

February 8, 2022

**Shalby/SE/2021-22/96**

The Listing Department  
National Stock Exchange of India Ltd

**Scrip Code : SHALBY**

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

Corporate Service Department  
**BSE Limited**

**Scrip Code: 540797**

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

**Sub.: Transcript of Earning Conference Call held on February 4, 2022 for Q3 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/2021-22/91 dated February 2, 2022 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 February 4, 2022, wherein Unaudited Financial Results for quarter and nine months ended December 31, 2021 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**

**Shalby Limited**

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Vapi - Indore - Jabalpur - Mohali - Naroda (Ahmedabad) Krishna Shalby (Ahmedabad) Surat - Jaipur Upcoming Hospitals : Nashik - Mumbai



## “Shalby Limited Q3 FY-22 Earnings Conference Call”

**February 04, 2022**



**MANAGEMENT:** **DR. VIKRAM SHAH – CHAIRMAN & MANAGING DIRECTOR – SHALBY LIMITED.**  
**MR. SUSHOBHAN DASGUPTA - VICE CHAIRMAN & GLOBAL PRESIDENT – SHALBY LIMITED**  
**MR. SHANAY SHAH – PRESIDENT – SHALBY LIMITED**  
**MR. VENKAT PARASURAMAN – CHIEF FINANCIAL OFFICER – SHALBY LIMITED**  
**DR. NISHITA SHUKLA – CHIEF OPERATING OFFICER – SHALBY LIMITED**  
**MR. BABU THOMAS – CHIEF HUMAN RESOURCES OFFICER – SHALBY LIMITED**

**MODERATOR:** **MR. ABDULKADER PURANWALA – ELARA SECURITIES PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Shalby Limited Q3 FY22 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 the 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. Abdulkader Puranwala from Elara Securities Private Limited. Thank you and over to you sir.

**Abdulkader Puranwala:** Thank you Lizzan and good afternoon everyone. And we welcome all the participants to the Shalby Limited Q3 FY22 Earnings Call hosted by Elara Securities. Sorry for the interruption. So we have on the call with us Mr. Sushobhan Dasgupta, Vice Chairman & Global President and Mr. Shanay Shah, President followed by then we will have a discussion on the financial performance by Mr. Venkat Parasuraman, Chief Financial Officer, and then we’ll open the floor for Q&A. So, I now hand over the call to Mr. Puneet Maheshwari from Shalby for important disclaimers regarding any forward-looking statements that may be made in today’s call. So, over to you Puneet.

**Puneet Maheshwari:** Thanks Abdul. 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 these statements made in today’s call maybe forward looking in nature and may involve risk and uncertainties. Kindly refer to slide number #30 of the investor presentation for a detailed disclaimer. Now, I would like to hand over the call to Mr. Sushobhan Dasgupta, Vice Chairman & Global President for his opening remarks. Thank you and over to you sir.

**Sushobhan Dasgupta:** Thank you for Puneet and good afternoon everyone. And a warm welcome to Shalby’s third quarter and nine-month full year 2022 earnings call. All of us at Shalby sincerely hope that you, your families and your friends are staying safe and healthy. During the quarter, we continue to see a strong recovery in surgeries increasing by 84% year-on-year basis to clock (+5600) surgeries. Generally, the third quarter of a year is always moderate due to festivities, where patients usually postpone elective surgeries. Despite this, by clocking 5600 pre COVID period average count of 5000 surgeries per quarter and recorded the highest revenue numbers for any quarter three in our company history. All of you are aware that there was a rising trend for the Omicron variant of COVID. However, it was fortunate to see that in most of the cases hospitals.

If we look broadly during the first and second wave of COVID-19, Shalby has stood firmly with patients to provide high quality health care services, and even added additional beds to accommodate most patients in need. The paramedics and doctors remained fully committed to save lives during these testing times. Our Shalby homecare services was also well received, allowing Shalby to tap on to the vast patient base that it serves. Furthermore, it was encouraging for us at Shalby be to see numerous words of praise and post positive testimonials going in from our patients on how we are making a positive impact in patient’s lives from a strategic perspective, I can say that Shalby is now

truly established as a group of multi-specialty hospitals, with focus on core specialties such as Arthroplasty, Cardiac Science, Oncology, General Medicine, other Orthopedic and Neurology all gaining traction.

