will be the good quarter compared to the current quarter also. We will grow fast for our implant business. For the hospital business, we are always delivering the higher double digit growth kind of thing and we are going ahead with the same kind of direction right now.

Shanay Shah: I think you should also consider the fact that the Delhi Sanar Hospital in terms of the topline, I mean, we acquired it early this year. So, the impact of that was not part of the financials last year. So, that will add to the topline in this particular year.

Amit Pathak: So, this year you will see the 12 months of impact of Delhi Sanar. Last year it was just two months. So, the 10 months of addition from the Sanar Hospital will contribute into the topline.

Ronak Kapoor: Okay, and so implant business like can you give an absolute number like where do you see it in next 3 years like?

Deepak Anand: Yes, so on the implant business, we still stick to a path of trying to get to the $100 million business by 5 years' time from now. So, 2028-29 is when we see a $100 million business coming into picture.

Ronak Kapoor: And hospital, you say any absolute number for this year?

Amit Pathak: So, we have just given the guidance on the percentage. So, absolute will come accordingly. So, I can't calculate right now. We continue to go on the same direction.

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

Rajesh: I would like to ask one question. Sir, if you can give some guidance on occupancy level in the near future, because now onwards, every little bit increase in occupancy level will add to the operating leverage and the bottomline will be increased very fast. If we can have occupancy level increased to 60%-70%. Would you like to give any guidance on the occupancy level and it can reach up to 70% on overall basis, sir? Not on a matured hospital, but on overall basis, sir.

Amit Pathak: So, you can see our occupancy on quarter-on-quarter in absolute terms, it is growing. We should not see the percentage terms, because once we are adding the operating bed, the percentage due to the denominator is getting changed. So, from 680 what we have right now the occupancy, we are going to see very shortly in the upcoming quarter it will be ranging between 710 to 730.

Rajesh: Right. Because actually, just wanted to understand, because in case of increasing, because I have read something like the quantum of beds we have, operational beds we have, and the valuation we get from the market is quite different from the industry standard. So, if we can increase the occupancy level aggressively, then the valuation can be very skeptical for us?

Shanay Shah: Yes, feedback noted, but we are working continuously on the occupancy level. So, hiring the right clinical talent across different specialties. And so basically what happens is we have to be very selective on that front also, because at times there are doctors that can bring in a lot of topline. But if you're not able to control the expenses, because often what happens is that a huge chunk is taken away by them as doctor fees or we might not have control over the consumables and the material. So, we have to take a right judgment call at any given time. But organically, if you see, I think the past trend gives a good sense of what it will look like 5 years from now. So, about 5 years ago, we were ranging at 300-330 occupancy in terms of beds, which has now consistently grown. And we are at about anywhere between 650 to 700 today and this is mind you nighttime occupancy because in the daytime, you see 15% higher occupancy than these numbers also, but these patients are often discharged by the end of the day. So, this is how you can expect the numbers to again double over the next 4 to 5 years from here and at that point of time you will see that essentially we will be at that 70%-75% level. However at the same time, you will continuously be adding beds in terms of organic and inorganic capacity. So, again from that perspective, you will see that the average will again come below 70%. So, this is a continuous process.

Rajesh: Because I see very much value in our company as compared to other peers in our industry. So, I like our company just wanted to say that.

Moderator: Thank you. The next question is from the line of Rohan from Envision Capital. Please go ahead, sir.

Rohan: So, sir, amongst the hospitals that you mentioned, the likes of Mohali, Jabalpur, so which of these do you consider mature and non-mature? What is the classification as far as the occupancy goes?

Shanay Shah: So, I think based on the potential to grow in a given unit, based on the existing occupancy level is how we determine that this is a significant growth area compared to say a hospital which is already at a 50%, 55%, 60% occupancy. We then consider it to be not a very high growth area, but maybe a consistent compounder from there on.

Rohan: So, which one of those are one that there's a focus of growth where you see more space to grow?

Shanay Shah: Well, we see a potential in different places of different things. But if you ask me, Delhi, Mohali, Jabalpur, Naroda are these four hospitals where there is significant possibilities of growth from here on.

Rohan: Understood. And the second question was over a longer term, when the Sanar Hospital scales up, what is the kind of EBIT margin that we are looking to do on the hospital business?

