

August 16, 2021

**Shalby/SE/2021-22/49**

The Listing Department  
**National Stock Exchange of India Ltd**  
Mumbai 400 051.

**Scrip Code : SHALBY**

Through : <https://www.connect2nse.com/LISTING/>

Corporate Service Department  
**BSE Limited**  
Mumbai 400 001.

**Scrip Code: 540797**

Through : <http://listing.bseindia.com>

**Sub.: Transcript of Earning Conference Call held on August 12, 2021 for Q1 FY 2021-22 Unaudited Financial Results**

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

**Dear Sir/Madam,**

With reference to earlier intimation vide our letter no. Shalby/SE/2021-22/47 dated August 11, 2021 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of earning conference call held on August 12, 2021 wherein Unaudited Financial Results for Q1 and FY2021-22 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 Shah**  
**AVP & Company Secretary**  
Mem. No: FCS-7216



**Encl.: Conference call Transcript**

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**Shalby Limited**

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“Shalby Limited  
Q1 FY2022 Earnings Conference Call”

August 12, 2021



**ANALYST: MR. PARAM DESAI – ELARA SECURITIES PRIVATE LIMITED**

**MANAGEMENT: DR. VIKRAM SHAH – CHAIRMAN & MANAGING DIRECTOR – SHALBY LIMITED**  
**MR. SHANAY SHAH – DIRECTOR (DESIGNATE) - SHALBY LIMITED**  
**DR. NISHITA SHUKLA – CHIEF OPERATING OFFICER – SHALBY LIMITED**  
**MR. SUSHOBHAN DASGUPTA – VICE CHAIRMAN AND GLOBAL PRESIDENT**  
**MR. PRAHLAD INANI – CHIEF FINANCIAL OFFICER – SHALBY LIMITED**  
**MR. PUNEET MAHESHWARI – INVESTOR RELATIONS – SHALBY LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Shalby Limited Q1 FY2022 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Param Desai from Elara Securities Private Limited. Thank you, and over to you, Sir!

**Param Desai:** Thank you Inba. Good afternoon to all the participants in the Shalby Limited Q1 FY2022 earnings call hosted by Elara Securities. Today, we have with us from the Shalby Management, Dr. Vikram Shah - Chairman and Managing Director, Shanay Shah - President, Mr. Sushobhan Dasgupta –Vice Chairman and Global President, Dr. Nishita Shukla – Group COO, Mr. Prahlad Inani – CFO and other senior management from the Shalby. I will hand over the call to Puneet, who is the part of their Corporate Strategy and IR Team. Over to you Puneet!

**Puneet Maheshwari:** Thanks Param. Good afternoon everyone. Our earnings presentation is uploaded on the stock exchange website and our company website too. 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 maybe forward looking in nature and may involve risks and uncertainties. Kindly refer to slide no. 24 of the earnings presentations for a detailed disclaimer. Now I would like to handover the call to Mr. Shanay Shah, the President for his opening remarks. Thanks and over to you Sir.

**Shanay Shah:** Good evening everyone and welcome to Shalby’s Q1 FY2022 earning call. I hope you and all your loved ones are safe and healthy. At the outset, I would like to share an important milestone with all of you that Shalby has recently completed the journey of 10,000 days. A journey that started with a setting up of 6 modest beds and today we have come a long way to 2000+ beds and 11 hospitals and is recognized as one of the leading healthcare service providers in the country. The journey has not been easy or smooth but more of a roller coaster ride. Backed by never ending commitment to patient care and an unmatched belief in our ability to deliver and unbreakable trust of our patients Shalby next phase of step up growth has just begun.

Now to give you a quick update of Q1 as you all know, it has been more than one and a half years since the first wave of COVID-19 hit the country with the pandemic taking toll on both personal and professional lives. The resurgence of second wave of April this year proved to be much more severe than the previous one. I am humbled that in such a difficult period, Shalby as a healthcare provider has been able to make a meaningful impact in the lives of

people and communities through affordable and quality healthcare services. In the month of April and May, we converted majority of our operational beds into COVID-19 beds and even added additional beds to treat more COVID-19 patients during the peak time.

During the quarter, we saw more than hundred thousand patients and treated over 5000+ COVID-19 patients across our hospital group. Our average occupancy levels increased to close 60% in Q1 FY2022 as compared to a predominantly low number in Q1 last year. We stand with the nation and are committed to the cause of vaccination for the larger of good of the society.

We treat this as a moral and social responsibility and have ensured that no additional cost has to be borne by the people for such services. Shalby group of Hospital has also partnered with government and NGOs to ensure vaccination of people from urban to remotest part of India to create herd immunity and as a result, we have administrated already over 100,000 jabs so far.