At our hospital in Jaipur, one of our renowned cardiothoracic and vascular surgeon, Dr. Lalit Malik performed the first mitral valve replacement minimally invasive cardiac surgery. This is indeed a matter of pride, not only for Shalby hospital of Jaipur, but for the whole state. Our Shalby hospitals Indore was awarded the most preferred Hospital in Madhya Pradesh. Recognition well deserved by the hard-working team there and to be highly proud of, as an organization it gives us immense feeling of pride and satisfaction, that the society at large acknowledging the quality of healthcare services that has been provided by Shalby and helps boost our confidence for becoming a true multi-specialty hospital serving 1000s of patients across India. Our top priority continues to remain improving occupancy levels at each of our hospitals. Our senior management teams are closely evaluating the performance at unit levels and taking necessary steps to drive occupancy across many of our units. Let me share with you some of the key initiatives that we have undertaken during the quarter to increase occupancy.

We have appointed Dr. Pankaj Shah, as the Head of Department of Nephrology and Transplantation Medicine, at Shalby hospitals. Dr. Pankaj brings 40 years of experience and has received Dronacharya mentor mentee awards in several countries such as Hong Kong and Spain. And similarly, lines, we are in the process of getting highly qualified, experienced and reputed doctors on board at all our other hospitals through direct engagement, focus group meetings, and regular CME activities. Investing in latest clinical technologies like digital spine navigation in Ahmedabad for orthopedics. IVUS for cardiology an Indore and cochlear implant for ENT in Mohali. We have had a number of patients opting for high end procedures in these hospitals. We organized free medical camps for joint replacement orthopedic consultation services in Bangalore organized 40 camps in the states of Rajasthan, Gujarat and Madhya Pradesh for healthcare awareness.

To further strengthen our position in joint replacement and orthopedics. We have organized national OPDs and camps in partnership with a number of organizations and have been getting very good response. And finally, Shalby marketing team has also launched several innovative digital and market awareness programs with the aim to grow the key segments of cardiology, oncology, neurology and orthopedics and strongly reinforce, the Shalby brand nationwide. In addition to the above, Shalby is following an asset light approach under franchise partnerships to penetrate further into tier three and tier four cities to enhance brand awareness and increase occupancy across the hospitals. As you may already be aware, in the last quarter we have launched our very first franchise owned and franchise operated we call it FOFO as the terminology hospital at Udaipur. And the performance in that unit is in line with our expectations. We are doing roughly around 10 to 11 surgeries every month now. And the business has grown around 25% on month-to-month basis since its offer realization under the Shalby brand name.

Our next franchise hospital will open in Rajkot sometime during the second half of this calendar year. And we remain on course, to open 50 hospitals under this franchise model over the next three years. Overall, all these strategic initiatives are expected to drive higher occupancy at our hospitals in the coming years, where we are taking a laser focused approach as I described above. Now let me quickly update all of you on our US implant business.

During the quarter, we have had significant progress on all the key fronts on our orthopedic implants manufacturing and business in the US. We have successfully completed the onboarding of our leadership team with the recent recruitment of a human resources manager and a supply chain director. This will bring in stronger systems, prophecies and talent. We now have a total of 55 employees at a Shalby advanced technologies company in the US. We have significantly turned around our operational capability by 50% with the ability to now manufacture 2500 components output per month. Just imagine, six months back we were outputting around 500 components per month. We are also upgrading our management accounting and payroll processing software to enhance visibility and better productivity across all parameters.

Our orthopedic implant business has recorded total revenues of \$1.2 million in quarter three full year 22 and our year-to-date revenue of \$2.8 million starting from May 16th to the 31st of December 2021. EBITDA also has turned the corner, driven by gradual changes in customer mix from wholesale to retail, which in turn drove a higher average sales price in the current quarter and a onetime liquidation of some low valued refurbished inventory as well. Our ongoing focus for this business is to re-engage with existing customers, surgeons, hospitals, channel partners through regular management field meetings in the US has also set up better systems and processes. In the next phase later this year, we would like to expand it to other the core markets of Japan, Latin America, India, South Asia, and Southeast Asia. Overall, with clear strategies in place for our hospital business and our implant business, we remain confident to drive sustainable growth in the coming years through flawless execution, and relentless focus. Now let me hand over the call to Shanay Shah, President of our company to discuss Shalby's performance during the quarter. Over to Shanay.

