SHALBY
MULTI-SPECIALTY
HOSPITALS

June 03, 2022

Shalby/SE/2022-23/24

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

Sub.: Transcript of earning conference call held on May 31, 2022 for Q4 and FY 2021-22 Audited 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/2022-23/18 dated May 28, 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 May 31, 2022 wherein Audited Financial Results for Q4 and FY 2021-22 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**

SHALBY LIMITED AHMEDABAD

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

Encl.: Concall Transcript

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"Shalby Limited
Q4 FY2022 Earnings Conference Call"

May 31, 2022

MANAGEMENT: **DR. VIKRAM SHAH - CHAIRMAN AND MANAGING DIRECTOR, SHALBY LIMITED; MR. SUSHOBHAN DASGUPTA - VICE CHAIRMAN AND GLOBAL PRESIDENT, SHALBY LIMITED**
MR. SHANAY SHAH - PRESIDENT, SHALBY LIMITED; MR. VENKAT PARASURAMAN - CFO, SHALBY LIMITED; MR. PUNEET MAHESHWARI - ASSISTANT GENERAL MANAGER CORPORATE STRATEGY AND INVESTOR RELATION, SHALBY LIMITED

MODERATOR: **MR. A PURANWALA - ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Shalby Limited Q4 FY'22 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 touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Puranwala from Elara Securities Private Limited. Thank you, and over to you, sir.

A Puranwala: Yes, thank you. Good afternoon, everyone and we welcome all the participants to the Shalby Limited Q4 FY'22 earnings call hosted by Elara Securities. Joining us from the management side we have Dr. Vikram Shah Chairman and Management Director of Shalby, and Mr. Sushobhan Dasgupta Vice Chairman and Global President. Mr. Shanay Shah, President Mr. Venkat Parasuraman, CFO, and Mr. Puneet Maheshwari Assistant General Manager Corporate Strategy and Investor Relation. I will now hand over the call to Mr. Puneet Maheshwari for some important disclaimers, regarding any forward-looking statements that may be made in the call today. Over to you Puneet.

P Maheshwari: Thanks, Abdul. Good afternoon, everyone. Our earnings presentation is uploaded over 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 may be forward-looking in nature, and may involve risk and uncertainties. Kindly refer to Slide number 34 of the Investor Presentation for a detailed disclaimer. Now I would like to handle the call to Mr. Sushobhan Dasgupta Vice Chairman and Global President for his opening remarks. Thank you and over to you, sir.

S Dasgupta: Thank you Puneet and good evening everyone, and welcome to Shalby's fourth quarter and full-year 2022 earnings call. Hope all of you had a good year, despite the many challenges we all face together from the COVID situation. During quarter four Shalby had a strong count in surgical procedures at 5,500 plus and inpatient count came over 9,000 as well, which in turn culminated in a decent growth on a year-on-year basis.

On a progressive quarterly basis, we saw some moderation in elective surgeries due to the threat arising from Omicron in the first two months, starting the year 2022. There were not many severe COVID cases though and the infection rate was also low due to which we saw only a few cases of COVID admitted to the hospitals. Hence, we can state that this quarter's performance is driven by growth mainly from our core businesses.

Now, if you look at the full fiscal year 21-22, the year started with the second wave of the COVID which impacted the lives of many. Throughout difficult circumstances, all Shalby units our paramedics, and our doctors were devoted to saving lives. And I would sincerely like to thank each one of them for rendering this call of duty.

In addition, we expanded Shalby home care services, which saw great acceptance among patients, and we completed total visits for around 61,000 and cases of over 20,000 in the full year of 2022. This service of home care also allowed Shalby to reach a large patient base and raise brand recognition, which is expected to drive our occupancy in the longer run.

In the second half of the year, we saw a strong rebound in elective surgeries. The recovery was visible across all co-specialties, such as arthroplasty, cardiac, oncology, nephrology, and others. We crossed the proud mark of 20,000 surgeries in a year and closed the year on a strong note with the highest ever consolidated revenue of INR 711 crore and adjusted net profits of INR 72 crore.

From a strategic perspective, we undertook various initiatives to improve occupancy levels and brand recognition by leveraging several of the digital media and our marketing campaigns. We conducted more than 550 healthcare camps and 360 healthcare talks across all units and Shalby Indore also launched a freedom consultation through Matritva Care Center on International Women's Day as well. A very proud moment for us.

I'm also proud to inform all of you that the Shalby Indore unit has organized the first high-definition 3D mapping Arrhythmia workshop in the state. 3D mapping is a highly specialized form of treatment for arrhythmia or disorders of heartbeat, a team of cardiologists performed these procedures on six such patients.