With the ongoing vaccination program across the country we are seeing declining COVID-19 cases and can expect recovery in elective cases in the coming quarters. Shalby with its sufficient bed capacity and experienced team of doctors is well-positioned to meet the growing demand of affordable and high quality healthcare.

At Shalby, we also take pride in imparting practical learning of healthcare education to nurture the students and healthcare workers with holistic development program for achieving sustainable employment and quality healthcare deliverance. This is fully in line with our learning and development program where we nurture talent and emphasize on multispecialty to create sustainable workforce.

Now I would like to introduce, Mr. Sushobhan Dasgupta, who has joined team Shalby as the Vice Chairman and Global President. He will be leading strategic initiatives and the newly operationalized implant business of Shalby. He brings over three decades of leadership skills and experience from the Global Healthcare and the Medical Device Industry. I will now handover the call to him to provide an overview of our recent strategic initiatives. Thank you.

**Sushobhan Dasgupta:** Thank you Shanay for a very kind introduction and a very good afternoon everyone and thank you for joining us today. This is the first time since joining the Shalby group that I am speaking to you all and I am very sure this is the first of many such interactive sessions that I look forward too.

I am extremely excited to be a part of the team and hope to make the best of this opportunity by working very hard with our team here and make a positive difference in the lives of

thousands of patients in India and globally. The opportunity is our multifold lying ahead of us at Shalby, and indeed there are several growth areas which I would highlight that we have and will have continued to make significant progress going forward.

A bit of a quick introduction for myself, prior to joining Shalby I have spent over 30 years developing, expanding and leading businesses in India and across the world. In my last role, at Johnson and Johnson, I was leading the orthopaedic businesses for the entire Asia Pacific region including the large markets of China, Japan and Australia and my team there worked very hard to gain substantial market shares and eventually became the number one Orthopaedic Company in the region a couple of years back.

Prior to my Asia Pacific role at Johnson and Johnson Medical, I was the Managing Director of Johnson and Johnson Medical in India and South Asia for close to seven years from 2012 to 2019. I joined Shalby in the middle of May of 2021 with the company's acquisition of the assets of consensus Orthopedics that you all are aware. With the primary objective of helping Shalby enter and establish a strong footprint in the high potential, high opportunity implant market in the US and other countries across the world including Asia Pacific.

By using the vast experience and deep knowledge, leadership that Shalby already has in the Orthopaedic replacement space. The acquisition is completely aligned and sync to our long term goal of further strengthening our healthcare service offerings, and integrates of core areas with many such excellent opportunities. Many such new fast growing and profitable strategic initiatives like the one which I just talked about will help us in Shalby to diversify the business and revenue streams and further help us expand our synergistic reach resulting in accelerated business growth for the entire group.

Now, I would like to update you on some other progress on such new strategic initiatives that we made during the quarter. Our Implant business, our joint replacement business in USA started its operations from May 14 and in a short span of one and half months of the June quarter, the business has delivered revenue of USD \$595,000 which is around 4.5 Crores of a gross profit margin close to 50%.

Manufacturing efficiency is expected to improve further while we scale up our volumes in the coming quarters. In our last call, we mentioned that we are working on the business plan for the Orthopedic Implant business and shall update you in due course. We are now in the process of developing a playbook for Shalby advance technologies a strategic growth plan document that will help us all the align on what to, where to and how to achieve over the next one year to five years.

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We are expecting to see a positive turnaround in our implant business by the end of next year and also expect to breakeven and the earnings accretive as well before the end of full year 2023. We are heavily focused now in the process of rebuilding systems and operations, having members of the new executive team, reengineering brand and logos and upgrading our IT infrastructure in the US, as most importantly, reigniting to relationships with our existing customers while we look at new customers to expand demand for our products.

This business also will further enable us at Shalby to procure quality implants at a competitive price later for a captive consumption and the division's growth will be further augmented by simultaneous accelerated growth of the franchisee model in India.

Let me talk a bit about the franchise model. The role of the franchise model was earlier strategically put on hold due to the ongoing pandemic and now it has picked up pace. We have added two franchise partnerships for Udaipur and Rajkot. Udaipur is expected to commence operations in current quarter and Rajkot is expected to commence operations from Q4 full year 2022.

We will leverage the learning's from these two units for our next phase of expansion, which will focus on metro cities followed by state capital cities. This is an asset light model and will allow Shalby to go deeper into tier 1 and tier 2 cities and strengthen Shalby brand and presence across India. We will go through our presence in this space through digital campaigns, print media, health trade shows, business development visits that will help us cap another 100-plus beds hopefully by the end of this year.