**Shanay Shah:**

Thank you, sir. Good afternoon, everyone and thank you for joining in. In our previous interactions we have emphasized that over the next five years Shalby as a group will build on three major verticals of growth, which are the hospital business, the franchisee business and the implant business. To focus on these strategic growth drivers, we have also strengthened our management team, who remain committed to reinforce and grow the Shalby brand globally. The COVID 19 pandemic has highlighted the need for technology improvement within the healthcare industry. Shalby be is also spearheading towards digital transformation by leveraging various technologies to enhance patient care and experience. Recently, we have implemented an AI based chatbot and a CRM software and continuously improving its features and functionalities to make the technology as a business enabler. We are also revamping our website and the mobile application. The implementation of the SAP S/4HANA is an advanced stage and is expected to go live in March 2022. As a growing healthcare

service provider, we are continuously investing in the right technology tools to enhance our service offerings.

From governance perspective, market regulators today have put a lot of emphasis on the disclosure of sustainable practices including environmental, social, and governance. We believe that healthcare sector has a pivotal opportunity to unlock value. We remain committed to adopt sustainable best practices at all levels of the organization, while growing shareholder value. Furthermore, we are conscious of our social responsibilities and as a healthcare provider continuously we are trying to improve the health outcomes while raising the cost effectiveness of therapies. Being community anchored for creating new employment opportunities, we are also running various initiatives to our Shalby Academy to not only give the country more trained paramedical service and staff but also to generate more employment.

Now coming to the quarter performance for the hospitals. I'm also happy to report that Shalby has surpassed full year FY21 hospitals business numbers in the first nine months of the fiscal year. In the first nine months of the fiscal year, we recorded the hospital revenue of 507.5 crore, which is a growth of 78% year-on-year and EBITDA of 110 crores, which is up by 80%. And with EBITDA margins remaining strong at 22% the profit is at 54.1 crores, which is up by 70% on a year-on-year basis. Our hospital business revenue is driven by an increase in surgery count by 84% year-on-year to 5679. In patient count, in patient count and outpatients count registered a robust growth of 17% and 60% on a year-on-year basis respectively. Our occupancy levels remain stable at 42% and our ARPOB excluding vaccination also recovered to Rs.32,049 as compared to Rs.26,660 with a pickup in elective surgeries. In quarter three of FY22 the arthroplasty, critical care, cardiac, oncology, orthopedics and neurology contributed 38%, 11%, 10%, 10%, 9% and 6% to the revenues respectively.

During the quarter we also saw a high number of cosmetic surgeries and oncology. Although Shalby continues to remain and maintain the leadership position in arthroplasty. It has also transformed itself as a multi-specialty hospital with a diversified revenue mix. I would also like to take a moment to introduce you to our Chief Financial Officer Mr. Venkat Parasuraman, who has joined Shalby recently. He's a Chartered Accountant and brings a rich experience of over 20 years in the healthcare industry. His previous assignment was with Medicals Global Hospitals, Hyderabad as a corporate finance. Prior to that, he has worked with companies of repute like Healthcare Global Enterprise, Johnson and Johnson, India Bulls Group, et cetera. Now, I hand over the call to Mr. Venkat to present company's financial performance.

**Venkat Parasuraman:**

Thanks a lot Shanay for your kind introduction. Good afternoon, everyone. I will just walk you through the financial performance of the company. On a quarter-on-quarter basis, the revenue recorded for this quarter is 153 crores up 16.2% from the previous quarter. EBITDA, is 31 crores down 3.3%, PBT is at 17 crores down 23.3%, PAT at 12.6 crores down 22.7%. The cash profit for the quarter is at 21.7 crores down 15%. On a consolidated basis, the revenue for this quarter is at 165

crores up 23.2% from the previous quarter, EBITDA is at 31 crores down 6% from the previous quarter. PBT is at 13.8 crores down 39.8%, PAT is at 12.9 crores down 23.2%, cash profit is at 24.2 crores down 7%.