Deepak Anand: You are talking about EBIT margin or EBITDA margin?

Rohan: EBIT margin, the segmental margin that you report. So, what is the kind of margin that we are looking at the hospital business?

Amit Pathak: For hospital business, you can see we are ranging between 23% to 25%. Sanar is on the breakeven. If we include the Sanar, we are ranging between close around 21% to 22%. And as the things will progress, you can see that we don't have any debt into this, our existing hospital and we are not seeing any kind of major CAPEX or a major debt will come into the standalone. But with the induction of Sanar, we are sitting at the debt of around Rs. 60 crores. So, we are seeing that trend will continue of around 21% to 23% for the next financial year.

Moderator: Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead sir.

Dhruv Shah: Deepak, I have a question, three questions on SAT. Does our 8 million incremental revenue still stand, the guidance?

Deepak Anand: For the year?

Dhruv Shah: Yes, because that's your guidance right? 8 million incremental revenue on Shalby Advanced Technologies.

Deepak Anand: So, 8 million incremental revenue for this year, right?

Dhruv Shah: Yes. That's what I am saying.

Deepak Anand: Yes, it still stands.

Dhruv Shah: And Deepak, the second question is, the CKS gold launch in Q4, which we are expecting, are we due because we are anyway just delayed two quarters?

Deepak Anand: It's gone for the US FDA approval. So, we are waiting for the US FDA approval to come through. So, expecting the approval to come anywhere between December and January. But it's nothing. It's not in our hands. It's in the US FDA and it takes its time from a standpoint of approval and what they need in terms of tests and stuff. But from our side, we are waiting for the approval.

Dhruv Shah: And Shanay, we are already on Rs. 200 crores of debt now and with Asha Parekh's CAPEX, which will start because now we have got the approval, what kind of peak debt are we looking at?

Shanay Shah: Look, prior to the PK Healthcare acquisition, which is the Delhi NCR Hospital, we were sitting on about Rs. 80 crores of net cash. So, the position of that company was different. So, we are at a debt of this level right now, primarily because of the acquisition that we made. So, that is the reason. From the perspective of the peak debt, very honestly, we would be comfortable at about, internally speaking, net equity ratio 1:1 or maybe 3x EBITDA. But very honestly, we don't see ourselves going there. The reason being that we are already generating anywhere between Rs. 200 to Rs. 250 crores of annual EBITDA and that number is also growing on an annual basis. So, I believe that our internal accruals should take care of a large part of these expansion plans. And if at all we will have to take on minimal debt going forward.

Dhruv Shah: What was the CAPEX for Asha Parekh?

Shanay Shah: So, Asha Parekh Hospital in Bombay, we are looking at around Rs. 250 crores kind of a number from the investment perspective. That will again be kind of spread across 36 months from the day that we file the lease agreement with the charity commissioner. So, from that day onwards, it will take 36 months in a stage-wise manner.

Dhruv Shah: And when is that expected because we had done a press release right? We had got a charity commissioner's approval?

Deepak Anand: Yes, so the Charity Commissioner has approved it and now basically the trust authorities are working on submission of the lease agreement, so the Charity Commissioner in their order of approval told the trust to submit the lease deed to the Charity Commissioner's office within six months of the date of the order. So, the trust at the moment is working on completing the lease document and soon they should be able to submit it to the Charity Commissioner's Office, after which we will be getting the handover of the premises.

Dhruv Shah: Deepak, one last question from my end. Congratulations, first of all, for reducing 30% of your cost from $109 to $77. That's really appreciated. Do we have any further room to reduce this from $77?

Deepak Anand: Yes, we have, and we are working toward this. So, it's a multiple function of raw material coming from vendors and also improving some more efficiency in our plant. It's an ongoing task, right? Like how sales do an ongoing task, even cost do an ongoing task. You get on it, but there is.

Moderator: Thank you. As there are no further questions, I will now like to hand the conference over to Mr. Jigar for closing comments.

Jigar Todi: Thank you everybody for joining the call. We will connect again into the next quarter. Apart from that, if you have any questions, you can reach out to our investor email ID. Thank you. Happy Diwali.

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