Our very new homecare service offerings has received positive response especially from COVID-19 patients as an extended offerings of excellence from our hospital services and we will continue to strengthen our homecare services to expanding its presence into key geographies. We had around 1.6 crores of business last quarter serving 500 patients more versus the previous quarter, which is around 4300 patients driven mainly through our diagnostic, pharmacy, medical equipment and nursing services.

The initial feedback from our patients served has been extremely positive and we are hopeful to serve over 20000 patients by the close of the last quarter through this new initiative of ours. Along with these new initiatives that I just talked about which is our orthopedic implant business, our franchise model and our homecare service, we are expanding our geographical presence by adding new OPD centers across India. We are also investing in the state-of-the-art technology and equipment notably in the cardiac and spine areas to provide best possible services and are focusing on digitalization including revamping our website and launching a

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very interactive Shalby app to serve our patients better without geographical constraints and distance constraints.

Employees are an important pillar of any organization and I am very, very proud of our Shalby work force who have shown tremendous dedication and commitment even in the most challenging times. Almost every team member has worked non-stop for a long period of hours day after day last quarter to serve large number of patients in need and I am ever grateful for that.

We have consistently delivered high quality healthcare services to these patients and the top it all with ever smiling faces. At Shalby, we continue to focus on training and skills development and during the quarter Shalby has successfully inaugurated advanced simulation lab for training purpose for clinical staff, doctors, nurses and paramedical staff.

In addition, we have also conducted critical care training program for 300 nurses in our SG Surat, Jaipur and Indore units. Shalby academy has also partnered with five universities for courses based on healthcare sector as a part of the healthcare irrigation initiatives. We soon are planning to launch healthcare dedicated MBA program and another program on healthcare operations partnering with universities in addition to our earlier courses programs with them as a true commitment to develop a much more organized and skilled workforce in this sector.

Hence as you can see opportunities in healthcare are multifold and we are positioning Shalby very well for today and tomorrow to play a significant role in such opportunities through the end-to-end integration of our core services, coupled with our asset-light business models and the fast-growing orthopedic implant space.

With a growing trend in occupancy rates across most of our hospitals, our endeavor to reach and vaccinate a large number of people using our scale, our strategy to expand across many more geographies in India and globally I am tremendously confident that Shalby will continue to grow fast and profitably and generate tremendous shareholder value as we dedicate ourselves in serving our patients better. Now i will hand over to the call to Mr. Prahlad Inani, Our CFO to present the company's financial performance. Over to you Mr. Inani.

**Prahlad Inani:**

Thank you Mr. Dasgupta and good afternoon to everyone. I will walk you through the financial performance of the company for the first quarter. The momentum of sequential recovery in the business that begins from second quarter of last fiscal year continued during this quarter and the company has delivered strong growth in all major financial metrics.

As Q1 FY2021 was adversely impacted by COVID-19 I would like to present both sequential year-on-year near figures which will present company's performance in a holistic manner. On

a standalone basis, the company registered a total revenue of Rs.1828 million in Q1 FY2022 compared to Rs.1440 million in last quarter and which is 408 million in the same quarter last year. Total revenue grew by 27% on QoQ basis and 348% on year-over-year basis.

Our topline was primarily driven by increase in COVID-19 patients as COVID-19 business contributed 55% to the revenue as compared to 7% in the previous quarter. EBITDA for the quarter is Rs.446 million compared to Rs.346 million in the last quarter and a loss of Rs.25 million in the same quarter last year. EBITDA margin were 24.4% as compared to 24% in Q4 FY2021.

The high margins are primarily driven by better revenue growth and various cost optimization initiatives that have been implemented by the company. Net profit was Rs.248 million for the quarter compared to Rs.110 million in last quarter and a loss of Rs.86 million in the same quarter last year. PAT margins for the quarter stood at 13.6%.

We have also released consolidated financial statements for quarter as per regulatory requirement. You will notice that operating EBITDA margins were slightly lower compared to Q4 FY2021 primarily due to this Shalby Advanced Technologies access which began operations from May 14. EBITDA loss from Shalby Advanced Technologies was Rs.38 million, which impacted the margin at the consolidated level.

On the operational performance front, surgery count was 2813 and as majority of the hospital facilities were treating COVID-19 patients thus consequently Critical Care and General Medicine was also the major revenue contributors. In Q1 FY2022 the total number of operational beds were 1224 with 723 beds occupied representing an occupancy level of 59% as compared to 40% in Q4 FY2021. ARPOB stood at Rs.27779 compared to Rs.33225 in Q4 FY2021 and expected decline as surgery count was reduced and the number of COVID-19 patients increased.

