"Shalby Limited
Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Shalby Limited Q1 FY2021 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. Ankit Pandya from Elara Securities Private Limited. Thank you and over to you Sir!

Ankit Pandya: Thank you. Good afternoon to all the participants in the Shalby Limited Q1 FY2021 Earnings concall hosted by Elara Securities. Today, we have with us from the Shalby Management, Dr. Shanay Shah, President, Mr. Prahlad Inani, CFO, Mr. Babu Thomas, Chief Human Resource Officer, Mr. Murari Rajan, Principal Advisor to CMD, and Mr. Mahesh Purohit, who is the part of the Corporate Strategy & Investor Relation Team. Now, I hand over the call to Mr. Mahesh.

Mahesh Purohit: Thank you Ankit. Good afternoon everyone, our Earnings presentation is uploaded on the stock exchange website and on our company website shalby.org. We do hope you all 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. 37 of the Earnings presentations for a detailed disclaimer. Now I would like to handover the call to Mr. Shanay Shah, President for his opening remarks. Thank you and over to you Sir.

Shanay Shah: Good afternoon everyone and again a warm welcome to our first quarter FY2021 Earnings call. I would like to firstly thank all of you for your interest in Shalby, but more importantly hope you and your dear ones are keeping well and safe during these times. On this call I will start with a quick overview of the company's performance during the quarter and then hand over the call to our CFO, Mr. Prahlad Inani, to discuss the financial performance in detail.

As expected, the first quarter was severely impacted by the ongoing spread of the COVID-19 pandemic and measures adopted to contain the spread such as the nationwide lockdowns and then extended restrictions in various states. The healthcare sector has also been inundated with patients in need of COVID-19 critical care, whilst many other patients postponed their consultancies or surgeries. However in this environment the top priority for Shalby as a group has been and continues to be to provide COVID-19 treatment and ensure staff wellness and safety.

As we mentioned on our last earnings call, it was clear that revenue loss from reduced elective procedures would continue into this quarter and we have seen that the elective and semi-elective procedure volumes declining significantly. In light of these circumstances our revenue for the quarter declined to Rs. 408 million and EBITDA loss was Rs. 25 million out of which Rs. 16 million can be directly attributed to a CSR expense.

During the lockdown, a natural implication of restricted interstate and intrastate movement was declining patient visits, but as our significant portion of revenues are derived from arthroplasty and orthopedics, it was observed that many patients were deferring and not canceling their planned treatments and surgeries. Within this immensely challenging backdrop, support from our management team had been outstanding on many fronts including senior leadership opting for voluntary salary reductions. Dr. Darshini Shah, Director of Dental Cosmetologist & Implantology and Dr. Vikram Shah, Chairman & Managing Director have decided to not take any fees for their services for all of fiscal year 2021. This type of response from our senior management team is much appreciated and will go a long way in supporting Shalby during these unprecedented times. In the initial phase of lockdown, occupancy rates fell significantly across the Shalby group of hospitals; however, I am happy to report the situation is normalizing with occupancy increasing in July and August to 450 beds, very close to the pre COVID levels. In September, we have started seeing occupancy rates, which have been the highest ever for the group over the last 26 years. There are multiple reasons for this including the removal of travel restrictions, which have increased patient mobility and the fact that elective procedures can be deferred by patients for a limited period only. In addition our homecare service offering was well received and there was a positive feedback and higher acceptance of the service among COVID-19 patients. We also started tele-video consultancy services to connect and offer consultancy to patients at their convenience.

With our ongoing plans to simplify the overall Shalby group structure, we have acquired 100% of Slaney from Zodiac Mediquip, a promoter owned entity for a cash consideration of Rs. 1.1 Crores. Slaney as you may recall is engaged into supply of certain pharmaceutical and surgical products. This acquisition will create synergistic growth and opportunity for the company, we have also acquired the remaining 5% of Griffin for cash consideration of Rs. 10 lakh through our subsidiary.