Coming to some brighter numbers, the nine months financials on a standalone basis recorded a revenue of 507 crores up 78.5%, the EBITDA for nine months was at 110.3 crores up 80.3%, PBT was at 77.3 crores up 150%, PAT was at 54.1 crores up 70%, cash profit was at 80.7 crores up 26.3%. On a consolidated basis, the revenue for this nine months was at 544 crores up 86%, EBITDA was 104 crores up 67%, PBT was at 63.8 crores up 99%, PAT was at 43.9 crores up. So I'll repeat the nine months consolidated numbers if that is fine. So the revenue was at 544 crores up 86%, EBITDA for the nine months was at 104 crores up 67% PBT was at 64 crores up 99%, PAT was at 44 crores up 34% and cash profit was at 75.66 crores up 26%. Besides having an extremely strong balance sheet, this has been a fantastic year, nine months for the company. However, just a few points on the slightly muted performance for the third quarter in terms of the bottom line.

The third quarter against was if we pitch it against the quarter three of 21 there was a significant dip in the number of COVID patients which we saw in this quarter as compared to the same quarter last year. And that is primarily brought down the margins to some extent. Primarily there have been some increase in the employee cost in this quarter. So again, that is the second reason why the Q3 performance from a bottom line perspective has been a bit muted. Thank you very much and now I can open the call to any questions which you all may have.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of the Vibha Batra from FairConnect. Please go ahead.

**Vibha Batra:** I have two questions. One is that our operating margins have been impacted. So what will be our guidance for the coming year FY23. And second is that, our occupancy is kind of very, very stagnant. And you've given very good disclosures in your investor presentation in that if we see the older hospitals, ST for example, there also the occupancy is 45%. So, if you can elaborate on, why the occupancy is low and how would you expect it to move going forward?

**Shanay Shah:** Sure, so thanks for the question with regards to the operating margins, what has happened is that, in the first nine months of this financial year, we have done a lot of vaccinations and because of the vaccination, the margin for the hospitals are very small, they are to the tune of about 10% odd. So, the cost of consumables goes up significantly and hence, you have seen that our cost of materials in quarter three of this year has been much higher compared to quarter three in last year. Also, last year, it is important to note that about 45% of revenues actually came in from COVID work. This year, we have done a lot more surgical work and which means that whenever we are doing most surgical work it happens that you are using a lot more implants and more consumable. And that is the second reason why the cost of materials are higher. So, with regards to, the EBITDA margins for FY22 and 23, we believe that we will remain between the 20% and 23% range. And as the occupancy ramps up,

obviously you will see that this number will be inching towards the higher end of the band. With regards to occupancy levels, we have already showed you in the presentation that the newest hospitals of the group which is zero to five years are contributing almost 36% to the revenue, which is basically the highest in terms of all the three brackets. The second being 5-to-10-year hospitals with 35% revenues and the balance coming in from the oldest hospitals of the group at 29%. As you know that in Ahmedabad we are operating three large hospitals. So what happens is that, the occupancy also gets split up between these hospitals. But as Mr. Dasgupta mentioned in his commentary, we are adding top specialists for different segments who try and build in-house capabilities to ramp up the occupancy at these levels. We see this as a group, we see this as an opportunity that we have significant room to grow even in the mature hospitals, even though we are you're operating at 35% margins in those flagship hospitals with a very, very high ROC.

**Vibha Batra:** --23:07 my question on why our occupancy rates overall are low. And why aren't they moving up. So, possibly last year, there was a positive impact of COVID, but x-COVID if you were to see the occupancies my assumption is, they would be 42% odd only for several quarter.

**Shanay Shah:** See, it is important to note that last year when you look at a Y-o-Y number last year, because of 45% COVID work the average length of stay for the hospital was 6.5 days in this quarter it was four days. So, what has happened is, that an average patient staying in the hospital was much higher last year compared to this year due to COVID. So, if you see the inpatient growth in absolute numbers, there is a 15% to 17% growth in that number and more than a 20% growth if you basically factor in the fact that you know, an average patient was staying for much longer. So there is a growth, it is picking up and as I mentioned earlier in the commentary today, that we are already showing a significant growth and we are expecting that in this year, we will be growing at 30% compared to the FY20 numbers and 50% compared to the FY21.

**Sushobhan Dasgupta:** And let me also add, Mrs. Batra, let me add one thing as well. When you look at the COVID we expect definitely the COVID will go away and these sort of things may not come back, in the world or in our country. But when you look at where the biggest positive aspect is the number of surgeries. So we had a strong recovery in surgeries, we grew by almost 84% and that +5600 surgeries is a big testament of what Shanay was talking about as a 16% growth in inpatient. And that is a very clear, good trend and indication that we are moving towards the right positive direction on occupancy. And as I mentioned earlier, we're doing a lot, we do understand that occupancy needs to be improved. And we are doing several, several things, as I mentioned before, which will help us increase and turn around our occupancy.