Thank you very much. We can now open the call for any question and answer session, you may have.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Thank you very much, Our first question is from the line of Jash Shah from ValQ Investments. Please go ahead.

**Jash Shah:**

Good evening. I just had a question on can you give me the bifurcation between COVID and non-COVID revenue please?



- Shanay Shah:** We did about hundred crore of revenue coming in from COVID and the balance came in from Shalby Specialty.
- Jash Shah:** Thank you so much.
- Moderator:** Thank you. Thank you. The next question is from the line of Dikshit Doshi from Whitestone Financial Advisor. Please go ahead.
- Dikshit Doshi:** Thanks for the opportunity. Firstly can you mention about the occupancy levels currently or even in July
- Shanay Shah:** As we talk we are doing the highest occupancy levels in the company in the company's history with non-COVID patients right. We have done a higher number with COVID in quarter one but you know we are 20% to 25% higher on a consistent basis compared to quarter one which was the best non-COVID quarter for us in the history of the company.
- Dikshit Doshi:** Secondly can you elaborate more on this two franchise model, which we are going to start this year like is there any investment we have to do and post that once operation starts so it is like the entire hospital we will be managing and how the revenue booking or profit sharing is all going to happen?
- Sushobhan Dasgupta:** I will answer the question. When you look at the franchisee model I think we had talked earlier about it there are two types of models one is the FOFO which is the franchisee-owned franchise operated and the other one is the franchise owned Shalby operated which is the FOSO. I have mentioned about these two new areas that we are going into which is Udaipur and Rajkot. The Udaipur and Rajkot if you look at it Udaipur is FOFO model and a Rajkot would be a FOSO model. So that means where a FOFO model is as I said is franchisee owned franchise operated in both the models, we would charge the revenue through a certain fee which would be coming out of our consulting of initial fee and then it depends upon whether it is a FOFO or a FOSO the revenue streams are generated. In a FOSO model we help in running the operations on a regular basis in a FOFO model the franchisee operates but we oversee the operations going forward.
- Dikshit Doshi:** Whatever the revenue and the profit will be generated there will be recorded in their books and we will only get our share?
- Sushobhan Dasgupta:** Mr. Inani would you be able to take this question?
- Prahlad Inani:** Sure, basically in FOFO model, the revenue will be recognized in the franchisee's books and the commissions and other things and our revenue share will come to us. In FOSO model

where franchisee is earning and Shalby is operating it basically revenue books in their book; however, it depends that we have certain leeway over there that if the investment, if it is recalled from us like major investment then we can have some strategy and tie up, we are open for that where we can book the revenue in our books also but in both the scenario the revenue is booked in the franchisee books only.

**Shanay shah:** I will just kind of add to that so in the franchise owned Shalby operated the revenue will be booked in Shalby's book and the revenue share will be given to the partner and it will be exactly the reverse in the FOFO model.

**Dikshit Doshi:** In both the model what would be fees it will be like some percentage of revenue?

**Shanay shah:** So the percentage of revenue will be basically between 5% and 10%. It really depends on the town and it depends on the investment that both parties are making, it depends on the working capital required basically to operate a franchise over there. It has so many different you know variables that we need to consider even before we finalize on any number.

**Dikshit Doshi:** Last thing on so how many beds are there in both the hospitals and are both the hospitals are multispecialty?

**Dr. Vikram Shah:** Both are going to be orthopedic hospitals only and both will be having between 30 and 40 beds.

**Shanay Shah:** For everyone's knowledge what we are trying to do is the franchisee model will be specific to orthopedics only.

**Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays. Please go ahead.

**Rikesh Parikh:** Thanks for the opportunity and congratulations on good set of numbers. The first question is on the occupancy level this quarter we have done 59% occupancy but if we exclude the COVID patient then what would be the standardized occupancy level?

**Shanay Shah:** As we saw that the revenue split between know COVID and non-COVID is half and half it would be fair to say that you know the occupancy levels would be almost the same, a little more skewed towards COVID patients because COVID patients have a slightly longer stay in the hospital compared to the non-COVID patients.

**Rikesh Parikh:** Coming to the second part I wanted to know about the progress on this Shalby Advanced Technologies. We were planning to file for a patent in India so any progress on that?