This is the first occasion when such latest and most advanced technology has been used in the state of Madhya Pradesh to treat such heart diseases and coupled with all the kidney and liver transplants that we perform at Shalby, Ahmedabad, as well as in Indore and as well as in other hospitals, plus some of the complex hip and knee replacement surgeries that we do. Shalby truly is a great destination for all types of surgeries that we can offer to patients in India and overseas.

Similarly, Shalby Hospital in an association with Jabalpur Orthopedic Association has conducted a demonstration of a first ever live advanced knee replacement surgery, and subsequently arranged a conference with the orthopedic surgeons to exchange ideas on the best methods of joint replacement, and surgeries through surgical and non-surgical methods and various joint diseases. The conference was chaired by our Chairman, Dr. Vikram Shah, and was attended by more than 125 orthopedic surgeons from Nagpur, Delhi, Indore, and Madhya Pradesh.

We are also highly focused on expanding our footprint through the asset-light franchise model plan, and during the quarter, we have signed three more MOUs in the cities of Gwalior, Kanpur, and Lucknow, which are expected to operationalize in the coming years. We have plans to open over 50 Shalby franchise hospitals across India within the next three to four years, and capitalize on Shalby expertise and excellence in orthopedics.

Now a quick update on our U.S. implant business. During the quarter, we have made significant progress on all the critical drivers of our implant business. We have built a team of experienced professionals to lead the key departments and improve the operational capability by 50% in the U.S.

Production has been ramped up from 300 components per month to 2,500 plus components per month at the end of the FY 2022 and is expected to near 4,500 to 5,000 components per month, as we approach the end of this year. Our sales in the U.S. have been improving every passing month though, we suffered a very little setback due to the stoppage of elective surgeries in the U.S. and the supply chain delay due to the Omicron track that loom large, especially in January 2022, which we have overcome now.

We are strategically shifting our sales ratio more towards retail from wholesale which helps to serve our customers better and results in the better realization of our profits. In quarter four, we recorded total revenue of INR 10 crore, and we entered the year as of March 22, starting from 16 May 2021 at a total revenue of INR 31 crore at our U.S. implant business.

Recently, we have also received approval to import consensus implants into the Indian market, which is expected to drive further sales in the coming year. We have also launched a very innovative new knee implant product called TUKS, which stands for Tahoe Unicondylar Knee System. Tahoe is named after lake Tahoe, which is very close to our factory in El Dorado Hills in California. And the initial response has been very encouraging. We expect TUKS to drive significant sales in the coming year.

We are in advanced discussion with distributors of Indonesia to launch our implants in that country and our inactive search for distribution partners in Malaysia, Vietnam, and the Philippines. The implant manufacturing business is fully in line with our core specialty of arthroplasty and will remain on track with our annual sales target of INR 100 crore and be EBITDA positive by end of the year 2023.

These are exciting times for us. We have a very fully synergistic model that will drive sustainable exhibit top line and bottle line growth in the coming years. Now I'll hand over the call to our President Shanay Shah to discuss our company's hospital performance. Over to you Shanay.

Shanay Shah: Thank you and good evening, everyone, and thank you for joining in. It will be unfair if I don't go back 12 months and reiterate the relentless efforts put in by every healthcare worker associated with the group, as well as the management during the peak of the second COVID wave in April and May 2021.

Today, we can proudly say that Shalby converted a section of every unit into a COVID center when the nation's infrastructure was stretched. During the year, we undertook various initiatives to improve occupancy levels and brand recognition by leveraging digital media and marketing campaigns from a strategy perspective.

We have also conducted more than 900 healthcare camps and healthcare talks across all the units. We continue to showcase our strength by having 350 plus full-time doctors a large number of visiting consultants, and more than 3,800 employees while maintaining one of the lowest attrition in the industry.

We have successfully concluded our project Samanvay with SAP S4/Hana implementation across all Shalby units. The strategic implementation is quite in line with global practices and also strengthens our financial and operational process by improvising database management, administration, security, real-time access, and advanced analytics to support business decisions.

Furthermore, we have also launched a centralized cloud-based lab information system to produce standardized pathology and patient reports and share them on a real-time basis across all units. Shalby also takes pride in nurturing the young talent and imparting training in healthcare through Shalby Academy.

During the year, we have trained more than 1,200 students in various disciplines of physiotherapy, nursing, lab technician, nutrition, clinical, paramedics, hospital management, and pharmacy, as part of the academic outreach.

Over 200 students have undergone a certification program on various paramedical courses in affiliation with the national council of the paramedic department and many students completed the postgraduate course in hospital management in partnerships with various universities.

We have been awarded the most preferred hospital in Madhya Pradesh, the best medical tourism in Gujarat, and also the Six Sigma Excellence Award. We are very happy to receive top industry recognition and will continue to keep expanding for services, strengthening our brand to serve more patients while maintaining the highest quality of healthcare offerings.