Shalby's simplified organization structure is presented in the earnings presentation. Please note that there will not be any significant material impact of these transactions on Shalby Limited financials, but from now onwards all the procurements will be done through 100% subsidiaries of Shalby, hence there will be no related party transaction with any promoter held entities.

Another announcement that I would like to make is that Mr. Murari Rajan has joined our company as Principal Advisor to the Chairman with effect from July 1, 2020. He is a Chartered Accountant from UK and an MBA from MIT Sloan and he has worked as Executive Director in companies like Piramal Enterprises and JSW Steel. He has a rich experience of over 25 years in corporate strategy, mergers and acquisitions, fund raising and investment banking. He will be working very closely with the management team and he will be responsible for monitoring the execution as well as strategizing for the new businesses for Shalby that is the home care, the franchise model, the Shalby Care Card as well as the potential medical devices business that the group is seriously looking at.

Looking ahead we can say that there are signs of business normalizations and our occupancy levels have already started to reach pre-COVID-19 levels, in fact, as I just mentioned we have been coming up with new highs every day in the month of September because of the ongoing crisis. In addition. the treatment of COVID-19 patients across our hospitals except Shalby is further expected to increase the occupancy rates. I would like to take this opportunity to thank our entire team of doctors, paramedics and hospital staff for their outstanding professionalism and commitment during the course of the last few months. Now I will hand over the call to Mr. Prahlad Inani, our CFO to comment on the financial performance.

Prahlad Inani: Thank you Shanay and good afternoon everyone. I will present some thought on the financial performance and key indicators of the company for the first quarter. As highlighted by Mr. Shanay, the impact of COVID-19 clearly means that the performance of the quarter is not comparable to previous periods, either sequentially or on year-on-year basis.

However, on a standalone basis the company registered total revenue of Rs. 408 million in Q1 FY2021 compared to Rs. 1,340 million in the same quarter last year. We had EBITDA loss for this quarter of Rs. 25 million compared to a profit of Rs. 314 million in the same quarter last year. Net loss was Rs. 86 million for the quarter compared to the profit of Rs. 237 million in the same quarter last year. We were able to restrict losses to the extent possible through implementation of various cost optimization strategies and reduced operative and other expenditures. Our average occupancy rate was 17% with 205 beds occupied and ARPOB was Rs. 21,848 in the quarter and our annual average length of stay for the quarter stood 5.1 days compared to 4.2 days in the same quarter last year.

During this pandemic period, it has been observed that the patients were deferring their planned treatment and avoiding visiting hospitals unless critical and as such ‘critical care and general medicine’ was the only specialty that saw an increase in revenue. Most importantly, Shalby continues to maintain a strong balance sheet with a net cash position of Rs. 488 million, at the end of June 2020. Our robust capital structure will help us to navigate successfully through these challenging times.

Thank you very much. We can now open the call to any questions you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mukesh, Individual Investor. Please go ahead.

Mukesh: In the investor presentation you mentioned that in September you got the highest occupancy rate over the last 25 years, right?

Shanay Shah: Yes.

Mukesh: Now in Q1 FY2021 our occupancy rate percentage is 17% shall we get tentative figure for this quarter, Q2?

Shanay Shah: It will be forward looking statement and as such that number we will be unable to give you, also it is hard predict and provide a tentative number as you we can't compare Q1 and Q2 because gap is very, very significant. In Q2, it will be near to our existing occupancy of 34% to 38%.

Mukesh: Like you said now that you have lot of reduction in the costs in Q1. So in Q2 when the occupancy increases will that result in increase in EBITDA ?

Shanay Shah: In Q2, EBITDA will be higher and we are hoping it will be almost back to pre COVID levels.

Mukesh: But if we have cost optimization measures in Q1, then we should get its benefit in next quarter also?

Shanay Shah: We will certainly get benefit, but now lot of COVID patients are part of current occupancy, and as you know that average revenue per occupied bed is quite lower than normal, so even occupancy will be high, but ARPOB will also factor in and according to that the EBITDA percentage will be determined.