**Sushobhan Dasgupta:** Again as we have mentioned earlier so we took this company we acquired the assets of Consensus Orthopedics and if we are looking at how do we would like to progress this going forward so there is a lot of work going on here. First of all we had to create a new executive team. We have a very experienced CEO Daniel Hayes, who has taken over and he has started recruiting. We had to recruit a new financial lead there, we recruited a new HR lead there, we had a new sales and marketing lead there and we are in the process of recruiting the other executive team members as well. The good news is that the people that we are recruiting are people who have had the previous experiences working in this Consensus Orthopedics and left that organization earlier. So we are getting them back. Secondly also we have been able to retain almost or everyone for the 40 plus employees in the organization especially at the shop floor level and the technical level. We are looking at how do we strengthen the talent because finally if we do not have the right people we would not be able to progress. Secondly as an update we would say we have looked at the strategic plan of the organization, as I said earlier. We have created the playbook or we are in the process of creating a playbook, we are looking at the plans and we are looking at what the revenues are. There are lot of improvements that we are making on the systems, processes and efficiencies including the efficiencies of manufacturing in that organization and finally it is very important for us to get back the relationships that were there. As you have known over the last four or five years that company had not been focusing a lot on the orthopedic implant. They were looking at some of the other advanced technologies and that is the reason the focus was not there on the orthopedic implants but there is a huge opportunity because the brand itself has a very big name they have spoken to a lot of distributors, they have spoken to a lot of surgeons and hospitals and they would love to get it back. So primary update here is that we are investing in buying raw materials and getting the manufacturing production up and running as quickly as possible, we are in the process of a lot of materials have already come in, the factories have always started running, the first one and a half months we have recorded a sales of 4.5 Crores. It is mainly come out of the existing inventory but now the production has started in full flow. So we expect our quarter three and quarter four results to be coming up with the fresh stocks that are being produced. With all this we believe that over the period of this year full year, we would be ending up at 45 Crores to 50 Crores of sales and as I said next year with the full year 2023 we will be breaking even and the earning credit as well. What you asked the question is about India right? So for India, it is as you know the registration takes around between six and eight months, if we could advance it then maybe make it five months but what is required is the documentation. We have all the documentation but because of the transfer we have to register with the FDA, our name, the Shalby Advanced Technology's name, we have to get the ISO 13485 from the PSI, transfer into our name and all the documents and so on. So it is taking time; however, we are pretty confident by early next year, we should be able to start selling our products or rather putting our products into the

Shalby captive consumption as well as reach out to other areas of India as well as parts of Asia Pacific.

**Rikesh Parikh:** One more question if I can squeeze sure I would say congratulations at least getting that approval for operationalizing this Zynova. I just wanted to have your thoughts on the first month of operation of this first franchise, network as well?

**Shanay Shah:** I will tell you that Zynova again is a kind of a model, which is more like a FOFO model where essentially we are going to be getting a revenue share of whatever is generated in that hospital right. As we know that the initially what has happened is Dr. Shah and his team have spent a couple of days over there in the first month and we have seen tremendous response in terms of the patient flows over there; however, one month as you all know is a very short period and we are very optimistic that this hospital will do well in the future. What Shalby gets is you know a topline sharing from this particular hospital in Mumbai.

**Rikesh Parikh:** Thanks. That is it from my side.

**Moderator:** Thank you. Our next question is from the line of Ashish Thavkar from Motilal Asset Management. Please go ahead.

**Ashish Thavkar:** Thanks for the opportunity. Given this COVID is it possible to give the average revenue per bed for the COVID patients versus our core business?

**Shanay Shah:** I would like to talk about the revenue. This is Shalby's third consecutive quarter where we have come up with the highest ever revenue and the highest ever earnings in the company's history whether it be a COVID quarter or whether it be a non-COVID quarter right and if we talk about ARPOB our ARPOB in Q4 was 33000 that was backed by almost 5500 plus operations that we did right; however, having said that in this particular quarter I will give you a split of the ARPOB for the non-COVID work, we had ARPOB of Rs.30000 and for COVID work we had ARPOB Rs.25000. The blended average is almost Rs.27800. Now it is very important to note that we have made significant progress in a COVID quarter compared to a previous COVID quarter that was Q3 in FY2021. In Q3 FY2021 we had recorded ARPOB of around 25000 and we have almost increased that by 8% to 10% in this particular quarter that was backed by higher number of operations and higher number of non-COVID work that we did.

**Ashish Thavkar:** How do you see you know post a very solid 1Q for the COVID patients how do you see second quarter so most like across pan India the cases have been stabilized now how do you see the current quarter going on obviously the action part remain there but as far as this

COVID patients getting admitted how do you see that aspect of the business panning out for us?