Now, coming back to the performance numbers. I'm happy to report that Shalby delivered strong operational and financial performance during the year. We recorded the highest ever hospital revenue of INR 647 crore a growth of 55% year-on-year and an EBIDTA of INR 142.6 crore up by 49% with a strong margin of 22% and an adjusted net profit of INR 87.2 crore up by 77% on a year-on-year basis.

At Shalby, we are proud to announce that in FY'22 to two-thirds of the hospital revenue and half of the hospital EBITDA have come from outside the two flagship units in Ahmedabad. This is despite the flagship units growing and having further room to grow. During the last year, a total of 20,240 elective surgeries have been performed an increase of 70% on a year-on-year basis.

We saw a strong jump of 41% for inpatient count and travel for international patients has also resumed full throttle. Occupied beds increased to 563 up by 31% in FY'22, and the ARPOB and ALOS were recorded at INR33,707 and 4.55 days in FY'22, compared to INR27,400 and 5.42 days in FY'21.

Our core specialties, such as arthroplasty, critical care, general medicine, oncology, cardiology, orthopedics, neurology, and nephrology contributed 29%, 22%, 9%, 8%, 8%, 5%, and 3% to the revenues respectively.

We continue to generate strong cash flows from the hospital operations of INR 123 crore driven by self-pay patients mixed contributing more than 45%, which helps strengthen our balance sheet further. Our realized return on capital employed from the hospital business has increased from 8% in FY'21 to 14% in FY'22.

We have also launched an employee stock option scheme for the employees to reward them for their loyalty and performance. This is in addition to the Shalby Medicos Trust, which was created for rewarding the doctors associated with the group. This is in line with the chairman's objective of wealth creation for all involved in the growth of the company.

I now hand over the call to Mr. Venkat, to present the company's detailed financial performance for the quarter and the year.

V Parasuraman: Thanks, Shanay. Good afternoon, everyone. Now I'll be walking you through the financial performance of the company for the fourth quarter 202of 2. So first I'll be running you through the standalone performance of the hospital's group, and then I'd be running you through the consolidated financial performance. In FY'22 we recorded a spectacular increase of 54% in our revenues to INR 659 crore on a year-on-year basis. While the first quarter was marked by some impact of COVID, we also saw a significant recovery in revenues from elective surgeries in the subsequent quarters. We are also happy to inform you that the company achieved all-time peak revenues this year, as Shanay Bhai has already told us. The company's EBITDA increased from INR 57 million in FY'21 to INR 1,426 million in FY'22, a 49% increase year-on-year.

Our EBITDA margins continue to be very strong at 21.6% again, delivering 20% plus margins consistently. After making every adjustment for the MAT, we have delivered a net profit of INR 872 million for FY'22, a strong increase of 79.1% year-on-year.

Now coming to the quarterly performance, the company registered total revenues of INR 1,523 million for Q4 FY'22 compared to INR 1,440 million a growth of 5.8%

from the same quarter previous year. EBITDA for the quarter is INR 323 million, again, a strong margin of 21.2%.

The profit before tax is INR226 million. The net profit for the quarter was INR157 million compared Ito NR 110 million for the same quarter last year. Coming to the consolidated financial results in FY'22, we recorded revenues of INR7,114 million, a significant increase of 62% year-on-year. EBITDA was INR1,324 million in FY'22 38.6% growth, the adjusted net profit was INR716 million a 32.9% growth year-on-year.

Now please note, that these consolidated numbers are not comparable because of the addition of the SAT business in the current year. So, on the SAT performance, uh, as Mr. Sushobhan also mentioned. They have we have touched revenues of INR310 million in the first year of operations. However, very understandably it had negative EBITDA PAT and PAD in the first year of operations of INR67 million, INR117 million, and INR118 million.

They are expecting a significant increase in the operations in the current year, and we are expecting it to be am EBITDA positive for FY'23. Coming, we have closed the year with cash balances of INR1,551 million on a standalone basis and INR 475 million at a group level. That's for financial purposes. I open the floor for any questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Sanket from Kedia Securities. Please go ahead.

Sanket: Yes. Firstly, congratulations on a good set of numbers. Just wanted a small clarification. Can you tell us about what is the total capacity of the company-owned and operated bed? And then similarly under the FOFO and the FOSO category? And what is the planed?

Shanay Shah: Okay. So, when we say the total bed capacity of 2,112 beds, these are all operated by the company. And this does not include the FOFO and the FOSO beds at all.

Sanket: Understood. But when you, when looking at the occupancy rate in this quarter, you had mentioned it was 40% on 500-odd beds. So that comes to around 1,200 beds, 1,200, 1,250 beds. So how does the total capacity be 2,112 beds?