Mukesh: Can you give the figures of how much percentage of Covid-19 beds are allocated in different cities ?

Shanay Shah: Apart from our flagship hospital in SG Highway, we have allocated 50% of the beds for COVID-19 and remaining 50% are allocated for non-COVID treatments in the rest of the hospitals.

Mukesh: Thank you very much.

Moderator: Thank you. The next question is from the line of Jason Soans from Monarch Networth Capital. Please go ahead.

Jason Soans: One of the questions I wanted to ask, has been covered by you that Q2 occupancy will going forward will probably be around 34% to 38%. Just wanted to know more about this transaction, which is the 100% of Slaney you acquires, just wanted some color on it, what is going to be the structure of that and what is the rationale behind it?

Shanay Shah: See, Slaney Healthcare was one of the promoters owned entity 100% entity owned by the promoter and we made the transaction using DCF method and we estimated, based on the calculations, that the number was above Rs. 1.12 Crores and now we have made sure that it is a 100% subsidiary of Shalby and the other thing is regarding Zodiac, if you look at the organization structure in the investor presentation you will see that this entity was 98.5% owned by Shalby itself, but now we manage to make it a 100% subsidiary. Again for valuation of the company, and this was a transaction done only for the 5%, so we came up with the enterprise value of Rs. 2 Crores based on DCF. According to the guidelines given by income tax and essentially we have realized that 2%, which was owned by some of the external shareholders has also now been a wholly owned subsidiary of Shalby, so now 100% of Griffin is also held by Shalby. So both are going to be 100% subsidiaries of Shalby and going forward there is not going to be any related party transactions by Shalby with any of the other promoter owned entities. **Jason Soans**: Just wanted to know that in the pandemic, clearly the danger is still lock-in, I wanted to know the road ahead, how do you look at the demand for surgeries in terms of orthoplastic being a main revenue contributor, how do you look at it in terms of demand and in terms of patients returning back to the hospitals, more prominently in the elective surgery and probably also for COVID-19. If you could just give me some view on what you should we expect about that vaccine coming up soon, probably by the end of this year or the early beginning of next year, so wanted your view on that ?

Shanay Shah: If we look at the orthopedic work that we did in Q1, now compared to the entire Q1, we are doing much more than that in each of these ongoing months of Q2 and that number is also growing rapidly, so that number is going up. Having said that we are not even close to the pre COVID levels in terms of orthoplasty work that we are doing. So we are hoping that in Q3, we will be able to get close to those numbers because things are opening up very fast now. As I said, the occupancy levels of the group have been at the highest ever if you look at the average of Q2 we will be doing higher than any other quarter over the last few years, so that is also because a lot of other work has started coming back and we have been doing a lot of oncology work, a lot of nephrology work and of course COVID is also growing at a very rapid pace so we are treating a lot of COVID patients along with that and regarding the elective work we are not very worried because we know that these patients are anyway going to come back to us, so it is just a matter of things opening up and essentially delayed topline for us.

Jason Soans: Thanks, that is all from my side.

Moderator: Thank you. The next question is from the line of Raj Desai from Prospero Tree. Please go ahead.

Raj Desai: Sir my question to you is that Shalby is generating overall EBITDA margin of 19% to 20% and Ahmedabad based hospitals they are generating more than 25% of EBITDA margin - Krishna SG and Naroda, but outside of Ahmedabad hospital mainly Surat, Jaipur and Jabalpur they are generating EBITDA margin of less than 12% so as a result of which it creates a pressure on the other performing hospitals also, though they always perform even to generate average EBITDA of 19% to 20%, so generally it is assumed that the matured hospitals generate higher EBITDA than new hospitals, but I partially agree with the statement, as that is not the only thing as this hospital matures, footfall is the main thing. so I would like to know that what are the steps company is taking to improve the EBITDA margin of these hospitals and within what period they will generate at least 19% to 20% that is Surat, Jaipur and Jabalpur?