**Vibha Batra:** That's very helpful. On the elective surgeries, last year because of COVID, a lot of patients didn't opt for elective surgery. So, how is this number vis-à-vis previous year, when there was no COVID say FY20?



**Sushobhan Dasgupta:** Yes, I will answer the question and then I'll let Shanay. If you look at the average pre COVID times as well, the average surgeries are at around 5000. So, when you look at our, and if you take this quarter or the last quarter to be free COVID and you see the number of COVID patients were very, very small or negligible, we did cross around 5600. So actually, if you look at from a surgery standpoint, we are actually showing an increase or improve trend over the previous quarters compared to a like-to-like situation of pre COVID versus today's situation without COVID.

**Vibha Batra:** Okay, fair enough. And your strategy to improve occupancy in the hospitals. It seems very low actually for a very established brands and considering our country where healthcare, actually availability of health care is an issue.

**Sushobhan Dasgupta:** When you look at the strategy, and What really drives occupancy in the hospital, when you look at the occupancy first fall is the brand of the hospital, Shalby brand. So if you look at the several activities that I talked about, we already have a strong brand, we need to strengthen it further. So we are doing a lot of activities to strengthen the brand. Secondly, is the attractive quotient of the surgeons or the clinicians in the hospital, I mentioned **(Inaudible) 27.37**, I could give you several other names that we are looking at, and getting them into our hospital fold in several of our units that will increase our occupancy. Currently, we are doing a lot of awareness even today. Even in our country, we do see still there is a bit of hesitancy coming to a hospital and that's why we are doing a lot of awareness programs to camps as well as through our digital bricks plague our marketing team is working overtime if you see the number of posts that come out in the digital social media with Facebook or LinkedIn or in some of the others, you will realize we are doing tremendous effort to ensure that we can reach out to our patients so that they can get quality care in our in Shalby hospitals.

**Shanay Shah:** Dr. Shah also wants to kind of comment on this.

**Vikram Shah:** Good afternoon. There are two, three things I would like to mention here as far as occupancy is concerned on the present date, first thing Shanay and Mr. Dasgupta said about patients up here to come for surgery in a larger hospital. So, January was weak, December was partly weak, but it is improving substantially now, Second thing is, until last year in our all new hospitals, we were doing Ayushman and other low value surgeries which we have stopped now. So the occupancy has gone down but better value surgeries are picking up. Further the more important thing is, as technology is advancing our discharge rate is increasing faster. So, previously we were keeping post-surgery, four days, five days now we are keeping for three days. So actually net value is increasing and overall occupancy levels remain same. So, if you see in five years we have grown from 350 crores to 700 crores might grow at 700. So, it is double in five years and you will see that occupancy has not improved a great other thing is, the fourth thing is we are continuously coming up with newer hospitals. So, we are expanding, so overall total net remains low when you are expanding rapidly. So, there are three, four things which actually affects this thing, but it is continuously going up our top line, our bottom line, our EBITDA, everything.