Shanay Shah: Yes, so I think you know, there we always say that our operational beds are 1,235 if you look at the presentation. So, 40% of that would be 500 beds. So, these 1,235 beds are part of the 2,112 beds, which are all operated by the company and do not include the FOFO or the FOSO beds at all.

Sanket: Understood. And where are the additional beds the difference like? Is it between 2,100 beds and 1,200 beds? What is the difference in regards to that?

Shanay Shah: Sorry? Can you come again on that, please?

Sanket: Why is there a difference between the operational beds and the total capacity? Are the remaining 900-odd beds, not operational or how is it? How should we interpret the thing?

Shanay Shah: Correct. So, as we see the occupancy ramp up we will see that these operational beds will increase. So, at the moment the 1,235 beds are beds, which are kind of manned by nurses and paramedical staff, and where about 500 people in the 500 to 550 are the nighttime occupancy. The daytime occupancy is always 10% to 15% higher than that.

And essentially as the occupancy, as you see the occupancy ramp up every year, gradually we'll have to increase these number of beds. And we have mentioned in some of our earlier calls that from 1,235 beds to go operational beds of 2,000 plus it'll require a capital expenditure of only about INR15-odd crore. So, largely most of the CapEx has already been done for these balanced beds as well.

Sanket: Understood. And apart from this, is there any planned capacity which you are looking for in the company-owned and company-operated beds? There is one in Santa Cruz and one in Nashik, but are they included in these figures?

Shanay Shah: No, they're not included Sanket. So, these are the hospital beds that will be added in the years to come. So, we have not included them as part of the capacity as yet.

Sanket: So apart from these two projects, are there any other projects where you would be going company-owned or company operated model?

Shanay Shah: So, Sanket, we are continuously evaluating many projects on a weekly basis, we get a lot of opportunities because as you know, a lot of consolidation is happening in the industry. So when there's something material that comes up, we will definitely disclose it in our calls.

Sanket: And secondly, in regard to the Shalby consensus. The total capacity is 60,000, right or can we increase it further?

Shanay Shah: Yes. So, Mr. Dasgupta was also on the call. I think he will be able to take that.

S Dasgupta: Yes, Sanket, the 60,000, when I say 60,000, it's 60,000 components for the total year, which is around 5,000 per month. At this current moment, if we have all the machines running with these two shifts that we operate, we can do 60,000 components per month. Right now, what we have, we have around 28 machine people which includes finishers and machinists, and machine operators. We have three categories in the workflow.

So, with that, we are currently operating between 2,500 to 3,000 components per month, which basically means around 30,000 to 30,000, 36,000 components per year. We are now ramping it up to get it to the 60,000 per month level, by adding more people on the shop floor, but not increasing the shifts.

What happens is, to order to get into the 60,000, we will be adding more people. And by the end of this year, we expect to reach that 60,000 level. The total capacity we could ramp up to close to 100,000 to 120,000 components within the same infrastructure, by adding a bit more machines and more manpower, which is the next phase we will talk about in the later stages. But right now, we are aiming as a step-by-step base basis from 2,500 to 3,000 components per month to a 5,000 per month, by the end of this year. Does it answer your question?

Sanket: Yes, it does. Thank you for answering that. And just a small clarification out of the INR100 CR projection, which we have given for FY'23 out Shalby consensus how much would be the internal usage for this year?

S Dasgupta: It will be around 15% to 20%. So, if it's around a INR100 crore, an INR 15 crore to INR 20 crore is expected in Shalby internal and the rest would be used in the U.S. and Japan. Having said this, we are benchmarking ourselves as a target of INR100 crore, but we will certainly plan to exceed that because we have plans to launch in Indonesia and in some of the other markets going forward. Plus, we have plans to distribute to other hospitals in India as well.

Not only we will do it for internal consumption. We are receiving a lot of queries and demand from other hospitals and other surgeons across India to use our consensus branded implants, which we will slowly launch going forward this year.

Sanket: And on the TUKS project. Can you tell us more about the product's potential? And how big an opportunity can be in the coming years?

S Dasgupta: Yes. Yes. I would, I would love to answer this, but we have the world's largest joint replacement surgeon in the room. So, if Dr. Vikram Shah can answer about TUKS, he's the right person to say. Dr. Shah, please.

Shanay Shah: No, sir. I think he's just gone to the OT. So I think till he comes back you can answer.

S Dasgupta: Okay. I will answer.

Yes. He's the best person. But having said this, Sanket, quickly TUKS is the Unicondylar Knee. So, basically, when you look at the knee, it has two condyles, right. And sometimes what happens, it's called the partial knee, where at the early stage of osteoarthritis, your medial compartment gets worn out much faster than the lateral compartment. But then you don't need the full need to be replaced. What happens, that's where the unique compartment or partial compartment need comes into place.