Prahlad Inani: Let me give you brief about that. You are precisely right saying that our hospitals in Ahmedabad and Gujarat, which are mature hospital are giving us good EBITDA margin that is correct, and you acknowledge one fact also that Jaipur and Surat and our Indore hospitals are the new ones. Fine, so let me tell you our Jaipur and our Indore hospitals have already started performing good and the EBITDA margin is already started in two digits. We are expecting that this will cross at least another, you can say, 300 to 400 basis points for sure because the way occupancies increasing at those places that is very nice and it is as per our expectations also. Coming back to Jabalpur, yes, you are precisely right we are focusing on Jabalpur because due to some catchment area and other things always been a low performer so we are having some strategies and we are discussing that how we can have some good doctors on-boarding in Jabalpur and that will come back. Mohali Hospital is just like one-and-a-half-year or two-year-old hospital so we are expecting that next year it will also come as a EBITDA positive and Naroda has already started outperforming though it is also three to four years bucket maturity, but that has now giving us good occupancy and EBITDA margin.

Shanay Shah: So to add to what Mr. Inani said, this is also a product of the lifecycle of the hospital, so your SG Hospital and the Krishna Hospital are seven years plus hospitals and some of these other hospitals that we are talking about are either under two years old or they are between the age bracket of two to four years, so as the hospitals will ramp up and as the hospitals will become a little more famous in the vicinity, you will see that the topline will grow and the EBITDA margins will follow. However having said that these other hospitals will only be able to do EBITDA margins of between 20% to 25% and they will not cross 30% levels that SG and Krishna doing because a lot of orthoplasty work happens in the Ahmedabad based mature hospitals and essentially because of that shear volume we are able to generate a much higher EBITDA percentage and hence as I said in some of these newer hospitals that maturity will be doing between 20% to 25% of EBITDA margin.

Raj Desai: So the newer hospitals which for example Surat, Jaipur and Jabalpur, which is right now below 12%, so you are expecting for the next around three to four quarters will reach between 18% to 20%, is that a fair estimate?

Shanay Shah: No, so I did not comment on the timeline. Essentially, we will have to see how COVID is going about and the way things are going right now but having said that we cannot comment on when it will happen on a sustainable basis.

Raj Desai: Any particular strategy that you are taking, for example, related with Jabalpur, can you throw some light on that?

Prahlad Inani: Yes, so as I told that we are hiring the good doctors and further we are hiring a competent manpower and our branding and marketing strategy is also in place, so these are the three directional approach we are going to take and we are hoping that Jabalpur will be delivering the positive results soon.

Shanay Shah: To add to what Mr. Inani is saying, across the group we have made a new strategy that we are going to be allowing visiting doctors to come in and operate at our hospitals. So that is going to be a major revenue generator for the company over and above what the full time doctors are generating. So not only Jabalpur but all the other hospitals in the group will be benefiting from this new initiative from the top management.

Raj Desai: Thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Just one thing, you mentioned that from Q2 onwards we are seeing a very good occupancy, but obviously the average revenue per bed would be lower because of COVID, so basically we do around Rs. 30,000 to Rs. 31,000 average revenue pre-COVID, so how much would be the COVID related revenue, average revenue for COVID?

Prahlad Inani: So, the ARPOB for COVID patients is about Rs. 16,000 this is aggregate average of the group wide number and as a group we have done ARPOB of Rs. 21,000 plus that is already disclosed in the investor presentation.

Dixit Doshi: Can we expect that even though we have a good occupancy rate till the time the COVID patients will be consuming lot of beds, the ARPOB to reach pre-COVID level will take some time?

Prahlad Inani: See the ARPOB to reach pre-COVID levels, again as I said, will depend on how quickly we start doing the other high-end elective work, but I can definitely tell you that we will be coming very close to the pre-COVID revenues from Q2 onwards.