**Shanay Shah:** I will tell you there are two aspects to COVID. One is really the fact that we are not seeing any influx of new COVID patients and the second is that we are inoculating close to 1300 to 1500 patients every day so that is giving us a monthly average of close to 450000 to 500000 vaccines and essentially this will translate to 4.5 Crores to 5 Crores of topline if we continue to do inoculation at this stage. Having said that we do not see a lot of influx of patients and we are hopeful that we will continue in the same way because you know one is of course there has been significant inoculation going on across the country. Second is a lot of the people are already having the antibodies because they are already impacted by this so as far as we are talking about the regions where Shalby is concerned we are seeing a very minimal influx.

**Ashish Thavkar:** This is very helpful and on the on the advanced part of our business as you said FY2023 we shall break even at the EBITDA, so is it possible for you guys to share that number would it be somewhere around 25 Crores, 30 Crores?

**Shanay Shah:** Mr. Dasgupta was clear and he said that we will be EBITDA neutral in FY2023 for Shalby Advanced Technologies.

**Ashish Thavkar:** By FY2023 end. Fair enough. One last question from my side, on this Asha Park Development would you categorize or classify this asset as a FOFO?

**Shanay Shah:** No. This is basically an asset where Shalby will be investing money into the building and the equipments and we have this hospital for a very long term lease that is more than 60 years. So it is not a franchisee. It is a hospital where all the revenues and earnings will be recorded in the company's books?

**Ashish Thavkar:** As the timelines are concerned both Asha Parekh and Nashik Hospital are there any disturbances led by COVID or you see in the next two years or so these assets should be ready for commercialization?

**Shanay Shah:** The hospital in Nashik should commercialize over the next year – year and half, having said that there have been delays because these are largely led by external agencies which are not in the company's control, but we are basically on track as we talk right now and hopefully in the next quarter, we will have developments to share with all of you.

**Ashish Thavkar:** Shanay if you could help us give the capex number in a bucket of the next three years is it possible for you to give those numbers?

- Shanay Shah:** See capex again as I said, for the new capex that you are talking about we have close to Rs.20 Crores of investment that we expect in Nashik and about Rs.160 Crores of investment that we expect in Mumbai. I do not think any of this investment will happen in the current year i.e., FY2022 and most of it will start happening from FY2023 and FY2024. Having said that, if you talk about the maintenance capex for the company on an average, we have about Rs.1.5 Crores of monthly maintenance capex that is close to about Rs.18 Crores to Rs.20 Crores a year. Having said that, we have spent close to Rs.9 Crores plus in this quarter itself and essentially Rs.5 Crores of that would be normalized another Rs.4 Crores – Rs.4.5 Crores has gone into buying equipments such as the ventilators, BIPAP machines, additional beds that were required etc., having said that we will not overshoot the budget for this year. What we really feel is that we have accelerated the capex that we were required to do. However, for the year end we will continue to maintain this in the Rs.1.5 Crores kind of monthly reach.
- Ashish Thavkar:** Yes, and how much do you plan to deploy in Shalby Advance Technology?
- Shanay Shah:** I was predominantly talking about the hospital business. For Shalby Advance Technologies, the capacity of this plant is really to make 25000 joints in a year and essentially, we have just recently bought the company and we believe that there will not be any major additional capex required over the next year and half.
- Sushobhan Dasgupta:** Yes, absolutely just to add if you look there are 13 million machines and 5 lathes in the company and we have just with some very minor maintenance work, the great thing about this acquisition is that the company has come in, in a very operational manner. So, right now as we said we have started building up the capacity and when we get into this plant with its current capacity, if we go by 100% capacity can bill 25000 implants and that is what we are working on and the capex investments over the next some years will be minimal in Shalby Advance Technologies.
- Ashish Thavkar:** Thanks, and all the best.
- Moderator:** Thank you. The next question is from the line of Ankit Pandya from Elara Capital. Please go ahead.
- Ankit Pandya:** Sir, thank you for giving me the opportunity to ask the questions. So, with the new businesses coming forward in the implant and the franchisee model coming in, how should we look at the margins going forward?
- Sushobhan Dasgupta:** For the implant as I said and I think Shanay also repeated, this is the first year is an area where we are buying in raw materials, we are studying the business and the operations. But the second year onwards which is a full year 2023 we would be accretive, and we will be having

our positive EBITDA for the first time as I said. So, that is where we stand, on the franchisee model Shanay would you be able to respond to that?

**Shanay Shah:** See, franchisee model again, for all the investors it is an extremely asset light model because in both the cases, I mean in a FOFO model there is not going to be any big investment from our side and even with the FOSO model, the investment is going to be very small. So, as such we are going to have very low investments as it is an asset model and we have made internal projections in terms of how it will look like but having said that since we are just about to rollout our first franchisee, we would want to really kind of see over the next one or two quarters how things pan out before we actually share what kind of margins they will add but we are very positive and going forward three to five years down the line we believe that at least 15% to 20% of the company's EBITDA can be generated through this franchisee model.