And this is there for all companies. What is, what makes our product unique? The unique compartment, first of all, it's a fixed-bearing. Secondly, it has taken inspiration from one of the most successful, Unicondylar Knees in the world that has been, which has been done in a long period.

It has been designed by a doctor in Texas called Dr. Richard Wrightman who is one of the largest unicorn dial knee replacement surgeons in the U.S. He has already started using it and he is now helping us get a lot more surgeons into the full on Unicondylar Knee. So TUKS as you call, it is a flagship brand of ours going forward. We will not only use it in the U.S. we will also use it in India going forward when we get to launch in India as well.

Moderator: We take the next question from the line of Mr. Avinash. He's an individual investor. Please go ahead, sir.

Avinash: Hello? Sir, thank you for taking the call. My question is so far as consensus is concerned when we've given a target of INR100 crore and we've also got these approvals to sell product in India. So, what could be the possible sales other than Shalby in India. As far as the orthopedic businesses are concerned?

S Dasgupta: Yes, so, it's a great question. So, the way we are looking at it, we want to progressively go into India. We do not want to go right, completely all out because you, it takes time. So, you need to get the right people in place. So, we already have a person who's heading up our business in India.

A person who has 25 years of joint replacement selling in one of those multinational companies. We have recruited two more people, one on the Eastern side, as well as on the international side of Bangladesh and Nepal. We're getting into opportunities there as well as we have recruited a person who will be covering Western as well as parts of Southern India.

We are recruiting one more person in Northern India. So, while we assimilate and get people in we would be looking at first, our internal consumption in Shalby to ensure that we are able to take care of our internal consumption within the Shalby hospitals and then we will slowly venture into other areas.

So having said this, I would like to repeat again, that we are receiving a lot of queries, and a lot of excitement on the consent and Shalby brand in India and, a lot of surgeons are personally reached out to us asking us that they would like to use our products. There's a lot of excitement, a lot of potential will slowly realize the potential going forward.

Avinash: I mean, I guess based on the feedback do you think that the Indian business can scale to say maybe, in terms of a number may b 60,000 units over the next two to three years? Is that a likely scenario?

S Dasgupta: Yes, it, there is. But having said this, we need to understand. So, in a business, as you always know, it's not only about the top line. We manage our top line and our bottom line pretty well. When you look at the profitability, our profits, when we sell it in the U.S. is far higher than what we sell in India.

So, what we are doing, do we, do we want to deprive our patients in India? Certainly not. So, we have a short-term, medium-termed, and long-term strategy. When you look at a short-term strategy our short-term strategy is to ensure that we serve our customers in the U.S. who have been waiting for so long. So, we have to ensure that our production matches our customer demand in the U.S. first. And along with that, we would like to serve our internal consumption in Shalby. And then progressive will go into several of these hospitals that you are talking about not only in India but in the other parts of Southeast Asia and the middle-east as well, going forward, and Bangladesh and Nepal.

So to your question, yes, there's a lot of potentials. But having said this, we need to balance the potential versus the supplies that we could make along with some of the resources. What we want to do is want to do a quality job. We do not want to rush into things and get into a situation where we do not service the quality which our surgeons expect out of our brand called Shalby.

Moderator: Thank you, Mr. Avinash. We have the next question from the line of Mr. Puranwala from Elara Securities. Please go ahead, sir.

A Puranwala: Hi. Sir, my first question is with regards to the margins, what you're making in your new hospital, which is 0 to 5 years, and what you mentioned in your presentation as well. So, would like to understand that what are the kind of investments we'll have to make for lifting the EBITDA margins in hospitals where, which are of less than 10 years from the current 16%, 18% range to say almost the 37% EBITDA margin range what you make in hospitals over 10-year plus?

Shanay Shah: Yes. So, in terms of the capital expenditure, we have projected a capital expenditure this year of about INR27 crore across the group level across all the hospitals. And out of that about INR17 odd crore will come in from the non-flagship units, which are basically the newer hospitals, which are between 0 to 5 years and 5 to 10 years.

And in terms of the EBIDTA margins, we have done EBIDTA margins of almost close to 20% across both the groups across 0 to 5 years and 5 to 10 years. And there is still room to kind of for the operational leverage to kick in. So, we will stabilize at about 23%, and 25% EBITDA margins going forward. So, I think that would answer your question.

A Puranwala: Yes, sir. So, but 23% to 25% is what we're expecting in the next two, three years, or next year?

Shanay Shah: Absolutely. We would be expecting in the next two to three years.