Dixit Doshi: Thank you.

Moderator: Thank you. The next question is from the line of Gautam Dedhia from Old Bridge Capital Management. Please go ahead.

Gautam Dedhia: You mentioned that orthoplasty will take Q3 quarter to come back to pre-COVID levels. Can you provide some ballpark figures currently in this quarter and where would be we compared to pre-COVID levels, just a rough estimation of the range to get a sense?

Prahlad Inani: It had yet to come in, but I can tell you that for Q1 we had been at about 12% so we will be in the range of between 15% to 25%.

Gautam Dedhia: Okay, overall revenue?

Prahlad Inani: Yes.

Gautam Dedhia: Second you mentioned that by Q2 we will be almost back to pre-COVID levels in terms of revenue or EBITDA?

Prahlad Inani: In terms of both, even the EBITDA and even the revenue.

Gautam Dedhia: So margins have not been impacted basically because of our cost cutting measure in place?

Prahlad Inani: Margins have not been impacted basically let me tell you that with respect to COVID patients our material consumption is very less, so there we are getting margin and that is why our margin will not be getting impacted.

Gautam Dedhia: So we will be back to that Rs. 20 Crores -30 Crores EBITDA range that we were doing last year?

Prahlad Inani: Correct, precisely right.

Gautam Dedhia: Now when I look at all of your future business lines that you all want to get into, I just wanted to get a sense, so the medical implant project that we are considering are we applying for the government PLI scheme for that?

Prahlad Inani: Yes, you are right and there are two new schemes that has come right now, one from central government and another from state government and both the schemes are very good for our medical device manufacturing plant. Even the state government scheme Gujarat state government scheme is very good, so you are precisely right we are having our plant and we will be certainly go under those schemes.

Gautam Dedhia: So basically the schemes required investment of about Rs. 180 Crores over three years right if I am not mistaken?

Shanay Shah: For the central government policy yes, but we are not sure whether we will be using that policy but we will surely be using the state government industrial policy 2020 for sure and essentially we will have to again make a presentation to the central government if they can make any amendments for us because we are not looking at Rs. 180 Crores investment over the next two years at least.

Gautam Dedhia: Sure, that was the concern we get as it is a big investment and what is the incentive in the state government scheme, if I may ask?

Shanay Shah: So basically what they are doing is, they are giving you the land at about 6% of the cost and on an average 6% lease and then there are other benefits like they are basically reimbursing the entire capital cost that you have incurred over a period of 10 years, then they are giving you interest subsidies also on top of that, so there are many benefits that they are giving you like the ones I just mentioned. So again we will have to make a presentation to the state government here and see how we can move ahead.

Gautam Dedhia: Secondly on your franchise model, like in the last call you all indicated that you all are exploring that opportunity at least in Kolkata, Nagpur, Pune. I just wanted to get a sense on how do the economics work over there so I am getting there will be no capital employed per se, but how does the revenue sharing model works suppose if a surgery is for Rs. 100 what would be the amount that would on an average flow to us and what would be the cost involved?

Prahlad Inani: With respect to franchise model we are just developing different, different models like franchise own and franchise operated and then Shalby on franchise operated, so these models which we are working right now we are making some SOPs, we are making checklist for the due diligence and everything is there, so most probably it will be coming in a shape and then we will be declaring all these things.

Shanay Shah: Unfortunately what has happened is that because of COVID some of the plans have gotten delayed , I think we will have to look at implementing this either in Q3 hopefully if things open up, or maybe Q4.

Gautam Dedhia: Two more question, first would be on the promoter holding, there was some SEBI extension that you all have taken for bringing your stake down to 75%, so will that be applicable from December or August of next year and second would be I just want to understand going back to your medical implant device how do you all think about lawsuits in this industry, so you have your global players who are constantly faced with lawsuits maybe merit or demerit, I just wanted our thought process on the risk mitigation or possible risk associated with that business?