- Vibha Batra:** Sir, this is a very important data point you've shared that your top line is doubled in last four, five years and also the average length of sales is less now and therefore the occupancy is negatively impacted, but, if your average length of stay is lesser, then your margin should have expanded because, typically let's say elective surgery.
- Vikram Shah:** See, I tell you margins, there are two aspects, when we are growing we are hiring more number of people. So, cost of staff also goes up at that particular moment. And the second thing is, last two, three quarters we have been giving a lot of vaccines and vaccines don't have a lot of margin it is only Rs.150 out of Rs.1000 and the cost of material also has gone up. So, cost of material if you see in detail it is up by 4.5 crores because of vaccines. So, it is the vaccine, which is now going to go away vaccine part, which is a low margin, high material costing.
- Vibha Batra:** Sure. That's very helpful, you have any nice slide which talks about the revenue vintage wise. Just one suggestion, that on that vintage if you can also keep the occupancy and margins if it's possible. Thank you.
- Moderator:** Thank you. The next question is from the line of Avinash Balasubramaniam from Brookfield Private Limited. Please go ahead.
- Avinash Balasubramaniam:** Sir, I have couple of questions, one on your balance sheet. So, I was searching your balance sheet for the last three to four years, the accounts receivable as a percentage of sales is pretty high. I just want to understand like, in fact if you see the last year's balance sheet is around 80 crores and the year before that is 90 crores so, I just wanted to understand why the number is that high because in a hospital patients pay before discharge. So, if you can throw some light on that?
- Vikram Shah:** So, what is significantly to be noted is that there is of course the increase in revenue is there but what also drives the receivables is the outshining with the insurance and government organizations, we have a lot of tie ups with governments and TPAs wherein, while the TPAs still pay us 70 to 60 days or so, but the government reveals tend to go up and a lot of our business tends to come from that as we serve COVID, various government schemes. So, that is what is primarily driving up the receivables line.
- Sushobhan Dasgupta:** And, essentially if you see that if the company as Dr. Shah just mentioned, if the company has grown from revenues of 350 crores and it is going to go to almost two times from that number, the working capital cycle will also of course go up and because of that you have seen an increase in that and over the last five years also.
- Avinash Balasubramaniam:** Specifically to the receivables because, expansion and all that would not kind of change, what is the terms that you charge to the customers. So, I just want to understand what proportion is, because in one of them the majority is actually self-paid and insurance and PPAs actually forms a very low percentage of the overall sales of the company.

**Vikram Shah:** No. So, I'll tell you about, if you look at the slide, about 22% of the top line has actually come in from government schemes, the balance 40% is coming from the insurance patients so if you look at pie about 65% of the business has actually come in from the insurance and the government sector, insurance being the majority. Having said that, we are keeping a continuous track and trying to monitor this at group level and basically, we know that actually we have kind of contained it over the last one and a half year if you see the trend. Having said that, we are consciously cutting down on the work of some of the government schemes where basically the payment is taking a lot of time to come having said that, all the receivables that we see on the books are good receivables and are expected over the next few months.

**Avinash Balasubramaniam:** Understood sir, thank you for that. So, if I can just make a two-part question, one is I would like to get some indication on what would be the likely CAPEX for this medical implant business that going forward maybe over the next three or four years, how do you see that business next quarter?

**Sushobhan Dasgupta:** I'll answer the question. So, when you look at the implant business today, so when we took over this company, we bought the purchase the assets of the company and so, the machine, the equipment, the plant, everything came along with that. So, we have a full-fledged flow of after, if you look at the entire manufacturing process after the casting and forgings, which has been purchased from the foundries once we get that, the entire aspect from machining to polishing, to quality control to sterilization to cleaning and then to labeling, and final dispatches everything happens in our factory in Eldorado and this is one of the very few factories if you look at most of the orthopedic companies, except barring the big ones, they all go and collect from one place to the other. So, this is a one comprehensive end-to-end system. So, when you look at we have not made too much of CAPEX investment outside of what we bought, we have recently ordered two months back a machine which will help us to increase the output of femurs which is in the knee site that will be helping us further. So, as I told you earlier, we are at 2500 capacity per month, we are looking at quickly expanding it to 5000 per month capacity. With the current setup barring we have to add some more finishers into the mix when I say finishes it's basically the workforce in the mix. After that, we are looking at how we could expand, we have a facility in our operations, in our area we have around 12,000 square foot of shed which we can use, where we are looking at right now, we are not immediately looking at expanding into the CAPEX mode into that area. But we are definitely absolutely definite that we will be using that in the future in terms of expanding our CAPEX right now our focus is to ensure that we get this current factory up into 100% capacity as quickly as possible. Once we get an indication that we are closing to that we will certainly put in our CAPEX. So maybe in the future, quarterly calls, I'm sure we would be talking more about.

**Avinash Balasubramaniam:** Would it be in India or would it be like more CAPEX in the US?

**Sushobhan Dasgupta:** It's too early to say Mr. Balasubramaniam, we just started around seven months back. And I said our focus is phase by phase, phrase one is to get from 500 to 2500 implants components manufactured phase two 5000 manufacture, and then go beyond that. Once we are in this, we could absolutely, we

could get into India as well. That would be a part of our plan. But right now, it's too early to comment. I'm sure in the next few months when we speak, I will be in a better position to let you know.

**Moderator:** Thank you. The next question is from the line of Sanket B from Kedia Securities. Please go ahead.

**Sanket B:** Just wanted to know in regards to consensus, right now if you have to come to India, how long would it take, would there be any regulations that you might have to get which might take a little while, how would you come to India with consensus or you can just start selling in India immediately?

**Sushobhan Dasgupta:** I did not get the question, I heard about consensus and then I got dropped off. I'm sorry.

**Sanket B:** No worry sir. Sir, I was just asking for consensus to come to India, do we need any different types of regulations which might take a while before the launch before we start a business in India and how long would that process take?

**Sushobhan Dasgupta:** I'm getting blocked off and on. But, I heard your question. And the answer to that is, yes we will be coming shortly into India, we have already. There's a lot of documentation is involved. From a regulatory standpoint, the great news is that we have all the documents ready. And we have compiled them and we have actually submitted to the regulatory authorities sometime in November. The regulatory authorities are evaluating our documentation, some questions have come through, we have answered that. So this is the usual process that takes place. And we are pretty, very, very optimistic that we should be able to get our regulatory approval within this quarter. If that happens, we will try and launch as soon as possible. I'm sorry, I don't know whether you heard me because I'm going on and off my mic.

**Sanket B:** No worries, I got your answer. So this 100 crore that you're getting in FY23 this would come from which market, this would come from the US or would it come from economy?

**Sushobhan Dasgupta:** No, it will come primarily from the US as I had said, so when you look at the history of consensus, they have slowly, slowly, slowly we're moving to a different technology and they hired a company called Trackpad. So really neglected this organization and this hip and knee implant business. So, the good news is because our production and this is one of the very few products I can vouch for it is it has a zero-product recall, you look at any orthopedic company, Google it and see how many companies can claim that they have zero product recalls in their 25 years of operations. And we have implanted 60,000 knees and close to 40,000 hips in the world mainly in the US. So, to your question, our primarily work in the full year 2023 is to satisfy and give to all our loyal customers who have been urgently or eagerly waiting for. So our supply chain is becoming robust, we'll be supplying to all of them. Obviously, we will also get new customers in the US, we will also cater to Japan and we will as I said we will enter India as well as we will be entering some of the Southeast Asia markets. Having said this, our bulk of our business portfolio 23 will come from the US.

**Sanket B:** All right, okay. Thank you. And just one last thing in terms of the occupancy what exactly would be normal occupancy that we can expect which is normal for a business like ours, and also for this kind of an occupancy whatever will be the normal occupancy, do we need to undertake any hiring or association to increase it to that particular level?

**Shanay Shah:** Sorry, can you repeat the first part of the question?

**Sanket B:** Yes, I just wanted to know what exactly would be an occupancy level, a normal occupancy level for a company like ours, like does it stay at this level or it should be higher as we have seen the other, any other company?

**Shanay Shah:** See, I want to give you a perspective, some of our peers have stopped showing occupancy in their investor presentation at all, because what happens is that, everyone starts looking at that one single number, the way they should be looked at is of course, occupancy is one important number that should be looked at, but along with that, some of the other numbers that should be looked at are the inpatient count growth, outpatient count growth, outpatient count growth for the company, in this quarter has been in excess of 108000. Now, these many outpatients have never been recorded in the history of this company. And which means that basically the pipeline for the company over the next few quarters is really good. So, from that perspective, inpatient count growth should be looked at, outpatient count growth should also be looked at, how the revenues are growing should be looked at, along with the occupancy so these are the three or four things one should look at along with the trend of the average length of stay for the for the group. Now, for any hospital group to increase occupancy, by adding star doctors to the hospital group is an easy task, because the doctor can come in with his entire patient base and you will see that occupancy will go up. However, the only issue with this model is that your occupancy will go up, you will be able to show the revenues, but because you will not be able to keep the control on the doctor cost to the revenue for these kind of doctors, as well as the consumable cost, what will happen is that we will not be able to reflect the kind of revenue growth in the bottom line. And as you follow most of the hospital groups, almost 50% to 60% of the cost to the top line is actually the cost of materials plus the cost of doctors. So, we have to keep a watch on that, and which is why it is very important to see the trend. And the trend for us, as Dr. Shah mentioned in the call earlier is that we have been growing 15%, 20% year-on-year if you take the average of the last five years, and we believe that within the existing capacity without adding any capital expenditure we can grow two times from this number in the next three to four years. And as I said earlier, some of our peers in the market have stopped showing the occupancy number also. So, we are still showing it because we want everyone to see all the different areas which are important.

**Moderator:** Thank you. The next question is from the line of Abdulkader Puranwala from Elara Securities Private Limited. Please go ahead.

**Abdulkader Puranwala:** Sir first question is on how the third wave has panned out as a hospital business. And by that how has the January month and so far February been for us, are we seeing some improved occupancy again and because of COVID how is the patient inflow currently?

**Shanay Shah:** So, the way we are looking at things right now, at the moment the occupancy levels are much higher than the average of Q2 and Q3 for us. And the good part is that we don't have too many COVID patients admitted. So, we are able to continue with the elective work that we are doing. I'll just throw some light to the earlier question that was asked, There was a question asked about the hiring part. Since, we try and manage things in a very efficient way, the existing staff that we have across all the hospitals are good enough to serve the existing number of patients that are admitted. So, as this number grows, over the next few years, the number of hiring's will of course increase, but it will not be in the same proportion. Because there will be operating leverage that will kick in.

**Abdulkader Puranwala:** Got, it. And sir my second question is with regards to the peer mix, so just wanted to broadly understand for you, as a hospital and for the broader industry, if I look at your presentation, the self-pay or the cash session count has decreased quite dramatically. If you see from last year, same quarter it's now close to 36%. While insurance is moving up as well. So going ahead you see this trends are more sustainable or this is mostly largely linked to the larger specialty surgeries what you're doing currently on things should normalize ahead?

**Shanay Shah:** No, so we do believe that quarter two and quarter three the kind of trend we have seen in the mix between self-pay, insurance and government will continue and the insurance pie will continue to increase, the government pie will continue to reduce and which is where your company's focus is as we talk where we want to increase and we are focusing on increasing the self-pay and the insurance pie. But you're right, the trend over the last 10 years, we have seen that there is a significant increase in the insurance penetration in the country. And Dr. Shah wants to say a few words.

**Vikram Shah:** One more thing I'd like to add here is, this quarter we will have an impact of rise in insurance pricing. Government insurance companies have increased our rates by 20% all for major companies, and our associate will also improvise accordingly, so that will have a definitive impact on February and March.

**Abdulkader Puranwala:** Got it sir. Sir my next question is on ARPOB. So ARPOB for the entire nine months, we have seen that it has seen some increase initially it was because of COVID. And now that the patient inflow is improving, we have managed to survive that kind of a higher ARPOB. So, ahead do you think this kind of a run rate on ARPOB front which is maintainable and is there any further scope for you to improve it further from this levels?

**Shanay Shah:** Yes, absolutely. So, ARPOB is a typical non-COVID quarter has been in excess of 30,000 for us in this particular quarter we have done access of 32,000 and, as Dr. Shah mentioned the average length of stay is coming down. And because of that of course, it will also increase the ARPOB from the

perspective of the trend. And, as we have seen that during the COVID in the quarters, where we had a lot of COVID work, we saw a significant drop in the ARPOB, but we believe that this trend of +32,000 kind of ARPOB will continue for us looking at the current trends for the company.

**Abdulkader Puranwala:** Sure sir. And sir my final question was on the implant business. So, as I see in the presentation, the implant business is already break even on EBITDA, in fact slightly better than that. So, are we still maintaining our revenue guidance and at what point of time, would you believe that this business can generate a company level EBITDA?

**Shanay Shah:** Yes, we would be looking at the income credit full year 23, than the plan. And for that, as we mentioned, we are trying to normally increase our sales are also try and increase our mix of sales. So when you look at the business that in the US, it has a mix of retail and wholesale, the average realization of pricing is more in the retail. So we are moving from when we started that business, the wholesale business was almost 90%. And the retail was 10%, we are moving to a much better ratio going forward every month, we see an improvement in the mix. So our plan is to get a reversal in the ratio where our retail ratio will be much higher than the wholesale ratio, which will give us a much better realization. And that in turn with our efforts of getting our costs correct, we are ensuring that we get a reduction in our manufacturing cost, as we call it bleed the assets of maximally as possible. We should be getting into an income accretive by full year 23.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing remarks.

**Shanay Shah:** Thank you everyone for joining this call.

**Sushobhan Dasgupta:** Thank you very much and look forward to seeing you again in the next quarter. Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Elara Securities Private Limited that concludes this conference call. We thank you for joining us. And you may now disconnect your lines. Thank you.