A Puranwala: Okay. Got it. And sir, a couple of questions on the Q4 numbers. So, sir, this quarter, I mean, the occupancy if I see from Q-On-Q basis has fallen to 40% as compared to 42%. So, is there any impact of the third wave of COVID or the Omicron wave? And secondly on inpatient count as well? So, your inpatient count has also gone down a little bit well that would have been compensated by the outpatient numbers, but some color on that part would be quite helpful to understand.

Shanay Shah: No, it's a fair point. So, what has happened is in the first month, which is January the Omicron wave hit you know, India. And during that quarter, during that particular month, in fact, the elective surgeries were comparatively much lower. And at that time we did not have a lot of influx of COVID patients, which has usually been the case. Usually what happens is when there is a COVID wave, we had an influx of COVID patients, which compensated for some of the loss of elective work, but in this particular month of January that did not happen.

Having said that February and March were very, very strong for the company. And in fact the month of April, we have already clocked, the highest number of knee and hip replacements done ever in the company. We've crossed more than 1,100 in the month.

A Puranwala: Got it. And, sir, my final question is on, are we guiding anything on the hospital growth for FY'23?

Shanay Shah: Yes. So internally we have set up a benchmark ark to grow at 20% from the FY'22 levels. So, we would be aiming for about. So, we did about INR650 crore in FY'22. We'd be expecting a 20% growth on that in FY'23 across the group, across the hospital, and across all the hospitals.

A Puranwala: Got it.

S Dasgupta: Yes. Just to add what Shanaya is saying. I think it's important to know if you look at our performance of the Shalby Hospital Group from, if you take the last 15 years, which is 2008 to 2022, we'll see, that we have been consistently a CAGR growth revenue growth of 21% on revenue and an EBITDA CAGR growth of last 15 years of 23%.

And so, basically, the idea is very clear. We would continue to ensure that our revenue growth remains at plus 20% and our EBITDA growth remains at plus 20% which would help improve our EBITDA margins as we have Shanay was pointing out to 22%, 23%, 24% going forward. I hope that helps substantiate the answer question from Shanay as well. Thank you.

Moderator: We take the next question from the line of Surya Narayan Patra from Philip Capital India. Please go ahead, sir.

S Narayan Patra: Hello, So, thanks for the opportunity. Sir, just a couple of questions. First on the hospital side, sir, obviously this was one of the strong, this year we have reported one of the strongest performances of revenues and despite the impacted revenue mix, we have still managed to deliver around 22% kind of margin this year. So, on a normalized business front, how should one really look at the net?

In terms of revenue growth if I talk about then obviously FY'22 is not a normalized year. So, hence on a normalized basis, if things will not be COVID contributed and all that so what kind of growth momentum that we should see for, let's say 23 and

24? And how qualitatively the margin profile should improve? Because obviously this year's margin is impacted a bit.

Shanay Shah: So, I'll tell you, we consistently say that we have room to double the revenues and the existing capacity that we've built. So, if we have done our revenue of INR650 crore in is the year, we will be able to double this revenue over the next three to five years in the existing capacity without the addition of the new beds.

So as Mr. Dasgupta mentioned we are aiming for a 20% growth, which has been the historical trend for the group over the last 15 years. Having said that even if you look at the EBITDA margins of the group over the last 10, or 15 years, they have always been in the range of between 20% and 25%. So, we believe that even without the COVID going forward, we believe that we will be in that range. And it'll only go upwards from here as the occupancy goes up and the operational leverage kicks in.

And just to add again, when you look at the sources of growth, it's about some of the mix of surgery. So, if you see our revenues on arthroplasty today is at 29%, whereas, mixes revenue or our surgical mix or arthroplasty is 45%. So this year we did around 20,000 surgeries. So, we plan to add another 20% to 25% growth in the surgery.

So, as we add our surgeries so to your question, a normalized year will mean that more surgeries will be coming into, and that will increase our occupancy level, that would increase our revenue. And when we better our revenue mix of our surgery mix that will help in better EBITDA. So, that's the normalized year plan for us going forward.

S Narayan Patra: Just slightly differently if I ask this, sir. If I consider this kind of a growth number, if it is an organic growth and not contributed by, let's say COVID for FY'22. So, and keeping your revenue mix intact in terms of arthroplasty and all that. So, what margin it could have seen at this revenue level, at this occupancy level?

Shanay Shah: So, as I said, Surya, the margin would've remained in excess of 20%, even without COVID for this year.

S Narayan Patra: No, I am asking, whether it would be somewhere in the range of 23% plus or something like that?

Shanay Shah: No. So, if you look at quarter one margin, they have been on the higher side. So basically if you look at our quarter one margins, they've been higher than quarter two, quarter three and quarter four.

S Narayan Patra: Yes.