**Ankit Pandya:** Okay, so one last question, in the second quarter, how is the occupancy shaping up in the month of July, what was the occupancy in July and how is it trend in August month, in this current month?

**Shanay Shah:** See, if you look at Q4 we had an average occupancy of 480 beds, right and that occupancy number went to 723 beds in the previous quarter which Q1, right at the moment as I said we are doing 20% to 25% higher numbers compared to Q4 and with no COVID patients. So, essentially, we are on track, and we believe that Q4 is the right reflection, and we are putting that as a benchmark for the company to go forward for the next two quarts to three quarters at least. I would say that the rough outpatient number would be between 100000 patients to 110000 patients the number of inpatients would be between 8000 patients to 10000 patients and the number of day care patients in Q4 was around 6000 patients and the number of surgeries we did again was around 6000 patients. So, with those kinds of benchmarks we are taking forward, and we are kind of having those kinds of expectations for the next few quarters.

**Ankit Pandya:** Okay, great sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Rajnish Mehen from Master Capital. Please go ahead.

**Rajnish Mehen:** Thank you for the opportunity. Sorry I am new to the company, I just wanted to know a few things basically, like your total bed capacity is 2100 beds and operational it is showing in the presentation operational is 1200. So, what does that mean the others are shut because of COVID or what is the reason?

**Shanay Shah:** I will tell you. We have around 1225 beds which are operational as we talk. The bed capacity of the group is 2000 plus beds. Good part our hospital set up is really the fact that most of the capital investment has been made. So, for us to scale up to 2000 beds we will require an additional capex of not more than Rs.10 Crores to Rs.12 Crores, right which is almost Rs.3 lakhs to Rs.4 lakhs a bed going forward. Having said that we have in the COVID period there were times when we had to kind of increase the operational capacity for a temporary reason of course people in more COVID patients and essentially for that we had to scale up to almost 1500 beds for a short period of time. So, as I said as and when the overall average occupancy for the month or for the quarter goes up you will gradually be seeing this operational number go up from 1225 on to almost 1500 over the next two years and then after that probably after a year or so after that we will be having almost all of the beds which would be operational by then.

**Rajnish Mehen:** Second thing is that in your presentation I see there are some hospitals like for example in Vapi, in Jabalpur, so there they are running since last five years, eight years but if I see the occupancy is still 19%, 24% I mean why is the occupancy is so low that is one, do you still see opportunity and then in Vapi like for example it is should some 200 plus beds, but the revenue contribution if I see is 1%. So, if the revenue contribution is only 1%, the occupancy is low I mean do you still see the opportunity there that in five years it has not been able to scale up and do you think now still their options are there and second thing is that these properties are own, right Vapi and this free hold, when you did free hold means it is owned?

**Shanay Shah:** Yes, I would like to tell you that Vapi is 1.5% of the total capital employed of the company, right so we cannot expect that kind of hospital to generate 5% to 10% of the company's revenue. So, essentially Vapi hospital is 1.5% of the capital employed of the company and the Jabalpur hospital is 3% to 4% of the capital employed of the company. Having said that, yes, we understand that there are reasons to work on in these particular hospitals and essentially, we are working on that, and we are already seeing a higher number of occupancies in terms of our hospital in Jabalpur. Jabalpur hospital is not owned by us the land belongs to our partner and essentially the building was almost 80% ready when we took over. We had to complete the building and we basically put in the medical equipments there. So, again it is an asset light model where we have invested close to Rs.30 Crores and we have hospital which is 200 beds over there. Vapi hospital was one of the first hospital that we took over back in 2012 and for the first six year to eight years we definitely struggled but having said that the good thing is that the capital employed there is very low it is only 1.5% of the total capital employed and after the Vapi acquisition we have not really ventured into any town which is beyond tier-1 or tier-2, I would say. So, essentially Vapi what we are trying to do right now if we are able to, it is two-hour drive from our hospital in Surat where we have been able to attract the top specialists of the town and essentially these are the doctors who



are visiting Vapi on a very frequent basis to try and turn the hospital around. So, going forward we are optimistic that both Jabalpur and Vapi will be doing well.

**Rajnish Mehen:** Next question is that your ARPOB has fallen quarter-on-quarter and even if I deduct 25000 which is on the lower end for COVID patients in spite of that there is a fall quarter-on-quarter from 33000 to I think you said 31000, right non-COVID patients?