Shanay Shah: See regarding the medical device business, we are still in very early phase to comment on this right now, so whenever we make a plan it will be a kind of a plan where we will try to work on these things and try to avoid them as soon as possible. Largely in India we have not seen a lot of these lawsuits compared to countries like US and Europe and secondly to do with the promoter holding, essentially we are in discussions with several investors as well as brokers to work on this deal because we have not applied for an extension, so most likely by the end of this year we will have to dilute.

Gautam Dedhia: When you give your presentation you generally give data by maturity right and this time I think I could not see that, so will that practice continue once things normalize, or is it just because of COVID times that you are not providing that granular data?

Prahlad Inani: Actually this time the presentation we just made more elaborate and we presented even the hospital wise details and the key commentary on how the hospital is doing, what are the merits for each and every hospitals, so that is why best practices has been taken here that we would like to present more on hospital wise rather than that maturity bucket wise.

Gautam Dedhia: Thank you so much.

Moderator: Thank you. The next question is from the line of Anmol from JM Financial. Please go ahead.

Anmol: My first question is that since you alluded to certain cost savings and a lot of energies being spend on controlling cost for the quarter, just trying to understand that where are they across the line items and an associated question related to that, if you look at the cost that have been brought down in this quarter at least the absolute cost, what proportion of that cost saving is permanent in nature because our experience is that while revenue will come back not all cost should come back and what kind of, the new cost structure have you been able to put taking advantage of the tough times and what is the concomitant impact on margins as a consequence of that?

Babu Thomas[V|CP1]: This major saving if you look at on our books, the major saving has occurred in manpower cost, which has now reduced by around 45% from the previous quarter and that is primarily because of two, three reasons, one reason was the attrition rate for this quarter has increased and then we have not replaced the manpower during the quarter and the second one was, as Mr. Shanay said, that there was some voluntary reduction of pay from the doctors as well as from the senior team members from the staff and third one is that now there are many staff who are not willing to come to office and took sabbatical leave during this period and this also we are not replaced during this period. So almost 45% of employee cost got reduced during the quarter and then we are seeing that in coming quarters gradually occupancy is also increasing and the manpower cost is also increasing now month-on-month, but not to the pre-COVID level, but going forward now all the surgeries and all other things are picking up definitely those numbers will catch up not anyway up to the pre-COVID level, but in next one or two quarters going forward definitely we will come to that level.

Anmol: I am just trying to correlate this with one of the earlier comments made that September we have seen peak occupancy, but I am sure that September would not have seen peak cost. So what is the way we should be thinking directionally about margins because there are lot of companies have taken advantage of the situation and brought down cost at least a fare portion of the cost permanently so is it renegotiation with some of these staff and so on and so forth and how should we be looking at margin profile going ahead?

Shanay Shah: On an average when we were on the pre-COVID levels we were doing revenues of close to Rs. 40 Crores and our total pay check to doctors as well as staff was about Rs. 16 Crores, so essentially out of the Rs. 16 Crores usually Rs. 10 Crores was the doctor cost and Rs. 6 Crores was the cost for employees and some of the other outsourced services. Now the doctor cost which was earlier largely fixed in nature and there was a variable component to it, now most of this cost has become variable cost because we have made most of the doctors on a fee for service basis, so what that means is that there are significant savings and which will continue to come in, into Q2, Q3 and Q4 as well and on an ongoing basis until we again make them full time. Now when we will be making them fulltime again ? It is hard to comment because we do not know how COVID will pan out over the next few months, so that is one, so majority savings are coming from there and then of course there are some savings which are coming from employee cost also.

Anmol: So basically if I look at break it down into monthly for Rs. 40 Crores, Rs. 13 -14 Crores would be the monthly run rate and if there was Rs. 5.5 Crores of monthly run rate in terms of doctor wages then that now comes down to Rs. 1 Crore or so on a permanent basis and therefore you are looking at a 20% kind of permanent decline at peak occupancy is that a fair assessment?