Shanay Shah: Because what has happened is that despite, the ARPOB being lower for COVID, what happened is the average occupied bed for that quarter was 723 beds compared to the other three quarters where we have averaged about 500 beds. So, that operating leverage did kick in at that time, which saw margin expansions. So, essentially if you see the, if you have to average it out the quarter two, quarter three, quarter four would have margins in excess of 20%, but below 22%, if that makes sense.

S Narayan Patra: Okay. Sure. Yes, this is clear. So, my second question is on the, let's say see couple of in new initiatives for better growth and qualitative growth, rather that we are taken whether this franchisee own model or the loyalty card initiatives what we are taken in the recent past. Possibly it is already a year over or something like that. So, what is the progress on those two initiatives? Whether it has really added to our progress or it is yet to be seen in a normalized year lets say FY'23 onwards? Something on that front? Hello?

S Narayan Patra: Am I audible?

Shanay Shah: Yes. So basically, yes, yes, absolutely. So, when we talk about franchisee, which was a bigger initiative for us and essentially, we already have the Udaipur franchisee which is up and running, which is a franchisee-owned, franchisee operated. We have also converted an, Ahmedabad-based just small unit where Dr. Shah started from into a franchisee.

So, these two hospitals we have already started doing a lot of marketing activities around it. We have started seeing a lot of patients coming in over there. The further development to this particular model is that we have signed already signed three more franchisees. So, we have signed one in Gwalior in quarter four of last year, we have signed one in Kanpur in quarter four of last year. And we have also signed Lucknow very recently.

So, the way things are going, we have been seeing a lot of promising response coming in from coming in from the market for this particular model. And people are wanting to associate with us on this. And absolutely it is in the earlier stage right now, but we see that these numbers will contribute very meaningfully in the years to come and we plan to have a lot more franchisees. We have a target of 11 to 12 franchisees in FY'23, which will be operational. It will be a combination of both franchisee-owned, franchisee-operated and franchisee-owned Shalby-operated.

S Narayan Patra: Okay.

S Dasgupta: So, and this is a solid strategy just to add, again, this is a solid strategy. When you look at what are the tailwinds that are there in this. So, basically when you look at orthopedics, orthopedics is the fastest growing surgery in India. The reason being because of the demographics and the potential that arises today. Today, it actually, if you look at the potential perspective there could be actually be 15 lack orthopedic procedures or joint replacements that can be done in this country today for a year.

But as we do, not more than say 2 lakhs to 2.5 lakh procedure. So, there's a huge potential. And where would this potential come in? Through not only in the Tier 1 cities, but also in Tier 2 and Tier 3 cities. So, when you look at the strategy Shalby, is the largest orthopedic center in the world.

So, it has all their expertise and the competencies that are in place. So, what we are doing is, we are lending this expertise by partnering with the hospitals, which are very interested in Tier 1, Tier 2, and Tier 3 cities to capture all the patients who would not travel so much going forward, but would like to have a Shalby type competence and capability closer at home.

So, the strategy is solid. As Shanay rightly said, it takes a bit of time to get that momentum going. We've already signed many of the MOUs. We will be signing three or four more MOUs in this, in the next two quarters going forward. And aim to get into 50 partnerships over the next three to four years with this franchisee model. So, we believe it's a solid strategy and will give us which dividends to us shall group going forward.

S Narayan Patra: Okay. Just on longer term the thing. So, the, when you say that 50 kind of arrangement franchise model. So, in terms of the mix to the overall volume that we would be achieving. So, how much it could be of the total Shalby activity?

S Dasgupta: It all depends from which stage is this. For example, so today, we started Udaipur. So, Udaipur we launched around in the start of the third quarter I would say or yes, third start of the third quarter. We have done 67 surgeries till date. So next year, definitely we plan to do close to double of the surgeries that we are doing in Udaipur SOC, which is getting around the 48% growth in quarter four alone over quarter three.

So, you can see the growth that is coming up. And if you look at the SOCs, we are getting into a 30, 25, 30, 35 bed hospitals. So, we expect this will, this will be ramping up going forward. To answer your question do I have an answer in terms of what will be the exact number of surgeries? No, but when you look at the potential, we believe this is a solid strategy that will give us risk difference going forward.

S Narayan Patra: Sure sir.

Shanay Shah: And Surya, I will add to that in fact, we are seeing a lot of ripple down effect of having these FOFO and FOSO centers, because we see a lot of influx of patients from that particular city in our group hospitals also. So, say for example, when we started Udaipur. Now what has also started happening is that because of that, we see a lot of patients coming in from Udaipur to our Ahmedabad hospitals to our Jaipur hospitals also. So, it has a kind of a dual benefit so to say.

S Narayan Patra: Yes. Sure, sir. Sir, just last question relating to this consensus. So, and the objective here is the inclusive growth of Shalby driven by consensus. So, let's say the, the theoretical understanding initially what it was like the input cap or captive requirement of the implants can be fed by consensus.

So, sir, could you give some sense of what is the? See in terms of the volume that we would be consuming at this juncture from the other brands and a percentage of that can be replaced with the internal consensus requirement. And see whether it is the discretion of discretion of the patient that only can be done or it is we can decide about which plan that can be used for which patient something on that sense.

Because what volume of our current cap requirement can be fed from consensus. And hence what overall profitability improvement led by that can be achieved? Is it possible to get a sense, currently?

S Dasgupta: Yes, sure. I can. I can give you a good understanding of that. So, when you look at, as I said. So, basically if you see, we, I said out of the INR 100 crore around INR15 crore to INR20 crore will be coming from the consensus for the current year, current fiscal year, right? So, INR20 crore means if you divided by an average selling price, it'll be around 2,000 to 2,500 implants.

We said very clearly that we do close to 12,000 implants in a year. So you, if you could do the maths, you can understand the 2,000 or 12,000 would be the first year going forward. That means, it will be definite that there will be other implants that will be also used in our consensus, in our Shalby hospitals going forward.

To your question it all depends. So, when you look at how a surgery is done. When a surgeon looks at the patient he or she decides on what implant would be the most suitable going forward. Obviously, the patient is spoken to about what brand is being used. And we also take the advice of the patients of what is their preference. Having said, this, we give them an option that these are the implants that are available. And when we choose, we do a very stringent quality check in terms of the product that we use, including consensus. As I think I have mentioned it earlier consensus is a brand which has been implanted more than 60,000 knees and for 40,000 hips in the world, especially in a stringent market, like, which is controlled by FDA in the U.S. and we have zero product recall.

So similarly, like every other brand that is used in Shalby consensus also has passed through that test. Going forward we will try and use more consensus with the consent of the surgeon and the patient in Shalby. But right now, to your question next year or rather year full year 23, we expect around 2,000 plus implants of consensus to be used in Shalby, which will be progressively increasing going forward.

S Narayan Patra: Okay. Just for the expansion of the overall consensus based. Sir, do you think there is a, do you find a necessity of a larger CapEx for scaling of this operation further. Because now you are registering in new markets, as you mentioned, Vietnam, Indonesia, Malaysia like that. And also want to enter deeply into the Indian market, along with the kind of a progresses, what you're witnessing in U.S. and Japan. So, there is, is there kind of a definitive need for a larger CapEx for consensus?

S Dasgupta: No. Right now, as I said earlier when I look at the full year 23, when we get into 5,000 components per month capacity production we would be, that would be enough to take care of our aspirational growth for our full year 23. So, we do not need any CapEx. The investment that we need is only on manpower on the shop floor people where you need, first of all, recruitment of people and then training them to get into be able to produce efficiently.

So, to your question, no, we have, we require very minimal CapEx, which mainly is in maintenance for this full year 23. But full year 24, full year 24, we will see if there's the need for CapEx to expansion we will definitely expand. We have room for expansion and we will certainly expand.

To your question again our aim is to fully bleed the assets of the corporation and all the fully bleed assets we aim to do 120,000 components or that is around 30,000 joints internally manufactured within our plant, as well as we need be we are looking even to partner with other companies to manufacture going forward. But those are long term strategies, which we have it in our playbook, which we will discuss as we get into other investor calls moving forward.

S Narayan Patra: Just one extended one sir. See, when do you think this breakeven to be achieved for consensus or what scale that you expect breakeven into to be achieve?

S Dasgupta: So, we will be breaking even at the end of this full year 23. So, when we talk in the, hopefully in the last quarter of the early quarter of next year, we should be able to probably say that we have broken even which could again be a record in an implant business because implant business takes time to break even. And we have been managing it so well efficiently, as well as increasing our profit makes as well as increasing our revenue that we can confidently say that we'll be breaking even by the end of this year.

Moderator: As we do not have any further questions I would now like to hand the conference to Mr. Dasgupta for closing comments. Thank you and over to you, sir.

S Dasgupta: Yes. Thank you again for all for participating in this investors call. As you know, this is the year-end call, so it's very important. And I, hopefully, we have been able to answer most of your queries and clarify some of the things that you wanted to ask. Having said this we are always there to please reach out to us. If you have further questions, we have our numbers, we have our email, but this has been a solid performance.

And every company, including Shalby, is on the basis of some rock solid foundation or strategy and execution. And we believe not only in having a rock solid strategy, we believe in execution. If you see the numbers they speak for themselves, and we have some very solid and robust plan that we've said. And we would like to share with you all of you going forward. So, thanks for being with us, and thanks for all your best wishes. You have a very good year for Shalby and fully at 2020. Thank you again.

Shanay Shah: Thank you all. Thanks everyone.

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