**Dr. Vikram Shah:** This is because initially when we started, we were doing more of joint replacement surgeries and company was dependent on joint replacement surgeries largely and joint replacement surgery is you ARPOB is somewhere to the tune of Rs.70,000 because package is Rs.200000 and patients stays for three days. So, when the other work is increasing and when you are able to increase other work it is always good that you are able to develop good multispecialty chain at the same time it will dilute your ARPOB little more because ARPOB of cardiology or ARPOB of other branches is not as good as joint replacement surgery. So, if little bit dilutes over the time when your joint replacement work is increasing say by 10% and other work is increasing by 30% it will dilute your ARPOB little bit.

**Rajnish Mehen:** So, then that means this is going to be volatile I mean we cannot have our number like benchmark or something like and on an average or something like that?

**Shanay Shah:** See, it really depends on the specialty mix, and I think as we see higher percentage arthroplasty you will see a higher ARPOB in that quarter but as we have already spoken on the earlier calls, a higher ARPOB would not necessarily mean a higher EBITDA, right so this is also important to note.

**Rajnish Mehen:** Okay, sir. Thank you then.

**Moderator:** Thank you. Our next question is from the line of Shantilal Misrimal Jain from Gujarat Karnavati Land and Estate Limited. Please go ahead with your question.

**Shantilal Misrimal Jain:** I just want to ask only one question, that is the hospital you are making that much of expansion, so is it possible to attend everything?

**Shanay Shah:** Sorry Sir, can you come again, we missed you question, sir?

**Shantilal Misrimal Jain:** See, you are making very good expansion, but will it be possible for you to cope up all these things?

**Shanay Shah:** Sir, that is a very good question that you have asked, and we have a very strong management team under Dr. Shah, we basically are led by CXO so for operations and HR we have Mr.

Babu who is in Human Resource Officer, we have Dr. Nishita Shukla who is heading the group as operations head at group level, Mr. Inani is basically the Chief Financial Officer and we have these seven to eight CXO's and they are headed by 200 member corporate staff in our corporate office and each of the units that we run there is a proper organogram where these 200 people to 300 people , 400 people are led eight or none very strong people at the top and of course now at a group level we have Mr. Sushobhan Dasgupta who has joined us at the group level who will be over seeing not only the hospital business but also the medical devices business for us.

**Shantilal Misrimal Jain:** See, there no two opinions about Dr. Vikram Shah because he is a world-renowned person, not India known. But one thing I am asking that whatever you do will it possible for Dr. Vikram Shah to attend?

**Shanay Shah:** So, basically it is very important to note that Dr. Vikram Shah, 80% - 90% of his time is spent on his clinical work of orthopaedics, so he was always led by a very strong management and as I said earlier on this call, we have a new addition in Mr. Dasgupta who has three decades plus of experience into healthcare industry at a very, very senior level.

**Shantilal Misrimal Jain:** Right. But the operations that have are going there?

**Sushobhan Dasgupta:** So, first of all thank you for this question, so rather it is a pertinent question, and I am sure it is in the minds of many people. One of the reasons that is company is successful or any business is successful as you rightly know is that we have to have the right people at the right place, at the right time. So, as you rightly said Dr. Shah has been an epitome or has been the completely the backbone of successful Shalby. But having said this when you look at the future, we are really looking at inducting a lot of people including professionals who are very escute in running an organization like Shalby, so as Shanay pointed out I have joined in the organization as 30 plus experience in this healthcare sector in multinational corporations across the world. We have a very good team of CXO's of business unit leads and as we talked about, we are getting into business where it has a synergistic and alignment of the business. For example, we have gone into the orthopaedic implant business because no other hospital group and no other person than Dr. Shah and the team out here knows better about orthopaedic joint replacements than Shalby and that is the reason we got into orthopaedic implants so that we can have end-to-end integrations. We have gone into the Shalby orthopaedic centre of excellence and the franchisee model because the orthopaedic expertise that we have will be able to take care. As well as we are getting into multi specialities because we are believing places like cardiac, spine, neuro, oncology, are areas that we will cure. So, do we addressed your question, sir. We are preparing ourselves to be a very successful company and be able to handle all the expansions that we have done so far.

**Moderator:** Thank you very much. That was the last question. I now hand the floor back to the management of Shalby Limited, for closing comments. Over to you, Sir!

**Sushobhan Dasgupta:** Thank you again for joining our Q1 FY2022 Earnings Call. As I said earlier, and I can repeat again and again I can confidently say that these are exciting time ahead for us as an organization in Shalby as we move forward on our new initiatives and we are well positioned to deliver a profitable and sustainable growth and create value for all our stakeholder. Again, if you have further questions, please feel free to connect with the Investor Relations Team and please continue to stay healthy, safe and sound. Thank you.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.