Shanay Shah: Well that is not completely right, but yes basically the Q1 numbers in terms of doctor cost as a percentage to revenue as well as some of the employee cost as a percentage to revenue will be a good guidance for you, for the next few quarters.

Anmol: Okay thanks that answered my questions.

Moderator: Thank you. The next question is from the line of Gautam Dedhia from Old Bridge Capital Management. Please go ahead.

Gautam Dedhia: So you mentioned that you are allowing visiting doctors to now comply or conduct operations in your hospitals and for your existing doctors you moved from a fixed cost to a variable cost that will eventually again move back to a fixed cost post COVID, is that right?

Babu Thomas:: In most of the case yes, but along with that we are also engaging fresh doctors with fee for service and part-time model.

Gautam Dedhia: How do you all recognize your doctors and convince them to stay with you if you are also allowing visiting doctors, is that issue with retaining talent ?

Babu Thomas:: See the full-time model we are not abandoning that is anyway is continuing but along with that we are also allowing on a free for service model and also part-time doctors who can come and operate in our facilities, so both will parallelly run, so that there will be full time doctors continuing in our group as we had earlier engaging them.

Gautam Dedhia: On your part-time doctors, what revenue-share model do you work with?

Babu Thomas:: That varies from specialties to specialties and also to area to area it defers, but it will definitely be better when we compare it to the fixed cost model. So in many cases, it will be better than what the fixed cost model is offering to our book.

Gautam Dedhia: On the fixed cost model, do the doctors has gotten the monthly salary cheque and do they get a variable component at all?

Babu Thomas: Yes, both.

Gautam Dedhia: What would be the proportion, just to get a sense?

Babu Thomas: It again varies, definitely it is not this fixed of a proportion between fixed and variable. It defers from doctor to doctor, area to area and speciality to speciality.

Shanay Shah: We are saying doctor fee as a percentage to revenue depending on whether is a physician or a surgeon will range between 15% to 30% of the total revenue generated by the doctor and essentially what we have to do when we are talking about how much fixed component will be there, will really depend on the demand and supply for that particular doctor and that particular specialty and then of course the variable fee will be really to incentivizing for work done higher to that, but there is no fixed kind of a number that is going to be the rate for a onco-physician in Jabalpur, so it really depends on what kind of experience that doctor brings to the table and other things as well and number of onco-physicians are probably which are there in that particular town, so it depends on the range of factors.

Gautam Dedhia: No, but in this quarter when you moved completely to variable, so whatever year on year decline we are seeing in the doctor fees basically we take that as a proxy right for a fixed and variable component?

Shanay Shah: Yes, essentially what you can look at the way to assume and look at doctor cost going forward will be to see it as a percentage to revenue whatever has been achieved in Q1 in terms of doctor cost, we will not be crossing that in the quarters to come, in fact it will be much lower than that because Mr. Inani has just mentioned that we will be coming very close to the pre-COVID revenues and the pre-COVID EBITDA percentages which means the doctor cost and the employee cost will be according to that.

Gautam Dedhia: Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Jason Soans from Monarch Networth Capital. Please go ahead.

Jason Soans: Just a small clarification you said that ARPOB for a COVID patient is around Rs. 16,000 and your ARPOB for this quarter is around Rs. 21,848 what is the mix of COVID patients in the occupancy in terms of volume, just a broad range and if what is the mix now and what do you see going forward?

Shanay Shah: We cannot predict on what it is going to be going forward because it will really depend on how bad the crisis will continue to be so it is hard to comment on that and regarding the mix again we will have to come back to you with the numbers.

Jason Soans: Okay sure thanks, that is all from my side.

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

Shanay Shah: Thank you ladies and gentlemen for joining our Q1 FY2021 call. If you have any further questions, please feel free to connect with our investor relations team and continue to remain safe. Thank you.

Prahlad Inani: Thank you everybody.

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

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings